

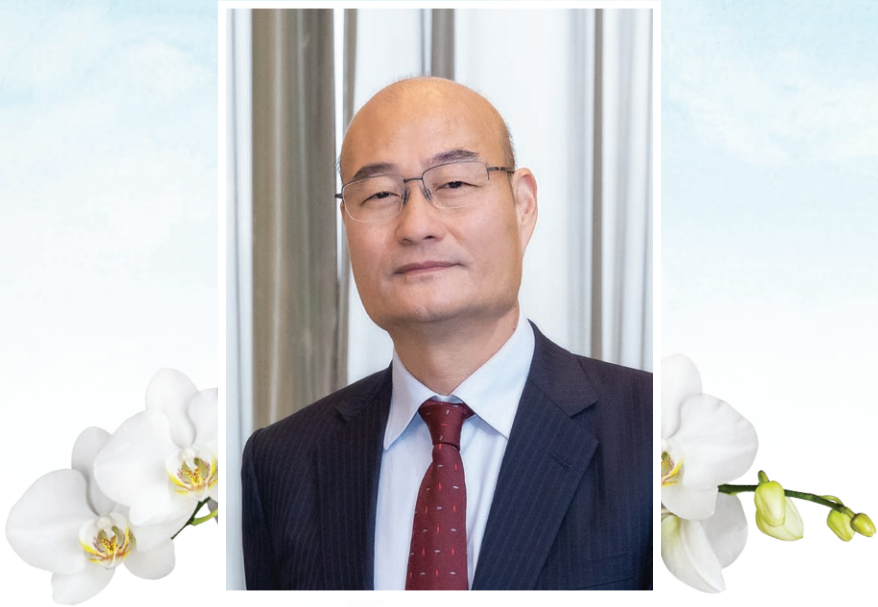


Shirble Department Store Holdings (China) Limited
歲寶百貨控股(中國)有限公司

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

INTERIM REPORT
2020





IN MEMORY OF MR. YANG XIANGBO

This year is an unforgettable year for us. We are deeply saddened by the passing away of Mr. Yang Xiangbo, the founder of the Group.

The loss of Mr. Yang Xiangbo in June this year has grieved all of us across the Group, his family and friends.

People who have got along or worked with Mr. Yang Xiangbo always showed respect and admiration for him, whether as business partners or members of the public.

Mr. Yang Xiangbo was born and raised in an ordinary family, yet he was determined to be a man of foresight where no obstacle could set him back in pursuit of his ambitions even when he was just a child. This explains his demonstration of unwavering endurance since his childhood. In his early twenties, he moved to Shenzhen and started a trading business from scratch, and he forged ahead on the path of transforming into a commercial group in just over a decade. In the early 1990s, Mr. Yang Xiangbo started to invest in the financial industry and served as a director of China Merchants Bank and China Minsheng Bank, respectively, and was one of the pioneering private

entrepreneurs establishing banks after the Chinese economic reform. Meanwhile, he formed a joint venture, Haerbin Hatou Investment Co. Ltd. (formerly known as Haerbin Shirble Electric-Heat Co., Ltd.), which was successfully listed on the Shanghai Stock Exchange in 1994. Moreover, he introduced the new generation of department store to Guangdong upon the economic reform. With his distinct market acumen and years of devoted efforts, Shirble has become a well-established and widely-recognised brand with high reliability and credibility in the department store industry. In 2010, Shirble Department Store Holdings (China) Limited was successfully listed on the Main Board of the Stock Exchange of Hong Kong. With a strong belief in that knowledge can change the world, Mr. Yang Xiangbo shared his enthusiasm for the pursuit of knowledge by providing education assistance to the society and public.

Throughout his life, Mr. Yang Xiangbo devoted himself to charity, in particular in supporting education, acting as a role model for the younger generation to learn hard and acquire knowledge to create a bright future. Over the years, he successively donated RMB100 million to The Chinese University of Hong Kong, Shenzhen for establishing the Harmonia College and James A. Mirrlees Scholarship, as well as providing generous fundings to The Open University of Hong Kong and other educational institutions in various aspects.

His profound knowledge, together with great ambition and the spirit of being down-to-earth, offered numerous forward-looking plans on business development. In recent years, he was determined to reform Shirble through optimising our existing traditional department store business and setting up online channels. Meanwhile, Mr. Yang Xiangbo also explored into the property business and strategically diversified the business scope of the Group to create synergy, moving Shirble Group onto a higher stage of development.

Regrettably, Mr. Yang Xiangbo could not go on the journey along with us. We hereby expressed our heartfelt gratitude to Mr. Yang Xiangbo for laying down a solid foundation and developing a sustainable system for Shirble Group. Going forward, we will adhere to his aspirations and be committed to developing Shirble Group into a modern enterprise group with innovative concepts, top talents and an excellent branding.

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CORPORATE PROFILE

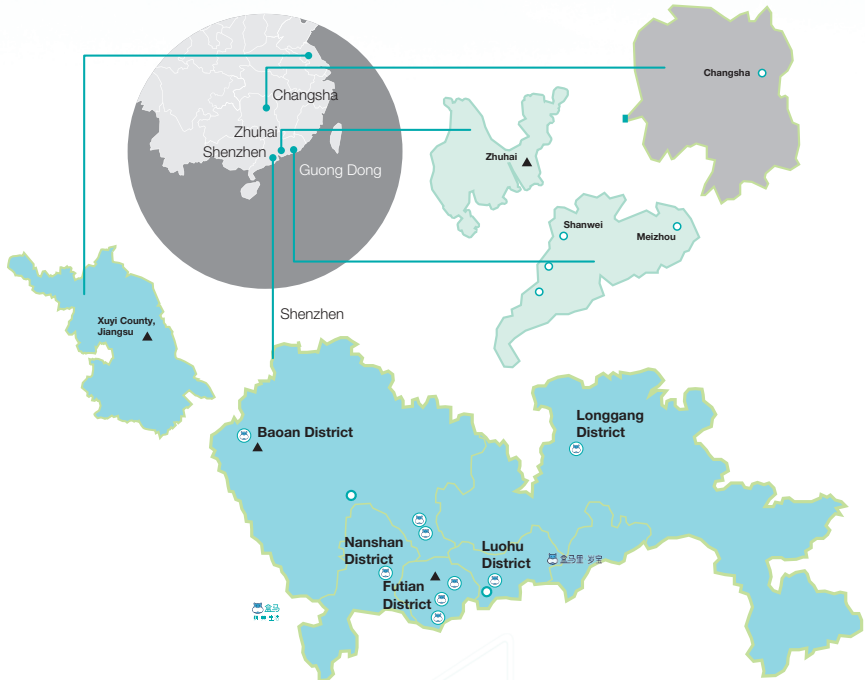
Shirble Department Store Holdings (China) Limited (the “**Company**”) was incorporated in the Cayman Islands with limited liability on 5 November 2008. The Company and its subsidiaries (collectively, the “**Group**”) are principally engaged in property development, provision of property development consulting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

The Group is one of the long-established Shenzhen-based department store chains. Targeting the mid-market segment, it runs its department stores under the “**歲寶百貨**” and “Shirble Plaza” brands. As at 30 June 2020, the Group owned and/or operated 17 department stores, twelve of which are within Shenzhen, three in Shanwei, one in Meizhou City and one in Changsha, with a total gross floor area (“**GFA**”) of approximately 301,030.1 sq.m.

Since the second half of 2018, the Group has undergone several strategic changes, including the cooperation with Shenzhen Hema Network Technology Co. Ltd. (“**Hema Shenzhen**”) to upgrade most of its department store space for its traditional supermarket business in Shenzhen region to “Freshippo”. The Group has also cooperated with Shanghai Hema Network Technology Co. Ltd. (“**Hema Shanghai**”) to create a new store brand, “盒馬里•歲寶”, to realize a new kind of shopping experience that integrate online and physical shopping. These changes allow the Group to remain competitive and to capture potential business opportunities.

Apart from its retail business, the Group has also been developing its property development business to create synergy to its other business activities. The Group will continue to grow its property business through self-development and acquisitions, which will be complementary with the existing department stores business, thereby maximising its profitability.

CORPORATE PROFILE



▲ Land/Property/Consultancy projects of the Group

○ Department stores of the Group

⊕ Department stores with Freshippo

盒馬里 歲寶 “盒馬里·歲寶”



FINANCIAL HIGHLIGHTS

OPERATING RESULTS

RMB'000	For the six months ended 30 June	
	2020 (unaudited)	2019 (unaudited)
Revenue	330,660	462,918
Operating profit	116,950	123,918
Profit before income tax	80,446	92,704
Profit attributable to owners of the Company	21,785	17,899
Earnings per share for the profit attributable to owners of the Company during the period (expressed in RMB per share) – Basic and diluted	0.01	0.01

ASSETS, LIABILITIES AND EQUITY

RMB'000	At 30 June 2020 (unaudited)	At 31 December 2019 (audited)	At 30 June 2019 (unaudited)
	Total assets	4,497,824	4,376,810
Total liabilities	2,280,211	2,144,111	2,177,775
Total equity	2,217,613	2,232,699	2,052,046

SEGMENT RESULTS

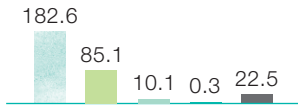
	Six months ended 30 June 2020 (unaudited)				Six months ended 30 June 2019 (unaudited)			
	Property business RMB'000	Department stores business RMB'000	Others RMB'000	Group RMB'000	Property business RMB'000	Department stores business RMB'000	Others RMB'000	Group RMB'000
Revenue	182,577	118,083	-	300,660	287,068	175,850	-	462,918
Operating profit/(loss)	124,675	7,857	(15,582)	116,950	136,248	2,946	(15,276)	123,918
Profit/(Loss) before income tax	121,842	(25,160)	(16,236)	80,446	132,760	(24,236)	(15,820)	92,704
Profit/(Loss) for the period	82,305	(44,287)	(16,236)	21,782	66,586	(32,895)	(15,820)	17,871

FINANCIAL HIGHLIGHTS

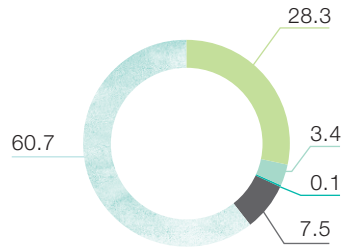
REVENUE BY CATEGORY

1H 2020

in RMB (million)

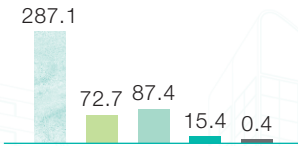


in percentage

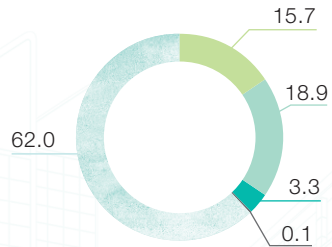


1H 2019

in RMB (million)



in percentage



- Property development consulting service income
- Rental income
- Direct sales

- Commission from concessionaire sales
- Income from reversal of long-aged unredeemed pre-paid cards and unredeemed awards credits



CHAIRMAN'S STATEMENT

Starting from the beginning of this year, Novel Coronavirus (“**COVID-19**”) has been raging around the world. Although the pandemic is easing off, a number of confirmed cases are still being reported. On the other hand, the on-going Sino-US trade dispute continues to bring uncertainties to the economic development of the PRC. According to the National Bureau of Statistics of the PRC (the “**NBS**”), the gross domestic product (“**GDP**”) of the PRC in the first half of 2020 amounted to RMB456,611.4 billion, representing a decrease of 1.6% as compared to the same period of the previous year. The national consumer price index (CPI) in June this year recorded a year-on-year increase of 2.5%, and the total online retails sales in the PRC recorded an increase of 7.3% in the first half of 2020 as compared to the previous year.

Many companies in the PRC, in particular those engaging in food and beverage and retail industry, are affected to a different extent amid such unfavourable business environment. However, as Shirble has expanded its scope of business to property business and is able to leverage on its growing online retail business, the Group has managed to disperse its risk exposure and maintain its competitiveness in the market.

BUSINESS REVIEW OF THE GROUP

Since 2018, in order to diversify the business activities of the Group, the business model of its department stores business has been passing through an adjustment stage, and such restructuring has almost been completed. As at 30 June 2020, the Group owned and/or operated 17 department stores with a total gross floor area of approximately 301,030.1 sq.m, with the renovation of two remaining stores yet to be completed. Apart from its retail business, Shirble has also been pushing forward its property development business for creating synergy to its other business activities, thereby maximising its profitability.

Our operating results for the six months ended 30 June 2020 are presented in three reportable operating segments, namely (a) property business, (b) department stores business and (c) others. During the period, the Group recorded revenue of RMB300.7 million (2019: RMB462.9 million). Profit attributable to owners of the Company amounted to RMB21.8 million (2019: RMB17.9 million). The fluctuations are mainly due to the structural change in business model for the department store business, the outbreak of COVID-19, and the contributions from the property business.

CHAIRMAN'S STATEMENT

Property business

From 2018 onwards, Shirble has been actively pursuing the property development and project management business.

On 8 April 2019, Shenzhen Shirble Enterprise Management Co., Ltd. ("**Shirble Management**"), a wholly-owned subsidiary of the Company, entered into two property development consultancy service agreements (the "**Integrated Consulting Agreements**") with Shenzhen Shengrunfeng Investment & Development Co., Ltd and Shenzhen Hexinglong Industrial Co., Ltd to provide full-cycle consulting service in respect of two development projects respectively located in Futian District and Bao'an District in Shenzhen. Both projects are successfully developed as agreed in the agreements. In addition, Shirble Management acquired a parcel of land in Jinwan District, Zhuhai through a share acquisition entered into in November 2019, which has been developed into a two-building complex. It is currently under completion inspection, and is expected to be available-for-sale/rent in the second half of 2020.

Department stores business and others

Over the years, the Group has been transforming its traditional department store business into "Shirble Plaza", the one-stop shopping mall concept that could meet the demand for high quality food and products of the middle-class. Since 2018, the Group has cooperated with Shenzhen Hema Network Technology Co., Ltd. ("**Hema Shenzhen**") to upgrade most of its department store space for the traditional supermarket business in Shenzhen to "Freshippo". The Group has also cooperated with Shanghai Hema Network Technology Co., Ltd. ("**Hema Shanghai**") to create a new store brand "盒馬里•歲寶" which incorporates the online-to-offline "new retail" concept. As at 30 June 2020, the upgrades of most of the major stores in Shenzhen have been completed.

On the other hand, our supermarket business in Shanwei and Meizhou has been outsourced to Tianhe Group since last year, and three "Tianhe Supermarkets" have come into operation. The Group's strategic investments in food and beverage will also continue to make contribution to the Group's integration of its property, retail and F&B businesses in a bid to offer a comprehensive and one-stop shopping experience to its retail customers.



CHAIRMAN'S STATEMENT

BUSINESS OUTLOOK

The continuous outbreak of COVID-19 over the past half year has posed significant risks to public health. Both retail and F&B industry are seriously hit by the weakened consumer sentiment resulting from the quarantine measures taken to prevent the pandemic from spreading. To ensure environmental health and safety and to protect consumers' health, the Group has adopted a series of strict preventive and control measures to curb the spread of the pandemic. Our normal business operation is, however, inevitably affected to a certain extent.

Fortunately, taking the advantages from the cooperation with Hema Shenzhen and Hema Shanghai, the "new retail" concept of "Freshippo" and "盒馬里•歲寶" has created business development opportunities to the Group under the sluggish market even though the footfall has dropped as a result of the pandemic. More importantly, apart from providing customers with high-class, quality and convenient supermarket and department store experiences, the online-to-offline shopping concept timely addresses the daily needs of customers, fulfilling the Group's management philosophy of "customer first" and accomplishing the mission of serving the public.

Along with the rapid technology development and the emergence of 5G in recent years, smart city and smart living have become a popular trend. As a result, the Group has expanded its businesses into different operation segments. Internally, the Group expects to strengthen its position in traditional department store industry through the continuous review and adjustment of its "new retail" online and offline department store business model; externally, the Group will also seek cooperation opportunities with various institutions or organisations to enhance the brand awareness of the Group, increase sales and perform social responsibilities. For example, the supermarkets of the Group in Shenzhen have used the application "Food Safety Tracking" (食品安全追溯) developed by Shenzhen Food and Drug Administration (深圳市食藥局), offering a convenient shopping experience to residents and providing a channel for them to trace the safety of food.

CHAIRMAN'S STATEMENT

Going forward, it is anticipated that the COVID-19 outbreak will continue to pose unprecedented risks on the global economy. Under the challenging business environment, the Group will strive to ride out the difficult times together by employing prudent business strategies for supporting daily operation and catering the uncertainties of macroeconomic and considering to maintain rent concession for tenants as appropriate. Meanwhile, the Group will continue to develop its own business and enhance its service quality with an aim to maintain our reputation and competitiveness in the industry. We will also strive for increasing revenue and pursuing a balanced growth by closely monitoring the market development and exploring opportunities, in an effort to achieve sustainable gains for our shareholders.

On the other hand, the Group will continue to develop and sell real estate projects under its brand name as and when appropriate based on market environment and relevant regulations.

Mr. Yang Xiangbo, the founder of Shirble, passed away in June 2020. His management position has been taken up by Mr. Yang Ti Wei. The Group believes that under the leadership of Mr. Yang Ti Wei, we will be able to forge ahead in face of any difficulties.



MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Our operating results for the six months ended 30 June 2020 are presented in three reportable operating segments, namely: (i) Property business; (ii) Department stores business; and (iii) Others. The following discussions and analyses are based on the Group as a whole and the operating results of each business segment.

(a) The Group

As a result of the structural change in operating model for the Group's department store business and the adverse impact of COVID-19, financial results of the department store business are inevitably affected. Nevertheless, the significant fluctuations of such are mitigated by the growth in contributions from the property business, allowing the Group to record an overall increase in profit.

Revenue of the Group amounted to RMB300.7 million for the six months ended 30 June 2020, representing a decrease of 35.0% as compared to RMB462.9 million for the same period in 2019. Revenue contribution from the property business for the six months ended 30 June 2020 amounted to RMB182.6 million or 60.7% of the Group's total revenue in the same period, while revenue contribution from the department stores business amounted to RMB118.1 million or 39.3% of the Group's total revenue in the same period. Revenue contribution from the property business for the six months ended 30 June 2019 amounted to RMB287.1 million or 62.0% of the Group's total revenue in the same period, while revenue contribution from the department stores business amounted to RMB175.9 million or 38.0% of the Group's total revenue in the same period.

Profit attributable to owners of the Company amounted to RMB21.8 million for the six months ended 30 June 2020, representing an increase of 21.8% as compared with RMB17.9 million for the six months ended 30 June 2019.

Analysis on the fluctuations of different segments of the Group is detailed in the following sub-sections.

MANAGEMENT DISCUSSION AND ANALYSIS

(b) Property business segment

Set out below is the segmental information of the Group's property business for the six months ended 30 June 2020:

	Six months ended 30 June (unaudited)	
	2020 RMB'000	2019 RMB'000
Revenue	182,577	287,068
Other losses – net	(22,617)	(117,667)
Employee benefit expenses	(35,089)	(32,962)
Other operating expenses – net	(196)	(191)
Operating profit	124,675	136,248
Finance income	31	5
Finance costs	(2,864)	(3,493)
Finance costs – net	(2,833)	(3,488)
Profit before income tax	121,842	132,760
Income tax expenses	(39,537)	(66,174)
Profit for the period	82,305	66,586

Revenue

Revenue generated from property business amounted to RMB182.6 million for the six months ended 30 June 2020, representing the property development consultancy service income recognized based on the construction progress of the property projects under the Integrated Consulting Agreements entered into by the Group in April 2019. Such revenue was decreased by 36.4% from RMB287.1 million for the same period in 2019, mainly due to the delay in construction progress as affected by COVID-19.

MANAGEMENT DISCUSSION AND ANALYSIS

Other losses – net

Other net losses amounted to RMB22.6 million for the six months ended 30 June 2020, representing mainly the net loss on financial asset at fair value through profit or loss in respect of the 19% shareholdings in TFG. For the six months ended 30 June 2019, the Group recognised a net loss in fair value of RMB117.7 million on the derivative financial instrument and financial assets in respect of such TFG shares.

Employee benefit expenses

Employee benefit expenses increased by 6.4% to RMB35.1 million for the six months ended 30 June 2020 as compared to RMB33.0 million in the same period of 2019. The increase was in line with the expansion of the Group's property business operations.

Finance costs – net

Finance costs represents interest on bank borrowing amounting to RMB2.9 million for the six months ended 30 June 2020 as compared to RMB3.5 million in the same period of 2019.

Income tax expenses

Income tax expenses amounted to RMB39.6 million for the six months ended 30 June 2020 as compared to RMB66.2 million in the same period of 2019, for the Group's property business.

Profit for the period

As a result of the above, profit attributable to the property business segment amounted to RMB82.3 million for the six months ended 30 June 2020, representing an increase of 23.6% as compared to RMB66.6 million in the same period of 2019.

MANAGEMENT DISCUSSION AND ANALYSIS

(c) 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 2020:

	Six months ended 30 June	
	2020 RMB'000	2019 RMB'000
Revenue	118,083	175,850
Other operating revenue	37,336	35,960
Other losses – net	(49,277)	(17,031)
Purchase of and changes in inventory	(9,751)	(81,532)
Employee benefit expenses	(35,498)	(46,129)
Depreciation and amortisation expenses	(10,375)	(17,331)
Other operating expenses – net	(42,661)	(46,841)
Operating profit	7,857	2,946
Finance income	6,182	6,105
Finance costs	(39,194)	(32,006)
Finance costs – net	(33,012)	(25,901)
Share of losses of an associate and a joint venture	(5)	(1,281)
Loss before income tax	(25,160)	(24,236)
Income tax expenses	(19,127)	(8,659)
Loss for the period	(44,287)	(32,895)

MANAGEMENT DISCUSSION AND ANALYSIS

Revenue

Since July 2018, the Group's department stores are being upgraded in stages and renovation work for most of the stores have been completed as at 30 June 2020. Upon the structural change in business operating model, the Group's major revenue streams change from direct sales and concessionaire sales to sublease/lease rental. Revenue breakdown of the Group's department store business for the six months ended 30 June 2020 and 2019 were as follows:

	Six months ended 30 June		Percentage of department store's revenue of the Group	
	2020 RMB'000	2019 RMB'000	2020 %	2019 %
Rental income	85,128	72,704	72.1	41.3
Direct sales	10,121	87,380	8.6	49.7
Commission from concessionaire sales	311	15,376	0.2	8.7
Income from reversal of long-aged unredeemed pre-paid cards and unredeemed awarded credits	22,523	390	19.1	0.3
Total	118,083	175,850	100.0	100.0

As a result of the Group's structural change and the outbreak of COVID-19, where there were rent waiver amounting to RMB15.2 million offered to tenants, as well as early termination and/or breach of certain existing lease contracts, (i) rental income increased by 17.1% to RMB85.1 million for the six months ended 30 June 2020 from RMB72.7 million for the same period in 2019; (ii) direct sales decreased significantly by 88.5% to RMB10.1 million for the six months ended 30 June 2020 from RMB87.4 million for the same period in 2019; and (iii) commission from concessionaire sales decreased significantly by 98.1% to RMB0.3 million for the six months ended 30 June 2020 from RMB15.4 million for the same period in 2019.

MANAGEMENT DISCUSSION AND ANALYSIS

Income from reversal of long-aged unredeemed pre-paid cards and membership card reward points increased to RMB22.5 million for the six months ended 30 June 2020 from RMB0.4 million for the same period in 2019, mainly due to an one-off income of RMB 17.2 million recognized as a result of the reversal of long-aged unredeemed awarded credits.

Other operating revenue

Other operating revenue increased by 3.6% to RMB37.3 million for the six months ended 30 June 2020 from RMB36.0 million for the same period in 2019.

Other losses – net

Other net losses amounted to RMB49.3 million for the six months ended 30 June 2020, as compared to other net losses of RMB17.0 million for the same period in 2019, primarily due to the fair value loss on investment properties of RMB66.5 million for the six months ended 30 June 2020, offset by the gain from rent waiver by landlord of RMB9.4 million in the same period.

Purchase of and changes in inventories

Purchase of and changes in inventories amounted to RMB9.8 million for the six months ended 30 June 2020, representing a significant decrease of 88.0% as compared with RMB81.5 million for the same period in 2019, which is in line with the decrease in direct sales.

Employee benefit expenses

Employee benefit expenses decreased by 23.0% to RMB35.5 million for the six months ended 30 June 2020 from RMB46.1 million in the corresponding period of 2019, primarily due to the streamline of labour force resulting from the change in business model.

MANAGEMENT DISCUSSION AND ANALYSIS

Depreciation and amortisation expenses

Depreciation and amortisation expenses decreased by 39.9% to RMB10.4 million for the six months ended 30 June 2020 from RMB17.3 million for the same period in 2019 mainly due to the reclassification of certain properties from property, plant and equipment to investment properties as a result of the change in business model.

Other operating expenses – net

Other operating expenses decreased by 8.8% to RMB42.7 million for the six months ended 30 June 2020 from RMB46.8 million for the same period in 2019 primarily due to the change in business model.

Operating profit

As a result of the reasons mentioned above, the department store segment's operating profit amounted to RMB7.9 million for the six months ended 30 June 2020 as compared to RMB2.9 million in the corresponding period of 2019.

Finance income

Finance income remained stable at RMB6.2 million for the six months ended 30 June 2020 as compared to RMB6.1 million for the same period in 2019.

Finance costs

Finance costs of RMB39.2 million was incurred for the six months ended 30 June 2020 as compared to RMB32.0 million for the same period in 2019.

Income tax expenses

Income tax expenses of RMB19.1 million for the six months ended 30 June 2020, from RMB8.7 million for the six months ended 30 June 2019.

MANAGEMENT DISCUSSION AND ANALYSIS

Loss for the period

As a result of the aforementioned, loss attributable to the department stores business segment amounted to RMB44.3 million for the six months ended 30 June 2020, as compared to the loss of RMB32.9 million for the same period in 2019.

(d) Others segment

Others represents mainly directors emoluments, staff costs and operating expenses incurred for headquarter or administrative purposes which are not directly attributable to any of the two business segments. For the six months ended 30 June 2020, such costs and expenses amounted to RMB16.2 million as compared to RMB15.8 million for the six months ended 30 June 2019, or an increase of 2.5%. The increase was in line with the expansion of the Group's business operations.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2020, the Group's cash and cash equivalents and bank deposits amounted to RMB214.2 million, representing an increase of 147.6% from RMB86.5 million as at 31 December 2019. 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.

Borrowings

The Group has long-term and short-term borrowings of RMB236.5 million and RMB184.9 million respectively as at 30 June 2020 (31 December 2019: long-term borrowing of RMB215.6 million and short-term borrowing of RMB35.6 million respectively), mainly representing the secured bank borrowing denominated in RMB secured by the charge of two PRC properties.

MANAGEMENT DISCUSSION AND ANALYSIS

Net current assets and net assets

The net current assets of the Group as at 30 June 2020 were RMB482.3 million (31 December 2019: RMB442.6 million). The net assets of the Group as at 30 June 2020 decreased to RMB2,217.6 million (31 December 2019: RMB2,232.7 million), representing a decrease of 0.7%. The fluctuation represents mainly impacts on changes in accounting policies.

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 2020, the Group recorded a net foreign exchange gain of RMB0.9 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 2020, the total number of employees of the Group was 481. 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.

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 2020, these legal proceedings were ongoing. The Group has made an accumulated provision of RMB2.4 million (31 December 2019: RMB0.6 million) for any loss or damages that may be required to be paid by the Group. The board (the “**Board**”) of directors (the “**Director(s)**”) of the Company believe that such amount of provision is adequate to cover the Group’s possible liabilities, under these claims.

Material acquisitions and disposals of subsidiaries

Except for the acquisition of 1% of the equity interest in a real estate development company in Zhuhai for a consideration of RMB500,000 (the acquisition of which is subject to the approval of the other shareholder of the target company), there are 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 2020

		Unaudited Six months ended 30 June	
	Note	2020 RMB'000	2019 RMB'000
Revenue	6	300,660	462,918
Other operating revenue	7	37,336	35,960
Other losses – net	8	(71,894)	(134,698)
Purchase of and changes in inventories	9	(9,751)	(81,532)
Employee benefit expenses	9	(76,486)	(82,954)
Depreciation and amortisation expenses	9	(14,784)	(21,740)
Other operating expenses – net	9	(48,131)	(54,036)
Operating profit		116,950	123,918
Finance income	10	6,215	6,110
Finance costs	10	(42,714)	(36,043)
Finance costs – net	10	(36,499)	(29,933)
Share of losses of an associate and a joint venture		(5)	(1,281)
Profit before income tax		80,446	92,704
Income tax expenses	11	(58,664)	(74,833)
Profit for the period		21,782	17,871
Profit attributable to:			
Owners of the Company		21,785	17,899
Non-controlling interests		(3)	(28)
Profit for the period		21,782	17,871
Earnings per share for the profit attributable to owners of the Company during the period (expressed in RMB per share)			
– Basic earnings per share	13(a)	0.01	0.01
– Diluted earnings per share	13(b)	0.01	0.01

The notes on pages 30 to 68 form an integral part of this interim condensed consolidated financial information.

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2020

	Unaudited Six months ended 30 June	
	2020 RMB'000	2019 RMB'000
Profit for the period	21,782	17,871
Other comprehensive income: <i>Item that may be reclassified to profit or loss</i>		
Currency translation differences	(1,278)	(256)
Other comprehensive income for the period	(1,278)	(256)
Total comprehensive income for the period	20,504	17,615
Attributable to:		
Owners of the Company	20,507	17,643
Non-controlling interests	(3)	(28)
Total comprehensive income for the period	20,504	17,615

The notes on pages 30 to 68 form an integral part of this interim condensed consolidated financial information.

INTERIM CONSOLIDATED BALANCE SHEET

As at 30 June 2020

	Note	Unaudited 30 June 2020 RMB'000	Audited 31 December 2019 RMB'000
ASSETS			
Non-current assets			
Investment properties	14	2,678,445	2,706,350
Property, plant and equipment	15	264,081	303,386
Intangible assets	16	10,121	12,223
Investment in an associate and a joint venture		946	952
Deferred income tax assets	17	4,260	9,788
Other receivables and prepayments	19	279,520	333,001
		3,237,373	3,365,700
Current assets			
Inventories		8,516	9,654
Financial assets at fair value through profit or loss	18	300,127	322,660
Trade receivables, other receivables and prepayments	19	285,548	230,909
Contract assets	19	452,096	361,430
Restricted bank deposits	20	24,432	24,000
Cash and cash equivalents	21	189,732	62,457
		1,260,451	1,011,110
Total assets		4,497,824	4,376,810
EQUITY			
Share capital	22	213,908	213,908
Share premium	22	757,578	793,269
Shares held for share award scheme	22	(214)	(1,171)
Other reserves		437,034	427,307
Retained profits		796,761	786,837
Equity attributable to the owners of the Company		2,205,067	2,220,150
Non-controlling interests		12,546	12,549
Total equity		2,217,613	2,232,699

INTERIM CONSOLIDATED BALANCE SHEET

As at 30 June 2020

	Note	Unaudited 30 June 2020 RMB'000	Audited 31 December 2019 RMB'000
LIABILITIES			
Non-current liabilities			
Lease liabilities		1,040,327	1,142,812
Deferred income tax liabilities	17	225,262	217,180
Borrowings	26	236,498	215,644
		1,502,087	1,575,636
Current liabilities			
Lease liabilities		79,568	81,584
Trade and other payables	24	249,135	185,340
Contract liabilities	25	69,550	112,045
Borrowings	26	184,909	35,600
Income tax payable		194,962	153,906
		778,124	568,475
Total liabilities		2,280,211	2,144,111
Total equity and liabilities		4,497,824	4,376,810

The notes on pages 30 to 68 form an integral part of this interim condensed consolidated financial information.

Yang Ti Wei
Director

Hao Jian Min
Director

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2020

	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 2020	213,908	793,269	(1,171)	427,307	786,837	2,220,150	12,549	2,232,699
Comprehensive income								
Profit for the period	-	-	-	-	21,785	21,785	(3)	21,782
Other comprehensive income								
Currency translation differences	-	-	-	(1,278)	-	(1,278)	-	(1,278)
Total comprehensive income	-	-	-	(1,278)	21,785	20,507	(3)	20,504
Transactions with owners								
Deregistration of a subsidiary	-	-	-	25	-	25	-	25
Employee share award schemes:								
- Value of employee services (Note 23)	-	-	-	24	-	24	-	24
- Vesting of shares (Note 22)	-	(52)	957	(905)	-	-	-	-
Dividend (Note 12)	-	(35,639)	-	-	-	(35,639)	-	(35,639)
Appropriation to reserves	-	-	-	11,861	(11,861)	-	-	-
Total transactions with owners	-	(35,691)	957	11,005	(11,861)	(35,590)	-	(35,590)
Balance as at 30 June 2020	213,908	757,578	(214)	437,034	796,761	2,205,067	12,546	2,217,613

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2020

	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 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	-	-	-	(256)	17,899	17,643	(28)	17,615
Transactions with owners								
Transactions with non-controlling interests	-	-	-	(25)	-	(25)	(156)	(181)
Shareholder's contribution	-	-	-	2,410	-	2,410	-	2,410
Employee share award schemes:								
- Value of employee services (Note 23)	-	-	-	149	-	149	-	149
- Vesting of shares (Note 22)	-	(62)	1,128	(1,066)	-	-	-	-
Dividend (Note 12)	-	(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

The notes on pages 30 to 68 form an integral part of this interim condensed consolidated financial information.

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2020

		Unaudited Six months ended 30 June	
	Note	2020 RMB'000	2019 RMB'000
Cash flows from operating activities			
Cash generated from/(used in) operations		41,600	(17,039)
Income tax paid		(4,000)	(2)
Net cash generated from/(used in) operating activities			
		37,600	(17,041)
Cash flows from investing activities			
Payments for purchases of property, plant and equipment and investment properties		(19,737)	(33,429)
Prepayment for acquisition of a subsidiary		(5,630)	-
Purchase of financial assets at fair value through profit and loss ("FVPL")		-	(335,253)
Transactions with non-controlling interests		-	(180)
Proceeds from sale of financial assets at FVPL		-	84,958
Deposit for sale of financial assets at FVPL received		-	67,360
Proceeds from disposals of property, plant and equipment		27	311
Principal elements of finance lease received as the sub-lessor		5,407	7,458
Interest elements of finance lease received as the sub-lessor		5,627	5,722
(Increase)/decrease in restricted bank deposits	20	(432)	16,000
Interest received		805	911
Net cash used in investing activities			
		(13,933)	(186,142)

The notes on pages 30 to 68 form an integral part of this interim condensed consolidated financial information.

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2020

		Unaudited Six months ended 30 June	
		2020	2019
Note		RMB'000	RMB'000
Cash flows from financing activities			
	Proceeds from borrowings	177,629	187,955
	Loan from a shareholder	-	220,000
	Repayments of borrowings	(7,466)	(8,994)
	Repayment of loan from a shareholder	-	(220,000)
	Interest paid	(12,691)	(1,515)
	Principal elements of lease payments as the lessee	(23,881)	(31,837)
	Interest elements of lease payments as the lessee	(30,179)	(31,735)
Net cash generated from financing activities		103,412	113,874
Net increase/(decrease) in cash and cash equivalents			
	Cash and cash equivalents at beginning of period	62,457	310,634
	Effect of changes in foreign exchange rate	196	644
	Cash and cash equivalents as at 30 June	189,732	221,969

The notes on pages 30 to 68 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 2020

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 department stores operations, property development and provision of property development consulting services in The People’s Republic of China (the “**PRC**”).

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 20 August 2020.

2. BASIS OF PREPARATION

This interim condensed consolidated financial information for the six months ended 30 June 2020 (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 2019, which have been prepared in accordance with International Financial Reporting Standards (“**IFRS**”).

The ultimate impact of the COVID-19 pandemic on the Group is uncertain at the date on which the interim condensed consolidated financial statements were authorised for issue. Management has assessed the potential cash generation of the Group, the liquidity of the Group, existing funding available to the Group and mitigating actions which have been and may be taken to reduce discretionary spending and other operating cash outflows, and non-essential and non-committed capital expenditures. On the basis of these assessments, Management have determined that, at the date on which the interim condensed consolidated financial statements were authorised for issue, the use of the going concern basis of accounting to prepare the interim condensed consolidated financial statements is appropriate.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2020

3. CHANGES IN ACCOUNTING POLICIES AND USE OF JUDGEMENTS, ASSUMPTIONS AND ESTIMATES

3.1 Accounting policies

The accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2019, as described in those annual financial statements, except for the adoption of amendments to IFRSs effective for the financial year beginning 1 January 2020.

(a) New and amended standards adopted by the Group

- Definition of Material – amendments to IAS 1 and IAS 8
- Definition of a Business – amendments to IFRS 3
- Revised Conceptual Framework for Financial Reporting
- Interest Rate Benchmark Reform – amendments to IFRS 9, IAS 39 and IFRS 7
- Covid-19-Related Rent Concessions – amendments to IFRS 16

Amendments to IFRSs effective for the financial year ending 31 December 2020 do not have a material impact on the Group except for the Amendment to IFRS 16 set out below.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2020

3. CHANGES IN ACCOUNTING POLICIES AND USE OF JUDGEMENTS, ASSUMPTIONS AND ESTIMATES (CONTINUED)

3.1 Accounting policies (Continued)

(a) New and amended standards adopted by the Group (Continued)

The Group has early adopted Amendments to IFRS 16 Covid-19-Related Rent Concessions retrospectively from 1 January 2020. The amendment provides an optional practical expedient allowing lessees to elect not to assess whether a rent concession related to COVID-19 is a lease modification. Lessees adopting this election may account for qualifying rent concessions in the same way as they would if they were not lease modifications. The practical expedient only applies to rent concessions occurring as a direct consequence of the COVID-19 pandemic and only if all of the following conditions are met: (i) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; (ii) any reduction in lease payments affects only payments due on or before 30 June 2021; and (iii) there is no substantive change to other terms and conditions of the lease.

The Group has applied the practical expedient to all qualifying COVID-19-related rent concessions. Rent concessions of RMB9,401,000 have been accounted for as negative variable lease payments and recognised in other gains in the statement of profit or loss for the six months ended 30 June 2020 with a corresponding adjustment to the lease liability. There is no impact on the opening balance of equity at 1 January 2020.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2020

3. CHANGES IN ACCOUNTING POLICIES AND USE OF JUDGEMENTS, ASSUMPTIONS AND ESTIMATES (CONTINUED)

3.1 Accounting policies (Continued)

(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 2020 and have not been early adopted:

		Effective for the financial year beginning on or after
Amendments to IAS 16	Property, plant and equipment – proceeds before intended use	1 January 2022
Amendments to IAS 37	Onerous contracts – cost of fulfilling a contract	1 January 2022
Amendments to IFRS 3	Reference to the conceptual Framework	1 January 2022
Annual Improvements to IFRS Standards 2018-2020		1 January 2022
Amendments to IAS 1	Classification of liabilities as current or non-current	1 January 2023
IFRS 17	Insurance contracts	1 January 2023
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 standards and amendments to existing standards on the Group's interim condensed consolidated financial statements.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2020

3. CHANGES IN ACCOUNTING POLICIES AND USE OF JUDGEMENTS, ASSUMPTIONS AND ESTIMATES (CONTINUED)

3.2 Use of judgements, assumptions and estimates

In preparing the interim condensed consolidated financial statements, the Group has made accounting related estimates based on assumptions about current and, for some estimates, future economic and market conditions and in particular has assumed that the current market conditions as a result of the COVID-19 pandemic is not a long-term norm. Although estimates and assumptions contemplate current and, as applicable, expected future conditions that the Group considers are relevant and reasonable, including but not limited to the potential impacts to operations arising from the COVID-19 pandemic and different monetary, fiscal and government policy responses aimed at reviving the economies, it is reasonably possible that actual conditions could differ from expectations. In particular, a number of estimates have been and will continue to be affected by the ongoing COVID-19 outbreak. The severity, magnitude and duration, as well as the economic consequences of the COVID-19 pandemic, are uncertain, rapidly changing and it is currently impossible to predict. As a result, accounting estimates and assumptions may change over time in response to how market conditions develop. In addition, actual results could differ significantly from those estimates and assumptions.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2020

4. FINANCIAL RISK MANAGEMENT

4.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, cash flow and fair value interest rate risk, and 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 2019.

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

4.2 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. 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 2020

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

4.2 Liquidity risk (Continued)

As at 30 June 2020

	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 26)	421,407	496,192	207,090	42,094	170,691	76,317
Lease liabilities	1,119,895	1,442,654	124,502	144,576	370,487	803,089
Other financial liabilities	131,013	131,013	131,013	-	-	-
	1,672,315	2,069,859	462,605	186,670	541,178	879,406

As at 31 December 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 26)	251,244	333,739	50,684	41,359	160,208	81,488
Lease liabilities	1,224,396	1,587,751	133,099	140,249	400,883	913,520
Other financial liabilities	130,955	130,955	130,955	-	-	-
	1,606,595	2,052,445	314,738	181,608	561,091	995,008

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2020

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

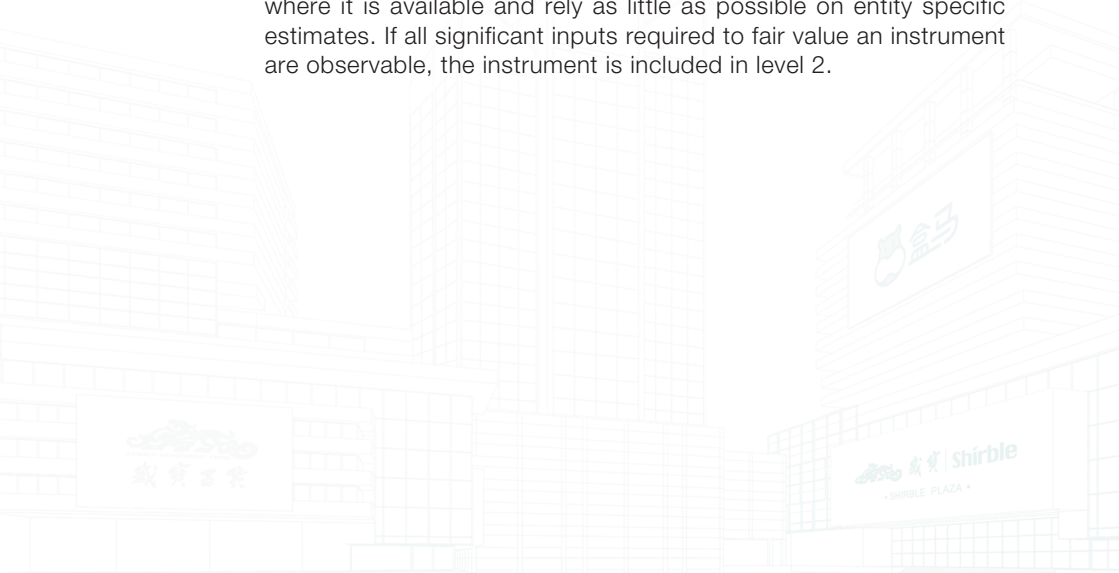
4.3 Fair value estimation

Fair value hierarchy

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 2020

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

4.3 Fair value estimation (Continued)

Fair value hierarchy (Continued)

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

As at 30 June 2020	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
FVPL				
Unlisted equity securities (Note 18)	-	-	4,372	4,372
Listed equity securities (Note 18)	295,755	-	-	295,755
Investment properties (Note 14)	-	-	2,678,445	2,678,445
	295,755	-	2,682,817	2,978,572

As at 31 December 2019	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
FVPL				
Unlisted equity securities (Note 18)	-	-	4,288	4,288
Listed equity securities (Note 18)	318,372	-	-	318,372
Investment properties (Note 14)	-	-	2,706,350	2,706,350
	318,372	-	2,710,638	3,029,010

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2020

5. SEGMENT INFORMATION

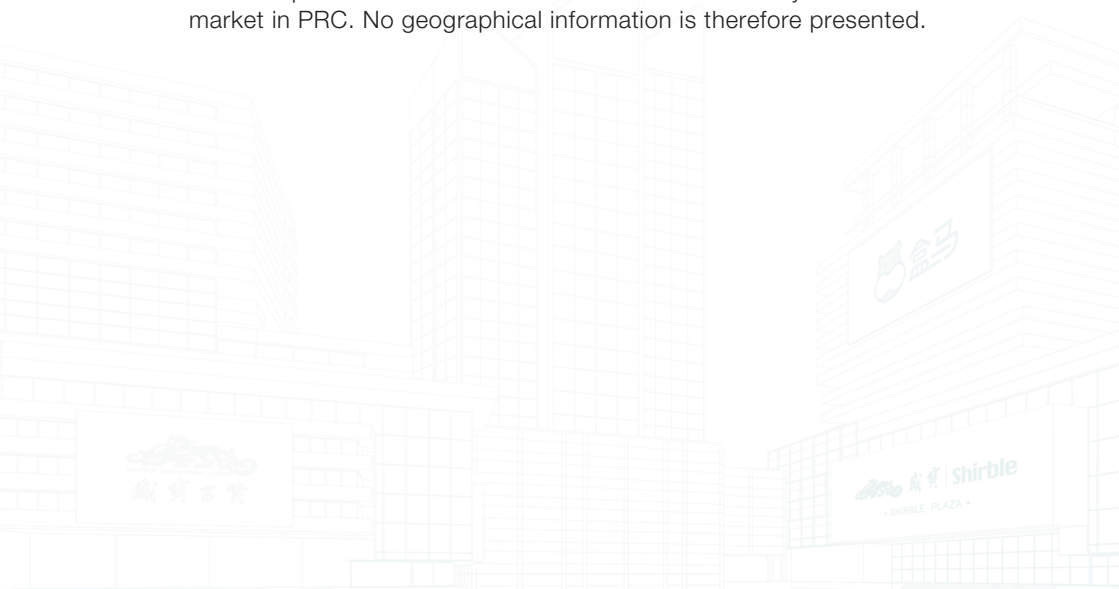
The chief operating decision-makers are the Board that makes strategic decisions, who review the Group's internal reporting in order to assess performance and allocate resources. Management has determined the operating segments based on these reports.

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

- Property business – property development business and provision of property development consulting services;
- Department stores business – operation of department stores; and
- Others – unallocated items, comprising mainly head office overheads.

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

The Group's revenue and non-current assets are mainly attributable to the market in PRC. No geographical information is therefore presented.



NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2020

5. SEGMENT INFORMATION (CONTINUED)

The segment information is as follows:

	Six months ended 30 June 2020 (unaudited)			
	Department		Others RMB'000	Group RMB'000
	Property business RMB'000	stores business RMB'000		
Revenue	182,577	118,083	-	300,660
Timing of revenue recognition				
At a point in time	-	32,955	-	32,955
Over time	182,577	85,128	-	267,705
Other operating revenue	-	37,336	-	37,336
Other losses – net	(22,617)	(49,277)	-	(71,894)
Purchase of and changes in inventories	-	(9,751)	-	(9,751)
Employee benefit expenses	(35,089)	(35,498)	(5,899)	(76,486)
Depreciation and amortisation expenses	-	(10,375)	(4,409)	(14,784)
Other operating expenses, net	(196)	(42,661)	(5,274)	(48,131)
Operating profit/(loss)	124,675	7,857	(15,582)	116,950
Finance income	31	6,182	2	6,215
Finance costs	(2,864)	(39,194)	(656)	(42,714)
Finance costs – net	(2,833)	(33,012)	(654)	(36,499)
Share of losses of an associate and a joint venture	-	(5)	-	(5)
Profit/(loss) before income tax	121,842	(25,160)	(16,236)	80,446
Income tax expenses	(39,537)	(19,127)	-	(58,664)
Profit/(loss) for the period	82,305	(44,287)	(16,236)	21,782

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2020

5. SEGMENT INFORMATION (CONTINUED)

	Six months ended 30 June 2019 (unaudited)			
	Department			Group RMB'000
	Property business RMB'000	stores business RMB'000	Others RMB'000	
Revenue	287,068	175,850	–	462,918
Timing of revenue recognition				
At a point in time	–	103,146	–	103,146
Over time	287,068	72,704	–	359,772
Other operating revenue	–	35,960	–	35,960
Other losses – net	(117,667)	(17,031)	–	(134,698)
Purchase of and changes in inventories	–	(81,532)	–	(81,532)
Employee benefit expenses	(32,962)	(46,129)	(3,863)	(82,954)
Depreciation and amortisation expenses	–	(17,331)	(4,409)	(21,740)
Other operating expenses, net	(191)	(46,841)	(7,004)	(54,036)
Operating profit/(loss)	136,248	2,946	(15,276)	123,918
Finance income	5	6,105	–	6,110
Finance costs	(3,493)	(32,006)	(544)	(36,043)
Finance costs – net	(3,488)	(25,901)	(544)	(29,933)
Share of losses of an associate and a joint venture	–	(1,281)	–	(1,281)
Profit/(loss) before income tax	132,760	(24,236)	(15,820)	92,704
Income tax expenses	(66,174)	(8,659)	–	(74,833)
Profit/(loss) for the period	66,586	(32,895)	(15,820)	17,871

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2020

6. REVENUE

	Six months ended 30 June	
	2020 RMB'000	2019 RMB'000
Property development consulting service income (Note (a), 28(a)(ii))	182,577	287,068
Rental income	85,128	72,704
Direct sales	10,121	87,380
Commission from concessionaire sales	311	15,376
Income from reversal of long-aged unredeemed prepaid cards and unredeemed awarded credits (b)	22,523	390
	300,660	462,918

- (a) In April 2019, the Group entered into consultancy agreements with Shenzhen Shengrunfeng Investment & Development Co., Ltd (“SRF”) and Shenzhen Hexinglong Industrial Co., Ltd (“HXL”) to provide property development consulting services. SRF and HXL are ultimately controlled by the controlling shareholder of the Group. The consulting 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.
- (b) As at 30 June 2020, the Group reviewed the aging of the unredeemed prepaid cards and the unredeemed awarded credits and revised the balance aging over five years amounting to RMB22,523,000 (2019: RMB390,000).

7. OTHER OPERATING REVENUE

	Six months ended 30 June	
	2020 RMB'000	2019 RMB'000
Promotion, administration and management income	35,896	33,661
Credit card handling fees for concessionaire sales	603	1,361
Government grant	837	938
	37,336	35,960

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2020

8. OTHER LOSSES – NET

	Six months ended 30 June	
	2020 RMB'000	2019 RMB'000
Change in fair value on investment properties (Note 14)	(66,488)	(15,509)
Accrual of legal claims (Note 29)	(1,798)	(682)
Loss on disposal of property, plant and equipment	(507)	(79)
Fair value change on financial assets at FVPL (Note 18)	(22,533)	(117,667)
Gain from rent concession (a)	9,401	–
Gain from termination of lease (b)	8,638	–
Others	1,393	(761)
	(71,894)	(134,698)

- (a) Certain landlords agreed to offer rent concession to the Group, without changing the lease contracts, due to the outbreak of Novel Coronavirus. The Group recognised a gain of RMB9,401,000 of such rent concession for the period ended 30 June 2020 with a corresponding reduction in the lease liabilities.
- (b) The Group has agreed with the landlord and the sub-lease tenants of Hongling Store on early termination of the related lease contracts as a result of the closure of Hongling Store. A net gain of RMB8,638,000 was recognised resulting from the derecognition of related right-of-use assets and lease liabilities as the lessee as well as the derecognition of related finance lease receivables as the lessor.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2020

9. EXPENSES BY NATURE

	Six months ended 30 June	
	2020 RMB'000	2019 RMB'000
Purchase of and changes in inventories	9,751	81,532
Employee benefit expenses	76,486	82,954
Depreciation and amortisation expenses (Notes 15 and 16)	14,784	21,740
Utilities	26,084	26,250
Fee received by auditor for other professional service	650	867
Other tax expenses	4,121	5,840
Business travel expenses	4,030	4,348
Cleaning fee	1,799	2,279
Other expenses	11,447	14,452
	149,152	240,262

10. FINANCE INCOME AND COSTS

	Six months ended 30 June	
	2020 RMB'000	2019 RMB'000
Finance income		
Interest income from finance leases as the sub-lessor	5,627	5,722
Interest income from bank deposits	588	388
	6,215	6,110
Finance costs		
Interest expenses on operating leases as the lessee	(30,179)	(31,735)
Interest expenses on bank loans	(12,535)	(1,898)
Interest expenses on a loan from a shareholder (Note 28(a)(iii))	–	(2,410)
	(42,714)	(36,043)
Finance costs – net	(36,499)	(29,933)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2020

11. INCOME TAX EXPENSE

	Six months ended 30 June	
	2020 RMB'000	2019 RMB'000
Current income tax		
– PRC corporate income tax	45,054	66,150
Deferred income tax (Note 17)	13,610	8,683
	58,664	74,833

- (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 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 is 25% for the Group's subsidiaries generally. Certain of the Company's PRC subsidiaries are entitled to small and micro entity tax credit, which enjoys the 20% tax rate and a 50% deduction of taxable income.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2020

12. DIVIDENDS

Pursuant to the resolutions passed by the Board on 30 August 2019, 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 RMB 5,361,300) out of the share premium account was approved and paid by the Company.

Pursuant to the resolutions passed by the annual general meeting of the Company held on 22 June 2020, a final dividend of HKD0.0157 (equivalent to approximately RMB0.0143) per share, amounting to HKD39,172,000 (equivalent to approximately RMB35,639,000) out of the share premium account for the year ended 31 December 2019 was approved and paid by the Company in July 2020.

The Board recommended an interim dividend of HKD0.0029 (equivalent to approximately RMB0.0026) per share or in the total amount of HKD7,235,500 (equivalent to approximately RMB6,487,000). The interim dividend is to be proposed out of the share premium account and this interim condensed consolidated financial information does not reflect this dividend payable.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2020

13. EARNINGS PER SHARE

(a) Basic

Basic earnings per share is calculated by dividing the earnings attributable to owners of the Company by the weighted average number of ordinary shares in issue during the 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	
	2020	2019
Profits attributable to owners of the Company (in RMB thousands)	21,785	17,899
Weighted average number of ordinary shares in issue (thousands)	2,494,429	2,492,661
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 2020

13. 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	
	2020	2019
Earnings (in RMB thousands)		
Profits attributable to owners of the Company	21,785	17,899
Weighted average number of ordinary shares (thousands)		
Weighted average number of ordinary shares in issue	2,494,429	2,492,661
Adjustments for awarded shares	–	2,070
Weighted average number of ordinary shares for diluted earnings per share	2,494,429	2,494,731
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 2020

14. INVESTMENT PROPERTIES

	Land and buildings RMB'000	Right-of- use assets RMB'000	Total RMB'000
Six months ended 30 June 2020			
As at 1 January 2020	1,135,250	1,571,100	2,706,350
Capitalised subsequent expenditure	29,468	9,115	38,583
Net losses from fair value adjustment (Note 8)	(19,018)	(47,470)	(66,488)
As at 30 June 2020	1,145,700	1,532,745	2,678,445
Six months ended 30 June 2019			
As at 1 January 2019	730,800	1,554,080	2,284,880
Capitalised subsequent expenditure	-	19,584	19,584
Net gains/(losses) from fair value adjustment (Note 8)	10,100	(25,609)	(15,509)
As at 30 June 2019	740,900	1,548,055	2,288,955

As at 30 June 2020, the Group had no unprovided contractual obligations for future repairs and maintenance (31 December 2019: Nil).

The fair value of the Group's investment properties falls under level 3 (Note 4.3) 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 2020

15. PROPERTY, PLANT AND EQUIPMENT

	Property, plant and equipment RMB'000	Right-of- use assets RMB'000	Total RMB'000
Six months ended 30 June 2020			
As at 1 January 2020	251,655	51,731	303,386
Additions	2,651	–	2,651
Disposals	(534)	(28,740)	(29,274)
Depreciation charge (Note 9)	(4,602)	(8,080)	(12,682)
As at 30 June 2020	249,170	14,911	264,081
Six months ended 30 June 2019			
As at 1 January 2019	541,992	99,302	641,294
Additions	1,064	–	1,064
Disposals	(390)	–	(390)
Depreciation charge (Note 9)	(10,340)	(9,209)	(19,549)
As at 30 June 2019	532,326	90,093	622,419

16. INTANGIBLE ASSETS

	As at 30 June	
	2020 RMB'000	2019 RMB'000
As at 1 January	12,223	16,592
Amortisation charge (Note 9)	(2,102)	(2,191)
As at 30 June	10,121	14,401

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2020

17. 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 2020 RMB'000	31 December 2019 RMB'000
Deferred income tax assets	4,260	9,788
Deferred income tax liabilities	(225,262)	(217,180)
Net deferred income tax liabilities	(221,002)	(207,392)

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

	Six months ended 30 June	
	2020 RMB'000	2019 RMB'000
As at 1 January	(207,392)	(168,654)
Charged to profit or loss (Note 11)	(13,610)	(8,683)
As at 30 June	(221,002)	(177,337)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2020

18. 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 2020				
As at 1 January 2020	4,288	318,372	-	322,660
Fair value change recognised in profit or loss (Note 8)	84	(22,617)	-	(22,533)
As at 30 June 2020	4,372	295,755	-	300,127
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	-	(11,866)	-	(11,866)
As at 30 June 2019	4,223	247,325	-	251,548

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2020

19. TRADE RECEIVABLES, OTHER RECEIVABLES AND PREPAYMENTS

	As at 30 June 2020		
	Current RMB'000	Non-current RMB'000	Total RMB'000
Trade receivables (a)	73,243	–	73,243
Amounts due from related parties (Note 28(b))	530,995	–	530,995
Contract assets (b)	452,096	–	452,096
Trade receivables	78,899	–	78,899
Receivables from finance leases	13,461	130,252	143,713
Interest receivables	120	–	120
Receivable from a trustee for the share purchase for the employees' share award scheme (c)	205	–	205
Lease deposits	10,992	17,928	28,920
Other receivables	5,846	60,218	66,064
	634,862	208,398	843,260
Less: provision for impairment loss allowance	(751)	–	(751)
Financial assets at amortised cost	634,111	208,398	842,509
Prepayments	103,533	71,122	174,655
Total trade and other receivables	737,644	279,520	1,017,164

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2020

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

	As at 31 December 2019		
	Current RMB'000	Non-current RMB'000	Total RMB'000
Trade receivables (a)	31,796	–	31,796
Amounts due from related parties (Note 28(b))	417,679	–	417,679
Contract assets (b)	361,430	–	361,430
Trade receivables	56,249	–	56,249
Receivables from finance leases	17,532	169,959	187,491
Interest receivables	337	–	337
Receivable from a trustee for the share purchase for the employees' share award scheme (c)	361	–	361
Lease deposits	10,943	21,724	32,667
Other receivables	20,561	44,008	64,569
	499,209	235,691	734,900
Less: provision for impairment loss allowance	(751)	–	(751)
Financial assets at amortised cost	498,458	235,691	734,149
Prepayments	93,881	97,310	191,191
Total trade and other receivables	592,339	333,001	925,340

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2020

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

(a) Trade receivables

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

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

	As at	
	30 June 2020 RMB'000	31 December 2019 RMB'000
0 – 30 days	27,074	24,928
31 – 90 days	28,307	4,222
91 – 365 days	17,862	2,646
	73,243	31,796

All trade receivables are denominated in RMB and their carrying amounts approximate their fair values as at 30 June 2020.

(b) As mentioned in note 6, the Group entered into consultancy agreements with SRF and HXL to provide consulting services. SRF and HXL pay according to the payment schedule of the consultancy agreements, which comprises of fixed monthly fees and certain milestone payments dependent on the construction progress of the property projects of SRF and HXL. As at 30 June 2020, contract assets of RMB452,096,000 (31 December 2019: RMB361,430,000) was recognised since the services income recognised by the Group exceeded the payments received.

(c) 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 2020

20. RESTRICTED BANK DEPOSITS

	As at	
	30 June 2020 RMB'000	31 December 2019 RMB'000
Bank deposits with initial terms of over three months (a)	24,432	24,000

- (a) As the issuer of the prepaid cards, the Group should have restricted deposits proportionate to the prepaid cards issued in a certain bank, which is required by the PRC regulator. The balance of restricted deposits for prepaid cards was RMB24,432,000 as at 30 June 2020 (31 December 2019: RMB24,000,000).

21. CASH AND CASH EQUIVALENTS

	As at	
	30 June 2020 RMB'000	31 December 2019 RMB'000
Cash and cash equivalents	189,732	62,457

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2020

22. 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 2020	2,495,000	213,908	793,269	(1,171)	1,006,006
Employee's share award scheme					
– shares vested from share award scheme and transferred to the grantees (Note 23)	-	-	(52)	957	905
Dividend (Note 12)	-	-	(35,639)	-	(35,639)
As at 30 June 2020	2,495,000	213,908	757,578	(214)	971,272
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 23)	-	-	(62)	1,128	1,066
Dividend	-	-	(23,418)	-	(23,418)
As at 30 June 2019	2,495,000	213,908	798,658	(1,287)	1,011,279

(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 (Note 23).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2020

23. SHARE-BASED PAYMENTS

The Company adopted an employee's 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.

Movement of shares held for share award scheme for the six months ended 30 June 2020 are as follows:

	Number of Shares (thousand)	Amount RMB'000
As at 1 January 2020	2,129	1,171
Vesting of Award Shares	(1,740)	(957)
As at 30 June 2020	389	214

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.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2020

23. SHARE-BASED PAYMENTS (CONTINUED)

Movement of the Award Shares granted to the employees for the six months ended 30 June 2020 is as follows:

	Shares granted on 20 January 2017 (thousand)
At 1 January 2020	1,740
Vested during the period	(1,740)
As at 30 June 2020	–

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	
	2020 RMB'000	2019 RMB'000
Employees (excluding directors)	24	149
Directors	–	–
Total employees benefit expenses	24	149

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2020

24. TRADE AND OTHER PAYABLES

	As at	
	30 June 2020	31 December 2019
	RMB'000	RMB'000
Lease deposits	76,813	87,581
Other tax payables	57,021	25,528
Dividend payable	35,639	–
Accrued wages and salaries	20,722	21,007
Payables for purchases of property, plant and equipment	15,488	11,062
Accrual for legal claims (Note 29)	2,371	573
Trade payables (a)	1,005	4,504
Amount due to a related party (Note 28(b)(ii))	211	201
Other payables and accruals	39,865	34,884
	249,135	185,340

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 2020	31 December 2019
	RMB'000	RMB'000
0 – 30 days	323	2,402
31 – 60 days	210	954
61 – 90 days	231	753
91 – 365 days	241	395
	1,005	4,504

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2020

25. CONTRACT LIABILITIES

	As at	
	30 June 2020 RMB'000	31 December 2019 RMB'000
Advances received from customers (a)	65,392	91,533
Deferred income (b)	4,158	20,512
	69,550	112,045

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

26. BORROWINGS

	As at	
	30 June 2020 RMB'000	31 December 2019 RMB'000
Non-current		
Secured long-term bank borrowings (a)(b)	236,498	215,644
Current		
Current portion of secured long-term bank borrowings (a)(b)	16,693	26,667
Secured short-term borrowing (a)(b)	150,000	–
Unsecured short-term borrowings (c)	18,216	8,933
	184,909	35,600
	421,407	251,244

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2020

26. BORROWINGS (CONTINUED)

- (a) The Group's long-term bank borrowings and the secured short-term borrowing were denominated in RMB and secured by certain buildings at the fair value of RMB631,600,000. As at 30 June 2020, the secured short-term borrowing was repayable within one year.
- (b) During the six months ended 30 June 2020, the weighted average effective interest rate of the long-term bank borrowings and the secured short-term borrowing were 6.31% (2019: 6.20%) and 6.50% per annum respectively.
- (c) As at 30 June 2020, the unsecured short-term borrowing was denominated in HKD and was repayable within one year. During the six months ended 30 June 2020, the weighted average effective interest rate was 3.89% (2019: 4.29%) per annum.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2020

27. CAPITAL COMMITMENTS

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

	As at	
	30 June	31 December
	2020	2019
	RMB'000	RMB'000
<i>Within one year:</i>		
Purchases of property, plant and equipment	44,146	43,915
Acquisition of land	189,650	189,650
Acquisition of a subsidiary	70,150	70,150
Acquisition of shares	500	–
	304,446	303,715
<i>Later than one year:</i>		
Acquisition of a subsidiary	254,200	254,200
	558,646	557,915

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2020

28. RELATED PARTY TRANSACTIONS

The Group is controlled by Shirble Department Store Limited (incorporated in the BVI), which owns 55.41% 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 the late 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 the late Mr. Yang Xiangbo’s nephew and niece
Shenzhen Shengrunfeng Investment & Development Co., Ltd (“ SRF ”)	Ultimately controlled by Mr. Yang Ti Wei
Shenzhen Hexinglong Industrial Co., Ltd (“ HXL ”)	Ultimately controlled by Mr. Yang Ti Wei

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2020

28. 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	
	2020 RMB'000	2019 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) Property development consulting services to related parties (Note 6(a))

	Six months ended 30 June	
	2020 RMB'000	2019 RMB'000
SRF	153,913	241,185
HXL	28,664	45,883
	182,577	287,068

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2020

28. RELATED PARTY TRANSACTIONS (CONTINUED)

(a) Transactions with related parties (Continued)

(iii) Loan from a shareholder

	Six months ended 30 June	
	2020 RMB'000	2019 RMB'000
Mr. Yang Xiangbo (deceased on 2 June 2020)	-	220,000

The Group obtained an interest free loan amounted to RMB220,000,000 from the controlling shareholder of the Company, the late Mr. Yang Xiangbo in January 2019 and repaid the same in March 2019. A deemed interest expense of RMB2,410,000 was recognised in the profit or loss (note 10) and correspondingly credited to other reserves as contribution from a shareholder for the period ended 30 June 2019.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2020

28. RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Balances with related parties

(i) Amounts due from related parties

	As at	
	30 June 2020 RMB'000	31 December 2019 RMB'000
Contract assets (Note 19)		
SRF	385,390	300,171
HXL	66,706	61,259
	452,096	361,430
Trade receivables (Note 19)		
SRF	67,258	46,716
HXL	11,641	9,533
	78,899	56,249

(ii) Amounts due to a related party

	As at	
	30 June 2020 RMB'000	31 December 2019 RMB'000
Ruizhuo Investment	211	201

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2020

28. RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Balances with related parties (Continued)

(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	
	2020 RMB'000	2019 RMB'000
Basic salaries and allowances	18,864	15,194
Half year-end bonuses	2,371	2,282
Contributions to the retirement scheme	32	27
	21,267	17,503

29. 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 2020, the legal proceedings were ongoing. The Group has made an accumulated provision of approximately RMB2,371,000 (31 December 2019: RMB573,000), 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 2020, 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**”) except for the following deviations from Code Provision A.2.1.

Code Provision A.2.1 stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Mr. Yang Xiangbo, who passed away on 2 June 2020, had ceased to act as the Co-Chairman of the Company from 26 May 2020. Mr. Yang Tiwei, the Chief Executive Officer of the Company, was also appointed as the Co-Chairman of the Company from 26 May 2020. The Board believes that vesting the roles of both Co-Chairman and Chief Executive Officer in the same person has the benefit of ensuring consistent leadership within the Group and enables more effective and efficient on overall strategic planning for the Group. In addition, Mr. Hao Jianmin, as the Co-Chairman of the Board, shares the role and responsibilities as chairman of the Board with Mr. Yang Tiwei. The Board believes that the balance of power and authority is adequately ensured by the operation of the Board, which comprises experienced and high calibre individuals with a sufficient number thereof being independent non-executive Directors.

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.

OTHER INFORMATION

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 2020.

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 2020, the Audit Committee held one regular meeting with the management and the auditor of the Company on the auditing, internal controls and financial reporting matters of the Group, and reviewed the Group’s internal controls and the annual results for the year ended 31 December 2019.

REVIEW OF THE INTERIM RESULTS

The Group’s unaudited interim results for the six months ended 30 June 2020 have not been audited but have been reviewed by the Audit Committee.

INTERIM DIVIDEND

The Board recommended an interim dividend of HKD0.0029 (equivalent to approximately RMB0.0026) per share or in the total amount of HKD7.2 million (equivalent to approximately RMB6.5 million) (2019: 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)) for the six months ended 30 June 2020 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 2020. The interim dividend will be paid on or around Monday, 5 October 2020 to Shareholders of the Company whose names appear on the register of members of the Company at the close of business on Tuesday, 22 September 2020.

OTHER INFORMATION

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Friday, 18 September 2020 to Tuesday, 22 September 2020 (both days inclusive), during which period no transfer of shares of the Company will be registered for the purpose for determining 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 Thursday, 17 September 2020.

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 2020, 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 (Deceased on 2 June 2020)	Beneficial owner (Note 1)	1,374,167,500	55.08%
	Interest of spouse (Note 2)	8,324,000	0.33%
Ms. HUANG Xue Rong	Beneficial owner (Note 3)	8,324,000	0.33%
	Interest of spouse (Note 4)	1,374,167,500	55.08%
Mr. HAO Jian Min	Beneficial owner	374,250,000	15.00%
Mr. YANG Ti Wei	Beneficial owner	2,490,000	0.09%

Notes:

- (1) The 1,374,167,500 shares of the Company were held by Shirble Department Store Limited (“**Shirble BVI**”), which was wholly owned by Xiang Rong Investment Limited (“**Xiang Rong Investment**”), which was in turn wholly owned by the late Mr. YANG Xiangbo, spouse of Ms. HUANG Xue Rong. According to the SFO, both of the late Mr. YANG Xiangbo and Xiang Rong Investment were deemed to have interests in the 1,374,167,500 shares held by Shirble BVI.
- (2) The late Mr. YANG Xiang Bo (being the spouse of Ms. HUANG Xue Rong) was deemed, under the SFO, to have an interest in the shares which Ms. HUANG Xue Rong was interested in.
- (3) The 8,324,000 shares were personally held by Ms. HUANG Xue Rong, spouse of the late Mr. YANG Xiangbo.
- (4) Ms. HUANG Xue Rong (being the spouse of the late Mr. YANG Xiang Bo) was deemed, under the SFO, to have an interest in the shares which the late Mr. YANG Xiang Bo was interested in.

OTHER INFORMATION

(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 (Deceased on 2 June 2020)	Shirble BVI	Interest in a controlled corporation	50,000	100%
Mr. YANG Xiangbo (Deceased on 2 June 2020)	Xiang Rong Investment	Beneficial owner	100	100%
Ms. HUANG Xue Rong	Shirble BVI	Interest of spouse	50,000	100%
Ms. HUANG Xue Rong	Xiang Rong Investment	Interest of spouse	100	100%

Save as disclosed above, as of 30 June 2020, 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 2020.

OTHER INFORMATION

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

As of 30 June 2020, 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	1,374,167,500	55.08%
Xiang Rong Investment	Interest in a controlled corporation	1,374,167,500	55.08%
SU Chen	Interest of spouse (Note 2)	374,250,000	15.00%

Notes:

- (1) The 1,374,167,500 shares of the Company were held by Shirble BVI, which was wholly owned by Xiang Rong Investment, which was in turn wholly owned by the late Mr. YANG Xiangbo. According to the SFO, both of the late Mr. YANG Xiangbo and Xiang Rong Investment were deemed to have interests in the 1,374,167,500 shares held by Shirble BVI.
- (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 2020, 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.

CHANGES IN INFORMATION OF DIRECTORS

Pursuant to the Rule 13.51B(1) of the Listing Rules, the changes in Directors’ information are as follows:

- (1) Mr. YANG Xiangbo ceased to act as a Co-Chairman of the Board, a member of each of the nomination committee and remuneration committee of the Board and the authorised representative of the Company with effect from 26 May 2020 but he remained as an executive Director. Mr. YANG Xiangbo passed away on 2 June 2020.
- (2) Mr. YANG Ti Wei was appointed as a Co-Chairman of the Board, a member of each of the nomination committee and remuneration committee of the Board and the authorised representative of the Company with effect from 26 May 2020.
- (3) Ms. HUANG Xue Rong was appointed as a non-executive Director of the Company with effect from 26 May 2020.

OTHER INFORMATION

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 2020.



CORPORATE INFORMATION

DIRECTORS

Executive Directors:

YANG Ti Wei (*Co-Chairman and Chief Executive officer*) (*Appointed as Co-Chairman on 26 May 2020*)

HAO Jian Min (*Co-Chairman*)

YANG Xiangbo (*Resigned as Co-Chairman on 26 May 2020 and deceased on 2 June 2020*)

Non-executive Director:

HUANG Xue Rong (*Appointed on 26 May 2020*)

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 Ti Wei (*Appointed on 26 May 2020*)

JIANG Hongkai

FOK Hei Yu

YANG Xiangbo (*Resigned on 26 May 2020 and deceased on 2 June 2020*)

NOMINATION COMMITTEE OF THE BOARD

JIANG Hongkai (*Chairperson*)

YANG Ti Wei (*Appointed on 26 May 2020*)

FOK Hei Yu

YANG Xiangbo (*Resigned on 26 May 2020 and deceased on 2 June 2020*)

COMPANY SECRETARY

CHAN Chore Man, Germaine, CPA

AUTHORISED REPRESENTATIVES

YANG Ti Wei (*Appointed on 26 May 2020*)

CHAN Chore Man, Germaine, CPA

YANG Xiangbo (*Resigned on 26 May 2020 and deceased on 2 June 2020*)

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
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