SHIRBLE DEPARTMENT STORE
歲寶百貨

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

(incorporated in the Cayman Islands with limited liability)

Stock code：312

Annual 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.

Contents

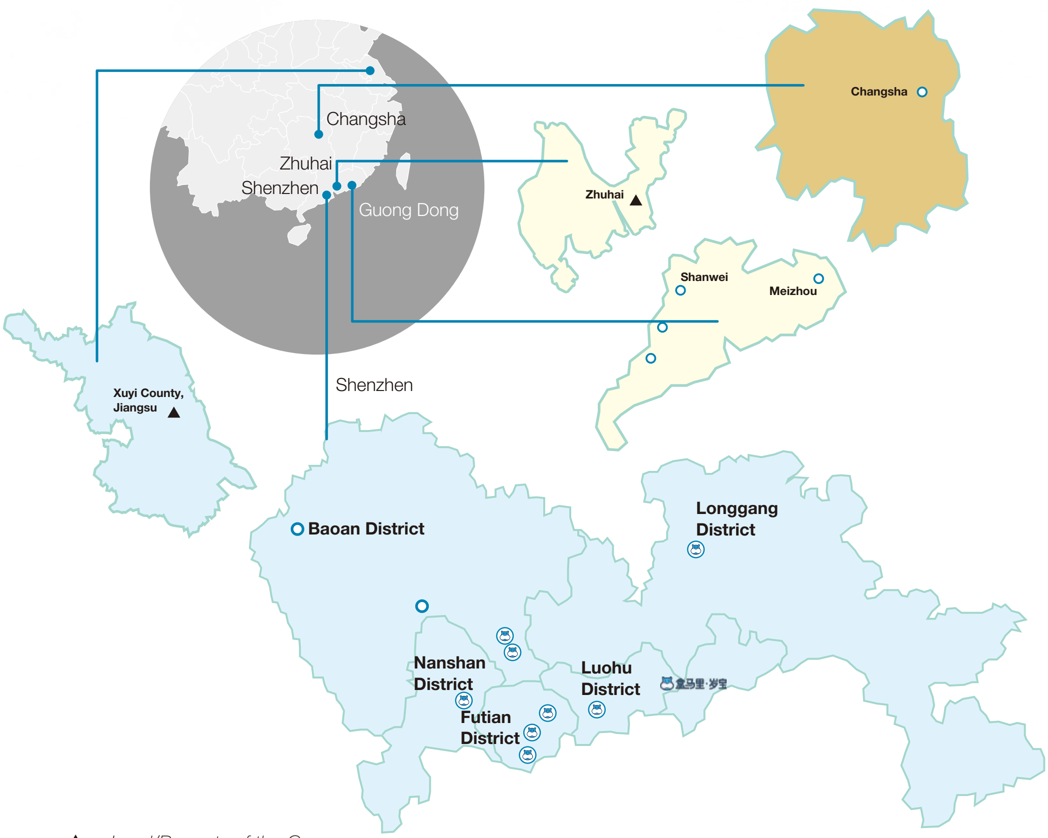
CORPORATE PROFILE

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

The Group is one of the long established Shenzhen-based department store chains. Targeting the mid-market segment, it runs its department stores under the "歲寶百貨" and "Shirble Plaza" brands. As at 31 December 2020, the Group owned and/or operated 16 department stores, 11 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 prudently in accordance to marked situation, which will be complementary with the existing department stores business, with an aim to maximize its profitability.



▲ *Land/Property of the Group*

○ *Department stores of the Group*

Department stores with Freshippo

"盒馬里・歲寶"

FINANCIAL HIGHLIGHTS

Operating Results

RMB'000	2020	2019	2018	2017	2016
		Year ended 31 December			
Revenue	481,077	794,582	970,892	1,325,566	1,403,919
Operating profit	28,134	333,228	131,805	60,130	57,647
(Loss)/profit before income tax	(43,015)	268,393	112,833	63,567	84,726
(Loss)/profit attributable to owners of the Company	(75,116)	136,811	109,851	45,610	60,494
(Loss)/earning per share for the profit attributable to owners of the Company during the year (expressed in RMB per share)					
– Basic and diluted	(0.03)	0.05	0.04	0.02	0.02

Assets, Liabilities and Equity

RMB'000	2020	2019	2018	2017	2016
		At 31 December			
Total assets	4,248,525	4,376,810	2,250,812	2,274,547	2,295,398
Total liabilities	2,129,709	2,144,111	684,891	883,070	954,415
Total equity	2,118,816	2,232,699	1,565,921	1,391,477	1,340,983

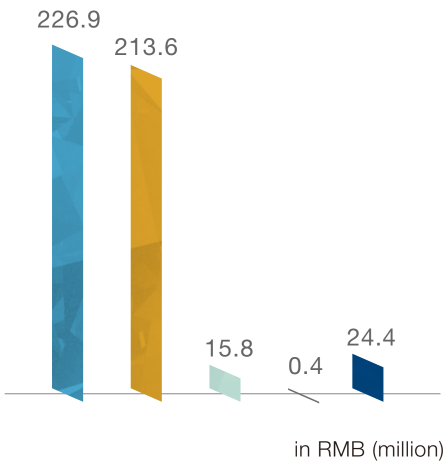
Segment results

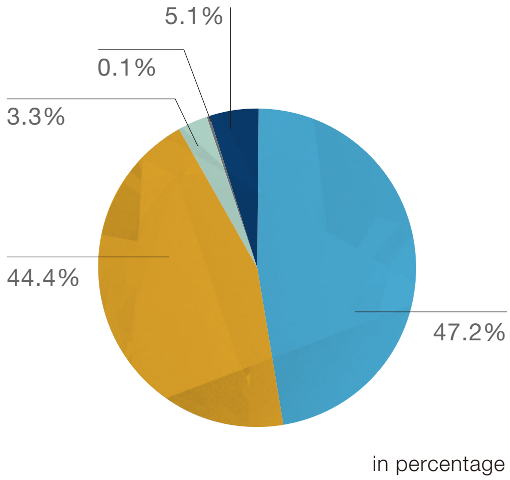
	Year ended 31 December 2020				Year ended 31 December 2019			
	Department stores business RMB'000	Property business RMB'000	Others RMB'000	Group RMB'000	Department stores business RMB'000	Property business RMB'000	Others RMB'000	Group RMB'000
Revenue	254,200	226,877	–	481,077	300,739	493,843	–	794,582
Operating (loss)/profit	(29,897)	95,593	(37,562)	28,134	857	368,620	(36,249)	333,228
(Loss)/profit before income tax	(94,884)	89,975	(38,106)	(43,105)	(54,564)	362,599	(39,642)	268,393
(Loss)/profit for the year	(80,735)	43,731	(38,106)	(75,110)	(71,682)	248,109	(39,642)	136,785

FINANCIAL HIGHLIGHTS

Revenue by Category

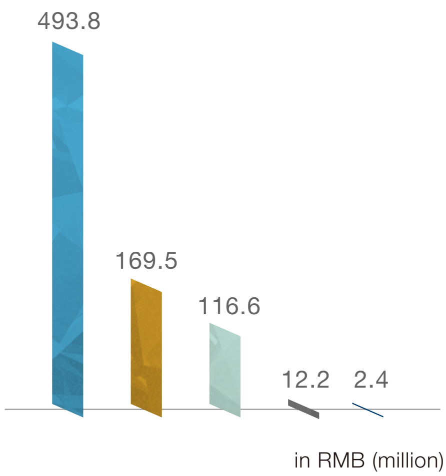
2020

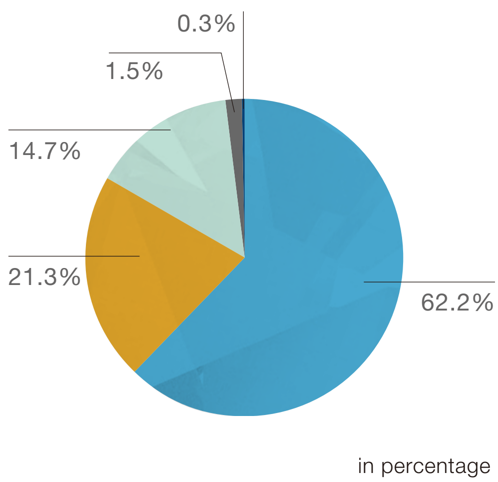




- Property development consulting service income
- Rental income
- Direct sales
- Commission from concessionaire sales
- Income from reversal of long-aged pre-paid gift cards and unredeemed award credits

2019





- Property development consulting service income
- Rental income
- Direct sales
- Commission from concessionaire sales
- Income from reversal of long-aged pre-paid gift cards and unredeemed award credits

CHAIRMAN'S STATEMENT

The coronavirus ("**COVID-19**") pandemic has swept the world since the end of 2019 and resulted in severe difficulties in the global economy. The PRC is one of the very few countries to bring the pandemic under control and achieve a relatively quick economic recovery. According to a publicly available market research, online sales in the PRC grew in the third quarter of 2020, offline retail sales in the PRC also rebounded following the pandemic. According to the National Bureau of Statistics of China ("**NBS**"), the gross domestic product ("**GDP**") of the PRC in 2020 was RMB101.6 trillion, representing an increase of 2.3% from the last year. For the national consumer price index (CPI), a 0.2% increase was recorded for 2020 as compared to 2019, representing an annual growth of 2.5%, while the total online retail sales in the PRC throughout 2020 recorded a 10.9% increase as compared to 2019.

The Group will continue to focus on the retail business and strengthen the online sales channels to maintain competitiveness in the PRC market.

BUSINESS REVIEW OF THE GROUP

Our operating results for the year ended 31 December 2020 are presented in three reportable operating segments, namely (a) department store business, (b) property business and (c) others. During the year, the Group recorded revenue of RMB481.1 million (2019: RMB794.6 million). Loss attributable to owners of the Company amounted to RMB75.1 million (2019: Profit: RMB136.8 million). The decreases were mainly due to the outbreak of COVID-19 pandemic, which has an adverse impact on both the Group's physical retail business and the consulting fee generated from the PRC property market.

Department stores business

Over the past two years, the business model of the Group's department store business has changed. Apart from the upgrading of its traditional department store to "Shirble Plaza", a one-stop shopping mall concept, the Group continues to improve and keep up with the demand for high-quality food and product consumption and services amongst the middle-class population in the PRC. The Group has been cooperating with Shenzhen Hema Network Technology Co., Ltd. ("**Hema Shenzhen**") to upgrade most of the Group's department store space for the traditional supermarket business in Shenzhen to "Freshippo" since 2018. The Group has also been cooperating 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.

The upgrading can meet the consumption needs of customers, enhance their experience and inspire the overall atmosphere of shopping malls. Despite dampened footfall under the pandemic, the Group will continue to push for the implementation of the online-to-offline "new retail" concept to mitigate the uncertainty brought by the recurring pandemic and at the same time further explore the revenue from online sales.

As of 31 December 2020, the Group owned and/or operated 16 department stores with a total gross floor area of approximately 301,030.1 sq.m..

Property business

From 2018 onwards, Shirble has been pursuing the property development and project management business. Shenzhen Shirble Enterprise Management Co., Ltd. ("**Shirble Management**"), a wholly-owned subsidiary of the Company, acquired a parcel of land in Jinwan District, Zhuhai through an equity acquisition entered into in November 2019. The land has been developed into a two-building complex which is scheduled to be available for sales/lease in 2021.

Meanwhile, Shirble Management entered into two property development consulting service agreements (the "**Integrated Consulting Service Agreements**") with Shenzhen Shengrunfeng Investment & Development Co., Ltd. ("**SRF**") and Shenzhen Hexinglong Industrial Co., Ltd. ("**HXL**") in 2019 to provide consulting service in respect of two development projects located in Futian District and Bao'an District in Shenzhen, respectively. Due to the impact of the COVID-19 outbreak on the property market in the PRC, there were delays in the development and pre-sales of the two projects. After arm's length negotiations between the Group and SRF and HXL and considering the interests of the Group, Shirble Management entered into two termination agreements with both companies to terminate the Integrated Consulting Service Agreements, with effect from 30 December 2020. Further information on the termination agreements was disclosed in the Company's announcement dated 30 December 2020.

BUSINESS OUTLOOK

Given the fickle situation of the COVID-19 pandemic in recent months, countries have implemented restrictions on local and cross-border activities again, which indeed hinders trade and transportation flow and affects regional economy. However, COVID-19 has also brought new opportunities and new norms to the market, with daily necessities and e-commerce being the prime beneficiaries.

Under the impact of the pandemic, the types, locations and modes of shopping have changed, the landscape of retail has been transformed, and such changes are happening on a global scale. For instance, the pandemic has led to mass purchase of food reserves, hygiene, cleaning and sanitation products, and consumer goods are gradually shifting from light luxury goods such as clothes and accessories to daily necessities. As prevention and control measures of the pandemic have limited outdoor activities, "contact-free" online consumption has become a shopping norm to complement traditional offline consumption.

Taking advantages from the cooperation with Hema Shenzhen and Hema Shanghai, and the "new retail" concept of "Freshippo" and "盒馬里•歲寶", the Group has captured business development opportunities under the sluggish market. It provides customers with high-class, quality and convenient supermarket and department store experiences and, more importantly, its integrated online-to-offline shopping concept timely addresses the daily needs of customers, while its community-based positioning offers a more direct exposure to the majority of the community consumer groups, fulfilling the Group's management philosophy of "customer first" and accomplishing the mission of serving the public. The Group hopes to expand to a wider range of services by accelerating the integration of online and offline services for different businesses, and to continue to upgrade and transform the retail operation of Shirble's department stores with digital technology.

Meanwhile, given the macroeconomic uncertainties in the market, the property industry may face greater difficulties, including higher operating costs and delays of varying degrees. To mitigate such risks, the Group may sell our property projects as and when appropriate and pivot on the retail business for further development.

Looking ahead, it is anticipated that COVID-19 and sino-foreign relations will continue to bring challenges to the world. With our leading advantages in the industry and solid foundations, the Group is still confident about our overall business trend. We will employ prudent business strategies to reduce the impact of macroeconomy and the pandemic on the Group. We will continue to polish our business and enhance service quality with a view to maintaining our reputation and competitiveness in the industry. The Group will also strive for increasing revenue and pursuing a balanced growth by closely monitoring the market development and exploring opportunities, in an effort to create more values for our shareholders.

Mr. Yang Xiangbo, the founder of Shirble, passed away in June 2020. His management position has been taken up by Mr. Yang Ti Wei.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

The Group's operating results for the year ended 31 December 2020 are presented in three reportable segments, namely (i) department store business; (ii); property 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

The Directors consider that the COVID-19 pandemic has a profound impact on the global business and economic outlook at large, and both the PRC property market and physical retail market have been affected. While the Group generated all its revenue (indirectly and directly) from these markets, the overall financial results of the Group has been inevitably affected.

Revenue of the Group amounted to RMB481.1 million for the year ended 31 December 2020, representing a decrease of 39.5% as compared to RMB794.6 million for the year ended 31 December 2019. Revenue contributed from the department stores business for the year ended 31 December 2020 amounted to RMB254.2 million (2019: RMB300.7 million), or 52.8% of the Group's total revenue. Revenue contributed from the property business for the year ended 31 December 2020 amounted to RMB226.9 million (2019: RMB493.8 million), or 47.2% of the Group's total revenue in the same year.

Loss attributable to owners of the Company amounted to RMB75.1 million for the year ended 31 December 2020, as compared with profit attributable to owners of the Company of RMB136.8 million for the year ended 31 December 2019. Analysis on the fluctuations of different segments of the Group is detailed in the following sub-sections.

(b) Department store business segment

Set out below is the segmental information of the Group's department store business for the year ended 31 December 2020, together with the comparative figures for the same period in 2019:

	Year ended 31 December	
	2020 RMB'000	2019 RMB'000
Revenue	254,200	300,739
Other operating revenue	43,534	34,886
Other gains – net	49,370	1,360
Fair value adjustment on investment properties	(149,140)	(21,272)
Purchase of and changes in inventories	(15,097)	(105,505)
Employee benefit expenses	(62,185)	(78,782)
Depreciation and amortisation expenses	(15,313)	(28,819)
Net impairment losses on financial and contract assets	(39,026)	(751)
Operating lease rental expenses	–	(1,759)
Other operating expenses, net	(96,240)	(99,240)
Operating (loss)/profit	(29,897)	857
Finance income	11,639	12,378
Finance costs	(76,413)	(65,037)
Finance costs – net	(64,774)	(52,659)
Share of losses of an associate and a joint venture	(213)	(2,762)
Loss before income tax	(94,884)	(54,564)
Income tax expenses	14,149	(17,118)
Loss for the year	(80,735)	(71,682)

Revenue

Following the completion of store renovation and upgrade, the Group's business operating model has also undergone a structural change, with major revenue streams migrating from direct sales and concessionaire sales commission to sublease/lease rental income. Revenue breakdown of the Group's department store business for the two years ended 31 December 2020 and 2019 were as follows:

	Year ended 31 December		Percentage of department store's revenue of the Group	
	2020 RMB'000	2019 RMB'000	2020 %	2019 %
Rental income	213,618	169,517	84.0	56.4
Direct sales	15,847	116,638	6.2	38.8
Commission from concessionaire sales	381	12,193	0.1	4.0
Income from reversal of long-aged pre-paid gift cards and unredeemed awarded credits	24,354	2,391	9.7	0.8
Total	254,200	300,739	100.0	100.0

Due to the outbreak of COVID-19, where there were losses brought about by rent waiver amounting to RMB18.5 million offered to tenants of the Group, as well as early termination and/or breach of certain existing lease contracts, which was mitigated by the revenue generated from the resumption of sales upon completion of store upgrade and the structural change in business model, the overall revenue from the Group's department store business decreased by 15.5%, from RMB300.7 million in 2019 to RMB254.2 million in 2020. Major revenue streams also changed, with (i) rental income increased by 26.0% to RMB213.6 million for the year ended 31 December 2020 from RMB169.5 million in 2019; (ii) direct sales decreased significantly by 86.5% to RMB15.8 million for the year ended 31 December 2020 from RMB116.6 million in 2019; (iii) commission from concessionaire sales decreased significantly by 96.7% to RMB0.4 million for the year ended 31 December 2020 from RMB12.2 million in 2019; and (iv) income from reversal of long-aged unredeemed pre-paid cards and membership card reward points, amounted to RMB24.4 million for the year ended 31 December 2020 and increased from RMB2.4 million for the same period in 2019. The increase was mainly due to an one-off income of RMB17.2 million recognized from the reversal of long-aged unredeemed awarded credits.

Other operating revenue

Other operating revenue increased by 24.6% to RMB43.5 million for the year ended 31 December 2020 from RMB34.9 million in 2019, due to the increase in promotion, administration and management income following the resumption of full operations at stores.

Other gains – net

Other gains – net amounted to RMB49.4 million for the year ended 31 December 2020, as compared with other gains – net of RMB1.4 million in 2019, representing primarily the compensation income of RMB26.7 million, COVID-19-related-rent concession of RMB12.6 million and gain from termination leases of RMB10.2 million. No such other gains were in the same period of 2019.

Fair value adjustment on investment properties

Fair value losses on investment properties increased to RMB149.1 million for the year ended 31 December 2020 from RMB21.3 million in 2019, mainly due to the outbreak of COVID-19.

Purchase of and changes in inventories

Purchase of and changes in inventories amounted to RMB15.1 million for the year ended 31 December 2020, representing a significant decrease of 85.7% as compared with RMB105.5 million in 2019, which is in line with the decrease in direct sales. Purchase of and changes in inventories accounted for 95.6% of the Group's direct sales for the year ended 31 December 2020 as compared with 90.5% in 2019.

Employee benefit expenses

Employee benefits expenses decreased by 21.1% to RMB62.2 million for the year ended 31 December 2020 from RMB78.8 million in 2019, primarily due to the streamline of labour force resulting from the change in business model.

Depreciation and amortisation expenses

Depreciation and amortisation expenses decreased by 46.9% to RMB15.3 million for the year ended 31 December 2020 from RMB28.8 million in 2019 mainly due to the reclassification of certain properties from property, plant and equipment to investment properties in 2019 as a result of the change in business model.

Other operating expenses, net

Other operating expenses, which principally comprised of utility expenses, advertising, marketing, promotion and related expenses, other tax expenses, bank charges, exchange differences and maintenance expenses, decreased slightly by 3.0% to RMB96.2 million for the year ended 31 December 2020 from RMB99.2 million in 2019.

Operating loss

As a result of the reasons mentioned above, the operating loss of the department stores business segment amounted to RMB29.9 million for the year ended 31 December 2020 as compared to operating profit of RMB0.9 million in 2019.

Finance income

Finance income decreased by 6.5% to RMB11.6 million for the year ended 31 December 2020 as compared to RMB12.4 million in 2019, mainly due to the decrease in interest income from finance lease as a result of the adoption of IFRS 16 “Leases”.

Finance costs

Finance costs increased by 17.5% to RMB76.4 million for the year ended 31 December 2020 as compared to RMB65.0 million in 2019, mainly due to the increase in interest on bank loans as a result of new bank loan drawdown.

Income tax expense

Income tax credit amounted to RMB14.1 million for the year ended 31 December 2020, as compared with income tax expense RMB17.1 million for the year ended 31 December 2019.

Loss for the year

As a result of the aforementioned, loss attributable to the department stores business segment amounted to RMB80.7 million for the year ended 31 December 2020, as compared with the loss of RMB71.7 million in 2019.

(c) Property business segment

Set out below is the segmental information of the Group's property business for the year ended 31 December 2020, together with the comparative figures for the same period in 2019:

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Revenue	226,877	493,843
Other losses – net	(64,074)	(64,541)
Employee benefit expenses	(64,910)	(60,303)
Other operating expenses, net	(2,300)	(379)
Operating profit	95,593	368,620
Finance income	–	67
Finance costs	(5,618)	(6,088)
Finance costs – net	(5,618)	(6,021)
Profit before income tax	89,975	362,599
Income tax expense	(46,244)	(114,490)
Profit for the year	43,731	248,109

Revenue

Revenue from property business represents consulting service income from the Integrated Consulting Service Agreements with SRF and HXL, recognised based on the construction progress and estimated completion time of the underlying property development projects. For the year ended 31 December 2020, such revenue decreased by 54.1% from RMB493.8 million in 2019 to RMB226.9 million. The decrease was primarily due to the latest estimation of completion time of the projects as at 31 December 2020, which has been significantly delayed as a result of the COVID-19 pandemic. As a result of such delay, the Group has also entered into termination agreements with SRF and HXL on 30 December 2020 to terminate the Integrated Consulting Service Agreements with effect from 30 December 2020.

Other losses – net

Other net losses represent mainly the net fair value loss on financial asset at fair value through profit or loss in relation to the 1,320,000,000 shares of TFG. For the year ended 31 December 2020, other net loss amounted to RMB64.1 million, as compared to RMB64.5 million in 2019.

Employee benefit expenses

Employee benefit expenses increased by 7.6% to RMB64.9 million for the year ended 31 December 2020 from RMB60.3 million in 2019.

Finance costs, net

Finance costs represents interest on bank borrowing amounting to RMB5.6 million for the year ended 31 December 2020 as compared to RMB6.1 million in 2019.

Income tax expense

Income tax expense decreased significantly by 60.0% to RMB46.2 million for the year ended 31 December 2020 from RMB114.5 million. The significant decrease in income tax expenses is in line with the decrease in profit before income tax of the property business.

Profit for the year

As a result of the above, profit attributable to the property business segment amounted to RMB43.7 million for the year ended 31 December 2020, representing a significant decrease of 82.4% as compared to RMB248.1 million 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 year ended 31 December 2020, such costs and expenses amounted to RMB38.1 million as compared to RMB39.6 million for 2019, or a decrease of 3.8%.

Dividend

In view of loss incurred for the year ended 31 December 2020, the Board does not recommend any final dividend for the year ended 31 December 2020 (2019: a final dividend of HK$0.0157 (equivalent to approximately RMB0.0143) per Share or in the total amount of HK$39.2 million (equivalent to approximately RMB35.6 million).

Liquidity and Financial Resources

As at 31 December 2020, the Group's cash and cash equivalents and restricted bank deposits amounted to RMB139.2 million, representing an increase of 60.9% 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 the PRC and Hong Kong for interest income.

Borrowings

The Group has long-term and short-term borrowings of RMB293.2 million and RMB78.8 million respectively as at 31 December 2020 (2019: Long-term and short-term borrowing of RMB242.3 million and RMB8.9 million), mainly representing the secured bank borrowing denominated in RMB secured by the charge of two PRC properties.

Net current assets and net assets

The net current asset of the Group as at 31 December 2020 were RMB9.8 million (31 December 2019: RMB442.6 million), representing a decrease of 97.8%. The net assets of the Group as at 31 December 2020 increased to RMB2,118.8 million (31 December 2019: RMB2,232.7 million), representing a decrease of 5.1%.

Foreign exchange exposure

The business operation of the Group is primarily in the PRC with most of its transactions settled in RMB. Certain of the Group's cash and bank balances are denominated in Hong Kong dollars. The Company pays dividends in Hong Kong dollars. These transactions exposed the Group to foreign exchange risks arising from the exchange rate movement of Hong Kong dollars against RMB. For the year ended 31 December 2020, the Group recorded a net foreign exchange loss of RMB4.9 million. For the year ended 31 December 2019, the Group recorded a net foreign exchange loss of RMB1.2 million. The Group has not used any forward contracts, currency borrowings or other means to hedge its foreign currency exposure.

Employees and remuneration policy

As at 31 December 2020, the total number of employees of the Group was 432. The Group's remuneration policy is determined with reference to market conditions and the performance, qualifications and experience of individual employees. The Company has also introduced the key performance indicators assessment scheme to boost performance and operational efficiency.

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 of 31 December 2020, the legal proceedings were ongoing. The Group has made an accumulated provision of approximately RMB6.3 million (2019: RMB0.6 million), for any loss or damages that may be required to be paid by the Group. The Directors believe that such amount of provision is adequate to cover the Group's possible liabilities, under these claims.

Material acquisition and disposal of subsidiaries

There are no material acquisition and disposal of subsidiaries and associated companies during the year under review.

DIRECTORS AND SENIOR MANAGEMENT

Directors

Executive Directors

Mr. YANG Ti Wei, *Co-Chairman, Chief Executive Officer, executive Director and member of the Nomination Committee and the Remuneration Committee*

Mr. YANG Ti Wei, aged 34, was appointed as an executive Director and Chief Executive Officer on 7 September 2013 and a Co-Chairman on 26 May 2020. Mr. YANG joined the Group in June 2009 as the executive vice president of the Group. He is principally responsible for formulating the overall business development strategies and providing overall management and operational directions of the Group, particularly in department store operations. Mr. Yang is also a director of Shirble Department Store (Hong Kong) Limited ("**Shirble Department Store (Hong Kong)**"), Shirble Department Store Investment Limited ("**Shirble Hong Kong**"), Cosmic Favour Limited, Sibo Culture Limited, Baotong (BVI) Company Limited, Baotong E-commence (Hong Kong) Company Limited, Baoke Trading (BVI) Company Limited, Opulent Sino Development Ltd., Good Virtue Investment Limited, Lawbo Investment Limited, Shirble Shajing Investment Co. Ltd. and Shenzhen Shirble Enterprise Management Co., Ltd and a legal representative of Shenzhen Shirble Department Store Co., Ltd. ("**Shirble Department Store (Shenzhen)**"), Shenzhen Shirble Chain Store Limited Liability Company ("**Shirble Chain Store**"),Shenzhen Qianhai Baotang E-commence Company Limited, Shenzhen Shirble New Retail Co. Ltd., Shanwei Shirble Department Store Co., Ltd., Luhe Shirble Department Store Co., Ltd. and Lufeng Shirble Department Store Co., Ltd. Mr. YANG obtained a bachelor's degree in business management from the University of Surrey in England in 2010. Mr. YANG is the son of Ms. HUANG Xue Rong, a non-executive Director. Mr. YANG obtained a bachelor's degree in business management from the University of Surrey in England in 2010. Mr. YANG is the son of Ms. HUANG Xue Rong, a non-executive Director.

Mr. HAO Jian Min, *Co-chairman and executive Director*

Mr. HAO Jian Min, aged 56, was appointed as an executive Director and a Co-Chairman on 26 September 2018. Mr. HAO is responsible for formulating the overall business strategies of the Group, particularly in property project management and development. Mr. HAO graduated from Shenyang Jianzhu University and has obtained a master's degree in Management Science and Engineering from Harbin Institute of Technology and a MBA degree from Fordham University in the United States. Mr. HAO has more than 30 years' experience in construction and property development businesses. Mr. HAO previously acted as the directors and chief executives of a number of Hong Kong listed companies. Mr. HAO acted as an executive director of China Overseas Land and Investment Ltd. (stock code: 00688) ("**COLI**") from September 2005 to November 2016, during which Mr. HAO also acted as the vice-chairman of COLI from November 2006, chief executive officer of COLI from November 2007, and chairman and chief executive officer of COLI from August 2013. Mr. HAO was also the chairman and non-executive director of China Overseas Grand Oceans Group Limited (stock code: 00081) during the period from April 2010 to November 2016 and China Overseas Property Holdings Limited (stock code: 02669) during the period from October 2015 to November 2016.

Non-executive Director

Ms. HUANG Xue Rong

Ms. HUANG Xue Rong, aged 56, has been appointed as a non-executive Director effective from 26 May 2020. Ms. HUANG has over 15 years of experience in administrative and business matters. She is the mother of Mr. Yang Ti Wei, an executive Director.

Independent non-executive Directors

Mr. CHEN Fengliang, *Chairperson of the Remuneration Committee and a member of the Audit Committee*

Mr. CHEN Fengliang, aged 47, was appointed as an independent non-executive Director on 18 June 2010. Mr. CHEN obtained a bachelor's degree in economics from the Inner Mongolia University in 1995. From 1995 to 1998, Mr. CHEN was a planning officer in the planning department of the Yike Zhao League branch of The Agricultural Bank of China. From 1998 to 2001, Mr. CHEN studied at the Graduate School of the People's Bank of China and obtained a master's degree in economics in 2001. From 2001 to 2016, Mr. CHEN was the secretary to the president's office of China Eagle Securities Company Limited, the manager of risk control of China Eagle Asset Management Company Limited, the director of investment of Shanghai Sino-V Asset Management Company Limited and the vice general manager of the business development department of Chinalion Securities Co., Ltd.. Currently, Mr. CHEN is the executive director and general manager of Shenzhen Dezhonghengzheng Investment Company Limited.

Mr. JIANG Hongkai, *Chairperson of the Nomination Committee and a member of the Audit Committee and the Remuneration Committee*

Mr. JIANG Hongkai, aged 55, was appointed as an independent non-executive Director on 18 June 2010. Mr. JIANG obtained a Bachelor of Science degree in chemistry from South China Normal School in 1986. From 1986 to 1994, Mr. JIANG was a high school teacher. In 1994, Mr. JIANG became qualified as a lawyer in China after passing an examination required for admission as a PRC lawyer. From 1994 to 2003, Mr. JIANG worked as a lawyer in Guangdong Jihe Law Firm. Since 2003, Mr. JIANG has been working as a lawyer in the King & Capital (Shenzhen) Law Firm (formerly known as the Shenzhen branch of King & Capital Law Firm).

Mr. FOK Hei Yu, *Chairperson of the Audit Committee and a member of the Remuneration Committee and the Nomination Committee*

Mr. FOK Hei Yu, aged 51, was appointed as an independent non-executive Director on 31 January 2013. Mr. FOK is a senior managing director of FTI Consulting, a business advisory firm assisting companies to protect and enhance enterprise value. On 1 June 2018, Mr. FOK was appointed as an independent non-executive director of Nam Tai Property Inc., a company listed on the New York Stock Exchange and resigned with effect from 4 March 2021. In March 2018, Mr FOK was appointed as an independent non-executive director of Kaisa Health Group Holdings Limited (stock code: 876) and resigned with effect from 4 March 2021. From 17 November 2009 to 31 December 2014, Mr. FOK was an independent non-executive director of Kaisa Group Holdings Limited (stock code: 1638). From 31 August 2011 to 8 October 2014, Mr. FOK was a director of Emerson Radio Corp., a company listed on the New York Stock Exchange. From 1 December 2009 to 15 June 2012, Mr. FOK was also a non-executive director of Delong Holdings Limited, a company listed on the Singapore Exchange Limited. Mr. FOK is an associate member of the Hong Kong Institute of Certified Public Accountants and Certified Practicing Accountant (Australia) and a member of the Hong Kong Institute of Directors. Mr. FOK graduated from Australian National University with a bachelor's degree in commerce in 1995.

Senior Management

Ms. CHAN Chore Man, Germaine, aged 41, the chief financial officer, company secretary and investor relationship manager of the Company. Ms. CHAN joined the Group in July 2010 and is responsible for overseeing the overall financial, corporate finance and compliance matters of the Group. Ms. CHAN obtained a bachelor's degree in accounting from the Hong Kong University of Science and Technology in 2002. Prior to joining the Group, Ms. CHAN has over five years of experience in the investment banking sector, specializing in corporate finance, and two years of experience in the audit and tax departments at Ernst and Young. Ms. CHAN is a member of the Hong Kong Institute of Certified Public Accountants since 2006.

Mr. WANG Bin, aged 45, the deputy chief financial officer of the Company. Mr. WANG joined the Group in April 2019 and is responsible for assisting the chief financial officer of the Company in relation to the overall finance and treasury matters of the Company. Mr. WANG obtained a master's degree in internal auditing and management from Cass Business School, City, University of London, United Kingdom in 2003. He is a member of the Association of Chartered Certified Accountants and a member of the Certified Practising Accountants Australia. Prior to joining the Group, he worked for China Overseas Land & Investment Ltd. (stock code: 00688) and its subsidiary, China Overseas Property Group Co., Ltd., and served as the deputy general manager of the finance and treasury department (PRC headquarter) and general manager of the finance and treasury department (HK headquarter).

DIRECTORS' REPORT

The Board is pleased to present the report on the affairs of the Company, together with the consolidated financial statements and auditor's report, for the year ended 31 December 2020.

Principal activities

Shirble Department Store Holdings (China) Limited was incorporated in the Cayman Islands on 5 November 2008 as an exempted company with limited liability under the Companies Law, (Cap. 22) of the Cayman Islands. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.

The Company is principally engaged in investment holding. The principal activities of the Company and its subsidiaries are department stores operations, property development and provision of property development consulting services in the People's Republic of China (the "**PRC**").

Results

The results of the Group for the year ended 31 December 2020 are set out in the consolidated income statement on page 46 of this report.

Proposed final dividends

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.

Pursuant to the resolutions passed by the Board of Directors of the Company held on 20 August 2020, an interim dividend of HKD0.0029 (equivalent to approximately RMB0.0026) per share, amounting to HKD7,235,500 (equivalent to approximately RMB6,487,000) out of the share premium account for the six months ended 30 June 2020 was approved and paid by the Company in October 2020.

In view of the loss incurred for the year ended 31 December 2020, the Board does not recommend any final dividend of the Company for the year ended 31 December 2020.

Investment properties

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

Property, plant and equipment

Details of movements in property, plant and equipment during the year are set out in note 16 to the consolidated financial statements.

Share capital

Details of the Company's authorised and issued share capital as of 31 December 2020 are set out in note 27 to the consolidated financial statements.

Reserves

As at 31 December 2020, distributable reserves of the Company included the Company's retained profit in the amount of RMB697.8 million and the Company's share premium in the amount of RMB751.1 million. Details of the movements in reserves of the Company and the Group during the year under review are set out in notes 29 to 30 to the consolidated financial statements and in the consolidated statement of changes in equity, respectively.

Charitable donations

The Group made no charitable donations for the year ended 31 December 2020.

Pre-emptive rights

There are no provisions for pre-emptive rights under the articles of association of the Company (the "**Articles**") and the laws of the Cayman Islands do not impose any limitations on such rights.

Directors

The Directors of the Company during the year under review and up to the date of this report are as follows:

Executive Directors:

Mr. YANG Ti Wei *(Co-chairman and Chief Executive Officer)* (Appointed as Co-chairman on 26 May 2020)
Mr. HAO Jian Min *(Co-chairman)*
Mr. YANG Xiangbo (Resigned as Co-chairman on 26 May 2020 and deceased on 2 June 2020)

Non-executive Director:

Ms. HUANG Xue Rong (Appointed on 26 May 2020)

Independent Non-executive Directors:

Mr. CHEN Fengliang
Mr. JIANG Hongkai
Mr. FOK Hei Yu

Pursuant to Article 83(3) of the Articles, the Directors shall have the power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy on the Board or as an addition to the existing Board. Any Director appointed by the Board to fill a casual vacancy shall hold office until the first general meeting of Shareholders after his appointment and be subject to re-election of such meeting and any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election. Any Director appointed pursuant to Article 83(3) of the Articles shall not be taken into account in determining which particular Directors or the number of Directors who are to retire by rotation.

Pursuant to Article 84 of the Articles, at each annual general meeting one-third of the Directors for the time being (or, if their number is not a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years and shall then be eligible for re-election.

In accordance with the Article 84 of the Articles, Mr. HAO Jian Min and Mr. Fok Hei Yu will retire by rotation. All retiring Directors, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

Directors' service contracts

Mr. YANG Ti Wei, one of the executive Directors, has entered into service agreements with the Company for a term of three years commenced from 7 September 2019. During this period, Mr. Yang will be entitled to an annual director's emolument of HK$300,000 (before taxation) and (a) a fixed monthly salary of RMB180,000 (after taxation) from 7 September 2019 to 31 March 2020; (b) a fixed annual salary of HK$3,855,000 (after taxation) and RMB1,800,000 (after taxation) from 1 April 2020 to 6 September 2022; and (c) an extra one-month salary of RMB150,000 (after taxation) per annum pursuant to the relevant service agreements.

Mr. HAO Jian Min, one of the executive Directors, has entered into a service agreement, together with supplements, with the Company for a terms of three years commenced from 26 September 2018. The service agreement shall continue thereafter and may only be terminated in accordance with the provisions therein contained by either party giving to the other not less than six months' prior notice in writing. Mr. HAO Jian Min will receive a monthly salary of HK$2,000,000 (after taxation) under the service contract. On 26 September 2018, Mr. HAO Jian Min has also accepted 250,000 shares of the Company as the share-based payment of his employment with the Company.

Mr. FOK Hei Yu, one of the independent non-executive Directors, has signed a letter of appointment with a term of three years commencing from January 2019 whereas the other two independent non-executive Directors, namely Mr. CHEN Fengliang and Mr. JIANG Hongkai have signed letters of appointment for a term of three years commencing from 18 June 2020. The annual fee for each independent non-executive Director is HK$300,000.

Ms. HUANG Xue Rong, the non-executive Director, has entered into a letter of appointment with the Company for a terms of three years effective from 26 May 2020 and the annual director's fee is HK$300,000.

Save as disclosed above, none of the Directors has entered or has proposed to enter into any service agreements with the Company or any of its subsidiaries (other than contracts expiring or determinable by the employer within one year without payment of compensation other than statutory compensation).

Retirement schemes

Employees of the Company's subsidiaries in the PRC and Hong Kong are required to participate in defined contribution retirement schemes. Particulars of these retirement plans are set out in note 11 to the financial statements.

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

As at 31 December 2020, the interests of the Directors and chief executives in the shares of the Company and its associated corporations as recorded in the register required to be kept under Section 352 of the Securities and Futures Ordinance (the "**SFO**"); or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "**Model Code**") set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") were as follows:

(a) Long positions in shares of the Company

Name of directors	Capacity	Number of shares	Percentage of shareholding
Mr. YANG Xiangbo	Beneficial owner (Note 1)	1,374,167,500	55.08%
(Deceased on 2 June 2020)	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.

(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 year ended 31 December 2020.

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

As of 31 December 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 31 December 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.

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 and the Scheme expired on 29 October 2020.

A summary of the Scheme is as follows:

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

2. The eligible participants of the Scheme are:

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

   (ii) any employee of the Group; and

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

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

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

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

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

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

8. The Scheme expired on 29 October 2020.

Since the date of adoption of the Scheme and up to 29 October 2020, no options have been granted under the Scheme.

Employees' share award scheme

The Company adopted an employees' share award scheme ("**Employees' Share Award Scheme**") on 22 January 2014 ("**The Adoption Date**"). The purpose of the Employees' Share Award Scheme is to recognise and reward eligible employees for their contributions to the business and development of the Group, provide incentives to eligible employees for their satisfactory performance, and align the interest of the eligible employees with the interest of the Group through the grant of the award. As approved by the Board under the share award scheme, the grant shares and the related income will be vested to the relevant employees during a period of three years commencing from the first anniversary of the dates of grant in the percentages of 33.3%, 33.3% and 33.4%, respectively. As at the date of this report, an aggregate of 35,807,200 shares of the Company have been granted to 129 eligible employees and fully vested.

Remuneration policy

The employees' and Directors' remuneration is determined with reference to salaries paid by comparable companies, experience, responsibilities and performance of the Group. In addition to the fees, salaries, housing allowances, other allowances, benefits in kind or bonuses, the Company has conditionally adopted the Scheme and Employees' Share Award Scheme pursuant to which the participants, including the Directors, may be granted options to subscribe for the Shares or may reward Shares directly.

Details of the Directors' emoluments and emoluments of the five highest paid individuals in the Group are set out in note 11 to the financial statements.

Directors' interest in competing business

As of 31 December 2020, none of the Directors or their respective associates (as defined in the Listing Rules) had any interest in a business, which competes or may compete with the business of the Group.

As disclosed in the prospectus of the Company dated 5 November 2010 (the "**Prospectus**"), the Controlling Shareholders (as defined in the Prospectus) and the then executive Directors (collectively, the "**Covenantors**") have entered into a deed of non-competition in favor of the Company with effect from the Listing Date. The Covenantors have provided the Group with written confirmations that they and their associates (other than members of the Group) have fully complied with the deed of non-competition for the year ended 31 December 2020.

The independent non-executive Directors have conducted an annual review on the Covenantors' compliance with the deed of non-competition, the options, the pre-emptive rights or first rights of refusals provided by the Controlling Shareholders (as defined in the Prospectus) on their existing or future competing business.

Management contracts

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year under review.

Directors' right to acquire shares or debentures

Save as disclosed under the sections headed "Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures of the Company and its Associated Corporations", "Share Option Scheme" and "Employees' Share Award Scheme" above, at no time during the year was the Company and any of its subsidiaries of the Company and its associated corporations a party to any arrangement to enable the Directors or chief executives or any of their spouse or children under the age of 18 to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Arrangements to purchase shares

At no time during the year was the Company or any of its subsidiaries or fellow subsidiaries, a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in the Company or any other body corporate.

Connected Transactions

Details of the related party transactions which were undertaken in the ordinary course of business are set out in note 37 to the financial statements.

The transactions stated below are entered into in the ordinary and usual course of business, and constitute connected transaction subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Termination of the Integrated consulting service agreements

On 8 April 2019, Shenzhen Shirble Enterprise Management Co., Ltd. ("**Shirble Management Consultant**"), a wholly-owned subsidiary of the Company, entered into the Integrated Consulting Service Agreements with SRF and HXL, respectively, pursuant to which Shirble Management Consultant agreed to provide certain consulting services to SRF and HXL in respect of the International Exhibition Center Project and the Peng Zhan Hui Project, respectively. The transactions were approved at the extraordinary general meeting of the Company held on 14 July 2019.

Pursuant to the Integrated Consulting Service Agreements, during the term of the Integrated Consulting Service Agreements, Shirble Management Consultant shall be entitled to receive a maximum service fee of RMB1.0 billion (being 5% of the maximum aggregate investment amount RMB 20 billion of SRF in the International Exhibition Center Project), and a maximum service fee of RMB 120 million (being 5% of the maximum aggregate investment amount RMB2.4 billion of HXL in the Peng Zhan Hui Project) respectively. For the year ended 31 December 2020, the Group recognised a consulting service income of RMB198.2 million (2019: RMB422.4 million) and RMB28.7 million (2019: RMB71.5 million) from SRF and HXL, respectively under the Integrated Consulting Service Agreements.

In view of the COVID-19 pandemic, the connected transactions contemplated therein were terminated on 30 December 2020. Further details on the termination were disclosed in the Company's announcement dated 30 December 2020.

Exempt continuing connected transactions

The transactions stated below are entered into in the ordinary and usual course of business, and constitute continuing connected transactions exempt from the reporting, announcement, annual renew and independent shareholders' approval requirements as defined in Chapter 14A of the Listing Rules.

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

Pursuant to a lease agreement dated 10 January 2019, Shirble Chain Store leased from Ruizhuo Investment a property of 39.02 sq.m. located at Bao'an Road, Luohu District, Shenzhen, China for the period from 10 January 2019 to 9 January 2022 at a monthly rental of RMB1,678, i.e. an annual rental of RMB20,136. The property is used as a tobacco sales counter of the Group's Hongbao store. Ruizhuo Investment is owned in equal shares by Mr. ZHU Bijiang, who is a member of the Group's senior management team and Mr. YANG Ti Wei's cousin, and Ms. ZHU Bihui, who is also Mr. YANG Ti Wei's cousin. Hence, Ruizhuo Investment is a connected person of the Company under the Listing Rules.

The above transaction involves the lease of property from an entity controlled by Mr. YANG Ti Wei or his associates.

For the year ended 31 December 2020, the aggregate annual rental paid under the lease agreement with Ruizhuo Investment amounted to RMB20,136. Since the transaction (the "**Transaction**") under the agreement with Ruizhuo Investment, as confirmed by the Directors, are on normal commercial terms and the applicable percentage ratios in respect of the Transaction were on an annual basis, less than 5% and the annual consideration is less than HK$3.0 million, it falls within the de minimis threshold as stipulated under Rule 14A.76(1)(c) of the Listing Rules, the Transaction is exempt from the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Purchase, sale or redemption of listed shares of the Company

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2020.

Major customers and suppliers

The information in respect of the Group's major customers for the year ended 31 December 2020 is as follows:

	Percentage of the Group's total revenue
The largest customer	41.2%
Five largest customers in aggregate	60.0%

Due to the business nature of the Group, for the years ended 31 December 2020 and 2019 none of its suppliers accounted for more than 5% of the Group's total purchases of the same year, and for the year ended 31 December 2020 none of its customers accounted for more than 5% of the Group's total revenue for the same year.

Save as the Director's interest in SRF and HXL (which are the largest and third largest customer of the Group, respectively for the year ended 31 December 2020) as defined and disclosed in note 7(a) to the financial statements, none of the Directors, close associates of Directors, or any shareholders (which to the knowledge of the Board hold 5% or more of the issued shares capital of the Company) had any interests in any of the aforementioned suppliers or customers for the year ended 31 December 2020.

Borrowings

The Group has long-term and short-term borrowings of RMB293.2 million and RMB78.8 million, respectively as at 31 December 2020 (2019: long-term and short-term borrowing of RMB242.3 million and RMB8.9 million, respectively), mainly representing the secured bank borrowing denominated in RMB secured by the charge of two PRC properties.

Sufficiency of public float

Based on the information that is publicly available and within the knowledge of the Directors at the latest practicable date prior to the publication of this report, the Company has maintained the prescribed public float under the Listing Rules throughout the year ended 31 December 2020 and at any time up to the latest practicable date prior to the publication of this report.

Directors' interests in transactions, arrangement or contracts of significance

Save as disclosed under the "Exempt continuing connected transactions" sections above and in notes 7(a) and 37 to the financial statements with the sections headed "Revenue" and "Related Party Transactions", respectively, no Director had a material interest, whether directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the year.

Controlling shareholders' interests in significant contracts

Saved as disclosed in note 37 to the financial statements with the section headed "Related Party Transactions", at no time during the year had the Company or any of its subsidiaries, and the Controlling Shareholders or any of its subsidiaries entered into any contract of significance or any contract of significance for the provision of services by the Controlling Shareholders or any of its subsidiaries to the Company or any of its subsidiaries.

Tax relief

The Company is not aware of any relief from taxation available to the Shareholders by reason of their holding of the shares of the Company. Intending holders and investors of the Company's shares are recommended to consult their professional advisers if they are in any doubt as to the taxation implications (including tax relief) of subscribing for, purchasing, holding, disposing of or dealing in shares. It is emphasized that none of the Company or its Directors or officers will accept any responsibility for any tax effect on, or liabilities of, holders of shares in the Company resulting from their subscription for, purchase, holding, disposal of or dealing in such shares.

Corporate governance report

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

Environmental, Social and Governance Report

2020 Environmental, Social and Governance Report of the Company will be presented in a separate report and published on the websites of the Company and the Stock Exchange no later than three months after the publication of this annual report.

Auditors

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

On behalf of the Board

YANG Ti Wei
Co-chairman

25 March 2021

CORPORATE GOVERNANCE REPORT

Corporate governance

The Company is committed to achieving and maintaining high standards of corporate governance. In the opinion of the Directors, throughout the year ended 31 December 2020, the Company has complied with the principles and applicable code provisions set out in the Corporate Governance Code (the "**CG Code**") contained in Appendix 14 to the Listing Rules.

The enhancement of the internal controls measures will also continue to be monitored by the internal audit department and the Chief Executive Officer of the Group. The internal audit department will periodically report their review and findings on the Group's internal controls to the Audit Committee and the Board.

Board of directors

As at 31 December 2020, the Board comprises two executive Directors, namely Mr. YANG Ti Wei (Co-chairman and Chief Executive Officer) and Mr. HAO Jin Min (Co-chairman), one non-executive Director, namely Ms. HUANG Xue Rong, and three independent non-executive Directors, namely Mr. CHEN Fengliang, Mr. JIANG Hongkai and Mr. FOK Hei Yu. Ms. HUANG Xue Rong is the mother of Mr. YANG Ti Wei. Pursuant to Article 84 of the articles of association of the Company, at each annual general meeting one-third of the Directors for the time being (or, if their number is not a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years and shall then be eligible for re-election. The composition of the Board is well balanced with each Director having sound knowledge, experience and expertise relevant to the business operations and development of the Group. The biographical details of the Directors are set out in the "Directors and Senior Management" section on pages 18 to 20 of this report. All independent non-executive Directors are appointed for a specific term of three years, but they are subject to retirement by rotation and re-election at the annual general meeting pursuant to the Articles of the Company.

The Board is responsible for overall management and control of the Company including formulation and approval of overall strategies, performing corporate governance duties, material transactions, business plans and other significant financial and operational matters to enhance the value to shareholders. The Board has delegated the responsibilities for day-to-day operations and management of the Group's business to the senior management of the Company. Details of the type of decisions taken by the Board and those delegated to the management are set out in the sub-section headed "Corporate Governance Functions" on page 36 of this report.

Mr. YANG Ti Wei and Mr. HAO Jin Min are the Co-chairman of the Group and Mr. YANG Ti Wei is the Chief Executive Officer of the Group. The Co-chairman are responsible for managing and providing leadership to the Board and the Chief Executive Officer is responsible for execution of the decisions and strategies approved by the Board, focusing on business development and managing day-to-day operations of the Group.

In accordance with Rule 3.13 of the Listing Rules, the Company has received annual confirmation of independence from the three independent non-executive Directors. The Company considers that all the independent non-executive Directors are independent.

Board diversity policy

In respect of the code provision relating to Board diversity under the CG Code, the Board seeks to achieve a sustainable and balanced development through the consideration of a number of factors, including but not limited to gender, age, cultural and educational background, or professional experience.

On 26 August 2013, the Board has formally approved a diversity policy with effective from 1 September 2013.

Directors' responsibilities

The Directors have acknowledged their responsibilities for preparing the financial statements of the Company for the year ended 31 December 2020.

Audit Committee

In accordance with Rule 3.21 of the Listing Rules, the Company has set up an Audit Committee comprising of three independent non-executive Directors, namely, Mr. FOK Hei Yu (Chairperson), 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 year under review, the Audit Committee held two regular meetings with management, external auditors and internal control consultant to discuss on the auditing, internal controls and financial reporting matters of the Company, and to review on the Group's internal control and risk management system and annual results for the year ended 31 December 2020.

The Audit Committee is satisfied that there is an ongoing process in place for identifying, evaluating and managing the significant risks faced by the Group, and believes that in order to manage the risk of failure in achieving the Company's goals and objectives to an ultimate extent, the Group should continuously enhance its internal control system. The Audit Committee also reviewed the adequacy of resources, qualifications and experience of staff of the Company's accounting and financial reporting and internal audit functions; as well as training programs and budget. The Audit Committee believes that in view of the rapid expansion plan of the Group, the Group should continue to monitor its total resources in the accounting and financial reporting and internal audit functions.

Remuneration Committee

In accordance with Rule 3.25 of the Listing Rules, the Company has set up a Remuneration Committee with a majority of independent non-executive Directors. The Remuneration Committee comprises four members, namely Mr. CHEN Fengliang (Chairperson), Mr. JIANG Hongkai and Mr. FOK Hei Yu, all being independent non-executive Directors and one executive Director, namely Mr. YANG Ti Wei. The primary responsibilities of Remuneration Committee are to provide recommendation to the Board on the remuneration package of Directors and senior management and to establish formal and transparent procedures for developing such remuneration policy and structure.

The Remuneration Committee held two meetings during the year to discuss on the remuneration package and the performance assessment of the Directors, remuneration package for the appointment of a Co-Chairman and a non-executive Director and other remuneration-related matters. All members of the Remuneration Committee had also deliberated on matters relating to the salary adjustment of the executive Director and independent non-executive Directors and members of senior management.

Pursuant to code provision B.1.5 of the CG Code, the details of the annual remuneration of the members of the senior management (excluding Directors) by band for the year ended 31 December 2020 are set forth as follows:

The emoluments fell within the following bands:

	Number of individuals	
	2020	**2019**
Emolument band		
HKD1,500,001 – HKD2,000,000	1	1
HKD2,000,001 – HKD2,500,000	1	–
HKD5,500,001 – HKD6,000,000	1	–
HKD7,000,001 – HKD7,500,000	–	1

Details of the Director's emoluments are set out in note 11 to the financial statements.

Nomination Committee

In accordance with Code Provision A.5.1 of the CG Code, the Company has set up a Nomination Committee with a majority of independent non-executive Directors. The Nomination Committee comprises three members, namely Mr. JIANG Hongkai (Chairperson) and Mr. FOK Hei Yu, all being independent non-executive Directors and one executive Director, namely Mr. YANG Ti Wei. The primary responsibilities of the Nomination Committee are to review the composition and diversity of the Board regularly, to assess the independence of independent non-executive Directors and to make recommendation to the Board on relevant matters relating to the appointment or re-appointment of Directors. The Nomination Committee firstly proposes a list of candidates for selection, which shall then be submitted by the committee to the Board for review and approval. In respect of the selected candidates, the Nomination Committee collects their background information and examine the qualifications in accordance with the applicable requirements and to state their opinion and recommendations on appointments to the Board. The Nomination Committee carries out, if necessary, other relevant follow up works according to the decisions of or feedback from the Board. The Nomination Committee held one meeting during the year to, among other things, discuss, review and access such matters and made recommendation to the Board for the appointment of Mr. Yang Ti Wei as a Co-Chairman of the Board and a member of the Nomination Committee and the Remuneration Committee, and Ms. HUANG Xue Rong as a non-executive Director.

Frequency of meetings and attendance

The attendance record of each of the Directors for the meetings held during the year ended 31 December 2020 is set forth below:

	Number of attendance/Number of meetings				
Name of Directors	General	Board	Audit Committee	Remuneration Committee	Nomination Committee
Executive Directors					
YANG Ti Wei *(Co-chairman)* (Note 1)	1/1	10/10	N/A	1/2	0/1
HAO Jian Min *(Co-chairman)*	1/1	9/10	N/A	N/A	N/A
YANG Xiangbo (Note 2) (Deceased on 2 June 2020)	0/1	2/10	N/A	1/2	1/1
Non-executive Director					
HUANG Xue Rong (Appointed on 26 May 2020)	1/1	8/10	N/A	N/A	N/A
Independent non-executive Directors					
CHEN Fengliang	1/1	10/10	2/2	2/2	N/A
JIANG Hongkai	1/1	10/10	2/2	2/2	1/1
FOK Hei Yu	1/1	10/10	2/2	2/2	1/1

Note 1: Mr. YANG Ti Wei joined the Remuneration Committee and Nomination Committee on 26 May 2020.

Note 2: Mr. YANG Xiangbo resigned as Co-chairman, a member of each of the Remuneration Committee and Nomination Committee on 26 May 2020.

Professional training for directors

Each newly appointed Director receives comprehensive, formal induction to ensure that he/she has appropriate understanding of the business and his/her responsibilities and obligations under the Listing Rules and relevant regulatory requirements.

The continuous professional development is provided to the Directors at the Company's expense to develop and refresh their knowledge and skills. From time to time the Company Secretary updates and provides Directors with relevant reference material, amendments to Listing Rules and news releases from the Stock Exchange on any developments in statutory and regulatory regime to facilitate the discharge of their responsibilities.

For the year ended 31 December 2020, all the Directors have attended 20 hours of training in form of in-house seminars and regulatory updates or other relevant reference materials studies.

Corporate governance functions

The Board acknowledges its responsibility to ensure that sound and effective internal controls are maintained to safeguard the Shareholders' investment and the Company's assets and review the effectiveness of the internal control system annually. Procedures have been designed to facilitate effective and efficient operations, ensure reliability of financial reporting, identify and manage potential risks, safeguard assets of the Group and ensure compliance with applicable laws and regulations.

The internal audit department has reported its findings and work plan to the Audit Committee twice in the year, and the Board and the Audit Committee then reviewed and refined the Group's material controls, including financial, operational and compliance controls and risk management functions. The Board, together with the Audit Committee, also accessed the adequacy of resources, qualifications and experience of the staff of the Company's accounting and financial reporting and internal audit functions, and their training programs and budget.

Model code for securities transactions

The Company has adopted the Model Code as the code of conduct regarding the Directors' securities transactions. Having made specific enquiries of all the Directors, the Company confirmed that they have complied with the Model Code during the year ended 31 December 2020.

Auditor's remuneration

The Independent Auditor's Report issued by PricewaterHouseCoopers, the Company's auditor, in respect of the audit of the Group's financial statements for the year ended 31 December 2020 is set out on pages 39 to 45 of this report.

During the year ended 31 December 2020, the auditor's remuneration was RMB2.5 million and RMB0.6 million for audit services and other assurance services to the Group respectively.

Insurance

The Company has arranged appropriate directors' and officers' liabilities and professional indemnity insurances coverage for the Directors and officers of the Company. Permitted indemnity provision is currently inforce and was inforce throughout the year.

Company secretary

All Directors have access to the advice and services of the Company Secretary, Ms. CHAN Chore Man, Germaine ("**Ms. CHAN**"), a full time employee of the Company. Ms. CHAN has confirmed that she has received no less than 15 hours of relevant professional training for the year ended 31 December 2020.

Shareholder’s rights

Pursuant to the Article 58 of the Articles of the Company, any one or more members holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the Company Secretary, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition. The Shareholders may communicate to the Board any enquiries they may have. All Shareholders correspondences received by the Company will be delivered to the Group’s Company Secretary for an initial review. The Company Secretary will maintain a log of the correspondences and forward a copy of the correspondences to the Board for consideration at its next meeting.

Apart from the above, Shareholders also have the right to nominate candidates to be Directors. Following the relevant procedures which are made available to the Shareholders, Shareholders may at any time send a notice of nomination setting out the information required to the Nomination Committee of the Company. After evaluation, the Nomination Committee may make recommendation to the Board which will then evaluate the nomination.

For any enquiries to the Board of the Company, Shareholders may send their enquiries to the Company in writing by mail to:

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

Communication with shareholders and investors

The Company believes that effective communication with Shareholders is essential for good investor relations and investor understanding of the Group’s business performance and strategies. Therefore, the Company always seeks to provide relevant information through various channels including formal announcements, press releases and conferences, analysts presentations and roadshows and forums organized by investment banks in order to enhance the transparency and communication with the investing public. The Company also maintains a website at www.shirble.net, where up-to-date information and updates on the Company’s financial information, business development and other information are available for public access. The general meetings of the Company provide a platform for communication between the Board and the shareholders. The Board and the senior management will normally attend the annual general meetings and other shareholders’ meetings of the Company to answer questions raised at the meetings.

Constitutional documents

During the year under review, there was no change to the Company's constitutional documents. An up-to-date version of the memorandum and articles of association of the Company are available on the websites of the Company and the Stock Exchange.

Dividend policy

The Company has adopted a dividend policy. The recommendation and declaration of dividends are subject to the discretion of the Board. The Board shall take into account various factors the Board may deem relevant, including but not limited to the Group's actual and expected financial performance, working capital requirements, capital expenditure requirements and commitments, operations and business strategies, liquidity position, retained earnings and distributable reserves, etc., and market conditions and external factors.

The payment of dividend is also subject to any restrictions under the applicable laws and regulations and the Articles. The Board will review such policy as appropriate from time to time.

INDEPENDENT AUDITOR'S REPORT

羅兵咸永道

Independent Auditor's Report
To the Shareholders of
Shirble Department Store Holdings (China) Limited
(incorporated in the Cayman Islands with limited liability)

Opinion

What we have audited

The consolidated financial statements of Shirble Department Store Holdings (China) Limited (the "**Company**") and its subsidiaries (the "**Group**") set out on pages 46 to 128, which comprise:

- the consolidated balance sheet as at 31 December 2020;
- the consolidated income statement for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("**IFRSs**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Opinion

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

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

Independence

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

Key Audit Matters

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

Key audit matters identified in our audit are summarised as follows:

- Valuation of investment properties
- Impairment of receivables from operating leases

Key Audit Matter	How our audit addressed the Key Audit Matter
Valuation of investment properties	
Refer to note 2.8, note 4.3, note 5(b) and note 15 to the Consolidated Financial Statements. The Group's investment properties were measured at fair value of RMB2,602 million as at 31 December 2020, with a fair value loss of RMB149 million charged to profit or loss for the year then ended. The Group's investment property portfolio includes self-owned buildings which are held for long-term rental yields and the right-of-use assets for property leases which had been or planned to be subleased out under operating leases. The management has engaged an independent valuer to assist in the valuation of the fair value of investment properties.	We obtained an understanding of the management's internal control and assessment process of valuation of investment properties and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors such as complexity, subjectivity, changes and susceptibility to management bias or fraud, and performed audit procedures as follows: • We validated the internal control over the Group's process in determining the fair value of investment properties; • We evaluated the independent external valuer's competence, capabilities and objectivity by considering their independence, professional qualifications and relevant experience in the markets where the Group's investment properties are located, and reading their valuation reports prepared for financial reporting purposes;

Key Audit Matter	How our audit addressed the Key Audit Matter
We focused on auditing the investment properties because the estimation of valuation of investment properties is subject to high degree of estimation uncertainty. The inherent risk in relation to the valuation of investment properties is considered relatively higher due to complexity of the methods, subjectivity of significant assumptions used, and significant judgements involved in selecting data. Given the significant balance of investment properties and the involvement of critical accounting estimates, the valuation of investment properties is considered a key audit matter.	• We performed the following procedures with the assistance of our internal valuation experts: (1) We evaluated the appropriateness and consistency of methodologies used in the property valuations based on our knowledge of the industry and market practice; (2) We challenged the reasonableness of the key assumptions adopted in the property valuations by comparing them to recent lettings of the Group's investment properties, actual occupancy rates achieved, recent market transactions and with reference to our in-house valuation experts; (3) We checked, on a sample basis, the accuracy and relevance of the valuation input data on existing leases by agreeing the rental income and lease terms to the signed lease agreements; and (4) We checked the calculation of the fair value of the investment properties for accuracy. Based on the above, we considered that management's judgements and assumptions applied in the assessment of valuation of investment properties were supportable by the evidence obtained and procedures performed.

Key Audit Matter	How our audit addressed the Key Audit Matter
Impairment of receivables from operating leases Refer to note 2.11(d), note 4.1(b), note 5(c), and note 23(b) to the consolidated financial statements. The gross balance of receivables from operating leases as at 31 December 2020 amounted to RMB111 million, against which allowance for expected credit losses amounting to RMB38 million was made. Management elected to apply the simplified approach by adopting a provision matrix to measure the lifetime expected loss allowance for receivables from operating leases. In calibrating the provision matrix, management used judgement in making the assumptions about the expected credit loss rate with reference to the historical observed default rates and forward-looking information on macroeconomic factors. In addition, management also reviewed the credit risk of individual tenants by considering relationship with them and their financial position, etc. to assess whether any increase in credit risk which may trigger further specific provision at the end of the reporting period. We focused on auditing impairment of receivables from operating leases because the estimation of the expected credit loss is subject to high degree of estimation uncertainty. The inherent risk in relation to impairment assessment of receivables from operating leases is considered relatively higher due to subjectivity of significant assumptions used, and significant judgements involved in selecting data. Given the significant balance of receivables from operating leases and the involvement of critical accounting estimates, the provision for expected credit losses on receivables from operating leases is considered a key audit matter.	We obtained an understanding of the management's internal control and assessment process of impairment of receivables from operating leases and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk such as complexity, subjectivity, changes and susceptibility to management bias or fraud, and performed audit procedures as follows: • We validated the effectiveness of the key internal controls over the impairment of receivables from operating leases; • On a sample basis, we tested the aging report of receivables from operating leases; • We challenged management for the assumptions and data used in assessing the expected credit loss rate with the assistance of our internal valuation experts; • We interviewed management to corroborate their explanations on the doubtful receivable balances on a sample basis to evaluate whether any increase in credit risk which may trigger further specific provision; • We checked the calculation of management's valuation models for accuracy; and • On a sample basis, we compared the subsequent collection with the original estimation to evaluate the reliability and accuracy of management judgement and estimates in the impairment assessment. Based on the above, we considered that management's judgements and assumptions applied in the impairment assessment of receivables from operating leases were supportable by the evidence obtained and procedures performed.

Other Information

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

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

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

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

Responsibilities of Directors and Audit Committee for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

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

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

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

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

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Au Chi Ho.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 25 March 2021

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2020

	Note	2020 RMB'000	2019 RMB'000
Revenue	7	**481,077**	794,582
Other operating revenue	8	**43,884**	34,886
Other losses – net	9	**(14,704)**	(63,181)
Fair value adjustment on investment properties	15	**(149,140)**	(21,272)
Purchase of and changes in inventories	10, 24	**(15,097)**	(105,505)
Employee benefit expenses	10, 11	**(139,740)**	(151,525)
Depreciation and amortisation expenses	10	**(24,995)**	(37,638)
Net impairment losses on financial and contract assets	10, 23	**(39,026)**	(751)
Operating lease rental expenses	10	**–**	(1,759)
Other operating expenses, net	10	**(114,125)**	(114,609)
Operating profit		**28,134**	333,228
Finance income	12	**11,646**	12,445
Finance costs	12	**(82,582)**	(74,518)
Finance costs – net	12	**(70,936)**	(62,073)
Share of losses of an associate and a joint venture	19	**(213)**	(2,762)
(Loss)/profit before income tax		**(43,015)**	268,393
Income tax expenses	13	**(32,095)**	(131,608)
(Loss)/profit for the year		**(75,110)**	136,785
(Loss)/profit attributable to:			
Owners of the Company		**(75,116)**	136,811
Non-controlling interests		**6**	(26)
		(75,110)	136,785
(Loss)/earning per share for the (loss)/profit attributable to owners of the Company (expressed in RMB per share)			
– Basic (loss)/earning per share	14(a)	**(0.03)**	0.05
– Diluted (loss)/earning per share	14(b)	**(0.03)**	0.05

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2020

	Note	2020 RMB'000	2019 RMB'000
(Loss)/profit for the year		(75,110)	136,785
Other comprehensive income			
Item that may be reclassified to profit or loss			
Currency translation differences		3,320	(22)
Item that will not be reclassified to profit or loss			
Change in fair value of investment properties upon transfer, net of tax	29	–	66,811
Other comprehensive income for the year		3,320	66,789
Total comprehensive (loss)/income for the year		(71,790)	203,574
Attributable to:			
Owners of the Company		(71,796)	203,600
Non-controlling interests		6	(26)
Total comprehensive (loss)/income for the year		(71,790)	203,574

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

CONSOLIDATED BALANCE SHEET

As at 31 December 2020

	Note	2020 RMB'000	2019 RMB'000
ASSETS			
Non-current assets			
Investment properties	15	2,601,561	2,706,350
Property, plant and equipment	16	253,817	303,386
Intangible assets	17	8,204	12,223
Investment in an associate and a joint venture	19	739	952
Deferred income tax assets	21	19,664	9,788
Trade receivables, other receivables and prepayments	23	712,652	333,001
		3,596,637	3,365,700
Current assets			
Inventories	24	9,123	9,654
Financial assets at fair value through profit or loss	22	258,285	322,660
Trade receivables, other receivables and prepayments	23	245,287	230,909
Contract assets	23	–	361,430
Restricted bank deposits	25	32,409	24,000
Cash and cash equivalents	26	106,784	62,457
		651,888	1,011,110
Total assets		4,248,525	4,376,810
EQUITY			
Share capital	27	213,908	213,908
Share premium	27	751,091	793,269
Shares held for share award scheme	27	(214)	(1,171)
Other reserves	29	443,628	427,307
Retained profits	30	697,848	786,837
Equity attributable to the owners of the Company		2,106,261	2,220,150
Non-controlling interests		12,555	12,549
Total equity		2,118,816	2,232,699

	Note	2020 RMB'000	2019 RMB'000
LIABILITIES			
Non-current liabilities			
Lease liabilities		**1,011,098**	1,142,812
Deferred income tax liabilities	21	**210,017**	217,180
Borrowings	33	**266,550**	215,644
		1,487,665	1,575,636
Current liabilities			
Lease liabilities		**86,144**	81,584
Trade and other payables	31	**186,768**	185,340
Contract liabilities	32	**60,875**	112,045
Borrowings	33	**105,503**	35,600
Income tax payable		**202,754**	153,906
		642,044	568,475
Total liabilities		**2,129,709**	2,144,111
Total equity and liabilities		**4,248,525**	4,376,810

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

The financial statements on pages 46 to 52 were approved by the Board of Directors on 25 March 2021 and were signed on its behalf.

Yang Ti Wei
Director

Hao Jian Min
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2020

	Attributable to owners of the Company							
	Share capital RMB'000	Share premium RMB'000	Shares held for share award scheme RMB'000	Other reserves RMB'000	Retained profit RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance as at 31 December 2019	213,908	793,269	(1,171)	427,307	786,837	2,220,150	12,549	2,232,699
Balance as 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 year	–	–	–	–	(75,116)	(75,116)	6	(75,110)
Other comprehensive income								
Currency translation differences (Note 29)	–	–	–	3,320	–	3,320	–	3,320
Total comprehensive income	–	–	–	3,320	(75,116)	(71,796)	6	(71,790)
Transaction with owners								
Deregistration of a subsidiary	–	–	–	24	–	24	–	24
Employees' share award scheme:	–	–	–	–	–	–	–	–
– Value of employee services (Note 28)	–	–	–	9	–	9	–	9
– Vesting of shares (Notes 27 and 29)	–	(52)	957	(905)	–	–	–	–
Dividends (Note 34)	–	(42,126)	–	–	–	(42,126)	–	(42,126)
Appropriation to reserves	–	–	–	13,873	(13,873)	–	–	–
Total transactions with owners	–	(42,178)	957	13,001	(13,873)	(42,093)	–	(42,093)
Balance as at 31 December 2020	213,908	751,091	(214)	443,628	697,848	2,106,261	12,555	2,118,816

	Attributable to owners of the Company							
	Share capital RMB'000	Share premium RMB'000	Shares held for share award scheme RMB'000	Other reserves RMB'000	Retained profit RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance as at 1 January 2019	213,908	822,138	(2,415)	324,736	684,373	2,042,740	12,731	2,055,471
Comprehensive income								
Profit for the year	–	–	–	–	136,811	136,811	(26)	136,785
Other comprehensive income								
Revaluation of property, plant and equipment upon transfer to investment properties, net of tax (Note 29)	–	–	–	66,811	–	66,811	–	66,811
Currency translation differences (Note 29)	–	–	–	(22)	–	(22)	–	(22)
Total other comprehensive income	–	–	–	66,789	–	66,789	–	66,789
Total comprehensive income	–	–	–	66,789	136,811	203,600	(26)	203,574
Transaction with owners								
Transactions with non-controlling interests	–	–	–	(25)	–	(25)	(156)	(181)
Shareholder's contribution (Note 37(d)(iii))	–	–	–	2,410	–	2,410	–	2,410
Employees' share award scheme:								
– Value of employee services (Note 28)	–	–	–	204	–	204	–	204
– Vesting of shares (Notes 27 and 29)	–	(90)	1,244	(1,154)	–	–	–	–
Dividends (Note 34)	–	(28,779)	–	–	–	(28,779)	–	(28,779)
Appropriation to reserves	–	–	–	34,347	(34,347)	–	–	–
Total transactions with owners	–	(28,869)	1,244	35,782	(34,347)	(26,190)	(156)	(26,346)
Balance as at 31 December 2019	213,908	793,269	(1,171)	427,307	786,837	2,220,150	12,549	2,232,699

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2020

	Note	Year ended 31 December 2020 RMB'000	2019 RMB'000
Cash flows from operating activities			
Cash generated from/(used in) operations	35(a)	156,995	(7,389)
Income tax paid		(286)	(2,199)
Net cash generated from/(used in) operating activities		156,709	(9,588)
Cash flows from investing activities			
Payments for purchases of property, plant and equipment and investment properties		(35,498)	(96,391)
Purchase of intangible assets		(111)	(29)
Prepayment for acquisition of a subsidiary		(44,530)	(80,650)
Purchase of financial assets at fair value through profit and loss	22	–	(399,203)
Proceeds from sale of financial assets at fair value through profit and loss	22	–	148,790
Proceeds from disposals of property, plant and equipment	35(b)	705	766
Principal elements of finance lease payment received		13,124	14,981
Interest elements of finance lease payment received		10,713	11,613
Decrease in restricted bank deposits		3,868	16,000
Interest received		975	1,360
Proceeds from acquisition of a subsidiary, net of cash paid		–	(180)
Deposit for sale of financial assets at FVPL received		–	67,306
Net cash used in investing activities		(50,754)	(315,637)
Cash flows from financing activities			
Proceeds from borrowings		245,270	256,857
Loan from a shareholder		–	220,000
Repayments of borrowings		(124,461)	(14,607)
Repayment of loan from a shareholder		–	(220,000)
Interests paid		(25,055)	(19,558)
Dividends paid		(42,126)	(28,779)
Principal elements of lease payments as the lessee		(57,515)	(56,912)
Interest elements of lease payments as the lessee		(57,233)	(62,739)
Net cash (used in)/generated from financing activities		(61,120)	74,262
Net increase/(decrease) in cash and cash equivalents		44,835	(250,963)
Cash and cash equivalents at the beginning of year		62,457	310,634
Effect of changes in foreign exchange rate		(508)	2,786
Cash and cash equivalents at end of year	26	106,784	62,457

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

1. General information

Shirble Department Store Holdings (China) Limited (the "**Company**") was incorporated in the Cayman Islands on 5 November 2008 as an exempted company with limited liability under the Companies Law, (Cap. 22) of the Cayman Islands. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.

The Company is principally engaged in investment holding. The principal activities of the Company and its subsidiaries (together, the "**Group**") are department stores operations, property development and provision of property development consulting services in The People's Republic of China ("**the PRC**").

The Company's shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited.

These consolidated financial statements are presented in Renminbi ("**RMB**"), unless otherwise stated.

These consolidated financial statements have been approved for issue by the Board of Directors (the "**Board**") on 25 March 2021.

2. Summary of significant accounting policies

This note provides a list of the significant accounting policies adopted in the preparation of these consolidated financial statements. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

(a) Compliance with International Financial Reporting Standards ("**IFRS**") and Hong Kong Companies Ordinance ("**HKCO**")

The consolidated financial statements of the Group have been prepared in accordance with IFRS and requirements of HKCO Cap. 622.

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

2.1 Basis of preparation *(continued)*

(b) Historical cost convention

The consolidated financial statements have been prepared on a historical cost basis, except for investment property, financial assets at fair value through profit and loss ("**FVPL**") and derivative financial instruments, which are carried at fair value.

(c) New and amended standards and interpretation adopted by the Group

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2020:

- Definition of Material – Amendments to IAS1 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

The Group also elected to adopt the following amendments early.

- Covid-19-Related Rent Concessions – Amendments to IFRS 16

The amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods, except for the Amendments to IFRS 16 set out above.

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

2.1 Basis of preparation *(continued)*

(d) New and amended standards not yet adopted

Certain new standards and amendments to existing standards have been published that are not mandatory in current year and have not been early adopted by the Group.

		Effective for annual periods beginning on or after
Amendments to IFRS9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	Interest rate benchmark reform – phrase 2	1 January 2021
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 associates or joint ventures	To be determined

The above new standards and amendments to existing standards are effective for annual periods beginning after 1 January 2021 and have not been applied in preparing these consolidated financial statements. None of these is expected to have a significant effect on the consolidated financial statements of the Group except for IFRS 17. The Group is in the process of assessing the impact of IFRS 17 on the Group's consolidated financial statements.

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

2.2 Principles of consolidation and equity accounting

(a) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

(b) Associates

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

(c) Joint arrangements

Investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations each investor. The Group has assessed the nature of its joint arrangement and determined it to be joint venture. Investments in joint venture are accounted for using the equity method of accounting (see (d) below), after initially being recognised at cost.

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

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

(d) Equity accounting

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

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

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

The carrying amount of equity-accounted investments is tested for impairment in accordance with the policy described in note 2.11.

2.3 Business combinations

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interest issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interests in the acquiree either at fair value or at the non-controlling interests' proportionate share of the acquiree's net assets.

The excess of the consideration transferred, the amount of any non-controlling interests in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised in profit or loss.

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

2.4 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2.5 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board that makes strategic decisions.

2.6 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entities operate (the "**functional currency**"). The consolidated financial statements are presented in RMB, which is the Company's functional and the Group's presentation currency.

(b) Transactions and balances

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

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

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

2.6 Foreign currency translation *(continued)*

(c) Group companies

The results and financial position of foreign operations (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

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

(ii) Income and expenses for each consolidated statement of income and consolidated statement of comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

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

2.7 Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged in profit or loss during the financial period in which they are incurred.

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

2.7 Property, plant and equipment *(continued)*

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

	Useful lives	Residual values
Buildings	50-59 years	0%
Machinery and equipment	10 years	5%
Furniture and other equipment	5-10 years	0%-10%
Motor vehicles	5 years	5%
Leasehold improvements	10 years or the remaining term of any non-renewable lease, whichever is shorter	0%
Others	5 years	0%

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 2.10).

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

2.8 Investment properties

Investment properties are held for long-term rental yields or for capital appreciation or both and are not occupied by the Group. Investment property is initially measured at cost, including related transaction costs and where applicable borrowing costs. Subsequently, they are carried at fair value. Changes in fair values are presented in profit or loss as "Fair value adjustment on investment properties".

An owner-occupied property transfer for lease is recognised as investment properties at the date of change in use, the transfer is made from owner-occupied property to investment property when owner-occupation ceases. The increases in fair value of the property over the previous carrying amount are recognised directly in equity, unless there was an impairment loss recognised for the same property in prior years and a portion of the increase is recognised in profit or loss to the extent of that impairment loss. Decreases in fair value of the property against the previous carrying amount are recognised in profit or loss for any decrease in excess of the amount included in the revaluation surplus for that property.

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

2.9 Intangible assets

Computer software

Acquired computer software licences are capitalised on the basis of the cost incurred to acquire and bring to use the specific software. These cost are amortised using the straight-line method over their estimated useful lives of 5 to 10 years.

2.10 Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other non-financial assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

2.11 Investments and other financial assets

(a) Classification

The Group classifies its financial assets in the following categories:

- those to be measured subsequently at fair value (either through OCI or through profit or loss), and

- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI).

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

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

2.11 Investments and other financial assets *(continued)*

(b) Recognition and derecognition

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

(c) Measurement

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

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other losses together with foreign exchange gains and losses. Impairment losses are presented as separate line item in profit or loss.

- FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in "Other losses". Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in "Other losses" and impairment expenses are presented as separate line item in profit or loss.

- FVPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within "Other losses" in the period in which it arises.

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

2.11 Investments and other financial assets *(continued)*

(c) Measurement *(continued)*

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as "Other income" when the Group's right to receive payments is established. Changes in the fair value of financial assets at FVPL are recognised in "Other losses" in profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

(d) Impairment of financial assets

The Group assesses on a forward looking basis the expected credit losses ("**ECL**") associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk. For trade receivables, the Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables, see note 4.1(b)(ii) for further details.

2.12 Inventories

Inventories comprise merchandise purchased for resale, and are stated at the lower of cost and net realisable value. Cost is determined using the weight average method. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2.13 Trade and other receivables

Trade and other receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less in the normal operating cycle of the business of buyer, they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Group holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method, less provision for impairment (see 2.11(d)).

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

2.14 Contract assets and contract liabilities

Upon entering into a contract with a buyer, the Group obtains rights to receive consideration from the buyer and assumes performance obligations to transfer goods or provide services to the buyer. The combination of those rights and performance obligations gives rise to a net asset or a net liability depending on the relationship between the remaining rights and the performance obligations. The contract is an asset and recognised as contract assets if the measure of the remaining rights exceeds the measure of the remaining performance obligations. Conversely, the contract is a liability and recognised as contract liabilities if the measure of the remaining performance obligations exceeds the measure of the remaining rights.

The Group recognises the incremental costs of obtaining a contract with a buyer as contract acquisition cost within contract assets if the Group expects to recover those costs.

2.15 Cash and cash equivalents

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

2.16 Share capital and shares held for employee share scheme

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

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

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

2.17 Trade and other payables

Trade payables represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid.

Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

2.18 Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as finance costs.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

2.19 Borrowing costs

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

Other borrowing costs are recognised in profit or loss in the period in which they are incurred.

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

2.20 Current and deferred income tax

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

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

(a) Current income taxs

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the reporting period in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(b) Deferred income tax

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

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

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

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

2.20 Current and deferred income tax *(continued)*

(b) Deferred income tax *(continued)*

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

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

2.21 Employee benefits

(a) Pension obligations

The Group's subsidiaries registered in PRC contributes, based on certain percentage of the salaries of the employees, to a defined contribution retirement benefit plan and medical benefit plan organised by relevant municipal and provincial government authorities in the PRC on a monthly basis. The government authorities undertake to assume the retirement benefit obligations payable to all existing and future retired employees under these plans and the Group has no further obligation for post-retirement benefits beyond the contributions made. Contributions to these plans are expensed as incurred.

The Group makes contributions to defined contribution retirement schemes under the Mandatory Provident Fund Schemes Ordinance in Hong Kong, the assets of which are generally held in separate share administered funds. The pension plans are generally funded by payments from employees and by the Group. The Group's contributions to the defined contribution retirement schemes are expensed as incurred.

(b) Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits at the earlier of the following dates: (a) when the Group can no longer withdraw the offer of those benefits; and (b) when the entity recognises costs for a restructuring that is within the scope of IAS 37 and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

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

2.21 Employee benefits *(continued)*

(c) Employee leave entitlements

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

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

2.22 Share-based payments

Equity-settled share-based payment transactions

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

- Including any market performance conditions;
- Excluding the impact of any service and non-market performance vesting conditions; and
- Including the impact of any non-vesting conditions.

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

When the share options are exercised, the Company issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital.

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

2.23 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

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

2.24 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable for the sales of goods and provision of services in the ordinary course of the Group's activities. Amounts disclosed as revenue are net of returns, trade allowances, rebates and amounts collected on behalf of third parties.

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

Revenues are recognised when or as performance obligations are satisfied by transferring control of a promised good or service to a customer. Depending on the terms of the contract and the laws that apply to the contract, control of the asset may transfer over time or at a point in time. Control of the asset is transferred over time if the Group's performance:

- provides all of the benefits received and consumed simultaneously by the customer; or
- creates and enhances an asset that the customer controls as the Group performs; or
- does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If control of the asset transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the asset.

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

2.24 Revenue recognition *(continued)*

(a) Direct sales

Timing of recognition: Revenue from direct sales of merchandise is recognised when the control of the products has transferred, being when the buyer obtains the future right to direct the use of the merchandise and obtain substantially all of the remaining benefits from the merchandise, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably.

The consideration relevant to sales of merchandise that result in the award of credits to customers under the Group's customer loyalty programme, is not recognised as revenue at the time of the initial sale transaction. A contract liability for the award of credits is recognised at the time of sales. Revenue is recognised when the awarded credits are redeemed. A contract liability is derecognised when the awarded credits are redeemed.

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

Sales of merchandise that result in the award of credits to customers under the Group's customer loyalty programme, are accounted for as multiple element revenue transactions and the fair value of the consideration received or receivable is allocated between the merchandise sold and the award credits awarded. The consideration allocated to the awarded credits is measured by reference to the fair value of the cash coupons for which they could be redeemed.

(b) Commission from concessionaire sales

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

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

(c) Rental income from operating leases

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

Measurement of revenue: Rental income from lease of property owned by the Company and subleased shop premises under operating leases is recognised in profit or loss on a straight-line basis over the period covered by the lease term. Lease incentives granted are recognised in profit or loss as an integral part of the aggregate net lease payments receivables. Contingent rentals are recognised as income in the accounting period in which they are earned.

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

2.24 Revenue recognition *(continued)*

(d) Property development consulting service

The property development consulting division provides property development and strategic advisory services for the establishment of the property development project team, provide systematic analysis and consulting services for the full-cycle development of the property project (including but not limited to project progress, quality and cost management) and analysis and consulting services for the financial and capital management of the property project under fixed-price and variable price contracts. Revenue from such services is recognised over the period in which the services are rendered. For fixed-price contracts, revenue is recognised based on the actual service provided to the end of the reporting period as a proportion of the total estimated service period because the customer receives and uses the benefits simultaneously.

Estimates of revenues are revised if circumstances change. Any resulting increases or decreases in estimated revenues are reflected in profit or loss in the period in which the circumstances that give rise to the revision become known to management.

(e) Promotion, administration and management income

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

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

(f) Credit card handling fee for concessionaire sales

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

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

(g) Prepaid cards

Timing of recognition: Cash received for prepaid cards sold are recognised as contract liabilities in the balance sheet. Revenue from prepaid cards is recognised when the goods are delivered and the control of the goods has transferred.

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

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

2.25 (Loss)/earning per share

(a) Basic (loss)/earning per share

Basic (loss)/earning per share is calculated by dividing:

- the profit attributable to owners of the Company, excluding any costs of servicing equity other than ordinary shares;
- by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares.

(b) Diluted (loss)/earning per share

Diluted (loss)/earning per share adjusts the figures used in the determination of basic (loss)/earning per share to take into account:

- the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares; and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

2.26 Interest income

Interest income from financial assets at FVPL is included in the net fair value gains/(losses) on these assets, see note 9 below.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

2.27 Dividend income

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

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

2.28 Leases

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

Contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. However, for leases of properties for which the Group is a lessee, it has elected not to separate lease and non-lease components and instead accounts for these as a single lease component.

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

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the Group under residual value guarantees;
- the exercise price of a purchase option if the Group is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

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

2.28 Leases *(continued)*

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received;
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the Group, which does not have recent third party financing; and
- makes adjustments specific to the lease, e.g. term, country, currency and security.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

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

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

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

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

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

2.28 Leases *(continued)*

Lease income from operating leases where the Group is a lessor is recognised in profit or loss on a straight-line basis over the lease term (note 2.24(c)). Initial direct costs incurred in obtaining an operating lease are added to the carrying amount of the underlying asset and recognised as expense over the lease term on the same basis as lease income. The respective leased assets are included in the balance sheet based on their nature. The Group did not need to make any adjustments to the accounting for assets held as lessor as a result of adopting the new leasing standard.

The Group consider the leases as a single transaction in which the asset and liability are integrally linked, therefore temporary differences related to the right-of-use assets and lease liabilities are not considered separately.

2.29 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's shareholders or directors, where appropriate.

2.30 Government grants

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

Government grants relating to costs are deferred and recognised in the profit or loss over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to the purchase of property, plant and equipment are included in non-current liabilities as deferred income and are credited to profit or loss on a straight-line basis over the expected lives of the related assets.

2.31 Shares held for share award scheme

The consideration paid by the share scheme trust (note 28) for purchasing the Company's shares from the market, including any directly attributable incremental cost, is presented as "Shares held for share award scheme" and the amount is deducted from total equity.

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

3. Changes in accounting policies

The Group has early adopted Amendment 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 COVID19 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 RMB12,580,000 has been accounted for as negative variable lease payments and recognised in “Other losses – net” (note 9) in profit or loss for the year ended 31 December 2020, with a corresponding adjustment to the lease liability. There is no impact on the opening balance of equity at 1 January 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 risks, 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.

Risk management is carried out under the policies approved by the Board. The Board provides principles for overall risk management, as well as policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk and investment of excess liquidity.

(a) Market risk

(i) Foreign exchange risk

The Group is mainly exposed to foreign exchange risk arising from Hong Kong dollar (“**HKD**”) and United States dollar (“**USD**”) against RMB. This foreign exchange risk arises from future commercial transactions or recognised assets and liabilities denominated in a currency that is not the entity’s functional currency of RMB. The Group manages its foreign exchange risk by performing regular reviews of the Group’s net foreign exchange exposures and it has not hedged its foreign exchange risk.

4. Financial risk management *(continued)*

4.1 Financial risk factors *(continued)*

(a) Market risk *(continued)*

(i) Foreign exchange risk *(continued)*

The aggregated carrying amount of the foreign currency denominated monetary assets and monetary liabilities of group companies at the respective dates of statement of financial position are as follows:

	2020 RMB'000	2019 RMB'000
Assets		
HKD	**13,685**	22,991
USD	**162**	181
	13,847	23,172
Liabilities		
HKD	**6,403**	18,847

The following table shows the sensitivity analysis of a 2% change in RMB against the relevant foreign currencies. The sensitivity analysis includes only foreign currency denominated monetary items and adjusts their translation at the year-end for a 2% change in foreign currency rates. Should RMB strengthened/weakened by 2% against the relevant currencies, the effects on the profit or loss for the year would be as follows:

	Change of profit or loss – increase/(decrease)	
	2020 RMB'000	2019 RMB'000
RMB against HKD:		
Strengthened by 2%	**(146)**	(83)
Weakened by 2%	**146**	83
RMB against USD:		
Strengthened by 2%	**(3)**	(4)
Weakened by 2%	**3**	4

In addition, the conversion of RMB into foreign currencies is subject to the rules and regulations of the foreign exchange control promulgated by Mainland China Government.

4. Financial risk management *(continued)*

4.1 Financial risk factors *(continued)*

(a) Market risk *(continued)*

(ii) Cash flow and fair value interest rate risk

The Group's interest rate risk arises from restricted bank deposits, cash and cash equivalents, investments in wealth management products recorded in financial assets at FVPL and borrowings. Restricted bank deposits issued at fixed rates exposed the Group to fair value interest rate risk. Other financial instruments issued at variable rates exposed the Group to cash flow interest rate risk.

The Group does not anticipate significant impact to cash and cash equivalents, restricted bank deposits and investments in wealth management products recorded in financial assets at FVPL because the interest rates of these assets are not expected to change significantly.

The interest rates and terms of repayment of borrowings of the Group are disclosed in note 33. The Group does not carry out any hedging activities to manage its interest rate exposure.

As at 31 December 2020, if interest rates on bank balances at variable rates had been 50 basis points higher/lower with all other variables held constant, profit before tax for the year ended 31 December 2020 would have been approximately RMB534,000 (2019: RMB312,000) higher/lower.

At 31 December 2020, if interest rates on borrowings had been 50 basis points higher/lower with all other variables held constant, profit before tax for the year ended 31 December 2020 would have been approximately RMB1,860,000 (2019: RMB1,256,000) lower/higher, mainly as a result of higher/lower interest expense on floating rate borrowings.

(iii) Price risk

The Group is exposed to equity securities price risk in connection with the financial assets at FVPL held by the Group, which are mainly publicly traded in stock exchange. The Group closely monitors the fluctuation of the price and assesses the impact on the Group's consolidated financial statements. If the price of equity securities the Group invested had been 5% higher/lower, post-tax loss for the year ended 31 December 2020 would have been decreased/increased by approximately RMB12,713,000 (2019: post-tax loss RMB15,919,000), as a result of more/less fair value gain on financial assets at FVPL.

4. Financial risk management *(continued)*

4.1 Financial risk factors *(continued)*

(b) Credit risk

(i) Risk management

Credit risk arises from restricted bank deposits, cash and cash equivalents, contract assets and trade and other receivables. The carrying amounts of these balances represent the Group's maximum exposure to credit risk in relation to financial assets. As at 31 December 2020, all the bank deposits were placed with high quality financial institutions without significant credit risk.

(ii) Impairment of financial assets

The Group has four types of financial assets that are subject to the ECL model:

- Trade receivables for sales of inventory and the provision of property development consulting services;
- Contract assets relating to property development consulting services;
- Receivables from operating; and
- Other receivables.

While cash and cash equivalents are also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial.

Impairment of trade receivables and contract assets

The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets.

To measure the expected credit losses, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due. The contract assets relate to unbilled work in progress and have substantially the same risk characteristics as the trade receivables for the same types of contracts. The Group has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets.

4. Financial risk management *(continued)*

4.1 Financial risk factors *(continued)*

(b) Credit risk *(continued)*

(ii) Impairment of financial assets *(continued)*

Impairment of trade receivables and contract assets (continued)

The expected loss rates are based on the corresponding historical credit losses and adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. On that basic, the Group assessed that no impairment of loss allowance was required to be made for trade receivables as at 31 December 2020 (2019: nil).

Impairment of receivables from operating leases

The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all receivables from operating leases, including the accrual on rental income based on the straight-line method.

Except for certain receivables from tenants with specific credit risk the Group adopts an individual impairment assessment approach, the Group uses a provision matrix to calculate ECLs for receivables from operating leases. The provision rates are based on the past due days for groupings of various tenants' segments that have similar patterns. The expected loss rates are based on the corresponding historical credit losses and adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the tenants to settle the receivables. The Group has identified the GDP, PPI and M2 Growth Rate of the countries in which it sells its goods and services to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

On that basis, the loss allowance as at 31 December 2020 was determined as follows:

As of 31 December 2020, the original carrying value of individually impaired receivables from operating leases was RMB19,477,000, the loss allowance was RMB19,477,000 such that the net carrying value of individually impaired receivables from operating leases was zero.

	Current RMB'000	0-30 days RMB'000	31-90 days RMB'000	91-365 days RMB'000	More than 365 days RMB'000	Total RMB'000
As 31 December 2020						
Expected loss rate	6.67%	18.29%	28.03%	47.20%	93.78%	20.04%
Gross carrying amount	57,373	4,227	7,466	19,942	2,356	91,364
Loss allowance	3,825	773	2,093	9,413	2,209	18,313

4. Financial risk management *(continued)*

4.1 Financial risk factors *(continued)*

(b) Credit risk *(continued)*

(ii) Impairment of financial assets *(continued)*

Impairment of other receivables

The Group applies the IFRS 9 three-stage approach to measuring ECL. The Group mainly has four types of other receivables, including receivable from a trustee for the share purchase for the employees' share award scheme, interest receivables, receivables from finance leases and lease deposits. These four types of other receivables were categorised in stage 1, and the credit risk is low, therefore the impact of loss allowance is immaterial. As at 31 December 2020, RMB1,236,000 (2019: 751,000) of impairment of loss allowance was made for the receivables.

Loss allowance movement during the year

The loss allowances for financial assets as at 31 December 2020 reconcile to the opening loss allowances as follows:

	Trade receivables and contract assets RMB'000	Receivables from operating leases RMB'000	Other receivables RMB'000	Total RMB'000
At 1 January	–	–	751	751
Increase in loss allowance recognised in profit or loss during the year	–	37,790	1,236	39,026
At 31 December	–	37,790	1,987	39,777

(c) Liquidity risk

(i) Financing arrangements

In March 2019, the Group obtained RMB360,000,000 5-year credit facilities from Guangdong Huaxing Bank, which was secured by certain land and buildings of the Group (note 33(a)). For the year ended 31 December 2020, RMB66,873,000 of the facilities was undrawn by the Group.

4. Financial risk management *(continued)*

4.1 Financial risk factors *(continued)*

(c) Liquidity risk *(continued)*

(ii) Maturities of financial liabilities

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.

For the year ended 31 December 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 33)	372,053	512,254	124,495	44,740	271,774	71,244
Lease liabilities	1,097,243	1,392,926	125,027	124,219	376,561	767,119
Other financial liabilities	114,142	114,142	114,142	–	–	–
	1,583,438	2,019,322	363,664	168,959	648,335	838,363

For the year ended 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 33)	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

4. Financial risk management *(continued)*

4.2 Capital management

The Group's objectives when managing capital are to:

- Safeguard their ability to continue as a going concern, so that they can continue to provide returns for shareholders and benefits for other stakeholders; and

- Maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistent with industry practice, the Group monitors its capital structure on the basis of debt-to-equity ratio. For this purpose, the Group defines debt as total borrowings and equity as total equity attributable to owners of the Company.

The debt-to-equity ratios at 31 December 2020 and 2019 were as follows:

	2020 RMB'000	2019 RMB'000
Borrowings (Note 33)	372,053	251,244
Lease liabilities	1,097,242	1,224,396
Total borrowings	1,469,295	1,475,640
Equity	2,118,816	2,220,150
Debt-to-equity ratio	69%	66%

4. Financial risk management *(continued)*

4.3 Fair value estimation

(a) Fair value hierarchy

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

Recurring fair value measurements *31 December 2020*	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
FVPL				
Unlisted equity securities (Note 22)	–	–	4,020	4,020
Listed equity securities (Note 22)	254,265	–	–	254,265
Investment properties (Note 15)	–	–	2,601,561	2,601,561
	254,265	–	2,605,581	2,859,846

Recurring fair value measurements *31 December 2019*	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
FVPL				
Unlisted equity securities (Note 22)	–	–	4,288	4,288
Listed equity securities (Note 22)	318,372	–	–	318,372
Investment properties (Note 15)	–	–	2,706,350	2,706,350
	318,372	–	2,710,638	3,029,010

There were no transfers between levels 1, 2 and 3 during the year (2019: nil).

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

4. Financial risk management *(continued)*

4.3 Fair value estimation *(continued)*

(a) Fair value hierarchy *(continued)*

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

Level 2: The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

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

(b) Valuation techniques used to determine fair values

Specific valuation techniques used to value FVPL include:

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

Also see note 15 for the valuation techniques for investment properties.

There were no changes in valuation techniques during the year.

5. Critical accounting estimates and judgements

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

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

The estimates and judgements that may have a significant effect on the carrying amounts of assets and liabilities within the next financial year as discussed below.

(a) Income taxes

The Group is subject to income taxes in the PRC. Significant judgment is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

Deferred tax assets relating to certain temporary differences and tax losses are recognised when management considers to be probable that future taxable profit will be available against which the temporary differences or tax losses can be utilised. The outcome of their actual utilisation may be different. Details of the deferred income tax are disclosed in note 21.

(b) Fair value of investment properties

The fair value of investment properties is determined by using valuation technique. Details of the judgment and assumptions have been disclosed in note 15. If the fair value of investment properties had been 5% higher/lower, profit before tax for the year ended 31 December 2020 would have been approximately RMB130,078,000 higher/lower.

5. Critical accounting estimates and judgements *(continued)*

(c) Impairment of receivables from operating leases

Except for certain receivables from tenants with specific credit risk the Group adopts an individual impairment assessment approach, the Group uses a provision matrix to calculate ECLs for receivables from operating leases. The provision rates are based on the past due days for groupings of various tenants' segments that have similar patterns. The expected loss rates are based on the corresponding historical credit losses and adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the tenants to settle the receivables.

Significant judgement and estimation are required in determining the ECLs of receivables from operating leases. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of tenant's actual default in the future.

6. 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.

Commencing from the year ended 31 December 2018, the Group started to develop its property development business, which will be complementary and create synergy with the existing department stores business. In April 2019, the Group also entered into consultancy agreements to provide consulting services for two property projects in Shenzhen (note 7(a)).

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

- Department stores business – operation of department stores;
- Property business – property development business and provision of property development consulting services; 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.

6. Segment information *(continued)*

The segment information is as follows:

	Year ended 31 December 2020			
	Department stores business RMB'000	Property business RMB'000	Others RMB'000	Group RMB'000
Revenue (a)	254,200	226,877	–	481,077
Timing of revenue recognition				
At a point in time	40,215	–	–	40,215
Over time	213,985	226,877	–	440,862
Other operating revenue	43,534	–	350	43,884
Other gain/(loss) – net	49,370	(64,074)	–	(14,704)
Fair value adjustment on investment properties	(149,140)	–	–	(149,140)
Purchase of and changes in inventories	(15,097)	–	–	(15,097)
Employee benefit expenses	(62,185)	(64,910)	(12,645)	(139,740)
Depreciation and amortisation expenses	(15,313)	–	(9,682)	(24,995)
Net impairment losses on financial and contract assets	(39,026)	–	–	(39,026)
Other operating expenses, net	(96,240)	(2,300)	(15,585)	(114,125)
Operating (loss)/profit	(29,897)	95,593	(37,562)	28,134
Finance income	11,639	–	7	11,646
Finance costs	(76,413)	(5,618)	(551)	(82,582)
Finance costs – net	(64,774)	(5,618)	(544)	(70,936)
Share of losses of an associate and a joint venture	(213)	–	–	(213)
(Loss)/profit before income tax	(94,884)	89,975	(38,106)	(43,015)
Income tax expenses	14,149	(46,244)	–	(32,095)
(Loss)/profit for the year	(80,735)	43,731	(38,106)	(75,110)

6. Segment information *(continued)*

	Year ended 31 December 2019			
	Department stores business RMB'000	**Property business RMB'000**	**Others RMB'000**	**Group RMB'000**
Revenue (a)	300,739	493,843	–	794,582
Timing of revenue recognition				
At a point in time	131,222	–	–	131,222
Over time	169,517	493,843	–	663,360
Other operating revenue	34,886	–	–	34,886
Other gain/(loss) – net	1,360	(64,541)	–	(63,181)
Fair value adjustment on investment properties	(21,272)	–	–	(21,272)
Purchase of and changes in inventories	(105,505)	–	–	(105,505)
Employee benefit expenses	(78,782)	(60,303)	(12,440)	(151,525)
Depreciation and amortisation expenses	(28,819)	–	(8,819)	(37,638)
Net impairment losses on financial and contract assets	(751)	–	–	(751)
Operating lease rental expenses	(1,759)	–	–	(1,759)
Other operating expenses, net	(99,240)	(379)	(14,990)	(114,609)
Operating profit/(loss)	857	368,620	(36,249)	333,228
Finance income	12,378	67	–	12,445
Finance costs	(65,037)	(6,088)	(3,393)	(74,518)
Finance costs – net	(52,659)	(6,021)	(3,393)	(62,073)
Share of losses of an associate and a joint venture	(2,762)	–	–	(2,762)
(Loss)/profit before income tax	(54,564)	362,599	(39,642)	268,393
Income tax expenses	(17,118)	(114,490)	–	(131,608)
(Loss)/profit for the year	(71,682)	248,109	(39,642)	136,785

(a) Revenues of approximately RMB226,877,000 (2019: RMB493,843,000) are derived from a single external customer. These revenues are attributed to the Property business segment (note 7(a)).

7. Revenue

	2020 RMB'000	2019 RMB'000
Property development consulting service income (Note 37(d)(ii), (a))	**226,877**	493,843
Rental income	**213,618**	169,517
Income from reversal of long-aged pre-paid gift cards and unredeemed award credits	**24,354**	2,391
Direct sales	**15,847**	116,638
Commission from concessionaire sales	**381**	12,193
	481,077	794,582

(a) On 8 April 2019, the Group entered into two consultancy agreements (the "**Original 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.

On 30 December 2020, the Group entered into two termination agreements (the "**Termination Agreements**") with SRF and HXL for the purpose of terminating the property development consulting services effective from 30 December 2020 (the "**Termination Date**"). The service fees and the related expenses payable to the Group of RMB447.9 million for the period from 8 April 2019 up to 30 December 2020 will continue to be payable by SRF and HXL pursuant to the terms of the Termination Agreements. RMB226.9 million of property development consulting service income was recognised for the year ended 31 December 2020. As of 31 December 2020, RMB9.8 million have been received from SRF and HXL, and the remaining RMB438.1 million was included in amounts due from related companies (Note 23).

Effective from the Termination Date, each of the Group, SRF and HXL will be released from their respective obligations under the Original Consultancy Agreements. The Group will not be required to provide consulting services to SRF and HXL, and SRF and HXL will be under no obligation to pay any additional service fee (other than the service fee accrued and payable before the Termination Date) to the Group after the Termination Date.

(b) Assets related to contracts with customers

The Group has recognised the following assets related to contracts with customers:

	As at 31 December	
	2020 RMB'000	2019 RMB'000
Current contract assets relating to property development consulting service	**–**	361,430

8. Other operating revenue

	2020 RMB'000	2019 RMB'000
Promotion, administration and management income	**39,688**	29,745
Government grant	**2,975**	3,160
Credit card handling fees for concessionaire sales	**1,221**	1,981
	43,884	34,886

9. Other losses – net

	2020 RMB'000	2019 RMB'000
Compensation income (a)	**26,700**	–
COVID-19-related-rent concession (Note 3) (b)	**12,580**	–
Gain from termination of leases (c)	**10,190**	–
Deposit forfeited for terminated lease agreements	**5,182**	–
Fair value change on financial assets at FVPL (Note 22)	**(64,107)**	(10,498)
(Provision for)/reversal of legal claims (Note 38)	**(5,739)**	2,878
Loss on disposals of property, plant and equipment	**(1,033)**	(620)
Loss on disposal of intangible assets	**(16)**	(29)
Deposit forfeited for terminated sale of financial assets at FVPL	**–**	67,306
Change in fair value of derivative financial instrument	**–**	(121,349)
Donation	**–**	(2,880)
Others	**1,539**	2,011
	(14,704)	(63,181)

(a) Pursuant to an agreement between the Group and a tenant, the Group is entitled to a minimum income during the contract period. A compensation income of RMB26,700,000 was recognised for the year ended 31 December 2020 (2019: Nil) in accordance with relevant terms and conditions.

(b) Certain lessors agreed to offer rent concession to the Group, without changing the lease contracts, due to the outbreak of COVID-19. The Group recognised a gain of RMB12,580,000 of such rent concession for the year ended 31 December 2020 with a corresponding reduction in the lease liabilities.

(c) The Group has agreed with the lessor and the 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 RMB4,190,000 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. In addition, RMB6,000,000 of compensation received from the lessor was recognised as a gain due to early termination of the related lease contract proposed.

10. Expenses by nature

	2020 RMB'000	2019 RMB'000
Employee benefit expenses (Note 11)	**139,740**	151,525
Utilities	**56,903**	57,997
Net impairment losses on financial and contract assets (Note 4.1(b))	**39,026**	751
Depreciation and amortisation expenses	**24,995**	37,638
Purchase of and changes in inventories (Note 24)	**15,097**	105,505
Business travel expenses	**8,611**	11,342
Other tax expenses	**7,052**	10,248
Net foreign exchange loss	**4,885**	1,194
Office expenses	**4,037**	4,557
Advertising costs	**4,032**	859
Cleaning fee	**3,582**	4,371
Bank charges	**2,682**	3,145
Auditor's remuneration		
– Audit services	**2,500**	2,500
– Other services	**600**	800
Operating lease rental expenses (a)	**–**	1,759
Transportation expenses	**1,363**	329
Other expenses	**17,878**	17,267
Total expenses	**332,983**	411,787

(a) From 1 January 2019, upon the adoption of IFRS 16, the Group has recognised right-of-use assets and lease liabilities, except for short-term and low value leases.

11. Employee benefit expenses

	2020 RMB'000	2019 RMB'000
Wages and salaries	**135,912**	142,823
Severance payment	**1,877**	–
Social security costs	**1,872**	8,411
Share-based compensation expenses (Note 27)	**9**	204
Others	**70**	87
Total employee benefit expenses	**139,740**	151,525

11. Employee benefit expenses *(continued)*

(a) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include two (2019: three) directors whose emoluments are reflected in the analysis shown in note 40. The emoluments payable to the remaining three (2019: two) individuals during the year are as follows:

	2020 RMB'000	2019 RMB'000
Basic salaries and allowances	7,949	6,385
Bonuses	605	1,251
Contributions to the retirement scheme	41	32
	8,595	7,668

The emoluments fell within the following bands:

	Number of individuals	
	2020	2019
Emolument band (in HK dollar)		
HKD1,500,001 – HKD2,000,000	1	1
HKD2,000,001 – HKD2,500,000	1	–
HKD5,500,001 – HKD6,000,000	1	–
HKD7,000,001 – HKD7,500,000	–	1

12. Finance income and costs

	2020 RMB'000	2019 RMB'000
Finance income		
Interest income from finance leases	10,713	11,613
Interest income from bank deposits	933	832
	11,646	12,445
Finance costs		
Interest expenses on operating leases as the lessee	(57,233)	(62,739)
Interest expenses on bank loans	(25,349)	(9,369)
Interest expenses on a loan from a shareholder (Note 37(d)(iii))	–	(2,410)
	(82,582)	(74,518)
Finance costs – net	(70,936)	(62,073)

13. Income tax expenses

	2020 RMB'000	2019 RMB'000
Current income tax		
– PRC corporate income tax	49,134	115,142
Deferred income tax (Note 21)	(17,039)	16,466
	32,095	131,608

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

	2020 RMB'000	2019 RMB'000
(Loss)/profit before income tax	(43,015)	268,393
Tax calculated at a tax rate of 25% (2019: 25%)	(10,754)	67,098
Tax impact of:		
– Expenses not deductible for tax purposes (d)	17,373	33,317
– Unrecognised tax loss	25,476	31,193
Income tax expenses	32,095	131,608

(a) Pursuant to the rules and regulations of the Cayman Islands, the Group is not subject to any income tax in the Cayman Islands.

(b) Hong Kong profits tax has not been provided as the Group did not generate any assessable profits in Hong Kong during the year. Taxes on overseas profits have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

(c) The applicable income tax rate are 25% for 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.

(d) The fair value loss on financial assets at FVPL for the year ended 31 December 2020 is not deductible for tax purpose.

14. (Loss)/earning per share

(a) Basic (loss)/earning per share

Basic (loss)/earning per share is calculated by dividing:

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

- The weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding shares held for employee share scheme (note 27).

	2020	2019
(Loss)/Profit attributable to owners of the Company (in RMB thousand)	(75,116)	136,811
Weighted average number of ordinary shares in issue (thousands)	2,494,521	2,492,871
Basic (loss)/earning per share (RMB per share)	(0.03)	0.05

(b) Diluted (loss)/earning per share

Diluted (loss)/earning per share adjusts the figures used in the determination of basic (loss)/earning per share to take into account:

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

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

	2020	2019
(Loss)/earning (in RMB thousands)		
(Loss)/Profit attributable to owners of the Company	(75,116)	136,811
Weighted average number of ordinary shares (thousands)		
Weighted average number of ordinary shares in issue	2,494,521	2,492,871
Adjustments for awarded shares	91	1,740
Weighted average number of ordinary shares for diluted (loss)/earning per share	2,494,612	2,494,611
Diluted (loss)/earning per share (RMB per share)	(0.03)	0.05

15. Investment properties

	Buildings RMB'000	Right-of-use assets RMB'000	Total RMB'000
As at 1 January 2019	730,800	1,554,080	2,284,880
Capitalised subsequent expenditure	–	77,705	77,705
Transfer from property, plant and equipment (i) (Note 16)	275,955	–	275,955
Increase in fair value upon transfer charged to other comprehensive income (i) (Note 29)	89,082	–	89,082
Increase in fair value upon transfer charged to profit and loss (i)	29,663	–	29,663
Net gain/(losses) from fair value adjustment	9,750	(60,685)	(50,935)
As at 31 December 2019	1,135,250	1,571,100	2,706,350
Year ended 31 December 2020			
As at 1 January 2020	**1,135,250**	**1,571,100**	**2,706,350**
Capitalised subsequent expenditure	**30,664**	**13,687**	**44,351**
Net losses from fair value adjustment	**(30,365)**	**(118,775)**	**(149,140)**
As at 31 December 2020	**1,135,549**	**1,466,012**	**2,601,561**

(i) During the year ended 31 December 2019, the Group leased out certain owner-occupied and leased-in premises to third parties. Accordingly, the Group transferred these assets with an aggregate carrying amount of RMB275,955,000 from property, plant and equipment to investment properties at fair value of RMB394,700,000 and recognised an increase in fair value of RMB89,082,000 as revaluation surplus within other reserves, and an increase in fair value of RMB29,663,000 was recognised in profit and loss as there were impairment losses recognised for the these properties in prior years.

(ii) The Group's investment properties are located in Shenzhen, Lufeng, Haifeng, Luhe and Xingning of the Guangdong Province of the PRC.

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

(iii) As at 31 December 2020, the buildings at fair value of RMB625,300,000 (2019: RMB616,450,000) were secured against certain long-term bank borrowings (note 33).

15. Investment properties *(continued)*

Valuation processes of the Group

The Group's investment properties were valued as at 31 December 2020 and 2019 by an independent and professionally qualified valuer who holds a recognised relevant professional qualification and has recent experience in the locations of the investment properties valued.

Valuation techniques

Valuations are based on:

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

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

(a) Rental income from investment properties

	2020 RMB'000	2019 RMB'000
Rental income	155,317	116,122

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

16. Property, plant and equipment

	Buildings RMB'000	Machinery and equipment RMB'000	Furniture and other equipment RMB'000	Motor vehicles RMB'000	Leasehold improvement RMB'000	Right of use assets RMB'000	Others RMB'000	Total RMB'000
As at 1 January 2019								
Cost	586,407	40,122	67,809	6,114	141,983	99,302	4,008	945,745
Accumulated depreciation	(40,655)	(39,775)	(57,277)	(5,015)	(115,884)	–	(3,845)	(262,451)
Impairment	(42,000)	–	–	–	–	–	–	(42,000)
Net book amount	503,752	347	10,532	1,099	26,099	99,302	163	641,294
Year ended 31 December 2019								
Opening net book amount	503,752	347	10,532	1,099	26,099	99,302	163	641,294
Additions	–	980	308	213	327	–	780	2,608
Transfers to investment properties (Note 15)	(263,275)	–	–	–	(12,680)	–	–	(275,955)
Right of use assets subleased out under finance leases	–	–	–	–	–	(29,906)	–	(29,906)
Depreciation charge	(6,677)	(138)	(4,055)	(456)	(3,689)	(17,665)	(589)	(33,269)
Disposals (cost)	–	(4,418)	(40,439)	(684)	(99)	–	(3,206)	(48,846)
Disposals (depreciation)	–	4,048	39,768	472	–	–	3,172	47,460
Closing net book amount	233,800	819	6,114	644	9,958	51,731	320	303,386
As at 31 December 2019								
Cost	247,498	36,683	27,677	5,642	138,353	67,891	1,582	525,326
Accumulated depreciation	(13,698)	(35,864)	(21,563)	(4,998)	(128,395)	(16,160)	(1,262)	(221,940)
Net book amount	233,800	819	6,114	644	9,958	51,731	320	303,386
Year ended 31 December 2020								
Opening net book amount	233,800	819	6,114	644	9,958	51,731	320	303,386
Additions	–	1,423	790	–	122	–	560	2,895
Depreciation charge	(4,180)	(121)	(1,331)	(447)	(1,390)	(12,844)	(568)	(20,881)
Disposals (cost)	–	(9,511)	(3,733)	(249)	(504)	(35,372)	(116)	(49,485)
Disposals (depreciation)	–	8,557	3,497	210	5	5,527	106	17,902
Closing net book amount	229,620	1,167	5,337	158	8,191	9,042	302	253,817
As at 31 December 2020								
Cost	247,498	28,595	24,734	5,393	137,971	32,519	2,026	478,736
Accumulated depreciation	(17,878)	(27,428)	(19,397)	(5,235)	(129,780)	(23,477)	(1,724)	(224,919)
Net book amount	229,620	1,167	5,337	158	8,191	9,042	302	253,817

17. Intangible assets

	Computer software RMB'000
As at 1 January 2019	
Cost	36,428
Accumulated amortisation	(19,836)
Net book amount	16,592
Year ended 31 December 2019	
Opening net book amount	16,592
Additions	29
Amortisation charge	(4,369)
Disposal	(29)
Closing net book amount	12,223
As at 31 December 2019	
Cost	36,396
Accumulated amortisation	(24,173)
Net book amount	12,223
Year ended 31 December 2020	
Opening net book amount	**12,223**
Additions	**111**
Amortisation charge	**(4,114)**
Disposal	**(16)**
Closing net book amount	**8,204**
As at 31 December 2020	
Cost	**36,491**
Accumulated amortisation	**(28,287)**
Net book amount	**8,204**

18. Subsidiaries

The Group's subsidiaries at 31 December 2020 are set out below. Unless otherwise stated, they have share capital consisting solely of ordinary shares/registered capital that are held directly by the Group, and the proportion of ownership interests held equals the voting rights held by the Group. The country of incorporation or registration is also their principal place of business.

Name of entity	Place of incorporation and form of legal entity	Principal activities and place of operation	Particulars of issued or registered share capital	Ownership interest held by the Group		Ownership interest held by non-controlling interests	
				2020	2019	2020	2019
Shirble Department Store Investment Limited ("**Shirble Hong Kong**")	Hong Kong, limited liability company	Investment holding in Hong Kong	HKD1	100%	100%	–	–
Shirble Department Store (Hong Kong) Limited	Hong Kong, limited liability company	Investment holding in Hong Kong	USD1,200	100%	100%	–	–
Shenzhen Shirble Department Store Co., Ltd. ("**Shirble Shenzhen**")	The PRC, wholly foreign owned enterprises	Operation and management of department stores in the PRC	HKD527,407,400	100%	100%	–	–
Shenzhen Shirble Chain Store Limited Liability Company ("**Shirble Chain Store**")	The PRC, limited liability company	Operation and management of department stores in the PRC	RMB100,000,000	100%	100%	–	–
Changsha Shirble Department Store Limited Liability Company	The PRC, limited liability company	Operation and management of department stores in the PRC	RMB30,000,000	100%	100%	–	–
Changsha Shirble Apparel Company Limited	The PRC, limited liability company	Operation of department store in the PRC	RMB100,000	100%	100%	–	–
Shenzhen Ruizhuo Trading Company Limited	The PRC, limited liability company	Trading in the PRC	RMB10,000,000	100%	100%	–	–
Dongguan Shirble Department Store Co., Ltd.	The PRC, limited liability company	Operation of department stores in the PRC	RMB30,000,000	100%	100%	–	–

18. Subsidiaries *(continued)*

Name of entity	Place of incorporation and form of legal entity	Principal activities and place of operation	Particulars of issued or registered share capital	Ownership interest held by the Group		Ownership interest held by non-controlling interests	
				2020	2019	2020	2019
Shanwei Shirble Department Store Co., Ltd.	The PRC, wholly foreign owned enterprises	Operation and management of department stores in the PRC	HKD230,000,000	100%	100%	–	–
Luhe Shirble Department Store Co., Ltd. ("**Luhe Shirble**")	The PRC, wholly foreign owned enterprises	Operation and management of department stores in the PRC	RMB200,000,000	100%	100%	–	–
LuFeng Shirble Department Store Co., Ltd. ("**Lufeng Shirble**")	The PRC, wholly foreign owned enterprises	Operation and management of department stores in the PRC	RMB10,000,000	100%	100%	–	–
Baotong (BVI) Company Limited	British Virgin Islands, limited liability company	Investment holding in British Virgin Islands	USD1	100%	100%	–	–
Baoke Trading (BVI) Company Limited	British Virgin Islands, limited liability company	Investment holding in British Virgin Islands	USD1	100%	100%	–	–
Baotong E-commerce (Hong Kong) Company Limited	Hong Kong, limited liability company	Trading in Hong Kong	HKD1	100%	100%	–	–
Shenzhen Qianhai Baotong E-commerce Company Limited	The PRC, limited liability company	Trading in the PRC	RMB500,000	100%	100%	–	–
Shenzhen Shirble Information Consulting Co., Ltd.	The PRC, limited liability company	Provision of consulting services in the PRC	RMB1,000,000	100%	100%	–	–
Shenzhen Baocheng Technology Co., Ltd.	The PRC, limited liability company	Provision of consulting services in the PRC	RMB100,000,000	100%	100%	–	–
Shenzhen Baoruntong Creative Design Co., Ltd.	The PRC, limited liability company	Decoration design in the PRC	RMB200,000,000	100%	100%	–	–
Shenzhen i-Shirble Business Development Co., Ltd.	The PRC, limited liability company	Trading in the PRC	RMB1,000,000	100%	100%	–	–

18. Subsidiaries *(continued)*

Name of entity	Place of incorporation and form of legal entity	Principal activities and place of operation	Particulars of issued or registered share capital	Ownership interest held by the Group		Ownership interest held by non-controlling interests	
				2020	2019	2020	2019
Shenzhen Baolong Business Development Co., Ltd.	The PRC, limited liability company	Provision of consulting services in the PRC	RMB10,000,000	100%	100%	–	–
Shenzhen Baoxin Software Development Co., Ltd.	The PRC, limited liability company	Software development in the PRC	RMB5,000,000	100%	100%	–	–
Shenzhen Chenghe Business Management Co., Ltd.	The PRC, limited liability company	Trading in the PRC	RMB1,000,000	55%	55%	45%	45%
Cosmic Favour Limited (a)	British Virgin Islands, limited liability company	Investment holding in British Virgin Islands	USD1	100%	100%	–	–
Sibo Culture Limited (a)	Hong Kong, limited liability company	Trading in Hong Kong	HKD1	100%	100%	–	–
Xuyi Shirble Hanlian Real Estate Co., Ltd. (a)	The PRC, limited liability company	Property development business in the PRC	RMB280,000,000	85%	85%	15%	15%
Shenzhen Shirble New Retail Investment Co. Ltd. (b)	The PRC, limited liability company	Operation and management of department stores in the PRC	RMB35,000,000	100%	100%	–	–
Good Virtue (BVI) Investments Limited (c)	British Virgin Islands, limited liability company	Investment holding in British Virgin Islands	USD1	100%	100%	–	–
Opulent Sino (BVI) Developments Limited (d)	British Virgin Islands, limited liability company	Investment holding in British Virgin Islands	USD1	100%	100%	–	–
Lawbo Investment Limited (e)	Hong Kong, limited liability company	Investment holding in Hong Kong	HKD1	100%	100%	–	–
Shirble Shajing Investment Company Limited (f)	Hong Kong, limited liability company	Investment holding in Hong Kong	HKD1	100%	100%	–	–

18. Subsidiaries *(continued)*

(a) Shenzhen Shirble New Retail Investment Co. Ltd. was incorporated in Shenzhen on 20 May 2019.

(b) Good Virtue (BVI) Investments Limited was incorporated in British Virgin Islands on 1 January 2019.

(c) Opulent Sino (BVI) Developments Limited was incorporated in British Virgin Islands on 1 January 2019.

(d) Lawbo Investment Limited was incorporated in Hong Kong on 1 January 2019.

(e) Shirble Shajing Investment Company Limited was incorporated in Hong Kong on 22 March 2019.

(f) Shenzhen Shirble Enterprise Management Co., Ltd. was incorporated in Shenzhen on 6 March 2019.

19. Investment in an associate and a joint venture

	An associate RMB'000	A joint venture RMB'000	Total RMB'000
As at 1 January 2019	990	2,724	3,714
Share of operating losses	(38)	(2,724)	(2,762)
As at 31 December 2019	952	–	952
As at 1 January 2020	952	–	952
Share of operating losses	(213)	–	(213)
As at 31 December 2020	739	–	739

As at 31 December 2020, the investment in an associate of the Group were as follows:

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

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

20. Financial instruments by category

The Group holds the following financial instruments:

Financial assets	Note	At amortised cost RMB'000	At FVPL RMB'000	Total RMB'000
2019				
Financial assets at FVPL	22	–	322,660	322,660
Trade and other receivables excluding prepayments	23	372,719	–	372,719
Restricted bank deposits	25	24,000	–	24,000
Cash and cash equivalents	26	62,457	–	62,457
		459,176	322,660	781,836
2020				
Financial assets at FVPL	22	**–**	**258,285**	**258,285**
Trade and other receivables excluding prepayments	23	**728,189**	**–**	**728,189**
Restricted bank deposits	25	**32,409**	**–**	**32,409**
Cash and cash equivalents	26	**106,784**	**–**	**106,784**
		867,382	**258,285**	**1,125,667**

Financial liabilities	Note	Financial liabilities at amortised cost RMB'000
2019		
Lease liabilities		1,224,396
Trade and other payables excluding non-financial liabilities		130,955
Borrowings	33	251,244
		1,606,595
2020		
Lease liabilities		**1,097,242**
Trade and other payables excluding non-financial liabilities		**114,142**
Borrowings	33	**372,052**
		1,583,436

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

21. Deferred income tax

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

	2020 RMB'000	2019 RMB'000
As at 1 January	(207,392)	(168,655)
Tax credited/(charged) to profit or loss (Note 13)	17,039	(16,466)
Tax charged to other comprehensive income (Note 29)	–	(22,271)
As at 31 December	(190,353)	(207,392)

The movements in deferred tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, are as follows:

	Deferred tax assets			
	Accrued expenses, deferred revenue and others RMB'000	Depreciation on property, plant and equipment RMB'000	Impairment provision RMB'000	Total RMB'000
As at 1 January 2019	6,597	5,605	1,311	13,513
Credited/(charged) to profit or loss	2,313	(4,890)	(1,148)	(3,725)
As at 31 December 2019	8,910	715	163	9,788
As at 1 January 2020	8,910	715	163	9,788
(Charged)/credit to profit or loss	(44)	163	9,757	9,876
As at 31 December 2020	8,866	878	9,920	19,664

	Deferred tax liabilities			
	Fair value change of investment properties RMB'000	Accrual on rental income based on the straight-line method RMB'000	Deferred tax arising from adoption of IFRS 16 RMB'000	Total RMB'000
As at 1 January 2019	43,119	11,295	127,754	182,168
Charged to other comprehensive income	22,271	–	–	22,271
Charged to profit or loss	16,195	1,980	(5,434)	12,741
As at 1 January 2020	81,585	13,275	122,320	217,180
(Credited)/charged to profit or loss	(1,870)	2,721	(8,014)	(7,163)
As at 31 December 2020	79,715	15,996	114,306	210,017

21. Deferred income tax *(continued)*

Pursuant to the Corporate Income Tax Law in the PRC, 10% withholding tax is levied on foreign investors (5% for foreign investors who are registered in Hong Kong provided they meet certain criteria) in respect of dividend distributions arising from a foreign investment enterprise's profit earned after 1 January 2008. Deferred tax liabilities of RMB21,724,000 (2019: RMB24,368,000) have not been recognised, in respect of the remaining retained profits generated by its PRC entities 31 December 2009 amounting to RMB434,480,000 (2019: RMB487,367,000), because the directors do not intend to declare dividends out of such retained profits to overseas companies in the foreseeable future.

As at 31 December 2020, certain subsidiaries of the Group have not recognised deferred tax assets in respect of cumulative tax losses carried forward of RMB111,413,000 (2019: RMB111,379,000) which will expire within 5 years under the current tax regulation. The cumulative tax losses have not been recognised as a deferred tax asset as it is not probable that future taxable profits against which the losses can be utilised will be available in the relevant tax jurisdiction and entity.

22. Financial assets at fair value through profit and loss

	Unlisted equity securities RMB'000	Listed equity securities (a) RMB'000	Wealth management products RMB'000	Total RMB'000
As at 1 January 2019	–	–	13,000	13,000
Additions	4,223	328,870	135,790	468,883
Disposals	–	–	(148,790)	(148,790)
Fair value change recognised in profit and loss	–	(10,498)	–	(10,498)
Currency translation difference	65	–	–	65
As at 31 December 2019	4,288	318,372	–	322,660
As at 1 January 2020	**4,288**	**318,372**	**–**	**322,660**
Fair value change recognised in profit or loss (Note 9)	**–**	**(64,107)**	**–**	**(64,107)**
Currency translation difference	**(268)**	**–**	**–**	**(268)**
As at 31 December 2020	**4,020**	**254,265**	**–**	**258,285**

(a) The balance represents investment in 1,320,000,000 ordinary shares of TFG International Group Limited ("**TFG**"), representing approximately 19% of the total issued share capital of TFG, which is recognised as financial assets at FVPL.

23. Trade receivables, other receivables and prepayments

	As of 31 December 2020		
	Current	Non-current	Total
	RMB'000	RMB'000	RMB'000
Trade receivables (a)	1,716	–	1,716
Amounts due from related parties (Note 37(d)(ii))	20,000	418,092	438,092
Trade receivables	20,000	418,092	438,092
Receivables from operating leases (b)	53,526	57,315	110,841
Receivables from finance leases (c)	20,994	134,655	155,649
Interest receivables	296	–	296
Receivable from a trustee for the share purchase for the employees' share award scheme (Note 28)	53	–	53
Lease deposits	9,217	17,003	26,220
Other receivables	35,099	–	35,099
	140,901	627,065	767,966
Less: provision for impairment loss allowance (Note 4.1(b))	(39,777)	–	(39,777)
Financial assets at amortised cost	101,124	627,065	728,189
Prepayments (d), (e)	144,163	85,587	229,750
Total trade and other receivables	245,287	712,652	957,939

	As of 31 December 2019		
	Current	Non-current	Total
	RMB'000	RMB'000	RMB'000
Trade receivables (a)	4,042	–	4,042
Amounts due from related parties (Note 37(d)(ii))	417,679	–	417,679
Contract assets	361,430	–	361,430
Trade receivables	56,249	–	56,249
Receivables from operating leases (b)	42,131	44,008	86,139
Receivables from finance leases (c)	17,532	169,959	187,491
Interest receivables	337	–	337
Receivable from a trustee for the share purchase for the employees' share award scheme (Note 28)	361	–	361
Lease deposits	10,943	21,724	32,667
Other receivables	6,184	–	6,184
	499,209	235,691	734,900
Less: provision for impairment loss allowance (Note 4.1(b))	(751)	–	(751)
Financial assets at amortised cost	498,458	235,691	734,149
Prepayments (d), (e)	93,881	97,310	191,191
Total trade and other receivables	592,339	333,001	925,340

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

(a) Trade receivables

The trade receivables are receivables of sales from corporate customers.

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

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
0 – 30 days	**1,716**	3,169
31 – 90 days	**–**	537
91 – 365 days	**–**	336
	1,716	4,042

The Group applies the IFRS simplified approach to measure expected credit losses which was a lifetime expected loss allowance for all trade receivables. As at 31 December 2020, no impairment loss allowance was made based on the management's assessment (2019: nil) (note 4.1(b)).

All trade receivables are denominated in RMB and their fair values approximated their carrying amounts as at 31 December 2020.

(b) Right-of-use assets for property leases which had been subleased out under operating leases were recognised as receivables from operating leases, including the accrual on rental income based on the straight-line method.

The aging analysis of receivables from operating leases of the Group based on invoice date is as follows:

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
Current	**66,164**	58,385
0 – 30 days	**4,637**	21,759
31 – 90 days	**8,083**	3,685
91 – 365 days	**26,394**	2,310
More than 365 days	**5,563**	–
	110,841	86,139

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

(c) Right-of-use assets for property leases which had been subleased out under financing leases were recognised as receivables from finance leases.

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

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
Finance lease receivables	173,994	220,104
Unguaranteed residual values	22,432	22,432
Gross investment in finance leases	196,426	242,536
Less: unearned finance income	(40,777)	(55,045)
Net investment in finance leases	155,649	187,491
Less: accumulated allowance for impairment	(1,236)	–
Finance lease receivables – net	154,413	187,491

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

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
Gross investment in finance leases		
– Within 1 year	29,846	28,947
– Between 1 and 2 years	25,561	29,349
– Between 2 and 3 years	25,969	29,367
– Between 3 and 4 years	25,969	30,004
– Between 4 and 5 years	26,210	30,004
– Later than 5 years	62,871	94,865
	196,426	242,536

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

(d) On 21 November 2019, Shenzhen Shirble Enterprise Management Company Limited (the "**Purchaser**"), a wholly-owned subsidiary of the Group, Zhuhai Xiangqi Real Estate Development Company Limited (the "**Vendor**"), and Zhuhai Xiangyao Real Estate Development Company Limited (the "**Target Company**") entered into a capital injection and acquisition agreement (the "**Acquisition Agreement**"), pursuant to which (i) the Vendor has agreed to sell, and the Purchaser has agreed to purchase, the entire equity interest in the Target Company for the consideration of RMB38,000,000 and (ii) the Purchaser has agreed to effect the capital injection of RMB40,000,000 into the Target Company. Apart from the payments of the abovementioned share consideration and capital injection, the Group also paid RMB47,180,000 as advance to the Target Company. Since the acquisition was not completed by 31 December 2020, RMB125,180,000 of cash paid to the Vendor in aggregate by the Group was recognised as current portion of prepayments (31 December 2019: RMB80,650,000).

In addition, pursuant to the Acquisition Agreement, the Group will settle the shareholder's loan amounting to RMB112,800,000 on behalf of the Target Company, which RMB40,000,000 (2019: RMB40,000,000) and RMB47,180,000 (2019: RMB2,650,000) were already settled in the form of abovementioned capital injection and advances to the Target Company respectively as at 31 December 2020. The remaining RMB25,620,000 (2019: RMB70,150,000) will be settled upon completion of the acquisition of the Target Company. Furthermore the Target Company has existing secured long-term bank loan amounting to RMB254,200,000 (2019: RMB254,200,000) which will be settled by the Group when the transaction is completed.

(e) As at 31 December 2020 and 2019, RMB62,950,000 of deposit for the acquisition of the land was included in the non-current portion of prepayments. Save for abovementioned, the remaining balance of the non-current portion of prepayment represented the Group's cash paid to third parties for the purchase of property, plant and equipment and intangible assets.

24. Inventories

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
Merchandise held for resale	12,690	13,221
Allowance for obsolescence	(3,567)	(3,567)
	9,123	9,654

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

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
Carrying amount of inventories sold	15,097	105,505
Allowance for obsolescence	–	–
	15,097	105,505

25. Restricted bank deposits

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
Bank deposits with initial terms of over three months (a)	20,132	24,000
Restricted cash (b)	12,277	–
	32,409	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 RMB20,132,000 as at 31 December 2020 (2019: RMB24,000,000). The effective interest rate for the restricted deposit of the Group for the year ended 31 December 2020 was 1.80% (2019: 1.80%).

(b) Certain bank deposits were restricted to be used by the Group due to the legal cases as disclosed in note 38.

(c) The Group considered that there is no material credit risk inherent in the balance of bank deposits. The directors of the Company considered that the fair value of these bank deposits approximated their carrying amount as at 31 December 2020 and 2019.

26. Cash and cash equivalents

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
Cash at bank and on hand	106,784	62,457

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

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

	Number of ordinary shares (thousand)	Ordinary share capital RMB'000	Share premium RMB'000 (Note a)	Shares held for share award scheme RMB'000 (Note b)	Total RMB'000
As at 1 January 2019	2,495,000	213,908	822,138	(2,415)	1,033,631
Dividends to equity shareholders (Note 34)	–	–	(28,779)	–	(28,779)
Employees' share award scheme – shares vested from share award scheme and transferred to the grantees	–	–	(90)	1,244	1,154
As at 31 December 2019	2,495,000	213,908	793,269	(1,171)	1,006,006

	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
Dividends to equity shareholders (Note 34)	–	–	(42,126)	–	(42,126)
Employees' share award scheme – shares vested from share award scheme and transferred to the grantees	–	–	(52)	957	905
As at 31 December 2020	2,495,000	213,908	751,091	(214)	964,785

(a) The application of the share premium account is governed by the Companies Law of the Cayman Islands. Under the Companies Law of the Cayman Islands, the funds in share premium account are distributable to shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of business.

(b) Shares held for share award scheme represented the award shares purchased for purpose of the share award scheme adopted by the Company. See note 29 for further details.

28. Share-based payments

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

The Share Award Scheme is managed by an independent trustee ("**Trustee**") appointed by the Group. The Trustee purchases the award shares under the direction of the Company for the purpose of the Share Award Scheme. During the year ended 31 December 2020, the Company did not give directions to the Trustee to acquire more ordinary shares of the Company. During the year ended 31 December 2019, the Company did not give directions to the Trustee to acquire more ordinary shares of the Company.

Movement of shares held for share award scheme for the year ended 31 December 2020 and 31 December 2019 are as follows:

	Number of Shares (thousand)	Amount RMB'000
As at 1 January 2019	4,389	2,415
Vesting of Award Shares	(2,260)	(1,244)
As at 31 December 2019	2,129	1,171
As at 1 January 2020	**2,129**	**1,171**
Vesting of Award Shares	**(1,740)**	**(905)**
As at 31 December 2020	**389**	**266**

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

28. Share-based payments *(continued)*

(b) Movements of the Award Shares granted to the employees for the years ended 31 December 2020 and 31 December 2019 are as follows:

	Shares granted on 26 September 2018 (thousand)	Shares granted on 20 January 2017 (thousand)	Shares granted on 17 December 2015 (thousand)	Shares granted on 13 July 2015 (thousand)	Total (thousand)
As at 1 January 2019	–	4,100	–	210	4,310
Forfeited during the period	–	(310)	–	–	(310)
Vested during the period	–	(2,050)	–	(210)	(2,260)
As at 31 December 2019	–	1,740	–	–	1,740
As at 1 January 2020	**–**	**1,740**	**–**	**–**	**1,740**
Forfeited during the period	**–**	**–**	**–**	**–**	**–**
Vested during the period	**–**	**(1,740)**	**–**	**–**	**(1,740)**
As at 31 December 2020	**–**	**–**	**–**	**–**	**–**

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

	2020 RMB'000	2019 RMB'000
Employees (excluding directors)	9	204
Directors (Note 40(a))	–	–
Total employees benefit expenses (Note 11)	9	204

29. Other reserves

	Statutory reserve RMB'000 (Note a)	Merger reserve RMB'000 (Note b)	Revaluation surplus RMB'000	Currency translation reserve RMB'000	Share-based compensation reserve RMB'000	Other RMB'000	Total RMB'000
As at 1 January 2019	108,380	107,372	107,386	(438)	2,036	–	324,736
Appropriation to statutory reserves (Note 30)	34,347	–	–	–	–	–	34,347
Revaluation of property, plant and equipment transfer to investment properties (Note 15)	–	–	89,082	–	–	–	89,082
Revaluation-deferred tax (Note 21)	–	–	(22,271)	–	–	–	(22,271)
Non-controlling interest on acquisition of subsidiary	–	–	–	–	–	(25)	(25)
Contribution from a shareholder (Note 37(d)(iii))	–	–	–	–	–	2,410	2,410
Employees' share award scheme:							
– Value of employee services (Note 28)	–	–	–	–	204	–	204
– Vesting of shares (Note 28)	–	–	–	–	(1,154)	–	(1,154)
Currency translation differences	–	–	–	(22)	–	–	(22)
As at 31 December 2019	142,727	107,372	174,197	(460)	1,086	2,385	427,307
Appropriation to statutory reserves (Note 30)	13,873	–	–	–	–	–	13,873
Revaluation-deferred tax (Note 21)	–	–	–	–	–	–	–
Deregistration of a subsidiary	–	–	–	–	24	–	24
Employees' share award scheme:							
– Value of employee services (Note 28)	–	–	–	–	9	–	9
– Vesting of shares (Note 28)	–	–	–	–	(905)	–	(905)
Currency translation differences	–	–	–	3,320	–	–	3,320
As at 31 December 2020	156,600	107,372	174,197	2,860	214	2,385	443,628

29. Other reserves *(continued)*

(a) Statutory reserves were established in accordance with the relevant PRC rules and regulations and the articles of association of the companies comprising the Group which are incorporated in the PRC. Appropriations to the reserves were approved by the respective boards of directors' meeting. For the entity concerned, statutory reserves can be used to make good previous years' losses, if any, and may be converted into capital in proportion to the existing equity interests of investors, provided that the balance of the reserve after such conversion is not less than 25% of the entity's registered capital. In 2020, RMB13,873,000 (2019: RMB34,347,000) was appropriated to statutory reserve.

(b) In preparation for the listing of the shares in the Company on the Main Board of The Stock Exchange of Hong Kong Limited, certain reorganisation steps (the "**Reorganisation**") were carried out. After the completion of the Reorganisation, the Company became the holding company of the subsidiaries comprising the Group.

Merger reserve arising from the Reorganisation represents the excess of the paid-in capital of Shirble Department Store (Shenzhen) over the consideration paid by the Company, representing the nominal value of the shares issued by the Company in exchange thereof.

30. Retained profits

	RMB'000
As at 1 January 2019	684,373
Profit for the year	136,811
Appropriation to reserves (Note 29)	(34,347)
As at 31 December 2019	786,837
As at 1 January 2020	**786,837**
Loss for the year	**(75,116)**
Appropriation to reserves (Note 29)	**(13,873)**
As at 31 December 2020	**697,848**

31. Trade and other payables

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
Lease deposits	84,076	87,581
Other tax payables	43,962	25,528
Accrued wages and salaries	15,453	21,007
Trade payables (a)	1,346	4,504
Accrual for legal claims (Note 38)	6,311	573
Amount due to a related party (Note 37(e)(i))	221	201
Other payables and accruals	35,399	45,946
	186,768	185,340

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

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
0 – 30 days	1,346	2,402
31 – 60 days	–	954
61 – 90 days	–	753
91 – 365 days	–	395
	1,346	4,504

(b) All trade and other payables are denominated in RMB and their fair values approximated their carrying amounts as at 31 December 2020.

32. Contract liabilities

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
Advances received from customers (a)	57,029	91,533
Deferred income (b)	3,846	20,512
	60,875	112,045

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

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

33. Borrowings

	2020 RMB'000	2019 RMB'000
Non-current		
Secured long-term bank borrowings (a)	**266,550**	215,644
Current		
Current portion of secured long-term bank borrowings (a)	**26,667**	26,667
Unsecured short-term borrowing (b)	**78,836**	8,933
	105,503	35,600
	372,053	251,244

(a) The Group's long-term bank borrowings were denominated in RMB and secured by certain buildings at the fair value of RMB625,300,000 (2019: RMB616,450,000) (note 15). During the year ended by 31 December 2020, the weighted average effective interest rate was 6.54% (2019: 6.25%) per annum.

(b) As at 31 December 2020 and 2019, the unsecured short-term borrowing was denominated in RMB and HKD, respectively, and was repayable within one year. During the year ended 31 December 2020, the weighted average effective interest rate was 6.50% (2019: 4.29%) per annum.

(c) At 31 December 2020, the Group's bank and other borrowings were repayable as follows:

	As at 31 December	
	2020 RMB'000	2019 RMB'000
Within 1 year	**105,503**	35,600
Between 1 and 2 years	**26,667**	26,667
Between 2 and 5 years	**40,000**	125,644
Over 5 years	**199,883**	63,333
	372,053	251,244

(d) The carrying amounts of the bank and other borrowings approximated their fair values as these borrowings are mainly floating-rate borrowings.

34. Dividends

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.

Pursuant to the resolutions passed by the Board of Directors of the Company held on 20 August 2020, an interim dividend of HKD0.0029 (equivalent to approximately RMB0.0026) per share, amounting to HKD7,235,500 (equivalent to approximately RMB6,487,000) out of the share premium account for the six months ended 30 June 2020 was approved and paid by the Company in October 2020.

In view of the loss incurred for the year ended 31 December 2020, the Board does not recommend any final dividend of the Company for the year ended 31 December 2020.

	2020 RMB'000	2019 RMB'000
Ordinary shares		
Interim dividend paid of RMB0.0026 (2019: RMB0.0021) per ordinary share	6,487	5,361
Final dividend of 2019 of RMB0.0143 (2018: RMB0.0093) per ordinary share	35,639	23,418
	42,126	28,779

35. Cash generated from/(used in) operations

(a) Net cash used in operations

	2020 RMB'000	2019 RMB'000
(Loss)/profit before income tax	**(43,015)**	268,393
Adjustments for:		
Depreciation (Note 16)	**20,881**	33,269
Amortisation of intangible assets (Note 17)	**4,114**	4,369
Net impairment losses on financial and contract assets (Note 10)	**39,026**	751
Loss on disposals of property, plant and equipment (Note 9)	**1,033**	620
Loss on disposals of intangible assets (Note 9)	**16**	29
Share of losses of an associate and a joint venture (Note 19)	**213**	2,762
Fair value change on FVPL (Note 9)	**64,107**	10,498
Net fair value gain on investment properties	**149,140**	21,272
Change in fair value on a derivative financial instrument (Note 9)	**–**	121,349
Interest income (Note 12)	**(11,646)**	(12,445)
Interest expenses (Note 12)	**82,582**	74,518
Share-based compensation expenses (Note 28)	**9**	204
COVID-19-related-rent concession	**(12,580)**	–
Gain from termination of lease	**(4,190)**	–
Changes in working capital (excluding the effect of acquisition and currency translation differences on consolidation):	**–**	–
Inventories	**531**	28,229
Trade and other receivables	**(68,438)**	(426,701)
Trade and other payables	**(52,511)**	(134,506)
Increase in restricted bank deposits	**(12,277)**	–
Net cash generated from/(used in) operations	**156,995**	(7,389)

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

	2020 RMB'000	2019 RMB'000
Net book amount disposal of property, plant and equipment (Note 16)	**1,738**	1,386
Loss on disposals of property, plant and equipment (Note 9)	**(1,033)**	(620)
Proceeds from disposals of property, plant and equipment	**705**	766

35. Cash generated from/(used in) operations *(continued)*

(c) Reconciliation of liabilities arising from financing activities

	Borrowings RMB'000	Lease liabilities RMB'000	Total RMB'000
Debt as at 1 January 2019	8,994	1,281,308	1,290,302
Cash flows	242,250	(119,651)	122,599
Interest expenses on operating leases as the lessee (Note 12)	–	62,739	62,739
Debt as at 31 December 2019	251,244	1,224,396	1,475,640
Debt as at 1 January 2020	**251,244**	**1,224,396**	**1,475,640**
Cash flows	**120,809**	**(114,748)**	**6,061**
Interest expenses on operating leases as the lessee (Note 12)	**–**	**57,233**	**57,233**
Effect of termination of lease	**–**	**(69,639)**	**(69,639)**
Debt as at 31 December 2020	**372,053**	**1,097,242**	**1,469,295**

36. Commitments

(a) Capital commitments

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

	As at 31 December	
	2020 RMB'000	2019 RMB'000
Purchases of property, plant and equipment	**24,535**	43,915
Acquisition of land (i)	**189,650**	189,650
Acquisition of the Target Company (Note 23(d))	**279,820**	324,350
	494,005	557,915

(i) On 14 December 2018, Xuyi Shirble, a non-wholly owned subsidiary of the Group, has successfully bid the tender to acquire ten parcels of land use rights in Xuyi, Jiangsu Province, the PRC, for a total consideration of RMB252,600,000. Xuyi Shirble has paid RMB62,950,000 as the deposit for the acquisition of the land as at 31 December 2020.

36. Commitments *(continued)*

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

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

	As at 31 December	
	2020	**2019**
	RMB'000	**RMB'000**
Buildings:		
Within 1 year	**240,085**	239,672
Between 1 and 2 years	**220,507**	215,531
Between 2 and 3 years	**184,331**	177,785
Between 3 and 4 years	**165,823**	159,004
Between 4 and 5 years	**149,572**	143,802
Later than 5 years	**432,450**	345,102
	1,392,768	1,280,896

37. Related party transactions

(a) Parent entities

The Group is controlled by the following entities:

Name	Type	Place of incorporation	Ownership interest
Shirble Department Store Limited	Immediate parent entity	The British Virgin Islands	55.08%
Xiang Rong Investment Limited	Ultimate parent entity	The British Virgin Islands	55.08%

The ultimate controlling party of the Group is Mr. Yang Xiangbo (deceased).

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

Name	Relationship
Shenzhen Ruizhuo Investment Development Company Limited ("**Ruizhuo Investment**")	Owned in equal shares by Mr. Yang Ti Wei's cousins
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

(b) Subsidiaries

Interests in subsidiaries are set out in note 18.

37. Related party transactions *(continued)*

(c) Key management personnel compensation

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

	2020 RMB'000	2019 RMB'000
Basic salaries and allowances	29,603	36,861
Bonuses	–	1,531
Contributions to the retirement scheme	39	77
	29,642	38,469

(d) Transactions with other related parties

The following transactions were carried out with related parties. The prices for these transactions were determined in accordance with the terms of the underlying agreements.

(i) Rental expenses paid to related parties

	2020 RMB'000	2019 RMB'000
Ruizhuo Investment	20	20

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 center and employee dormitories.

(ii) Property development consulting services to related parties (Note 7(a))

	2020 RMB'000	2019 RMB'000
SRF	198,199	422,351
HXL	28,678	71,492
	226,877	493,843

(iii) Loan from a shareholder

	2020 RMB'000	2019 RMB'000
Mr. Yang Xiangbo	–	220,000

The Group obtained an interest free loan amounted to RMB220,000,000 from the controlling shareholder of the Company, Mr. Yang Xiangbo in January 2019 and repaid the same in March 2019.

37. Related party transactions *(continued)*

(e) Outstanding balances with related parties

(i) Amount due to a related party

	2020 RMB'000	2019 RMB'000
Ruizhuo Investment	221	201

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

(ii) Amount due from related parties

	2020 RMB'000	2019 RMB'000
Contract assets (Note 23)		
SRF	–	300,171
HXL	–	61,259
	–	361,430
Other receivables (Note 23)		
SRF	421,228	46,716
HXL	16,864	9,533
	438,092	56,249

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

38. Contingent liabilities

Certain suppliers have commenced legal proceedings in the PRC against the Group in respect of disputes over contract terms and trademark infringement claim. As at 31 December 2020, the legal proceedings were ongoing. The Group has made an accumulated provision of approximately RMB6,312,000 (2019: RMB573,000), which the directors believe is adequate to cover the amounts, if any, payable in respect of these claims.

39. Balance sheet and reserve movement of the Company

Balance sheet of the Company	Notes	2020 RMB'000	2019 RMB'000
ASSETS			
Non-current assets			
Investments in subsidiaries		872,799	872,799
Current assets			
Trade and other receivables		659,734	708,317
Cash and cash equivalents		9,161	8,484
		668,895	716,801
Total assets		1,541,694	1,589,600
EQUITY			
Share capital		213,908	213,908
Share premium		751,091	793,269
Shares held for share award scheme	(a)	(214)	(1,171)
Other reserves	(b)	108,095	109,062
Accumulated loss	(b)	(174,843)	(173,426)
Total equity		898,037	941,642
LIABILITIES			
Current liabilities			
Trade and other payables		643,657	639,025
Borrowings		–	8,933
Total liabilities		643,657	647,958
Total equity and liabilities		1,541,694	1,589,600

The balance sheet of the Company was approved by the Board of Directors on 25 March 2021 and was signed on its behalf.

Yang Ti Wei
Director

Hao Jian Min
Director

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

(a) Please refer to note 29 for the Group's accounting policy on share held for share-based payment.

(b) Reserve movement of the Company

	Other reserves					
	Merger reserve RMB'000	Capital redemption reserve RMB'000	Share-based compensation reserve RMB'000	Other RMB'000	Accumulated loss RMB'000	Total RMB'000
As at 31 December 2019	107,372	410	1,086	194	(173,426)	(64,364)
Share award scheme:						
– Value of employee services	–	–	(64)	–	–	(64)
– Vesting of shares	–	–	(903)	–	–	(903)
Loss for the year	–	–	–	–	(1,417)	(1,417)
As at 31 December 2020	107,372	410	119	194	(174,843)	(66,748)

40. Benefits and interests of directors

(a) Directors' emoluments

The remuneration of every director is set out below:

For the year ended 31 December 2020:

Name of director	Fees RMB'000	Salary allowances and benefits RMB'000	Retirement schemes contributions RMB'000	Bonus RMB'000	Share-based compensation expenses RMB'000 (Note 28(c))	Total RMB'000
Executive directors						
Mr. Yang Xiangbo (i)	–	638	8	–	–	646
Mr. Hao Jianmin (iv)	–	24,586	16	–	–	24,602
Mr. Yang Ti Wei (iii)	3,421	–	15	–	–	3,436
Non-executive director						
Ms. Huang Xue Rong (ii)	159	–	–	–	–	159
Independent non-executive directors						
Chen Fengliang	266	–	–	–	–	266
Jiang Hongkai	266	–	–	–	–	266
Fok Hei Yu	266	–	–	–	–	266
	4,378	25,224	39	–	–	29,641

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

(a) Directors' emoluments *(continued)*

For the year ended 31 December 2019:

Name of director	Fees RMB'000	Salary allowances and benefits RMB'000	Retirement schemes contributions RMB'000	Bonus RMB'000	Share-based compensation expenses RMB'000 (Note 28(c))	Total RMB'000
Executive directors						
Mr. Yang Xiangbo (i)	–	1,266	16	–	–	1,282
Mr. Hao Jianmin (iv)	–	24,400	16	–	–	24,416
Mr. Yang Ti Wei (iii)	853	2,162	13	180	–	3,208
Independent non-executive directors						
Chen Fengliang	264	–	–	–	–	264
Jiang Hongkai	264	–	–	–	–	264
Fok Hei Yu	264	–	–	–	–	264
	1,645	27,828	45	180	–	29,698

(i) Mr. Yang Xiangbo, the founder and executive director of the Group, passed away on 2 June 2020.

(ii) Ms. Huang Xue Rong is the non-executive director from 3 June 2020.

(iii) Mr. Yang Ti Wei is the chief executive officer of the Company, and the co-chairman of the Board.

(iv) Mr. Hao Jianmin is the co-chairman of the Board.

(b) Directors' retirement benefits

No retirement benefits were paid to or receivable by directors' services in connection with the management of the affairs of the Company or its subsidiary undertaking (2019: nil).

(c) Directors' termination benefits

During the year ended 31 December 2020, no payments to the directors of the Company as compensation for the early termination of the appointment (2019: nil).

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

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

No significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year (2019: nil).

(e) Consideration provided to or receivable by third parties for making available directors' services

During the year ended 31 December 2020, there were no considerations provided to or receivable by any third party for making available the services of a person as a director of the Company (2019: nil).

(f) Information about loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and connected entities with such directors

During the year ended 31 December 2020, there were no loans, quasi-loans or other dealings in favour of directors of the Company, controlled bodies corporate by and connected entities with such directors (2019: nil).

CORPORATE INFORMATION

Directors

Executive Directors:

YANG Ti Wei *(Co-Chairman and Chief Executive Officer)*
(Appointed on 26 May 2020)
HAO Jian Min *(Co-Chairman)*
YANG Xiangbo *(Co-Chairman)*
(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
TSANG Wah Kwong (Appointed on 30 March 2021)
FOK Hei Yu (Resigned on 30 March 2021)

Audit committee of the Board

TSANG Wah Kwong
(Chairperson, appointed on 30 March 2021)
FOK Hei Yu *(Chairperson, resigned on 30 March 2021)*
CHEN Fengliang
JIANG Hongkai

Remuneration committee of the Board

CHEN Fengliang *(Chairperson)*
YANG Ti Wei (Appointed on 26 May 2020)
TSANG Wah Kwong (Appointed on 30 March 2021)
JIANG Hongkai
FOK Hei Yu (Resigned on 30 March 2021)
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)
TSANG Wah Kwong (Appointed on 30 March 2021)
FOK Hei Yu (Resigned on 30 March 2021)
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
Certified Public Accountant
Registered Public Interest Entity Auditor
22nd Floor, Prince's Building
10 Chater Road
Central, Hong Kong

Hong Kong legal advisors

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

Principal bankers

In China

Industrial and Commercial Bank of China
Ping An 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 agent in the Cayman Islands

Suntera (Cayman) Limited
Suite 3204, Unit 2A, Block 3
Building D, P.O. Box 1586
Gardenia Court, Camana Bay
Grand Cayman KY1-1100
Cayman Islands

Hong Kong share registrar

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

Registered office

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

Principal place of business and headquarter in PRC

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

Place of business in Hong Kong

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

Company's website

www.shirble.net

Stock code

00312.HK