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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: 00312)

**INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 JUNE 2019**

FINANCIAL HIGHLIGHTS

The following sets forth a summary of the unaudited consolidated results of the Group for the six months ended 30 June 2019:

- Revenue of the Group was RMB462.9 million, representing a decrease of 23.1% as compared with the revenue of RMB602.1 million for the same period in 2018;
- Operating profit of the Group was RMB123.9 million, representing an increase of 522.6% as compared with the operating profit of RMB19.9 million for the same period in 2018;
- Profit attributable to owners of the Company was RMB17.9 million, representing an increase of 20.1% as compared with the profit attributable to owners of the Company of RMB14.9 million for the same period in 2018;
- Basic earnings per Share was RMB0.01, as compared to RMB0.01 in same period for 2018; and
- Net asset value per Share was RMB0.82, as compared to RMB0.63 as at 31 December 2018.

INTERIM DIVIDEND

The Board recommended an interim dividend of HKD0.0024 (equivalent to approximately RMB0.0021) per Share or in the total amount of HKD6.0 million for the six months ended 30 June 2019 (equivalent to approximately RMB5.4 million) (2018: an interim and special cash dividend of HKD0.0021 and HKD0.0062 respectively, per Share or in the total amount of HKD5.2 million and HKD15.4 million, respectively).

I. INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2019

The board (the “**Board**”) of directors (the “**Directors**”) of Shirble Department Store Holdings (China) Limited (the “**Company**”) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively, the “**Group**”) for the six months ended 30 June 2019, together with the comparative figures for the six months ended 30 June 2018.

INTERIM CONSOLIDATED STATEMENT OF INCOME

		Six months ended 30 June	
		2019	2018
	Note	RMB'000 (unaudited)	RMB'000 (unaudited)
Revenue	5	462,918	602,060
Other operating revenue	6	35,960	67,976
Other (losses)/gains – net	7	(134,698)	27,476
Purchase of and changes in inventories	8	(81,532)	(412,337)
Employee benefits	8	(82,954)	(91,420)
Depreciation and amortisation	8	(21,740)	(34,078)
Operating lease rental expenses	8	–	(67,600)
Other operating expenses – net	8	(54,036)	(72,194)
Operating profit		123,918	19,883
Finance income	9	6,110	3,869
Finance costs	9	(36,043)	–
Finance (cost)/income – net	9	(29,933)	3,869
Share of losses of an associate and a joint venture		(1,281)	(1,129)
Profit before income tax		92,704	22,623
Income tax expense	10	(74,833)	(8,001)
Profit for the period		17,871	14,622
Profit attributable to:			
Owners of the Company		17,899	14,891
Non-controlling interests		(28)	(269)
Profit for the period		17,871	14,622
Earnings per share for the profit attributable to owners of the Company during the period (expressed in RMB per share)			
– Basic and diluted	12	0.01	0.01

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

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

INTERIM CONSOLIDATED BALANCE SHEET

		As at 30 June 2019 <i>RMB'000</i> (unaudited)	As at 31 December 2018 <i>RMB'000</i> (audited)
	<i>Note</i>		
ASSETS			
Non-current assets			
Investment properties	13	2,288,955	730,800
Property, plant and equipment	14	622,419	573,445
Intangible assets		14,401	16,592
Investment in an associate and a joint venture		2,433	3,714
Deferred income tax assets		7,910	48,980
Finance lease receivables – net	15	147,516	–
Other receivables and prepayments	18	156,533	128,228
		<u>3,240,167</u>	<u>1,501,759</u>
Current assets			
Inventories		29,643	37,883
Finance lease receivables – net	15	15,419	–
Financial assets at fair value through profit or loss	16	251,548	13,000
Derivative financial instrument	17	85,228	191,029
Trade receivables, other receivables and prepayments	18	361,847	156,507
Bank deposits		24,000	40,000
Cash and cash equivalents		221,969	310,634
		<u>989,654</u>	<u>749,053</u>
Total assets		<u>4,229,821</u>	<u>2,250,812</u>

		As at 30 June 2019 <i>RMB'000</i> (unaudited)	As at 31 December 2018 <i>RMB'000</i> (audited)
	<i>Note</i>		
EQUITY			
Share capital		213,908	213,908
Share premium		798,658	822,138
Shares held for share award scheme		(1,287)	(2,415)
Other reserves		325,948	324,736
Retained profits		702,272	194,823
Equity attributable to the owners of the Company		2,039,499	1,553,190
Non-controlling interests		12,547	12,731
Total equity		2,052,046	1,565,921
LIABILITIES			
Non-current liabilities			
Lease liabilities	3	1,184,717	–
Deferred income tax liabilities		185,247	57,081
Borrowings	21	187,955	–
		1,557,919	57,081
Current liabilities			
Lease liabilities	3	64,754	–
Trade and other payables	19	318,217	410,920
Contract liabilities	20	129,480	166,933
Borrowings	21	–	8,994
Income tax payable		107,405	40,963
		619,856	627,810
Total liabilities		2,177,775	684,891
Total equity and liabilities		4,229,821	2,250,812

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

1. GENERAL INFORMATION

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 Group are to operate department stores in The People's Republic of China (the "PRC"). In 2018, the Group commenced to develop the property business and acquired ten parcels of land in Xuyi, Jiangsu Province, PRC. In April 2019, the Group also entered into a consultancy agreement to provide consultancy services for two property projects in Shenzhen.

2. BASIS OF PREPARATION

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

3. CHANGES IN ACCOUNTING POLICIES

A number of new and amended standards become applicable for the current reporting period and the Group had to change its accounting policies. The impact of the adoption of these standards and the new accounting policies are disclosed below.

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

(a) Adjustments recognised on adoption of IFRS 16

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

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

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

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

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

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

	As at	
	30 June 2019	1 January 2019
	<i>RMB'000</i>	<i>RMB'000</i>
Investment properties (<i>Note 13</i>)	1,548,055	1,554,080
Property, plant and equipment (<i>Note 14</i>)	90,093	99,302
Total right-of-use assets	<u>1,638,148</u>	<u>1,653,382</u>

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

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

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

(i) *Impact on earnings per share*

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

(ii) *Practical expedients applied*

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

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

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

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

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

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

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

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

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

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

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

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

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

(i) *Extension and termination options*

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

Critical judgements in determining the lease term

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

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

4. SEGMENT INFORMATION

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

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

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

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

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

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

The segment information is as follows:

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

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

5. REVENUE

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

6. OTHER OPERATING REVENUE

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

7. OTHER (LOSSES)/GAINS – NET

	Note	Six months ended 30 June	
		2019	2018
		RMB'000	RMB'000
Reversal of long-aged accounts payable	(i)	–	16,632
Change in fair value of investment properties (Note 13)		(15,509)	5,125
Investment gain from redemption on maturity and disposal of FVPL		–	3,041
(Accrual)/reversal of legal claims		(682)	3,014
Loss on disposal of property, plant and equipment		(79)	(791)
Change in fair value of financial instruments (Note 16, 17)		(117,667)	–
Others		(761)	455
		(134,698)	27,476

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

8. EXPENSES BY NATURE

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

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

9. FINANCE INCOME AND COSTS

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

10. INCOME TAX EXPENSE

	Six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
Current income tax		
– PRC corporate income tax	66,150	7,374
Deferred income tax	8,683	627
	<u>74,833</u>	<u>8,001</u>

- (i) Pursuant to the rules and regulations of the Cayman Islands, the Group is not subject to any income tax in the Cayman Islands.
- (ii) Hong Kong profits tax has not been provided as the Group did not generate any assessable profits in Hong Kong during the interim period. Taxes on overseas profits have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.
- (iii) The applicable income tax rate are 25% for general subsidiaries. Certain of the Company's PRC subsidiaries are entitle to small and micro entity tax credit, which enjoys the 20% tax rate and a 50% deduction of taxable income.

11. DIVIDENDS

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

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

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

12. EARNINGS PER SHARE

(i) Basic

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

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

(ii) Diluted

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

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

13. INVESTMENT PROPERTIES

	Land and buildings <i>RMB'000</i>	Right-of-use assets <i>RMB'000</i>	Total <i>RMB'000</i>
Six months ended 30 June 2019			
At 31 December 2018	730,800	–	730,800
Adjustment on adoption of IFRS 16 (<i>Note 3</i>)	<u>–</u>	<u>1,554,080</u>	<u>1,554,080</u>
At 1 January 2019	730,800	1,554,080	2,284,880
Capitalised subsequent expenditure	<u>–</u>	<u>19,584</u>	<u>19,584</u>
Change in fair value of investment properties (<i>Note 7</i>)	<u>10,100</u>	<u>(25,609)</u>	<u>(15,509)</u>
As at 30 June 2019	<u>740,900</u>	<u>1,548,055</u>	<u>2,288,955</u>
Six months ended 30 June 2018			
At 1 January 2018	202,575	–	202,575
Change in fair value of investment properties (<i>Note 7</i>)	<u>5,125</u>	<u>–</u>	<u>5,125</u>
As at 30 June 2018	<u>207,700</u>	<u>–</u>	<u>207,700</u>

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

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

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

14. PROPERTY, PLANT AND EQUIPMENT

	Property, plant and equipment <i>RMB'000</i>	Right-of-use assets <i>RMB'000</i>	Total <i>RMB'000</i>
Six months ended 30 June 2019			
As at 31 December 2018	573,445	–	573,445
Adjustment on adoption of IFRS 16 (<i>Note 3</i>)	<u>(31,453)</u>	<u>99,302</u>	<u>67,849</u>
As at 1 January 2019	541,992	99,302	641,294
Additions	1,064	–	1,064
Disposals	(390)	–	(390)
Depreciation	<u>(10,340)</u>	<u>(9,209)</u>	<u>(19,549)</u>
As at 30 June 2019	<u>532,326</u>	<u>90,093</u>	<u>622,419</u>
Six months ended 30 June 2018			
As at 1 January 2018	1,081,220	–	1,081,220
Acquisition of a subsidiary	327	–	327
Additions	34,351	–	34,351
Disposals	(12,326)	–	(12,326)
Depreciation	(31,714)	–	(31,714)
Assets classified as held for sales	<u>(37,092)</u>	<u>–</u>	<u>(37,092)</u>
As at 30 June 2018	<u>1,034,766</u>	<u>–</u>	<u>1,034,766</u>

15. FINANCE LEASE RECEIVABLES – NET

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

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

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

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

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

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

16. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Unlisted equity securities <i>RMB'000</i>	Listed equity securities <i>RMB'000</i>	Wealth management products <i>RMB'000</i>	Total <i>RMB'000</i>
Six months ended 30 June 2019				
As at 1 January 2019	–	–	13,000	13,000
Additions	4,223	259,191	–	263,414
Disposals	–	–	(13,000)	(13,000)
Fair value change recognised in profit or loss <i>(a)(Note 7)</i>	–	(11,866)	–	(11,866)
As at 30 June 2019	4,223	247,325	–	251,548
Six months ended 30 June 2018				
As at 1 January 2018	–	–	24,485	24,485
Additions	–	–	29,221	29,221
Disposals	–	–	(22,635)	(22,635)
Fair value change recognised in other comprehensive income	–	–	(1,036)	(1,036)
Currency translation difference	–	–	1,771	1,771
As at 30 June 2018	–	–	31,806	31,806

- a. The amount of RMB11,866,000 represented fair value change of 1,320,000,000 shares of TFG International Group Limited, see note 17 for further details.

17. DERIVATIVE FINANCIAL INSTRUMENT

	Derivative (a) RMB'000	Derivative (b) RMB'000	Total RMB'000
Six months ended 30 June 2019			
As at 1 January 2019	191,029	–	191,029
Fair value change recognised in profit or loss (Note 7)	<u>(191,029)</u>	<u>85,228</u>	<u>(105,801)</u>
As at 30 June 2019	<u>–</u>	<u>85,228</u>	<u>85,228</u>

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

18. TRADE RECEIVABLES, OTHER RECEIVABLES AND PREPAYMENTS

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

(i) Trade receivables

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

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

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

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

(ii) Receivable from a trustee for the share purchase for the employees' share award scheme

This receivable represented the Group's cash paid to an independent trustee for the purchase of the award shares for the employees' share award scheme.

19. TRADE AND OTHER PAYABLES

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

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

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

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

20. CONTRACT LIABILITIES

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

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

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

21. BORROWINGS

		As at	
		30 June 2019	31 December 2018
		RMB'000	RMB'000
Notes			
Non-current			
Secured long-term bank borrowings	(i)	<u>187,955</u>	<u>–</u>
Current			
Unsecured short-term borrowings	(ii)	<u>–</u>	<u>8,994</u>

- (i) The Group's long-term bank borrowings as at 30 June 2019 of RMB188.0 million were secured by certain PRC properties at the carrying amount of RMB615.6 million. During the period ended by 30 June 2019, the weighted average effective interest rate was 6.20% per annum.
- (ii) As at 31 December 2018, the unsecured short-term borrowing was denominated in HKD and was repayable within one year. The weighted average effective interest rate was 15% per annum. The short-term borrowing was repaid by the Group in February 2019.

22. CAPITAL COMMITMENTS

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

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

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

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

BUSINESS REVIEW

Grand opening of “Hema Fresh Supermarkets” in Shirble Stores

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

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

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

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

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

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

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

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

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

Development of the property business to complement other business streams

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

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

BUSINESS OUTLOOK

Cooperation with Hema of Alibaba group to develop new retail solution

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

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

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

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

Continue to Expand the Property Business

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

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

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

FINANCIAL REVIEW

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

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

a) The Group

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

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

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

b) Department stores business segment

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

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

Revenue

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

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

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

Other operating revenue

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

Other (losses)/gains, net

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

Purchase of and changes in inventories

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

Employee benefits

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

Depreciation and amortisation

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

Operating lease rental expenses

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

Other operating expenses, net

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

Operating profit

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

Finance income

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

Finance costs

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

Income tax expense

Income tax expense amounted to RMB8.7 million for the six months ended 30 June 2019 as compared to RMB8.0 million in the corresponding period of 2018. The effective tax rate applicable to the Group for the six months ended 30 June 2019 were 25% for general subsidiaries. Certain PRC subsidiaries of the Company are entitled to small and micro entity tax credit, which enjoys the 20% tax rate and a 50% deduction of taxable income. In addition, pursuant to the PRC Corporate Income Tax Law, the Group is liable to withholding taxes on dividends distributed by subsidiaries established in China. The applicable tax rate for the Group is 5%.

Loss for the period

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

c) Property business and others segment

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

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

Revenue

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

Other losses – net

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

Employee benefits

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

Depreciation and amortisation

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

Other operating expenses, net

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

Finance costs

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

Income tax expense

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

Profit for the period

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

INTERIM DIVIDEND

The Board recommended an interim dividend of HKD0.0024 (equivalent to approximately RMB0.0021) per Share or in the total amount of HKD6.0 million (equivalent to approximately RMB5.4 million) for the six months ended 30 June 2019 which will be payable by way of cash in Hong Kong dollars. (2018: an interim and special cash dividend of HKD0.0021 and HKD0.0062 respectively (equivalent to approximately RMB0.0018 and RMB0.0055 respectively) per Share or in the total amount of HKD5.2 million and HKD15.4 million respectively (equivalent to approximately RMB4.4 million and RMB13.6 million respectively). The interim dividend will be paid on or around 27 September 2019 to Shareholders whose names appear on the register of members of the Company at the close of business on 18 September 2019.

CLOSURE OF REGISTER OF MEMBERS

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

LIQUIDITY AND FINANCIAL RESOURCES

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

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

BORROWINGS

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

NET CURRENT ASSETS AND NET ASSETS

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

FOREIGN EXCHANGE EXPOSURE

The business operations of the Group is primarily in the PRC with most of its transactions settled in RMB. Certain of the Group's cash and bank balances are denominated in Hong Kong dollars and United States dollars. The Company pays dividends in Hong Kong dollars. These exposed the Group to foreign exchange risks arising from the movements in the exchange rate between Hong Kong dollars and RMB. For the six months ended 30 June 2019, the Group recorded a net foreign exchange loss of RMB5.9 million. The Group has not used any forward contracts, currency borrowings or other means to hedge its foreign currency exposure.

EMPLOYEES AND REMUNERATION POLICY

As at 30 June 2019, the total number of employees of the Group was 890. The Group's remuneration policy is determined with reference to market conditions and the performance, qualifications and experience of individual employees. The Company has also used the key performance indicators assessment system to assess the performance of employees and operational efficiency.

To recognise and reward the eligible employees for their contributions to the business and development of the Group, the Company has adopted an employee's share award scheme (the "**Share Award Scheme**") on 22 January 2014. On 13 July 2015, the rights to receive 18,672,000 Shares have been granted to 28 eligible employees pursuant to the Share Award Scheme. Subsequently, on 17 December 2015, the rights to receive an additional 13,830,000 Shares have been granted to 60 eligible employees. In addition, on 20 January 2017, an aggregate of 7,524,000 Shares were granted to 50 eligible employees. As approved by the Board under the Share Award Scheme, the 40,026,000 Shares and the related income will be vested to the relevant employees during a period of three years commenced from the first anniversary of the dates of grant in the percentages of 33.3%, 33.3% and 33.4%, respectively. As at the date of this announcement, 4,834,600 shares granted to 34 eligible employees have not been vested due to departure, while an additional of 553,200 Shares have been granted to two eligible employees upon their promotion on 13 July 2016.

CONTINGENT LIABILITIES

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

MATERIAL ACQUISITIONS AND DISPOSAL OF SUBSIDIARIES

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

AUDIT COMMITTEE

As at the date of this announcement, the audit committee (the “**Audit Committee**”) of the Board comprises three independent non-executive Directors, namely Mr. FOK Hei Yu (Chairman), Mr. CHEN Fengliang, Mr. JIANG Hongkai. The Audit Committee has been established to review the financial reporting process and evaluate the effectiveness of internal control procedures (including financial, operational and compliance controls and risk management functions) of the Group.

During the six months ended 30 June 2019, the Audit Committee held two meetings with the management and the auditor of the Company on the auditing, internal controls and financial reporting matters of the Group, and review the Group’s internal control and the annual results for the year ended 31 December 2018.

REVIEW OF THE INTERIM RESULTS

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

CORPORATE GOVERNANCE

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

The Board, together with the Audit Committee, have also assessed the adequacy of resources, qualifications and experience of the staff of the Company’s accounting and financial reporting and internal audit functions, and their training programs and budget.

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

MODEL CODE FOR SECURITIES TRANSACTIONS

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

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

PUBLICATION OF THE INTERIM REPORT

This announcement is published on the websites of Stock Exchange and the Company. The interim report for the six months ended 30 June 2019 containing all the information required by Appendix 16 to the Listing Rules will be despatched to the Shareholders and published on the websites of the Stock Exchange and the Company in due course.

By order of the Board
Shirble Department Store Holdings (China) Limited
YANG Xiangbo
Co-Chairman and Executive Director

Hong Kong, 30 August 2019

As at the date of this announcement, the Board comprises Mr. YANG Xiangbo (Co-Chairman), Mr. HAO Jian Min (Co-Chairman) and Mr. YANG Ti Wei (Chief Executive Officer) as the executive Directors and Mr. CHEN Fengliang, Mr. JIANG Hongkai and Mr. FOK Hei Yu as the independent non-executive Directors.