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)

ANNUAL RESULTS
FOR THE YEAR ENDED 31 DECEMBER 2019

The following sets forth a summary of the audited consolidated results of the Group for the year ended 31 December 2019:

- Revenue was RMB794.6 million, representing a decrease of 18.2% compared with the revenue of RMB970.9 million in 2018;
- Operating profit was RMB333.2 million, representing an increase of 152.8% compared with operating profit of RMB131.8 million in 2018;
- Profit attributable to owners of the Company was RMB136.8 million, representing an increase of 24.5% compared with the profit attributable to the owners of the Company of RMB109.9 million in 2018;
- Basic earnings per Share was RMB0.05, compared to RMB0.04 in 2018; and
- Net asset value per Share was RMB0.89, compared to RMB0.63 in 2018.

The Board recommended 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 RMB35.7 million) (2018: a final dividend of HK$0.0109 per Share or in the total amount of HK$27.2 million) for the year ended 31 December 2019. The proposed final dividend is subject to the Shareholders' approval at the Annual General Meeting.

I. FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2019

The board ("The **Board**") of directors (the "**Directors**") of Shirble Department Store Holdings (China) Limited (the "**Company**") is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively, the "**Group**") for the year ended 31 December 2019, together with the comparative figures for the year ended 31 December 2018.

CONSOLIDATED INCOME STATEMENT

		Year ended 31 December	
		2019	2018
	Note	***RMB'000***	*RMB'000*
Revenue	*5*	**794,582**	970,892
Other operating revenue	*6*	**34,886**	107,152
Other (losses)/gains – net	*7*	**(84,453)**	210,060
Purchase of and changes in inventories	*8*	**(105,505)**	(613,767)
Employee benefit expenses	*8,9*	**(151,525)**	(200,056)
Depreciation and amortisation expenses	*8*	**(37,638)**	(93,671)
Net impairment losses on financial and contract assets	*8*	**(751)**	(2,662)
Operating lease rental expenses	*8*	**(1,759)**	(120,640)
Other operating expenses – net	*8*	**(114,609)**	(125,503)
Operating profit		**333,228**	131,805
Finance income	*10*	**12,445**	3,466
Finance costs	*10*	**(74,518)**	(19,363)
Finance costs – net	*10*	**(62,073)**	(15,897)
Share of losses of an associate and a joint venture		**(2,762)**	(3,075)
Profit before income tax		**268,393**	112,833
Income tax expenses	*11*	**(131,608)**	(3,146)
		136,785	109,687
Profit attributable to:			
Owners of the Company		**136,811**	109,851
Non-controlling interests		**(26)**	(164)
		136,785	109,687
Earnings per share for the profit attributable to owners of the Company (expressed in RMB per share)			
– Basic and diluted	*12*	**0.05**	0.04

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Year ended 31 December	
	2019	2018
	RMB'000	*RMB'000*
Profit for the year	**136,785**	109,687
Other comprehensive income:		
Item that may be reclassified to profit or loss:		
Currency translation differences	**(22)**	(546)
Item that will not be reclassified to profit or loss:		
Change in fair value of investment properties upon transfer, net of tax	**66,811**	73,884
Other comprehensive income for the year	**66,789**	73,338
Total comprehensive income for the year	**203,574**	183,025
Attributable to:		
Owners of the Company	**203,600**	183,189
Non-controlling interests	**(26)**	(164)
Total comprehensive income for the year	**203,574**	183,025

CONSOLIDATED BALANCE SHEET

		As at 31 December	
		2019	2018
	Note	***RMB'000***	*RMB'000*
ASSETS			
Non-current assets			
Investment properties	*14*	**2,706,350**	730,800
Property, plant and equipment	*15*	**303,386**	573,445
Intangible assets		**12,223**	16,592
Investment in an associate and a joint venture		**952**	3,714
Deferred income tax assets		**9,788**	48,980
Trade receivables, other receivables and prepayments	*18*	**333,001**	128,228
		3,365,700	1,501,759
Current assets			
Inventories		**9,654**	37,883
Financial assets at fair value through profit or loss	*16*	**322,660**	13,000
Derivative financial instrument	*17*	**–**	191,029
Trade receivables, other receivables and prepayments	*18*	**230,909**	156,507
Contract assets	*18*	**361,430**	–
Restricted bank deposits		**24,000**	40,000
Cash and cash equivalents		**62,457**	310,634
		1,011,110	749,053
Total assets		**4,376,810**	2,250,812

	Note	As at 31 December 2019 RMB'000	2018 RMB'000
EQUITY			
Share capital		**213,908**	213,908
Share premium		**793,269**	822,138
Shares held for share award scheme		**(1,171)**	(2,415)
Other reserves		**427,307**	324,736
Retained profits		**786,837**	194,823
Equity attributable to the owners of the Company		**2,220,150**	1,553,190
Non-controlling interests		**12,549**	12,731
Total equity		**2,232,699**	1,565,921
LIABILITIES			
Non-current liabilities			
Lease liabilities	*3*	**1,142,812**	–
Deferred income tax liabilities		**217,180**	57,081
Borrowings	*21*	**215,644**	–
		1,575,636	57,081
Current liabilities			
Lease liabilities	*3*	**81,584**	–
Trade and other payables	*19*	**185,340**	410,920
Contract liabilities	*20*	**112,045**	166,933
Borrowings	*21*	**35,600**	8,994
Income tax payable		**153,906**	40,963
		568,475	627,810
Total liabilities		**2,144,111**	684,891
Total equity and liabilities		**4,376,810**	2,250,812

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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 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**").

2. BASIS OF PREPARATION

These annual financial statements for the year ended 31 December 2019 have been prepared in accordance with the International Financial Reporting Standards ("**IFRS**") and requirements of the Hong Kong Companies Ordinance ("**HKCO**") Cap.622.

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.

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%.

3.1 Practical expedients applied

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

- applying a single discount rate to a portfolio of leases with reasonably similar characteristics
- relying on previous assessments on whether leases are onerous as an alternative to perform an impairment review (there were no onerous contracts as at 1 January 2019)
- accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases
- excluding initial direct costs for the measurement of the right-of-use asset at the date of initial application, and
- using 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 Interpretation 4 *"Determining whether an Arrangement contains a Lease"*.

3.2 Measurement of lease liabilities

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

The lease liabilities recognised at 1 January 2019 upon initial adoption of IFRS 16 are arrived as below.

	2019
	RMB'000
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 recognised on a straight-line basis as expense	(60)
Lease liabilities recognised as at 1 January 2019	1,281,308

The recognised lease liabilities relate to the following types of liabilities:

	As at	
	31 December 2019	1 January 2019
	RMB'000	*RMB'000*
Current lease liabilities	**81,584**	59,620
Non-current lease liabilities	**1,142,812**	1,221,688
Total lease liabilities	**1,224,396**	1,281,308

3.3 Measurement of right-of-use assets

Upon adoption of IFRS 16, the Group has elected to initially measure the right-of-use asset in relation to each lease at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the consolidated balance sheet as at 31 December 2018. This approach resulted in no adjustment to the opening balance of retained earnings on 1 January 2019. However, due to the initial application of the revaluation model in measuring the right-of-use assets for properties leases which had been or were planned to be subleased out under operating leases and met the definition of investment properties, the opening balance of retained earnings on 1 January 2019 has been adjusted by RMB551,654,000. Right-of-use assets for property leases, which have been subleased out and re-assessed as finance leases on 1 January 2019 were recognised as receivables and measured at the amount equal to the net investment calculated with the interest rates implicit in the corresponding finance leases.

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

	As at	
	31 December 2019	**1 January 2019**
	RMB'000	*RMB'000*
Investment properties *(Note 14)*	1,571,100	1,554,080
Property, plant and equipment *(Note 15)*	51,731	99,302
Total right-of-use assets	1,622,831	1,653,382

3.4 Adjustment recognised in balance sheet on 1 January 2019

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.

3.5 Lessor accounting

The Group did not need to make any adjustments to the accounting for assets held as lessor under operating leases as a result of the adoption of IFRS 16.

3.6 Deferred taxes arising on a lease which is on balance sheet as the lessee

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.

4. SEGMENT INFORMATION

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 5(a)).

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

- Property business – property development business and provision of property development consulting services;

- Department stores business – operation of department stores; and

- Others – unallocated items, comprising mainly head office overheads.

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

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

The segment information is as follows:

	Note	Year ended 31 December 2019			
		Property business	**Department stores business**	**Others**	**Group**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Revenue	*(b)*	**493,843**	**300,739**	**–**	**794,582**
Timing of revenue recognition					
At a point in time		**–**	**131,222**	**–**	**131,222**
Overtime		**493,843**	**169,517**	**–**	**663,360**
Other operating revenue		**–**	**34,886**	**–**	**34,886**
Other losses – net		**(64,541)**	**(19,912)**	**–**	**(84,453)**
Purchase of and changes in inventories		**–**	**(105,505)**	**–**	**(105,505)**
Employee benefit expenses		**(60,303)**	**(78,782)**	**(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		**(379)**	**(99,240)**	**(14,990)**	**(114,609)**
Operating profit/(loss)		**368,620**	**857**	**(36,249)**	**333,228**
Finance income		**67**	**12,378**	**–**	**12,445**
Finance costs		**(6,088)**	**(65,037)**	**(3,393)**	**(74,518)**
Finance costs – net		**(6,021)**	**(52,659)**	**(3,393)**	**(62,073)**
Share of losses of an associate and a joint venture		**–**	**(2,762)**	**–**	**(2,762)**
Profit/(loss) before income tax		**362,599**	**(54,564)**	**(39,642)**	**268,393**
Income tax expenses		**(114,490)**	**(17,118)**	**–**	**(131,608)**
Profit/(loss) for the year		**248,109**	**(71,682)**	**(39,642)**	**136,785**

		Year ended 31 December 2018			
	Note	**Property business** *RMB'000*	**Department stores business** *RMB'000*	**Others** *RMB'000*	**Group** *RMB'000*
Revenue		–	970,892	–	970,892
Timing of revenue recognition					
At a point in time		–	791,758	–	791,758
Overtime		–	179,134	–	179,134
Other operating revenue		–	107,152	–	107,152
Other gains – net		191,029	19,031	–	210,060
Purchase of and changes in inventories		–	(613,767)	–	(613,767)
Employee benefit expenses	*(a)*	(5,758)	(180,139)	(14,159)	(200,056)
Depreciation and amortisation expenses	*(a)*	(44)	(93,627)	–	(93,671)
Net impairment losses on financial and contract assets		–	(2,662)	–	(2,662)
Operating lease rental expenses		–	(118,063)	(2,577)	(120,640)
Other operating expenses, net		(1,793)	(117,493)	(6,217)	(125,503)
Operating profit/(loss)		183,434	(28,676)	(22,953)	131,805
Finance income		–	3,441	25	3,466
Finance costs		(19,363)	–	–	(19,363)
Finance (costs)/income – net		(19,363)	3,441	25	(15,897)
Share of losses of an associate and a joint venture		–	(3,075)	–	(3,075)
Profit/(loss) before income tax		164,071	(28,310)	(22,928)	112,833
Income tax expenses		–	(3,146)	–	(3,146)
Profit/(loss) for the year		164,071	(31,456)	(22,928)	109,687

(a) On 15 June 2018, the Group and Shenzhen Hema Network Technology Company Limited ("**Hema Shenzhen**") have entered into the Strategic Cooperation Framework Agreement ("**Agreement**"). For the year ended 31 December 2018, pursuant to the Agreement, the business of most of the supermarkets in Shenzhen ceased, and the related areas are leased/subleased to Hema Shenzhen for the operations of its supermarkets, Freshippo. Fixed assets and decoration amounted to RMB52,646,000 were written off and an one-off severance payment of RMB32,776,000 were accrued (note 9) as a result of the strategic cooperation with Hema Shenzhen and store renovation/upgrade of the department stores.

(b) Revenues of approximately RMB493,843,000 (2018: nil) are derived from a single external customer. These revenues are attributed to the Property business segment (note 5(a)).

5. REVENUE

	Note	Year ended 31 December 2019 RMB'000	2018 RMB'000
Property development consulting service income	*(a)*	**493,843**	–
Rental income		**169,517**	179,134
Direct sales		**116,638**	708,690
Commission from concessionaire sales		**14,584**	83,068
		794,582	970,892

(a) In April 2019, the Group entered into consultancy agreements with Shenzhen Shengrunfeng Investment & Development Co., Ltd ("SRF") and Shenzhen Hexinglong Industrial Co., Ltd ("HXL") to provide property development consulting services. SRF and HXL are ultimately controlled by Mr. Yang Xiangbo who is the controlling shareholder of the Group. The consulting services included but not limited to project development and strategic advisory services for the establishment of a project team, as well as systematic analysis and consulting services for the full-cycle development, financial and capital management of two property projects in Shenzhen.

(b) Assets related to contracts with customers

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

	2019 RMB'000	2018 RMB'000
Current contract assets relating to property development consulting service *(Note 18(b))*	**361,430**	–

Significant increase in contract assets is due to the new property development consulting service provided by the Group in 2019 *(Note (a))*.

6. OTHER OPERATING REVENUE

	Year ended 31 December 2019 RMB'000	2018 RMB'000
Promotion, administration and management income	**29,745**	92,867
Government grant	**3,160**	6,793
Credit card handling fees for concessionaire sales	**1,981**	7,492
	34,886	107,152

7. OTHER (LOSSES)/GAINS – NET

	2019	2018
	RMB'000	*RMB'000*
Deposit forfeited for terminated sale of financial assets at FVPL *(Note 17(b))*	**67,306**	–
Reversal of legal claims	**2,878**	4,308
Compensation received/(paid) for the contract damages	**213**	(4,824)
Change in fair value of derivative financial instrument *(Note 17)*	**(121,349)**	191,029
Fair value adjustment on investment properties *(Note 14)*	**(21,272)**	8,625
Fair value change on financial assets at FVPL *(Note 16)*	**(10,498)**	(378)
Donation	**(2,880)**	–
Loss on disposals of property, plant and equipment	**(620)**	(3,674)
Loss on disposal of intangible assets	**(29)**	(2,849)
Reversal of long-aged accounts payable	**–**	14,009
Reversal of accrued rental expenses	**–**	1,512
Others	**1,798**	2,302
	(84,453)	210,060

8. EXPENSES BY NATURE

		Year ended 31 December	
		2019	2018
	Note	*RMB'000*	*RMB'000*
Employee benefits expenses *(Note 9)*		**151,525**	200,056
Purchase of and changes in inventories		**105,505**	613,767
Utilities		**57,997**	60,393
Depreciation and amortisation expenses		**37,638**	93,671
Business travel expenses		**11,342**	6,163
Other tax expenses		**10,248**	9,672
Office expenses		**4,557**	6,684
Cleaning fee		**4,371**	6,524
Auditor's remuneration			
– Audit services		**2,500**	3,280
– Other services		**800**	3,178
Bank charges		**3,145**	3,544
Operating lease rental expenses	*(a)*	**1,759**	120,640
Net foreign exchange loss/(gain)		**1,194**	(15,137)
Advertising costs		**859**	3,187
Net impairment losses on financial and contract assets *(Note 18)*		**751**	2,662
Transportation expenses		**329**	17,433
Storage charge		**–**	3,168
Other expenses		**17,267**	17,414
Total expenses		**411,787**	1,156,299

(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 (note 3).

9. EMPLOYEE BENEFIT EXPENSES

	Year ended 31 December	
	2019	2018
	RMB'000	*RMB'000*
Wages and salaries	**142,823**	149,674
Social security costs	**8,411**	15,604
Share-based compensation expenses	**204**	1,878
Severance payment *(Note 4a)*	**–**	32,776
Others	**87**	124
Total employee benefit expenses	**151,525**	200,056

10. FINANCE INCOME AND COSTS

		Year ended 31 December	
	Note	**2019**	2018
		RMB'000	*RMB'000*
Finance income			
Interest income from finance leases as the sub-lessor		**11,613**	–
Interest income from bank deposits		**832**	3,466
		12,445	3,466
Finance costs			
Interest expenses on operating leases as the leasee		**(62,739)**	–
Interest expenses on bank loans		**(9,369)**	–
Interest expenses on a loan from a shareholder	*(b)*	**(2,410)**	–
Interest expenses on other borrowings	*(a)*	**–**	(19,363)
		(74,518)	(19,363)
Finance costs – net		**(62,073)**	(15,897)

(a) During 2018, the Group received various short-term borrowings amounted to HKD905,000,000 (approximately RMB766,000,000) in aggregate from certain independent third parties at 15% interest rate per annum. Such borrowings were for financing a proposed acquisition which was subsequently suspended. These other borrowings were fully repaid before 31 December 2018.

(b) 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 in March 2019. A deemed interest expense of RMB2,410,000 was recognised in the profit or loss and correspondingly credited to other reserves as contribution from a shareholder.

11. INCOME TAX EXPENSES

	Year ended 31 December	
	2019	2018
	RMB'000	*RMB'000*
Current income tax		
– PRC corporate income tax	**115,142**	2,159
Deferred income tax	**16,466**	987
	131,608	3,146

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

		Year ended 31 December	
	Note	**2019**	2018
		RMB'000	*RMB'000*
Profit before income tax		**268,393**	112,833
Tax calculated at a tax rate of 25% (2018: 25%)		**67,098**	28,208
Tax impact of:			
– Income not subject to tax	*(v)*	**–**	(47,757)
– Expenses not deductible for tax purposes	*(iv)*	**33,317**	1,959
– Unrecognised tax loss		**31,193**	20,736
Income tax expenses		**131,608**	3,146

(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 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.

(iii) The applicable income tax rate are 25% for the Group's subsidiaries generally. 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.

(iv) The fair value loss on the derivative financial instrument and financial assets at FVPL for the year ended 31 December 2019 is not deductible for tax purpose.

(v) The fair value gain on the derivative financial instrument for the year ended 31 December 2018 is not subject to income tax.

12. EARNINGS PER SHARE

(a) Basic earnings per share

Basic earnings per share is calculated by dividing:

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

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

	Year ended 31 December	
	2019	2018
Profits attributable to owners of the Company (in RMB thousand)	**136,811**	109,851
Weighted average number of ordinary shares in issue (thousands)	**2,492,871**	2,490,611
Basic earnings per share (RMB per share)	**0.05**	0.04

(b) Diluted earnings per share

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

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

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

	Year ended 31 December	
	2019	2018
Earnings (in RMB thousands)		
Profits attributable to owners of the Company	**136,811**	109,851
Weighted average number of ordinary shares (thousands)		
Weighted average number of ordinary shares in issue	**2,492,871**	2,490,611
Adjustments for awarded shares	**1,740**	4,311
Weighted average number of ordinary shares for diluted earnings per share	**2,494,611**	2,494,922
Diluted earnings per share (RMB per share)	**0.05**	0.04

13. DIVIDENDS

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.

Pursuant to the resolutions passed by the Board on 30 August 2019, an interim dividend of HKD0.0024 (equivalent to approximately RMB0.0021) per share or in the total amount of HKD5,988,000 (equivalent to approximately RMB 5,361,300) out of the share premium account was approved and paid by the Company.

On 30 March 2020, the Board recommended a final dividend in respect of the year ended 31 December 2019 of HKD0.0157 (equivalent to approximately RMB0.0143) per share, amounting to HKD39,172,000 (equivalent to approximately RMB35,679,000). The final dividend is to be proposed out of the share premium account at the annual general meeting of the Company and these financial statements do not reflect this dividend payable.

	Year ended 31 December	
	2019	2018
	RMB'000	*RMB'000*
Ordinary Shares		
Interim dividend paid of RMB0.0024 (2018: RMB0.0018) per ordinary share	**5,361**	4,387
Special cash dividend paid of nil (2018: RMB0.0055) per ordinary share	**–**	13,613
Final dividend of 2018 of RMB0.0109 (2017: nil) per ordinary share	**23,418**	–
	28,779	18,000

14. INVESTMENT PROPERTIES

	Note	Buildings *RMB'000*	Right-of-use assets *RMB'000*	Total *RMB'000*
Year ended 31 December 2018				
As at 1 January 2018		202,575	–	202,575
Transfer from property, plant and equipment *(Note 15)*		421,088	–	421,088
Increase in fair value upon transfer charged to other comprehensive income		98,512	–	98,512
Net gains from fair value adjustment *(Note 7)*		8,625	–	8,625
As at 31 December 2018		730,800	–	730,800
Year ended 31 December 2019				
As at 31 December 2018		730,800	–	730,800
Adjustment on adoption of IFRS 16 *(Note 3)*	*(i)*	–	1,554,080	1,554,080
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 *(Note 15)*	*(ii)*	**275,955**	**–**	**275,955**
Increase in fair value upon transfer charged to other comprehensive income	*(ii)*	**89,082**	**–**	**89,082**
Increase in fair value upon transfer charged to profit and loss *(Note 7)*	*(ii)*	**29,663**	**–**	**29,663**
Net gains from fair value adjustment *(Note 7)*		**9,750**	**(60,685)**	**(50,935)**
As at 31 December 2019		**1,135,250**	**1,571,100**	**2,706,350**

(i) As at 1 January 2019, upon adoption of IFRS 16, the associated right-of-use assets for property leases, which had been or were planned to be subleased out under operating lease, were recognised as investment properties, amounting to RMB1,554,080,000 (note 3).

(ii) 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 these properties in prior years.

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

(iv) As at 31 December 2019, the buildings at fair value of RMB616,450,000 were secured against certain long-term bank borrowings (note 21).

15. PROPERTY, PLANT AND EQUIPMENT

	Property, plant and equipment *RMB'000*	Right-of-use assets *RMB'000*	Total *RMB'000*
Year ended 31 December 2018			
As at 1 January 2018	1,081,220	–	1,081,220
Additions	35,937	–	35,937
Transfers to investment properties *(Note 14)*	(421,088)	–	(421,088)
Depreciation charge	(88,652)	–	(88,652)
Disposals	(33,972)	–	(33,972)
As at 31 December 2018	573,445	–	573,445
Year ended 31 December 2019			
As at 31 December 2018	**573,445**	**–**	**573,445**
Adjustment on adoption of IFRS 16 *(Note 3)*	**(31,453)**	**99,302**	**67,849**
As at 1 January 2019	**541,992**	**99,302**	**641,294**
Additions	**2,608**	**–**	**2,608**
Transfer to investment properties *(Note 14)*	**(275,955)**	**–**	**(275,955)**
Right-of-use assets subleased out under finance leases	**–**	**(29,906)**	**(29,906)**
Depreciation charge	**(15,604)**	**(17,665)**	**(33,269)**
Disposals	**(1,386)**	**–**	**(1,386)**
As at 31 December 2019	**251,655**	**51,731**	**303,386**

16. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Unlisted equity securities *RMB'000*	Listed equity securities *(Note a)* *RMB'000*	Wealth management products *RMB'000*	Total *RMB'000*
Year ended 31 December				
As at 1 January 2018	–	–	24,485	24,485
Additions	–	–	466,088	466,088
Disposals	–	–	(476,796)	(476,796)
Foreign exchange differences	–	–	(399)	(399)
Fair value change recognised in profit and loss	–	–	(378)	(378)
As at 31 December 2018	–	–	13,000	13,000
Year ended 31 December				
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 or loss *(Note 7)*	**–**	**(10,498)**	**–**	**(10,498)**
Currency translation difference	**65**	**–**	**–**	**65**
As at 31 December 2019	**4,288**	**318,372**	**–**	**322,660**

(a) The balance represents investment in 1,320,000,000 ordinary shares of TFG International Group Limited ("**TFG**"), see note 17 for further details.

17. DERIVATIVE FINANCIAL INSTRUMENT

	2019	2018
	RMB'000	*RMB'000*
As at 1 January	**191,029**	–
Fair value change recognised in profit or loss *(Note 7)*	**(121,349)**	191,029
Derecognised upon expiry	**(69,680)**	–
As at 31 December	**–**	191,029

(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, representing approximately 19% of the total issued share capital of TFG, at the price of HKD0.225 per share amounting to 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 of TFG and the present value of the consideration similar to a forward contract. 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.

(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, amounted to a total consideration of HKD382,800,000 (approximately RMB336,734,000) (the "TFG Agreement"). According to the TFG Agreement, a deposit of HKD76,560,000 has been received on 26 June 2019, and the next installment amounting to HKD229,680,000 is to be paid by 26 December 2019. The remaining instalment amounting to HKD76,560,000 is to be paid by 26 December 2020.

On 12 December 2019, Baoke and the independent third party aforementioned entered into a deed of termination, pursuant to which, among other things, the TFG Agreement was terminated and the deposit paid was forfeited according to the TFG Agreement. The forfeiture of deposit amounting to HKD76,560,000 (approximately RMB67,306,000) was recognised in "Other gains – net".

18. TRADE RECEIVABLES, OTHER RECEIVABLES, PREPAYMENTS AND CONTRACTS ASSETS

		2019		
		Current	**Non-current**	**Total**
	Note	***RMB'000***	***RMB'000***	***RMB'000***
Trade receivables	*(a)*	**31,796**	**–**	**31,796**
Amounts due from related parties		**417,679**	**–**	**417,679**
Contract assets	*(b)*	**361,430**	**–**	**361,430**
Trade receivables		**56,249**	**–**	**56,249**
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		**361**	**–**	**361**
Lease deposits		**10,943**	**21,724**	**32,667**
Other receivables	*(d)*	**20,561**	**44,008**	**64,569**
		499,209	**235,691**	**734,900**
Less: provision for impairment loss allowance	*(g)*	**(751)**	**–**	**(751)**
Financial assets at amortised cost		**498,458**	**235,691**	**734,149**
Prepayments	*(e), (f)*	**93,881**	**97,310**	**191,191**
Total trade and other receivables		**592,339**	**333,001**	**925,340**

		2018		
		Current	Non-current	Total
	Notes	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables	*(a)*	38,111	–	38,111
Interest receivables		618	–	618
Receivable from a trustee for the share purchase for the employees' share award scheme		5,214	–	5,214
Lease deposits		1,881	25,140	27,021
Other receivables	*(d)*	103,206	22,478	125,684
		149,030	47,618	196,648
Less: provision for impairment loss allowance	*(g)*	–	(2,662)	(2,662)
Financial assets at amortised cost		149,030	44,956	193,986
Prepayments	*(f)*	7,477	83,272	90,749
Total trade and other receivables		156,507	128,228	284,735

(a) Trade receivables

As at 31 December 2019, the trade receivables included receivables of direct sales from corporate customers and rental receivables amounting to RMB344,000 (2018: RMB5,643,000) and RMB31,452,000 (2018: RMB32,468,000), respectively.

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

	2019	2018
	RMB'000	*RMB'000*
0 – 30 days	**24,928**	24,960
31 – 90 days	**4,222**	8,832
91 – 365 days	**2,646**	4,319
	31,796	38,111

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 December 2019, no impairment loss allowance was made based on the management's assessment (2018: nil).

All trade receivables are denominated in RMB and their fair values approximated their carrying amounts as at 31 December 2019.

(b) As mentioned in note 4, the Group entered into consultancy agreements with SRF and HXL to provide consulting services. SRF and HXL pay according to the payment schedule of the consultancy agreements, which comprises of fixed monthly fees and certain milestone payments dependent on the construction progress of the property projects of SRF and HXL. For the year ended 31 December 2019, contract asset of RMB361,430,000 was recognised since the services income recognised by the Group exceeded the payments received.

(c) Right-of-use assets for property leases which had been subleased out under financing leases were recognised as receivables from finance leases upon adoption of IFRS 16.

	2019	2018
	RMB'000	*RMB'000*
Finance lease receivables	**220,104**	Not applicable
Unguaranteed residual values	**22,432**	Not applicable
Gross investment in finance leases	**242,536**	Not applicable
Less: unearned finance income	**(55,045)**	Not applicable
Net investment in finance leases	**187,491**	Not applicable
Less: accumulated allowance for impairment	**–**	Not applicable
Finance lease receivables – net	**187,491**	Not applicable

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

	2019	2018
	RMB'000	*RMB'000*
Gross investment in finance leases		
– Within 1 year	**28,947**	Not applicable
– Between 1 and 2 years	**29,349**	Not applicable
– Between 2 and 3 years	**29,367**	Not applicable
– Between 3 and 4 years	**30,004**	Not applicable
– Between 4 and 5 years	**30,004**	Not applicable
– Later than 5 years	**94,865**	Not applicable
	242,536	Not applicable

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

(e) 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 Xiangqi 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 RMB2,650,000 as advance to the Target Company. Since the acquisition was not completed by 31 December 2019, RMB80,650,000 of cash paid to the Vendor in aggregate by the Group was recognised as current portion of prepayments as the transaction has not been completed as at 31 December 2019.

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 and RMB2,650,000 were already settled in the form of abovementioned capital injection and advances to the Target Company respectively as at 31 December 2019. The remaining RMB70,150,000 will be settled upon completion of the acquisition of the Target Company (note 22(a)). Furthermore the Target Company has existing secured long-term bank loan amounting to RMB254,200,000 which will be settled by the Group when the transaction is completed.

(f) As at 31 December 2019 and 2018, RMB62,950,000 of deposit for the acquisition of the land was included in the non-current portion of prepayments. The remaining RMB189,650,000 will be settled upon completion of the acquisition of land (note 22(a)(i)). 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.

(g) The Group applies the IFRS 9 three-stage approach to measure expected credit losses for other receivables. As at 31 December 2019, RMB751,000 of impairment loss allowance was made based on the management's assessment (2018: RMB2,662,000).

The loss allowances for other receivables as at 31 December reconcile to the opening loss allowances as follows:

	2019	2018
	RMB'000	*RMB'000*
Opening loss allowances at 1 January	**2,662**	–
Increase in other receivables allowance recognised in profit or loss during the year	**751**	2,662
Receivables written off during the year as uncollectible	**(2,662)**	–
Closing loss allowances at 31 December	**751**	2,662

19. TRADE AND OTHER PAYABLES

		As of 31 December	
		2019	2018
	Note	***RMB'000***	*RMB'000*
Lease deposits		**87,581**	83,273
Other tax payables		**25,528**	3,814
Accrued wages and salaries		**21,007**	34,072
Trade payables	*(i)*	**4,504**	70,197
Accrual for legal claims		**573**	3,451
Amount due to a related party		**201**	181
Rental payables	*(ii)*	**–**	149,758
Other payables and accruals		**45,946**	66,174
		185,340	410,920

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

	As of 31 December	
	2019	2018
	RMB'000	*RMB'000*
0 – 30 days	**2,402**	21,361
31 – 60 days	**954**	12,674
61 – 90 days	**753**	18,097
91 – 365 days	**395**	11,455
1 year – 2 years	**–**	5,721
2 years – 3 years	**–**	889
	4,504	70,197

(ii) The payable represented the accrual on rental expenses based on the straight-line method. RMB149,758,000 of the balance as at 1 January 2019 was reversed upon adoption of IFRS16 (note 3.2).

(iii) All trade and other payables are denominated in RMB and their fair values approximated their carrying amounts as at 31 December 2019.

20. CONTRACT LIABILITIES

		2019	2018
	Note	***RMB'000***	*RMB'000*
Advances received from customers	*(i)*	**91,533**	144,222
Deferred income	*(ii)*	**20,512**	22,711
		112,045	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

	Note	2019 RMB'000	2018 RMB'000
Non-current			
Secured long-term bank borrowings	*(i)*	**215,644**	–
Current			
Current portion of secured long-term bank borrowings	*(i)*	**26,667**	–
Unsecured short-term borrowing	*(ii)*	**8,933**	8,994
		35,600	8,994
		251,244	8,994

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

(ii) As at 31 December 2019, the unsecured short-term borrowing was denominated in HKD and was repayable within one year. During the year ended 31 December 2019, the weighted average effective interest rate was 4.29% (2018: 15%) per annum.

(iii) At 31 December 2019, the Group's bank and other borrowings were repayable as follows:

	2019 RMB'000	2018 RMB'000
Within 1 year	**35,600**	8,994
Between 1 and 2 years	**26,667**	–
Between 2 and 5 years	**125,644**	–
Over 5 years	**63,333**	–
	251,244	8,994

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

22. CAPITAL COMMITMENTS

(a) Capital commitments

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

	Note	2019 RMB'000	2018 RMB'000
Within one year:			
Purchases of property, plant and equipment		**43,915**	42,539
Acquisition of land	*(i)*	**189,650**	189,650
Acquisition of the Target Company	*18(e)*	**70,150**	–
Acquisition of TFG shares	*17(a)*	**–**	260,038
		303,715	492,227
Later than one year:			
Acquisition of the Target Company	*18(e)*	**254,200**	–
		557,915	492,227

(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.

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

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

	2019 RMB'000	2018 RMB'000
Buildings:		
Within 1 year	**239,672**	156,069
Between 1 and 2 years	**215,531**	137,877
Between 2 and 3 years	**177,785**	127,578
Between 3 and 4 years	**159,004**	122,950
Between 4 and 5 years	**143,802**	115,875
Later than 5 years	**345,102**	308,425
	1,280,896	968,774

23. EVENTS OCCURRING AFTER THE REPORTING PERIOD

(a) Impact of the Coronavirus Disease 2019

After the outbreak of Coronavirus Disease 2019 ("**COVID-19 Outbreak**") in early 2020, a series of precautionary and control measures have been and continued to be implemented across the country/region. The Group will pay close attention to the development of the COVID-19 outbreak and evaluate its impact on the financial position and operating results of the Group. As at the date on which this set of consolidated financial statements were authorised for issue, the Group was not aware of any material adverse effects on the consolidated financial statements for the year ended 31 December 2019 as a result of the COVID-19 Outbreak. The Group assesses that the COVID-19 has certain impacts on the financial position and operating results of the Group after the year ended 31 December 2019 as below.

(i) Rent waiver

In January 2020, the Group announced that a rent waiver was given to all of its tenants for the period from 25 January 2020 to 8 February 2020. Based on the relevant lease contracts, it is estimated that the waiver will result in a reduction in the Group's rental income of approximately RMB8 million in 2020. The rent waiver policy will be reviewed from time to time, and be revised in accordance to the latest development of the COVID-19 Outbreak.

In addition, in light of the negative impact brought upon by the COVID-19 Outbreak in the short term, it may lead to early termination, breach or renewal of certain existing lease contracts and also affect the signing of new contracts, and thus affecting the rental income in the coming periods. The Group will pay close attention to the development of the COVID-19 Outbreak and its impact on the leasing market, and will continue to perform relevant assessments and take proactive measures.

(ii) Fluctuation in the valuation of investment properties

The Group applies the fair value model to measure its investment properties. As at 31 December 2019, the total fair value of the investment properties amounted to RMB2,699,350,000 (note 14). In 2020, fair value of the Group's investment properties may be subject to fluctuation due to the COVID-19 Outbreak, the impact of which is still under assessment. The Group will continue to communicate with external valuers to further understand the impacts of the COVID-19 Outbreak to the valuation of investment properties.

(iii) Property development consulting services

The Group assesses that the COVID-19 Outbreak has no material impact to the construction progress of the underlying projects of the property development consulting services and therefore there is no material impact to the estimated revenue of property development consulting services to be recognised in year 2020.

II. MANAGEMENT DISCUSSION AND ANALYSIS

The Sino-US trade tension has adverse impact on the international trade business and has created uncertainty to the economic development of the PRC. Because of the weak domestic demand in China, the gross domestic product ("**GDP**") of the PRC in 2019 amounted to RMB99,086.5 billion, representing a slow but meaningful increase of 6.1%, as compared to 6.6% growth in 2018, according to the PRC National Bureau of Statistics (the "**Statistics**").

The outbreak of novel coronavirus (COVID-19) has also caused a significant adverse impact all over the world. The international trade business is further devastated, or even paralysed. Different industries, such as food and beverage ("**F&B**"), retail and entertainment industries, are suffering. Numerous companies in the PRC have already fully or partially suspended or postponed their expansion plans because of the current unfavourable business sentiment.

Although the entire economy in the PRC is facing a number of challenges, the growth of GDP in the PRC is expected to continue to achieve a high level, as compared to most of the other countries. The retail business in the PRC remains optimistic. According to the Statistics, the national consumer price index (CPI) in December 2019 recorded an increase of 4.7%, as compared to the corresponding period in the previous year, and the online retails sales recorded a growth of 16.5% in 2019, as compared to the previous year.

The rapid development of the Internet has also made shopping more convenient especially during epidemic situation. The high accessibility of the Internet enables people to be aware of a wider range of products from different online sources, spurring retail operators not only to enrich their products, but also to enhance the shopping experience by combining different features and offerings, such as price promotions and bundle sales, for the purpose of increasing their competitiveness.

BUSINESS REVIEW OF THE GROUP

Since 2018, the Group's business model of its department stores business has been in constant adjustments. The Group has cooperated with Shenzhen Hema Network Technology Co. Ltd. ("**Hema Shenzhen**") to upgrade most of its department store space for the traditional supermarket business in Shenzhen region to a new model, i.e. Freshippo, and create a brand new retail solution, "盒馬里•歲寶" with Shanghai Hema Network Technology Co. Ltd. ("**Hema Shanghai**"). This integration of the offline and the online platform is new to the Group and is most suitable under the current circumstances, as the online platform provides a more flexible and convenient channel for the customers. More importantly, the online platform provides a sense of security to the customers as they could purchase as usual without visiting the department stores.

As at 31 December 2019, the Group owned and/or operated 17 department stores with a total gross floor area of approximately 311,489.8 sq.m.

In addition to its retail business, Shirble has also been developing its property development business in order to create synergy amongst the Group's business activities and maximise its profitability.

Hence, our operating results for the year ended 31 December 2019 are presented in three reportable operating principal segments, namely (a) Property business, (b) Department stores business and (c) Others. Our property business is growing with significant amount of income generated during the year ended 31 December 2019.

During the year ended 31 December 2019, the Group recorded revenue of RMB794.6 million (2018: RMB970.9 million). Profit attributable to owners of the Company amounted to RMB136.8 million (2018: RMB109.9 million). The fluctuation was resulted from the strategic change of its department store business model, the adoption of new IFRS, and the addition of the new property business.

Property business

Since 2018, Shirble has been actively pursuing the property development and project management business. The Group made its first foray when its subsidiary, Shenzhen Shirble Enterprise Management Company Limited ("**Shirble Management**") entered into two consultancy agreements in April 2019 to provide a wide spectrum of project development and management services for the development, financial and capital management of two property projects in Shenzhen, namely the *International Exhibition Center Project* and the *Peng Zhan Hui Project*. These efforts generated service income to the Group.

To further leverage its expertise, Shirble Management entered into another agreement in November 2019 to acquire the entire equity interest in a real estate development company in Zhuhai for share consideration of RMB38 million and loan consideration of RMB112.8 million. This real estate development company owned a development project at Jinwan District, Zhuhai with a land parcel area of 16,074.21 sq m. The project is expected to be completed in 2020 and would be developed into a two-building complex for commercial and residential use.

On 10 February 2020, Shirble announced that it has entered into another acquisition agreement to purchase 1% of equity interest in another real estate company in Zhuhai for share consideration of RMB500,000 and loan consideration of RMB199.5 million, subject to the approval from the other equity holder of the real estate Company. This real estate company owned a development project at Xiangzhou District, Zhuhai with a land parcel area of 14,000 sq.m. for residential use. The Group expects that it could participate more in the project following further discussions with the other equity holder of the real estate company.

Department stores business

"Freshippo"

Shirble entered into a strategic cooperative framework agreement with Hema Shenzhen in June 2018 to upgrade most of its department store space for the traditional supermarket business into "Freshippo". As at the date of this announcement, the upgrade and renovation of 10 department store space has been completed. One department store space is under renovation and the renovation is expected to be completed in 2020.

The Group considers that the cooperation with Hema Shenzhen is successful as the new store spaces upgraded as "Freshippo" can attract a more diversified demographic group with increasing number of visits which includes young generation. This upgrade has strengthened the Group's department store business by providing not only a steady income stream to the Group through leasing/sub-leasing, but also a pioneer perform for the implementation of the online-to-offline "new retail" concept in different sections of the department stores.

In light of the Group's new business strategy and the success of "Freshippo", the Group has also entered into an agreement with Tianhe Group (天和集團) in August 2019 to outsource its supermarket business in Shanwei and Meizhou. As at the date of this announcement, two "Tianhe Supermarkets" have been opened which are well-recognised by the local consumers.

"New Retail" solution

Over the years the Group has been improving its traditional department store business into "Shirble Plaza", the one-stop shopping mall that could meet the demand for high quality food and products of the middle-class in the PRC. Since June 2018, the Group has by stage suspended its concession sales model and been leasing the store space to different retailers. As at 31 December 2019, nine stores located in Shenzhen district have been upgraded and refurbished while one store is under renovation. Three stores in Shanwei district have been upgraded and refurbished while one store is under renovation. Renovation of both stores are expected to be completed in the near future.

To take a step further, the Group, together with Hema Shanghai, decided to extend the online-to-offline "new retail" concept to its department store sections, creating a new store brand "盒馬里•歲寶", realising a new kind of shopping experience. The first "盒馬里•歲寶", launched in November 2019, is located in Liantang District, Shenzhen, housing a comprehensive range of facilities and services, including supermarket, F&B outlets, clothes and accessories stores, education and training centres, playground and fitness centre. Almost all tenants offer a combination of online and offline services, allowing consumers to enjoy the convenience of online shopping, yet minimising the drawbacks of traditional online shopping with an emphasis of physical experiences and services.

F&B business

In 2019, Shirble invested 2.73% in a Korean brand ice-cream chain-store "百味堂" and launched "天樂里", a themed gourmet street. The investment was intended to assist the Group to integrate its property, retail and F&B businesses to offer a comprehensive and one-stop shopping experience to its retail customers.

However, in view of the current challenging economic situation caused by COVID-19, longer time would be necessary for the full recovery of the F&B business. The Group will continue to explore other opportunities to develop the F&B business.

BUSINESS OUTLOOK

Continue to expand the property development and project management businesses

As it gains expertise in the property development and project management business, Shirble will continue to focus on the Greater Bay Area. The Group will adhere to a strategy of enhancing the property project management business and the property development business by providing comprehensive value-added consultancy services to property project owners or developers. Shirble will continue to increase its land reserve through bidding, equity acquisitions and/or joint ventures, and develop and sell properties under its brand name.

Shirble's entry into the property business has made a remarkable start and we have confidence in Shirble's ability to create synergies with its existing businesses as well as its own development. Shirble will continue to consolidate its position in the department store business and seek opportunities to further expand the property development businesses.

Continue to enhance the "new retail" solution

The Group has grasped the opportunity to partner with Hema Shanghai to launch "盒馬里•歳寶", the first new retail solution in the Liantang District, Shenzhen. The Group will continuously upgrade and enhance its retail business activities in light of the fast-moving business trends and developments. Following its management philosophy of "Customers First", the Group will continue to look for different ways to enhance the shopping experience of the customers by revamping the stores from time to time and to introduce more trendy and young brands into its tenant mix in order to attract high consumption middle-income customers.

In addition, the Group will continue to improve and enhance the operation of the "new retail" solution for the purpose of providing better services to customers and maximising the benefits and profitability from this new business model.

CONCLUSION

On behalf of the Board, I would like to take this opportunity to express my sincere gratitude to the management team and all colleagues for their commitment and contributions. I would also like to thank our partners and customers for their support as well as our Shareholders and investors for their confidence in our Group.

III. FINANCIAL REVIEW

In 2018, the Group started to develop its property business and has three reportable operating segments, namely: (i) Property business; (ii) Department stores business; and (iii) Others. The following discussions and analyses are based on the Group as a whole and the operating results of each business segment. No segmental analysis is presented prior to 2018.

(a) The Group

As a result of various strategic changes to the Group's business in 2019 (including the change in operating model for department store business, and the significant contributions from the fast growing property business) and the adoption of the new IFRS16, 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 RMB794.6 million for the year ended 31 December 2019, representing a decrease of 18.2% as compared to RMB970.9 million for the year ended 31 December 2018. Revenue contributed from the property business for the year ended 31 December 2019 amounted to RMB493.8 million (2018: RMB Nil), or 62.2% of the Group's total revenue in the same year. Revenue contributed from the department stores business for the year ended 31 December 2019 amounted to RMB300.7 million (2018: RMB970.9 million), or 37.8% of the Group's total revenue.

Profit attributable to owners of the Company amounted to RMB136.8 million for the year ended 31 December 2019, representing an increase of 24.5% as compared with RMB109.9 million for the year ended 31 December 2018. Analysis on the fluctuations of different segments of the Group is detailed in the following sub-sections.

(b) Property business segment

Set out below is the segmental information of the Group's property business for the year ended 31 December 2019.

	Year ended 31 December	
	2019	2018
	RMB'000	*RMB'000*
Revenue	**493,843**	–
Other (losses)/gains – net	**(64,541)**	191,029
Employee benefit expenses	**(60,303)**	(5,758)
Depreciation and amortisation expenses	**–**	(44)
Other operating expenses – net	**(379)**	(1,793)
Operating profit	**368,620**	183,434
Finance income	**67**	–
Finance costs	**(6,088)**	(19,363)
Finance costs – net	**(6,021)**	(19,363)
Profit before income tax	**362,599**	164,071
Income tax expenses	**(114,490)**	–
Profit for the year	**248,109**	164,071

Revenue

Revenue from property business amounted to RMB493.8 million, representing mainly the property development consulting service income received under the property development consultancy service agreements entered into by the Group in April 2019.

Other (losses)/gains – net

Other net losses amounted to RMB64.5 million for the year ended 31 December 2019, representing mainly the net fair value loss on financial asset at fair value through profit or loss and derivative financial instrument of RMB131.8 million in relation to the 1,320,000,000 shares of TFG, offset by the gain of RMB67.3 million which represents the forfeiture of the deposit as a result of the termination of the sales and purchase agreement for the Group's disposal of shares in TFG to an independent third party. For the year ended 31 December 2018, the Group recognised a fair value gain on the derivative financial instrument of RMB191.0 million in relation to such TFG shares.

Employee benefit expenses

Employee benefit expenses increased to RMB60.3 million for the year ended 31 December 2019 from RMB5.8 million in 2018, mainly due to the formation of the property department for the Group's property business during the year.

Finance costs, net

Finance costs represents interest on bank borrowing amounting to RMB6.1 million for the year ended 31 December 2019. Finance costs in 2018 represents mainly the interest on borrowings from independent third parties to finance a proposed transaction of the Group which was subsequently suspended.

Income tax expense

Income tax expense amounted to RMB114.5 million for the year ended 31 December 2019. The significant increase in income tax expenses is mainly a result of the addition of income from the property business.

Profit for the year

As a result of the above, profit attributable to the property business segment amounted to RMB248.1 million for the year ended 31 December 2019, representing an increase of 51.2% as compared to RMB164.1 million in 2018.

(c) Department stores business segment

Set out below is the segmental information of the Group's department stores business for the year ended 31 December 2019:

	Year ended 31 December	
	2019	2018
	RMB'000	*RMB'000*
Revenue	**300,739**	970,892
Other operating revenue	**34,886**	107,152
Other (losses)/gains – net	**(19,912)**	19,031
Purchase of and changes in inventories	**(105,505)**	(613,767)
Employee benefit expenses	**(78,782)**	(180,139)
Depreciation and amortisation expenses	**(28,819)**	(93,627)
Net impairment losses on financial and contract assets	**(751)**	(2,662)
Operating lease rental expenses	**(1,759)**	(118,063)
Other operating expenses – net	**(99,240)**	(117,493)
Operating profit/(loss)	**857**	(28,676)
Finance income	**12,378**	3,441
Finance costs	**(65,037)**	–
Finance (costs)/income – net	**(52,659)**	3,441
Share of losses of an associate and a joint venture	**(2,762)**	(3,075)
Loss before income tax	**(54,564)**	(28,310)
Income tax expense	**(17,118)**	(3,146)
Loss for the year	**(71,682)**	(31,456)

Revenue

Upon entering into the strategic agreement with Hema Shenzhen in June 2018, both the operating models in respect of the Group's supermarket and department store sections are being gradually upgraded following a series of renovation work starting from July 2018. Due to the suspension of business on part of or all areas of certain stores during renovation, revenue decreased significantly to RMB300.7 million for the year ended 31 December 2019 from RMB970.9 million in 2018, or a drop of 69.0%. Upon completion of the upgrade, the department store space of all stores that the Group used to operate its traditional supermarket business changed from a self-operating business (which use to generate direct sales), to a "store-within-a-store" Freshippo or Tianhe Supermarkets (which generates sub-lease/lease rental income). For the remaining department store spaces, the original concession sales arrangement for concession counters was also changed to sublease/lease arrangements 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:

	Year ended 31 December		Percentage of department store's revenue of the Group	
	2019	2018	**2019**	2018
	RMB'000	*RMB'000*	***%***	*%*
Rental income	**169,517**	179,134	**56.4**	18.5
Direct sales	**116,638**	708,690	**38.8**	73.0
Commission from concessionaire sales	**14,584**	83,068	**4.8**	8.5
Total	**300,739**	970,892	**100.0**	100.0

Due to the above, (i) Rental income decreased by 5.4% to RMB169.5 million for the year ended 31 December 2019 from RMB179.1 million in 2018; (ii) direct sales decreased significantly by 83.6% to RMB116.6 million for the year ended 31 December 2019 from RMB708.7 million in 2018; and (iii) Commission from concessionaire sales decreased significantly by 82.4% to RMB14.6 million for the year ended 31 December 2019 from RMB83.0 million in 2018.

Other operating revenue

Other operating revenue decreased significantly by 67.5% to RMB34.9 million for the year ended 31 December 2019 from RMB107.2 million in 2018, due to the change in operating model and the terms of sublease/lease contracts which generates a lower amount of such promotion, administration and management income.

Other (losses)/gains – net

Other net losses amounted to RMB19.9 million for the year ended 31 December 2019, as compared with other net gains of RMB19.0 million in 2018, primarily due to fair value loss on investment properties of RMB21.3 million for the year ended 31 December 2019, as compared to the reversal of long-aged accounts payable of RMB14.0 million and fair value gain on investment properties of RMB8.6 million in 2018.

Purchase of and changes in inventories

Purchase of and changes in inventories amounted to RMB105.5 million for the year ended 31 December 2019, representing a decrease of 82.8% as compared with RMB613.8 million in 2018, which is in line with the decrease in direct sales. Purchase of and changes in inventories accounted for 90.5% of the Group's direct sales for the year ended 31 December 2019 as compared with 86.6% in 2018.

Employee benefit expenses

Employee benefits expenses decreased by 56.3% to RMB78.8 million for the year ended 31 December 2019 from RMB180.1 million in 2018, primarily due to the significant 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 rental payments and also one-off severance payment.

Depreciation and amortisation expenses

Depreciation and amortisation expenses decreased by 69.2% to RMB28.8 million for the year ended 31 December 2019 from RMB93.6 million in 2018 mainly due to an one-off write-off expense of RMB32.8 million 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 and the depreciation and amortisation expenses incurred for self owned properties and leasehold improvement which has transferred to investment properties will no longer be incurred.

Operating lease rental expenses

Operating lease rental expenses decreased significantly by 98.5% to RMB1.8 million for the year ended 31 December 2019 from RMB118.1 million in 2018 as a result of the adoption of IFRS 16 "Leases" in which the operating lease rental payments are treated as repayment of lease liabilities and corresponding interest expenses.

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 by 15.6% to RMB99.2 million for the year ended 31 December 2019 from RMB117.5 million in 2018. This was primarily due to the change of business model.

Operating profit

As a result of the reasons mentioned above, the operating profit of the department store business segment amounted to RMB0.9 million for the year ended 31 December 2019 as compared to operating loss of RMB28.7 million in 2018.

Finance income

Finance income increased significantly by 264.7% to RMB12.4 million for the year ended 31 December 2019 as compared to RMB3.4 million in 2018, mainly due to the increase in interest income from finance lease as sub-lessor as a result of the adoption of IFRS 16 “Leases”.

Finance costs

Finance costs amounted to RMB65.0 million was incurred for the year ended 31 December 2019, mainly due to the recognition of interest expense from operating lease as lessee as a result of the adoption of IFRS 16 “Leases”in which part of the operating lease rental payments are recognised as interest expenses or lease liabilities, as well as interest on new bank borrowings. No finance cost was incurred in 2018.

Income tax expense

Income tax expense amounted to RMB17.1 million for the year ended 31 December 2019, representing an increase of 451.6% from RMB3.1 million for the year ended 31 December 2018.

Loss for the year

As a result of the aforementioned, loss attributable to the department stores business segment amounted to RMB71.7 million for the year ended 31 December 2019, as compared with the loss of RMB31.5 million in 2018.

(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 2019, such costs and expenses amounted to RMB39.6 million as compared to RMB22.9 million for 2018, or an increase of 72.9%. The increase was in line with the expansion of the Group's business operations.

IV. DIVIDEND

The Board recommended the payment of 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 RMB35.7 million) (2018: a final dividend of HK$0.0109 (equivalent to approximately RMB0.0093) per Share or in the total amount of HK$27.2 million (equivalent to approximately RMB23.2 million) for the year ended 31 December 2019. The proposed final dividend is subject to the Shareholders' approval at the Annual General Meeting. The proposed final dividend will be paid on or around 31 July 2020 to the Shareholders whose name appears on the register of members of the Company at the close of business on 17 July 2020.

Closure Of Register Of Members

The register of members of the Company will be closed from Thursday, 18 June 2020 to Monday, 22 June 2020 (both days inclusive), during which period no transfer of shares of the Company will be registered. In order to qualify for attending and voting at the Annual General Meeting, 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 Wednesday, 17 June 2020.

The register of members of the Company will be closed from Wednesday, 15 July 2020 to Friday, 17 July 2020 (both days inclusive), during which period no transfer of shares of the Company will be registered. In order to qualify for the proposed final 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 Tuesday, 14 July 2020.

V. LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2019, the Group's cash and cash equivalents and restricted bank deposits amounted to RMB86.5 million, representing a decrease of 75.3% 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 the PRC and Hong Kong for interest income.

Borrowings

The Group has long-term and short-term borrowings of RMB242.3 million and RMB8.9 million respectively as at 31 December 2019 (2018: short-term borrowing of RMB9.0 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 2019 were RMB442.6 million (31 December 2018: RMB121.2 million), representing an increase of 265.2%. The net assets of the Group as at 31 December 2019 increased to RMB2,232.7 million (31 December 2018: RMB1,565.9 million), representing an increase of 42.6%. The fluctuation represents mainly impacts on changes in accounting policies and the new property development consulting services provided in 2019.

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 2019, the Group recorded a net foreign exchange loss of RMB1.2 million. For the year ended 31 December 2018, the Group recorded a net foreign exchange gain of RMB15.1 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 2019, the total number of employees of the Group was 494. The Group's remuneration policy is determined with reference to market conditions and the performance, qualifications and experience of individual employees. The Company has also introduced the key performance indicators assessment scheme to boost performance and operational efficiency.

To recognise and reward the eligible employees for their contributions to the business and development of the Group, the Company has adopted an employee's share award scheme on 22 January 2014. As approved by the Board under the share award scheme, the grant shares and the related income would be vested to the relevant employees during a period of three years commencing from the first anniversary of the dates of grant in the percentages of 33.3%, 33.3% and 33.4%, respectively. As at the date of this announcement, an aggregate of 35,807,200 shares have been granted to 129 eligible employees and fully vested.

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 2019, the legal proceedings were ongoing. The Group has made an accumulated provision of approximately RMB0.6 million (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 acquisition and disposal of subsidiaries

Expect for the acquisition of the entire equity interest in a real estate development company in Zhuhai for a consideration of RMB38 million and loan consideration of RMB112.8 million, there are no material acquisition and disposal of subsidiaries and associated companies during the year under review.

VI. AUDIT COMMITTEE

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

During the year ended 31 December 2019, the Audit Committee held four regular meetings with the management, external auditors and internal control consultant to discuss on the Group's auditing, internal controls and financial reporting matters, and to review on the Group's internal control, audit planning, the interim result for 2019 and the annual results for 2018.

The Audit Committee has reviewed the annual results of the Group for the year ended 31 December 2019.

VII. 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 year ended 31 December 2019.

VIII. 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 2019, the Company has complied with the principles and code provisions of the Corporate Governance Code contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") (the "**Listing Rules**"). The internal audit department has reported its findings and work plan to the Audit Committee twice in a year, and the Board and the Audit Committee then reviewed and refined the Group's material controls, including financial, operational and compliance controls and risk management functions.

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

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

IX. MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Companies (the "**Model Code**") as set out in Appendix 10 to the Listing Rules as the code of conduct regarding the Directors' securities transactions. Having made specific enquiries of all the Directors, the Company confirmed that they have complied with the Model Code during the year ended 31 December 2019.

X. PUBLICATION OF ANNUAL RESULTS ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

This announcement is published on the websites of Stock Exchange and the Company. The annual report for the year ended 31 December 2019 containing all the information required by Appendix 16 to the Listing Rules will be despatched to Shareholders and published on the websites of the Stock Exchange and the Company in due course.

XI. SCOPE OF WORK OF PRICEWATERHOUSECOOPERS

The figures in respect of the Group's consolidated balance sheet, consolidated income statement, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2019 as set out in the preliminary announcement have been agreed by the Group's auditors, PricewaterhouseCoopers ("**PwC**"), to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by PwC in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PwC on this preliminary announcement.

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

Hong Kong, 30 March 2020

As at the date of this announcement, the Board comprised of six directors, namely 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.