SHIRBLE DEPARTMENT STORE

歲寶百貨

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

(incorporated in the Cayman Islands with limited liability)

Stock code：312

# Annual Report 2019

# CONTENTS

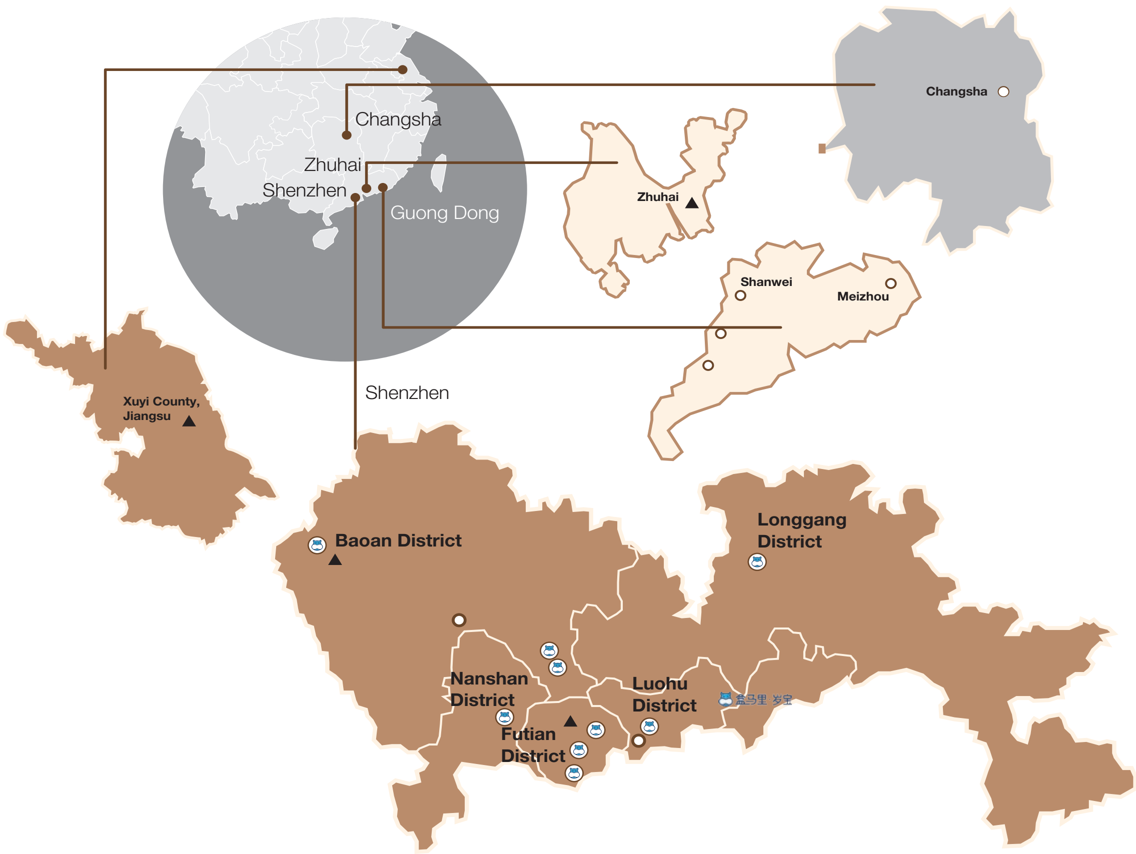


Shirble Department Store Holdings (China) Limited (the "**Company**") was incorporated in the Cayman Islands with limited liability on 5 November 2008. The Company and its subsidiaries (collectively, the "**Group**") are principally engaged in the operation of department stores in the People's Republic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

The Group is one of the long established Shenzhen-based department store chains. Targeting the mid-market segment, it runs its department stores under the "歲寶百貨" and "Shirble Plaza" brands. As at 31 December 2019, the Group owned and/or operated 17 department stores, 12 of which are within Shenzhen, three in Shanwei, one in Meizhou City and one in Changsha, with a total gross floor area ("**GFA**") of approximately 311,489.8 sq.m.

Since the second half of 2018, the Group has undergone several strategic changes, including the cooperation with Shenzhen Hema Network Technology Co. Ltd. ("**Hema Shenzhen**") to transform most of its department store space for the traditional supermarket business in Shenzhen region to "Freshippo", and to continue upgrading its traditional department store business into the one-stop shopping mall "Shirble Plaza". To take a step further, the Group, together with Shanghai Hema Network Technology Co. Ltd. ("**Hema Shanghai**"), created also a brand new retail solution, "盒馬里 • 歲寶", in November 2019 to realize a new kind of shopping experience that integrate online and physical shopping. These changes allow the Group to remain competitive and to capture potential business opportunities.

Commencing from the year ended 31 December 2018, the Group started to develop its property development business, and in April 2019, the Group made its first foray and entered into consultancy agreements to provide a wide spectrum of consultancy services for two property projects in Shenzhen. The Group will continue to grow its property business through self-development and acquisitions, which will be complementary and create synergy with the existing department stores business.




▲ *Land/Property/Consultancy projects of the Group*

○ *Department stores of the Group*

*Department stores with Freshippo*

*"盒馬里・歲寶"*

# FINANCIAL HIGHLIGHTS

## Operating Results

| RMB'000 | 2019 | 2018 | 2017 | 2016 | 2015 |
|---|---|---|---|---|---|
| | Year ended 31 December | | | | |
| Revenue | **794,582** | 970,892 | 1,325,566 | 1,403,919 | 1,389,455 |
| Operating profit | **333,228** | 131,805 | 60,130 | 57,647 | 46,789 |
| Profit before income tax | **268,393** | 112,833 | 63,567 | 84,726 | 75,048 |
| Profit attributable to owners of the Company | **136,811** | 109,851 | 45,610 | 60,494 | 50,219 |
| Earnings per share for the profit attributable to owners of the Company during the year (expressed in RMB per share) | | | | | |
| – Basic and diluted | **0.05** | 0.04 | 0.02 | 0.02 | 0.02 |

## Assets, Liabilities and Equity

| RMB'000 | 2019 | 2018 | 2017 | 2016 | 2015 |
|---|---|---|---|---|---|
| | At 31 December | | | | |
| Total assets | **4,376,810** | 2,250,812 | 2,274,547 | 2,295,398 | 2,619,974 |
| Total liabilities | **2,144,111** | 684,891 | 883,070 | 954,415 | 1,327,061 |
| Total equity | **2,232,699** | 1,565,921 | 1,391,477 | 1,340,983 | 1,292,913 |

## Segment results

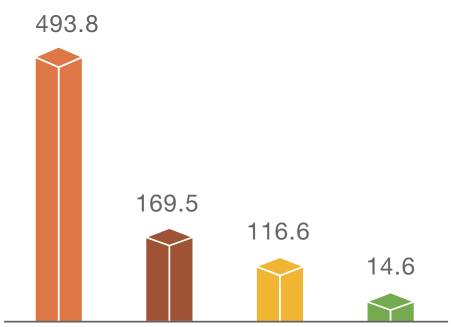
| | Year ended 31 December 2019 | | | | Year ended 31 December 2018 | | | |
|---|---|---|---|---|---|---|---|---|
| | Property business RMB'000 | Department stores business RMB'000 | Others RMB'000 | Group RMB'000 | Property business RMB'000 | Department stores business RMB'000 | Others RMB'000 | Group RMB'000 |
| Revenue | 493,843 | 300,739 | – | 794,582 | – | 970,892 | – | 970,892 |
| Operating profit/(loss) | 368,620 | 857 | (36,249) | 333,228 | 183,434 | (28,676) | (22,953) | 131,805 |
| Profit/(loss) before income tax | 362,599 | (54,564) | (39,642) | 268,393 | 164,071 | (28,310) | (22,928) | 112,833 |
| Profit/(loss) for the year | 248,109 | (71,682) | (39,642) | 136,785 | 164,071 | (31,456) | (22,928) | 109,687 |

# FINANCIAL HIGHLIGHTS

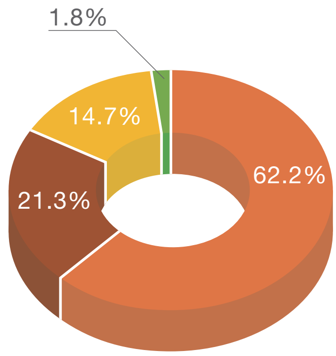
## Revenue by Category

### 2019

in RMB (million)



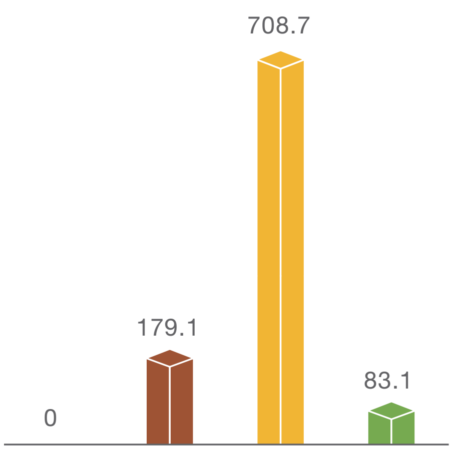

in percentage



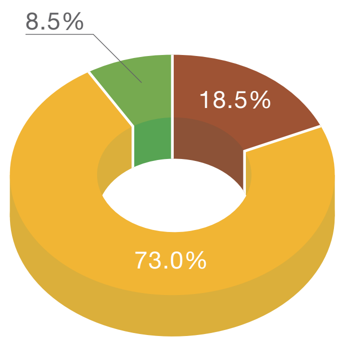

- Property development consulting service income
- Rental income
- Direct sales
- Commission from concessionaire sales

### 2018

in RMB (million)




in percentage




- Property development consulting service income
- Rental income
- Direct sales
- Commission from concessionaire sales

# CHAIRMAN'S STATEMENT

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 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 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 in Shenzhen for the traditional supermarket business into "Freshippo". As at the date of this report, 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 report, 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 • 歲寶", 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.

## 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 services 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 borrowings 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.

## 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.

## 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 report, 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

Except 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.

## Directors

### Executive Directors

**Mr. YANG Xiangbo,** *Co-chairman and executive Director and members of Nomination Committee and Remuneration Committee*

Mr. YANG Xiangbo, aged 57, was appointed as an executive Director and chairman of the Board on 5 November 2008. He was re-designated as a Co-Chairman of the Board on 26 September 2018. Mr. YANG is also a director and chairman of Shenzhen Shirble Department Store Co., Ltd. ("**Shirble Department Store (Shenzhen)**") and Shenzhen Shirble Chain Store Limited Liability Company ("**Shirble Chain Store**"), a director of Shirble Department Store (Hong Kong) Limited ("**Shirble Department Store (Hong Kong)**") and Shirble Department Store Investment Limited ("**Shirble Hong Kong**"), Changsha Shirble Apparel Company Limited ("**Shirble Apparel**"), Shenzhen Yijiaguangchang Business Company Limited ("**Shirble Yijiaguangchang**"), Shenzhen Ruizhuo Trading Company Limited ("**Shirble Ruizhuo**"), Shenzhen Yuzhixiang Trading Company Limited ("**Shirble Yuzhixiang**"), Cosmic Favour Limited, Sibo Culture Limited and Xuyi Shirble Hanlian Real Estate Co., Ltd. Mr. YANG is the founding investor and is responsible for formulating the overall business development strategies and providing the overall management directions of the Group. From 1984 to 1990, Mr. YANG was engaged in trading of products including daily necessities and construction materials in Guangdong and Shenzhen etc.. In 1990, Mr. YANG established Shirble Holdings Limited (which is not part of the Group). From 1992 to 2006, Mr. YANG was a director of Haerbin Hatou Investment, which has been listed on the Shanghai Stock Exchange since 1994, the principal business of which is the provision of electricity and heat. In late 1995, Mr. YANG established Shirble Department Store (Shenzhen) Limited with the first department store in Shenzhen opened in January 1996. Part of the equity interest in Shirble Department Store (Shenzhen) Limited was held by Haerbin Hatou Investment during the period between February 2000 and August 2006. Mr. YANG served as a director of China Merchants Bank from 1993 to 1995 and a director of China Minsheng Bank from 1995 to 2003. Mr. YANG has been a member of the eighth, ninth, tenth and twelfth sessions of the National Committee of the Chinese People's Political Consultative Conference. In 1993, Mr. YANG was granted an honorary doctor's degree in engineering from Haerbin Institute of Technology. Mr. YANG is the father of Mr. YANG Ti Wei, the chief executive officer and an executive Director. Mr. YANG is a director of Shirble Department Store Limited ("**Shirble BVI**") and Xiang Rong Investment Limited ("**Xiang Rong Investment**"), both being the Company's substantial shareholders.

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

Mr. HAO Jian Min, aged 55, was appointed as an executive Director and a Co-Chairman on 26 September 2018. Mr. HAO is responsible for formulating the overall business strategies of the Group, particularly in property project management and development. Mr. HAO graduated from Shenyang Jianzhu University and has obtained a master's degree in Management Science and Engineering from Harbin Institute of Technology and a MBA degree from Fordham University in the United States. Mr. HAO has more than 30 years' experience in construction and property development businesses. Mr. HAO previously acted as the directors and chief executives of a number of Hong Kong listed companies. Mr. HAO acted as an executive director of China Overseas Land and Investment Ltd. (stock code: 00688) ("**COLI**") from September 2005 to November 2016, during which Mr. HAO also acted as the vice-chairman of COLI from November 2006, chief executive officer of COLI from November 2007, and chairman and chief executive officer of COLI from August 2013. Mr. HAO was also the chairman and non-executive director of China Overseas Grand Oceans Group Limited (stock code: 00081) during the period from April 2010 to November 2016 and China Overseas Property Holdings Limited (stock code: 02669) during the period from October 2015 to November 2016.

**Mr. YANG Ti Wei,** *Chief Executive Officer and executive Director*

Mr. YANG Ti Wei, aged 33, was appointed as an executive Director and Chief Executive Officer on 7 September 2013. Mr. YANG Ti Wei joined the Group in June 2009 and is the executive vice president of the Group since 2009. He is principally responsible for the overall strategic development, operational and logistics management, human resources, information technology infrastructure planning and coordination of marketing and promotion activities of the Group, particularly in department store operations. Mr. Yang is also a director of Shirble Department Store (Shenzhen), Baotong (BVI) Company Limited, Baotong E-commence (Hong Kong) Company Limited and Baoke Trading (BVI) Company Limited,a supervisor of Shirble Chain Store, Changsha Shirble Department Store Limited Liability Company ("**Shirble Department Store (Changsha)**"), Shirble Ruizhuo, Shirble Yuzhixiang and Shirble Apparel, and a legal representative of Shenzhen Qianhai Baotang E-commence Company Limited. Mr. YANG obtained a bachelor's degree in business management from the University of Surrey in England in 2010. Mr. YANG Ti Wei is the son of Mr. YANG Xiangbo, the Co-Chairman and an executive Director.

## Independent non-executive Directors

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

Mr. CHEN Fengliang, aged 46, was appointed as an independent non-executive Director on 18 June 2010. Mr. CHEN obtained a bachelor's degree in economics from the Inner Mongolia University in 1995. From 1995 to 1998, Mr. CHEN was a planning officer in the planning department of the Yike Zhao League branch of The Agricultural Bank of China. From 1998 to 2001, Mr. CHEN studied at the Graduate School of the People's Bank of China and obtained a master's degree in economics in 2001. From 2001 to 2016, Mr. CHEN was the secretary to the president's office of China Eagle Securities Company Limited, the manager of risk control of China Eagle Asset Management Company Limited, the director of investment of Shanghai Sino-V Asset Management Company Limited and the vice general manager of the business development department of Chinalion Securities Co., Ltd.. Currently, Mr. CHEN is the executive director and general manager of Shenzhen Dezhonghengzheng Investment Company Limited.

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

Mr. JIANG Hongkai, aged 54, was appointed as an independent non-executive Director on 18 June 2010. Mr. JIANG obtained a Bachelor of Science degree in chemistry from South China Normal School in 1986. From 1986 to 1994, Mr. JIANG was a high school teacher. In 1994, Mr. JIANG became qualified as a lawyer in China after passing an examination required for admission as a PRC lawyer. From 1994 to 2003, Mr. JIANG worked as a lawyer in Guangdong Jihe Law Firm. Since 2003, Mr. JIANG has been working as a lawyer in the King & Capital (Shenzhen) Law Firm (formerly known as the Shenzhen branch of King & Capital Law Firm).

**Mr. FOK Hei Yu,** *Chairperson of the Audit Committee and a member of the Remuneration Committee and the Nomination Committee*
Mr. FOK Hei Yu, aged 50, was appointed as an independent non-executive Director on 31 January 2013. Mr. FOK is a senior managing director of FTI Consulting, a business advisory firm assisting companies to protect and enhance enterprise value. On 1 June 2018, Mr. Fok was appointed as an independent non-executive director of Nam Tai Property Inc., a company listed on the New York Stock Exchange. In March 2018, Mr Fok was appointed as an independent non-executive director of Kaisa Health Group Holdings Limited (Stock Code: 876). From 17 November 2009 to 30 December 2014, Mr. Fok was an independent non-executive director of Kaisa Group Holdings Limited (Stock Code: 1638). From 31 August 2011 to 8 October 2014, Mr. FOK was a director of Emerson Radio Corp., a company listed on the New York Stock Exchange. From 1 December 2009 to 15 June 2012, Mr. FOK was also a non-executive director of Delong Holdings Limited, a company listed on the Singapore Exchange Limited. Mr. FOK is an associate member of the Hong Kong Institute of Certified Public Accountants and Certified Practicing Accountant (Australia) and a member of the Hong Kong Institute of Directors. Mr. FOK graduated from Australian National University with a bachelor's degree in commerce in 1995.

## Senior Management

**Mr. Lam Man Tin,** age 60, was appointed as the CEO Strategist effective from 9 September 2013. Prior to joining the Group, Mr. LAM served as the managing director of Aeon Stores (Hong Kong) Co. Limited (Stock Code: 984) from May 2006 to May 2012 and has over 20 years of experience in retail and service industries. Mr. LAM was a director of Aeon Stores Co., Ltd. and an executive Director of Aeon Stores (Hong Kong) Co. Limited from May 1999 to May 2012. Mr. LAM was engaged as a consultant of Aeon Stores (Hong Kong) Co., Limited following his resignation from the board until September 2012. In May 2013, Mr. LAM was appointed as an independent non-executive director of S. Culture International Holdings Limited (Stock Code: 1255) until July 2017. In February 2016, he was also appointed as an independent non-executive director of Veeko International Holdings Limited (Stock code: 1173). He was re-designated from an independent non-executive director to a non-executive director in July 2018. Mr. Lam graduated from University of Hull (England) with a master degree in strategic marketing (Distance learning) in July 1996, and is founding member of the Hong Kong Yau Yat Chuen Lions Clubs.

**Ms. CHAN Chore Man, Germaine,** aged 40, the chief financial officer, company secretary and investor relationship manager of the Company. Ms. CHAN joined the Group in July 2010 and is responsible for overseeing the overall financial, corporate finance and compliance matters of the Group. Ms. CHAN obtained a bachelor's degree in accounting from the Hong Kong University of Science and Technology in 2002. Prior to joining the Group, Ms. CHAN has over five years of experience in the investment banking sector, specializing in corporate finance, and two years of experience in the audit and tax departments at Ernst and Young. Ms. CHAN is a member of the Hong Kong Institute of Certified Public Accountants since 2006.

**Mr. Wang Bin,** aged 44, the deputy chief financial officer of the Company. Mr. Wang joined the Group in April 2019 and is responsible for assisting the chief financial officer of the Company in relation to the overall finance and treasury matters of the Company. Mr. Wang obtained a master's degree in internal auditing and management from Cass Business School, City, University of London, United Kingdom in 2003. He is a member of the Association of Chartered Certified Accountants and a member of the Certified Practising Accountants Australia. Prior to joining the Group, he worked for China Overseas Land & Investment Ltd. (Stock Code: 00688.HK) and its subsidiary, China Overseas Property Group Co., Ltd., and served as the deputy general manager of the finance and treasury department (PRC headquarter) and general manager of the finance and treasury department (HK headquarter).

# DIRECTOR'S REPORT

The Board is pleased to present the report on the affairs of the Company, together with the consolidated financial statements and auditor's report, for the year ended 31 December 2019.

## Principal activities

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

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

## Results

The results of the Group for the year ended 31 December 2019 are set out in the consolidated statement of comprehensive income on page 44 of this report.

## Proposed final dividends

Pursuant to the resolutions by the annual general meeting of the Company held on 14 June 2019, no final dividend was declared and paid by the Company for the year ended 31 December 2018.

Pursuant to the resolutions passed by the Board of Directors 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.

On 30 March 2020, the Board recommended the payment of a final dividend in respect of the year ended 31 December 2019 of HKD0.0157 (equivalent to approximately RMB0.0143) per share, amounting to HKD39.2 million (equivalent to approximately RMB35.7 million). The final dividend is to be proposed out of the share premium account of the Company and these financial statements do not reflect this dividend payable.

## Investment properties

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

## Property, plant and equipment

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

## Share capital

Details of the Company's authorised and issued share capital as of 31 December 2019 are set out in note 28 to the consolidated financial statements.

## Reserves

As at 31 December 2019, distributable reserves of the Company included the Company's retained profit in the amount of RMB786.8 million and the Company's share premium in the amount of RMB793.3 million. Details of the movements in reserves of the Company and the Group during the year under review are set out in notes 30 to 31 to the consolidated financial statements and in the consolidated statement of changes in equity, respectively.

## Charitable donations

The Group made charitable donations of RMB2.88 million for the year ended 31 December 2019.

## Pre-emptive rights

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

## Directors

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

### Executive Directors:

Mr. YANG Xiangbo *(Co-chairman)*
Mr. HAO Jian Min *(Co-chairman)*
Mr. YANG Ti Wei *(Chief Executive Officer)*

### Independent Non-executive Directors:

Mr. CHEN Fengliang
Mr. JIANG Hongkai
Mr. FOK Hei Yu
Ms. Zhao Jinlin (Resigned on 3 April 2019)

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

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

In accordance with the Articles and the Corporate Governance Code contained in Appendix 14 to the Rules Governing the Listing of Securities on the The Stock Exchange of Hong Kong Limited (the "**Listing Rules**"), Mr. YANG Xiangbo, Mr. CHEN Fengliang and Mr. JIANG Hongkai will retire by rotation in accordance with Article 84 of the Articles. All retiring Directors, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

## Directors' service contracts

Mr. YANG Xiangbo, one of the executive Directors, has entered into a service contract, together with supplements, with the Company for a term of three years commenced from 18 June 2019. The service contract shall continue thereafter and may only be terminated in accordance with the provisions therein contained by either party giving to the other not less than three months' prior notice in writing. Mr. YANG Xiangbo will receive an annual Director's fee of HK$1,440,000 under the service contract.

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

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

Mr. FOK Hei Yu, one of the independent non-executive Directors, has signed a letter of appointment with a term of three years commencing from January 2019 whereas the other two independent non-executive Directors, namely Mr. CHEN Fengliang and Mr. JIANG Hongkai have signed letters of appointment for a term of three years commencing from 18 June 2017. The annual fee for each independent non-executive Director is HK$300,000.

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

## Retirement schemes

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

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

As at 31 December 2019, the interests of the Directors in the shares of the Company and its associated corporations as recorded in the register required to be kept under Section 352 of the Securities and Futures Ordinance (the "**SFO**"); or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "**Model Code**") set out in Appendix 10 to the Listing Rules were as follows:

### (a) Long positions in shares of the Company

| Name of Director | Capacity | Number of shares | Percentage of shareholding |
|---|---|---|---|
| Mr. YANG Xiangbo | Interest in a controlled corporation (Note 1) | 1,365,591,500 | 54.74% |
| | Interest of spouse (Note 2) | 8,324,000 | 0.33% |
| Mr. HAO Jian Min | Beneficial owner | 374,250,000 | 15.00% |
| Mr. YANG Ti Wei | Beneficial owner | 2,490,000 | 0.09% |

Notes:

(1) The 1,365,591,500 shares of the Company were held by Shirble BVI, which is wholly owned by Xiang Rong Investment, which is in turn wholly owned by Mr. YANG Xiangbo. According to the SFO, both Mr. YANG Xiangbo and Xiang Rong Investment were deemed to have interests in the 1,365,591,500 shares held by Shirble BVI.

(2) The 8,324,000 shares were hold by Ms HUANG Xue Rong, spouse of Mr. YANG Xiangbo.

### (b) Long positions in the shares of associated corporations

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

Save as disclosed above, as at 31 December 2019, none of the Directors or chief executives of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code; nor had there been any grant or exercise of rights of such interests during the year ended 31 December 2019.

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

As at 31 December 2019, so far as is known to the Directors of the Company, the following persons (other than a Director or chief executive of the Company), had interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO.

### Long position in the shares of the Company

| Name | Capacity | Number of Shares | Percentage of shareholding |
|---|---|---:|---:|
| Shirble BVI | Beneficial owner | 1,365,591,500 | 54.74% |
| Xiang Rong Investment | Interest in a controlled corporation | 1,365,591,500 | 54.74% |
| HUANG Xue Rong | Interest of spouse (Note 1) | 1,365,591,500 | 54.74% |
| SU Chen | Interest of spouse (Note 2) | 374,250,000 | 15.00% |

Notes:

(1) The 1,365,591,500 shares of the Company were held by Shirble BVI, which is wholly owned by Xiang Rong Investment, which is in turn wholly owned by Mr. YANG Xiangbo. According to the SFO, both Mr. YANG Xiangbo and Xiang Rong Investment were deemed to have interests in the 1,365,591,500 shares held by Shirble BVI. Ms. HUANG Xue Rong (being the spouse of Mr. YANG Xiangbo) was deemed, under the SFO, to have an interest in the shares which Mr. YANG Xiangbo was interested in.

(2) The 374,250,000 shares of the Company were held by Mr. HAO Jian Min. Ms. SU Chen (being the spouse of Mr. HAO Jian Min) was deemed, under the SFO, to have an interest in shares which Mr. HAO Jian Min was interested in.

Save as disclosed above, as of 31 December 2019, the Directors are not aware of any person (other than a Director or chief executive of the Company) who had any interests or short positions in shares or, underlying shares of the Company as recorded in the register required to be kept under sector 336 of the SFO.

## Share option scheme

The Company adopted a share option scheme (the "**Scheme**") pursuant to the resolutions of the shareholders of the Company passed on 30 October 2010:

A summary of the Scheme is as follows:

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

2. The eligible participants of the Scheme are:

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

   (ii) any employee of the Group; and

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

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

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

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

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

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

8. The Scheme will remain in force until 29 October 2020.

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

## Employees' share award scheme

The Company adopted an employees' share award scheme ("**Employees' Share Award Scheme**") on 22 January 2014 ("**The Adoption Date**").

The purpose of the Employees' Share Award Scheme is to recognise and reward eligible employees for their contributions to the business and development of the Group, provide incentives to eligible employees for their satisfactory performance, and align the interest of the eligible employees with the interest of the Group through the grant of the award. Unless terminated earlier or extended by the Board in accordance with the Employees' Share Award Scheme rules, the Employees' Share Award Scheme operates for ten years commencing on the Adoption Date. The Board will not grant further award which will result in the number of shares that may be transferred to the participants under the Employees' Share Award Scheme to exceed 2.0% of the total number of Shares in issue as of the Adoption Date. The maximum number of the award Shares which may be granted to a Participant but unvested under the Employees' Share Award Scheme will not exceed 0.1% of the total number of Shares in issue as of the Adoption Date. Eligible employees will include different levels of employee of the Group, the total number of which will not be more than 200.

As approved by the Board under the share award scheme, the grant shares and the related income will be vested to the relevant employees during a period of three years commencing from the first anniversary of the dates of grant in the percentages of 33.3%, 33.3% and 33.4%, respectively. As at the date of this report, an aggregate of 35,807,200 Shares have been granted to 129 eligible employees and fully vested.

## Remuneration policy

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

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

## Directors' interest in competing business

As of 31 December 2019, none of the Directors or their respective associates (as defined in the Listing Rules) had any interest in a business, which competes or may compete with the business of the Group.

As disclosed in the prospectus of the Company dated 5 November 2010 (the "**Prospectus**"), the Controlling Shareholders (as defined in the Prospectus) and the then executive Directors (collectively, the "**Covenantors**") have entered into a deed of non-competition in favor of the Company with effect from the Listing Date. The Covenantors have provided the Group with written confirmations that they and their associates (other than members of the Group) have fully complied with the deed of non-competition for the year ended 31 December 2019.

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

## Management contracts

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

## Directors' right to acquire shares or debentures

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

## Arrangements to purchase shares

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

## Connected Transactions

Details of the related party transactions which were undertaken in the ordinary course of business are set out in note 38 to the financial statements.

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

### Integrated consulting service agreements

On 8 April 2019, Shenzhen Shirble Enterprise Management Co., Ltd. ("**Shirble Management Consultant**") entered into the Integrated Consulting Service Agreements with SRF and HXL respectively, pursuant to which Shirble Management Consultant agreed to provide certain consulting services to SRF and HXL in respect of the International Exhibition Center Project and the Peng Zhan Hui Project respectively. Unless otherwise defined, capitalised terms used herein shall have the same meanings as defined in the announcement of the Company dated 8 April 2019.

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

As (i) Mr. Yang controls the composition of the majority of the board of directors of SRF through Mr. Yang's Controlled Companies; (ii) SRF shall become an indirect wholly owned subsidiary of Mr. Yang's Controlled Companies under the Forward Stock Transfer Agreement, and (iii) SRF may control the composition of the majority of the board of directors of HXL, therefore, SRF and HXL are connected persons of the Company while the transactions contemplated under the Integrated Consulting Service Agreements constitute connected transactions for the Company according to the Listing Rules. Since the Integrated Consulting Service Agreements were entered into by the Group with parties that are either connected or otherwise associated with Mr. Yang, the transactions contemplated under the Integrated Consulting Service Agreements are required to be aggregated and be treated as if they were one transaction pursuant to Rule 14A.81 of the Listing Rules. As the applicable percentage ratios for the transactions contemplated under the Integrated Consulting Service Agreements in aggregation calculated under Rule 14.07 of the Listing Rules exceed 5%, the transactions are subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. The transactions were approved at the extraordinary general meeting of the Company held on 14 July 2019.

## Exempt continuing connected transactions

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

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

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

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

For the year ended 31 December 2019, the aggregate annual rental paid under the lease agreement with Ruizhuo Investment amounted to RMB20,136. Since the transaction (the "**Transaction**") under the agreement with Ruizhuo Investment, as confirmed by the Directors, are on normal commercial terms and the applicable percentage ratios in respect of the Transactions were on an annual basis, less than 5% and the annual consideration is less than HK$3.0 million, it falls within the de minimis threshold as stipulated under Rule 14A.76(1)(c) of the Listing Rules, the Transaction is exempt from the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

## Purchase, sale or redemption of listed shares of the Company

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2019.

## Major customers and suppliers

The information in respect of the Group's major customers for the year ended 31 December 2019 is as follows:

| | Percentage of the Group's total revenue |
|---|---|
| The largest customer | 53.2% |
| Five largest customers in aggregate | 72.7% |

Due to the business nature of the Group, for the years ended 31 December 2019 and 2018 none of its suppliers accounted for more than 5% of the Group's total purchases of the same year, and for the year ended 31 December 2019 none of its customers accounted for more than 5% of the Group's total revenue for the same year.

Save as the Director's interest in SRF and HXL (which are the largest and second largest customer of the Group respectively for the year ended 31 December 2019) as defined and disclosed in Note 7(a) to the financial statements, none of the Directors, close associates of Directors, or any shareholders (which to the knowledge of the Board hold 5% or more of the issued shares capital of the Company) had any interests in any of the aforementioned suppliers or customers for the year ended 31 December 2019.

## 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.

## Sufficiency of public float

Based on the information that is publicly available and within the knowledge of the Directors at the latest practicable date prior to the publication of this report, the Company has maintained the prescribed public float under the Listing Rules throughout the year ended 31 December 2019 and at any time up to the latest practicable date prior to the publication of this report.

## Directors' interests in transactions, arrangement or contracts of significance

Save as disclosed under the "Exempt continuing connected transactions" sections above and in notes 7(a) and 38 to the financial statements with the sections leaded "Revenue" and "Related Party Transactions" respectively, no Director had a material interest, whether directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the year.

## Controlling shareholder's interests in significant contracts

Saved as disclosed in note 38 to the financial statements with the section headed "Related Party Transactions", at no time during the year had the Company or any of its subsidiaries, and the Controlling Shareholders or any of its subsidiaries entered into any contract of significance or any contract of significance for the provision of services by the Controlling Shareholders or any of its subsidiaries to the Company or any of its subsidiaries.

## Tax relief

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

## Corporate governance report

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

## Environmental, Social and Governance Report

2019 Environmental, Social and Governance Report of the Company will be presented in a separate report and published on the websites of the Company and the Stock Exchange no later than three months after the publication of this annual report.

## Auditors

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

On behalf of the Board

**YANG Xiangbo**
*Co-chairman*

30 March 2020

## 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 applicable code provisions set out in the Corporate Governance Code (the "**CG Code**") contained in Appendix 14 to the Listing Rules.

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

## Board of directors

As at 31 December 2019, the Board comprises three Executive Directors, namely Mr. YANG Xiangbo (Co-chairman), Mr. HAO Jin Min (Co-chairman) and Mr. YANG Ti Wei (Chief Executive Officer), and three independent non-executive Directors, namely Mr. CHEN Fengliang, Mr. JIANG Hongkai and Mr. FOK Hei Yu. Pursuant to Article 84 of the articles of association of the Company, at each annual general meeting one-third of the Directors for the time being (or, if their number is not a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years and shall then be eligible for re-election. The composition of the Board is well balanced with each Director having sound knowledge, experience and expertise relevant to the business operations and development of the Group. The biographical details of the Directors are set out in the "Directors and Senior Management" section on pages 18 to 20 of this report. All independent non-executive Directors are appointed for a specific term of three years, but they are subject to retirement by rotation and re-election at the annual general meeting pursuant to the Articles of the Company.

The Board is responsible for overall management and control of the Company including formulation and approval of overall strategies, performing corporate governance duties, material transactions, business plans and other significant financial and operational matters to enhance the value to shareholders. The Board has delegated the responsibilities for day-to-day operations and management of the Group's business to the senior management of the Company. Details of the type of decisions taken by the Board and those delegated to the management are set out in the sub-section headed "Corporate Governance Functions" on page 35 of this report.

In accordance with Rule 3.13 of the Listing Rules, the Company has received annual confirmation of independence from the three independent non-executive Directors. The Company considers that all the independent non-executive Directors are independent. Mr. Fok has signed a letter of appointment with a term of three years commencing from 31 January 2019 and the other two independent non-executive Directors have signed renewal letters of appointment for a term of three years commencing from 18 June 2017. Ms. Zhao Jinlin resigned as being an independent non-executive Director of the Company on 3 April 2019.

## Board diversity policy

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

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

## Directors' responsibilities

The Directors have acknowledged their responsibilities for preparing the financial statements of the Company for the year ended 31 December 2019.

## Audit Committee

In accordance with Rule 3.21 of the Listing Rules, the Company has set up an Audit Committee comprising of three independent non-executive Directors, namely, Mr. FOK Hei Yu (appointed as Chairperson on 3 April 2019), Mr. CHEN Fengliang and Mr. JIANG Hongkai. Ms. Zhao Jinlin has resigned as the Chairperson of the Audit Committee on 3 April 2019. The Audit Committee has been established to review the financial reporting process and evaluate the effectiveness of internal control procedures (including financial, operational and compliance controls and risk management functions) of the Group. During the year under review, the Audit Committee held four regular meetings with management, external auditors and internal control consultant to discuss on the auditing, internal controls and financial reporting matters of the Company, and to review on the Group's internal control and risk management system and annual results for the year ended 31 December 2019.

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

## Remuneration Committee

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

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

Pursuant to code provision B.1.5 of the CG Code, the details of the annual remuneration of the members of the senior management (excluding Directors) by band for the year ended 31 December 2019 are set forth as follows:

The emoluments fell within the following bands:

| | Number of individuals | |
|---|---|---|
| | **2019** | **2018** |
| Emolument band | | |
| HKD1,500,001 – HKD2,000,000 | 1 | 2 |
| HKD7,000,001 – HKD7,500,000 | 1 | 1 |

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

## Nomination Committee

In accordance with Code Provision A.5.1 of the CG Code, the Company has set up a Nomination Committee with a majority of independent non-executive Directors. The Nomination Committee comprises three members, namely Mr. JIANG Hongkai (Chairperson) and Mr. FOK Hei Yu, all being independent non-executive Directors; and one executive Director, namely Mr. YANG Xiangbo. Ms. Zhao Jinlin, an independent non-executive Director, has resigned as a member of the Nomination Committee on 3 April 2019. The primary responsibilities of the Nomination Committee are to review the composition and diversity of the Board regularly, to assess the independence of independent non-executive Directors and to make recommendation to the Board on relevant matters relating to the appointment or re-appointment of Directors. The Nomination Committee firstly proposes a list of candidates for selection, which shall then be submitted by the committee to the Board for review and approval. In respect of the selected candidates, the Nomination Committee collects their background information and examine the qualifications in accordance with the applicable requirements and to state their opinion and recommendations on appointments to the Board. The Nomination Committee carries out, if necessary, other relevant follow up works according to the decisions of or feedback from the Board.

## Frequency of meetings and attendance

The attendance record of each of the Directors for the meetings held during the year ended 31 December 2019 is set forth below:

| | Number of attendance/Number of meetings | | | | |
|---|---|---|---|---|---|
| Name of Directors | Shareholders | Board | Audit Committee | Remuneration Committee | Nomination Committee |
| **Executive Director** | | | | | |
| YANG Xiangbo *(Co-chairman)* | 2/2 | 9/9 | N/A | 1/1 | N/A |
| HAO Jian Min *(Co-chairman)* | 2/2 | 9/9 | N/A | N/A | N/A |
| YANG Ti Wei | 2/2 | 9/9 | N/A | N/A | N/A |
| **Independent non-executive Directors** | | | | | |
| ZHAO Jinlin (Note 1) | N/A | 2/9 | 2/4 | N/A | N/A |
| CHEN Fengliang | 2/2 | 9/9 | 4/4 | 1/1 | N/A |
| JIANG Hongkai | 2/2 | 9/9 | 4/4 | 1/1 | N/A |
| FOK Hei Yu | 2/2 | 9/9 | 4/4 | 1/1 | N/A |

Note 1: Ms. ZHAO Jinlin joined all the meetings by way of telephone conference during the year as she has been stationed in the United States since August 2018 for her personal business engagements, and she resigned as being an independent non-executive Director and members of the Audit Committee and Nomination Committee of the Company on 3 April 2019.

## Professional training for directors

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

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

For the year ended 31 December 2019, all the Directors have attended 20 hours of training in form of in-house seminars and regulatory updates or other relevant reference materials studies.

## Corporate governance functions

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

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

## Model code for securities transactions

The Company has adopted the Model Code as the code of conduct regarding the Directors' securities transactions. Having made specific enquiries of all the Directors, the Company confirmed that they have complied with the Model Code during the year ended 31 December 2019.

## Auditors' remuneration

The Independent Auditor's Report issued by PricewaterHouseCoopers, the Company's auditors, in respect of the audit of the Group's financial statements for the year ended 31 December 2019 is set out on pages 43 to 49 of this report.

During the year ended 31 December 2019, the Auditors' remuneration was RMB2.5 million and RMB0.8 million for auditor services and other assurance services to the Group respectively.

## Insurance

The Company has arranged appropriate directors' and officers' liabilities and professional indemnity insurances coverage for the Directors and officers of the Company.

## Company secretary

All Directors have access to the advice and services of the Company Secretary, Ms. Chan Chore Man, Germaine ("**Ms. Chan**"), a full time employee of the Company. Ms. Chan has confirmed that she has received no less than 15 hours of relevant professional training for the year ended 31 December 2019.

## Shareholder's rights

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

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

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

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

## Communication with shareholders and investors

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

羅兵咸永道

To the Shareholders of
**Shirble Department Store Holdings (China) Limited**
*(incorporated in Cayman Islands with limited liability)*

## Opinion

### What we have audited

The consolidated financial statements of Shirble Department Store Holdings (China) Limited (the "**Company**") and its subsidiaries (the "**Group**") set out on pages 43 to 132, which comprise:

- the consolidated balance sheet as at 31 December 2019;
- the consolidated income statement for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

### Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("**IFRSs**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

## Basis for Opinion

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

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

### Independence

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

## Key Audit Matters

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

A key audit matter identified in our audit is summarised as follows:

| Key Audit Matter | How our audit addressed the Key Audit Matter |
|---|---|
| **Valuation of investment properties**<br>Refer to note 2.8, note 4.3, note 5 and note 15 to the Consolidated Financial Statements.<br><br>The Group's investment properties were measured at fair value of RMB2,706 million as at 31 December 2019, with a fair value loss of RMB21 million charged to profit or loss and a fair value gain of RMB89 million credited to other comprehensive income for the year then ended.<br><br>The Group's investment property portfolio includes self-owned buildings which are held for long-term rental yields and the right-of-use assets for property leases which had been or planned to be subleased out under operating leases. The management has engaged an independent valuer to assist in the valuation of the fair value of investment properties. The valuation of the fair value of investment properties involves significant estimates and judgements from the management. Therefore, we considered this matter as a key audit matter. | Our audit procedures included:<br><br>• We understood, evaluated and validated the internal control over the Group's process in determining the fair value of investment properties.<br><br>• We evaluated the independent external valuer's competence, capabilities and objectivity by considering their independence, professional qualifications and relevant experience in the markets where the Group's investment properties are located, and reading their valuation reports prepared for financial reporting purposes; |

| Key Audit Matter | How our audit addressed the Key Audit Matter |
|---|---|
| | • We performed the following procedures with the assistance of our internal valuation experts:<br><br>(1) We evaluated the appropriateness and consistency of methodologies used in the property valuations based on our knowledge of the industry and market practice;<br><br>(2) We assessed the reasonableness of the key assumptions adopted in the property valuations by comparing them to recent lettings of the Group's investment properties, actual occupancy rates achieved, recent market transactions and with reference to our in-house valuation experts;<br><br>(3) We checked, on a sample basis, the accuracy and relevance of the valuation input data on existing leases by agreeing the rental income and lease terms to the signed lease agreements; and<br><br>(4) We checked the calculation of the fair value of the investment properties for accuracy.<br><br>We found that the key assumptions used in the valuations were supported by the available evidence. |

## Other Information

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

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

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

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

## Responsibilities of Directors and Audit Committee for the Consolidated Financial Statements

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Michael W.H. Chan.

**PricewaterhouseCoopers**
*Certified Public Accountants*

Hong Kong, 30 March 2020

# CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2019

| | Note | 2019<br>RMB'000 | 2018<br>RMB'000 |
|---|---|---|---|
| Revenue | 7 | 794,582 | 970,892 |
| Other operating revenue | 8 | 34,886 | 107,152 |
| Other (losses)/gains – net | 9 | (84,453) | 210,060 |
| Purchase of and changes in inventories | 10,25 | (105,505) | (613,767) |
| Employee benefit expenses | 10,11 | (151,525) | (200,056) |
| Depreciation and amortisation expenses | 10 | (37,638) | (93,671) |
| Net impairment losses on financial and contract assets | 10,24 | (751) | (2,662) |
| Operating lease rental expenses | 10 | (1,759) | (120,640) |
| Other operating expenses, net | 10 | (114,609) | (125,503) |
| **Operating profit** | | 333,228 | 131,805 |
| Finance income | 12 | 12,445 | 3,466 |
| Finance costs | 12 | (74,518) | (19,363) |
| Finance costs – net | 12 | (62,073) | (15,897) |
| Share of losses of an associate and a joint venture | 19 | (2,762) | (3,075) |
| **Profit before income tax** | | 268,393 | 112,833 |
| Income tax expenses | 13 | (131,608) | (3,146) |
| **Profit for the year** | | 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 earnings per share | 14(a) | 0.05 | 0.04 |
| – Diluted earnings per share | 14(b) | 0.05 | 0.04 |

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

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2019

| | Note | 2019<br>RMB'000 | 2018<br>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 | 30 | (22) | (546) |
| *Item that will not be reclassified to profit or loss* | | | |
| Change in fair value of investment properties upon transfer, net of tax | 30 | 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 |

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

# CONSOLIDATED BALANCE SHEET

As at 31 December 2019

| | Note | 2019 RMB'000 | 2018 RMB'000 |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Investment properties | 15 | 2,706,350 | 730,800 |
| Property, plant and equipment | 16 | 303,386 | 573,445 |
| Intangible assets | 17 | 12,223 | 16,592 |
| Investment in an associate and a joint venture | 19 | 952 | 3,714 |
| Deferred income tax assets | 21 | 9,788 | 48,980 |
| Trade receivables, other receivables and prepayments | 24 | 333,001 | 128,228 |
| | | 3,365,700 | 1,501,759 |
| **Current assets** | | | |
| Inventories | 25 | 9,654 | 37,883 |
| Financial assets at fair value through profit or loss | 22 | 322,660 | 13,000 |
| Derivative financial instrument | 23 | – | 191,029 |
| Trade receivables, other receivables and prepayments | 24 | 230,909 | 156,507 |
| Contract assets | 24 | 361,430 | – |
| Restricted bank deposits | 26 | 24,000 | 40,000 |
| Cash and cash equivalents | 27 | 62,457 | 310,634 |
| | | 1,011,110 | 749,053 |
| **Total assets** | | 4,376,810 | 2,250,812 |
| **EQUITY** | | | |
| Share capital | 28 | 213,908 | 213,908 |
| Share premium | 28 | 793,269 | 822,138 |
| Shares held for share award scheme | 28 | (1,171) | (2,415) |
| Other reserves | 30 | 427,307 | 324,736 |
| Retained profits | 31 | 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 |

# CONSOLIDATED BALANCE SHEET

As at 31 December 2019

| | Note | 2019 RMB'000 | 2018 RMB'000 |
|---|---|---|---|
| **LIABILITIES** | | | |
| **Non-current liabilities** | | | |
| Lease liabilities | 3 | 1,142,812 | – |
| Deferred income tax liabilities | 21 | 217,180 | 57,081 |
| Borrowings | 34 | 215,644 | – |
| | | 1,575,636 | 57,081 |
| **Current liabilities** | | | |
| Lease liabilities | 3 | 81,584 | – |
| Trade and other payables | 32 | 185,340 | 410,920 |
| Contract liabilities | 33 | 112,045 | 166,933 |
| Borrowings | 34 | 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 |

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

The financial statements on pages 43 to 49 were approved by the Board of Directors on 30 March 2020 and were signed on its behalf.

**Yang Xiangbo**
*Director*

**Hao Jian Min**
*Director*

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2019

| | Attributable to owners of the Company | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Share capital RMB'000 | Share premium RMB'000 | Shares held for share award scheme RMB'000 | Other reserves RMB'000 | Retained profit RMB'000 | Total RMB'000 | Non-controlling interests RMB'000 | Total equity RMB'000 |
| **Balance as at 31 December 2018** | 213,908 | 822,138 | (2,415) | 324,736 | 194,823 | 1,553,190 | 12,731 | 1,565,921 |
| Adjustment on adoption of IFRS 16, net of tax (Note 3.4) | – | – | – | – | 489,550 | 489,550 | – | 489,550 |
| **Balance as at 1 January 2019** | 213,908 | 822,138 | (2,415) | 324,736 | 684,373 | 2,042,740 | 12,731 | 2,055,471 |
| **Comprehensive income** | | | | | | | | |
| Profit for the year | – | – | – | – | 136,811 | 136,811 | (26) | 136,785 |
| **Other comprehensive income** | | | | | | | | |
| Revaluation of property, plant and equipment upon transfer to investment properties, net of tax (Note 30) | – | – | – | 66,811 | – | 66,811 | – | 66,811 |
| Currency translation differences (Note 30) | – | – | – | (22) | – | (22) | – | (22) |
| Total other comprehensive income | – | – | – | 66,789 | – | 66,789 | – | 66,789 |
| **Total comprehensive income** | – | – | – | 66,789 | 136,811 | 203,600 | (26) | 203,574 |
| **Transaction with owners** | | | | | | | | |
| Transactions with non-controlling interests | – | – | – | (25) | – | (25) | (156) | (181) |
| Shareholder's contribution (Note 38(d)(iii)) | – | – | – | 2,410 | – | 2,410 | – | 2,410 |
| Employees' share award scheme: | | | | | | | | |
| – Value of employee services (Note 29) | – | – | – | 204 | – | 204 | – | 204 |
| – Vesting of shares (Notes 28 and 30) | – | (90) | 1,244 | (1,154) | – | – | – | – |
| Dividends (Note 35) | – | (28,779) | – | – | – | (28,779) | – | (28,779) |
| Appropriation to reserves | – | – | – | 34,347 | (34,347) | – | – | – |
| **Total transactions with owners** | – | (28,869) | 1,244 | 35,782 | (34,347) | (26,190) | (156) | (26,346) |
| **Balance as at 31 December 2019** | 213,908 | 793,269 | (1,171) | 427,307 | 786,837 | 2,220,150 | 12,549 | 2,232,699 |

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2018

| | Attributable to owners of the Company | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Share capital RMB'000 | Share premium RMB'000 | Shares held for share award scheme RMB'000 | Other reserves RMB'000 | Retained profit RMB'000 | Total RMB'000 | Non-controlling interests RMB'000 | Total equity RMB'000 |
| **Balance as at 1 January 2018** | 213,908 | 842,508 | (5,641) | 254,165 | 85,762 | 1,390,702 | 775 | 1,391,477 |
| **Comprehensive income** | | | | | | | | |
| Profit for the year | – | – | – | – | 109,851 | 109,851 | (164) | 109,687 |
| **Other comprehensive income** | | | | | | | | |
| Revaluation of property, plant and equipment transfer to investment properties, net of tax (Note 30) | – | – | – | 73,884 | – | 73,884 | – | 73,884 |
| Currency translation differences (Note 30) | – | – | – | (546) | – | (546) | – | (546) |
| Total other comprehensive income | – | – | – | 73,338 | – | 73,338 | – | 73,338 |
| **Total comprehensive income** | – | – | – | 73,338 | 109,851 | 183,189 | (164) | 183,025 |
| **Transaction with owners** | | | | | | | | |
| Capital injection | – | – | – | – | – | – | 12,120 | 12,120 |
| Employees' share award scheme: | | | | | | | | |
| – Value of employee services (Note 29) | – | – | – | 1,878 | – | 1,878 | – | 1,878 |
| – Shares purchased for shared award schemes (Note 29) | – | – | (4,579) | – | – | (4,579) | – | (4,579) |
| – Vesting of shares (Notes 28 and 30) | – | (2,370) | 7,805 | (5,435) | – | – | – | – |
| Dividends (Note 35) | – | (18,000) | – | – | – | (18,000) | – | (18,000) |
| Appropriation to reserves | – | – | – | 790 | (790) | – | – | – |
| **Total transactions with owners** | – | (20,370) | 3,226 | (2,767) | (790) | (20,701) | 12,120 | (8,581) |
| **Balance as at 31 December 2018** | 213,908 | 822,138 | (2,415) | 324,736 | 194,823 | 1,553,190 | 12,731 | 1,565,921 |

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

# CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2019

| | Note | Year ended 31 December 2019 RMB'000 | 2018 RMB'000 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Cash used in operations | 36(a) | (7,389) | (179,310) |
| Income tax paid | | (2,199) | (5,366) |
| **Net cash used in operating activities** | | (9,588) | (184,676) |
| **Cash flows from investing activities** | | | |
| Payments for purchases of property, plant and equipment and investment properties | | (96,391) | (96,513) |
| Purchase of intangible assets | | (29) | (5,675) |
| Capital contributions to a joint venture | | – | (5,783) |
| Prepayment for acquisition of a subsidiary | 24(d) | (80,650) | – |
| Purchase of financial assets at fair value through profit and loss | 22 | (399,203) | (466,088) |
| Proceeds from sale of financial assets at fair value through profit and loss | 22 | 148,790 | 476,796 |
| Proceeds from disposals of property, plant and equipment | 36(b) | 766 | 399 |
| Principal elements of finance lease payment received as the sub-lessor | | 14,981 | – |
| Interest elements of finance lease payment received as the sub-lessor | | 11,613 | – |
| Decrease in bank deposits | | – | 239,274 |
| Decrease/(increase) in restricted bank deposits | | 16,000 | (40,000) |
| Interest received | | 1,360 | 7,545 |
| Proceeds from acquisition of a subsidiary, net of cash paid | | (180) | 1,763 |
| Deposit for sale of financial assets at FVPL received | 23(b) | 67,306 | – |
| **Net cash (used in)/generated from investing activities** | | (315,637) | 111,718 |
| **Cash flows from financing activities** | | | |
| Proceeds from borrowings | | 256,857 | 805,754 |
| Loan from a shareholder | | 220,000 | – |
| Repayments of borrowings | | (14,607) | (791,234) |
| Repayment of loan from a shareholder | | (220,000) | – |
| Interests paid | | (19,558) | (8,710) |
| Dividends paid | | (28,779) | (18,000) |
| Principal elements of lease payments as the lessee | | (56,912) | – |
| Interest elements of lease payments as the lessee | | (62,739) | – |
| **Net cash generated from/(used in) financing activities** | | 74,262 | (12,190) |
| **Net decrease in cash and cash equivalents** | | (250,963) | (85,148) |
| Cash and cash equivalents at the beginning of year | | 310,634 | 379,814 |
| Effect of changes in foreign exchange rate | | 2,786 | 15,968 |
| **Cash and cash equivalents at end of year** | 27 | 62,457 | 310,634 |

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

## 1. General information

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

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

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

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

These consolidated financial statements have been approved for issue by the Board of Directors (the "**Board**") on 30 March 2020.

## 2. Summary of significant accounting policies

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

### 2.1 Basis of preparation

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

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

#### (b) Historical cost convention

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

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

### 2.1 Basis of preparation *(continued)*

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

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2019:

- IFRS 16 – Leases
- Amendments to IFRS 9 – Prepayment features with negative compensation
- Amendments to IAS 28 – Long-term interests in associates and joint ventures
- Annual improvements to IFRS standards 2015 – 2017 cycle
- Amendments to IAS 19 – Plan amendment, curtailment or settlement
- IFRIC 23 – Uncertainty over income tax treatments

The Group had to change its accounting policies and make certain retrospective adjustments following the adoption of IFRS 16. The impact of the adoption of IFRS 16 is disclosed in note 3 below. The other amendments and interpretation listed above did not have any impact on the amounts recognised in prior periods and current period, and are not expected to significantly affect future periods.

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

### 2.1 Basis of preparation *(continued)*

#### (d) New, revised and amended standards not yet adopted

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

| | | **Effective for annual periods beginning on or after** |
|---|---|---|
| Amendments to IFRS 3 | Definition of a business | 1 January 2020 |
| Amendments to IAS 1 and IAS 8 | Definition of material | 1 January 2020 |
| Revised conceptual framework for financial reporting | | 1 January 2020 |
| Amendments to IFRS9, IAS 39 and IFRS 7 | Interest rate benchmark reform | 1 January 2020 |
| IFRS 17 | Insurance contracts | 1 January 2021 |
| Amendments to IFRS 10 and IAS 28 | Sale or contribution of assets between an investor and its associate or joint venture | To be determined |

The above new and revised standards and amendments to existing standards are effective for annual periods beginning after 1 January 2020 and have not been applied in preparing these consolidated financial statements. None of these is expected to have a significant effect on the consolidated financial statements of the Group except for IFRS 17. The Group is in the process of assessing the impact of IFRS 17 on the Group's consolidated financial statements.

### 2.2 Principles of consolidation and equity accounting

#### (a) Subsidiaries

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

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

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

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

#### (b) Associates

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

#### (c) Joint arrangements

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

#### (d) Equity accounting

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

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

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

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

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

### 2.3 Business combinations

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

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

### 2.4 Separate financial statements

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

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

### 2.5 Segment reporting

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

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

### 2.6 Foreign currency translation

#### (a) Functional and presentation currency

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

#### (b) Transactions and balances

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

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

#### (c) Group companies

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

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

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

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

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

### 2.7 Property, plant and equipment

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

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

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

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

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

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

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

### 2.8 Investment properties

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

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

### 2.8 Investment properties *(continued)*

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

### 2.9 Intangible assets

#### Computer software

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

### 2.10 Impairment of non-financial assets

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

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

### 2.11 Investments and other financial assets

#### (a) Classification

The Group classifies its financial assets in the following categories:

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

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

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

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

#### (b) Recognition and derecognition

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

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

### 2.11 Investments and other financial assets *(continued)*

#### (c) Measurement

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

Debt instruments

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

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

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

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

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

### 2.11 Investments and other financial assets *(continued)*

#### (c) Measurement *(continued)*

Equity instruments

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

#### (d) Impairment of financial assets

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

### 2.12 Derivative financial instrument

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. The Group have certain derivative instruments that do not qualify for hedge accounting. Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognised immediately in profit or loss and are included in "Other gains/(losses)".

### 2.13 Inventories

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

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

### 2.14 Trade and other receivables

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

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

### 2.15 Contract assets and contract liabilities

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

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

### 2.16 Cash and cash equivalents

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

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

### 2.17 Share capital and shares held for employee share scheme

Ordinary shares are classified as equity.

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

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

### 2.18 Trade and other payables

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

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

### 2.19 Borrowings

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

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

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

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

### 2.20 Borrowing costs

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

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

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

### 2.21 Current and deferred income tax

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

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

#### (a) Current income tax

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

#### (b) Deferred income tax

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

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

### 2.21 Current and deferred income tax *(continued)*

#### (b) Deferred income tax *(continued)*

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

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

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

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

### 2.22 Employee benefits

#### (a) Pension obligations

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

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

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

### 2.22 Employee benefits *(continued)*

#### (b) Termination benefits

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

#### (c) Employee leave entitlements

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

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

### 2.23 Share-based payments

#### Equity-settled share-based payment transactions

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

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

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

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

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

### 2.24 Provisions

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

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

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

### 2.25 Revenue recognition

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

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

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

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

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

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

### 2.25 Revenue recognition *(continued)*

#### (a) Direct sales

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

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

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

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

#### (b) Commission from concessionaire sales

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

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

#### (c) Rental income from operating leases

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

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

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

### 2.25 Revenue recognition *(continued)*

#### (d) Property development consulting service

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

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

#### (e) Promotion, administration and management income

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

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

#### (f) Credit card handling fee for concessionaire sales

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

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

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

### 2.25 Revenue recognition *(continued)*

(g) Prepaid cards

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

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

### 2.26 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 treasury shares.

(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.

### 2.27 Interest income

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

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

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

### 2.28 Dividend income

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

### 2.29 Leases

As explained in note 3, the Group has changed its accounting policy for leases where the Group is the lessee.

Until 31 December 2018, leases in which a significant portion of the risks and rewards of ownership are not transferred to the Group as lessee are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are 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 subleased-out under operating leases), a receivable (for subleased-out under finance leases) and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

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

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

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

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

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

### 2.29 Leases *(continued)*

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

To determine the incremental borrowing rate, the Group:

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

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

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

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

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

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

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

### 2.29 Leases *(continued)*

Lease income from operating leases where the Group is a lessor is recognised in profit or loss on a straight-line basis over the lease term (note 2.25(c)). Initial direct costs incurred in obtaining an operating lease are added to the carrying amount of the underlying asset and recognised as expense over the lease term on the same basis as lease income. The respective leased assets are included in the balance sheet based on their nature. The Group did not need to make any adjustments to the accounting for assets held as lessor as a result of adopting the new leasing standard.

### 2.30 Dividend distribution

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

### 2.31 Government grants

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

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

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

### 2.32 Shares held for share award scheme

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

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

## 3. Changes in accounting policies

As indicated in (note 2.1(c)) above, 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. The new accounting policies are disclosed in note 2.29.

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. Changes in accounting policies *(continued)*

### 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<br>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 | 1,122,862 |
| 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<br>2019<br>RMB'000 | **1 January<br>2019<br>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 net investment calculated with the implicated interest rates in the financing leases on a retrospective basis as if the new rules had always been applied. Other right-of-use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the 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.

## 3. Changes in accounting policies *(continued)*

### 3.3 Measurement of right-of-use assets *(continued)*

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 15) | **1,571,100** | 1,554,080 |
| Property, plant and equipment (Note 16) | **51,731** | 99,302 |
| **Total right-of-use assets** | **1,622,831** | 1,653,382 |

### 3.4 Adjustment recognised in the 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. Financial risk management

### 4.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, cash flow and fair value interest rate risks, and price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

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

(a) Market risk

(i) Foreign exchange risk

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

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

| | 2019<br>RMB'000 | 2018<br>RMB'000 |
|---|---|---|
| Assets | | |
| HKD | 22,991 | 275,379 |
| USD | 181 | 5,454 |
| | 23,172 | 280,833 |
| Liabilities | | |
| HKD | 18,847 | 9,677 |

## 4. Financial risk management *(continued)*

### 4.1 Financial risk factors *(continued)*

#### (a) Market risk *(continued)*

(i) Foreign exchange risk *(continued)*

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

| | Change of profit or loss – increase/(decrease) | |
|---|---|---|
| | 2019<br>RMB'000 | 2018<br>RMB'000 |
| RMB against HKD: | | |
| Strengthened by 2% | (83) | (5,314) |
| Weakened by 2% | 83 | 5,314 |
| RMB against USD: | | |
| Strengthened by 2% | (4) | (109) |
| Weakened by 2% | 4 | 109 |

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

(ii) Cash flow and fair value interest rate risk

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

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

The interest rates and terms of repayment of borrowings of the Group are disclosed in note 34. The Group does not carry out any hedging activities to manage its interest rate exposure.

## 4. Financial risk management *(continued)*

### 4.1 Financial risk factors *(continued)*

#### (a) Market risk *(continued)*

(ii) Cash flow and fair value interest rate risk *(continued)*

As at 31 December 2019, if interest rates on bank balances at variable rates had been 50 basis points higher/lower with all other variables held constant, profit before tax for the year ended 31 December 2019 would have been approximately RMB312,000 (2018: RMB1,343,000) higher/lower.

At 31 December 2019, if interest rates on borrowings had been 50 basis points higher/lower with all other variables held constant, profit before tax for the year ended 31 December 2019 would have been approximately RMB1,256,000 (2018: RMB45,000) lower/higher, mainly as a result of higher/lower interest expense on floating rate borrowings.

(iii) Price risk

The Group is exposed to equity securities price risk in connection with the financial assets at FVPL held by the Group, which are mainly publicly traded in stock exchange. The Group closely monitors the fluctuation of the price and assesses the impact on the Group's consolidated financial statements. If the price of equity securities the Group invested had been 5% higher/lower, post-tax profit for the year ended 31 December 2019 would have been increased/decreased by approximately RMB15,919,000 (2018: RMB22,553,000), as a result of more/less fair value gain on financial assets at FVPL.

#### (b) Credit risk

(i) Risk management

Credit risk arises from restricted bank deposits, cash and cash equivalents, contract assets and trade and other receivables. The carrying amounts of these balances represent the Group's maximum exposure to credit risk in relation to financial assets. As at 31 December 2019, all the bank deposits were placed with high quality financial institutions without significant credit risk.

# 4. Financial risk management *(continued)*

## 4.1 Financial risk factors *(continued)*

### (b) Credit risk *(continued)*

(ii) Impairment of financial assets

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

- Trade receivables for sales of inventory, lease receivables as the sub-lessor and the provision of property development consulting services;
- Contract assets relating to property development consulting services; and
- Other receivables.

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

The Group applies the IFRS 9 simplified approach to measuring ECL which uses a lifetime expected loss allowance for all trade receivables and contract assets. For the other receivables, the Group involves a three-stage approach whereby financial assets move through the three stages as their credit quality changes.

*Impairment of trade receivables and contract assets*

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

The expected loss rates are based on the payment profiles of sales over a period of 12 month before 31 December 2019 or 1 January 2019 respectively and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables as at 31 December 2019. On that basis, the Group assessed that no impairment loss allowance was required to be made as at 31 December 2019.

## 4. Financial risk management *(continued)*

### 4.1 Financial risk factors *(continued)*

#### (b) Credit risk *(continued)*

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

*Impairment of other receivables*

The Group applies the IFRS 9 three-stage approach to measuring ECL. The Group mainly has five types of other receivables, including receivable from a trustee for the share purchase for the employees' share award scheme, accrual on rental income based on the straight-line method, interest receivables, receivables from finance leases and lease deposits. These five types of other receivables were categorised in stage 1, and the credit risk is low, therefore the impact of loss allowance is immaterial. As at 31 December 2019, RMB751,000 (2018: RMB2,662,000) of impairment of loss allowance was made for other receivables.

#### (c) Liquidity risk

(i) Financing arrangements

In March 2019, the Group obtained RMB360,000,000 5-year credit facilities from Guangdong Huaxing Bank, which was secured by certain land and buildings of the Group (note 34(a)). For the year ended 31 December 2019, RMB214,356,000 of the facilities was undrawn by the Group.

## 4. Financial risk management *(continued)*

### 4.1 Financial risk factors *(continued)*

#### (c) Liquidity risk *(continued)*

(ii) Maturities of financial liabilities

The liquidity risk of the Group is controlled by maintaining sufficient cash and cash equivalents, which is generated from the operating cash flows and financing cash flows.

The table below shows the Group's financial liabilities based on the remaining period at the end of the reporting period to the contractual maturity dates. The amounts disclosed in the table are the contractual undiscounted cash flows.

**For the year ended 31 December 2019**

| | Carrying amount RMB'000 | Contractual cash flow RMB'000 | Within 1 year RMB'000 | More than 1 year but less than 2 years RMB'000 | More than 2 years but less than 5 years RMB'000 | More than 5 years RMB'000 |
|---|---|---|---|---|---|---|
| Borrowings (Note 34) | 251,244 | 333,739 | 50,684 | 41,359 | 160,208 | 81,488 |
| Lease liabilities | 1,224,396 | 1,587,751 | 133,099 | 140,249 | 400,883 | 913,520 |
| Other financial liabilities | 130,955 | 130,955 | 130,955 | – | – | – |
| | 1,606,595 | 2,052,445 | 314,738 | 181,608 | 561,091 | 995,008 |

**For the year ended 31 December 2018**

| | Carrying amount RMB'000 | Contractual cash flow RMB'000 | Within 1 year RMB'000 | More than 1 year but less than 2 years RMB'000 | More than 2 years but less than 5 years RMB'000 | More than 5 years RMB'000 |
|---|---|---|---|---|---|---|
| Borrowings (Note 34) | 8,994 | 8,994 | 8,994 | – | – | – |
| Other financial liabilities | 359,714 | 359,714 | 359,714 | – | – | – |
| | 368,708 | 368,708 | 368,708 | – | – | – |

## 4. Financial risk management *(continued)*

### 4.2 Capital management

The Group's objectives when managing capital are to:

- Safeguard their ability to continue as a going concern, so that they can continue to provide returns for shareholders and benefits for other stakeholders; and
- Maintain an optimal capital structure to reduce the cost of capital.

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

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

The debt-to-equity ratios at 31 December 2019 and 2018 were as follows:

| | 2019<br>RMB'000 | 2018<br>RMB'000 |
|---|---|---|
| Borrowings (Note 34) | 251,244 | 8,994 |
| Lease liabilities (Note 3) | 1,224,396 | – |
| Total borrowings | 1,475,640 | 8,994 |
| Equity | 2,220,150 | 1,553,190 |
| Debt-to-equity ratio | 66% | 1% |

Significant increase in the debt-to-equity ratio during the year was mainly due to the adoption of IFRS 16 which the operating lease payments of the Group as the lessee are required to be recorded as liabilities in the consolidated financial statements.

## 4. Financial risk management *(continued)*

### 4.3 Fair value estimation

#### (a) Fair value hierarchy

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

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

| ***Recurring fair value measurements*** **31 December 2018** | **Level 1 RMB'000** | **Level 2 RMB'000** | **Level 3 RMB'000** | **Total RMB'000** |
|---|---|---|---|---|
| **FVPL** | | | | |
| Wealth management products with variable return rate (Note 22) | – | 13,000 | – | 13,000 |
| Investment properties (Note 15) | – | – | 730,800 | 730,800 |
| Derivative financial instruments (Note 23) | – | 191,029 | – | 191,029 |
| | – | 204,029 | 730,800 | 934,829 |

There were no transfers between levels 1, 2 and 3 during the year (2018: nil).

## 4. Financial risk management *(continued)*

### 4.3 Fair value estimation *(continued)*

#### (a) Fair value hierarchy *(continued)*

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

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

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

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

#### (b) Valuation techniques used to determine fair values

Specific valuation techniques used to value FVPL include:

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

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

There were no changes in valuation techniques during the year.

## 5. Critical accounting estimates and judgements

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

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

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

### (a) Revenue recognition for property development consulting services

The property development consulting service is recognised over the period in which the services are rendered, which is dependent on the construction period of the underlying property development projects. Significant judgement and estimation are required in determining the duration of the service period. The Group estimated the service income for the year based on the construction progress and the latest estimation of completion time of the underlying property development projects as at 31 December 2019. If the revenue from the property development consulting service had been 5% higher/lower, profit before tax for the year ended 31 December 2019 would have been approximately RMB24,692,000 higher/lower.

### (b) Income taxes

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

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

### (c) Fair value of investment properties

The fair value of investment properties is determined by using valuation technique. Details of the judgment and assumptions have been disclosed in note 15. If the fair value of investment properties had been 5% higher/lower, profit before tax for the year ended 31 December 2019 would have been approximately RMB135,318,000 higher/lower.

## 6. Segment information

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

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

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

- 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.

## 6. Segment information *(continued)*

The segment information is as follows:

| | Year ended 31 December 2019 | | | |
|---|---|---|---|---|
| | Property business RMB'000 | Department stores business RMB'000 | Others RMB'000 | Group RMB'000 |
| Revenue (b) | 493,843 | 300,739 | – | 794,582 |
| Timing of revenue recognition | | | | |
| At a point in time | – | 131,222 | – | 131,222 |
| Over time | 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 |

## 6. Segment information *(continued)*

| | Year ended 31 December 2018 | | | |
|---|---|---|---|---|
| | 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 |
| Over time | – | 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 loss 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 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 11) 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 7(a)).

## 7. Revenue

| | 2019<br>RMB'000 | 2018<br>RMB'000 |
|---|---|---|
| Property development consulting service income (Note (a), 38(d)(ii)) | 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<br>RMB'000 | 2018<br>RMB'000 |
|---|---|---|
| Current contract assets relating to property development consulting service | 361,430 | – |

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

## 8. Other operating revenue

| | 2019<br>RMB'000 | 2018<br>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 |

## 9. Other (losses)/gains – net

| | 2019 RMB'000 | 2018 RMB'000 |
|---|---|---|
| Deposit forfeited for terminated sale of financial assets at FVPL (Note 23(b)) | 67,306 | – |
| Reversal of legal claims (Note 39) | 2,878 | 4,308 |
| Compensation received/(paid) for the contract damages | 213 | (4,824) |
| Change in fair value of derivative financial instrument (Note 23) | (121,349) | 191,029 |
| Fair value adjustment on investment properties (Note 15) | (21,272) | 8,625 |
| Fair value change on financial assets at FVPL (Note 22) | (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 |

## 10. Expenses by nature

| | 2019 RMB'000 | 2018 RMB'000 |
|---|---|---|
| Employee benefit expenses (Note 11) | 151,525 | 200,056 |
| Purchase of and changes in inventories (Note 25) | 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 24) | 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).

## 11. Employee benefit expenses

| | 2019 RMB'000 | 2018 RMB'000 |
|---|---|---|
| Wages and salaries | 142,823 | 149,674 |
| Social security costs | 8,411 | 15,604 |
| Share-based compensation expenses (Note 29) | 204 | 1,878 |
| Severance payment (Note 6(a)) | – | 32,776 |
| Others | 87 | 124 |
| Total employee benefit expenses | 151,525 | 200,056 |

### (a) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include three (2018: two) directors whose emoluments are reflected in the analysis shown in note 41. The emoluments payable to the remaining two (2018: three) individuals during the year are as follows:

| | 2019 RMB'000 | 2018 RMB'000 |
|---|---|---|
| Basic salaries and allowances | 6,385 | 7,219 |
| Bonuses | 1,251 | 1,304 |
| Contributions to the retirement scheme | 32 | 30 |
| Share-based compensation expenses | – | 172 |
| | 7,668 | 8,725 |

The emoluments fell within the following bands:

| | Number of individuals | |
|---|---|---|
| | 2019 | 2018 |
| Emolument band (in HK dollar) | | |
| HKD1,500,001 – HKD2,000,000 | 1 | 2 |
| HKD7,000,001 – HKD7,500,000 | 1 | 1 |

## 12. Finance income and costs

| | 2019<br>RMB'000 | 2018<br>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 lessee | (62,739) | – |
| Interest expenses on bank loans | (9,369) | – |
| Interest expenses on a loan from a shareholder (Note 38(d)(iii)) | (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 intended to finance a proposed transaction which was subsequently suspended. These other borrowings were fully repaid before 31 December 2018.

## 13. Income tax expenses

| | 2019<br>RMB'000 | 2018<br>RMB'000 |
|---|---|---|
| Current income tax | | |
| – PRC corporate income tax | 115,142 | 2,159 |
| Deferred income tax (Note 21) | 16,466 | 987 |
| | 131,608 | 3,146 |

## 13. Income tax expenses *(continued)*

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:

| | 2019<br>RMB'000 | 2018<br>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 (e) | – | (47,757) |
| – Expenses not deductible for tax purposes (d) | 33,317 | 1,959 |
| – Unrecognised tax loss | 31,193 | 20,736 |
| Income tax expenses | 131,608 | 3,146 |

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

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

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

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

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

## 14. 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 (note 28).

| | 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.

| | 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 |

## 15. Investment properties

| | 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 16) | 421,088 | – | 421,088 |
| Increase in fair value upon transfer charged to other comprehensive income (Note 30) | 98,512 | – | 98,512 |
| Net gains from fair value adjustment (Note 9) | 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 (i) (Note 3) | – | 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 (ii) (Note 16) | 275,955 | – | 275,955 |
| Increase in fair value upon transfer charged to other comprehensive income (ii) (Note 30) | 89,082 | – | 89,082 |
| Increase in fair value upon transfer charged to profit and loss (ii) (Note 9) | 29,663 | – | 29,663 |
| Net losses from fair value adjustment (Note 9) | 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 leases, 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 the 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.

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

## 15. Investment properties *(continued)*

(iv) As at 31 December 2019, the buildings at fair value of RMB616,450,000 were secured against certain long-term bank borrowings (note 34).

### Valuation processes of the Group

The Group's investment properties were valued as at 31 December 2019 and 2018 by an independent and professionally qualified valuer who holds a recognised relevant professional qualification and has recent experience in the locations of the investment properties valued.

### Valuation techniques

Valuations are based on:

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

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

### (a) Rental income from investment properties

| | 2019<br>RMB'000 | 2018<br>RMB'000 |
|---|---|---|
| Rental income | 116,122 | 12,456 |

As at 31 December 2019, the Group had no unprovided contractual obligations for future repairs and maintenance (2018: nil).

## 16. Property, plant and equipment

| | Buildings RMB'000 | Machinery and equipment RMB'000 | Furniture and other equipment RMB'000 | Motor vehicles RMB'000 | Leasehold improvement RMB'000 | Right of use assets RMB'000 | Others RMB'000 | Total RMB'000 |
|---|---|---|---|---|---|---|---|---|
| **As at 1 January 2018** | | | | | | | | |
| Cost | 998,367 | 45,353 | 78,898 | 6,758 | 310,965 | – | 4,361 | 1,444,702 |
| Accumulated depreciation | (41,412) | (42,078) | (60,870) | (6,302) | (168,653) | – | (2,167) | (321,482) |
| Impairment | (42,000) | – | – | – | – | – | – | (42,000) |
| **Net book amount** | 914,955 | 3,275 | 18,028 | 456 | 142,312 | – | 2,194 | 1,081,220 |
| **Year ended 31 December 2018** | | | | | | | | |
| Opening net book amount | 914,955 | 3,275 | 18,028 | 456 | 142,312 | – | 2,194 | 1,081,220 |
| Additions | 17,834 | 1,058 | 4,241 | 2,352 | 9,453 | – | 999 | 35,937 |
| Transfers to investment properties (Note 15) | (421,088) | – | – | – | – | – | – | (421,088) |
| Depreciation charge | (7,949) | (2,835) | (6,145) | (95) | (69,610) | – | (2,018) | (88,652) |
| Disposals | – | (1,151) | (5,592) | (1,614) | (24,603) | – | (1,012) | (33,972) |
| **Closing net book amount** | 503,752 | 347 | 10,532 | 1,099 | 57,552 | – | 163 | 573,445 |
| **As at 31 December 2018** | | | | | | | | |
| Cost | 586,407 | 40,122 | 67,809 | 6,114 | 198,684 | – | 4,008 | 903,144 |
| Accumulated depreciation | (40,655) | (39,775) | (57,277) | (5,015) | (141,132) | – | (3,845) | (287,699) |
| Impairment | (42,000) | – | – | – | – | – | – | (42,000) |
| **Net book amount** | 503,752 | 347 | 10,532 | 1,099 | 57,552 | – | 163 | 573,445 |
| **Year ended 31 December 2019** | | | | | | | | |
| **As at 31 December 2018** | 503,752 | 347 | 10,532 | 1,099 | 57,552 | – | 163 | 573,445 |
| Adjustment on adoption of IFRS 16 (Note 3) | – | – | – | – | (31,453) | 99,302 | – | 67,849 |
| **As at 1 January 2019** | 503,752 | 347 | 10,532 | 1,099 | 26,099 | 99,302 | 163 | 641,294 |
| Additions | – | 980 | 308 | 213 | 327 | – | 780 | 2,608 |
| Transfers to investment properties (Note 15) | (263,275) | – | – | – | (12,680) | – | – | (275,955) |
| Right of use assets subleased out under finance leases | – | – | – | – | – | (29,906) | – | (29,906) |
| Depreciation charge | (6,677) | (138) | (4,055) | (456) | (3,689) | (17,665) | (589) | (33,269) |
| Disposals | – | (370) | (671) | (212) | (99) | – | (34) | (1,386) |
| **Closing net book amount** | 233,800 | 819 | 6,114 | 644 | 9,958 | 51,731 | 320 | 303,386 |
| **As at 31 December 2019** | | | | | | | | |
| Cost | 247,498 | 36,683 | 27,677 | 5,642 | 138,353 | 67,891 | 1,582 | 525,326 |
| Accumulated depreciation | (13,698) | (35,864) | (21,563) | (4,998) | (128,395) | (16,160) | (1,262) | (221,940) |
| **Net book amount** | 233,800 | 819 | 6,114 | 644 | 9,958 | 51,731 | 320 | 303,386 |

## 17. Intangible assets

| | Computer software RMB'000 |
|---|---|
| **As at 1 January 2018** | |
| Cost | 34,152 |
| Accumulated amortisation | (15,367) |
| **Net book amount** | 18,785 |
| **Year ended 31 December 2018** | |
| Opening net book amount | 18,785 |
| Additions | 5,675 |
| Amortisation charge | (5,019) |
| Disposal | (2,849) |
| **Closing net book amount** | 16,592 |
| **As at 31 December 2018** | |
| Cost | 36,428 |
| Accumulated amortisation | (19,836) |
| **Net book amount** | 16,592 |
| **Year ended 31 December 2019** | |
| Opening net book amount | **16,592** |
| Additions | **29** |
| Amortisation charge | **(4,369)** |
| Disposal | **(29)** |
| **Closing net book amount** | **12,223** |
| **As at 31 December 2019** | |
| Cost | **36,396** |
| Accumulated amortisation | **(24,173)** |
| **Net book amount** | **12,223** |

## 18. Subsidiaries

The Group's subsidiaries at 31 December 2019 are set out below. Unless otherwise stated, they have share capital consisting solely of ordinary shares/registered capital that are held directly by the Group, and the proportion of ownership interests held equals the voting rights held by the Group. The country of incorporation or registration is also their principal place of business.

| Name of entity | Place of incorporation and form of legal entity | Principal activities and place of operation | Particulars of issued or registered share capital | Ownership interest held by the Group | | Ownership interest held by non-controlling interests | |
|---|---|---|---|---|---|---|---|
| | | | | 2019 | 2018 | 2019 | 2018 |
| Shirble Department Store Investment Limited ("**Shirble Hong Kong**") | Hong Kong, limited liability company | Investment holding in Hong Kong | HKD1 | 100% | 100% | – | – |
| Shirble Department Store (Hong Kong) Limited | Hong Kong, limited liability company | Investment holding in Hong Kong | USD1,200 | 100% | 100% | – | – |
| Shenzhen Shirble Department Store Co., Ltd. ("**Shirble Shenzhen**") | The PRC, wholly foreign owned enterprises | Operation and management of department stores in the PRC | HKD527,407,400 | 100% | 100% | – | – |
| Shenzhen Shirble Chain Store Limited Liability Company ("**Shirble Chain Store**") | The PRC, limited liability company | Operation and management of department stores in the PRC | RMB100,000,000 | 100% | 100% | – | – |
| Changsha Shirble Department Store Limited Liability Company | The PRC, limited liability company | Operation and management of department stores in the PRC | RMB30,000,000 | 100% | 100% | – | – |
| Changsha Shirble Apparel Company Limited | The PRC, limited liability company | Operation of department store in the PRC | RMB100,000 | 100% | 100% | – | – |
| Shenzhen Ruizhuo Trading Company Limited | The PRC, limited liability company | Trading in the PRC | RMB10,000,000 | 100% | 100% | – | – |
| Dongguan Shirble Department Store Co., Ltd. | The PRC, limited liability company | Operation of department stores in the PRC | RMB30,000,000 | 100% | 100% | – | – |

## 18. Subsidiaries *(continued)*

| Name of entity | Place of incorporation and form of legal entity | Principal activities and place of operation | Particulars of issued or registered share capital | Ownership interest held by the Group | | Ownership interest held by non-controlling interests | |
|---|---|---|---|---|---|---|---|
| | | | | 2019 | 2018 | 2019 | 2018 |
| Shanwei Shirble Department Store Co., Ltd. | The PRC, wholly foreign owned enterprises | Operation and management of department stores in the PRC | HKD230,000,000 | 100% | 100% | – | – |
| Luhe Shirble Department Store Co., Ltd. ("**Luhe Shirble**") | The PRC, wholly foreign owned enterprises | Operation and management of department stores in the PRC | RMB200,000,000 | 100% | 100% | – | – |
| LuFeng Shirble Department Store Co., Ltd. ("**Lufeng Shirble**") | The PRC, wholly foreign owned enterprises | Operation and management of department stores in the PRC | RMB10,000,000 | 100% | 100% | – | – |
| Baotong (BVI) Company Limited | British Virgin Island, limited liability company | Investment holding in British Virgin Island | USD1 | 100% | 100% | – | – |
| Baoke Trading (BVI) Company Limited | British Virgin Island, limited liability company | Investment holding in British Virgin Island | USD1 | 100% | 100% | – | – |
| Baotong E-commerce (Hong Kong) Company Limited | Hong Kong, limited liability company | Trading in Hong Kong | HKD1 | 100% | 100% | – | – |
| Shenzhen Qianhai Baotong E-commerce Company Limited | The PRC, limited liability company | Trading in the PRC | RMB500,000 | 100% | 100% | – | – |
| Shenzhen Shirble Information Consulting Co., Ltd. | The PRC, limited liability company | Provision of consulting services in the PRC | RMB1,000,000 | 100% | 100% | – | – |
| Shenzhen Baocheng Technology Co., Ltd. | The PRC, limited liability company | Provision of consulting services in the PRC | RMB100,000,000 | 100% | 100% | – | – |

## 18. Subsidiaries *(continued)*

| Name of entity | Place of incorporation and form of legal entity | Principal activities and place of operation | Particulars of issued or registered share capital | Ownership interest held by the Group 2019 | Ownership interest held by the Group 2018 | Ownership interest held by non-controlling interests 2019 | Ownership interest held by non-controlling interests 2018 |
|---|---|---|---|---|---|---|---|
| Shenzhen Baoruntong Creative Design Co., Ltd. | The PRC, limited liability company | Decoration design in the PRC | RMB200,000,000 | 100% | 100% | – | – |
| Shenzhen i-Shirble Business Development Co., Ltd. | The PRC, limited liability company | Trading in the PRC | RMB1,000,000 | 100% | 100% | – | – |
| Shenzhen Baolong Business Development Co., Ltd. | The PRC, limited liability company | Provision of consulting services in the PRC | RMB10,000,000 | 100% | 100% | – | – |
| Shenzhen Baoxin Software Development Co., Ltd. | The PRC, limited liability company | Software development in the PRC | RMB5,000,000 | 100% | 100% | – | – |
| Shenzhen Chenghe Business Management Co., Ltd. | The PRC, limited liability company | Trading in the PRC | RMB1,000,000 | 55% | 55% | 45% | 45% |
| Cosmic Favour Limited (a) | British Virgin Island, limited liability company | Investment holding in British Virgin Island | USD1 | 100% | 100% | – | – |
| Sibo Culture Limited (a) | Hong Kong, limited liability company | Trading in Hong Kong | HKD1 | 100% | 100% | – | – |
| Xuyi Shirble Hanlian Real Estate Co., Ltd. (a) | The PRC, limited liability company | Property development business in the PRC | RMB280,000,000 | 85% | 85% | 15% | 15% |
| Shenzhen Shirble New Retail Investment Co. Ltd. (b) | The PRC, limited liability company | Operation and management of department stores in the PRC | RMB35,000,000 | 100% | NA | – | NA |
| Good Virtue (BVI) Investments Limited (c) | British Virgin Island, limited liability company | Investment holding in British Virgin Island | USD1 | 100% | NA | – | NA |

## 18. Subsidiaries *(continued)*

| Name of entity | Place of incorporation and form of legal entity | Principal activities and place of operation | Particulars of issued or registered share capital | Ownership interest held by the Group | | Ownership interest held by non-controlling interests | |
|---|---|---|---|---|---|---|---|
| | | | | 2019 | 2018 | 2019 | 2018 |
| Opulent Sino (BVI) Developments Limited (d) | British Virgin Island, limited liability company | Investment holding in British Virgin Island | USD1 | 100% | NA | – | NA |
| Lawbo Investment Limited (e) | Hong Kong, limited liability company | Investment holding in Hong Kong | HKD1 | 100% | NA | – | NA |
| Shirble Shajing Investment Company Limited (f) | Hong Kong, limited liability company | Investment holding in Hong Kong | HKD1 | 100% | NA | – | NA |
| Shenzhen Shirble Enterprise Management Co., Ltd. (g) | The PRC, limited liability company | Property development business in the PRC | RMB20,000,000 | 100% | NA | – | NA |
| Shenzhen Shirble Shengyuan Property Management Co., Ltd. (h) | The PRC, limited liability company | Property management business in the PRC | RMB10,000,000 | 100% | NA | – | NA |

(a) On 1 June 2018, Cosmic Favour Limited acquired Sibo Culture Limited ("**Sibo**") and its subsidiary, Xuyi Shirble Hanlian Real Estate Company Limited ("**Xuyi Shirble**") for a consideration of HKD1. Both Sibo and Xuyi Shirble have not commenced any business operation except for successfully biding the tender to acquire certain land use rights in Xuyi, Jiangsu Province, the PRC on 14 December 2018 (note 37(a)(i)).

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

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

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

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

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

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

(h) Shenzhen Shirble Shengyuan Property Management Co., Ltd. was incorporated in Shenzhen on 24 May 2019.

## 19. Investment in an associate and a joint venture

| | An associate RMB'000 | A joint venture RMB'000 | Total RMB'000 |
|---|---|---|---|
| **As at 1 January 2018** | 1,006 | – | 1,006 |
| Addition | – | 5,783 | 5,783 |
| Share of operating losses | (16) | (3,059) | (3,075) |
| **As at 31 December 2018** | 990 | 2,724 | 3,714 |
| **As at 1 January 2019** | 990 | 2,724 | 3,714 |
| Share of operating losses | (38) | (2,724) | (2,762) |
| **As at 31 December 2019** | 952 | – | 952 |

As at 31 December 2019, the investment in an associate and a joint venture of the Group were as follows:

| Name | Place of incorporation and operation | % of ownership interest | Principal activities |
|---|---|---|---|
| Shenzhen Jingzhe Internet Technology Co., Ltd. | The PRC | 10% | Trading and network technology development |
| Bosui catering management (Shenzhen) Co., Ltd. | The PRC | 49% | Food & catering management |

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

## 20. Financial instruments by category

The Group holds the following financial instruments:

| Financial assets | Note | At amortised cost RMB'000 | At FVPL RMB'000 | Total RMB'000 |
|---|---|---|---|---|
| **2018** | | | | |
| Financial assets at FVPL | 22 | – | 13,000 | 13,000 |
| Derivative financial instrument | 23 | – | 191,029 | 191,029 |
| Trade and other receivables excluding prepayments | 24 | 193,986 | – | 193,986 |
| Restricted bank deposits | 26 | 40,000 | – | 40,000 |
| Cash and cash equivalents | 27 | 310,634 | – | 310,634 |
| | | 544,620 | 204,029 | 748,649 |
| **2019** | | | | |
| Financial assets at FVPL | 22 | – | 322,660 | 322,660 |
| Trade and other receivables excluding prepayments | 24 | 372,719 | – | 372,719 |
| Restricted bank deposits | 26 | 24,000 | – | 24,000 |
| Cash and cash equivalents | 27 | 62,457 | – | 62,457 |
| | | 459,176 | 322,660 | 781,836 |

| Financial liabilities | Note | Financial liabilities at amortised cost RMB'000 |
|---|---|---|
| **2018** | | |
| Trade and other payables excluding non-financial liabilities | | 359,714 |
| Borrowings | 34 | 8,994 |
| | | 368,708 |
| **2019** | | |
| Lease liabilities | | 1,224,396 |
| Trade and other payables excluding non-financial liabilities | | 130,955 |
| Borrowings | 34 | 251,244 |
| | | 1,606,595 |

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

## 21. Deferred income tax

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

| | 2019 RMB'000 | 2018 RMB'000 |
|---|---|---|
| **As at 31 December 2018** | (8,101) | 16,925 |
| Adjustment on adoption of IFRS 16 (Note 3) | (160,554) | – |
| **As at 1 January 2019** | (168,655) | 16,925 |
| Tax charged to profit or loss (Note 13) | (16,466) | (987) |
| Tax paid in related to the remittance of dividends | – | 589 |
| Tax charged to other comprehensive income (Note 30) | (22,271) | (24,628) |
| **As at 31 December** | (207,392) | (8,101) |

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

| | Deferred tax assets | | | |
|---|---|---|---|---|
| | Accrued expenses, deferred revenue and others RMB'000 | Depreciation on property, plant and equipment RMB'000 | Impairment provision RMB'000 | Total RMB'000 |
| **As at 1 January 2018** | 41,909 | 534 | – | 42,443 |
| Charged to profit or loss | 155 | 5,071 | 1,311 | 6,537 |
| **As at 31 December 2018** | 42,064 | 5,605 | 1,311 | 48,980 |
| Adjustment on adoption of IFRS 16 (Note 3) | (35,467) | – | – | (35,467) |
| **As at 1 January 2019** | 6,597 | 5,605 | 1,311 | 13,513 |
| Charged to profit or loss | 2,313 | (4,890) | (1,148) | (3,725) |
| **As at 31 December 2019** | 8,910 | 715 | 163 | 9,788 |

## 21. Deferred income tax *(continued)*

| | Deferred tax liabilities | | | | |
|---|---|---|---|---|---|
| | Undistributed profits of subsidiaries RMB'000 | Fair value change of investment properties RMB'000 | Accrual on rental income based on the straight-line method RMB'000 | Deferred tax arising from adoption of IFRS 16 RMB'000 | Total RMB'000 |
| **As at 1 January 2018** | 589 | 16,335 | 8,594 | – | 25,518 |
| Tax paid in related to the remittance of dividends | (589) | – | – | – | (589) |
| Charged to other comprehensive income | – | 24,628 | – | – | 24,628 |
| Charged to profit or loss | – | 2,156 | 5,368 | – | 7,524 |
| **As at 31 December 2018** | – | 43,119 | 13,962 | – | 57,081 |
| Adjustment on adoption of IFRS 16 (Note 3) | – | – | (2,667) | 127,754 | 125,087 |
| **As at 1 January 2019** | – | 43,119 | 11,295 | 127,754 | 182,168 |
| Charged to other comprehensive income | – | 22,271 | – | – | 22,271 |
| Charged to profit or loss | – | 16,195 | 1,980 | (5,434) | 12,741 |
| **As at 31 December 2019** | – | 81,585 | 13,275 | 122,320 | 217,180 |

Pursuant to the Corporate Income Tax Law in the PRC, 10% withholding tax is levied on foreign investors (5% for foreign investors who are registered in Hong Kong provided they meet certain criteria) in respect of dividend distributions arising from a foreign investment enterprise's profit earned after 1 January 2008. Deferred tax liabilities of RMB24,368,000 (2018: RMB13,898,000) have not been recognised, in respect of the remaining retained profits generated by its PRC entities subsequent to 31 December 2009 amounting to RMB487,367,000 (2018: RMB277,957,000), because the directors do not intend to declare dividends out of such retained profits to overseas companies in the foreseeable future.

As at 31 December 2019, certain subsidiaries of the Group have not recognised deferred tax assets in respect of cumulative tax losses carried forward of RMB111,379,000 (2018: RMB201,197,000) which will expire within 5 years under the current tax regulation. The cumulative tax losses have not been recognised as a deferred tax asset as it is not probable that future taxable profits against which the losses can be utilised will be available in the relevant tax jurisdiction and entity.

## 22. Financial assets at fair value through profit and loss

| | Unlisted equity securities RMB'000 | Listed equity securities (Note a) RMB'000 | Wealth management products RMB'000 | Total RMB'000 |
|---|---|---|---|---|
| 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 |
| 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 9) | – | (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 23 for further details.

## 23. Derivative financial instrument

| | 2019<br>RMB'000 | 2018<br>RMB'000 |
|---|---|---|
| As at 1 January | 191,029 | – |
| Fair value change recognised in profit or loss (Note 9) | (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 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 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".

## 24. Trade receivables, other receivables, prepayments and contract assets

| | 2019 | | |
|---|---|---|---|
| | Current RMB'000 | Non-current RMB'000 | Total RMB'000 |
| Trade receivables (a) | 31,796 | – | 31,796 |
| Amounts due from related parties (Note 38(e)(ii)) | 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 (Note 29) | 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) (Note 4.1(b)) | (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 RMB'000 | Non-current RMB'000 | Total 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 (Note 29) | 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) (Note 4.1(b)) | – | (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 |

## 24. Trade receivables, other receivables, prepayments and contract assets *(continued)*

### (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<br>RMB'000 | 2018<br>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) (note 4.1(b)).

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 7(a), 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 assets of RMB361,430,000 was recognised since the services income recognised by the Group exceeded the payments received.

## 24. Trade receivables, other receivables, prepayments and contract assets

*(continued)*

(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<br>RMB'000 | 2018<br>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<br>RMB'000 | 2018<br>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.

## 24. Trade receivables, other receivables, prepayments and contract assets *(continued)*

(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 Xiangyao Real Estate Development Company Limited (the "**Target Company**") entered into a capital injection and acquisition agreement (the "**Acquisition Agreement**"), pursuant to which (i) the Vendor has agreed to sell, and the Purchaser has agreed to purchase, the entire equity interest in the Target Company for the consideration of RMB38,000,000 and (ii) the Purchaser has agreed to effect the capital injection of RMB40,000,000 into the Target Company. Apart from the payments of the abovementioned share consideration and capital injection, the Group also paid 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 37(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) 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) (note 4.1(b)).

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

| | 2019<br>RMB'000 | 2018<br>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 |

## 25. Inventories

| | 2019<br>RMB'000 | 2018<br>RMB'000 |
|---|---|---|
| Merchandise held for resale | 13,221 | 41,450 |
| Allowance for obsolescence | (3,567) | (3,567) |
| | 9,654 | 37,883 |

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

| | 2019<br>RMB'000 | 2018<br>RMB'000 |
|---|---|---|
| Carrying amount of inventories sold | 105,505 | 611,059 |
| Allowance for obsolescence | – | 2,708 |
| | 105,505 | 613,767 |

## 26. Restricted bank deposits

| | 2019<br>RMB'000 | 2018<br>RMB'000 |
|---|---|---|
| Bank deposits with initial terms of over three months | 24,000 | 40,000 |

(a) As the issuer of the prepaid cards, the Group should have restricted deposits proportionate to the prepaid cards issued in a certain bank, which is required by the PRC regulator. The balance of restricted deposits for prepaid cards was RMB24,000,000 as at 31 December 2019 (2018: RMB40,000,000). The effective interest rate for the restricted deposit of the Group for the year ended 31 December 2019 was 1.80% (2018:1.95%).

(b) The Group considered that there is no material credit risk inherent in the balance of bank deposits. The directors of the Company considered that the fair value of these bank deposits approximated their carrying amount as at 31 December 2019 and 2018.

## 27. Cash and cash equivalents

| | 2019 RMB'000 | 2018 RMB'000 |
|---|---|---|
| Cash at bank and on hand | 62,457 | 308,629 |
| Bank deposits with initial terms within three months | – | 2,005 |
| | 62,457 | 310,634 |

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

The average effective interest rate on bank deposits with initial terms within three months was 1.07% for the year ended 31 December 2019 (2018: 1.35%).

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

| | Number of ordinary shares (thousand) | Ordinary share capital RMB'000 | Share premium RMB'000 (Note a) | Shares held for share award scheme RMB'000 (Note b) | Total RMB'000 |
|---|---|---|---|---|---|
| **As at 1 January 2018** | 2,495,000 | 213,908 | 842,508 | (5,641) | 1,050,775 |
| Dividends to equity shareholders (Note 35) | – | – | (18,000) | – | (18,000) |
| Employees' share award scheme | | | | | |
| – shares held for restricted share award scheme | – | – | – | (4,579) | (4,579) |
| – shares vested from share award scheme and transferred to the grantees | – | – | (2,370) | 7,805 | 5,435 |
| **As at 31 December 2018** | 2,495,000 | 213,908 | 822,138 | (2,415) | 1,033,631 |
| **As at 1 January 2019** | 2,495,000 | 213,908 | 822,138 | (2,415) | 1,033,631 |
| Dividends to equity shareholders (Note 35) | – | – | (28,779) | – | (28,779) |
| Employees' share award scheme | | | | | |
| – shares vested from share award scheme and transferred to the grantees | – | – | (90) | 1,244 | 1,154 |
| **As at 31 December 2019** | 2,495,000 | 213,908 | 793,269 | (1,171) | 1,006,006 |

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

*(continued)*

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

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

## 29. Share-based payments

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

The Share Award Scheme is managed by an independent trustee ("**Trustee**") appointed by the Group. The Trustee purchases the award shares under the direction of the Company for the purpose of the Share Award Scheme. During the year ended 31 December 2019, the Company did not give directions to the Trustee to acquire more ordinary shares of the Company. During the year ended 31 December 2018, the Company gave directions to the Trustee to acquire 3,692,000 more ordinary shares of the Company for a total consideration of HKD5,226,000 (approximately RMB4,579,000).

Movement of shares held for share award scheme for the year ended 31 December 2019 and 31 December 2018 are as follows:

| | Number of Shares (thousand) | Amount RMB'000 |
|---|---|---|
| As at 1 January 2018 | 12,237 | 5,641 |
| Purchase of Award Shares | 3,692 | 4,579 |
| Vesting of Award Shares | (11,540) | (7,805) |
| As at 31 December 2018 | 4,389 | 2,415 |

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

## 29. Share-based payments *(continued)*

(a) *(continued)*

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

(b) Movements of the Award Shares granted to the employees for the years ended 31 December 2019 and 31 December 2018 are as follows:

| | Shares granted on 26 September 2018 (thousand) | Shares granted on 20 January 2017 (thousand) | Shares granted on 17 December 2015 (thousand) | Shares granted on 13 July 2015 (thousand) | Total (thousand) |
|---|---|---|---|---|---|
| **As at 1 January 2018** | – | 7,134 | 3,778 | 6,411 | 17,323 |
| Granted during the period | 250 | – | – | – | 250 |
| Forfeited during the period | – | (656) | (738) | (79) | (1,473) |
| Vested during the period | (250) | (2,378) | (3,040) | (6,122) | (11,790) |
| **As at 31 December 2018** | – | 4,100 | – | 210 | 4,310 |
| **As at 1 January 2019** | – | 4,100 | – | 210 | 4,310 |
| Forfeited during the period | – | (310) | – | – | (310) |
| Vested during the period | – | (2,050) | – | (210) | (2,260) |
| **As at 31 December 2019** | – | 1,740 | – | – | 1,740 |

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

| | 2019 RMB'000 | 2018 RMB'000 |
|---|---|---|
| Employees (excluding directors) | 204 | 1,612 |
| Directors (Note 41(a)) | – | 266 |
| Total employees benefit expenses (Note 11) | 204 | 1,878 |

## 30. Other reserves

| | Statutory reserve RMB'000 (Note a) | Merger reserve RMB'000 (Note b) | Revaluation surplus RMB'000 | Currency translation reserve RMB'000 | Share-based compensation reserve RMB'000 | Other RMB'000 | Total RMB'000 |
|---|---|---|---|---|---|---|---|
| **As at 1 January 2018** | 107,590 | 107,372 | 33,502 | 108 | 5,593 | – | 254,165 |
| Appropriation to statutory reserves (Note 31) | 790 | – | – | – | – | – | 790 |
| Revaluation of property, plant and equipment transfer to investment properties (Note 15) | – | – | 98,512 | – | – | – | 98,512 |
| Revaluation-deferred tax (Note 21) | – | – | (24,628) | – | – | – | (24,628) |
| Employees' share award scheme: | | | | | | | |
| – Value of employee services (Note 29) | – | – | – | – | 1,878 | – | 1,878 |
| – Vesting of shares (Note 29) | – | – | – | – | (5,435) | – | (5,435) |
| Currency translation differences | – | – | – | (546) | – | – | (546) |
| **As at 31 December 2018** | 108,380 | 107,372 | 107,386 | (438) | 2,036 | – | 324,736 |
| Appropriation to statutory reserves (Note 31) | 34,347 | – | – | – | – | – | 34,347 |
| Revaluation of property, plant and equipment transfer to investment properties (Note 15) | – | – | 89,082 | – | – | – | 89,082 |
| Revaluation-deferred tax (Note 21) | – | – | (22,271) | – | – | – | (22,271) |
| Non-controlling interest on acquisition of subsidiary | – | – | – | – | – | (25) | (25) |
| Contribution from a shareholder (Note 38(d)(iii)) | – | – | – | – | – | 2,410 | 2,410 |
| Employees' share award scheme: | | | | | | | |
| – Value of employee services (Note 29) | – | – | – | – | 204 | – | 204 |
| – Vesting of shares (Note 29) | – | – | – | – | (1,154) | – | (1,154) |
| Currency translation differences | – | – | – | (22) | – | – | (22) |
| **As at 31 December 2019** | 142,727 | 107,372 | 174,197 | (460) | 1,086 | 2,385 | 427,307 |

(a) Statutory reserves were established in accordance with the relevant PRC rules and regulations and the articles of association of the companies comprising the Group which are incorporated in the PRC. Appropriations to the reserves were approved by the respective boards of directors' meeting. For the entity concerned, statutory reserves can be used to make good previous years' losses, if any, and may be converted into capital in proportion to the existing equity interests of investors, provided that the balance of the reserve after such conversion is not less than 25% of the entity's registered capital. In 2019, RMB34,347,000 (2018: RMB790,000) was appropriated to statutory reserve.

## 30. Other reserves *(continued)*

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

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

## 31. Retained profits

| | RMB'000 |
|---|---|
| **As at 1 January 2018** | 85,762 |
| Profit for the year | 109,851 |
| Appropriation to reserves | (790) |
| **As at 31 December 2018** | 194,823 |
| Adjustment on adoption of IFRS 16, net of tax (Note 3.2) | 489,550 |
| **As at 1 January 2019** | 684,373 |
| Profit for the year | 136,811 |
| Appropriation to reserves (Note 30) | (34,347) |
| **As at 31 December 2019** | 786,837 |

## 32. Trade and other payables

| | 2019<br>RMB'000 | 2018<br>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 (a) | 4,504 | 70,197 |
| Accrual for legal claims (Note 39) | 573 | 3,451 |
| Amount due to a related party (Note 38(e)(i)) | 201 | 181 |
| Rental payables (b) | – | 149,758 |
| Other payables and accruals | 45,946 | 66,174 |
| | 185,340 | 410,920 |

## 32. Trade and other payables *(continued)*

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

| | 2019<br>RMB'000 | 2018<br>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 |

(b) 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 IFRS 16 (note 3.2).

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

## 33. Contract liabilities

| | 2019<br>RMB'000 | 2018<br>RMB'000 |
|---|---|---|
| Advances received from customers (a) | 91,533 | 144,222 |
| Deferred income (b) | 20,512 | 22,711 |
| | 112,045 | 166,933 |

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

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

## 34. Borrowings

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

(a) 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 by 31 December 2019, the weighted average effective interest rate was 6.25% per annum.

(b) 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: 15.00%) per annum.

(c) 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 |

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

## 35. 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.

| | 2019<br>RMB'000 | 2018<br>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 |

## 36. Cash (used in)/generated from operations

### (a) Net cash used in operations

| | 2019 RMB'000 | 2018 RMB'000 |
|---|---|---|
| Profit before income tax | 268,393 | 112,833 |
| Adjustments for: | | |
| Depreciation (Note 16) | 33,269 | 88,652 |
| Amortisation of intangible assets (Note 17) | 4,369 | 5,019 |
| Provision for inventories (Note 25) | – | 2,973 |
| Net impairment losses on financial and contract assets (Note 10) | 751 | 2,662 |
| Loss on disposals of property, plant and equipment (Note 9) | 620 | 3,674 |
| Loss on disposals of intangible assets (Note 9) | 29 | 2,849 |
| Share of losses of an associate and a joint venture (Note 19) | 2,762 | 3,075 |
| Fair value change on FVPL (Note 9) | 10,498 | 378 |
| Net fair value gain on investment properties (Note 9) | 21,272 | (8,625) |
| Change in fair value on a derivative financial instrument (Note 9) | 121,349 | (191,029) |
| Interest income (Note 12) | (12,445) | (3,466) |
| Interest expenses (Note 12) | 74,518 | 19,363 |
| Share-based compensation expenses (Note 29) | 204 | 1,878 |
| Changes in working capital (excluding the effect of acquisition and currency translation differences on consolidation): | | |
| Inventories | 28,229 | 101,046 |
| Trade and other receivables | (426,701) | (48,095) |
| Trade and other payables | (134,506) | (272,497) |
| Net cash used in operations | (7,389) | (179,310) |

## 36. Cash (used in)/generated from operations

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

| | 2019 RMB'000 | 2018 RMB'000 |
|---|---|---|
| Net book amount disposal of property, plant and equipment (Note 16) | 1,386 | 33,972 |
| Loss on disposals of property, plant and equipment (Note 9) | (620) | (3,674) |
| Other receivables from Hema | – | (29,899) |
| Proceeds from disposals of property, plant and equipment | 766 | 399 |

(c) Reconciliation of liabilities arising from financing activities

| | Borrowings RMB'000 | Lease liabilities RMB'000 | Total RMB'000 |
|---|---|---|---|
| **Debt as at 1 January 2018** | – | – | – |
| Cash flows | 14,520 | – | 14,520 |
| Foreign exchanges adjustments | (5,526) | – | (5,526) |
| **Debt as at 31 December 2018** | 8,994 | – | 8,994 |
| Recognised on adoption of HKFRS 16 (Note 3) | – | 1,281,308 | 1,281,308 |
| **Debt as at 1 January 2019** | 8,994 | 1,281,308 | 1,290,302 |
| Cash flows | 242,250 | (119,651) | 122,599 |
| Interest expenses on operating leases as the lessee ( Note 12) | – | 62,739 | 62,739 |
| **Debt as at 31 December 2019** | 251,244 | 1,224,396 | 1,475,640 |

## 37. Commitments

### (a) Capital commitments

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

| | 2019<br>RMB'000 | 2018<br>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 (Note 24(e)) | 70,150 | – |
| Acquisition of TFG shares (Note 23(a)) | – | 260,038 |
| | 303,715 | 492,227 |
| **Later than one year:** | | |
| Acquisition of the Target Company (Note 24(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<br>RMB'000 | 2018<br>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 |

## 38. Related party transactions

### (a) Parent entities

The Group is controlled by the following entities:

| Name | Type | Place of incorporation | Ownership interest |
|---|---|---|---|
| Shirble Department Store Limited | Immediate parent entity | The British Virgin Islands | 55.07% |
| Xiang Rong Investment Limited | Ultimate parent entity | The British Virgin Islands | 55.07% |

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

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

| Name | Relationship |
|---|---|
| Shenzhen Ruizhuo Investment Development Company Limited ("**Ruizhuo Investment**") | Owned in equal shares by Mr. Yang Xiangbo's nephew and niece |
| Luhe County Shirble Inn ("**Shirble Inn**") | Controlled by Mr. Yang Xiangbo |
| SRF | Ultimately controlled by Mr. Yang Xiangbo |
| HXL | Ultimately controlled by Mr. Yang Xiangbo |

### (b) Subsidiaries

Interests in subsidiaries are set out in note 18.

### (c) Key management personnel compensation

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

| | 2019 RMB'000 | 2018 RMB'000 |
|---|---|---|
| Basic salaries and allowances | 36,861 | 17,230 |
| Bonuses | 1,531 | 1,484 |
| Contributions to the retirement scheme | 77 | 63 |
| Share-based compensation expenses | – | 242 |
| | 38,469 | 19,019 |

## 38. Related party transactions *(continued)*

### (d) Transactions with other related parties

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

#### (i) Rental expenses paid to related parties

| | 2019 RMB'000 | 2018 RMB'000 |
|---|---|---|
| Ruizhuo Investment | 20 | 20 |

The Group entered into lease agreements in respect of certain leasehold properties with related parties of the Group for their use as a retail shops, a training center and employee dormitories.

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

| | 2019 RMB'000 | 2018 RMB'000 |
|---|---|---|
| SRF | 422,351 | – |
| HXL | 71,492 | – |
| | 493,843 | – |

#### (iii) Loan from a shareholder

| | 2019 RMB'000 | 2018 RMB'000 |
|---|---|---|
| Mr. Yang Xiangbo | 220,000 | – |

The Group obtained an interest free loan amounted to RMB220,000,000 from the controlling shareholder of the Company, Mr. Yang Xiangbo in January 2019 and repaid the same in March 2019. A deemed interest expense of RMB2,410,000 was recognised in the profit or loss (note 12) and correspondingly credited to other reserves as contribution from a shareholder (note 30).

## 38. Related party transactions *(continued)*

### (e) Outstanding balances with related parties

#### (i) Amount due to a related party

| | 2019<br>RMB'000 | 2018<br>RMB'000 |
|---|---|---|
| Ruizhuo Investment | 201 | 181 |

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

#### (ii) Amount due from related parties

| | 2019<br>RMB'000 | 2018<br>RMB'000 |
|---|---|---|
| Contract assets (Note 24) | | |
| SRF | 300,171 | – |
| HXL | 61,259 | – |
| | 361,430 | – |
| Other receivables (Note 24) | | |
| SRF | 46,716 | – |
| HXL | 9,533 | – |
| | 56,249 | – |

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

## 39. Contingent liabilities

Certain suppliers have commenced legal proceedings in the PRC against the Group in respect of disputes over contract terms and trademark infringement claim. As at 31 December 2019, the legal proceedings were ongoing. The Group has made an accumulated provision of approximately RMB573,000 (2018: RMB3,451,000), which the directors believe is adequate to cover the amounts, if any, payable in respect of these claims. Provision of RMB2,878,000 was written back and credited to "Other gains – net" (note 9) during the year since the corresponding legal proceedings were closed without any compensation required to be paid.

## 40. Balance sheet and reserve movement of the Company

| Balance sheet of the Company | Notes | 2019 RMB'000 | 2018 RMB'000 |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Investments in subsidiaries | | 872,799 | 872,799 |
| **Current assets** | | | |
| Trade and other receivables | | 708,317 | 410,341 |
| Cash and cash equivalents | | 8,484 | 271,267 |
| | | 716,801 | 681,608 |
| **Total assets** | | 1,589,600 | 1,554,407 |
| **EQUITY** | | | |
| Share capital | | 213,908 | 213,908 |
| Share premium | | 793,269 | 822,138 |
| Shares held for share award scheme | (a) | (1,171) | (2,415) |
| Other reserves | (b) | 109,062 | 109,818 |
| Accumulated loss | (b) | (173,426) | (121,189) |
| **Total equity** | | 941,642 | 1,022,260 |
| **LIABILITIES** | | | |
| **Current liabilities** | | | |
| Trade and other payables | | 639,025 | 523,153 |
| Borrowings | | 8,933 | 8,994 |
| **Total liabilities** | | 647,958 | 532,147 |
| **Total equity and liabilities** | | 1,589,600 | 1,554,407 |

The balance sheet of the Company was approved by the Board of Directors on 30 March 2020 and was signed on its behalf.

**Yang Xiangbo**
*Director*

**Hao Jian Min**
*Director*

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

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

### (b) Reserve movement of the Company

| | Other reserves | | | | | |
|---|---|---|---|---|---|---|
| | Merger reserve RMB'000 | Capital redemption reserve RMB'000 | Share-based compensation reserve RMB'000 | Accumulated loss RMB'000 | Other RMB'000 | Total RMB'000 |
| **As at 31 December 2018** | 107,372 | 410 | 2,036 | (121,189) | – | (11,371) |
| Contribution from a shareholder | – | – | – | – | 194 | 194 |
| Share award scheme | | | | | | |
| – Value of employee services (Note 25) | – | – | 204 | – | – | 204 |
| – Vesting of shares | – | – | (1,154) | – | – | (1,154) |
| Loss for the year | – | – | – | (52,190) | – | (52,190) |
| **As at 31 December 2019** | 107,372 | 410 | 1,086 | (173,379) | 194 | (64,317) |

## 41. Benefits and interests of directors

### (a) Directors' emoluments

The remuneration of every director is set out below:

For the year ended 31 December 2019:

| Name of director | Fees RMB'000 | Salary allowances and benefits RMB'000 | Retirement schemes contributions RMB'000 | Bonus RMB'000 | Share-based compensation expenses RMB'000 (Note 29(c)) | Total RMB'000 |
|---|---|---|---|---|---|---|
| **Executive directors** | | | | | | |
| Mr. Yang Xiangbo | – | 1,266 | 16 | – | – | 1,282 |
| Mr. Hao Jianmin (ii) | – | 24,400 | 16 | – | – | 24,416 |
| Mr. Yang Tiwei (i) | 853 | 2,162 | 13 | 180 | – | 3,208 |
| | | | | | | |
| **Independent non-executive directors** | | | | | | |
| Chen Fengliang | 264 | – | – | – | – | 264 |
| Jiang Hongkai | 264 | – | – | – | – | 264 |
| Fok Heiyu | 264 | – | – | – | – | 264 |
| Zhao Jinlin (iii) | 66 | – | – | – | – | 66 |
| | 1,711 | 27,828 | 45 | 180 | – | 29,764 |

(iii) Zhao Jinlin resigned on 3 April 2019.

## 41. Benefits and interests of directors *(continued)*

### (a) Directors' emoluments *(continued)*

For the year ended 31 December 2018:

| Name of director | Fees RMB'000 | Salary allowances and benefits RMB'000 | Retirement schemes contributions RMB'000 | Bonus RMB'000 | Share-based compensation expenses RMB'000 (Note 29(c)) | Total RMB'000 |
|---|---|---|---|---|---|---|
| **Executive directors** | | | | | | |
| Mr. Yang Xiangbo | – | 1,219 | 15 | – | – | 1,234 |
| Mr. Hao Jianmin (ii) | – | 5,361 | 5 | – | 195 | 5,561 |
| Mr. Yang Tiwei (i) | 254 | 2,163 | 13 | 180 | 71 | 2,681 |
| **Independent non-executive directors** | | | | | | |
| Zhao Jinlin (iii) | 254 | – | – | – | – | 254 |
| Chen Fengliang | 254 | – | – | – | – | 254 |
| Jiang Hongkai | 254 | – | – | – | – | 254 |
| Fok Heiyu | 254 | – | – | – | – | 254 |
| | 1,270 | 8,743 | 33 | 180 | 266 | 10,492 |

(i) Mr. Yang Tiwei is the chief executive officer of the Company.

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

### (b) Directors' retirement benefits

No retirement benefits were paid to or receivable by directors' services in connection with the management of the affairs of the Company or its subsidiary undertaking (2018: nil).

### (c) Directors' termination benefits

During the year ended 31 December 2019, no payments to the directors of the Company as compensation for the early termination of the appointment (2018: nil).

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

No significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year (2018: nil).

## 41. Benefits and interests of directors *(continued)*

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

During the year ended 31 December 2019, there were no considerations provided to or receivable by any third party for making available the services of a person as a director of the Company (2018: nil).

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

During the year ended 31 December 2019, there were no loans, quasi-loans or other dealings in favour of directors of the Company, controlled bodies corporate by and connected entities with such directors (2018: nil).

## 42. 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 according 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.

## 42. Events occurring after the reporting period *(continued)*

### (a) Impact of the Coronavirus Disease 2019 *(continued)*

#### (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 15). 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.

# CORPORATE INFORMATION

## Directors

### Executive Directors:

YANG Xiangbo *(Co-Chairman)*
HAO Jian Min *(Co-Chairman)*
YANG Ti Wei *(Chief Executive Officer)*

### Independent non-executive Directors:

CHEN Fengliang
JIANG Hongkai
FOK Hei Yu

## Audit committee of the Board

FOK Hei Yu *(Chairperson, appointed on 3 April 2019)*
Zhao Jinlin *(Chairperson, resigned on 3 April 2019)*
CHEN Fengliang
JIANG Hongkai

## Remuneration committee of the Board

CHEN Fengliang *(Chairperson)*
YANG Xiangbo
JIANG Hongkai
FOK Hei Yu

## Nomination committee of the Board

JIANG Hongkai *(Chairperson)*
YANG Xiangbo
FOK Hei Yu
Zhao Jinlin *(resigned on 3 April 2019)*

## Company secretary

CHAN Chore Man, Germaine, CPA

## Authorised representatives

YANG Xiangbo
CHAN Chore Man, Germaine, CPA

## Auditors

PricewaterhouseCoopers
22nd Floor, Prince's Building
10 Chater Road
Central, Hong Kong

## Hong Kong legal advisors

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

## Principal bankers

### In China

Industrial and Commercial Bank of China
China Construction Bank
Ping An Bank
Guangdong Huaxing Bank
Huaxia Bank
China Merchants Bank

### In Hong Kong

The Hongkong and Shanghai Banking Corporation Limited
Hang Seng Bank Limited
DBS Bank Limited
UBS AG

# CORPORATE INFORMATION

## Principal share registrar and transfer agent in the Cayman Islands

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

## Hong Kong share registrar

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

## Registered office

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

## Principal place of business and headquarter in PRC

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

## Place of business in Hong Kong

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

## Company's website

www.shirble.net

## Stock code

00312.HK