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Shirble Department Store Holdings (China) Limited
歲寶百貨控股(中國)有限公司
(Incorporated in the Cayman Islands with limited liability)
(Stock code: 00312)

INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 JUNE 2023

The following sets forth a summary of the unaudited condensed consolidated results of the Group for the six months ended 30 June 2023:

- Revenue was RMB91.9 million, representing an increase of 2.0%, as compared to RMB90.1 million for the same period in 2022;
- Operating loss was RMB50.1 million, as compared to operating loss of RMB97.9 million for the same period in 2022;
- Loss attributable to owners of the Company was RMB63.9 million, as compared to loss attributable to owners of the Company of RMB129.4 million for the same period in 2022;
- Basic loss per share was RMB0.03 as compared to basic loss per share of RMB0.05 for the same period in 2022; and
- Net asset value per share as of 30 June 2023 and 31 December 2022 were RMB0.42 and RMB0.45, respectively.

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2023

The following sets forth the unaudited condensed consolidated results of Shirble Department Store Holdings (China) Limited (the “**Company**”) and its subsidiaries (collectively, the “**Group**”) for the six months ended 30 June 2023, together with the comparative figures for the six months ended 30 June 2022.

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT

		Six months ended 30 June	
		2023	2022
	<i>Note</i>	RMB'000	RMB'000
		(unaudited)	(unaudited)
Revenue	5	91,931	90,122
Other operating revenue	6	17,526	15,749
Other gains – net	7	1,669	3,935
Fair value losses on investment properties	13	(46,964)	(110,604)
Purchase of and changes in inventories	8	(3,027)	(2,991)
Employee benefit expenses	8	(21,383)	(26,165)
Depreciation and amortisation expenses	8	(1,953)	(6,971)
Net impairment losses on financial assets	8	(747)	(10,872)
Impairment loss on prepayment	8	(55,900)	–
Other operating expenses – net	8	(31,276)	(50,130)
Operating loss		(50,124)	(97,927)
Finance income	9	9,169	5,088
Finance costs	9	(34,498)	(44,727)
Finance costs – net	9	(25,329)	(39,639)
Loss before income tax		(75,453)	(137,566)
Income tax credit	10	2,848	7,904
Loss for the period		(72,605)	(129,662)
Loss attributable to:			
Owners of the Company		(63,885)	(129,432)
Non-controlling interests		(8,720)	(230)
Loss for the period		(72,605)	(129,662)
Loss per share for the loss attributable to owners of the Company during the period (expressed in RMB per share)			
– Basic and diluted	11	(0.03)	(0.05)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six months ended 30 June	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)
Loss for the period	<u>(72,605)</u>	<u>(129,662)</u>
Other comprehensive (loss)/income:		
<i>Item that may be reclassified to profit or loss:</i>		
Currency translation differences	(3,228)	(2,411)
<i>Item that will not be reclassified to profit or loss:</i>		
Change in fair value of investment properties upon transfer, net of tax	<u>18,403</u>	<u>–</u>
Other comprehensive income/(loss) for the period	<u>15,175</u>	<u>(2,411)</u>
Total comprehensive loss for the period	<u>(57,430)</u>	<u>(132,073)</u>
Attributable to:		
Owners of the Company	(48,710)	(131,843)
Non-controlling interests	<u>(8,720)</u>	<u>(230)</u>
Total comprehensive loss for the period	<u>(57,430)</u>	<u>(132,073)</u>

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

		As at 30 June 2023	As at 31 December 2022
	<i>Note</i>	<u>RMB'000</u>	<u>RMB'000</u>
		(unaudited)	(audited)
ASSETS			
Non-current assets			
Investment properties	<i>13</i>	1,837,484	1,685,247
Property, plant and equipment	<i>14</i>	23,245	199,784
Intangible assets		391	497
Deferred income tax assets		41,789	42,001
Trade receivables, other receivables and prepayments	<i>16</i>	384,945	247,938
		<u>2,287,854</u>	<u>2,175,467</u>
Current assets			
Inventories		3,032	3,128
Financial assets at fair value through profit or loss	<i>15</i>	4,426	4,288
Trade receivables, other receivables and prepayments	<i>16</i>	64,931	271,979
Properties held for sale	<i>17</i>	350,000	350,000
Restricted bank deposits		16,836	16,870
Cash and cash equivalents		61,051	77,954
		<u>500,276</u>	<u>724,219</u>
Total assets		<u>2,788,130</u>	<u>2,899,686</u>
EQUITY			
Share capital		213,908	213,908
Share premium		750,992	750,992
Other reserves		454,947	439,772
Accumulated losses		(360,197)	(296,312)
Equity attributable to the owners of the Company		<u>1,059,650</u>	<u>1,108,360</u>
Non-controlling interests		<u>(569)</u>	<u>8,151</u>
Total equity		<u>1,059,081</u>	<u>1,116,511</u>

		As at 30 June 2023 <i>RMB'000</i> (unaudited)	As at 31 December 2022 <i>RMB'000</i> (audited)
	<i>Note</i>		
LIABILITIES			
Non-current liabilities			
Lease liabilities		601,622	633,660
Deferred income tax liabilities		88,941	85,867
Borrowings	20	66,667	266,361
		757,230	985,888
Current liabilities			
Lease liabilities		49,306	58,186
Trade and other payables	18	185,482	185,653
Contract liabilities	19	36,098	31,110
Borrowings	20	498,346	319,697
Income tax payable		202,587	202,641
		971,819	797,287
Total liabilities		1,729,049	1,783,175
Total equity and liabilities		2,788,130	2,899,686

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

1. GENERAL INFORMATION

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

The Company is principally engaged in investment holding. The principal activities of the Group are department store operations and property development in The People's Republic of China (the "PRC").

2. BASIS OF PREPARATION

This interim condensed consolidated financial information for the six months ended 30 June 2023 ("the interim period") has been prepared in accordance with International Accounting Standard ("IAS") 34 "Interim Financial Reporting". The interim condensed consolidated financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2022, which have been prepared in accordance with International Financial Reporting Standards ("IFRS").

Use of going concern basis

In preparing the unaudited condensed consolidated financial statements, the directors of the Company (the "Directors") have given careful consideration to the future liquidity of the Group and cash flows of the Group in assessing whether the Group will have sufficient resources to continue as a going concern. While recognising that the Group had net current liabilities of approximately RMB472 million as at 30 June 2023 and incurred a net loss of approximately RMB73 million for the six months then ended, the Directors are of the opinion that the plans and measures which have been taken can help to mitigate the liquidity pressure and to improve its financial position. Such plans and measures include but not limited to those mentioned below.

- (i) The Group is contemplating disposal of the Group's property held for sale with a carrying value of RMB350 million as at 30 June 2023 and is continuing to negotiate with any potential buyers as well as to explore any alternative possible solutions. The Group's properties held for sale is pledged as security for the Group's outstanding secured bank borrowing of approximately RMB254 million under its loan facility of RMB300 million (the "Loan Facility"), which will expire in November 2023. It is expected that the disposal of property held for sale will generate sufficient proceeds for the repayment of the outstanding secured bank borrowings. Further extension of the Loan Facility will be negotiated with the bank if the disposal could not be completed as planned before the expiry of the Loan Facility.

- (ii) As at 30 June 2023, the Group had unused banking facilities of RMB66 million. The Group will closely monitor the repayment of its bank borrowings and will seek for extension and renewal of its existing bank borrowings upon their maturity. The Group's long-term secured borrowings mainly include RMB196 million to be repayable in the first quarter of 2024. Management is confident that the Group will be successful in the extension and renewal of its bank borrowings as most of these borrowings are fully secured by the Group's investment properties.
- (iii) The Group will also seek for banking facilities to provide further funding for the Group's operation, if needed. Management expects that the Group will be able to obtain new banking facilities with the Group's assets which are available to be pledged as security. The Group will also consider to further dispose of other assets to generate more cash inflows, if needed.
- (iv) The Group will continue to implement plans and measures to improve the operation performance of the department store business to generate operating cash inflow.

The Directors have reviewed the Group's cash flow projections prepared by management, which cover not less than twelve months from 30 June 2023. In the opinion of the Directors, in light of the above plans and measures and the anticipated cash flows to be generated from the Group's operations, the Group will have sufficient financial resources to satisfy its future working capital requirements as and when they fall due in the coming twelve months from 30 June 2023. Accordingly, the Directors consider that it is appropriate to prepare the consolidated financial statements on a going concern basis.

3. CHANGES IN ACCOUNTING POLICIES

The accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2022, as described in those annual financial statements, except for the adoption of amendments to IFRSs effective for the financial year beginning on 1 January 2023.

(a) New and amended standards adopted by the Group

		Effective for annual periods beginning on or after
IFRS 17	Insurance Contracts	January 1, 2023
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	January 1, 2023
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies	January 1, 2023
Amendments to IAS 8	Definition of Accounting Estimates	January 1, 2023

Amendments to IFRSs effective for the financial year ending 31 December 2023 do not have a material impact on the Group.

(b) Impact of standards issued but not yet applied by the Group

The following new standards and amendments to existing standards that have been issued but not effective for the six months ended 30 June 2023 and have not been early adopted:

		Effective for annual periods beginning on or after
Amendments to IAS 1	Non-current liabilities with covenants	1 January 2024
Amendments to IFRS 16	Lease liability in sale and leaseback	1 January 2024
Amendments to IFRS 10 and IAS 28	Sale or contribution of assets between an investor and its associate or joint venture	No mandatory effective date yet determined but available for adoption

The Group is yet to assess the impact of the above new standards and amendments to existing standards on the Group's interim condensed consolidated financial statements.

4. SEGMENT INFORMATION

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

- Department store business – operation of department stores; and
- Others – property business and 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 from the market in PRC. No geographical information is therefore presented.

The segment information is as follows:

	Six months ended 30 June 2023		
	Department		
	store business	Others	Group
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Revenue	91,931	–	91,931
Revenue from contracts with customers			
At a point in time	3,182	–	3,182
Revenue from other sources			
Rental income	88,749	–	88,749
Other operating revenue	17,526	–	17,526
Other gains – net	1,656	13	1,669
Fair value losses on investment properties	(46,964)	–	(46,964)
Purchase of and changes in inventories	(3,027)	–	(3,027)
Employee benefit expenses	(18,390)	(2,993)	(21,383)
Depreciation and amortisation expenses	(1,738)	(215)	(1,953)
Net impairment losses on financial assets	(747)	–	(747)
Impairment loss on prepayment	–	(55,900)	(55,900)
Other operating expenses, net	(29,508)	(1,768)	(31,276)
Operating profit/(loss)	10,739	(60,863)	(50,124)
Finance income	4,520	4,649	9,169
Finance costs	(27,416)	(7,082)	(34,498)
Finance costs – net	(22,896)	(2,433)	(25,329)
Loss before income tax	(12,157)	(63,296)	(75,453)
Income tax credit	2,848	–	2,848
Loss for the period	(9,309)	(63,296)	(72,605)

Six months ended 30 June 2022

	Department store business	Others	Group
	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>
Revenue	90,122	–	90,122
Revenue from contracts with customers			
At a point in time	3,347	–	3,347
Revenue from other sources			
Rental income	86,775	–	86,775
Other operating revenue	15,749	–	15,749
Other gains - net	3,407	528	3,935
Fair value losses on investment properties	(110,604)	–	(110,604)
Purchase of and changes in inventories	(2,991)	–	(2,991)
Employee benefit expenses	(24,028)	(2,137)	(26,165)
Depreciation and amortisation expenses	(6,329)	(642)	(6,971)
Net impairment losses on financial assets	(10,872)	–	(10,872)
Other operating expenses, net	(41,065)	(9,065)	(50,130)
Operating loss	<u>(86,611)</u>	<u>(11,316)</u>	<u>(97,927)</u>
Finance income	5,083	5	5,088
Finance costs	(35,032)	(9,695)	(44,727)
Finance costs - net	<u>(29,949)</u>	<u>(9,690)</u>	<u>(39,639)</u>
Loss before income tax	(116,560)	(21,006)	(137,566)
Income tax credit	7,517	387	7,904
Loss for the period	<u>(109,043)</u>	<u>(20,619)</u>	<u>(129,662)</u>

5. REVENUE

	Six months ended 30 June	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Rental income	88,749	86,775
Direct sales	3,182	3,347
	<u>91,931</u>	<u>90,122</u>

6. OTHER OPERATING REVENUE

	Six months ended 30 June	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Promotion, administration and management income	11,400	15,019
Credit card handling fees for concessionaire sales	257	668
Government grants and tax incentives	5,869	62
	<u>17,526</u>	<u>15,749</u>

7. OTHER GAINS – NET

	<i>Note</i>	Six months ended 30 June	
		2023	2022
		<i>RMB'000</i>	<i>RMB'000</i>
Gain from rent concession	<i>(a)</i>	882	5,478
Deposit forfeited for termination of lease agreements		449	4,813
Fair value change on financial assets at FVPL (<i>Note 15</i>)		–	2,023
Reversal/(accrual) of legal claims		322	(1,386)
Loss from the change of sublease agreement	<i>(b)</i>	–	(8,459)
Others		16	1,466
		<u>1,669</u>	<u>3,935</u>

Notes:

- (a) Certain lessors agreed to offer rent concession to the Group, without changing the lease contracts. The Group recognised a gain of RMB882,000 (period ended 30 June 2022: RMB5,478,000) of such rent concession for the period ended 30 June 2023 with a corresponding reduction in the lease liabilities.
- (b) For the period ended 30 June 2022, the Group signed an overall sublease agreement of Shajing Store, and a net loss of RMB8,459,000 was recognised from the decrease in lease receivables.

8. EXPENSES BY NATURE

	Six months ended 30 June	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Purchase of and changes in inventories	3,027	2,991
Employee benefit expenses	21,383	26,165
Depreciation and amortisation expenses	1,953	6,971
Net impairment losses on financial assets	747	10,872
Impairment loss on prepayment (<i>Note 16c</i>)	55,900	–
Utilities	24,168	26,543
Advertising costs	499	1,273
Business travel expenses	2,338	2,785
Cleaning fee	1,299	1,835
Other tax expenses	3,943	4,294
Fee paid to auditors for other professional service	600	600
Net foreign exchange (gains)/losses	(6,565)	2,893
Other expenses	4,994	9,907
	<u>114,286</u>	<u>97,129</u>

9. FINANCE INCOME AND COSTS

	Six months ended 30 June	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Finance income		
Interest income from finance leases	4,306	4,663
Interest income from a related party	4,472	–
Interest income from bank deposits	391	425
	<u>9,169</u>	<u>5,088</u>
Finance costs		
Interest expenses on operating leases as the lessee	(17,359)	(24,789)
Interest expenses on bank loans	(17,139)	(19,938)
	<u>(34,498)</u>	<u>(44,727)</u>
Finance costs – net	<u>(25,329)</u>	<u>(39,639)</u>

10. INCOME TAX CREDIT

	Six months ended 30 June	
	2023	2022
	<u>RMB'000</u>	<u>RMB'000</u>
Current income tax		
– PRC corporate income tax	–	–
Deferred income tax	<u>(2,848)</u>	<u>(7,904)</u>
	<u>(2,848)</u>	<u>(7,904)</u>

Notes:

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

11. LOSS PER SHARE

(a) Basic loss per share

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

	Six months ended 30 June	
	2023	2022
	<u></u>	<u></u>
Loss attributable to owners of the Company (in RMB thousands)	(63,885)	(129,432)
Weighted average number of ordinary shares in issue (thousands)	<u>2,495,000</u>	<u>2,494,742</u>
Basic loss per share (RMB per share)	<u>(0.03)</u>	<u>(0.05)</u>

- (b) Diluted loss per share is calculated by adjusting the weighted average number of ordinary shares outstanding on an assumption of conversion of all dilutive potential ordinary shares arising from awarded shares granted by the Company. The Group had no potentially dilutive ordinary shares in issue during the period ended 30 June 2023, so the diluted earnings per share equals the basic earnings per share. The awarded shares granted are not included in the calculation of diluted loss per share because they are antidilutive and no awarded share remains unexercised for the period ended 30 June 2022.

12. DIVIDENDS

The Board does not recommend any final dividend and interim dividend for the year ended 31 December 2022 and for the six months ended 30 June 2023.

13. INVESTMENT PROPERTIES

	<i>Note</i>	Land and buildings RMB'000	Right-of-use assets RMB'000	Total RMB'000
Six months ended 30 June 2023				
As at 1 January 2023		1,047,600	637,647	1,685,247
Transfer from property, plant and equipment (Note 14)	<i>(c)</i>	174,664	–	174,664
Increase in fair value upon transfer charged to other comprehensive income	<i>(c)</i>	24,537	–	24,537
Net losses from fair value adjustment		–	(46,964)	(46,964)
As at 30 June 2023		<u>1,246,801</u>	<u>590,683</u>	<u>1,837,484</u>
Six months ended 30 June 2022				
As at 1 January 2022		1,072,400	1,315,378	2,387,778
Capitalised subsequent expenditure		153	1,955	2,108
Net losses from fair value adjustment		–	(110,604)	(110,604)
As at 30 June 2022		<u>1,072,553</u>	<u>1,206,729</u>	<u>2,279,282</u>

- (a) The fair value of the Group's investment properties falls under level 3 in the fair value hierarchy.
- (b) As at 30 June 2023, part of the buildings were secured against certain long-term bank borrowings.
- (c) During the period ended 30 June 2023, the Group leased out Changsha store to a third party. Accordingly, the Group transferred the asset with a carrying amount of RMB174,664,000 from property, plant and equipment to investment properties at fair value of RMB199,201,000 and recognised an increase in fair value of RMB24,537,000 as revaluation surplus within other reserves.

14. PROPERTY, PLANT AND EQUIPMENT

	Property, plant and equipment	Right-of-use assets	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Six months ended 30 June 2023			
As at 1 January 2023	197,516	2,268	199,784
Additions	78	–	78
Disposals	(106)	–	(106)
Depreciation charge (<i>Note 8</i>)	(1,075)	(772)	(1,847)
Transfers to investment properties (<i>Note 13</i>)	(174,664)	–	(174,664)
As at 30 June 2023	21,749	1,496	23,245
Six months ended 30 June 2022			
As at 1 January 2022	235,970	4,632	240,602
Additions	119	–	119
Disposals	(29,473)	(2,464)	(31,937)
Depreciation charge (<i>Note 8</i>)	(3,804)	(1,182)	(4,986)
As at 30 June 2022	202,812	986	203,798

15. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Unlisted equity securities	Listed equity securities	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Six months ended 30 June 2023			
As at 1 January 2023	4,288	–	4,288
Currency translation difference	138	–	138
As at 30 June 2023	4,426	–	4,426
Six months ended 30 June 2022			
As at 1 January 2022	3,924	97,131	101,055
Fair value change recognised in profit or loss (<i>Note 7</i>)	–	2,023	2,023
Currency translation difference	173	–	173
As at 30 June 2022	4,097	99,154	103,251

16. TRADE RECEIVABLES, OTHER RECEIVABLES AND PREPAYMENTS

As at 30 June 2023				
	<i>Note</i>	Current <i>RMB'000</i>	Non-current <i>RMB'000</i>	Total <i>RMB'000</i>
Trade receivables	<i>(a)</i>	5,167	–	5,167
Amount due from a related party	<i>(d)</i>	–	351,824	351,824
Receivables from operating leases	<i>(b)</i>	20,068	23,402	43,470
Receivables from finance leases		18,182	122,766	140,948
Interest receivables		317	–	317
Lease deposits		66	19,887	19,953
Value-added tax recoverable		22,277	–	22,277
Other receivables		4,938	–	4,938
		71,015	517,879	588,894
Less: provision for impairment loss allowance	<i>(d)</i>	(6,934)	(143,559)	(150,493)
Financial assets at amortised cost		64,081	374,320	438,401
Prepayments	<i>(c)</i>	850	66,525	67,375
Less: provision for impairment loss of prepayment		–	(55,900)	(55,900)
Total trade and other receivables		64,931	384,945	449,876
As at 31 December 2022				
	<i>Note</i>	Current <i>RMB'000</i>	Non-current <i>RMB'000</i>	Total <i>RMB'000</i>
Trade receivables	<i>(a)</i>	2,336	–	2,336
Amount due from a related party	<i>(d)</i>	299,430	47,922	347,352
Receivables from operating leases	<i>(b)</i>	28,098	15,942	44,040
Receivables from finance leases		30,986	121,210	152,196
Interest receivables		170	–	170
Lease deposits		66	19,852	19,918
Value-added tax recoverable		21,284	–	21,284
Other receivables		19,448	–	19,448
		401,818	204,926	606,744
Less: provision for impairment loss allowance	<i>(d)</i>	(130,157)	(23,152)	(153,309)
Financial assets at amortised cost		271,661	181,774	453,435
Prepayments	<i>(c)</i>	318	66,164	66,482
Total trade and other receivables		271,979	247,938	519,917

Notes:

(a) Trade receivables

The trade receivables are receivables of sales from corporate customers.

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

	As at	
	30 June 2023 <i>RMB'000</i>	31 December 2022 <i>RMB'000</i>
0 – 30 days	<u>5,167</u>	<u>2,336</u>

All trade receivables are denominated in RMB and their fair value approximated their carrying amounts as at 30 June 2023.

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

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

	As at	
	30 June 2023 <i>RMB'000</i>	31 December 2022 <i>RMB'000</i>
Current	30,396	30,685
0 – 30 days	1,972	2,598
31 – 90 days	641	2,998
91 – 365 days	7,371	4,822
More than 365 days	<u>3,090</u>	<u>2,937</u>
	<u>43,470</u>	<u>44,040</u>

- (c) As at 30 June 2023 and 31 December 2022, a deposit of RMB62,950,000 for the acquisition of a piece of land was included in the non-current portion of prepayments. During the period ended 30 June 2023, as the Group has reviewed and evaluated the original development plan and actively explored the disposal or other possible solutions, and an impairment loss on the prepayment of RMB55,900,000 was recognised, with reference to the change of the market value of the land for the period. Save for abovementioned, the remaining balance of the non-current portion of prepayment represented the Group's cash paid to third parties for the purchase of property, plant and equipment and intangible assets.**

- (d) The outstanding balance due from a related party is unsecured and repayable in the repayment period from 31 December 2025 to 31 December 2027, pursuant to the supplemental termination agreement dated on 30 December 2022 which was approved at independent shareholder's meeting in March 2023. The interest on the outstanding amount is accrued from 1 January 2023, and will be payable in three installments on 31 December 2025, 2026 and 2027, at the prevailing benchmark rate for three-year RMB fixed deposit published by the China Construction Bank in PRC from time to time.

As at 30 June 2023 and 31 December 2022, the accumulated provision of impairment loss of RMB135,000,000 recognised on the amount due from a related party.

17. PROPERTIES HELD FOR SALE

	As at	
	30 June 2023 <i>RMB'000</i>	31 December 2022 <i>RMB'000</i>
Carrying amount of properties held for sale	384,622	384,622
Less: accumulated provision of impairment loss	<u>(34,622)</u>	<u>(34,622)</u>
	<u>350,000</u>	<u>350,000</u>

As at 30 June 2023 and 31 December 2022, the accumulated provision of impairment loss recognised for properties held for sale was RMB34,622,000.

As at 30 June 2023 and 31 December 2022, the properties held for sale of RMB350,000,000 were pledged to secure against certain long-term bank borrowing.

18. TRADE AND OTHER PAYABLES

	Note	As at	
		30 June 2023 <i>RMB'000</i>	31 December 2022 <i>RMB'000</i>
Lease deposits		73,600	76,916
Other tax payables		38,746	44,065
Accrued wages and salaries		8,796	8,408
Accrual for legal claims		510	631
Trade payables	(a)	103	427
Amount due to a related party		40	30
Other payables and accruals		<u>63,687</u>	<u>55,176</u>
		<u>185,482</u>	<u>185,653</u>

Note:

- (a) The aging analysis of the trade payables of the Group based on invoice date is as follows:

	As at	
	30 June	31 December
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
0 – 30 days	103	427

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

19. CONTRACT LIABILITIES

		As at	
		30 June	31 December
		2023	2022
	<i>Note</i>	<i>RMB'000</i>	<i>RMB'000</i>
Advances received from customers	(a)	35,385	30,408
Deferred income	(b)	713	702
		36,098	31,110

Notes:

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

20. BORROWINGS

	Note	As at	
		30 June 2023 RMB'000	31 December 2022 RMB'000
Non-current			
Secured long-term bank borrowings	(a)	<u>66,667</u>	<u>266,361</u>
Current			
Current portion of secured long-term bank borrowings (Note 17)	(a)(b)	<u>463,893</u>	<u>274,498</u>
Secured short-term borrowing	(c)	<u>34,453</u>	<u>45,199</u>
		<u>498,346</u>	<u>319,697</u>
		<u>565,013</u>	<u>586,058</u>

Notes:

- (a) The Group's long-term bank borrowings were denominated in RMB and secured by certain investment properties (Note 13). As at 30 June 2023, the interest rate of long-term borrowings was 5.88%-6.55% annually (31 December 2022: 5.88%-6.55%).
- (b) Zhuhai Xiangyao's long-term bank loan of RMB253,940,000 was denominated in RMB and secured by property held for sale at the fair value of RMB350,000,000 (Note 17). As at 30 June 2023, the interest rate was 5.04%-7.05% annually (31 December 2022: 5.04%-7.05%).
- (c) As at 30 June 2023 and 31 December 2022, the secured short-term borrowing was denominated in RMB, secured by certain investment properties (Note 13) and was repayable within one year. As at 30 June 2023, the interest rate of secured short-term borrowing was 6.50%-6.55% annually (31 December 2022: 6.50%-6.55%).

21. CAPITAL COMMITMENTS

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

	As at	
	30 June 2023 RMB'000	31 December 2022 RMB'000
Purchases of property, plant and equipment	<u>4,553</u>	<u>4,659</u>
Acquisition of land	<u>189,650</u>	<u>189,650</u>
	<u>194,203</u>	<u>194,309</u>

MANAGEMENT DISCUSSION AND ANALYSIS

During the six months ended 30 June 2023, the global economy was facing many downward pressure including geopolitical tensions and conflicts, inflation and climate change and damages. China's economy also suffered but is expected to recover steadily due to the effectiveness of the epidemic prevention and control measures and the implementation of the strategy of stimulating the domestic demand.

According to the National Bureau of Statistics of China (“NBS”), the GDP of China in the first half of 2023 amounted to RMB59.3 trillion, representing a slight increase of 4.9% as compared to the same period in 2022, and the GDP is targeted to increase about 5% year-on-year for 2023. The national consumer price index (“CPI”) for the first half of 2023 was up 0.7% year-on-year. The total retail sales of consumer goods in the first half of 2023 in China increased by 8.2% year-on-year, as compare to an increase of 3.1% for the same period in 2022.

Following the implementation of measures to revive the tourism and resumption of normal travel between different cities in China, the Group expects that the customer flow of the Group's department stores will increase. The Group will continue to focus on improving the consumer experience and the services provided, for the purpose of providing the consumers with better shopping experience. This will establish a solid foundation for sustainable business development.

BUSINESS REVIEW

During the six months ended 30 June 2023, the Group recorded a revenue of RMB91.9 million (2022: RMB90.1 million). Loss attributable to owners of the Company amounted to RMB63.9 million (2022: RMB129.4 million).

In the first half of 2023, the Group continued to improve the customer shopping experience and services. The Group is committed to strengthening the employees' trainings on the better understanding and fulfilment of consumers' needs by providing high-quality services and experience to maintain customer loyalty and attract new customers. Meanwhile, the Group also optimised the layout and design and tenant mix of one-stop shopping mall, “Shirble Plaza”, to meet the demand of the middle class population in China by offering high-quality food, merchandise and services.

As of 30 June 2023, the Group operated and/or managed 15 department stores with a total gross floor area of 253,730 sq.m, of which 36.4% are the self-owned properties.

With the economic downward pressure on the real estate sector, the Group has reduced the property investments and has been evaluating the commercial merits of the existing property projects as well as actively exploring their disposal or other possible solutions to reduce the exposure of the Group. Simultaneously, the Group also consolidated resources to enhance the competitiveness of its core department store business, and continued to take proactive measures to strengthen the business resilience.

BUSINESS OUTLOOK

Overall, despite the challenges faced by the Chinese economy, the Group remains confident in its long-term prospects and is committed to improving its operations and services to meet customer needs.

Looking ahead, the Group will consolidate its resources, strengthen the management and adopt prudent business strategies to mitigate the pressure from the economic slowdown and continue to seize future market opportunities.

FINANCIAL REVIEW

The operating results of the Group for the six months ended 30 June 2023 are presented in two reportable operating segments, namely (a) department store business and (b) others including property business and unallocated items, comprising mainly head office overheads. The following discussions and analyses are based on the Group as a whole and the operating results of each of the business segments.

(a) The Group

Revenue of the Group were all contributed from the department store business for the six months ended 30 June 2023 and the same period in 2022. Revenue of the Group amounted to RMB91.9 million for the six months ended 30 June 2023, representing an increase of 2.0% as compared to RMB90.1 million for the same period in 2022.

Loss attributable to owners of the Company amounted to RMB63.9 million for the six months ended 30 June 2023, as compared to loss attributable to owners of the Company amounted to RMB129.4 million for the same period in 2022.

(b) Department store business segment

Set forth below is the segmental information of the Group's department store business for the six months ended 30 June 2023, together with the comparative figures for 2022:

	Six months ended 30 June	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)
Revenue	91,931	90,122
Other operating revenue	17,526	15,749
Other gains – net	1,656	3,407
Fair value losses on investment properties	(46,964)	(110,604)
Purchase of and changes in inventories	(3,027)	(2,991)
Employee benefit expenses	(18,390)	(24,028)
Depreciation and amortisation expenses	(1,738)	(6,329)
Net impairment losses on financial assets	(747)	(10,872)
Other operating expenses – net	(29,508)	(41,065)
Operating profit/(loss)	10,739	(86,611)
Finance income	4,520	5,083
Finance costs	(27,416)	(35,032)
Finance costs – net	(22,896)	(29,949)
Loss before income tax	(12,157)	(116,560)
Income tax credit	2,848	7,517
Loss for the period	(9,309)	(109,043)

Revenue

Revenue breakdown of the Group's department store business for the six months ended 30 June 2023 and 2022 was as follows:

	Six months ended		Percentage of department	
	30 June		stores' revenue of	
	2023	2022	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>	%	%
	(unaudited)	(unaudited)		
Rental income	88,749	86,775	96.5	96.3
Direct sales	3,182	3,347	3.5	3.7
Total	91,931	90,122	100.0	100.0

Rental income increased by 2.2% to RMB88.7 million for the six months ended 30 June 2023 from RMB86.8 million for the same period in 2022; and direct sales decreased by 4.9% to RMB3.2 million for the six months ended 30 June 2023 from RMB3.3 million for the same period in 2022.

The increase in rental income was mainly attributable to the decrease in the vacancy rate of department stores in the first half of 2023.

Other operating revenue

Other operating revenue increased by 11.5% to RMB17.5 million for the six months ended 30 June 2023 from RMB15.7 million for the same period in 2022 mainly due to increase in government tax incentives in the first half of 2023.

Other gains – net

Other net gains amounted to RMB1.7 million for the six months ended 30 June 2023, as compared to other net gains of RMB3.4 million for the same period in 2022, primarily due to decrease in gain from rent concession in the first half of 2023.

Fair value losses on investment properties

Fair value losses on investment properties were RMB47.0 million for the six months ended 30 June 2023, as compared to RMB110.6 million for the same period in 2022. The decrease in fair value loss was mainly due to the early termination of a lease agreement in the second half of 2022 and one-off loss from the change of a sublease agreement in the first half of 2022.

Purchase of and changes in inventories

Purchase of and changes in inventories amounted to RMB3.0 million for the both six months ended 30 June 2023 and 2022, which were in line with the direct sales for the corresponding periods.

Employee benefit expenses

Employee benefit expenses decreased by 23.3% to RMB18.4 million for the six months ended 30 June 2023 from RMB24.0 million for the same period of 2022, primarily due to the streamline of labour force.

Depreciation and amortisation expenses

Depreciation and amortisation expenses decreased significantly by 73.0% to RMB1.7 million for the six months ended 30 June 2023 from RMB6.3 million for the same period in 2022 primarily due to no depreciation and amortisation expenses incurred for Changsha Store as it was transferred as investment property in the first half of 2023 and some fixed assets had been fully depreciated.

Other operating expenses – net

Other operating expenses decreased by 28.2% to RMB29.5 million for the six months ended 30 June 2023 from RMB41.1 million for the same period in 2022, primarily due to cost saving from operations.

Operating profit/(loss)

As a result of the reasons mentioned above, the department store business segment's operating profit amounted to RMB10.7 million for the six months ended 30 June 2023, as compared to operating loss of RMB86.6 million in the corresponding period of 2022.

Finance income

Finance income amounted to RMB4.5 million for the six months ended 30 June 2023, as compared to RMB5.1 million in the corresponding period of 2022.

Finance costs

Finance costs decreased by 21.7% to RMB27.4 million for the six months ended 30 June 2023 from RMB35.0 million for the same period in 2022, primarily due to lower interest expenses on operating leases as the lessee and lower bank interest cost arising from the lower outstanding bank borrowings.

Income tax credit

Income tax credit of RMB2.8 million for the six months ended 30 June 2023, as compared to RMB7.5 million for the six months ended 30 June 2022.

Loss for the period

As a result of the aforementioned, loss attributable to the department store business segment amounted to RMB9.3 million for the six months ended 30 June 2023, as compared to loss of RMB109.0 million for the same period in 2022.

(c) Others segment

Others represent mainly property business and unallocated items including directors emoluments, staff costs and operating expenses incurred for headquarter or administrative purposes which were not directly attributable to department store business segment. For the six months ended 30 June 2023, the loss amounted to RMB63.3 million, mainly due to a loss of impairment on the prepayment of RMB55.9 million, as compared to the loss amounted to RMB20.6 million for the same period in 2022.

INTERIM DIVIDEND

The Board of Directors of the Company does not recommend any interim dividend for the six months ended 30 June 2023.

LIQUIDITY AND FINANCIAL RESOURCES

As of 30 June 2023, the Group's cash and cash equivalents and bank deposits amounted to RMB77.9 million, representing a decrease of 17.8% from RMB94.8 million as of 31 December 2022. The cash and cash equivalents and bank deposits, which were in RMB and Hong Kong dollars, were deposited with banks in Hong Kong and the PRC for interest income.

BORROWINGS

The Group has long-term and short-term borrowings of RMB530.6 million and RMB34.5 million, respectively as of 30 June 2023 (31 December 2022: long-term borrowing of RMB540.9 million and short-term borrowing of RMB45.2 million), mainly representing the secured bank borrowings denominated in RMB secured by the charge of properties in the PRC. The gearing ratio, which is calculated by the Group's total borrowings divided by its shareholders equity was 53.3% as of 30 June 2023 (31 December 2022: 52.5%).

NET CURRENT LIABILITIES AND NET ASSETS

The net current liabilities of the Group as of 30 June 2023 were RMB471.5 million (31 December 2022: net current liabilities of RMB73.1 million). The net assets of the Group as of 30 June 2023 was RMB1,059.1 million (31 December 2022: RMB1,116.5 million).

FOREIGN EXCHANGE EXPOSURE

The business operations of the Group are primarily in the PRC with most of its transactions settled in RMB. Certain of the Group's cash and bank balances are denominated in Hong Kong dollars and United States dollars. The Company pays dividends in Hong Kong dollars. These expose the Group to foreign exchange risks arising from the movements in the exchange rate between Hong Kong dollars and RMB. For the six months ended 30 June 2023, the Group recorded a net foreign exchange gain of RMB6.6 million (2022: a net foreign exchange loss of RMB2.9 million). The Group has not used any forward contracts, currency borrowings or other means to hedge its foreign currency exposure.

EMPLOYEES AND REMUNERATION POLICY

As of 30 June 2023, the total number of employees of the Group was 236 (2022: 285). The Group's remuneration policy is determined with reference to market conditions and the performance, qualifications and experience of individual employees. The Company has also used the key performance indicators assessment system to assess the performance of employees and operational efficiency.

CONTINGENT LIABILITIES

Certain ex-employees and a tenant have commenced legal proceedings in the PRC against the Group in respect of disputes over employment contract terms and contract terms. As of 30 June 2023, these legal proceedings were ongoing. The Group has made an accumulated provision of RMB0.5 million (31 December 2022: RMB0.6 million), which the Directors believe that it is adequate to cover the amounts, if any, payable in respect of these claims.

MATERIAL ACQUISITIONS AND DISPOSAL OF SUBSIDIARIES

There are no material acquisition and disposal of subsidiaries and associated companies during the six months ended 30 June 2023.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2023.

CORPORATE GOVERNANCE

During the six months ended 30 June 2023, the Company has complied with the principles and the applicable code provisions as contained in the Corporate Governance Code set forth in Part 2 of Appendix 14 to The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**").

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Companies (the "**Model Code**") as set forth in Appendix 10 to the Listing Rules as the code of conduct regarding the Directors' securities transactions. Having made specific enquiries of all the Directors, they have confirmed that they complied with the required standard of dealings as set forth in the Model Code during the six months ended 30 June 2023.

DIRECTORS' RESPONSIBILITY IN RESPECT OF FINANCIAL INFORMATION

The Directors acknowledge their responsibility for preparing the interim financial information of the Company. The Directors confirm that in preparing the unaudited interim condensed consolidated financial information, the Company has used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgments and estimates, and that all applicable accounting standards have been followed. The Directors are not aware of any material or significant exposures exist, other than as reflected in this announcement. The Directors therefore have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future.

AUDIT COMMITTEE

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

The Audit Committee has reviewed the accounting principles and practices adopted by the Group and the unaudited condensed consolidated financial statements for the six months ended 30 June 2023. The Group’s unaudited condensed consolidated financial statements for the six months ended 30 June 2023 have not been reviewed by the external auditor.

PUBLICATION OF THE INTERIM REPORT

The interim report for the six months ended 30 June 2023 containing all the information required by Appendix 16 of the Listing Rules and other applicable laws and regulations will be despatched to the shareholders of the Company and published on the websites of The Stock Exchange of Hong Kong Limited and the Company in due course.

By order of the Board

Shirble Department Store Holdings (China) Limited

YANG Ti Wei

Deputy Chairman, Chief Executive Officer and Executive Director

Hong Kong, 31 August 2023

As of the date of this announcement, the Board comprises five members included Ms. HUANG Xue Rong (Chairlady) as the non-executive Director; Mr. YANG Ti Wei (Deputy Chairman and Chief Executive Officer) as the executive Director; and Mr. CHEN Fengliang, Mr. JIANG Hongkai and Mr. TSANG Wah Kwong as the independent non-executive Directors.