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

ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2023

The following sets forth a summary of the audited consolidated results of the Group for the year ended 31 December 2023:

- Revenue was RMB190.7 million, representing a slight decrease of 0.5%, as compared to the revenue of RMB191.6 million in 2022;
- Operating loss was RMB356.3 million, as compared to the operating loss of RMB595.4 million in 2022;
- Loss attributable to owners of the Company was RMB341.0 million, as compared to the loss attributable to owners of the Company of RMB556.1 million in 2022;
- Basic loss per share was RMB0.14, as compared to basic loss per share of RMB0.22 in 2022; and
- Net asset value per share as of 31 December 2023 was RMB0.31, as compared to RMB0.45 as of 31 December 2022.

FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2023

The following sets forth the audited consolidated results of Shirble Department Store Holdings (China) Limited (the "**Company**") and its subsidiaries (collectively, the "**Group**") for the year ended 31 December 2023, together with the comparative figures for the year ended 31 December 2022.

CONSOLIDATED INCOME STATEMENT

		Year ended 31 December	
		2023	2022
	Note	***RMB'000***	*RMB'000*
Revenue	*5*	**190,666**	191,576
Other operating revenue	*6*	**29,886**	31,966
Other losses – net	*7*	**(27,157)**	(284,262)
Fair value loss on investment properties	*14*	**(156,004)**	(221,877)
Purchase of and changes in inventories	*8*	**(6,667)**	(5,196)
Employee benefit expenses	*8,9*	**(34,127)**	(50,740)
Depreciation and amortisation expenses	*8*	**(3,632)**	(13,601)
Net impairment losses on financial assets	*8*	**(204,492)**	(157,210)
Net impairment losses on prepayment	*8*	**(62,950)**	–
Other operating expenses – net	*8*	**(81,861)**	(86,058)
Operating loss		**(356,338)**	(595,402)
Finance income	*10*	**18,476**	10,737
Finance costs	*10*	**(68,642)**	(84,598)
Finance costs – net	*10*	**(50,166)**	(73,861)
Loss before income tax		**(406,504)**	(669,263)
Income tax credit	*11*	**56,095**	112,769
Loss for the year		**(350,409)**	(556,494)
Loss attributable to:			
Owners of the Company		**(340,982)**	(556,117)
Non-controlling interests		**(9,427)**	(377)
		(350,409)	(556,494)
Loss per share for the loss attributable to owners of the Company (expressed in RMB per share)			
– Basic and diluted	*12*	**(0.14)**	(0.22)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Year ended 31 December	
	2023	2022
	RMB'000	*RMB'000*
Loss for the year	**(350,409)**	(556,494)
Other comprehensive loss		
Item that may be reclassified to profit or loss		
Currency translation differences	**(2,185)**	(4,869)
Item that will not be reclassified to profit or loss		
Change in fair value of investment properties upon transfer, net of tax	**20,654**	–
Other comprehensive income/(loss) for the year	**18,469**	(4,869)
Total comprehensive loss for the year	**(331,940)**	(561,363)
Attributable to:		
Owners of the Company	**(322,513)**	(560,986)
Non-controlling interests	**(9,427)**	(377)
Total comprehensive loss for the year	**(331,940)**	(561,363)

CONSOLIDATED BALANCE SHEET

		As at 31 December	
		2023	2022
	Note	***RMB'000***	*RMB'000*
ASSETS			
Non-current assets			
Investment properties	*14*	**1,798,132**	1,685,247
Property, plant and equipment	*15*	**26,124**	199,784
Intangible assets		**322**	497
Deferred income tax assets		**2,236**	42,001
Trade receivables, other receivables and prepayments	*17*	**120,397**	247,938
		1,947,211	2,175,467
Current assets			
Inventories		**3,032**	3,128
Financial assets at fair value through profit or loss	*16*	**4,350**	4,288
Trade receivables, other receivables and prepayments	*17*	**65,062**	271,979
Properties held for sale	*18*	**254,000**	350,000
Deferred income tax assets		**1,594**	–
Restricted bank deposits		**17,045**	16,870
Cash and cash equivalents		**50,127**	77,954
		395,210	724,219
Total assets		**2,342,421**	2,899,686

		As at 31 December	
		2023	2022
	Note	***RMB'000***	*RMB'000*
EQUITY			
Share capital		**213,908**	213,908
Share premium		**750,992**	750,992
Other reserves		**458,241**	439,772
Accumulated losses		**(637,294)**	(296,312)
Equity attributable to owners of the Company		**785,847**	1,108,360
Non-controlling interests		**–**	8,151
Total equity		**785,847**	1,116,511
LIABILITIES			
Non-current liabilities			
Lease liabilities		**590,432**	633,660
Deferred income tax liabilities		**80,394**	85,867
Borrowings	*21*	**63,333**	266,361
		734,159	985,888
Current liabilities			
Lease liabilities		**53,681**	58,186
Trade and other payables	*19*	**126,777**	185,653
Contract liabilities	*20*	**28,136**	31,110
Borrowings	*21*	**493,140**	319,697
Income tax payable		**120,681**	202,641
		822,415	797,287
Total liabilities		**1,556,574**	1,783,175
Total equity and liabilities		**2,342,421**	2,899,686

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

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

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

2. BASIS OF PREPARATION

These annual financial statements for the year ended 31 December 2023 have been prepared in accordance with the International Financial Reporting Standards ("**IFRS**") and requirements of the Hong Kong Companies Ordinance ("**HKCO**") (Cap. 622).

Going concern basis

For the year ended 31 December 2023, the Group recorded a loss of approximately RMB350 million and a loss attributable to owners of the Company of approximately RMB341 million. As at 31 December 2023, the Group's current liabilities exceeded its current assets by approximately RMB427 million. The Group had a total of RMB556 million in bank borrowings, of which RMB493 million were current bank borrowings. In November 2023, the Group failed to repayment a bank loan of RMB254 million that is secured by the Group's properties held for sale. The Group had cash and cash equivalents of approximately RMB50 million.

Since 2022, the Group planned to sell its property held for sales to repay the abovementioned bank loan of RMB254 million. However, its disposal plan has been adversely affected by the prevailing weak sentiment in the real estate market. Due to the downward pressure on the real estate sector, the Group has not yet disposed of the properties held for sale, which has led to its default in repaying the bank loan.

The above conditions indicated the existence of a material uncertainty which may cast a significant doubt on the Group's ability to continue as a going concern.

In view of such circumstances, the directors of the Company (the "**Directors**") have given careful consideration to the future liquidity and operating performance of the Group and its available sources of financing to assess whether the Group will have sufficient financial resources to fulfil its financial obligations to continue as a going concern. The plans and measures have been taken to mitigate the liquidity pressure and to improve its financial position, including but not limited to the following:

(i) Regarding the defaulted loan which was pledged by a property held for sale project, given there was no other guarantee provided by the Group, based on the legal opinion provided by a PRC lawyer, the Group performed assessment and believe that there is no impact to the Group's other major operations. The Group continue its plan to actively seek for buyers to dispose of the properties held for sale and is confident that the Group will be able to disposal of the properties held for sale at least at its carrying value of RMB254 million in the coming year to repay the default bank loans. At the same time, the Group will continue to negotiate with the bank to extend the bank loans as well as granting grace period for the Group to seek for buyers;

(ii) As at 31 December 2023, the Group had secured borrowings of RMB232 million repayable in 2024. Subsequent to the year end, the Group has successfully renewed these borrowings with new facilities for a term of 3-7 years;

(iii) The Group will continue to implement plans and measures to improve the operation performance of the department store business to generate operating cash inflow;

(iv) The Group will continue to secure new banking facilities to provide further funding for the Group's operation, as and when needed. Management believes 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, as and when needed.

The Directors have reviewed the Group's cash flow projections, which cover not less than twelve months from 31 December 2023. In the opinion of the Directors, in light of the above and taking into account the anticipated cash flows to be generated from the Group's operations as well as the above plans and measures, 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 31 December 2023. Accordingly, the Directors consider that it is appropriate to prepare the consolidated financial statements on a going concern basis.

Notwithstanding the above, a material uncertainty exists as to whether the Group is able to achieve its plans and measures as described above. Whether the Group will be able to continue as a going concern would depend upon the Group's ability to generate adequate cash flows through:

(i) Successful disposal of the properties held for sale, and collection of sales proceeds to satisfy the repayment of the defaulted secured bank borrowings of RMB254 million and successful negotiation with the bank to extend the bank borrowings and to grant longer grace period for the Group's to seek for buyers;

(ii) Successful implementation of the plans and measures to improve the operation performance of the department store business to generate operating cash inflow;

(iii) Successful in obtaining new banking facilities and/or generate cash inflow from disposal of the Group's assets, as and when needed.

Should the Group be unable to achieve the above plans and measures such that it would not be able to operate as a going concern, adjustments would have to be made to write down the carrying values of the Group's assets to their recoverable amounts, to provide for further financial liabilities which might arise with higher interest rate, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively. The effect of these adjustments has not been reflected in these consolidated financial statements.

3. CHANGES IN ACCOUNTING POLICIES

(a) New and amended standards adopted by the Group

The Group has applied the following new standard and amendments to existing standards for the first time for their annual reporting period commencing 1 January 2023:

IFRS 17	Insurance Contracts
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to IAS 8	Definition of Accounting Estimates

(b) New and amended standards not yet adopted

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

		Effective for annual periods beginning on or after
Amendments to IAS 1	Classification of Liabilities as Current or Non-current	January 1, 2024
Amendments to IAS 1	Non-current liabilities with covenants	January 1, 2024
Amendments to IAS 7 and IFRS 7	Supplier finance arrangements	January 1, 2024
Amendments to IFRS 16	Lease liability in a sale and leaseback	January 1, 2024
Amendments to IAS 21	Lack of exchangeability	January 1, 2025
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 above new standards and amendments to existing standards are effective for annual periods beginning after 1 January 2024 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.

4. SEGMENT INFORMATION

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

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;
- 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. At the Group level, 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 the PRC. No geographical information is therefore presented.

The segment information is as follows:

	Year ended 31 December 2023		
	Department store business *RMB'000*	**Others** *RMB'000*	**Group** *RMB'000*
Revenue	**190,666**	**–**	**190,666**
Revenue from contracts with customers			
At a point in time	**7,727**	**–**	**7,727**
Revenue from other sources			
Rental income	**182,939**	**–**	**182,939**
Other operating revenue	**29,886**	**–**	**29,886**
Other gains/(losses) – net	**57,486**	**(84,643)**	**(27,157)**
Fair value loss on investment properties	**(156,004)**	**–**	**(156,004)**
Purchase of and changes in inventories	**(6,667)**	**–**	**(6,667)**
Employee benefit expenses	**(27,715)**	**(6,412)**	**(34,127)**
Depreciation and amortisation expenses	**(3,198)**	**(434)**	**(3,632)**
Net impairment losses on financial assets	**(3,328)**	**(201,164)**	**(204,492)**
Net impairment losses on prepayment	**–**	**(62,950)**	**(62,950)**
Other operating expenses – net	**(78,002)**	**(3,859)**	**(81,861)**
Operating profit/(loss)	**3,124**	**(359,462)**	**(356,338)**
Finance income	**9,279**	**9,197**	**18,476**
Finance costs	**(53,062)**	**(15,580)**	**(68,642)**
Finance costs – net	**(43,783)**	**(6,383)**	**(50,166)**
Loss before income tax	**(40,659)**	**(365,845)**	**(406,504)**
Income tax credit	**7,922**	**48,173**	**56,095**
Loss for the year	**(32,737)**	**(317,672)**	**(350,409)**

	Year ended 31 December 2022		
	Department store business	Others	Group
	RMB'000	*RMB'000*	*RMB'000*
Revenue	191,576	–	191,576
Revenue from contracts with customers			
At a point in time	7,105	–	7,105
Revenue from other sources			
Rental income	184,471	–	184,471
Other operating revenue	31,852	114	31,966
Other losses – net	(240,300)	(43,962)	(284,262)
Fair value loss on investment properties	(221,877)	–	(221,877)
Purchase of and changes in inventories	(5,196)	–	(5,196)
Employee benefit expenses	(42,911)	(7,829)	(50,740)
Depreciation and amortisation expenses	(12,341)	(1,260)	(13,601)
Net impairment losses on financial assets	(22,210)	(135,000)	(157,210)
Other operating expenses, net	(81,565)	(4,493)	(86,058)
Operating loss	(402,972)	(192,430)	(595,402)
Finance income	10,588	149	10,737
Finance costs	(70,191)	(14,407)	(84,598)
Finance costs – net	(59,603)	(14,258)	(73,861)
Loss before income tax	(462,575)	(206,688)	(669,263)
Income tax credit	87,600	25,169	112,769
Loss for the year	(374,975)	(181,519)	(556,494)

5. REVENUE

	Year ended 31 December	
	2023	2022
	RMB'000	*RMB'000*
Rental income	**182,939**	184,471
Direct sales	**7,396**	6,466
Commission from concessionaire sales	**331**	639
	190,666	191,576

There was no individual customer contributing over 10% of the Group's total revenue for the years ended 31 December 2023 and 2022.

6. OTHER OPERATING REVENUE

	Year ended 31 December	
	2023	2022
	RMB'000	*RMB'000*
Promotion, administration and management income	**22,681**	29,245
Credit card handling fees for concessionaire sales	**516**	684
Government grant	**6,689**	2,037
	29,886	31,966

7. OTHER LOSSES – NET

		Year ended 31 December	
		2023	2022
	Note	***RMB'000***	*RMB'000*
Fair value change on financial assets at FVPL *(Note 16)*		**–**	10,334
Certain lessors rent concession	*(c)*	**–**	8,289
Deposit forfeited for terminated lease agreements		**2,588**	3,238
Provision of impairment for properties held for sale *(Note 18)*		**(96,000)**	–
Loss on disposal of intangible assets		**–**	(523)
Loss on disposal of property, plant and equipment		**(121)**	(1,398)
Loss on disposal of financial assets at FVPL *(Note 16)*		**–**	(53,342)
Loss from the change of sublease agreements	*(b)*	**–**	(89,223)
Gain/(loss) from early termination and modification of leases	*(a)*	**30,593**	(164,107)
Gain from write-off of long aging trade and other payables	*(d)*	**25,186**	–
Net gain on disposal of subsidiaries	*(e)*	**7,245**	–
Others		**3,352**	2,470
		(27,157)	(284,262)

Notes:

(a) A net gain of RMB30,593,000 was recognised in 2023, mainly as the Group and the lessor of a store entered into the supplementary lease agreement for rent reduction. The gain resulted from the derecognition of lease liabilities as lessee. A net loss of RMB164,107,000 was recognised in 2022 mainly due to that the Group and the lessor of Shiyan Store entered into the early termination agreement of the lease agreement. The loss resulted from the derecognition of related right-of-use assets and lease liabilities as lessee as well as the derecognition of related finance lease receivables as the lessor.

(b) In 2022, the Group signed overall sublease agreements of two stores with two tenants respectively, and a net loss of RMB89,223,000 was recognised resulting from the change in lease receivables and the derecognition of right-of-use assets.

(c) Certain lessors agreed to offer rent concession to the Group, without changing the terms of lease agreements. The Group recognised a gain of RMB8,289,000 of such rent concession for the year ended 31 December 2022 with a corresponding reduction in the lease liabilities.

(d) These long aging trade and other payables are beyond the legal retroactive period and are not expected to be paid in the future.

(e) A net gain of RMB7,245,000 was recognised due to two subsidiaries were disposed in October 2023.

8. EXPENSES BY NATURE

		Year ended 31 December	
		2023	2022
	Note	***RMB'000***	*RMB'000*
Purchase of and changes in inventories		**6,667**	5,196
Employee benefit expenses	*9*	**34,127**	50,740
Depreciation and amortisation expenses		**3,632**	13,601
Net impairment losses on financial assets		**204,492**	157,210
Net impairment losses on prepayment		**62,950**	–
Utilities		**59,724**	59,939
Business travel expenses		**548**	723
Other tax expenses		**5,655**	7,297
Office expenses		**1,804**	2,586
Advertising costs		**688**	1,923
Cleaning fee		**2,630**	3,257
Auditor's remuneration			
– Audit services		**2,350**	2,500
– Other services		**800**	850
Bank charges		**161**	235
Transportation expenses		**34**	70
Net foreign exchange gain		**(5,142)**	(3,235)
Other expenses		**12,609**	9,913
Total expenses		**393,729**	312,805

9. EMPLOYEE BENEFIT EXPENSES

	Year ended 31 December	
	2023	2022
	RMB'000	*RMB'000*
Wages and salaries	**29,335**	45,512
Social security costs	**3,341**	3,956
Severance payment	**1,451**	1,272
Total employee benefit expenses	**34,127**	50,740

10. FINANCE INCOME AND COSTS

	Year ended 31 December	
	2023	2022
	RMB'000	*RMB'000*
Finance income		
Interest income from finance leases	**8,858**	10,132
Interest income from related party	**8,473**	–
Interest income from bank deposits	**1,145**	605
	18,476	10,737
Finance costs		
Interest expenses on operating leases as the leasee	**(33,228)**	(46,286)
Interest expenses on bank loans	**(35,414)**	(38,312)
	(68,642)	(84,598)
Finance costs – net	**(50,166)**	(73,861)

11. INCOME TAX CREDIT

	Year ended 31 December	
	2023	2022
	RMB'000	*RMB'000*
Current income tax		
– PRC corporate income tax	**(81,922)**	–
Deferred income tax	**25,827**	(112,769)
	(56,095)	(112,769)

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

		Year ended 31 December	
		2023	2022
	Note	***RMB'000***	*RMB'000*
Loss before income tax		**(406,504)**	(669,263)
Tax calculated at a tax rate of 25% (2022: 25%)		**(101,626)**	(167,316)
Tax impact of:			
– Expenses not deductible for tax purposes	*(d)*	**73**	10,834
– Unrecognised temporary differences	*(e)*	**24,000**	8,656
– Unrecognised tax losses		**21,458**	35,057
Income tax credit		**(56,095)**	(112,769)

Notes:

(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 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.

(d) It mainly represented the tax impact of the loss on disposal of financial assets at FVPL for the year ended 31 December 2022 which was not deductible for tax purpose.

(e) The difference mainly is caused by the impairment of Zhuhai Xiangyao Real Estate Development Company's (**"Zhuhai Xiangyao"**) properties held for sale.

12. LOSSES PER SHARE

(a) Basic losses per share

	Year ended 31 December	
	2023	2022
Losses attributable to owners of the Company (in RMB thousand)	**(340,982)**	(556,117)
Weighted average number of ordinary shares in issue (thousands)	**2,495,000**	2,494,870
Basic losses per share (RMB per share)	**(0.14)**	(0.22)

(b) The Group had no potentially dilutive ordinary shares in issue during this year, so the diluted earnings per share equals the basic earnings per share.

13. DIVIDENDS

No dividend has been paid or declared by the Company during the years ended 31 December 2023 and 2022.

The Board does not recommend any final dividend of the Company for the year ended 31 December 2023.

14. INVESTMENT PROPERTIES

	Note	Buildings	Right-of-use assets	Total
	Note	*RMB'000*	*RMB'000*	*RMB'000*
Year ended 31 December 2022				
As at 1 January 2022		1,072,400	1,315,378	2,387,778
Capitalised subsequent expenditure		153	1,938	2,091
Transfer to lease receivables	*(f)*	–	(134,428)	(134,428)
Net losses from fair value adjustment		(24,953)	(196,924)	(221,877)
Early termination and modification of lease contracts *(Note 7(a))*	*(d)*	–	(348,317)	(348,317)
As at 31 December 2022		1,047,600	637,647	1,685,247
Year ended 31 December 2023				
As at 1 January 2023		**1,047,600**	**637,647**	**1,685,247**
Capitalised subsequent expenditure		**4,981**	**743**	**5,724**
Transfer from property, plant and equipment	*(c)*	**199,200**	**–**	**199,200**
Transfer from lease receivable	*(f)*	**–**	**30,274**	**30,274**
Transfer to lease receivables	*(f)*	**–**	**(16,777)**	**(16,777)**
Addition upon lease extension	*(e)*	**–**	**50,468**	**50,468**
Net losses from fair value adjustment		**(97,151)**	**(58,853)**	**(156,004)**
As at 31 December 2023		**1,154,630**	**643,502**	**1,798,132**

Notes:

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

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

(b) As at 31 December 2023, part of the buildings were secured against certain long-term bank borrowings (Note 21).

(c) During the year ended 31 December 2023, the Group leased out Changsha store to a third party. Accordingly, the Group transferred the assets with a carrying amount of RMB171,661,000 from property, plant and equipment to investment properties at fair value of RMB199,200,000 and recognised an increase in fair value of RMB27,539,000 as revaluation surplus within other reserves.

(d) The decrease was mainly due to that the Group and the lessor of Shiyan Store entered into the early termination agreement of the lease agreement in 2022, and the right-of-use assets of investment properties of RMB348,317,000 was derecognised.

(e) In 2023, the Group renewed the lease agreement of a store to extend the lease term of 5 years in Nanshan District, Shenzhen from a third party successfully. As a result, the right-of-use assets had an addition of RMB50,468,000, which is the same as the lease liability.

(f) Right-of-use assets which had been subleased out under financing leases were transfer from investment properties to finance lease receivables. The finance lease receivables were transfer to right-of-use assets upon the early termination of finance lease arrangement.

15. PROPERTY, PLANT AND EQUIPMENT

	Other property, plant and equipment	**Right-of-use assets**	**Total**
	RMB'000	*RMB'000*	*RMB'000*
Year ended 31 December 2022			
As at 1 January 2022	235,970	4,632	240,602
Additions	2,118	2,018	4,136
Depreciation charge	(8,032)	(1,922)	(9,954)
Disposals	(32,540)	(2,460)	(35,000)
As at 31 December 2022	197,516	2,268	199,784
Year ended 31 December 2023			
As at 1 January 2023	**197,516**	**2,268**	**199,784**
Additions	**623**	**1,645**	**2,268**
Depreciation charge	**(1,997)**	**(1,460)**	**(3,457)**
Transfers to investment properties	**(171,661)**	**–**	**(171,661)**
Disposals	**(188)**	**(622)**	**(810)**
As at 31 December 2023	**24,293**	**1,831**	**26,124**

16. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Unlisted equity securities	Listed equity securities (a)	Total
	RMB'000	*RMB'000*	*RMB'000*
As at 1 January 2022	3,924	97,131	101,055
Fair value change recognised in profit or loss *(Note 7)*	–	10,334	10,334
Currency translation difference	364	–	364
Disposal	–	(107,465)	(107,465)
As at 31 December 2022	4,288	–	4,288
As at 1 January 2023	**4,288**	**–**	**4,288**
Currency translation difference	**62**	**–**	**62**
As at 31 December 2023	**4,350**	**–**	**4,350**

(a) During the year ended 31 December 2022, the Group disposed of its investment in the 1,320,000,000 ordinary shares of TFG International Group Limited at a total consideration of RMB54,123,000 which resulted in a loss of RMB53,342,000.

17. TRADE RECEIVABLES, OTHER RECEIVABLES AND PREPAYMENTS

		As of 31 December 2023		
		Current	**Non-current**	**Total**
	Note	*RMB'000*	*RMB'000*	*RMB'000*
Amount due from a related party		**–**	**336,164**	**336,164**
Receivables from operating leases	*(b)*	**25,212**	**5,079**	**30,291**
Receivables from finance leases	*(c)*	**16,988**	**97,653**	**114,641**
Interest receivables		**171**	**–**	**171**
Lease deposits		**45**	**21,089**	**21,134**
Value-added tax recoverable		**22,353**	**–**	**22,353**
Other receivables		**6,671**	**–**	**6,671**
		71,440	**459,985**	**531,425**
Less: provision for impairment loss allowance	*(e)*	**(6,378)**	**(339,666)**	**(346,044)**
Financial assets at amortised cost		**65,062**	**120,319**	**185,381**
Prepayments		**–**	**78**	**78**
Total trade and other receivables		**65,062**	**120,397**	**185,459**

		As of 31 December 2022		
		Current	Non-current	Total
	Note	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables	*(a)*	2,336	–	2,336
Amount due from a related party		299,430	47,922	347,352
Receivables from operating leases	*(b)*	28,098	15,942	44,040
Receivables from finance leases	*(c)*	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	*(e)*	(130,157)	(23,152)	(153,309)
Financial assets at amortised cost		271,661	181,774	453,435
Prepayments	*(d)*	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 31 December	
	2023	2022
	RMB'000	*RMB'000*
0 – 30 days	**–**	2,336

The Group applies the IFRS simplified approach to measure expected credit losses which was a lifetime expected loss allowance for all trade receivables. As at 31 December 2023, no impairment loss allowance was made based on the management's assessment (2022: nil).

All trade receivables are denominated in RMB and their fair values approximated their carrying amounts as at 31 December 2023 and 2022.

(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 due date is as follows:

	As at 31 December	
	2023	2022
	RMB'000	*RMB'000*
Current	**22,761**	30,685
0 – 30 days	**1,348**	2,598
31 – 90 days	**776**	2,998
91 – 365 days	**2,495**	4,822
More than 365 days	**2,911**	2,937
	30,291	44,040

The Group applies the simplified approach to provide for expected credit losses prescribed by IFRS 9.

As at 31 December 2023, a provision of RMB8,115,000 (2022: RMB16,191,000) was made against the gross amount of receivables form operating lease.

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

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

	As at 31 December	
	2023	2022
	RMB'000	*RMB'000*
Finance lease receivables	**132,855**	179,015
Unguaranteed residual values	**7,931**	7,931
Gross investment in finance leases	**140,786**	186,946
Less: unearned finance income	**(26,145)**	(34,750)
Net investment in finance leases	**114,641**	152,196
Less: accumulated allowance for impairment	**(1,765)**	(1,368)
Finance lease receivables – net	**112,876**	150,828

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

	As at 31 December	
	2023	2022
	RMB'000	*RMB'000*
Gross investment in finance leases		
Within 1 year	**22,578**	39,172
Between 1 and 2 years	**19,889**	20,382
Between 2 and 3 years	**19,929**	20,502
Between 3 and 4 years	**19,667**	20,631
Between 4 and 5 years	**15,932**	20,356
Later than 5 years	**42,791**	65,903
	140,786	186,946

(d) As at 31 December 2022, deposit of RMB62,950,000 for the acquisition of the land was included in the non-current portion of prepayments. Save for abovementioned, the remaining balance of the non-current portion of prepayment represented the Group's cash paid to third parties for the purchase of property, plant and equipment and intangible assets.

(e) The Directors have reviewed the financial information of the related party and assessed its financial position. Due to the prevailing weak market sentiment in real estate sector, the financial position of the related party was worse than originally estimated, and the liquidity risk has been increasing. The Directors have also evaluated the credit risk of the amount due from the related party, which has increased significantly. As of 31 December 2023, the Group has made an accumulated provision for impairment loss allowance RMB336 million (2022: RMB135 million).

18. PROPERTIES HELD FOR SALE

	As at 31 December	
	2023	2022
	RMB'000	*RMB'000*
Carrying amount of properties held for sale	**384,622**	384,622
Less: accumulated provision of impairment *(Note 7)*	**(130,622)**	(34,622)
	254,000	350,000

In 2021, the Group completed the acquisition agreement to purchase the entire equity interest in Zhuhai Xiangyao, which is a real estate development company. The properties held for sale of RMB384,622,000 was recognised.

For the year ended 31 December 2023, the accumulated provision of impairment loss recognised on the properties held for sale was RMB130,622,000 (2022: RMB34,622,000).

As at 31 December 2023, the properties held for sale of RMB254,000,000 were pledged to secure against certain long-term bank borrowing (2022: RMB350,000,000) (Note 21).

19. TRADE AND OTHER PAYABLES

		As at 31 December	
		2023	2022
	Note	***RMB'000***	*RMB'000*
Lease deposits		**53,319**	76,916
Other tax payables		**12,153**	44,065
Accrued wages and salaries		**2,446**	8,408
Trade payables	*(a)*	**397**	427
Amount due to a related party		**9**	30
Accrued bank interest and penalty *(Note 21(b))*	*(b)*	**5,003**	–
Other payables and accruals		**53,450**	55,807
		126,777	185,653

Notes:

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

	As at 31 December	
	2023	2022
	RMB'000	*RMB'000*
0 – 30 days	**397**	427

(b) The bank interest and penalty were accrued due to the outstanding bank borrowing of Zhuhai Xiangyao, which was pledged by the properties held for sale, was overdue.

(c) All trade and other payables are denominated in RMB and their fair values approximated their carrying amounts as at 31 December 2023.

20. CONTRACT LIABILITIES

	Note	As at 31 December 2023 RMB'000	2022 RMB'000
Advances received from customers	*(a)*	**28,058**	30,408
Deferred income	*(b)*	**78**	702
		28,136	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.

21. BORROWINGS

	Note	As at 31 December 2023 RMB'000	2022 RMB'000
Non-current			
Secured long-term bank borrowings	*(a)*	**63,333**	266,361
Current			
Current portion of secured long-term bank borrowings *(Note 18)*	*(a) (b)*	**456,968**	274,498
Secured short-term borrowing	*(c)*	**36,172**	45,199
		493,140	319,697
		556,473	586,058

Notes:

(a) As at 31 December 2023, the Group had bank borrowings of RMB232 million repayable in 2024 and secured by certain investment properties (Note 14). During the year ended 31 December 2023, the weighted average effective interest rate was 6.04% (2022: 5.98%) per annum. Subsequent to the year end, the Group has successfully renewed these borrowings with new facilities for a term of 3-7 years.

(b) Zhuhai Xiangyao's long-term bank loan of RMB253,940,000 pledged by the properties held for sale at the fair value of RMB254,000,000 (2022: RMB350,000,000) (Note 18). The bank loan was expired on 1 November 2023. During the year ended 31 December 2023, the weighted average effective interest rate was 5.95% (2022: 5.67%) per annum.

(c) As at 31 December 2023 and 2022, the secured short-term borrowing was denominated in RMB, secured by certain investment properties (Note 14) and was repayable within one year. During the year ended 31 December 2023, the weighted average effective interest rate was 6.52% (2022: 6.55%) per annum.

(d) At 31 December 2023, the Group's bank borrowings were repayable as follows:

	As at 31 December	
	2023	2022
	RMB'000	*RMB'000*
Within 1 year	**493,140**	319,697
Between 1 and 2 years	**6,667**	203,028
Between 2 and 5 years	**20,000**	20,000
Over 5 years	**36,666**	43,333
	556,473	586,058

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

22. COMMITMENTS

(a) Capital commitments

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

	As at 31 December	
	2023	2022
	RMB'000	*RMB'000*
Purchases of property, plant and equipment	**2,943**	4,659
Acquisition of land *(Note 17(d))*	**–**	189,650
	2,943	194,309

In 2018, Xuyi Shirble Hanlian Real Estate Co., Ltd. ("**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 and paid RMB62,950,000 as the deposit. Due to the prevailing weak market sentiment in real-estate sector, a provision of impairment loss of RMB62,950,000 was recognised. The Group has disposed of Xuyi Shirble in October 2023.

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

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

	As at 31 December	
	2023	2022
	RMB'000	*RMB'000*
Buildings:		
Within 1 year	**162,944**	167,965
Between 1 and 2 years	**140,678**	137,985
Between 2 and 3 years	**101,443**	121,257
Between 3 and 4 years	**57,818**	81,068
Between 4 and 5 years	**43,332**	41,445
Later than 5 years	**118,225**	132,810
	624,440	682,530

MANAGEMENT DISCUSSION AND ANALYSIS

During the year ended 31 December 2023, the business operations and financial performance of the Group continued facing challenges even though the pandemic control and prevention measures have been cancelled in China from the end of 2022.

According to the National Bureau of Statistics of China ("**NBS**"), the total gross domestic product ("**GDP**") of China in 2023 amounted to RMB126,058.2 trillion, representing a year-on-year increase of 4.6% and the growth rate was slightly improved from 3.0% in 2022. The national consumer price index ("**CPI**") in December 2023 was 0.3% lower year-on-year, and CPI in 2023 decreased by 1.8% year-on-year. The amount of the total retail sales of consumer goods in 2023 in China increased by 7.2% year-on-year, as compared to the decrease of 2.0% in 2022.

In the first half of 2023, there was significant downward pressure on the global economy, and China's overall external market demand also experienced a slow down. The impact of the pandemic in China was reducing significantly, but due to the slowdown in the impact on the supply side, the demand pressure has come up gradually. The level of consumption has rebounded, and investment in infrastructure and manufacturing has grown. Entering into the second half of 2023, the momentum of economic recovery has slowed down due to the weak internal impetus and insufficient demand. The real estate market in China is still in the bottoming stage with high uncertainty. The level of consumption maintains a moderate recovery, with consumer confidence and spending power expected to be further improved.

BUSINESS REVIEW

During the year ended 31 December 2023, the Group recorded the revenue of RMB190.7 million (2022: RMB191.6 million). Loss attributable to owners of the Company amounted to RMB341.0 million (2022: RMB556.1 million). The Group continues to operate a one-stop shopping mall concept to meet the demand of the middle class population in the PRC for high-quality food, merchandise and services.

Furthermore, online platforms and membership loyal programs are shaping the retail industry crucially for the consumers seeking goods and services in online channels and bulk purchases become a habit after pandemic. The Group utilised different online platforms to promote and stimulate consumers' enthusiasm and continue to provide quality goods and services to increase the customer patronage and enhance the shopping experience to attract and retain new customers.

As of 31 December 2023, the Group operated and/or managed 14 department stores with a total gross floor area of 242,841.9 sq.m., of which 38.0% are the self-owned properties.

With the economic downside risk relating to the highly leveraged real estate sector, the Group has reduced the property investments and implemented proactive measures to mitigate the negative impact and to strengthen business resilience and enhance customer engagement on the retail business.

BUSINESS OUTLOOK

In early 2024, China has vowed to strengthen certain monetary and fiscal policy expansionary to support growth recovery and to rebuild market sentiments. However, the uncertainty in property sectors and ongoing deflationary pressures in China may have impact on the general consumer spending, and the physical department store business will inevitably continue to face challenges in 2024.

Looking ahead, the Group will focus on the core department store business, and 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 year ended 31 December 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 years ended 31 December 2023 and 2022. Revenue of the Group amounted to RMB190.7 million for the year ended 31 December 2023, representing a slight decrease of 0.5%, as compared to RMB191.6 million in 2022.

Loss attributable to owners of the Company amounted to RMB341.0 million and RMB556.1 million for the year ended 31 December 2023 and 2022, respectively.

(b) Department store business segment

Set forth below is the segmental information of the Group's department store business for the year ended 31 December 2023, together with the comparative figures for the year ended 31 December 2022:

	Year ended 31 December	
	2023	2022
	RMB'000	*RMB'000*
Revenue	**190,666**	191,576
Other operating revenue	**29,886**	31,852
Other gains/(losses) – net	**57,486**	(240,300)
Fair value loss on investment properties	**(156,004)**	(221,877)
Purchase of and changes in inventories	**(6,667)**	(5,196)
Employee benefit expenses	**(27,715)**	(42,911)
Depreciation and amortisation expenses	**(3,198)**	(12,341)
Net impairment losses on financial assets	**(3,328)**	(22,210)
Other operating expenses – net	**(78,002)**	(81,565)
Operating profit /(loss)	**3,124**	(402,972)
Finance income	**9,279**	10,588
Finance costs	**(53,062)**	(70,191)
Finance costs – net	**(43,783)**	(59,603)
Loss before income tax	**(40,659)**	(462,575)
Income tax credit	**7,922**	87,600
Loss for the year	**(32,737)**	(374,975)

Revenue

Revenue breakdown of the Group's department store business for the two years ended 31 December 2023 and 2022 were as follows:

	Year ended 31 December		Percentage of department store's revenue of the Group	
	2023	2022	**2023**	2022
	RMB'000	*RMB'000*	*%*	*%*
Rental income	**182,939**	184,471	**95.9**	96.3
Direct sales	**7,396**	6,466	**3.9**	3.4
Commission from concessionaire sales	**331**	639	**0.2**	0.3
Total	**190,666**	191,576	**100.0**	100.0

Rental income decreased slightly by 0.9% to RMB182.9 million for the year ended 31 December 2023 from RMB184.5 million in 2022. Direct sales increased by 13.8% to RMB7.4 million for the year ended 31 December 2023 from RMB6.5 million in 2022.

The slight decrease in rental income mainly attributable to the store adjustment during the pandemic, offset by the gradual recovery in consumption in 2023 after the pandemic prevention and control measures had been relaxed.

Other operating revenue

Other operating revenue decreased to RMB29.9 million for the year ended 31 December 2023 from RMB32.0 million in 2022. The decrease mainly due to the decrease in promotion, administration and management income, offset by the increase in government grant.

Other gains/(losses) – net

Other gains – net amounted to RMB57.5 million for the year ended 31 December 2023, as compared to other losses – net amounted to RMB240.3 million in 2022, primarily due to a gain from write-off of long aging trade and other payables of RMB25.2 million and a gain from modification of leases of RMB30.6 million in 2023. As compared to a net loss of RMB164.1 million was recognised mainly due to that the Group and the lessor of Shiyan Store entered into the early termination agreement of the lease agreement as well as the Group signed overall sublease agreements and a net loss of RMB89.2 million was recognised in 2022.

Fair value loss on investment properties

Fair value loss on investment properties decreased to RMB156.0 million for the year ended 31 December 2023 from RMB221.9 million in 2022.

Purchase of and changes in inventories

Purchase of and changes in inventories amounted to RMB6.7 million for the year ended 31 December 2023, representing an increase of 28.8%, as compared to RMB5.2 million in 2022, which was in line with the trend in direct sales.

Employee benefit expenses

Employee benefit expenses decreased by 35.4% to RMB27.7 million for the year ended 31 December 2023 from RMB42.9 million in 2022, primarily due to the streamline of labour force.

Depreciation and amortisation expenses

Depreciation and amortisation expenses decreased significantly by 74.0% to RMB3.2 million for the year ended 31 December 2023 from RMB12.3 million in 2022, mainly due to certain assets have been transferred to investment properties during the year.

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 4.4% to RMB78.0 million for the year ended 31 December 2023 from RMB81.6 million in 2022 due to the effective cost control and measures implemented by the Group.

Operating profit /(loss)

As a result of the reasons mentioned above, the operating profit of the department store business segment amounted to RMB3.1 million for the year ended 31 December 2023, as compared to the operating loss of RMB403.0 million in 2022.

Finance income

Finance income amounted to RMB9.3 million for the year ended 31 December 2023, as compared to RMB10.6 million in 2022, mainly due to the decrease in interest income from finance lease, offset by the increase in interest income from bank deposits.

Finance costs

Finance costs decreased by 24.4% to RMB53.1 million for the year ended 31 December 2023, as compared to RMB70.2 million in 2022, mainly due to the decrease in interest expenses on operating leases as the lessee and the decrease in interest expenses on bank loans.

Income tax credit

Income tax credit amounted to RMB7.9 million and RMB87.6 million for the years ended 31 December 2023 and 2022, respectively.

Loss for the year

As a result of the aforementioned, loss attributable to the department store business segment amounted to RMB32.7 million for the year ended 31 December 2023, as compared to the loss of RMB375.0 million in 2022.

(c) Others segment

Others represents 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. Such losses amounted to RMB317.7 million for the year ended 31 December 2023, as compared to the losses amounted to RMB181.5 million in 2022, mainly due to the prevailing weak market sentiment in real estate sector, the provisions of impairment loss on the financial assets and properties held for sales of RMB201.2 million and RMB96 million respectively, and the net impairment loss on prepayment of RMB62.95 million were made in 2023.

DIVIDEND

The Board does not recommend any final dividend for the year ended 31 December 2023 (2022: nil).

LIQUIDITY AND FINANCIAL RESOURCES

As of 31 December 2023, the Group's cash and cash equivalents and restricted bank deposits amounted to RMB67.2 million, representing a decrease of 29.1% from RMB94.8 million as of 31 December 2022. The cash and cash equivalents and restricted 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 had long-term and short-term borrowings of RMB520.3 million and RMB36.2 million, respectively as of 31 December 2023 (31 December 2022: long-term and short-term borrowings of RMB540.9 million and RMB45.2 million, respectively), mainly representing the secured bank borrowing 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 70.8% as of 31 December 2023 (31 December 2022: 52.5%).

Net current liabilities and net assets

The net current liabilities of the Group as of 31 December 2023 were RMB427.2 million (31 December 2022: RMB73.1 million). The net assets of the Group as of 31 December 2023 decreased to RMB785.8 million (31 December 2022: RMB1,116.5 million).

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. For the year ended 31 December 2023, the Group recorded a net foreign exchange gain of RMB5.1 million (2022: RMB3.2 million). The Group has not used any forward contracts, currency borrowings or other means to hedge its foreign currency exposure.

Employees and remuneration policy

As of 31 December 2023, the total number of employees of the Group was 216 (31 December 2022: 254). The Group's remuneration policy is determined with reference to market conditions and the performance, qualifications and experience of individual employees. The Company has also introduced the key performance indicators assessment scheme to boost performance and operational efficiency.

Contingent liabilities

Certain tenants and an ex-employee have commenced legal proceedings in the PRC against the Group in respect of disputes over contract terms and employment contract terms. As of 31 December 2023, the legal proceedings are ongoing. The Group has made an accumulated provision of approximately RMB2,765,000 (2022: RMB631,000) which the Directors believe is adequate to cover the amounts, if any, payable in respect of these claims.

Material acquisition and disposal of subsidiaries

On 23 November 2023, the lease agreement (the "**Lease Agreement**") entered into between Shenzhen Shirble Department Store Company Limited* (深圳歲寶百貨有限公司), a wholly-owned subsidiary of the Company, as the lessee and Shenzhen Ruizhuo Investment Company Limited* (深圳市瑞卓投資發展有限公司), as the lessor, in relation to the lease of the office premises located in Luohu Distract, Shenzhen, the PRC as the Group's principal office in the PRC. Pursuant to IFRS 16 "Leases", the Group recognised a right-of-use asset in its financial statements when the Group enters into a lease transaction as the lessee and such transaction was deemed to be an acquisition of capital asset for the purpose of The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**"). The Lease Agreement constitutes a connected transaction for the Company. As the highest applicable percentage ratio (as defined under the Listing Rules) in respect of the transactions contemplated under the Lease Agreement is more than 0.1% but less than 5%, the Lease Agreement is subject to the reporting, announcement and annual review requirements but exempt from the circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

On 29 December 2023, the lease agreement (the "**Renewal Lease Agreement**") entered into between Shenzhen Shirble Chain Store Limited Liability Company* (深圳歲寶連鎖商業發展有限公司), a wholly-owned subsidiary of the Company, as the lessee and Shenzhen Talents Housing Group Company Limited* (深圳市人才安居集團有限公司), as the lessor in relation to the lease renewal of the premises located in Nanshan District, Shenzhen, the PRC as one of the Group's department stores. Pursuant to IFRS 16 "Leases", the Group recognised a right-of-use asset in its financial statements when the Group enters into a lease transaction as the lessee and such transaction was deemed to be an acquisition of capital asset for the purpose of the Listing Rules. The Renewal Lease Agreement constitutes a connected transaction for the Company. As the highest applicable percentage ratio (as defined in the Listing Rules) in respect of the transaction contemplated under the Renewal Lease Agreement is more than 25% but less than 100%, the transaction contemplated under the Renewal Lease Agreement constitutes a major transaction of the Company and is subject to the reporting, announcement, circular and shareholders' approval requirements under Chapter 14 of the Listing Rules. As no shareholder has any material interest in the Renewal Lease Agreement and the transaction contemplated thereunder and therefore no shareholder would be required to abstain from voting if the Company were to convene a general meeting for the approval of the Renewal Lease Agreement. The Company has received a written approval from Shirble Department Store Limited, one of the controlling shareholders, holding 55.08% of the total number of shares of the Company in issue as of 29 December 2023 to approve the Renewal Lease Agreement. As such, the Company would not convene a general meeting for the purpose of seeking the approval of the shareholders on the entering into of the Renewal Lease Agreement and the transaction contemplated thereunder.

Save as disclosed above, there were no material acquisition and disposal of subsidiaries for the year ended 31 December 2023.

SUBSEQUENT EVENT

No significant events have taken place subsequent to 31 December 2023 and up to the date of this announcement.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2023.

CORPORATE GOVERNANCE

During the year ended 31 December 2023, the Company has complied with the principles and the applicable code provisions as contained in the Corporate Governance Code as set forth in Part 2 of Appendix C1 to the Listing Rules.

The internal audit department (the "**Internal Audit Department**") of the Group has reported its findings and work plan to the audit committee (the "**Audit Committee**") of the Board twice in a year, and the Board and the Audit Committee then reviewed and refined the Group's material controls, including financial, operational and compliance controls and risk management functions. The enhancement of the internal control measures will continue to be monitored by the Internal Audit Department and the Chief Executive Officer of the Group. The Internal Audit Department will periodically report their review and findings on the internal controls of the Group to the Audit Committee and the Board.

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

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 C3 to the Listing Rules as the code of conduct regarding the Directors' securities transactions. Having made specific enquiries with the Directors, all Directors confirmed that they had complied with the required standard of dealings as set forth in the Model Code during the year ended 31 December 2023.

AUDIT COMMITTEE

As of the date of this announcement, the Audit Committee 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.

During the year ended 31 December 2023, the Audit Committee held three meetings with the management, external auditor and internal control consultant to discuss on the Group's auditing, internal controls and financial reporting matters, and to review on the Group's internal control, special audit, audit planning, the interim results for the six months ended 30 June 2023 and the annual results for the year ended 31 December 2022.

The Audit Committee has reviewed the annual results of the Group for the year ended 31 December 2023.

SCOPE OF WORK OF PRICEWATERHOUSECOOPERS

The financial figures in respect of the Group's consolidated balance sheet, consolidated income statement, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2023 as set forth in this preliminary announcement have been agreed by the Group's auditor, PricewaterhouseCoopers ("**PwC**"), to the amounts set forth in the Group's audited consolidated financial statements for the year. The work performed by PwC in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PwC on this preliminary announcement.

EXTRACT OF INDEPENDENT AUDITOR'S OPINION

The following is an extract of the independent auditor's report on the Group's audited consolidated financial statements for the year ended 31 December 2023.

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 2023, 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.

Material uncertainty related to going concern

We draw attention to Note 2 to the consolidated financial statements, which indicates that the Group incurred a net loss of approximately RMB350 million during the year ended 31 December 2023 and, as of that date, the Group's current liabilities exceeded its current assets by approximately RMB427 million. As at 31 December 2023, the Group had total bank borrowings of approximately RMB556 million, of which secured bank borrowings of RMB254 million is in default , while the Group's cash and cash equivalents amounted to approximately RMB50 million. These conditions, along with other matters as set forth in Note 2 to the consolidated financial statements, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

PUBLICATION OF ANNUAL REPORT

The annual report for the year ended 31 December 2023 containing all the information required by Appendix D2 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, 28 March 2024

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.