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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 2024

The following sets forth a summary of the unaudited condensed consolidated results of the Group for the 1H2024:

- Revenue amounted to RMB97.9 million, representing an increase of 6.5%, as compared to RMB91.9 million for the 1H2023;
- Operating profit amounted to RMB31.2 million, as compared to operating loss of RMB50.1 million for the 1H2023;
- Loss attributable to owners of the Company amounted to RMB18.5 million, representing a decrease of 71.1%, as compared to RMB63.9 million for the 1H2023;
- Basic loss per share amounted to RMB0.01, as compared to RMB0.03 for the 1H2023; and
- Net asset value per share as at 30 June 2024 and 31 December 2023 were RMB0.31.

The Board does not recommend any interim dividend for the 1H2024.

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2024

The board (the “**Board**”) of directors (the “**Directors**”) of Shirble Department Store Holdings (China) Limited (the “**Company**”, together with its subsidiaries, collectively, the “**Group**”) hereby announces the unaudited condensed consolidated results of the Company for the six months ended 30 June 2024 (the “**1H2024**”), together with the comparative figures for the six months ended 30 June 2023 (the “**1H2023**”).

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT

		Six months ended 30 June	
	Note	2024 RMB'000 (unaudited)	2023 RMB'000 (unaudited)
Revenue	5	97,903	91,931
Other operating revenue	6	8,569	17,526
Other gains – net	7	35,822	1,669
Fair value losses on investment properties	13	(42,376)	(46,964)
Purchase of and changes in inventories	8	(5,164)	(3,027)
Employee benefit expenses	8	(17,854)	(21,383)
Depreciation and amortisation expenses	8	(1,272)	(1,953)
Net impairment losses on financial assets	8	(3,836)	(747)
Impairment loss on prepayment	8	–	(55,900)
Other operating expenses – net	8	(40,550)	(31,276)
Operating profit/(loss)		31,242	(50,124)
Finance income	9	3,961	9,169
Finance costs	9	(40,170)	(34,498)
Finance costs – net	9	(36,209)	(25,329)
Loss before income tax		(4,967)	(75,453)
Income tax (expenses)/credit	10	(13,511)	2,848
Loss for the period		(18,478)	(72,605)
Loss attributable to:			
Owners of the Company		(18,478)	(63,885)
Non-controlling interests		–	(8,720)
Loss for the period		(18,478)	(72,605)
Loss per share for the loss attributable to owners of the Company during the period (expressed in RMB per share)			
– Basic and diluted	11	(0.01)	(0.03)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six months ended 30 June	
	2024	2023
	<u><i>RMB'000</i></u>	<u><i>RMB'000</i></u>
	(unaudited)	(unaudited)
Loss for the period	<u>(18,478)</u>	<u>(72,605)</u>
Other comprehensive (loss)/income:		
<i>Item that may be reclassified to profit or loss:</i>		
Currency translation differences	(481)	(3,228)
<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>–</u>	<u>18,403</u>
Other comprehensive (loss)/income for the period	<u>(481)</u>	<u>15,175</u>
Total comprehensive loss for the period	<u>(18,959)</u>	<u>(57,430)</u>
Attributable to:		
Owners of the Company	(18,959)	(48,710)
Non-controlling interests	<u>–</u>	<u>(8,720)</u>
Total comprehensive loss for the period	<u>(18,959)</u>	<u>(57,430)</u>

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

		As at 30 June 2024	As at 31 December 2023
	<i>Note</i>	<u>RMB'000</u> (unaudited)	<u>RMB'000</u> (audited)
ASSETS			
Non-current assets			
Investment properties	<i>13</i>	1,756,578	1,798,132
Property, plant and equipment	<i>14</i>	25,352	26,124
Intangible assets		269	322
Deferred income tax assets		2,212	2,236
Trade receivables, other receivables and prepayments	<i>16</i>	118,340	120,397
		<u>1,902,751</u>	<u>1,947,211</u>
Current assets			
Inventories		2,934	3,032
Financial assets at fair value through profit or loss	<i>15</i>	4,381	4,350
Trade receivables, other receivables and prepayments	<i>16</i>	58,313	65,062
Properties held for sale	<i>17</i>	254,000	254,000
Deferred income tax assets		675	1,594
Restricted bank deposits		12,343	17,045
Cash and cash equivalents		42,242	50,127
		<u>374,888</u>	<u>395,210</u>
Total assets		<u>2,277,639</u>	<u>2,342,421</u>
EQUITY			
Share capital		213,908	213,908
Share premium		750,992	750,992
Other reserves		457,760	458,241
Accumulated losses		(655,772)	(637,294)
Equity attributable to the owners of the Company		<u>766,888</u>	<u>785,847</u>
Non-controlling interests		<u>–</u>	<u>–</u>
Total equity		<u>766,888</u>	<u>785,847</u>

		As at 30 June 2024	As at 31 December 2023
	<i>Note</i>	<i>RMB'000</i>	<i>RMB'000</i>
		(unaudited)	(audited)
LIABILITIES			
Non-current liabilities			
Lease liabilities		554,686	590,432
Deferred income tax liabilities		92,232	80,394
Borrowings	<i>20</i>	240,000	63,333
		886,918	734,159
Current liabilities			
Lease liabilities		27,253	53,681
Trade and other payables	<i>18</i>	128,956	126,777
Contract liabilities	<i>19</i>	32,998	28,136
Borrowings	<i>20</i>	314,090	493,140
Income tax payable		120,536	120,681
		623,833	822,415
Total liabilities		1,510,751	1,556,574
Total equity and liabilities		2,277,639	2,342,421

NOTES TO THE 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 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 2024 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 2023, which have been prepared in accordance with International Financial Reporting Standards ("IFRS").

Going concern basis

For the period ended 30 June 2024, the Group recorded a loss of approximately RMB18.5 million. As at 30 June 2024, the Group's current liabilities exceeded its current assets by approximately RMB249 million. The Group had a total of RMB554 million in bank borrowings, of which RMB314 million were current. In November 2023, a member of the Group failed to repay a bank loan of RMB254 million. Such bank loan is secured by a property held for sale project that owned by that member of the Group. Due to the downward pressure on the real estate sector, the Group has not yet disposed of the properties held for sale, which led to the failure in repayment of the bank loan. The Group had cash and cash equivalents of approximately RMB42 million as at 30 June 2024.

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

In view of such circumstances, the Directors have given careful consideration to the future liquidity and operating performance of the Group and its available sources of financing in the assessment of whether the Group will have sufficient financial resources to fulfil its financial obligations to continue as a going concern. The plans and measures that have been taken to mitigate the liquidity pressure and to improve its financial position, include but not limited to those described below:

- (i) Regarding the failure in repayment of the bank loan mentioned above of RMB254 million, the bank loan is secured by a completely constructed property which has been issued with the property ownership certificates with the fair value of RMB254 million. Given the fact that there is no repayment guarantee provided by other members of the Group, based on the legal opinion provided by the PRC legal adviser to the Company, the Directors are of the view that the failure would not have any material adverse impact on the business operations of the Group as a whole. The Board is of the view that the member of the Group may dispose of the property for the settlement of the bank loan.

- (ii) The Group will continue to implement plans and measures to improve the operation performance of the department store business to generate operating cash inflow.
- (iii) The Group will continue to secure new banking facilities to provide further funding for the Group's operation, as and when needed. The Directors believe that the Group will be able to obtain new banking facilities with the Group's assets 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 30 June 2024. 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 in the coming twelve months from 30 June 2024. 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 bank loan of RMB254 million;
- (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 generating 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 recognise 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. Such adjustments have not been reflected in these consolidated financial statements.

3. CHANGES IN ACCOUNTING POLICIES

The accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2023, as described in those annual financial statements, except for the adoption of amendments to IFRSs effective for the financial year beginning on 1 January 2024.

(a) New and amended standards adopted by the Group

		Effective for annual periods beginning on or after
Amendments to IAS 1	Classification of Liabilities as Current or Non-current	1 January 2024
Amendments to IAS 1	Non-current liabilities with covenants	1 January 2024
Amendments to IAS 7 and IFRS 7	Supplier finance arrangements	1 January 2024
Amendments to IFRS 16	Lease liability in a sale and leaseback	1 January 2024

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 2024 and have not been early adopted:

		Effective for annual periods beginning on or after
Amendments to IAS 21	Lack of Exchangeability	1 January 2025
Amendments to IFRS 9 and IFRS 7	Classification and Measurement of Financial Instruments	1 January 2026
IFRS 18	Presentation and Disclosure in Financial Statements	1 January 2027
IFRS 19	Subsidiaries without Public Accountability: Disclosures	1 January 2027
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

The 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 2024		
	Department store business	Others	Group
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Revenue	97,903	–	97,903
Revenue from contracts with customers			
At a point in time	5,529	–	5,529
Revenue from other sources			
Rental income	92,374	–	92,374
Other operating revenue	8,438	131	8,569
Other gains – net	35,579	243	35,822
Fair value losses on investment properties	(42,376)	–	(42,376)
Purchase of and changes in inventories	(5,164)	–	(5,164)
Employee benefit expenses	(15,576)	(2,278)	(17,854)
Depreciation and amortisation expenses	(1,272)	–	(1,272)
Net impairment losses on financial assets	(3,836)	–	(3,836)
Other operating expenses, net	(39,578)	(972)	(40,550)
Operating profit/(loss)	34,118	(2,876)	31,242
Finance income	3,719	242	3,961
Finance costs	(29,870)	(10,300)	(40,170)
Finance costs – net	(26,151)	(10,058)	(36,209)
Profit/(loss) before income tax	7,967	(12,934)	(4,967)
Income tax expense	(13,511)	–	(13,511)
Loss for the period	(5,544)	(12,934)	(18,478)

Six months ended 30 June 2023

	Department store business <i>RMB'000</i>	Others <i>RMB'000</i>	Group <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)

5. REVENUE

	Six months ended 30 June	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
Rental income	92,374	88,749
Direct sales	5,529	3,182
	<u>97,903</u>	<u>91,931</u>

6. OTHER OPERATING REVENUE

	Six months ended 30 June	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
Promotion, administration and management income	8,075	11,400
Credit card handling fees for concessionaire sales	306	257
Government grants and tax incentives	188	5,869
	<u>8,569</u>	<u>17,526</u>

7. OTHER GAINS – NET

	<i>Note</i>	Six months ended 30 June	
		2024	2023
		<i>RMB'000</i>	<i>RMB'000</i>
Gain from rent concession	<i>(a)</i>	–	882
Deposit forfeited for termination of lease agreements		573	449
Gains from the change of lease agreements	<i>(b)</i>	34,990	–
Gains from disposal of property, plant and equipment		259	–
Others		–	338
		<u>35,822</u>	<u>1,669</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 for the period ended 30 June 2023 with a corresponding reduction in the lease liabilities. No such rent concession for the period ended 30 June 2024.
- (b) For the period ended 30 June 2024, the Group signed supplemental agreements of two stores in relation to the rental reduction, and a net gain of RMB34,990,000 was recognised from the decrease in lease liabilities.

8. EXPENSES BY NATURE

	Six months ended 30 June	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
Purchase of and changes in inventories	5,164	3,027
Employee benefit expenses	17,854	21,383
Depreciation and amortisation expenses	1,272	1,953
Net impairment losses on financial assets	3,836	747
Impairment loss on prepayment	–	55,900
Utilities	27,748	24,168
Advertising costs	71	499
Business travel expenses	189	2,338
Cleaning fee	1,244	1,299
Other tax expenses	4,448	3,943
Fee paid to auditors for other professional service	600	600
Net foreign exchange gains	(562)	(6,565)
Other expenses	6,812	4,994
	68,676	114,286

9. FINANCE INCOME AND COSTS

	Six months ended 30 June	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
Finance income		
Interest income from finance leases	3,536	4,306
Interest income from a related party	–	4,472
Interest income from bank deposits	425	391
	3,961	9,169
Finance costs		
Interest expenses on operating leases as the lessee	(17,365)	(17,359)
Interest expenses on bank loans	(22,805)	(17,139)
	(40,170)	(34,498)
Finance costs – net	(36,209)	(25,329)

10. INCOME TAX CREDIT

	Six months ended 30 June	
	2024	2023
	<u>RMB'000</u>	<u>RMB'000</u>
Current income tax		
– PRC corporate income tax	730	–
Deferred income tax	<u>12,781</u>	<u>(2,848)</u>
	<u>13,511</u>	<u>(2,848)</u>

- (i) Pursuant to the rules and regulations of the Cayman Islands, the Group is not subject to any income tax in the Cayman Islands.
- (ii) Hong Kong profits tax has not been provided as the Group did not generate any assessable profits in Hong Kong during the 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	
	2024	2023
Loss attributable to owners of the Company (in RMB thousands)	(18,478)	(63,885)
Weighted average number of ordinary shares in issue (thousands)	<u>2,495,000</u>	<u>2,495,000</u>
Basic loss per share (RMB per share)	<u>(0.01)</u>	<u>(0.03)</u>

- (b) The Group had no potentially dilutive ordinary shares in issue during the period ended 30 June 2024, so the diluted earnings per share equals the basic earnings per share.

12. DIVIDENDS

The Board does not recommend any interim dividend and final dividend for the six months ended 30 June 2024 and for the year ended 31 December 2023 respectively.

13. INVESTMENT PROPERTIES

	<i>Note</i>	Land and buildings <i>RMB'000</i>	Right-of-use assets <i>RMB'000</i>	Total <i>RMB'000</i>
Six months ended 30 June 2024				
As at 1 January 2024		1,154,630	643,502	1,798,132
Capitalised subsequent expenditure		–	822	822
Net losses from fair value adjustment		–	(42,376)	(42,376)
As at 30 June 2024		<u>1,154,630</u>	<u>601,948</u>	<u>1,756,578</u>
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 (<i>Note 14</i>)	(c)	174,664	–	174,664
Increase in fair value upon transfer charged to other comprehensive income	(c)	24,537	–	24,537
Net losses from fair value adjustment		–	(46,964)	(46,964)
As at 30 June 2024		<u>1,246,801</u>	<u>590,683</u>	<u>1,837,484</u>

Notes:

- (a) The fair value of the Group's investment properties falls under level 3 in the fair value hierarchy.
- (b) As at 30 June 2024, part of the buildings were secured against certain long-term bank borrowings.
- (c) During the period ended 30 June 2023, the Group leased out the 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 <i>RMB'000</i>	Right-of-use assets <i>RMB'000</i>	Total <i>RMB'000</i>
	<u> </u>	<u> </u>	<u> </u>
Six months ended 30 June 2024			
As at 1 January 2024	24,293	1,831	26,124
Additions	–	561	561
Disposals	(114)	–	(114)
Depreciation charge (<i>Note 8</i>)	(705)	(514)	(1,219)
	<u> </u>	<u> </u>	<u> </u>
As at 30 June 2024	<u>23,474</u>	<u>1,878</u>	<u>25,352</u>
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)
	<u> </u>	<u> </u>	<u> </u>
As at 30 June 2023	<u>21,749</u>	<u>1,496</u>	<u>23,245</u>

15. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Total – unlisted equity securities <i>RMB'000</i>
	<u> </u>
Six months ended 30 June 2024	
As at 1 January 2024	4,350
Currency translation difference	31
	<u> </u>
As at 30 June 2024	<u>4,381</u>
Six months ended 30 June 2023	
As at 1 January 2023	4,288
Currency translation difference	138
	<u> </u>
As at 30 June 2023	<u>4,426</u>

16. TRADE RECEIVABLES, OTHER RECEIVABLES AND PREPAYMENTS

		As at 30 June 2024		
	<i>Note</i>	Current RMB'000	Non-current RMB'000	Total RMB'000
Amount due from a related party		–	336,164	336,164
Receivables from operating leases	(a)	18,528	5,182	23,710
Receivables from finance leases		11,872	97,036	108,908
Interest receivables		13	–	13
Lease deposits		44	20,344	20,388
Value-added tax recoverable		22,355	–	22,355
Other receivables		6,566	–	6,566
		59,378	458,726	518,104
Less: provision for impairment loss allowance	(b)	(1,065)	(341,301)	(342,366)
Financial assets at amortised cost		58,313	117,425	175,738
Prepayments		–	915	915
Total trade and other receivables		58,313	118,340	176,653
		As at 31 December 2023		
	<i>Note</i>	Current RMB'000	Non-current RMB'000	Total RMB'000
Amount due from a related party		–	336,164	336,164
Receivables from operating leases	(a)	25,212	5,079	30,291
Receivables from finance leases		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	(b)	(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

Notes:

- (a) 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 2024 <i>RMB'000</i>	31 December 2023 <i>RMB'000</i>
Current	19,064	22,761
0 – 30 days	1,579	1,348
31 – 90 days	260	776
91 – 365 days	1,089	2,495
More than 365 days	1,718	2,911
	<u>23,710</u>	<u>30,291</u>

- (b) As at 30 June 2024 and 31 December 2023, the accumulated provision of impairment loss of RMB336,164,000 has been recognised for the amount due from a related party.

17. PROPERTIES HELD FOR SALE

	As at	
	30 June 2024 <i>RMB'000</i>	31 December 2023 <i>RMB'000</i>
Carrying amount of properties held for sale	384,622	384,622
Less: accumulated provision of impairment loss	<u>(130,622)</u>	<u>(130,622)</u>
	<u>254,000</u>	<u>254,000</u>

As at 30 June 2024 and 31 December 2023, the accumulated provision of impairment loss recognised for properties held for sale was RMB130,622,000.

As at 30 June 2024 and 31 December 2023, the properties held for sale of RMB254,000,000 were pledged to secure against certain long-term bank borrowing (Note 20). As the bank loan has expired on 1 November 2023, the lending commercial bank (the “Bank”) in the PRC has started legal proceedings against Zhuhai Xiangyao, and the judgment has not yet been concluded.

18. TRADE AND OTHER PAYABLES

	<i>Note</i>	As at	
		30 June	31 December
		2024	2023
		<i>RMB'000</i>	<i>RMB'000</i>
Lease deposits		49,531	53,319
Other tax payables		9,475	12,153
Accrued wages and salaries		1,923	2,446
Trade payables	<i>(a)</i>	234	397
Amount due to a related party		4	9
Accrued bank interest and penalty (<i>Note 20(b)</i>)		15,304	5,003
Other payables and accruals		52,485	53,450
		128,956	126,777

Notes:

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

	As at	
	30 June	31 December
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
0 – 30 days	234	397

(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

	<i>Note</i>	As at	
		30 June	31 December
		2024	2023
		<i>RMB'000</i>	<i>RMB'000</i>
Advances received from customers	<i>(a)</i>	32,997	28,058
Deferred income	<i>(b)</i>	1	78
		32,998	28,136

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

		As at	
		30 June 2024	31 December 2023
	Note	<u>RMB'000</u>	<u>RMB'000</u>
Non-current			
Secured long-term bank borrowings	(a)	<u>240,000</u>	<u>63,333</u>
Current			
Current portion of secured long-term bank borrowings (Note 17)	(a)(b)	280,607	456,968
Secured short-term borrowing	(c)	<u>33,483</u>	<u>36,172</u>
		<u>314,090</u>	<u>493,140</u>
		<u>554,090</u>	<u>556,473</u>

Notes:

- (a) The Group's long-term bank borrowings were denominated in RMB and secured by certain investment properties (Note 13). During the period ended 30 June 2024, the weighted average effective interest rate was 6.17% (31 December 2023: 6.04%) per annum.
- (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 RMB254,000,000 (Note 17). The bank loan has expired on 1 November 2023. During the period ended 30 June 2024, the weighted average effective interest rate was 8.02% (31 December 2023: 5.95%) per annum.
- (c) As at 30 June 2024 and 31 December 2023, the secured short-term borrowing was denominated in RMB, secured by certain investment properties (Note 13) and was repayable within one year. During the period ended 30 June 2024, the weighted average effective interest rate was 6.48% (31 December 2023: 6.52%) per annum.

21. CAPITAL COMMITMENTS

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

	As at	
	30 June 2024	31 December 2023
	<u>RMB'000</u>	<u>RMB'000</u>
Purchases of property, plant and equipment	<u>3,359</u>	<u>2,943</u>
	<u>3,359</u>	<u>2,943</u>

MANAGEMENT DISCUSSION AND ANALYSIS

During the 1H2024, China's economy continued to show resilience and adaptability in the process of maintaining the financial stability and achieving sustainability. China is undergoing transition toward a sustainable economic growth and a high-level reliance on the domestic market.

According to the National Bureau of Statistics of China (“NBS”), the GDP of China in the 1H2024 amounted to RMB61.68 trillion, representing an increase of 5.0%, as compared to 1H2023. The national consumer price index (“CPI”) in June 2024 was 0.2% higher year-on-year, and CPI in June 2023 remained constant year-on-year. The amount of total retail sales of consumer goods in June 2024 in China slightly decreased by 0.1% year-on-year, as compare to a decrease of 0.5% for the same period in 2023.

Following the implementation of measures to revive the tourism and the resumption of the normal travel between different cities in China and the expanded visa-free arrangement for oversea tourists, the Group expects that the Group's department stores will continue to attract increasing flow of customers. The Group will continue to focus on the improvement of the consumer experience and the services provided, for the purpose of providing the consumers with a better shopping experience. This will help create solid foundation for sustainable business development.

BUSINESS REVIEW

During the 1H2024, the Group recorded a revenue of RMB97.9 million (2023: RMB91.9 million). Loss attributable to owners of the Company amounted to RMB18.5 million (2023: RMB63.9 million).

In the 1H2024, the Group continued to boost up the revenue by providing a better shopping experience to the customers as well as offering high-quality merchandise and services to meet the demand of the middle-class population in selected markets in China. The Group also optimised the operational costs to improve the long-term efficiency and sustainability.

As at 30 June 2024, 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 continued downward pressure on the property sector in the PRC, the Group finished the elimination of its significant exposure to property investments and will continue to optimise and rationalise the business focus of the Group to its core business with competitive strengths and advantages.

BUSINESS OUTLOOK

Overall, despite the challenges faced by the China economy, the Group remains confident in its business 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 a series of 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 1H2024 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 amounted to RMB97.9 million for the 1H2024, representing an increase of 6.5%, as compared to RMB91.9 million for the 1H2023.

Loss attributable to owners of the Company amounted to RMB18.5 million for the 1H2024, representing a decrease of 71.1%, as compared to RMB63.9 million for the 1H2023.

(b) Department store business segment

Set forth below is the segmental information of the Group's department store business for the 1H2024, together with the comparative figures for the 1H2023:

	Six months ended 30 June	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)
Revenue	97,903	91,931
Other operating revenue	8,438	17,526
Other gains – net	35,579	1,656
Fair value losses on investment properties	(42,376)	(46,964)
Purchase of and changes in inventories	(5,164)	(3,027)
Employee benefit expenses	(15,576)	(18,390)
Depreciation and amortisation expenses	(1,272)	(1,738)
Net impairment losses on financial assets	(3,836)	(747)
Other operating expenses – net	(39,578)	(29,508)
Operating profit	34,118	10,739
Finance income	3,719	4,520
Finance costs	(29,870)	(27,416)
Finance costs – net	(26,151)	(22,896)
Profit/(loss) before income tax	7,967	(12,157)
Income tax (expense)/credit	(13,511)	2,848
Loss for the period	(5,544)	(9,309)

Revenue

Revenue breakdown of the Group's department store business was as follows:

	Six months ended 30 June		Percentage of department stores' revenue of the Group	
	2024	2023	2024	2023
	<u>RMB'000</u>	<u>RMB'000</u>	<u>%</u>	<u>%</u>
	(unaudited)	(unaudited)		
Rental income	92,374	88,749	94.4	96.5
Direct sales	5,529	3,182	5.6	3.5
Total	<u>97,903</u>	<u>91,931</u>	<u>100.0</u>	<u>100.0</u>

Rental income increased by 4.2% to RMB92.4 million for the 1H2024 from RMB88.7 million for the 1H2023; and direct sales increased by 71.9% to RMB5.5 million for the 1H2024 from RMB3.2 million for the 1H2023.

The increase in rental income was mainly attributable to the decrease in the vacancy rate of department stores in the 1H2024.

Other operating revenue

Other operating revenue decreased by 52.0% to RMB8.4 million for the 1H2024 from RMB17.5 million for the 1H2023 mainly due to decrease in government grants and tax incentives.

Other gains – net

Other gains – net amounted to RMB35.6 million for the 1H2024, as compared to RMB1.7 million for the 1H2023, primarily due to that the Group signed supplemental agreements of two stores in relation to the rental reduction, and a net gain of RMB35.0 million recognised in the 1H2024 from the decrease in lease liabilities.

Fair value losses on investment properties

Fair value losses on investment properties amounted to RMB42.4 million for the 1H2024, as compared to RMB47.0 million for the 1H2023.

Purchase of and changes in inventories

Purchase of and changes in inventories increased to RMB5.2 million for the 1H2024 from RMB3.0 million for the 1H2023, which were in line with the direct sales for the corresponding periods.

Employee benefit expenses

Employee benefit expenses decreased by 15.2% to RMB15.6 million for the 1H2024 from RMB18.4 million for the 1H2023, primarily due to the continuity of optimisation of labour force.

Depreciation and amortisation expenses

Depreciation and amortisation expenses amounted to RMB1.3 million and RMB1.7 million for the 1H2024 and the 1H2023, respectively.

Other operating expenses – net

Other operating expenses – net increased by 34.2% to RMB39.6 million for the 1H2024 from RMB29.5 million for the 1H2023, primarily due to decrease in the net foreign exchange gains and increase in utilities cost.

Operating profit

As a result of the reasons mentioned above, the department store business segment's operating profit increased to RMB34.1 million in the 1H2024 from RMB10.7 million in the 1H2023.

Finance income

Finance income amounted to RMB3.7 million for the 1H2024, as compared to RMB4.5 million for the 1H2023.

Finance costs

Finance costs increased by 9.1% to RMB29.9 million for the 1H2024 from RMB27.4 million for the 1H2023, primarily due to higher interest expenses on bank loans.

Income tax (expenses)/credit

Income tax expenses of RMB13.5 million for the 1H2024, as compared to income tax credit of RMB2.8 million for the 1H2023.

Loss for the period

As a result of the aforementioned, loss attributable to the department store business segment amounted to RMB5.5 million for the 1H2024, as compared to loss of RMB9.3 million for the 1H2023.

(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 RMB12.9 million for the 1H2024, as compared to the losses amounted to RMB63.3 million in the 1H2023. The decrease was mainly due to the impairment loss on prepayment of RMB55.9 million in the 1H2023.

INTERIM DIVIDEND

The Board does not recommend any interim dividend for the 1H2024.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2024, the Group's cash and cash equivalents and bank deposits amounted to RMB54.6 million, representing a decrease of 18.8% from RMB67.2 million as at 31 December 2023. The cash and cash equivalents and bank deposits, which were in RMB and Hong Kong dollars (“**HKD**”), were deposited with banks in Hong Kong and the PRC for interest income.

BORROWINGS

The Group has long-term and short-term borrowings of RMB520.6 million and RMB33.5 million, respectively as at 30 June 2024 (31 December 2023: long-term borrowing of RMB520.3 million and short-term borrowing of RMB36.2 million), 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 72.3% as at 30 June 2024 (31 December 2023: 70.8%).

NET CURRENT LIABILITIES AND NET ASSETS

The net current liabilities of the Group as at 30 June 2024 was RMB248.9 million (31 December 2023: RMB427.2 million). The net assets of the Group as at 30 June 2024 was RMB766.9 million (31 December 2023: RMB785.8 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 HKD. For the 1H2024, the Group recorded a net foreign exchange gain of RMB0.6 million (1H2023: RMB6.6 million). The Group has not used any forward contracts, currency borrowings or other means to hedge its foreign currency exposure.

EMPLOYEES AND REMUNERATION POLICY

As at 30 June 2024, the total number of employees of the Group was 210 (31 December 2023: 216). 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 third parties have commenced legal proceedings in the PRC against the Group in respect of disputes over contract terms and compensation for damages. As at 30 June 2024, these legal proceedings were ongoing. The Group has made an accumulated provision of RMB2.0 million (31 December 2023: RMB2.8 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 1H2024.

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 1H2024.

CORPORATE GOVERNANCE

During the 1H2024, 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 Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**").

The internal audit department (the "**Internal Audit Department**") of the Group has reported its findings and work plan to the audit committee (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 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 1H2024.

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 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

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 1H2024, the Audit Committee held two meetings with the management, external auditor and internal control in-charge to discuss on the Group’s auditing, internal controls and financial reporting matters, and to review on the interim results for the 1H2024 and the annual results for the year ended 31 December 2023.

The Audit Committee has reviewed the unaudited condensed consolidated financial statements for the 1H2024. The Group’s unaudited condensed consolidated financial statements for the 1H2024 have not been reviewed by the external auditor.

PUBLICATION OF THE INTERIM REPORT

The interim report for the 1H2024 containing all the information required by Appendix D2 of the Listing Rules and other applicable laws and regulations will be 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, 30 August 2024

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