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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)**

### **ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2022**

The following sets forth a summary of the audited consolidated results of the Group for the year ended 31 December 2022:

- Revenue was RMB191.6 million, representing a decrease of 16.7%, as compared to the revenue of RMB230.1 million in 2021;
- Operating loss was RMB595.4 million, as compared to the operating loss of RMB398.7 million in 2021;
- Loss attributable to owners of the Company was RMB556.1 million, as compared to the loss attributable to owners of the Company of RMB438.0 million in 2021;
- Basic loss per share was RMB0.22, as compared to basic loss per share of RMB0.18 in 2021; and
- Net asset value per share as of 31 December 2022 was RMB0.45, as compared to RMB0.67 as of 31 December 2021.

## FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2022

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 2022, together with the comparative figures for the year ended 31 December 2021.

### CONSOLIDATED INCOME STATEMENT

	<i>Note</i>	<b>Year ended 31 December</b>	
		<b>2022</b>	<b>2021</b>
		<b><i>RMB'000</i></b>	<b><i>RMB'000</i></b>
Revenue	5	<b>191,576</b>	230,118
Other operating revenue	6	<b>31,966</b>	32,492
Other losses – net	7	<b>(284,262)</b>	(174,351)
Fair value loss on investment properties	14	<b>(221,877)</b>	(215,859)
Purchase of and changes in inventories	8	<b>(5,196)</b>	(10,365)
Employee benefit expenses	8,9	<b>(50,740)</b>	(92,520)
Depreciation and amortisation expenses	8	<b>(13,601)</b>	(18,013)
Net impairment losses on financial assets	8	<b>(157,210)</b>	(29,383)
Other operating expenses – net	8	<b>(86,058)</b>	(120,811)
<b>Operating loss</b>		<b>(595,402)</b>	(398,692)
Finance income	10	<b>10,737</b>	10,005
Finance costs	10	<b>(84,598)</b>	(86,662)
Finance costs – net	10	<b>(73,861)</b>	(76,657)
<b>Loss before income tax</b>		<b>(669,263)</b>	(475,349)
Income tax credit	11	<b>112,769</b>	33,718
<b>Loss for the year</b>		<b>(556,494)</b>	(441,631)
<b>Loss attributable to:</b>			
Owners of the Company		<b>(556,117)</b>	(438,043)
Non-controlling interests		<b>(377)</b>	(3,588)
		<b>(556,494)</b>	(441,631)
<b>Loss per share for the loss attributable to owners of the Company</b> (expressed in RMB per share)			
– Basic and diluted	12	<b>(0.22)</b>	(0.18)

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Year ended 31 December	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Loss for the year	(556,494)	(441,631)
<b>Other comprehensive (loss)/income:</b>		
<i>Item that may be reclassified to profit or loss:</i>		
Currency translation differences	(4,869)	1,227
<b>Other comprehensive (loss)/income for the year</b>	(4,869)	1,227
<b>Total comprehensive loss for the year</b>	(561,363)	(440,404)
<b>Attributable to:</b>		
Owners of the Company	(560,986)	(436,816)
Non-controlling interests	(377)	(3,588)
<b>Total comprehensive loss for the year</b>	(561,363)	(440,404)

## CONSOLIDATED BALANCE SHEET

		<b>As at 31 December</b>	
		<b>2022</b>	<b>2021</b>
<i>Note</i>		<b>RMB'000</b>	<b>RMB'000</b>
<b>ASSETS</b>			
<b>Non-current assets</b>			
	Investment properties	14 <b>1,685,247</b>	2,387,778
	Property, plant and equipment	15 <b>199,784</b>	240,602
	Intangible assets	<b>497</b>	4,328
	Deferred income tax assets	<b>42,001</b>	30,464
	Trade receivables, other receivables and prepayments	17 <b>247,938</b>	530,266
		<b>2,175,467</b>	3,193,438
<b>Current assets</b>			
	Inventories	<b>3,128</b>	5,528
	Financial assets at fair value through profit or loss	16 <b>4,288</b>	101,055
	Trade receivables, other receivables and prepayments	17 <b>271,979</b>	230,132
	Properties held for sale	18 <b>350,000</b>	350,000
	Restricted bank deposits	<b>16,870</b>	32,971
	Cash and cash equivalents	<b>77,954</b>	58,164
		<b>724,219</b>	777,850
	<b>Total assets</b>	<b>2,899,686</b>	3,971,288

		<b>As at 31 December</b>	
		<b>2022</b>	2021
	<i>Note</i>	<b>RMB'000</b>	<b>RMB'000</b>
<b>EQUITY</b>			
Share capital		<b>213,908</b>	213,908
Share premium		<b>750,992</b>	750,992
Shares held for share award scheme		–	(214)
Other reserves		<b>439,772</b>	444,855
(Accumulated losses)/retained profits		<b>(296,312)</b>	259,805
Equity attributable to owners of the Company		<b>1,108,360</b>	1,669,346
Non-controlling interests		<b>8,151</b>	8,528
<b>Total equity</b>		<b>1,116,511</b>	1,677,874
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Lease liabilities		<b>633,660</b>	930,059
Deferred income tax liabilities		<b>85,867</b>	187,099
Borrowings	<i>21</i>	<b>266,361</b>	540,939
		<b>985,888</b>	1,658,097
<b>Current liabilities</b>			
Lease liabilities		<b>58,186</b>	75,994
Trade and other payables	<i>19</i>	<b>185,653</b>	207,902
Contract liabilities	<i>20</i>	<b>31,110</b>	32,868
Borrowings	<i>21</i>	<b>319,697</b>	115,912
Income tax payable		<b>202,641</b>	202,641
		<b>797,287</b>	635,317
<b>Total liabilities</b>		<b>1,783,175</b>	2,293,414
<b>Total equity and liabilities</b>		<b>2,899,686</b>	3,971,288

## 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 2022 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 2022, the Group recorded a loss of approximately RMB556 million and a loss attributable to owners of the Company of approximately RMB556 million. As at 31 December 2022, the Group's current liabilities exceeded its current assets by approximately RMB73 million. It had total bank borrowings of approximately RMB586 million, of which approximately RMB320 million were current bank borrowings repayable within twelve months, while it had cash and cash equivalents of approximately RMB78 million and restricted cash of approximately RMB17 million. In addition, a long-term secured bank borrowing of approximately RMB196 million (the "Long-term secured bank borrowing") is repayable in the first quarter of 2024.

The business of the Group has been negatively impacted by the weak market sentiment about the Coronavirus Disease 2019 ("COVID-19") pandemic during the year ended 31 December 2022. COVID-19 pandemic has started to affect China in early 2020 and a series of broad-based and long-lasting precautionary and control measures have been implemented. Although the Government has eliminated the precautionary and control measures at the end of 2022, the spread of COVID-19 together with poor consumer sentiment caused by the pandemic are still causing short-term impact on the Group's department store business.

Besides, the Group has entered into a supplemental agreement on 30 December 2022 with a related party to extend the repayment period of the amount due from the related party amounting to RMB347 million to beyond 2025 and has received the approval by the independent shareholders of the Company at the extraordinary general meeting on 29 March 2023.

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) The Group is contemplating to dispose of the Group’s property held for sale with a carrying value of RMB350 million as at 31 December 2022 and is in negotiation with certain potential buyers. The Group’s properties held for sale is pledged as security for the Group’s outstanding secured bank borrowing of approximately RMB254 million under its loan facility of RMB300 million (the “Loan Facility”), which is expiring in November 2023. Management is confident that the disposal of property held for sale will generate sufficient proceeds for the repayment of the outstanding secured bank borrowings and will negotiate with the bank for further extension of the Loan Facility if the disposal could not be completed as planned before the expiry of the of the Loan Facility ;
- (ii) As at 31 December 2022, the Group had unused banking facilities of RMB55 million. The Group will closely monitor the repayment of its bank borrowings and will seek for extension and renewal of its existing bank borrowings upon maturity, including the Group’s Long-term secured borrowing of RMB196 million repayable in the first quarter of 2024. Management believes the Group’s existing facilities will be continuously available and the Group will be successful in the extension and renewal of its bank borrowings as most of these borrowings were fully secured by the Group’s investment properties;
- (iii) The Group will also secure new banking facilities to provide further funding for the Group’s operation. 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, if needed;
- (iv) The Group will continue to implement plans and measures to improve the operation performance of the department store business to generate operating cash inflow.

The Directors have reviewed the Group’s cash flow projections prepared by management, which cover not less than twelve months from 31 December 2022. 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 2022. 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 property held for sale, and collection of sales proceeds according to the timeline as planned to satisfy the repayment of the secured bank borrowings of RMB254 million or successful extension of the Loan Facility if the disposal could not be completed as planned;
- (ii) Continued availability of the existing bank facilities of the Group and successful and timely extension and renewal of its bank borrowings upon maturity, in particular the successful renewal of the Long-term secured bank borrowing expiring in the first quarter of 2024;
- (iii) Successful in obtaining new banking facilities and/or generate cash inflow from disposal of the Group's properties, as and when needed;
- (iv) Successful implementation of the plans and measures to improve the operation performance of the department store business to generate operating cash inflow.

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, 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 and interpretation adopted by the Group**

The Group has applied the following amendments or annual improvements for the first time for their annual reporting period commencing 1 January 2022:

- Amendments to IAS 16 Property, Plant and Equipment: Proceeds before Intended Use
- Amendments to IAS 37 Onerous Contracts – Cost of Fulfilling a Contract
- Amendments to IFRS Annual Improvements to IFRS Standards 2018-2020
- Amendments to IFRS 3 Reference to the Conceptual Framework
- Amendment to IFRS 16 Covid-19 Related Rent Concessions beyond 30 June 2021
- Amendments to AG 5 Merger Accounting for Common Control Combinations



**(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.

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

The above new standards and amendments to existing standards are effective for annual periods beginning after 1 January 2023 and have not been applied in preparing these consolidated financial statements. None of these is expected to have a significant effect on the consolidated financial statements of the Group except for IFRS 17. The Group is in the process of assessing the impact of IFRS 17 on the Group's consolidated financial statements.

#### 4. SEGMENT INFORMATION

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

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:

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

Year ended 31 December 2021

	Department		
	store		
	business	Others	Group
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>Revenue</b>	230,118	–	230,118
Revenue from contracts with customers			
At a point in time	20,911	–	20,911
Revenue from other sources			
Rental income	209,207	–	209,207
Other operating revenue	32,492	–	32,492
Other gains/(losses) - net	20,354	(194,705)	(174,351)
Fair value loss on investment properties	(215,859)	–	(215,859)
Purchase of and changes in inventories	(10,365)	–	(10,365)
Employee benefit expenses	(50,576)	(41,944)	(92,520)
Depreciation and amortisation expenses	(12,962)	(5,051)	(18,013)
Net impairment losses on financial assets	(29,383)	–	(29,383)
Other operating expenses, net	(95,343)	(25,468)	(120,811)
	<u>(131,524)</u>	<u>(267,168)</u>	<u>(398,692)</u>
<b>Operating loss</b>	<u>(131,524)</u>	<u>(267,168)</u>	<u>(398,692)</u>
Finance income	9,999	6	10,005
Finance costs	(71,418)	(15,244)	(86,662)
Finance costs - net	(61,419)	(15,238)	(76,657)
	<u>(61,419)</u>	<u>(15,238)</u>	<u>(76,657)</u>
<b>Loss before income tax</b>	(192,943)	(282,406)	(475,349)
Income tax credit	25,063	8,655	33,718
	<u>25,063</u>	<u>8,655</u>	<u>33,718</u>
<b>Loss for the year</b>	<u>(167,880)</u>	<u>(273,751)</u>	<u>(441,631)</u>

## 5. REVENUE

	Year ended 31 December	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Rental income	184,471	208,912
Direct sales	6,466	10,971
Commission from concessionaire sales	639	295
Income from reversal of long-aged pre-paid gift cards and unredeemed award credits	–	9,940
	<b>191,576</b>	<b>230,118</b>

## 6. OTHER OPERATING REVENUE

	Year ended 31 December	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Promotion, administration and management income	29,245	29,628
Credit card handling fees for concessionaire sales	684	1,565
Government grant	2,037	1,299
	<b>31,966</b>	<b>32,492</b>

## 7. OTHER LOSSES – NET

	Note	Year ended 31 December	
		2022	2021
		RMB'000	RMB'000
Fair value change on financial assets at FVPL ( <i>Note 16</i> )		<b>10,334</b>	(157,134)
COVID-19-related-rent concession	(d)	<b>8,289</b>	–
Deposit forfeited for terminated lease agreements		<b>3,238</b>	3,415
Compensation income	(a)	–	15,546
Provision of impairment for properties held for sale ( <i>Note 18</i> )		–	(34,622)
(Provision)/reversal of legal claims		<b>(262)</b>	2,499
Loss on disposal of intangible assets		<b>(523)</b>	–
Loss on disposals of property, plant and equipment		<b>(1,398)</b>	(3,970)
Loss on disposal of financial assets at FVPL ( <i>Note 16</i> )		<b>(53,342)</b>	–
Loss from the change of sublease agreements	(c)	<b>(89,223)</b>	–
Loss from early termination and modification of leases	(b)	<b>(164,107)</b>	(877)
Others		<b>2,732</b>	792
		<b>(284,262)</b>	<b>(174,351)</b>

### Notes:

- (a) Pursuant to an agreement between the Group and a tenant, the Group is entitled to a minimum income during the contract period. No compensation income was recognised for the year ended 31 December 2022 (2021: RMB15,546,000) in accordance with the relevant terms and conditions.
- (b) A net loss of RMB164,107,000 was recognised mainly due to that the Group and the lessor of Shiyuan Store entered into the early termination agreement of the lease agreement in 2022. 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.
- (c) In 2022, the Group signed overall sublease agreements of Shajing Store and Mingzhi Store 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.
- (d) Certain lessors agreed to offer rent concession to the Group, without changing the terms of lease agreements, due to the outbreak of COVID-19. 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.

## 8. EXPENSES BY NATURE

	<i>Note</i>	<b>Year ended 31 December</b>	
		<b>2022</b>	<b>2021</b>
		<b><i>RMB'000</i></b>	<b><i>RMB'000</i></b>
Purchase of and changes in inventories		<b>5,196</b>	10,365
Employee benefit expenses	9	<b>50,740</b>	92,520
Depreciation and amortisation expenses		<b>13,601</b>	18,013
Net impairment losses on financial assets		<b>157,210</b>	29,383
Utilities		<b>59,939</b>	67,884
Business travel expenses		<b>723</b>	5,714
Other tax expenses		<b>7,297</b>	8,835
Office expenses		<b>2,586</b>	5,474
Advertising costs		<b>1,923</b>	3,160
Cleaning fee		<b>3,257</b>	4,013
Auditor's remuneration			
– Audit services		<b>2,500</b>	2,500
– Other services		<b>850</b>	600
Bank charges		<b>235</b>	208
Transportation expenses		<b>70</b>	932
Net foreign exchange (gain)/loss		<b>(3,235)</b>	2,647
Net impairment losses on investment in an associate		<b>–</b>	739
Other expenses		<b>9,913</b>	18,105
		<b>312,805</b>	271,092

## 9. EMPLOYEE BENEFIT EXPENSES

	<b>Year ended 31 December</b>	
	<b>2022</b>	<b>2021</b>
	<b><i>RMB'000</i></b>	<b><i>RMB'000</i></b>
Wages and salaries	<b>45,512</b>	85,383
Social security costs	<b>3,956</b>	2,137
Severance payment	<b>1,272</b>	5,000
	<b>50,740</b>	92,520

## 10. FINANCE INCOME AND COSTS

	Year ended 31 December	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Finance income		
Interest income from finance leases	<b>10,132</b>	9,572
Interest income from bank deposits	<b>605</b>	433
	<b>10,737</b>	10,005
Finance costs		
Interest expenses on operating leases as the lessee	<b>(46,286)</b>	(52,491)
Interest expenses on bank loans	<b>(38,312)</b>	(34,171)
	<b>(84,598)</b>	(86,662)
Finance costs – net	<b>(73,861)</b>	(76,657)

## 11. INCOME TAX CREDIT

	<b>Year ended 31 December</b>	
	<b>2022</b>	<b>2021</b>
	<b>RMB'000</b>	<b>RMB'000</b>
Current income tax		
– PRC corporate income tax	–	–
Deferred income tax	<b>(112,769)</b>	<b>(33,718)</b>
	<b>(112,769)</b>	<b>(33,718)</b>

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:

	<i>Note</i>	<b>Year ended 31 December</b>	
		<b>2022</b>	<b>2021</b>
		<b>RMB'000</b>	<b>RMB'000</b>
Loss before income tax		<b>(669,263)</b>	<b>(475,349)</b>
Tax calculated at a tax rate of 25% (2021: 25%)		<b>(167,316)</b>	<b>(118,837)</b>
Tax impact of:			
– Expenses not deductible for tax purposes	<i>(d)</i>	<b>10,834</b>	39,381
– Unrecognised temporary differences		<b>8,656</b>	–
– Unrecognised tax losses		<b>35,057</b>	45,738
Income tax credit		<b>(112,769)</b>	<b>(33,718)</b>

*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 are 25% for the Group's subsidiaries generally. Certain of the Company's PRC subsidiaries are entitled to small and micro entity tax credit, which enjoys the 20% tax rate and a 50% deduction of taxable income.
- (d) It mainly represented the tax effect of the loss on disposal of financial assets at FVPL for the year ended 31 December 2022 which was not deductible for tax purpose.



## 12. LOSS PER SHARE

### (a) Basic loss per share

	Year ended 31 December	
	2022	2021
Loss attributable to owners of the Company (in RMB thousand)	(556,117)	(438,043)
Weighted average number of ordinary shares in issue (thousands)	2,494,870	2,494,612
Basic loss per share (RMB per share)	<u>(0.22)</u>	<u>(0.18)</u>

- (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 2022 and 2021.

The Board does not recommend any final dividend of the Company for the year ended 31 December 2022.

## 14. INVESTMENT PROPERTIES

	<b>Buildings</b>	<b>Right-of-use assets</b>	<b>Total</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>Year ended 31 December 2021</b>			
<b>As at 1 January 2021</b>	1,135,549	1,466,012	2,601,561
Capitalised subsequent expenditure	4,407	43,241	47,648
Transfer to lease receivables	–	(45,572)	(45,572)
Net losses from fair value adjustment	(67,556)	(148,303)	(215,859)
<b>As at 31 December 2021</b>	<b><u>1,072,400</u></b>	<b><u>1,315,378</u></b>	<b><u>2,387,778</u></b>
<b>Year ended 31 December 2022</b>			
<b>As at 1 January 2022</b>	<b>1,072,400</b>	<b>1,315,378</b>	<b>2,387,778</b>
Capitalised subsequent expenditure	<b>153</b>	<b>1,938</b>	<b>2,091</b>
Transfer to lease receivables	–	(134,428)	(134,428)
Net losses from fair value adjustment	(24,953)	(196,924)	(221,877)
Early termination and modification of lease contracts (c)	–	(348,317)	(348,317)
<b>As at 31 December 2022</b>	<b><u>1,047,600</u></b>	<b><u>637,647</u></b>	<b><u>1,685,247</u></b>

*Notes:*

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

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

- (b) As at 31 December 2022, part of the buildings were secured against certain long-term bank borrowings (Note 21(a)).
- (c) 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, the right-of-use assets of investment properties of RMB348,317,000 was derecognised.

## 15. PROPERTY, PLANT AND EQUIPMENT

	<b>Other property, plant and equipment</b>	<b>Right-of-use assets</b>	<b>Total</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>Year ended 31 December 2021</b>			
<b>As at 1 January 2021</b>	244,775	9,042	253,817
Additions	5,512	5,544	11,056
Depreciation charge	(7,018)	(7,023)	(14,041)
Disposals	(7,299)	(2,931)	(10,230)
	<u>235,970</u>	<u>4,632</u>	<u>240,602</u>
<b>As at 31 December 2021</b>	<b>235,970</b>	<b>4,632</b>	<b>240,602</b>
<b>Year ended 31 December 2022</b>			
<b>As at 1 January 2022</b>	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)
	<u>197,516</u>	<u>2,268</u>	<u>199,784</u>
<b>As at 31 December 2022</b>	<b>197,516</b>	<b>2,268</b>	<b>199,784</b>

## 16. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	<b>Unlisted equity securities</b>	<b>Listed equity securities (a)</b>	<b>Total</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>As at 1 January 2021</b>	4,020	254,265	258,285
Fair value change recognised in profit or loss (Note 7)	–	(157,134)	(157,134)
Currency translation difference	(96)	–	(96)
<b>As at 31 December 2021</b>	<b>3,924</b>	<b>97,131</b>	<b>101,055</b>
<b>As at 1 January 2022</b>	<b>3,924</b>	<b>97,131</b>	<b>101,055</b>
Fair value change recognised in profit or loss (Note 7)	–	<b>10,334</b>	<b>10,334</b>
Currency translation difference	<b>364</b>	–	<b>364</b>
Disposal	–	<b>(107,465)</b>	<b>(107,465)</b>
<b>As at 31 December 2022</b>	<b>4,288</b>	<b>–</b>	<b>4,288</b>

- (a) During the year, 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 2022			
		Current	Non-current	Total			
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>			
		<i>Notes</i>					
Trade receivables	(a)	2,336	–	2,336			
Amount due from a related party	(b)	299,430	47,922	347,352			
Receivables from operating leases	(c)	28,098	15,942	44,040			
Receivables from finance leases	(d)	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			
		<b>401,818</b>	<b>204,926</b>	<b>606,744</b>			
Less: provision for impairment loss allowance		<b>(130,157)</b>	<b>(23,152)</b>	<b>(153,309)</b>			
Financial assets at amortised cost		<b>271,661</b>	<b>181,774</b>	<b>453,435</b>			
Prepayments	(e)	<b>318</b>	<b>66,164</b>	<b>66,482</b>			
Total trade and other receivables		<b>271,979</b>	<b>247,938</b>	<b>519,917</b>			
				As of 31 December 2021			
		Current	Non-current	Total			
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>			
		<i>Notes</i>					
Trade receivables	(a)	2,885	–	2,885			
Amount due from a related party	(b)	194,240	209,192	403,432			
Receivables from operating leases	(c)	27,165	85,623	112,788			
Receivables from finance leases	(d)	26,358	150,462	176,820			
Interest receivables		260	–	260			
Receivable from a trustee for the share purchase for the employees' share award scheme		58	–	58			
Lease deposits		5,160	20,970	26,130			
Value-added tax recoverable		21,194	–	21,194			
Other receivables		21,972	–	21,972			
		<b>299,292</b>	<b>466,247</b>	<b>765,539</b>			
Less: provision for impairment loss allowance		<b>(69,160)</b>	–	<b>(69,160)</b>			
Financial assets at amortised cost		<b>230,132</b>	<b>466,247</b>	<b>696,379</b>			
Prepayments	(e)	–	<b>64,019</b>	<b>64,019</b>			
Total trade and other receivables		<b>230,132</b>	<b>530,266</b>	<b>760,398</b>			

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	
	2022	2021
	RMB'000	RMB'000
0 – 30 days	<u>2,336</u>	<u>2,885</u>

The Group applies the IFRS simplified approach to measure expected credit losses which were a lifetime expected loss allowance for all trade receivables. As at 31 December 2022, no impairment loss allowance was made based on the management's assessment (2021: nil).

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

- (b) On 8 April 2019, the Group entered into a consultancy agreement with Shenzhen Shengrunfeng Investment & Development Co., Ltd.\* (深圳市晟潤豐投資發展有限公司) (“SRF”) to provide property development consulting services. On 30 December 2020, the Group entered into a termination agreement with SRF for the purpose of terminating the property development consulting services effective from 30 December 2020.

On 30 December 2022, the Group entered into a supplemental termination agreement with SRF to extend the repayment period to 31 December 2025, 2026 and 2027 with reference to the fact that the construction progress of SRF's project has been slackened and the sales of the property are less than the original estimates due to the outbreak of the COVID-19 pandemic in the PRC and a series of contracting monetary policies implemented by the PRC government. The interest on the outstanding amount will be accrued from 1 January 2023, and will be payable in three instalments on 31 December 2025, 2026 and 2027, at the prevailing benchmark rate for three-year RMB fixed deposit published by the China Construction Bank in PRC from time to time.

On 29 March 2023, the supplemental termination agreement with SRF was approved by the independent shareholders of the Company in the extraordinary general meeting subsequent to the year end date.

As of 31 December 2022, a provision for impairment loss allowance RMB135.0 million was made (2021: Nil).

- (c) 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:

	<b>As at 31 December</b>	
	<b>2022</b>	2021
	<i><b>RMB'000</b></i>	<i>RMB'000</i>
Current	<b>30,685</b>	71,059
0 – 30 days	<b>2,598</b>	3,004
31 – 90 days	<b>2,998</b>	5,010
91 – 365 days	<b>4,822</b>	18,970
More than 365 days	<b>2,937</b>	14,745
	<b>44,040</b>	112,788

The Group applies the simplified approach to provide for expected credit losses prescribed by IFRS 9. As at 31 December 2022, a provision of RMB16,191,000 (2021: RMB67,066,000) was made against the gross amount of receivables from operating leases.

- (d) 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:

	<b>As at 31 December</b>	
	<b>2022</b>	2021
	<i><b>RMB'000</b></i>	<i>RMB'000</i>
Finance lease receivables	<b>179,015</b>	188,331
Unguaranteed residual values	<b>7,931</b>	22,432
Gross investment in finance leases	<b>186,946</b>	210,763
Less: unearned finance income	<b>(34,750)</b>	(33,943)
Net investment in finance leases	<b>152,196</b>	176,820
Less: accumulated allowance for impairment	<b>(1,368)</b>	(1,343)
Finance lease receivables – net	<b>150,828</b>	175,477

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

	<b>As at 31 December</b>	
	<b>2022</b>	2021
	<b><i>RMB’000</i></b>	<i>RMB’000</i>
Gross investment in finance leases		
Within 1 year	<b>39,172</b>	29,574
Between 1 and 2 years	<b>20,382</b>	30,144
Between 2 and 3 years	<b>20,502</b>	30,304
Between 3 and 4 years	<b>20,631</b>	30,719
Between 4 and 5 years	<b>20,356</b>	27,366
Later than 5 years	<b>65,903</b>	62,656
	<b><u>186,946</u></b>	<u>210,763</u>

- (e) As at 31 December 2022 and 2021, RMB62,950,000 of deposit 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.

## 18. PROPERTIES HELD FOR SALE

	<b>As at 31 December</b>	
	<b>2022</b>	2021
	<b><i>RMB’000</i></b>	<i>RMB’000</i>
Carrying amount of properties held for sale	<b>384,622</b>	384,622
Less: accumulated provision of impairment ( <i>Note 7</i> )	<b><u>(34,622)</u></b>	<u>(34,622)</u>
	<b><u>350,000</u></b>	<u>350,000</u>

On 21 November 2019, the Group entered into a capital injection and acquisition agreement to purchase the entire equity interest in Zhuhai Xiangyao Real Estate Development Company (“**Zhuhai Xiangyao**”). In 2022, as the Group completed the acquisition of Zhuhai Xiangyao, the properties held for sale of RMB350,000,000 was recognised.

For the year ended 31 December 2022 and 2021, the accumulated provision of impairment loss recognised for properties held for sale were RMB34,622,000.

As at 31 December 2022, the properties held for sale of RMB350,000,000 were pledged to secure against certain long-term bank borrowing (2021: RMB350,000,000) (Note 21).



## 19. TRADE AND OTHER PAYABLES

	<i>Note</i>	<b>As at 31 December</b>	
		<b>2022</b>	2021
		<b><i>RMB'000</i></b>	<i>RMB'000</i>
Lease deposits		<b>76,916</b>	94,533
Other tax payables		<b>44,065</b>	44,761
Accrued wages and salaries		<b>8,408</b>	9,614
Trade payables	(a)	<b>427</b>	5,440
Accrual for legal claims		<b>631</b>	656
Amount due to a related party		<b>30</b>	242
Other payables and accruals		<b>55,176</b>	52,656
		<b>185,653</b>	207,902

*Notes:*

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

	<b>As at 31 December</b>	
	<b>2022</b>	2021
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
0 – 30 days	<b>427</b>	5,440

(b) All trade and other payables are denominated in RMB and their fair values approximated their carrying amounts as at 31 December 2022.

## 20. CONTRACT LIABILITIES

	<i>Note</i>	<b>As at 31 December</b>	
		<b>2022</b>	2021
		<b><i>RMB'000</i></b>	<i>RMB'000</i>
Advances received from customers	(a)	<b>30,408</b>	32,109
Deferred income	(b)	<b>702</b>	759
		<b>31,110</b>	32,868

*Notes:*

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

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

## 21. BORROWINGS

	<i>Note</i>	<b>As at 31 December</b>	
		<b>2022</b>	<b>2021</b>
		<b>RMB'000</b>	<b>RMB'000</b>
<b>Non-current</b>			
Secured long-term bank borrowings	(a) (b)	<b>266,361</b>	540,939
<b>Current</b>			
Current portion of secured long-term bank borrowings (Note 18)	(a) (b)	<b>274,498</b>	20,518
Secured short-term borrowing	(c)	<b>45,199</b>	95,394
		<b>319,697</b>	115,912
		<b>586,058</b>	656,851

### Notes:

- (a) The Group's long-term bank borrowings were denominated in RMB and secured by certain investment properties (Note 14). During the year ended 31 December 2022, the weighted average effective interest rate was 5.98% (2021: 6.47%) per annum.
- (b) Zhuhai Xiangyao's long-term bank loan of RMB253,980,000 was denominated in RMB and secured by property held for sale at the fair value of RMB350,000,000 (Note 18). During the year ended 31 December 2022, the weighted average effective interest rate was 5.67% per annum (2021: 5.72%).
- (c) As at 31 December 2022 and 2021, 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 2022, the weighted average effective interest rate was 6.55% (2021: 6.55%) per annum.
- (d) At 31 December 2022, the Group's bank borrowings were repayable as follows:

	<b>As at 31 December</b>	
	<b>2022</b>	<b>2021</b>
	<b>RMB'000</b>	<b>RMB'000</b>
Within 1 year	<b>319,697</b>	115,912
Between 1 and 2 years	<b>203,028</b>	274,578
Between 2 and 5 years	<b>20,000</b>	216,361
Over 5 years	<b>43,333</b>	50,000
	<b>586,058</b>	656,851

- (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:

		<b>As at 31 December</b>	
		<b>2022</b>	<b>2021</b>
<i>Note</i>		<i>RMB'000</i>	<i>RMB'000</i>
Purchases of property, plant and equipment		<b>4,659</b>	6,836
Acquisition of land	(i)	<b>189,650</b>	189,650
		<b>194,309</b>	196,486

*Note:*

- (i) On 14 December 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. Xuyi Shirble has paid RMB62,950,000 as the deposit for the acquisition of the land as at 31 December 2022.

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

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

		<b>As at 31 December</b>	
		<b>2022</b>	<b>2021</b>
		<i>RMB'000</i>	<i>RMB'000</i>
<b>Buildings:</b>			
Within 1 year		<b>167,965</b>	216,569
Between 1 and 2 years		<b>137,985</b>	198,464
Between 2 and 3 years		<b>121,257</b>	174,400
Between 3 and 4 years		<b>81,068</b>	151,373
Between 4 and 5 years		<b>41,445</b>	134,202
Later than 5 years		<b>132,810</b>	250,302
		<b>682,530</b>	1,125,310

## MANAGEMENT DISCUSSION AND ANALYSIS

During the year ended 31 December 2022, the business operations and financial performance of the Group have been still significantly challenged by the continuous COVID-19 pandemic and the related prevention and control measure.

According to the National Bureau of Statistics of China (“NBS”), the GDP of China in 2022 amounted to RMB121,020.7 trillion, representing an insignificant year-on-year increase of 3.0% and the growth rate slowed down sharply from 8.1% in 2021. The national consumer price index (“CPI”) in December 2022 was only 1.8% higher year-on-year, and CPI in 2022 was up 2.0% year-on-year. The total retail sales of consumer goods in 2022 in China increased by 2.0% year-on-year, compared to an increase of 1.0% in 2021.

In 2022, the level of consumption in China was still significantly affected by the COVID-19 pandemic. The prevention and control measures were tightened due to the repeated domestic pandemic and thus, the consumption was under pressure again. Also, the willingness of residents to consume still needs to be recovered. According to the NBS, the per capita consumption expenditure of residents in China (excluding the impact of price factors) decreased 0.2% in 2022, as compared to 2021. The per capita consumption expenditure of urban residents (excluding the impact of price factors) decreased 1.7% in 2022, as compared to 2021. It shows that the residents are cautious in consumption. Following the gradual relaxation of prevention and control measures at the end of 2022 in China, it is expected the consumption will be recovered gradually in the coming year.

### BUSINESS REVIEW

During the year ended 31 December 2022, the Group recorded the revenue of RMB191.6 million (2021: RMB230.1 million). Loss attributable to owners of the Company amounted to RMB556.1 million (2021: RMB438.0 million).

The Group has upgraded its department store premises into “Shirble Plaza”, a one-stop shopping mall concept, to meet the demand of the middleclass population in the PRC for high-quality food, merchandise and services. Furthermore, given the growing popularity of online sales and marketing with further drive by the pandemic, the Group utilised different online platforms including official WeChat accounts to promote and stimulate consumers’ enthusiasm. These moves are expected to attract more customers to visit the Group’s stores, increase the customer patronage and enhance the shopping experience to attract and retain new customers.

As of 31 December 2022, the Group operated and managed 15 department stores with a total gross floor area of 253,730 sq.m, of which gross floor area of self-owned properties accounted for 36.9%.

With the economic downside risk relating to the COVID-19 pandemic and the highly leveraged real estate sector, the Group has reduced the property investments and swiftly implemented proactive measures to mitigate the negative impact and to strengthen business resilience and enhance customer engagement on our retail business.

## **BUSINESS OUTLOOK**

China has gradually relaxed its prevention and control measures at the end of 2022 in order to stimulate the Chinese economy in the coming year by encouraging the resumption of domestic business and social activities. At the same time, the retail and department store markets are also expected to recover gradually. COVID-19 is expected to become a new normal and the physical department store business will inevitably continue to face challenges in 2023.

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

## **FINANCIAL REVIEW**

The operating results of the Group for the year ended 31 December 2022 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 year ended 31 December 2022 and 2021. Revenue of the Group amounted to RMB191.6 million for the year ended 31 December 2022, representing a decrease of 16.7%, as compared to RMB230.1 million in 2021.

Loss attributable to owners of the Company amounted to RMB556.1 million and RMB438.0 million for the year ended 31 December 2022 and 2021, 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 2022, together with the comparative figures for the year ended 31 December 2021:

	<b>Year ended 31 December</b>	
	<b>2022</b>	<b>2021</b>
	<i>RMB'000</i>	<i>RMB'000</i>
Revenue	<b>191,576</b>	230,118
Other operating revenue	<b>31,852</b>	32,492
Other losses – net	<b>(240,300)</b>	20,354
Fair value loss on investment properties	<b>(221,877)</b>	(215,859)
Purchase of and changes in inventories	<b>(5,196)</b>	(10,365)
Employee benefit expenses	<b>(42,911)</b>	(50,576)
Depreciation and amortisation expenses	<b>(12,341)</b>	(12,962)
Net impairment losses on financial assets	<b>(22,210)</b>	(29,383)
Other operating expenses – net	<b>(81,565)</b>	(95,343)
<b>Operating loss</b>	<b>(402,972)</b>	(131,524)
Finance income	<b>10,588</b>	9,999
Finance costs	<b>(70,191)</b>	(71,418)
Finance costs – net	<b>(59,603)</b>	(61,419)
<b>Loss before income tax</b>	<b>(462,575)</b>	(192,943)
Income tax credit	<b>87,600</b>	25,063
<b>Loss for the year</b>	<b>(374,975)</b>	(167,880)

## Revenue

Revenue breakdown of the Group's department store business for the two years ended 31 December 2022 and 2021 were as follows:

	Year ended 31 December		Percentage of department store's revenue of the Group	
	2022	2021	2022	2021
	RMB'000	RMB'000	%	%
Rental income	184,471	208,912	96.3	90.8
Direct sales	6,466	10,971	3.4	4.8
Commission from concessionaire sales	639	295	0.3	0.1
Income from reversal of long-aged pre-paid gift cards and unredeemed awarded credits	-	9,940	-	4.3
<b>Total</b>	<b>191,576</b>	<b>230,118</b>	<b>100.0</b>	<b>100.0</b>

Rental income decreased by 11.7% to RMB184.5 million for the year ended 31 December 2022 from RMB208.9 million in 2021. Direct sales decreased by 41.1% to RMB6.5 million for the year ended 31 December 2022 from RMB11.0 million in 2021.

The decrease in rental income was mainly attributable to the slight increase in the vacancy rate of department stores because of the tightening of prevention and control measures for the continuous COVID-19 epidemic in China in 2022.

## Other operating revenue

Other operating revenue remained stable at RMB31.9 million for the year ended 31 December 2022 as compared to RMB32.5 million in 2021.

## Other losses – net

Other losses – net amounted to RMB240.3 million for the year ended 31 December 2022, as compared to other gains – net of RMB20.4 million in 2021, primarily due to a loss from early termination and modification of leases of RMB164.1 million resulting from the derecognition of related right-of-use assets and lease liabilities and a loss from the change of sublease agreements of RMB 89.2 million resulting from the change in lease receivables and the derecognition of right-of-use assets.

#### *Fair value loss on investment properties*

Fair value loss on investment properties increased to RMB221.9 million for the year ended 31 December 2022 from RMB215.9 million in 2021, mainly due to the continuous outbreak of COVID-19.

#### *Purchase of and changes in inventories*

Purchase of and changes in inventories amounted to RMB5.2 million for the year ended 31 December 2022, representing a decrease of 50.0% as compared to RMB10.4 million in 2021, which was in line with the decrease in direct sales. Purchase of and changes in inventories accounted for 80.0% of the Group's direct sales for the year ended 31 December 2022, as compared to 94.5% in 2021.

#### *Employee benefit expenses*

Employee benefit expenses decreased by 15.2% to RMB42.9 million for the year ended 31 December 2022 from RMB50.6 million in 2021, primarily due to the streamline of labour force.

#### *Depreciation and amortisation expenses*

Depreciation and amortisation expenses decreased slightly by 5.4% to RMB12.3 million for the year ended 31 December 2022 from RMB13.0 million in 2021, mainly due to certain assets have been fully depreciated over the useful life.

#### *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 14.4% to RMB81.6 million for the year ended 31 December 2022 from RMB95.3 million in 2021 due to cost control and measures implemented by the Group.

#### *Operating loss*

As a result of the reasons mentioned above, the operating loss of the department store business segment amounted to RMB403.0 million for the year ended 31 December 2022, as compared to the operating loss of RMB131.5 million in 2021.



### *Finance income*

Finance income increased by 6.0% to RMB10.6 million for the year ended 31 December 2022, as compared to RMB10.0 million in 2021, mainly due to the increase in interest income from finance lease and bank deposits.

### *Finance costs*

Finance costs decreased by 1.7% to RMB70.2 million for the year ended 31 December 2022, as compared to RMB71.4 million in 2021, mainly due to the decrease in interest expenses on operating leases as the lessee.

### *Income tax credit*

Income tax credit amounted to RMB87.6 million and RMB25.1 million for the year ended 31 December 2022 and 2021, respectively.

### *Loss for the year*

As a result of the aforementioned, loss attributable to the department store business segment amounted to RMB375.0 million for the year ended 31 December 2022, as compared to the loss of RMB167.9 million in 2021.

## **(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 RMB181.5 million and RMB273.8 million for the year ended 31 December 2022 and 2021, respectively.

### ***Other losses – net***

Other losses – net amounted to RMB44.0 million for the year ended 31 December 2022 as compared to RMB194.7 million in 2021, mainly due to the net loss on listed equity securities of approximately RMB43.0 million arising from the disposal of all shares of TFG held by the Group in 2022 as compared to the fair value loss on TFG of RMB157.1 million in 2021.

## **DIVIDEND**

The Board does not recommend any final dividend for the year ended 31 December 2022 (2021: nil).

## **LIQUIDITY AND FINANCIAL RESOURCES**

As of 31 December 2022, the Group's cash and cash equivalents and restricted bank deposits amounted to RMB94.8 million, representing an increase of 4.1% from RMB91.1 million as of 31 December 2021. 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 RMB540.9 million and RMB45.2 million, respectively as of 31 December 2022 (2021: long-term and short-term borrowings of RMB561.5 million and RMB95.4 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 52.5% as of 31 December 2022 (31 December 2021: 39.1%).

### **Net current liabilities and net assets**

The net current liabilities of the Group as of 31 December 2022 were RMB73.1 million (2021: net current assets of RMB142.5 million). The net assets of the Group as of 31 December 2022 decreased to RMB1,116.5 million (2021: RMB1,677.9 million), representing a decrease of 33.5%.

### **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 2022, the Group recorded a net foreign exchange gain of RMB3.2 million (2021: net foreign exchange loss of RMB2.6 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 of 31 December 2022, the total number of employees of the Group was 254 (31 December 2021: 327). 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 suppliers and ex-employees 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 2022, the legal proceedings are ongoing. The Group has made an accumulated provision of approximately RMB631,000 (2021: RMB656,000) 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 29 August 2022, Baoke Trading (BVI) Company Limited, a wholly-owned subsidiary of the Company, and Bright Goal Investment Holding Limited entered into a sale and purchase agreement in respect of the disposal of the 1,320,000,000 shares of TFG International Group Limited, a company listed on the Stock Exchange (stock code: 00542), for a total consideration of HK\$60,456,000 (the “**Disposal**”). As one of the applicable percentage ratios (as defined under Rule 14.07 of The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”)) in relation to the Disposal is more than 25% but is less than 75%, the Disposal constitutes a major transaction for the Company and is subject to the reporting, announcement and shareholders’ approval requirements under Chapter 14 of the Listing Rules. The Disposal was completed in September 2022.

On 8 December 2022, Shenzhen Shirble Chain Store Limited Liability Company\* (深圳歲寶連鎖商業發展有限公司) (the “**Lessee**”), a wholly-owned subsidiary of the Company, and Shenzhen Hongfa Real Estate Development Co., Ltd.\* (深圳市宏發房地產開發有限公司) (the “**Lessor**”) entered into the early termination agreement (the “**Early Termination Agreement**”) in relation to the early termination of the lease agreement dated 30 June 2012 entered into between the Lessor and the Lessee in relation to the lease of the premises at Hongfa World Shopping Plaza, Baoshi South Road, Langxin Community, Shiyan Street, Baoan District, Shenzhen, Guangdong Province, China. As one of the applicable percentage ratios as defined under the Listing Rules in respect of the transaction contemplated under the Early Termination Agreement based on the value of the right-of-use asset to be derecognised by the Group pursuant to IFRS 16 is 5% or more but is less than 25%, the transaction contemplated under the Early Termination Agreement constitutes a discloseable transaction of the Company and is subject to the notification and announcement but is exempt from shareholders’ approval requirements under Chapter 14 of the Listing Rules.

Save as disclosed above, there were no material acquisition and disposal of subsidiaries for the year ended 31 December 2022.

## SUBSEQUENT EVENT

On 30 December 2022, Shenzhen Shirble Enterprise Management Co., Ltd. (深圳市歲寶企業管理有限公司) (“**Shirble Management Consultant**”), a wholly-owned subsidiary of the Company, and Shenzhen Shengrunfeng Investment & Development Co., Ltd.\* (深圳市晟潤豐投資發展有限公司) (“**SRF**”) entered into the supplemental agreement (the “**IEC Supplemental Termination Agreement**”) for the purpose of amending the terms of the termination agreement entered into between Shirble Management Consultant and SRF on 30 December 2020. The IEC Supplemental Termination Agreement constitutes a “transaction” between members of the Group and SRF which is a connected person (as defined under the Listing Rules) of the Company and hence a connected transaction for the Company. According to the highest applicable percentage ratio calculated for the purpose of Chapter 14A of the Listing Rules, the IEC Supplemental Termination Agreement and the transactions contemplated thereunder shall be subject to the reporting, announcement, annual review and approval by the independent shareholders of the Company at general meeting. The IEC Supplemental Termination Agreement and the transactions contemplated thereunder was approved by the independent shareholders of the Company in the extraordinary general meeting of the Company held on 29 March 2023.

Further details of the IEC Supplemental Termination Agreement are disclosed in the announcement of the Company dated 30 December 2022 and the circular of the Company dated 13 March 2023.

## PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company’s listed securities during the year ended 31 December 2022.

## CORPORATE GOVERNANCE

During the year ended 31 December 2022, 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 14 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 Company 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 10 to the Listing Rules as the code of conduct regarding the Directors' securities transactions. Having made specific enquiries of all the Directors, they have confirmed that they complied with the required standard of dealings as set forth in the Model Code during the year ended 31 December 2022.

## **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 2022, the Audit Committee held two regular 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, audit planning, the interim results for the six months ended 30 June 2022 and the annual results for the year ended 31 December 2021.

The Audit Committee has reviewed the annual results of the Group for the year ended 31 December 2022.

## **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 2022 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 2022.

### **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 2022, 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 2.1 to the consolidated financial statements, which indicates that the Group incurred a net loss of approximately RMB556 million for the year ended 31 December 2022 and, as of that date, the Group’s current liabilities exceeded its current assets by approximately RMB73 million. As at 31 December 2022, the Group had total bank borrowings of approximately RMB586 million, of which approximately RMB320 million were current bank borrowings repayable within 12 months, while the Group’s cash and cash equivalents amounted to approximately RMB78 million and restricted cash was approximately RMB17 million. These conditions, along with other matters as set out in Note 2.1 to the consolidated financial statements, indicate that a material uncertainty exists which 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 2022 containing all the information required by Appendix 16 of the Listing Rules and other applicable laws and regulations will be despatched to the shareholders of the Company and published on the websites of The Stock Exchange of Hong Kong Limited and the Company in due course.

By order of the Board  
**Shirble Department Store Holdings (China) Limited**  
**YANG Ti Wei**

*Deputy Chairman, Chief Executive Officer and  
Executive Director*

Hong Kong, 31 March 2023

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