THE SINCERE COMPANY, LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 0244)

ANNOUNCEMENT OF RESULTS FOR THE YEAR ENDED 29 FEBRUARY 2020

The Board of Directors (the "**Board**") of The Sincere Company, Limited (the "**Company**") announces that the consolidated results of the Company and its subsidiaries (the "**Group**") for the financial year ended 29 February 2020 together with the comparative figures for the previous year are as follows:

CONSOLIDATED INCOME STATEMENT

Year ended 29 February 2020

	Notes	**2020** *HK$'000*	2019 *HK$'000*
REVENUE	*3*	**263,312**	311,865
Cost of sales		**(130,513)**	(142,113)
Other income and gains, net		**10,800**	11,418
Net unrealised loss on securities trading		**(6,690)**	(8,653)
Selling and distribution expenses		**(165,849)**	(196,236)
General and administrative expenses		**(86,806)**	(93,106)
Other operating expenses, net		**(14,285)**	(13,004)
Finance costs	*4*	**(19,209)**	(4,898)
LOSS BEFORE TAX	*5*	**(149,240)**	(134,727)
Income tax expense	*6*	**(13)**	(16)
LOSS FOR THE YEAR		**(149,253)**	(134,743)
ATTRIBUTABLE TO:			
Equity holders of the Company		**(147,364)**	(132,068)
Non-controlling interests		**(1,889)**	(2,675)
		(149,253)	(134,743)
LOSS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY	*8*		
Basic		**HK$(0.17)**	HK$(0.20)
Diluted		**HK$(0.17)**	HK$(0.20)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 29 February 2020

	2020	2019
	HK$'000	*HK$'000*
LOSS FOR THE YEAR	**(149,253)**	(134,743)
OTHER COMPREHENSIVE INCOME/(LOSS)		
Other comprehensive loss that may be reclassified to the income statement in subsequent periods:		
Exchange differences arising on translation of foreign operations	**(61)**	(425)
Realisation of exchange fluctuation reserve upon deregistration of subsidiaries	**–**	(2,036)
Net other comprehensive loss that may be reclassified to the income statement in subsequent periods	**(61)**	(2,461)
Other comprehensive income/(loss) that will not be reclassified to the income statement in subsequent periods:		
Actuarial gains/(losses) on a defined benefit plan	**1,257**	(1,519)
Revaluation of leasehold land and owned buildings	**168,141**	–
Changes in fair value of equity investments designated at fair value through other comprehensive income	**(300)**	(11,002)
Net other comprehensive income/(loss) that will not be reclassified to the income statement in subsequent periods	**169,098**	(12,521)
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR	**19,784**	(149,725)
ATTRIBUTABLE TO:		
Equity holders of the Company	**21,329**	(147,337)
Non-controlling interests	**(1,545)**	(2,388)
	19,784	(149,725)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

29 February 2020

	Note	2020 HK$'000	2019 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**336,805**	27,261
Interests in associates		**–**	–
Equity investments designated at fair value through other comprehensive income		**22,573**	22,873
Deposits and other receivables		**26,540**	25,654
Pension scheme assets		**14,672**	14,670
Total non-current assets		**400,590**	90,458
CURRENT ASSETS			
Inventories		**66,289**	66,896
Reinsurance assets		**7**	24
Prepayments, deposits and other receivables		**12,863**	19,164
Financial assets at fair value through profit or loss		**13,364**	111,939
Pledged bank balances		**6,024**	6,829
Pledged deposits with banks		**113,017**	71,561
Cash and bank balances		**13,761**	32,318
Total current assets		**225,325**	308,731
CURRENT LIABILITIES			
Creditors	*9*	**43,479**	52,774
Lease liabilities		**102,454**	–
Insurance contracts liabilities		**1,214**	1,232
Deposits, accrued expenses and other payables		**28,387**	46,336
Contract liabilities		**2,887**	1,253
Interest-bearing bank borrowings		**156,719**	190,045
Other loans		**2,136**	2,100
Tax payable		**–**	1
Total current liabilities		**337,276**	293,741
NET CURRENT ASSETS/(LIABILITIES)		**(111,951)**	14,990
TOTAL ASSETS LESS CURRENT LIABILITIES		**288,639**	105,448

CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(continued)*
29 February 2020

	Note	**2020** **HK$'000**	2019 HK$'000
NON-CURRENT LIABILITIES			
Deposits, accrued expenses and other payables		**8,390**	41,725
Other loans		**1,104**	1,067
Lease liabilities		**103,964**	–
Total non-current liabilities		**113,458**	42,792
NET ASSETS		**175,181**	62,656
EQUITY			
Equity attributable to equity holders of the Company			
Share capital		**469,977**	377,236
Reserves		**(327,363)**	(348,692)
		142,614	28,544
Non-controlling interests		**32,567**	34,112
TOTAL EQUITY		**175,181**	62,656

Notes:

1. CORPORATE AND GROUP INFORMATION

The Sincere Company, Limited is a limited liability company incorporated in Hong Kong. The registered office of the Company is located at 24th Floor, Leighton Centre, 77 Leighton Road, Hong Kong. The principal activities of the Company and its subsidiaries have not changed during the financial year and mainly consisted of the operation of department stores, securities trading and the provision of general and life insurances. In the opinion of the directors, the holding company and the ultimate holding company of the Company is Win Dynamic Limited ("**Win Dynamic**"), which is incorporated in Hong Kong.

2.1 BASIS OF PRESENTATION

During the year ended 29 February 2020, the Group recorded a net loss for the year of HK$149,253,000 (2019: HK$134,743,000). The Group's operations are financed by both bank and other borrowings and internal resources. As at 29 February 2020, the Group has net current liabilities of HK$111,951,000 (28 February 2019: net current assets of HK$14,990,000). In addition, the Group's cash and bank balances amounted to HK$13,761,000 (28 February 2019: HK$32,318,000) as at 29 February 2020.

The management closely monitors the Group's financial performance and liquidity position to assess the Group's ability to continue as a going concern. In view of these circumstances and the impact of the COVID-19 pandemic, the management has been continuously implementing measures to improve profitability, control operating costs and contain capital expenditures in order to improve the Group's operating performance and alleviate its liquidity risk. These measures include (i) continuously remapping its marketing strategies and pricing policies, (ii) continuing its measures to control capital and operating expenditures, (iii) negotiating with its landlords for rental reductions, and (iv) identifying opportunity in realisation of certain of the Group's assets. The management believes that these measures will further improve the Group's operating profitability and the resulting cash flows.

With respect to the Group's bank financing, the Group maintains continuous communication with its banks and has successfully renewed the banking facilities with its principal banks during the year. As at 29 February 2020, the Group had unutilised banking facilities of HK$49,578,000 which included unutilised trade financing facilities of HK$41,578,000 and unutilised term loan and overdraft facilities of HK$8,000,000. Based on the latest communications with the banks, the directors of the Company are not aware of any intention of the principal banks to withdraw their banking facilities or require early repayment of the borrowings, and the directors believe that the existing banking facilities will be renewed when their current terms expire given the good track record and relationships the Group has with the banks. In addition, subsequent to 29 February 2020, the Group has obtained a new term loan of HK$80,000,000 ("**Loan**") and a new loan facility of up to HK$70,000,000 ("**Facility**") from Realord Finance Limited, a wholly owned subsidiary of Realord Group Holdings Limited ("**Realord**"). The Loan is unsecured, interest bearing at 10% per annum and repayable within 18 months from the date of withdrawal. The Facility is unsecured, interest bearing at 13% per annum and repayable within 12 months from the date of first withdrawal.

2.1 BASIS OF PRESENTATION *(continued)*

The Company's directors have reviewed the Group's cash flow projections prepared by the management. The cash flow projections cover a period of not less than twelve months from 29 February 2020. Management's projections make key assumptions with regard to the anticipated cash flows from the Group's operations, capital expenditures and the continuous availability of bank and other borrowings facilities and the impact of the COVID-19 pandemic. The Group's ability to achieve the projected cash flows depends on management's ability to successfully implement the aforementioned improvement measures on profitability and liquidity and the continuous availability of bank and other borrowings facilities. The directors, after making due enquiries and considering the basis of management's projections described above and after taking into account the reasonably possible changes in the operational performance and the successful renewal and continuous availability of the bank and other borrowings facilities, believe that the Group will have sufficient financial resources to operate as a going concern.

Should the Group be unable to continue as a going concern, adjustments would have to be made to write down the value of assets to their recoverable amounts, to provide for any future liabilities which might arise and to reclassify non-current assets and liabilities as current assets and liabilities, respectively. The effect of these adjustments has not been reflected in these financial statements.

2.2 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("**HKASs**") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for financial assets at fair value through profit or loss, equity investments designated at fair value through other comprehensive income and leasehold land and owned buildings which have been measured at fair value. These financial statements are presented in Hong Kong dollars and all values are rounded to the nearest thousand (HK$'000) except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "**Group**") for the year ended 29 February 2020. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

2.2 BASIS OF PREPARATION *(continued)*

Basis of consolidation *(continued)*

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in the income statement. The Group's share of components previously recognised in other comprehensive income is reclassified to the income statement or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

(a) The Group has adopted the following new and revised HKFRSs for the first time for the current year's financial statements:

HKFRS 16	*Leases*
HK(IFRIC)-Int 23	*Uncertainty over Income Tax Treatments*
Amendments to HKFRS 9	*Prepayment Features with Negative Compensation*
Amendments to HKAS 19	*Plan Amendment, Curtailment or Settlement*
Amendments to HKAS 28	*Long-term Interests in Associates and Joint Ventures*
Annual Improvements to HKFRSs 2015-2017 Cycle	Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23

Other than as explained below regarding the impact of HKFRS 16 *Leases*, the new and revised standards are not relevant to the preparation of the Group's consolidated financial statements. The nature and impact of HKFRS 16 are described below:

HKFRS 16 replaces HKAS 17 *Leases*, HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease*, HK(SIC)-Int 15 *Operating Leases – Incentives* and HK(SIC)-Int 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model. Lessor accounting under HKFRS 16 is substantially unchanged from HKAS 17. Lessors continue to classify leases as either operating or finance leases using similar principles as in HKAS 17. HKFRS 16 did not have any financial impact on leases where the Group is the lessor.

The Group adopted HKFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 March 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initial adoption as an adjustment to the opening balance of accumulated losses at 1 March 2019, and the comparative information for 28 February 2019 was not restated and continues to be reported under HKAS 17.

New definition of a lease

Under HKFRS 16, a contract is, or contains a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to obtain substantially all of the economic benefits from use of the identified asset and the right to direct the use of the identified asset. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 at the date of initial application. Contracts that were not identified as leases under HKAS 17 and HK(IFRIC)-Int 4 were not reassessed. Therefore, the definition of a lease under HKFRS 16 has been applied only to contracts entered into or changed on or after 1 March 2019.

2.3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES *(continued)*

(a) *(continued)*

As a lessee – Leases previously classified as operating leases

Nature of the effect of adoption of HKFRS 16

The Group has lease contracts for various items of office buildings and stores. As a lessee, the Group previously classified leases as either finance leases or operating leases based on the assessment of whether the lease transferred substantially all the rewards and risks of ownership of assets to the Group. Under HKFRS 16, the Group applies a single approach to recognise and measure right-of-use assets and lease liabilities for all leases, except for elective exemption for leases with a lease term of 12 months or less ("short-term leases") (elected by class of underlying asset). Instead of recognising rental expenses under operating leases on a straight-line basis over the lease term commencing from 1 March 2019, the Group recognises depreciation (and impairment, if any) of the right-of-use assets and interest accrued on the outstanding lease liabilities (as finance costs).

Impact on transition

Lease liabilities at 1 March 2019 were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at 1 March 2019. The right-of-use assets were measured at the amount of the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the statement of financial position immediately before 1 March 2019.

All these assets were assessed for any impairment based on HKAS 36 on that date. The Group elected to present the right-of-use assets in property, plant and equipment.

The Group has used the following elective practical expedients when applying HKFRS 16 at 1 March 2019:

- Applying the short-term lease exemptions to leases with a lease term that ends within 12 months from the date of initial application

- Using hindsight in determining the lease term where the contract contains options to extend/terminate the lease

- Relied on the entity's assessment of whether leases were onerous by applying HKAS 37 immediately before 1 March 2019 as an alternative to performing an impairment review

2.3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES *(continued)*

(a) *(continued)*

Financial impact at 1 March 2019

Impact on transition (continued)

The impacts arising from the adoption of HKFRS 16 as at 1 March 2019 are as follows:

	Increase/ (decrease) *HK$'000*
Assets	
Increase in property, plant and equipment and total assets	292,083
Liabilities	
Increase in lease liabilities	340,730
Decrease in deposits, accrued expenses and other payables	(48,647)
Increase in total liabilities	292,083

The lease liabilities as at 1 March 2019 reconciled to the operating lease commitments as at 28 February 2019 is as follows:

	HK$'000
Operating lease commitments as at 28 February 2019	324,479
Weighted average incremental borrowing rate as at 1 March 2019	5.1%
Discounted operating lease commitments as at 1 March 2019	303,996
Less: Commitments relating to short-term leases and those leases with a remaining lease term ending on or before 29 February 2020	(8,805)
Add: Payments for optional extension periods not recognised as at 28 February 2019	45,539
Lease liabilities as at 1 March 2019	340,730

2.3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES *(continued)*

(b) Revaluation of leasehold land and owned buildings

The Group re-assessed its accounting for property, plant and equipment with respect to measurement of a certain class of property, plant and equipment after initial recognition. The Group had previously measured all property, plant and equipment using the cost model whereby, after initial recognition of the asset classified as property, plant and equipment, the asset was carried at cost less accumulated depreciation and accumulated impairment losses.

The Group elected to change the method of accounting for leasehold land and owned buildings classified as property, plant and equipment, as the Group believes that the revaluation model provides more relevant information to the users of its financial statements. In addition, available valuation techniques provide reliable estimates of the leasehold land and owned buildings' fair value. The Group applied the revaluation model prospectively.

After initial recognition, leasehold land and owned buildings are measured at fair value at the date of the revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

3. SEGMENT INFORMATION

(a) Operating segments

The following tables present revenue, loss and certain asset, liability and expenditure information for the Group's operating segments for the years ended 29 February 2020 and 28 February 2019.

	Department store operations		Securities trading		Others		Eliminations		Total	
	2020	2019	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue:										
Sales to external customers	**263,110**	310,816	**(3,543)**	(2,739)	**3,745**	3,788	**–**	–	**263,312**	311,865
Intersegment sales	**–**	–	**–**	–	**31,818**	30,714	**(31,818)**	(30,714)	**–**	–
Other revenue	**2,230**	120	**7,523**	7,942	**34**	2,592	**–**	–	**9,787**	10,654
Total	**265,340**	310,936	**3,980**	5,203	**35,597**	37,094	**(31,818)**	(30,714)	**273,099**	322,519
Segment results	**(113,394)**	(103,965)	**(12,028)**	(13,328)	**(19,053)**	(13,300)	**–**	–	**(144,475)**	(130,593)
Interest income and unallocated revenue, net									**1,013**	764
Finance costs (other than interest on lease liabilities)									**(5,778)**	(4,898)
Loss before tax									**(149,240)**	(134,727)
Income tax expense									**(13)**	(16)
Loss for the year									**(149,253)**	(134,743)
Segment assets	**281,654**	135,735	**18,956**	119,367	**224,321**	64,093	**(31,818)**	(30,714)	**493,113**	288,481
Unallocated assets									**132,802**	110,708
Total assets									**625,915**	399,189
Segment liabilities	**315,435**	167,044	**303**	573	**10,095**	9,585	**(31,818)**	(30,714)	**294,015**	146,488
Unallocated liabilities									**156,719**	190,045
Total liabilities									**450,734**	336,533

3. SEGMENT INFORMATION *(continued)*

(a) Operating segments *(continued)*

	Department store operations		Securities trading		Others		Eliminations		Total	
	2020	2019	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Other segment information:										
Depreciation	**83,683**	3,525	**–**	378	**11,889**	1,229	**–**	–	**95,572**	5,132
Impairment of items of property, plant and equipment	**10,816**	9,453	**–**	–	**3,397**	159	**–**	–	**14,213**	9,612
Capital expenditure of property, plant and equipment	**1,561**	6,346	**–**	–	**60**	65	**–**	–	**1,621**	6,411
Loss/(gain) on disposal of items of property, plant and equipment	**(213)**	2	**–**	–	**–**	(160)	**–**	–	**(213)**	(158)
Provision for an onerous contract	**–**	3,152	**–**	–	**–**	–	**–**	–	**–**	3,152
Reversal of provision for inventories	**(543)**	(9,384)	**–**	–	**–**	–	**–**	–	**(543)**	(9,384)
Impairment of an interest in an associate	**–**	–	**–**	–	**9**	4	**–**	–	**9**	4
Bad debts written off	**1,262**	–	**–**	–	**33**	–	**–**	–	**1,295**	–
Gain on deregistration of subsidiaries	**–**	–	**–**	–	**–**	(2,036)	**–**	–	**–**	(2,036)
Write-back of other payables	**–**	–	**–**	–	**(489)**	–	**–**	–	**(489)**	–

3. **SEGMENT INFORMATION** *(continued)*

(b) Geographical information

The following table presents revenue and non-current asset information.

	Hong Kong		Mainland China		United Kingdom		Others		Eliminations		Consolidated	
	2020	2019	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue:												
Sales to external customers	**262,819**	311,121	**–**	–	**203**	210	**290**	534	**–**	–	**263,312**	311,865
Non-current assets	**363,345**	52,157	**–**	758	**–**	–	**–**	–	**–**	–	**363,345**	52,915

The non-current asset information above is based on the locations of the assets and includes property, plant and equipment and deposits and other receivables.

(c) Information about major customers

For the years ended 29 February 2020 and 28 February 2019, as no revenue derived from an individual customer of the Group has accounted for over 10% of the Group's total revenue, no information about major customers is presented under HKFRS 8 *Operating Segments*.

4. **FINANCE COSTS**

An analysis of finance costs is as follows:

	2020	2019
	HK$'000	*HK$'000*
Interest on bank borrowings	**5,712**	4,812
Interest on lease liabilities	**13,431**	–
Others	**66**	86
	19,209	4,898

5. LOSS BEFORE TAX

The Group's loss before tax is arrived at after charging/(crediting):

	2020 *HK$'000*	2019 *HK$'000*
Cost of inventories sold	**131,054**	151,437
Reversal of provision for inventories	**(543)**	(9,384)
Reinsurers' share portion and commission, net of gross change in unearned premiums	**2**	60
Cost of sales	**130,513**	142,113
Depreciation	**95,572**	5,132
Auditor's remuneration	**2,930**	3,018
Employee benefit expense, excluding directors' and chief executive's remuneration:		
Wages and salaries	**66,420**	67,448
Pension contributions, including a pension cost for a defined benefit plan of HK$1,304,000 (2019: HK$1,226,000)	**3,812**	3,714
	70,232	71,162
Impairment of an interest in an associate *	**9**	4
Bad debts written off	**1,295**	–
Operating lease rental payments:		
Minimum lease payments	**–**	121,864
Contingent rent	**–**	1,189
Other charges in respect of rental premises	**20,796**	26,698
Lease payments not included in the measurement of lease liabilities	**7,740**	–
Provision for an onerous contract *	**–**	3,152
Impairment of items of property, plant and equipment *$^{\Delta}$	**14,213**	9,612
Gain on disposal of items of property, plant and equipment **	**(213)**	(158)
Gain on deregistration of subsidiaries **	**–**	(2,036)
Net realised loss on securities trading	**3,543**	2,739
Underwriting profit	**(5)**	(7)
Bank interest income **	**(1,039)**	(853)
Other interest income from financial assets at fair value through profit or loss **	**(278)**	(727)
Dividends from financial assets at fair value through profit or loss **	**(7,239)**	(7,215)
Foreign exchange loss/(gain), net **	**(103)**	118
Write-back of other payables **	**(489)**	–

* Amounts are included in "Other operating expenses, net" on the face of the consolidated income statement.

** Amounts are included in "Other income and gains, net" on the face of the consolidated income statement.

$^{\Delta}$ Amounts included an impairment of right-of-use assets of HK$12,789,000.

6. INCOME TAX

No provision for Hong Kong profits tax had been made as there were no assessable profits arising in Hong Kong for both years. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the locations in which the Group operates.

	2020	2019
	HK$'000	*HK$'000*
Current – Hong Kong	–	–
Current – Elsewhere		
Charge for the year	13	16
Total tax charge for the year	13	16

7. DIVIDENDS

The board of directors did not recommend the payment of any dividend for the year ended 29 February 2020 (2019: Nil).

8. LOSS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The calculation of the basic loss per share amounts is based on the loss for the year of HK$147,364,000 (2019: HK$132,068,000) attributable to equity holders of the Company and the weighted average number of ordinary shares of 891,605,524 (2019: 658,449,600). The weighted average number of ordinary shares in issue used in the basic loss per share calculation for the year ended 29 February 2020 has been adjusted to reflect the number of treasury shares of 260,443,200 (2019: 260,443,200) held by the Company's subsidiaries.

No adjustment had been made to the basic loss per share amounts presented for the years ended 29 February 2020 and 28 February 2019 in respect of a dilution as the impact of the share options outstanding during the years had an anti-dilutive effect on the basic loss per share amounts presented.

9. CREDITORS

An ageing analysis of the creditors as at the end of the reporting period, based on the invoice date, is as follows:

	2020	2019
	HK$'000	*HK$'000*
Current – 3 months	37,246	49,763
4 – 6 months	4,775	2,494
7 – 12 months	147	29
Over 1 year	1,311	488
	43,479	52,774

10. EVENTS AFTER THE REPORTING PERIOD

Subsequent to 29 February 2020, on 15 May 2020, Realord, a listed company in Hong Kong, announced a pre-conditional voluntary cash offer to acquire all the issued shares of the Company with an offer price ranging from HK$0.3806 to HK$0.3935 per share. The controlling shareholder of the Company, Win Dynamic, has executed an irrevocable undertaking to Realord that Win Dynamic will tender, or procure the tender of, all of its shares in the Company. In addition, the subsidiaries of the Company, including The Sincere Life Assurance Company Limited ("**Sincere LA**"), The Sincere Insurance & Investment Company, Limited ("**Sincere II**") and The Sincere Company (Perfumery Manufacturers), Limited ("**Perfumery**") have also executed irrevocable undertakings to accept the offer.

Upon the satisfaction of the pre-conditions and the acceptance by Win Dynamic of the offer referred to in the joint announcement dated 15 May 2020, the ultimate holding company of the Company will be changed to Realord. At the same time, Sincere LA, Sincere II and Perfumery will dispose of their 260,443,200 shares in the Company to Realord, and will receive gross proceeds of not less than approximately HK$99.1 million and not more than approximately HK$102.5 million.

Further details are disclosed in the joint announcement of the Company and Realord dated 15 May 2020.

RESULTS

The Group's total revenue was HK$263.3 million (2019: HK$311.9 million) during the year; representing a 16% drop from last year. The loss attributable to equity holders of the Company for this financial year was HK$147.4 million (2019: HK$132.1 million), loss increased by HK$15.3 million or 11.6% compared with previous year. Such increase in loss was mainly due to (i) the decrease in sales of the department store operations; and (ii) increase in impairment loss on the Group's right-of-use assets of HK12.8 million as a result of sustained operating losses in department store operations. Details were further explained at the "Business Review" section below.

In order to increase the transparency of the financial data to the user of the financial statements, the Group elected to change of accounting policy for leasehold land and owned buildings from cost model to revaluation model during the year. The Group believes that the revaluation model provides more relevant information to the users of its financial statements. Consequently, the net assets attributable to equity holders of the Company had been significantly increased from HK$28.5 million at 28 February 2019 to HK$142.6 million at 29 February 2020.

LIQUIDITY AND FINANCIAL RESOURCES

At 29 February 2020, the Group had cash and bank balances of HK$132.8 million (2019: HK$110.7 million), of which HK$119.0 million (2019: HK$78.4 million) were pledged. By reflecting the fair value of the leasehold land and owned buildings using revaluation model, the Group's gearing decreased from 666% to 255% in total debt to the shareholders' fund in comparison to last year. The interest expense charged to the consolidated income statement for the year was HK$19.2 million (2019: interest expense (without interest on lease liabilities) HK$4.9 million). As of 29 February 2020, the interest-bearing bank borrowings of the Group were HK$156.7 million (2019: HK$190.0 million), which were repayable within one year or on demand. As of 29 February 2020, lease liabilities of the Group were HK$260.7 million (2019: Nil), of which HK$102.5 million were repayable within one year. The bank borrowings were largely in Hong Kong dollars, with interest rates ranging from 1.4% to 5.1% per annum. The current ratio was 0.67 (2019: 1.1). The decrease in bank borrowings was financed by the funding from the issue of shares during the year.

As at 29 February 2020, the Group has net current liabilities of HK$112.0 million (2019: net current assets of HK$15.0 million). This liquidity shortfall was mainly attributable to the adoption of HKFRS 16 *Leases* resulting in recognition of current lease liabilities of HK$102.5 million and the decrease in accrued rental expenses of HK$48.6 million classified as deposits, accrued expenses and other payables as at 28 February 2019 which had been net off with right-of-use assets upon the initial application of HKFRS 16 as further explained in note 2.3 above.

The management closely monitors the Group's financial performance and liquidity position to assess the Group's ability to continue as a going concern. In view of these circumstances and the impact of the COVID-19 pandemic, the management has been continuously implementing measures to improve profitability, control operating costs and contain capital expenditures in order to improve the Group's operating performance and alleviate its liquidity risk. These measures include (i) continuously remapping its marketing strategies and pricing policies, (ii) continuing its measures to control capital and operating expenditures, (iii) negotiating with its landlords for rental reductions, and (iv) identifying opportunity in realisation of certain of the Group's assets. The management believes that these measures will further improve the Group's operating profitability and the resulting cash flows.

The Group currently employs a foreign currency hedging policy on the Euro for the purchase of inventories, which hedges approximately fifty percent of the European inventory purchase for resale at department stores. In addition to internally generated cash flows, the Group also made use of both long-term and short-term borrowings to finance its operations during the year. All bank borrowings were secured against securities investments, leasehold land and owned buildings and bank deposits.

EMPLOYEES AND REMUNERATION POLICIES

At 29 February 2020, the Group had 266 employees (2019: 328), including part-time staff. The Group operates various remuneration schemes for sales and non-sales employees to motivate front-line and back-office staff towards achieving higher sales and operating efficiencies. Besides, basic salary and discretionary bonuses based on individual merit, sales personnel are further remunerated on the basis of goal-oriented packages, comprising several sales commission schemes. The Group provides employee benefits such as employee stock options, staff purchase discounts, subsidised medical care and training courses.

DIVIDENDS

The Board does not recommend the payment of a dividend for the financial year ended 29 February 2020.

BUSINESS REVIEW

DEPARTMENT STORE OPERATION

The year under review was one of the most difficult time for the Hong Kong's retail market. The social and political incidents in Hong Kong since June 2019 have negatively affected the retail market sentiment of Hong Kong in general and reduced the number of visitors from Mainland China. During the year under review, our stores had closed for more than 400 hours in total due to the social incidents. In addition, the threat of China-US trade war created uncertainty to both local and global market and further deteriorated the consumer sentiment. In January 2020, due to the outbreak and wide spreading of the COVID-19, social distancing policies and various other measures have been recommended and implemented by the Hong Kong government in order to contain the COVID-19 in Hong Kong and resulted in significant drop in the number of visitor arrivals to Hong Kong. According to the Visitor Arrival Statistics from the Hong Kong Tourism Board, the number of visitors from both mainland China and non-mainland China were dropped by more than 90% in February 2020 as compared to February 2019. The statistics of retail sales from Census and Statistics Departments also showed that the total retail sales for the year ended 29 February 2020 was dropped by approximately 26% as compared with the same period of last year. As a result, the retail environment has been significantly weakened and the department store operations of the Group have been adversely affected, in particular, since February 2020. Nevertheless, with the support from our loyal Hong Kong customers, the Group's core department store operations delivered revenue of HK$263.1 million (2019: HK$310.8 million) representing a drop of 15% as compared to last year. Excluding the effect of the closure of Sincere CWB store, the revenue was only dropped by 9% during the year.

The impact of the drop in revenue was mitigated by our cost saving measures during the year, such as reduction of part time headcount and successful negotiation of the rental concessions during the second half of 2019. As a result, the segment losses from department store operations moderately increased to HK$113.4 million (2019: HK$104.0 million) representing an increase of 9.0% compared to the previous year. Such increase in segment losses were mainly attributable to the adoption of applicable accounting policy for leases and an impairment loss on the Group's right-of-use assets of HK$12.8 million was made as a result of the sustained operating losses in department store operations.

Excellent customer service is always one of our core values. During the year 2019, we have been awarded "2019 Service Retailers of The Year – Department Store Catergory Award" by the Hong Kong Retail Management Association in the Mystery Shopper Programme.

SECURITIES TRADING OPERATION

Both local and global financial markets were volatile throughout the period. The social unstability issue, the intensification of China-US trade war and the outbreak of the COVID-19 significantly affected the financial markets. Hang Seng Index has been volatized between 30,280 and 24,900 during the year. Hence, a segment loss of HK$12.0 million (2019: HK$13.3 million) was resulted. In order to reduce the exposure to market risk the Group was facing and better management of our cash flow, the total amount of securities investment held for trading was reduced from HK$112 million to HK$13 million during the year.

PROSPECTS

Looking forward, with the decrease in the confirmed cases for the COVID-19 and the ease of the social distancing polices implemented by the government previously, the foot traffic for our stores had gradually recovered. The management is of the view that the department store operations would be challenging, but is still cautiously optimistic about our core department stores performance in the coming year. The Group will take a cautious approach in its business planning to weather the current unfavourable environment.

On securities trading, the global financial market is still volatile as a result of various uncertainties, including the COVID-19 and the China-US trade war; as such we will remain conservative on our investment strategy to ensure the Group has a better cash flow position.

Subsequent to the year ended 29 February 2020, a pre-conditional voluntary cash offer was made by Realord to all the shareholders of the Company. Realord together with its subsidiaries (the "**Realord Group**") are principally engaged in, among other things, property investment and development and commercial operation. As at 31 December 2019, the Realord Group's properties include a commercial complex project, namely Realord Villas (偉祿雅苑) in Shenzhen. A shopping mall namely Realord Vcity (偉祿Vcity) is located inside Realord Villas. With the new investor joining to the Group, the management believe that there would have potential synergy effect between Realord and the Group leveraging on the experience on the Group in the department store operations by cooperating and utilizing the properties held by the Realord Group. For details of the pre-conditional voluntary cash offer, please refer to the joint announcement between the Realord Group and the Group dated 15 May 2020.

OTHER INFORMATION

USE OF NET PROCEEDS FROM OPEN OFFER

The Group has received approximately HK$92.7 million net proceeds, after deducting underwriting fee and other related expenses, from issuing of the Company's shares in 2019.

These net proceeds were applied up to 29 February 2020 in accordance with the proposed applications set out in the section headed "Reasons for the open offer and use of proceeds" in the Company's prospectus dated 5 July 2019 as follows:

	Net proceeds *(HK$ million)*		
	Available	**Utilised**	**Unutilised**
Repayment of interest-bearing bank borrowings	23.5	23.5	–
Procurement of inventories	40.0	40.0	–
General working capital	29.2	29.2	–
	92.7	92.7	–

SIGNIFICANT INVESTMENTS HELD AND PERFORMANCE

As at 29 February 2020, the Group has held for trading investments with fair value of HK$13 million (2019: HK$112 million). During the year, the Group recorded realised losses of HK$4 million (2019: HK$3 million) and unrealised loss on fair value of HK$7 million (2019: HK$9 million). Information in relation to the 10 largest investments as at 29 February 2020 is set out as follows:

Name		Nature of investment	No. of shares/units/ amount of bonds held	Realised gain/(loss) for the year *HK$'000*	Unrealised gain/(loss) on fair value change for the year *HK$'000*	Fair value as at 29 February 2020 *HK$'000*	% of total assets
1.	C432 PA Offshore Feeder Fund L.P.CLS A USD	Fund	914,005	–	(3,293)	3,665	0.59%
2.	CK Hutchison Holdings Ltd (Stock Code: 0001)	Equity	26,708	(293)	(419)	1,812	0.29%
3.	CK Asset Holdings Ltd (Stock Code: 1113)	Equity	26,708	(295)	(439)	1,301	0.21%
4.	Chong Hing Bank 6% 041120 M/N	Bond	150,000	–	(10)	1,198	0.19%
5.	HLP Finance Ltd 4.75% 250622 J/D	Bond	100,000	–	22	826	0.13%
6.	ING Groep N.V.-CVA (EUR)	Equity	10,263	–	(299)	761	0.12%
7.	Lenovo Group Limited (Stock Code: 992)	Equity	130,000	(190)	(294)	625	0.10%
8.	PEG venture capital private II offshore	Fund	488,522	–	(95)	617	0.10%
9.	STEPSTONE CAPITAL PARTNERS II OFFSHORE LP CL A	Fund	491,358	–	(45)	557	0.09%
10.	TF CAPITAL INVESTORS II OFFSHORE LP CLASS B	Fund	475,000	–	(610)	431	0.07%
				(778)	(5,482)	11,793	1.89%

During the financial year, the Group received approximately HK$7 million (2019: HK$7 million) of dividends from the securities held. The above table lists the investments which principally formed a significant portion of the total assets of the Group.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SHARES

There was no purchase, sale or redemption of the Company's listed shares by the Company or any of its subsidiaries during the financial year.

EXTRACT OF INDEPENDENT AUDITOR'S REPORT

The following is an extract of independent auditor's report issued by the Group's independent auditor:

"Opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 29 February 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and have been properly prepared in compliance with 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 recorded a consolidated net loss for the year of HK$149,253,000 during the year ended 29 February 2020, and the Group had net current liabilities of HK$111,951,000. These conditions, along with other matters as set forth in note 2.1 to the consolidated financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the ability of the Group to continue as a going concern. Our opinion is not modified in respect of this matter."

CORPORATE GOVERNANCE PRACTICE

The Company's corporate governance practices are based on the principles as set out in the Corporate Governance Code (the "**CG Code**") contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") (the "**Listing Rules**").

During the financial year ended 29 February 2020, the Company has complied with the Code Provisions set out in the CG Code, save and except for code provision A.2.1, A.4.1 and A.6.7.

Pursuant to code provision A.2.1 stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual. Mr. Philip K H Ma, being the Chairman and Chief Executive Officer of the Company, provides leadership to the Board ensuring that members of the Board receive accurate, timely and clear information to help them reach well-informed and well-considered decisions. He is also responsible for leading the management team to manage day-to-day operation and report to the Board the way the business is run. The Board believes that vesting the roles of both Chairman and Chief Executive Officer in the same individual can provide the Company with strong and consistent leadership and allows for effective and efficient planning and implementation of business decisions and strategies.

Pursuant to code provision A.4.1 of the CG Code that non-executive directors shall be appointed for a specific term, subject to re-election. The non-executive director and independent non-executive directors of the Company were not appointed for a specific term but are subjected to retirement by rotation and re-election at the Company's Annual General Meeting in accordance with the Company's Article of Association.

Pursuant to code provision A.6.7 of the CG Code that independent non-executive directors and other non-executive directors should also attend general meeting. Mr Charles M W Chan, non-executive director of the Company; Mr Peter Tan, Mr Eric K K Lo and Mr Anders W L Lau, independent non-executive directors of the Company did not attend relevant general meetings of the Company due to business arrangement.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules (the "**Model Code**") as the code governing the transactions of securities by the Directors. After making specific enquiry to all Directors, it is confirmed by the Company that the Directors of the Company had complied with the relevant standard as provided in the Model Code.

REVIEW OF PRELIMINARY RESULTS ANNOUNCEMENT BY INDEPENDENT AUDITOR

The figures in respect of the Group's consolidated statement of financial position, consolidated income statement and consolidated statement of comprehensive income and the related notes thereto for the year ended 29 February 2020 as set out in the preliminary results announcement have been agreed by the Company's independent auditor, Ernst & Young, Certified Public Accountants of Hong Kong ("**Ernst & Young**") to the amounts set out in the Group's consolidated financial statements for the year. The work performed by Ernst & Young 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 Ernst & Young on this preliminary results announcement.

AUDIT COMMITTEE

The Audit Committee of the Company consists of Mr. Charles M W Chan, non-executive director of the Company and Mr. Eric K K Lo, Mr. King Wing Ma, Mr. Peter Tan and Mr. Anders W L Lau, independent non-executive directors of the Company. The Audit Committee has reviewed the annual results (including the consolidated financial statements) of the Company for the financial year ended 29 February 2020.

CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement to attend and vote at the Annual General Meeting of the Company ("**AGM**") to be held on Friday, 7 August 2020, the register of members of the Company will be closed from Monday, 3 August 2020 to Friday 7 August, 2020, both days inclusive, during which period no transfer of shares will be registered. In order to be eligible to attend and vote at the AGM, all transfers accompanied by the relevant share certificates must be lodged with the Company's registrar Tricor Tengis Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong no later than 4:30 p.m. on Friday, 31 July 2020.

PUBLICATION OF ANNUAL REPORT

The 2019/20 annual report of the Group, containing the relevant information required by the Listing Rules, will be published on the websites of The Stock Exchange of Hong Kong Limited and the Company in due course.

As at the date of this announcement, the executive director of the Company is Mr. Philip K H Ma; the non-executive director of the Company is Mr. Charles M W Chan; and the independent non-executive directors of the Company are Mr. King Wing Ma, Mr. Eric K K Lo, Mr. Peter Tan and Mr. Anders W L Lau.

By order of the Board
Philip K H MA
Chairman & CEO

Hong Kong, 29 May 2020