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THE SINCERE COMPANY, LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 0244)

**ANNOUNCEMENT OF ANNUAL RESULTS
FOR THE YEAR ENDED 28 FEBRUARY 2021**

The board of directors (the “**Board**”) of The Sincere Company, Limited (the “**Company**”) announces that the consolidated results of the Company and its subsidiaries (collectively, the “**Group**”) for the financial year ended 28 February 2021 together with the comparative figures for the previous year are as follows:

CONSOLIDATED INCOME STATEMENT

Year ended 28 February 2021

	<i>Notes</i>	2021 HK\$'000	2020 HK\$'000
REVENUE	3	177,472	263,312
Cost of sales		(91,744)	(130,513)
Other income and gains, net		2,038	10,800
Net unrealised loss on securities trading		(726)	(6,690)
Selling and distribution expenses		(111,153)	(165,849)
General and administrative expenses		(78,698)	(86,806)
Other operating expenses, net		(22,614)	(14,285)
Finance costs	4	(20,257)	(19,209)
LOSS BEFORE TAX	5	(145,682)	(149,240)
Income tax expense	6	(15)	(13)
LOSS FOR THE YEAR		<u>(145,697)</u>	<u>(149,253)</u>
ATTRIBUTABLE TO:			
Equity holders of the Company		(145,017)	(147,364)
Non-controlling interests		(680)	(1,889)
		<u>(145,697)</u>	<u>(149,253)</u>
LOSS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY	8		
Basic		<u>HK\$(0.14)</u>	<u>HK\$(0.17)</u>
Diluted		<u>HK\$(0.14)</u>	<u>HK\$(0.17)</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 28 February 2021

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
LOSS FOR THE YEAR	(145,697)	(149,253)
OTHER COMPREHENSIVE INCOME/(LOSS)		
<i>Other comprehensive income/(loss) that may be reclassified to the income statement in subsequent periods:</i>		
Exchange differences arising on translation of foreign operations	83	(61)
Net other comprehensive income/(loss) that may be reclassified to the income statement in subsequent periods	83	(61)
<i>Other comprehensive income/(loss) that will not be reclassified to the income statement in subsequent periods:</i>		
Actuarial gains on a defined benefit plan	6,194	1,257
Revaluation of leasehold land and owned buildings	(9,020)	168,141
Changes in fair value of equity investments designated at fair value through other comprehensive income	1,664	(300)
Net other comprehensive income/(loss) that will not be reclassified to the income statement in subsequent periods	(1,162)	169,098
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR	<u>(146,776)</u>	<u>19,784</u>
ATTRIBUTABLE TO:		
Equity holders of the Company	(145,591)	21,329
Non-controlling interests	(1,185)	(1,545)
	<u>(146,776)</u>	<u>19,784</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

28 February 2021

	<i>Notes</i>	2021 HK\$'000	2020 HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment	9	231,049	336,805
Equity investments designated at fair value through other comprehensive income		24,237	22,573
Deposits, other receivables and other assets		22,702	26,540
Pension scheme assets		19,585	14,672
Total non-current assets		297,573	400,590
CURRENT ASSETS			
Inventories		42,927	66,289
Reinsurance assets		–	7
Prepayments, deposits, other receivables and other assets		29,056	12,863
Financial assets at fair value through profit or loss		10,677	13,364
Pledged bank balances		1,854	6,024
Pledged deposits with banks		101,865	113,017
Cash and bank balances		87,949	13,761
Total current assets		274,328	225,325
CURRENT LIABILITIES			
Creditors	10	44,681	43,479
Lease liabilities	11	93,718	102,454
Insurance contracts liabilities		1,206	1,214
Deposits, accrued expenses and other payables		62,825	28,387
Contract liabilities		730	2,887
Interest-bearing bank borrowings	12(a)	162,679	156,719
Other loans	12(b)	152,167	2,136
Total current liabilities		518,006	337,276
NET CURRENT LIABILITIES		(243,678)	(111,951)
TOTAL ASSETS LESS CURRENT LIABILITIES		53,895	288,639

CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(continued)*

28 February 2021

	<i>Notes</i>	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
NON-CURRENT LIABILITIES			
Deposits, accrued expenses and other payables		3,934	8,390
Other loans	<i>12(b)</i>	1,126	1,104
Lease liabilities	<i>11</i>	20,430	103,964
		<hr/>	<hr/>
Total non-current liabilities		25,490	113,458
		<hr/>	<hr/>
NET ASSETS		28,405	175,181
		<hr/> <hr/>	<hr/> <hr/>
EQUITY			
Equity attributable to equity holders of the Company			
Share capital		469,977	469,977
Deficits		(472,954)	(327,363)
		<hr/>	<hr/>
		(2,977)	142,614
Non-controlling interests		31,382	32,567
		<hr/>	<hr/>
TOTAL EQUITY		28,405	175,181
		<hr/> <hr/>	<hr/> <hr/>

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 Group have not changed during the 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, as at 28 February 2021, the then holding company and ultimate holding company of the Company was Win Dynamic Limited (“**Win Dynamic**”), a company incorporated in Hong Kong with limited liability. Subsequent to 28 February 2021, Realord Group Holdings Limited (“**Realord**”), a company incorporated in Bermuda with limited liability and the shares of which are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”), has become the holding company of the Company following the close of the voluntary conditional cash offer to acquire all the issued shares of the Company. As disclosed in the disclosure of interest dated 17 May 2021 submitted by Manureen Holdings Limited (“**Manureen**”), the holding company of Realord is Manureen, a company incorporated in the British Virgin Islands with limited liability.

2.1 BASIS OF PRESENTATION

During the year ended 28 February 2021, the Group recorded a net loss for the year of HK\$145,697,000 (2020: HK\$149,253,000). The Group’s operations are financed by both bank and other borrowings and internal resources. As at 28 February 2021, the Group had net current liabilities of HK\$243,678,000 (2020: HK\$111,951,000) and a deficit attributable to the equity holders of the Company of HK\$2,977,000 (2020: equity attributable to the equity holders of the Company of HK\$142,614,000). The Company also had net current liabilities of HK\$264,730,000 (2020: HK\$151,588,000) and net liabilities of HK\$48,218,000 (2020: net assets of HK\$75,624,000). The Group’s cash and bank balances amounted to HK\$87,949,000 (2020: HK\$13,761,000) as at 28 February 2021.

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, management has been continuously implementing measures to improve profitability, control operating costs and reduce 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 the opportunity in realisation of certain assets of the Group. 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 28 February 2021, the Group had unutilised trade financing banking facilities of HK\$28,793,000. 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 of the Company 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.

2.1 BASIS OF PRESENTATION *(continued)*

In addition, subsequent to 28 February 2021, on 10 May 2021, the Group has obtained a new loan of HK\$152,000,000 (“**Realord Loan**”) from Realord Finance Limited (“**Realord Finance**”), a wholly owned subsidiary of Realord. The Realord Loan was used for the repayment of the Group’s other loan of HK\$150 million at 28 February 2021 as detailed in note 13 to this announcement. The Realord Loan bears interest at 10% per annum, is repayable 12 months after drawdown and is subject to Realord Finance’s right to demand for early repayment.

On 11 June 2021, the Group has obtained a transitional loan facility from Realord up to a limit of HK\$40,000,000 for additional working capital (“**Transitional Loan**”). The Transitional Loan bears interest at Hong Kong Interbank Offered Rate plus 1.5% per annum, is unsecured and is repayable 2 months after drawdown.

On 29 June 2021, Realord has undertaken to provide continuous financial support to the Group to meet its liabilities and obligations as and when they fall due for at least next eighteen months from 30 June 2021. Realord further confirms that they will not demand for repayment of such amount of financial support unless the Group has sufficient working capital after repayment of their financial support for at least the next eighteen months from 30 June 2021.

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 28 February 2021. 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 of the Company, after making due enquiries and considering the basis of management’s projections described above and after taking into account (i) the reasonably possible changes in the operational performance, (ii) the successful renewal and continuous availability of the bank and other borrowings facilities and (iii) the financial support from Realord, 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 information 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 information are presented in Hong Kong dollars and all values are rounded to the nearest thousand (HK\$’000) except when otherwise indicated.

The financial information relating to the years ended 28 February 2021 and 29 February 2020 included in this preliminary announcement of annual results for the year ended 28 February 2021 do not constitute the Company’s statutory annual consolidated financial statements for those years but is derived from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Companies Ordinance is as follows:

The Company has delivered the financial statements for the year ended 29 February 2020 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Companies Ordinance and will deliver the financial statements for the year ended 28 February 2021 in due course.

The Company’s auditor has reported on these financial statements for both years. The auditor’s reports were unqualified; included a reference to a matter to which the auditor drew attention by way of emphasis without qualifying their report in relation to a material uncertainty about going concern; and did not contain a statement under sections 406(2), 407(2) or (3) of the Companies Ordinance.

Basis of consolidation

The consolidated financial statements include the financial statements of the Group for the year ended 28 February 2021. 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 equity holders of the Company 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 deficits 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

The Group has adopted the *Conceptual Framework for Financial Reporting 2018* and the following revised HKFRSs for the first time for the current year's financial statements.

Amendments to HKFRS 3	<i>Definition of a Business</i>
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	<i>Interest Rate Benchmark Reform</i>
Amendment to HKFRS 16	<i>Covid-19-Related Rent Concessions (early adopted)</i>
Amendments to HKAS 1 and HKAS 8	<i>Definition of Material</i>

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

Amendment to HKFRS 16 provides a practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the covid-19 pandemic. The practical expedient applies only to rent concessions occurring as a direct consequence of the pandemic and only if (i) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; (ii) any reduction in lease payments affects only payments originally due on or before 30 June 2021; and (iii) there is no substantive change to other terms and conditions of the lease. The amendment is effective for annual periods beginning on or after 1 June 2020 with earlier application permitted and shall be applied retrospectively.

During the year ended 28 February 2021, certain monthly lease payments for the leases of the Group's stores have been reduced or waived by the lessors as a result of the pandemic and there are no other changes to the terms of the leases. The Group has early adopted the amendment on 1 March 2020 and elected not to apply lease modification accounting for all rent concessions granted by the lessors as a result of the pandemic during the year ended 28 February 2021. Accordingly, a reduction in the lease payments arising from the rent concessions of HK\$11,477,000 has been accounted for as a variable lease payment by derecognising part of the lease liabilities and crediting to the income statement for the year ended 28 February 2021.

3. SEGMENT INFORMATION

(a) Operating segments

The following tables present revenue, loss and certain assets, liabilities and expenditure information for the Group's operating segments for the years ended 28 February 2021 and 29 February 2020.

	Department store operations		Securities trading		Others		Eliminations		Total	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Segment revenue:										
Sales to external customers	176,694	263,110	6	(3,543)	772	3,745	-	-	177,472	263,312
Intersegment sales	-	-	-	-	33,037	31,818	(33,037)	(31,818)	-	-
Other revenue	564	2,230	1,086	7,523	11	34	-	-	1,661	9,787
Total	177,258	265,340	1,092	3,980	33,820	35,597	(33,037)	(31,818)	179,133	273,099
Segment results	(108,490)	(109,997)	(8,923)	(12,028)	(16,767)	(22,450)	-	-	(134,180)	(144,475)
Interest income and unallocated revenue, net									377	1,013
Finance costs (other than interest on lease liabilities)									(11,879)	(5,778)
Loss before tax									(145,682)	(149,240)
Income tax expense									(15)	(13)
Loss for the year									(145,697)	(149,253)
Segment assets	186,981	281,654	15,073	18,956	211,216	224,321	(33,037)	(31,818)	380,233	493,113
Unallocated assets									191,668	132,802
Total assets									571,901	625,915
Segment liabilities	235,154	311,720	4,612	303	20,795	10,570	(33,037)	(31,818)	227,524	290,775
Unallocated liabilities									315,972	159,959
Total liabilities									543,496	450,734

Segment assets exclude pledged bank balances, pledged deposits with banks and cash and bank balances as these assets are managed on a group basis.

Segment liabilities exclude interest-bearing bank borrowings and other loans as these liabilities are managed on a group basis.

Intersegment sales are transacted based on the direct costs incurred or in the case of rental income and income from the provision of warehouse services, at an agreed rate.

Certain amounts in the segment information for the year ended 29 February 2020 have been reclassified to conform with current year presentation.

3. SEGMENT INFORMATION (continued)

(a) Operating segments (continued)

	Department store operations		Securities trading		Others		Eliminations		Total	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>
Other segment information:										
Depreciation	74,102	83,683	-	-	6,895	11,889	-	-	80,997	95,572
Impairment of items of property, plant and equipment	16,339	10,816	-	-	6,003	3,397	-	-	22,342	14,213
Impairment of other assets	-	-	-	-	267	-	-	-	267	-
Capital expenditure of property, plant and equipment	30	1,561	-	-	-	60	-	-	30	1,621
Gain on disposal of items of property, plant and equipment	-	(213)	-	-	-	-	-	-	-	(213)
Provision/(reversal of provision) for inventories	1,103	(543)	-	-	-	-	-	-	1,103	(543)
Impairment of an interest in an associate	-	-	-	-	5	9	-	-	5	9
Bad debts written off	4,320	1,262	-	-	-	33	-	-	4,320	1,295
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	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
	<i>HK\$'000</i>											
Segment revenue:												
Sales to external customers	177,261	262,819	-	-	206	203	5	290	-	-	177,472	263,312
Non-current assets	253,751	363,345	-	-	-	-	-	-	-	-	253,751	363,345

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

(c) Information about major customers

For the years ended 28 February 2021 and 29 February 2020, 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:

	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest on bank borrowings	4,309	5,712
Interest on lease liabilities	8,378	13,431
Interest on other loans	7,570	66
	20,257	19,209

5. LOSS BEFORE TAX

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

	2021	2020
	HK\$'000	HK\$'000
Cost of inventories sold	90,640	131,054
Provision/(reversal of provision) for inventories	1,103	(543)
Reinsurers' share portion and commission, net of gross change in unearned premiums	1	2
	<hr/>	<hr/>
Cost of sales	91,744	130,513
	<hr/>	<hr/>
Depreciation	80,997	95,572
Employee benefit expense, excluding directors' and chief executive's remuneration:		
Wages and salaries	35,832	66,420
Pension contributions, including a pension cost for a defined benefit plan of HK\$1,296,000 (2020: HK\$1,304,000)	2,962	3,812
Less: Government grants (<i>note</i>)	(11,660)	–
	<hr/>	<hr/>
	27,134	70,232
	<hr/>	<hr/>
Bad debts written off	4,320	1,295
Other charges in respect of rental premises	25,136	20,796
Lease payments not included in the measurement of lease liabilities	364	7,740
Impairment of items of property, plant and equipment * ^Δ	22,342	14,213
Gain on disposal of items of property, plant and equipment **	–	(213)
Net realised loss/(gain) on securities trading	(6)	3,543
Underwriting profit	(1)	(5)
Bank interest income **	(431)	(1,039)
Other interest income from financial assets at fair value through profit or loss **	(85)	(278)
Dividends from financial assets at fair value through profit or loss **	(999)	(7,239)
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* 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.

^Δ Amounts included an impairment of right-of-use assets of HK\$22,312,000 (2020: HK\$12,789,000).

5. LOSS BEFORE TAX (continued)

Note:

Government grants from Hong Kong government's employment support scheme of HK\$8,220,000 (2020: Nil) and HK\$3,440,000 (2020: Nil) were included in "Selling and distribution expenses" and "General and administrative expenses", respectively, on the face of the consolidated income statement. There are no unfulfilled conditions or contingencies relating to these grants.

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.

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Current – Hong Kong	–	–
Current – Elsewhere		
Charge for the year	<u>15</u>	<u>13</u>
Total tax charge for the year	<u><u>15</u></u>	<u><u>13</u></u>

7. DIVIDENDS

The Board did not recommend the payment of any dividend for the years ended 28 February 2021 and 29 February 2020.

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\$145,017,000 (2020: HK\$147,364,000) attributable to equity holders of the Company and the weighted average number of ordinary shares of 1,053,519,360 (2020: 891,605,524). The weighted average number of ordinary shares in issue used in the basic loss per share calculation for the year ended 28 February 2021 has been adjusted to reflect the number of treasury shares of 260,443,200 (2020: 260,443,200) held by the Company's subsidiaries.

The Group had no potentially dilutive ordinary shares in issue during the year ended 28 February 2021.

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

9. PROPERTY, PLANT AND EQUIPMENT

	Owned assets <i>HK\$'000</i>	Right-of- use assets <i>HK\$'000</i>	Total <i>HK\$'000</i>
28 February 2021			
At beginning of year, net of accumulated depreciation and impairment	22,504	314,301	336,805
Additions	30	–	30
Modification of leases	–	6,573	6,573
Depreciation provided for the year	(818)	(80,179)	(80,997)
Impairment provided for the year	(30)	(22,312)	(22,342)
Revaluation adjustment	(888)	(8,132)	(9,020)
	<u>20,798</u>	<u>210,251</u>	<u>231,049</u>

10. CREDITORS

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Current – 3 months	40,173	37,246
4 – 6 months	1,551	4,775
7 – 12 months	1,027	147
Over 1 year	1,930	1,311
	<u>44,681</u>	<u>43,479</u>

11. LEASE LIABILITIES

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Carrying amount as at 1 March	206,418	340,730
Addition	–	60
Accretion of interest recognised during the year	8,378	13,431
Payments	(95,744)	(105,287)
Modification of leases	6,573	(42,516)
Covid-19-related rent concessions from lessors	(11,477)	–
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Carrying amount as at 28 February/29 February	114,148	206,418
Less: current portion	(93,718)	(102,454)
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Non-current portion	<u>20,430</u>	<u>103,964</u>

12. INTEREST-BEARING BANK BORROWINGS AND OTHER LOANS

(a) Interest-bearing bank borrowings

	2021			2020		
	Effective interest rate %	Maturity	HK\$'000	Effective interest rate %	Maturity	HK\$'000
Current						
Bank loans, secured	Hong Kong Interbank Offered Rate ("HIBOR")					
	+1.5	2021	162,679	HIBOR		
				+1.75 to 1.5	2020	150,973
Bank loan, secured	-	-	-	3.25	2020	5,746
			<u>162,679</u>			<u>156,719</u>
				2021		2020
				HK\$'000		HK\$'000
Analysed into:						
Within one year or on demand				<u>162,679</u>		<u>156,719</u>

The interest-bearing bank borrowings are denominated in Hong Kong dollars.

The Group's bank borrowings and banking facilities are secured by:

- (i) the pledge of certain of the Group's bank balances of HK\$1,854,000 (2020: HK\$6,024,000) and time deposits amounting to HK\$101,865,000 (2020: HK\$113,017,000);
- (ii) the pledge of certain of the Group's marketable securities with an aggregate market value of approximately HK\$4,912,000 (2020: HK\$6,572,000); and
- (iii) mortgages over certain of the Group's leasehold land and owned buildings with an aggregate carrying value at the end of the reporting period of approximately HK\$172,529,000 (2020: HK\$188,195,000).

12. INTEREST-BEARING BANK BORROWINGS AND OTHER LOANS (continued)

(b) Other loans

	Notes	2021 HK\$'000	2020 HK\$'000
Other loans	<i>i</i>	3,293	3,240
Loan from the Lender (as defined below)	<i>ii</i>	150,000	-
		<u>153,293</u>	<u>3,240</u>
Less: Amount repayable within one year or on demand and classified as current portion		<u>(152,167)</u>	<u>(2,136)</u>
Amount classified as non-current portion		<u>1,126</u>	<u>1,104</u>
		2021 HK\$'000	2020 HK\$'000
Analysed into:			
Within one year or on demand		152,167	2,136
In the second year		1,126	1,104
		<u>153,293</u>	<u>3,240</u>

Notes:

- (i) The other loans were unsecured, bore interest at 2% (2020: 2%) per annum and repayable on demand, except for an amount of HK\$1,126,000 (2020: HK\$1,104,000) which was not repayable in the next twelve months after the end of the reporting period. The balances were denominated in Hong Kong dollars.
- (ii) On 18 February 2021, the Group withdrew a loan of HK\$150,000,000 in a loan facility agreement with a financial institution that is independent of the Group and of its connected persons (“**Lender**”) (collectively the “**Facility**”). As one of the conditions of the Facility, the Company has executed a debenture which gives (i) a first fixed charge over the fixed property and assets of the Company; and (ii) a first floating charge over the undertaking and all other property assets and rights of the Company, in favour of the Lender. The loan under the Facility was denominated in Hong Kong dollars and fully drawn down during the year ended 28 February 2021. The loan bore interest at 16% per annum, was repayable in 18 months from the drawdown date, or on demand. Subsequent to the end of the reporting period, on 12 May 2021, the loan was fully settled. Further details are disclosed in note 13 to this announcement.

13. STATUS OF THE FACILITY AND REALORD LOAN

To repay the loan of HK\$80,000,000 advanced to the Company by Realord Finance, and to finance the working capital of the Group, the Company executed the Facility with the Lender on 18 February 2021. The Facility was entered into in the ordinary course of business of the Company.

As one of the conditions of the Facility, the Company has executed a debenture which gives (i) a first fixed charge over the fixed property and assets of the Company; and (ii) a first floating charge over the undertaking and all other property assets and rights of the Company, in favour of the Lender.

On 19 February 2021, the Company repaid all the outstanding principal and interest of the loan demanded by Realord Finance (with further interest to be repaid on demand), and planned to use the balance of the Facility for working capital.

Subsequent to the end of the reporting period, on 3 May 2021, the Company was informed by the legal adviser of the Lender in a letter that, among others, the Lender demanded the Company, as the borrower, to make a repayment of the Facility, including the outstanding principal and the interest accrued on the outstanding principal for the period up to 5 May 2021 totalling HK\$151,117,808, on 6 May 2021 before 5:00 p.m.

On 7 May 2021, the Company received a letter from the legal adviser of the Lender stating, among others, that non-payment of the outstanding amount under the Facility by the Company has constituted an event of default under the loan agreement and debenture of the Facility. As a result, among others, the related clauses in the loan agreement and debenture of the Facility had been triggered.

On 10 May 2021, Realord Finance entered into a loan facility agreement with the Company, pursuant to which Realord Finance had agreed to provide Realord Loan which bears interest at 10% per annum, is repayable 12 months after drawdown and is subject to Realord Finance's right to demand for early repayment.

For the Realord Loan, the Company has executed a debenture (the "**Realord Debenture**") on 10 May 2021 in favour of Realord Finance, which gives (i) a first fixed charge over the fixed property and assets of the Company; and (ii) a first floating charge over the undertaking and all other property assets and rights of the Company, subject to the debenture under the Facility to the extent that they have not been discharged and/or released by the Lender.

As stated in the Realord Loan and the Realord Debenture, once Realord becomes entitled to exercise, or control the exercise of, more than 50% of the voting power at any general meeting of the Company, and have appointed the majority of the members of the board of directors of the Company, Realord Finance shall release and/or discharge all of its rights, benefits, title and interests under the Realord Debenture (the "**Release Clause**").

13. STATUS OF THE FACILITY AND REALORD LOAN *(continued)*

On 12 May 2021, the Company arranged for the repayment of the Facility, together with interest accrued thereon and all amounts payable thereunder as full and final settlement. Such repayment was funded by the provision of the Realord Loan and for the amount in excess of HK\$152,000,000, by the Company's internal resources.

As at the time of entering into the Realord Loan, Realord is not yet entitled to exercise or control the exercise of 10% or more of the voting power at any general meeting of the Company, and therefore, it is not yet a substantial shareholder and hence, a connected person of the Company. As such, the Realord Loan is not a connected transaction as at the date of the Realord Loan under Chapter 14A of the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**").

As Realord becomes entitled to exercise, or control the exercise of, more than 50% of the voting power at any general meeting of the Company, and have appointed the majority of the members of the Board on 9 June 2021, Realord released all of its rights, benefits, title and interests under the Realord Debenture on 18 June 2021.

Further details are disclosed in the announcements of the Company dated 25 February 2021, 31 March 2021, 16 April 2021, 4 May 2021, 13 May 2021 and 10 June 2021.

14. EVENT AFTER THE REPORTING PERIOD

On 11 June 2021, the Board announced that the Company had received from the legal adviser acting on behalf of Mr. Philip K H Ma ("**Mr. Philip Ma**"), the former Chairman and Chief Executive Officer and a director of the Company, a statutory demand (the "**Statutory Demand**") dated Friday, 4 June 2021. By the Statutory Demand, Mr. Philip Ma demanded from the Company payment in the sum of HK\$8,244,000, allegedly being the outstanding remuneration under an employment contract for the period from 1 March 2020 to 28 February 2021, within 21 days from the date of service of the Statutory Demand, failing which he might present a winding-up petition against the Company. It is the position of the entire Board, other than Mr. Philip Ma, that the Company makes no admission to the allegation or demand made by Mr. Philip Ma, and Mr. Philip Ma disagrees with such position of the Board.

The Board further announced on 23 June 2021 that the Company has sought legal advice in respect of the Statutory Demand and was advised that the Statutory Demand is a nullity for the reasons that (i) the Statutory Demand is fundamentally defective as it was not issued in the prescribed form as required under section 178(1)(a)(i)(A) of the Companies (Winding Up Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong); and (ii) pursuant to the Labour Tribunal Ordinance (Chapter 25 of the Laws of Hong Kong), Mr. Philip Ma's claim for the alleged outstanding remuneration falls within the exclusive jurisdiction of the Labour Tribunal. The Company was also advised that it has a *bona fide* dispute to the sum demanded by Mr. Philip Ma as all the salaries and director's fees owed by the Company for the period from 1 March 2020 to 28 February 2021 have already been duly paid to Mr. Philip Ma.

14. EVENT AFTER THE REPORTING PERIOD *(continued)*

In light of the above, the Company had, through its legal advisers, requested Mr. Philip Ma to (i) withdraw the Statutory Demand; and (ii) undertake not to issue any winding-up petition against the Company in reliance on the Statutory Demand. The Company had further instructed its legal advisers to prepare for an injunction application to restrain Mr. Philip Ma from presenting any winding-up petition against the Company.

Subsequent to its request, the Company received on 21 June 2021 a Form of Claim dated 17 June 2021 filed by Mr. Philip Ma with the Labour Tribunal (the “**LBTC Claim**”). According to the said Form of Claim, Mr. Philip Ma claims against the Company for unpaid director’s fees and management fees in the total sum of HK\$8,244,000, which is the same amount as that demanded by him in the Statutory Demand. The Company also received a letter from Mr. Philip Ma’s legal advisers on 21 June 2021 stating that Mr. Philip Ma will not present a winding-up petition against the Company in respect of the alleged outstanding remuneration pending the determination of the Labour Tribunal. The Company is currently seeking legal advice in respect of the LBTC Claim.

Further details are disclosed in the announcements of the Company dated 11 June 2021 and 23 June 2021.

RESULTS

The Group's total revenue was approximately HK\$177.5 million (2020: HK\$263.3 million) during the year, representing an approximately 32.6% drop from last year. The loss attributable to equity holders of the Company for the financial year was approximately HK\$145.0 million (2020: HK\$147.4 million), decreased by approximately HK\$2.4 million or 1.6% as compared with the previous year. It was mainly due to the net impact of (i) the decrease in gross profit of the department store operations due to COVID-19 pandemic since early 2020; (ii) the decrease in operating expenses as a result of pro-active measures together with the additional rental concession obtained from landlords and the government's employment support scheme; (iii) the increase in impairment loss on the Group's right-of-use assets as a result of sustained operating losses in department store operations; and (iv) the decrease in operation loss of the securities trading operations due to the decrease in investment held by the Group. Details were further explained at the "Business Review" section below.

LIQUIDITY AND FINANCIAL RESOURCES

As at 28 February 2021, the Group had cash and bank balances, pledged bank balances and pledged deposits with banks of approximately HK\$191.7 million (2020: HK\$132.8 million), of which approximately HK\$103.7 million (2020: HK\$119.0 million) were pledged. As at 28 February 2021, the Group's gearing ratio, being the interest-bearing bank borrowings, other loans and lease liabilities to net assets of approximately 1,514% (2020: 209%).

The interest expense charged to the consolidated income statement for the year ended 28 February 2021 was approximately HK\$20.3 million (2020: HK\$19.2 million). The interest-bearing bank borrowings of the Group as of 28 February 2021 were approximately HK\$162.7 million (2020: HK\$156.7 million), which were repayable within one year or on demand. The bank borrowings were largely in Hong Kong dollars, with interest rates of HIBOR + 1.5% per annum. All bank borrowings were secured against securities investments, a property and bank deposits. The current ratio was approximately 0.53 (2020: 0.67).

As disclosed in the announcements of the Company dated 25 February 2021 and 31 March 2021, on 18 February 2021, the Company entered into the Facility with the Lender. As one of the conditions of the Facility, the Company executed a debenture which gives (i) a first fixed charge over the fixed property and assets of the Company; and (ii) a first floating charge over the undertaking and all other property assets and rights of the Company, in favour of the Lender. Accordingly, as at 28 February 2021, among the other loans of approximately HK\$153.3 million (2020: HK\$3.2 million), approximately HK\$150 million (2020: nil) of them were secured and approximately HK\$3.3 million (2020: HK\$3.2 million) of them were unsecured. Subsequent to the end of the reporting period, on 12 May 2021, the outstanding amount under the Facility was fully settled. Further details are disclosed in note 13 to this announcement.

The increase in bank borrowings and other loans were due to the operating loss during the year.

As at 28 February 2021, the Group had net current liabilities of approximately HK\$243,678,000 (2020: HK\$111,951,000) and a deficit attributable to the equity holders of the Company of approximately HK\$2,977,000 (2020: equity attributable to equity holders of the Company HK\$142,614,000). The Company also had net current liabilities of approximately HK\$264,730,000 (2020: HK\$151,588,000) and net liabilities of approximately HK\$48,218,000 (2020: net assets of HK\$75,624,000). In addition, the Group's cash and bank balances amounted to approximately HK\$87,949,000 (2020: HK\$13,761,000) as at 28 February 2021.

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, management has been continuously implementing measures to improve profitability, control operating costs and reduce 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 the opportunity in realisation of certain assets of the Group. 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 up to approximately fifty percent of the European inventory purchase for resale at department stores. In addition to internally generate cash flows, the Group also made use of both long-term and short-term borrowings to finance its operations during the year.

EMPLOYEES AND REMUNERATION POLICIES

As at 28 February 2021, the Group had 222 employees (2020: 266), 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. Apart from 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 also provides employee benefits such as employee stock options, staff purchase discounts, subsidised medical care and training courses.

DIVIDENDS

The Board did not recommend the payment of a dividend for the financial year ended 28 February 2021.

BUSINESS REVIEW

DEPARTMENT STORE OPERATION

During the year under review, our Group's performance was affected by the COVID-19 pandemic since early 2020. Our department store operations recorded revenue of approximately HK\$176.7 million (2020: HK\$263.1 million), dropped by approximately 32.8% against last year as the public sentiment for outgoing and spending reduced, leading to a decrease in our store traffic in the current year. Deeper discount and extended sales period were offered leading to further decrease in department stores' gross profit in the current year.

As a result, the Group had adopted pro-active measures to reduce operating expenses, such as advertisements and staff costs during the year. With the additional rental concession obtained from landlords and the government's employment support scheme, the overall segment loss slightly decreased to approximately HK\$108.5 million (2020: HK\$110.0 million).

To maintain a healthy inventory level, continuing the clearance of previous season inventory is our major goal in this year. With more aggressive markdown and reduced the purchase for high end products, the inventory level is under control. The inventory level reduced from approximately HK\$66.3 million as at 29 February 2020 to approximately HK\$42.9 million as at 28 February 2021.

SECURITIES TRADING OPERATION

With the investment portfolio alignment in last year, significant portion of the investment had been disposed of. As a result, the Group recorded net realised gain on securities trading of approximately HK\$6,000 this year as compared with net realised loss of approximately HK\$3.5 million last year. Net unrealised loss reduced significantly from last year of approximately HK\$6.7 million to approximately HK\$0.7 million this year. Dividend income decreased from approximately HK\$7.2 million in last year to approximately HK\$1.0 million in current year. Hence, a segment loss of approximately HK\$8.9 million (2020: HK\$12.0 million) was resulted. The Group holds these securities for trading. The Group would review and refine its investment portfolio regularly based on market conditions and its capital needs.

PROSPECTS

Looking forward, with the number of confirmed cases for the COVID-19 maintained at a relatively low level and the ease of the social distancing polices implemented by the government previously, the foot traffic for our department stores had gradually recovered. The management is of the view that the department store operations would be challenging with the new norm that COVID-19 would not die out in short run, but is still cautiously optimistic about our core department stores performance in the coming year. The Group will take a more cautious approach in its business planning to weather the current unfavourable environment.

As further disclosed in the section headed “Voluntary Conditional Cash Offer” in this announcement, the voluntary conditional cash offer made by Realord to acquire all of the issued shares of the Company (the “Offer”) closed on 3 June 2021. Upon the close of the Offer, Realord has become the controlling shareholder of the Company. As mentioned in the offer document dated 5 May 2021 (the “Offer Document”) issued by Realord in connection with the Offer, Realord intended to continue with the Group’s existing principal business. Realord also intended to preserve the brand heritage of “Sincere (先施)” and rally the department store operations on the platform of the Realord group and to support the operation and improve the liquidity position of the Group. Realord would also make any changes it deems necessary or appropriate to the Company’s business and operations in order to enhance the value of the Company and strengthen its revenue. With the support of Realord as the new controlling shareholder of the Company, the Board is optimistic about the prospects of the Group.

OTHER INFORMATION

Voluntary Conditional Cash Offer

On 15 May 2020, Realord and the Company jointly announced, among others, the Offer. The then controlling shareholder of the Company, Win Dynamic, has executed an irrevocable undertaking to Realord that Win Dynamic would tender, or procure the tender of, all of its shares in the Company to accept the Offer. In addition, the subsidiaries of the Company, including The Sincere Insurance & Investment Company, Limited (“Sincere II”), The Sincere Life Assurance Company Limited (“Sincere LA”) and The Sincere Company (Perfumery Manufacturers), Limited (“Perfumery”) (collectively the “Sincere Companies”) had also executed irrevocable undertakings to accept the Offer (collectively the “Irrevocable Undertakings”).

On 28 April 2021, Realord announced the pre-conditions of the Offer have been satisfied or waived (as the case may be).

As disclosed in the Offer Document, the final offer price is HK\$0.3935 per share. In addition, the Offer was then conditional only on valid acceptances of the Offer which would result in Realord holding more than 50% of the voting rights of the Company.

On 7 May 2021, Realord announced the Offer had become unconditional in all respects.

As disclosed in the announcement of Realord dated 3 June 2021, the Offer closed on 3 June 2021. Realord had received valid acceptances in respect of a total of 1,044,695,362 shares of the Company under the Offer, representing approximately 79.51% of the then entire issued share capital of the Company. Accordingly, Realord has become the controlling shareholder of the Company.

Further details are disclosed in the joint announcement of Realord and the Company dated 15 May 2021 (the “Joint Announcement”), the Offer Document, the response document of the Company dated 20 May 2021 (the “Response Document”), and the announcements issued by Realord on 7 May 2021 and 3 June 2021.

Deed and Purported Cancellation

On 29 October 2020, Win Dynamic, the then controlling shareholder of the Company, executed a deed in favour of the Company at no consideration (the “**Deed**”). Pursuant to the Deed, Win Dynamic has irrevocably undertaken to the Company to give to the Company the sum falling to be paid by Realord to Win Dynamic upon its acceptance of the Offer relating to all the 662,525,276 shares of the Company held by it, which is expected to amount to approximately HK\$260,442,992 (after deducting Win Dynamic’s ad valorem stamp duty) (the “**WD Proceeds**”). As disclosed in the announcement of the Company dated 29 October 2020, the Company at that time intended that this gift from Win Dynamic, when received, would be applied as working capital of the Group.

On 4 February 2021, the Company announced that the Board had received a letter from Win Dynamic dated 3 February 2021 stating that the Deed is null and void and cancelled with immediate effect, for the reason that it was executed by Win Dynamic under undue influence and duress, given without separate legal representation or proper advice, and is an undervalue transaction pursuant to section 265D of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong) (the “**Purported Cancellation**”).

As stated in the Company’s announcement dated 4 February 2021, the Board (with Mr. Philip Ma and Mr. Charles M W Chan (“**Mr. Charles Chan**”) (collectively the “**Dissenting Directors**”) disagreeing) does not admit the Deed is null or void or has been cancelled. For the interest of the Company and its shareholders as a whole, the Board had resolved to include the review of the implication of the Purported Cancellation to the term of reference of the independent committee of the Board comprising independent non-executive directors, namely Mr. King Wing Ma, Mr. Eric K K Lo, Mr. Peter Tan and Mr. Anders W L Lau (collectively the “**IBC**”). The IBC had thereafter sought separate legal advice in respect of the Purported Cancellation.

In response to a letter from the legal adviser of the IBC to Win Dynamic requesting for evidence to support its reason for the Purported Cancellation, Win Dynamic responded in its reply letter that its professional advisers have advised it not to provide to the Company any information relating to the Deed.

Realord was informed, amongst other things, that the Board (except for the Dissenting Directors) (i.e., the IBC) did not admit that the Purported Cancellation is valid or effective. In response to an email from the legal adviser of the IBC to the legal adviser of Realord requiring the proceeds received by Win Dynamic from its sale of shares of the Company to Realord to be paid to the Company and not Win Dynamic, the legal adviser of Realord responded amongst other things that Realord would conduct the Offer, including but not limited to the settlement of the cash consideration for the valid acceptances of the Offer, in accordance with the terms and conditions of the Offer and in compliance with the Code on Takeovers and Mergers.

Subsequently, as announced by Realord on 11 May 2021 that, on 10 May 2021, Realord issued a writ of summons with an indorsement of claim in the High Court of Hong Kong against Win Dynamic in relation to the Purported Cancellation. Realord claimed against Win Dynamic, among others, for an order of specific performance requiring Win Dynamic to forthwith pay the Company the WD Proceeds, or such other sum as the court may determine. On 11 May 2021, Realord further applied to the High Court of Hong Kong for an interlocutory injunction against Win Dynamic in respect of the WD Proceeds. Realord further announced on 14 May 2021 that, on 14 May 2021, the High Court of Hong Kong has granted an interim-interim injunction such that Win Dynamic was restrained from disposing of the WD Proceeds which, after deducting the seller's ad valorem stamp duty, amounted to HK\$260,435,373.

Further details are disclosed in the announcements of the Company dated 29 October 2020 and 4 February 2021, the Offer Document, the Response Document and the announcements of Realord dated 11 May 2021 and 14 May 2021.

EVENTS AFTER THE REPORTING PERIOD

Save for those disclosed in note 14 to this announcement, the following events occurred subsequent to 28 February 2021:

- (a) On 25 May 2021, the Company received a letter (the “**Requisition Letter**”) from Realord requesting the Board to convene a general meeting of the Company pursuant to articles 52, 82, 84, 85 and 101 of the articles of associations of the Company and section 566 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) for considering and, if thought fit, passing several resolutions.

On 8 June 2021, a notice convening the general meeting of the Company to be held at Crowne Plaza Hong Kong Causeway Bay, Club@28 VIP Lounge 2, 28/F, 8 Leighton Road, Causeway Bay, Hong Kong on Monday, 5 July 2021 at 10:00 a.m. has been made.

Further details are disclosed in the announcement of the Company dated 26 May 2021 and the circular of the Company dated 8 June 2021.

- (b) As disclosed by the Company on page 14 of the Response Document that:

“As at the Latest Practicable Date, (i) Mr. Eric K K Lo, Mr. Peter Tan, Mr. Charles M W Chan and Mr. Anders W L Lau, intend to resign upon or after the Final Closing Date...”

On 4 June 2021, Mr. Charles Chan has tendered his resignation as a non-executive director of the Company with effect from 4 June 2021 due to personal reason. On 8 June 2021, the Company has supplemented that Mr. Charles Chan's reason for resignation was due to his intention to devote more time to his own business engagement.

On 8 June 2021, Mr. Eric K K Lo, Mr. Peter Tan and Mr. Anders W L Lau have informed the Board that they have decided not to resign for the time being, pending an orderly change in management and in the Board. None of them have committed to remain on the Board for any specific time period and each may resign at any time.

Further details are disclosed in the announcements of the Company dated 4 June 2021, 8 June 2021 and the Response Document.

- (c) On 8 June 2021, the Company announced that Mr. Philip Ma has tendered his resignation as the chairman (the “**Chairman**”), chief executive officer, executive director and authorised representative (the “**Authorised Representative**”) of the Company with effect from 1 July 2021 as he wishes to devote more time to his family.

The Company further announced that Mr. King Wing Ma has tendered his resignation as the Company’s independent non-executive director with effect from 1 July 2021 as he wishes to devote more time to his family.

The Company also announced that Ms. Ada S P Cheung has tendered her resignation as company secretary of the Company (the “**Company Secretary**”) and Authorised Representative with effect from 15 June 2021 due to her other personal commitments.

Further details are disclosed in the announcement of the Company dated 8 June 2021.

- (d) On 10 June 2021, the Board announced the following changes in the composition of the Board, with effect from 9 June 2021:
- (1) Dr. Lin Xiaohui (“**Dr. Lin**”), Madam Su Jiaohua (“**Madam Su**”), Dr. Yu Lai (“**Dr. Yu**”) and Mr. Chan Chu Kin (“**Mr. Chan**”) have been appointed as executive directors of the Company;
 - (2) Dr. Tai Tak Fung has been appointed as non-executive director of the Company; and
 - (3) Mr. Yu Leung Fai (“**Mr. Yu**”), Mr. Yuan Baoyu (“**Mr. Yuan**”) and Mr. Chung Chun Hung Simon (“**Mr. Chung**”) have been appointed as the independent non-executive directors of the Company.

Further details are disclosed in the announcement of the Company dated 10 June 2021.

- (e) On 11 June 2021, the Board announced that with effect from 11 June 2021:
- (1) Dr. Lin has been appointed as the Chairman;
 - (2) Madam Su has been appointed as the chief executive officer of the Company;

- (3) Mr. Philip Ma has ceased to act as the Chairman and the chief executive officer of the Company and has been re-designated from an executive director to a non-executive director of the Company;
- (4) Mr. Yu has been appointed as a member of each of the audit committee of the Company (the “**Audit Committee**”), the nomination committee of the Company (the “**Nomination Committee**”) and the remuneration committee of the Company (the “**Remuneration Committee**”);
- (5) Mr. Yuan has been appointed as the co-chairman of the Remuneration Committee and a member of the Nomination Committee;
- (6) Mr. Chung has been appointed as the co-chairman of the Nomination Committee and a member of the Remuneration Committee;
- (7) the Board has established an executive committee of the Board (the “**Executive Committee**”);
- (8) the Board has appointed Dr. Lin as the chairman of the Executive Committee and Madam Su, Dr. Yu and Mr. Chan as members of the Executive Committee;
- (9) Mr. Chan has been appointed as the acting Company Secretary; and
- (10) Dr. Lin and Mr. Chan have been appointed as the Authorised Representatives under Rule 3.05 of the Listing Rules.

Further details are disclosed in the announcement of the Company dated 11 June 2021.

- (f) As at the date of the close of the Offer, 269,267,198 shares of the Company, representing approximately 20.49% of the existing issued share capital of the Company, were held by the public (as defined in the Listing Rules), which was less than the minimum public float requirement of 25% of the existing issued share capital of the Company as required under Rule 8.08(1)(a) of the Listing Rules. Accordingly, the minimum public float requirement was not satisfied. In order to restore the public float to 25%, Realord will have to dispose at least 59,223,442 shares of the Company (the “**Relevant Shares**”) to public shareholders of the Company. Realord has subsequently informed the Company that it will either sell the Relevant Shares through the open market or place down the Relevant Shares through Realord Asia Pacific Securities Limited, a corporation licensed under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) to carry out type 1 regulated activity and a non-wholly owned subsidiary of Realord, to restore the public float by the end of July 2021, depending on the prevailing market conditions and taking into account the expected date of publication of the annual results the Company for the year ended 28 February 2021 on 30 June 2021.

In view of the above, the Company has applied to the Stock Exchange for a temporary waiver from strict compliance with Rule 8.08(1)(a) of the Listing Rules for a period from 3 June 2021 to 31 July 2021 (the “**Waiver Period**”). On 28 June 2021, the Stock Exchange has granted the Company a temporary waiver from strict compliance with Rule 8.08(1)(a) of the Listing Rules during the Waiver Period, subject to the issue of the announcement of the Company dated 29 June 2021. The Stock Exchange may withdraw or change the waiver if the Company’s situation changes.

Further announcement(s) will be made by the Company regarding the restoration of public float as and when appropriate.

Further details are disclosed in the announcement of the Company dated 29 June 2021.

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

On 15 May 2020, each of the Sincere Companies irrevocably undertook to Realord to tender, or procure the tender of, all of its shares in the Company, being 183,136,032 shares of the Company in the case of Sincere LA, 75,608,064 shares of the Company in the case of Sincere II and 1,699,104 shares of the Company in the case of Perfumery (representing approximately 13.94%, 5.75% and 0.13% of the then issued shares of the Company, respectively), for acceptance under the Offer (collectively the “**SC Irrevocable Undertakings**”). As stated in the announcement of Realord dated 7 May 2021, the Sincere Companies had tendered their acceptance of the Offer pursuant to the SC Irrevocable Undertakings.

Save as disclosed above, there was no other 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 28 February 2021, 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\$145,697,000 during the year ended 28 February 2021, and the Group had net current liabilities of HK\$243,678,000. The Company also recorded net current liabilities of HK\$264,730,000 and net liabilities of HK\$48,218,000. 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 Listing Rules.

During the financial year ended 28 February 2021, 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 of the CG Code stipulates that the roles of chairman and chief executive should be separated and should not be performed by the same individual. Mr. Philip Ma, being the then Chairman and Chief Executive Officer of the Company during the year ended 28 February 2021, provided 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 was also responsible for leading the management team to manage day-to-day operation and report to the Board the way the business ran. 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.

As disclosed under paragraph “Events After the Reporting Period”, on 11 June 2021, Dr. Lin and Madam Su have been appointed as the Chairman and the chief executive officer of the Company, respectively. Mr. Philip Ma has ceased to act as the Chairman and the chief executive officer of the Company and has been re-designated from an executive Director to a non-executive director of the Company. Accordingly, the Company has complied with the code provision CG Code A.2.1 of the CG Code since then.

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 directors 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, independent non-executive directors and other non-executive directors of the Company should also attend general meeting. Mr. Charles Chan, non-executive director of the Company; Mr. Peter Tan and Mr. Eric K K Lo, independent non-executive directors of the Company did not attend relevant general meetings during the year ended 28 February 2021 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 that all directors of the Company had complied with the relevant standard as provided in the Model Code throughout the year ended 28 February 2021.

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 28 February 2021 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. Eric K K Lo, Mr. King Wing Ma, Mr. Peter Tan, Mr. Anders W L Lau and Mr. Yu Leung Fai, 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 28 February 2021.

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, 6 August 2021, the register of members of the Company will be closed from Monday, 2 August 2021 to Friday, 6 August 2021, 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, 30 July 2021.

PUBLICATION OF ANNUAL REPORT

The annual report of the Group for the year ended 28 February 2021, containing the relevant information required by the Listing Rules, will be published on the websites of the Stock Exchange and the Company in due course.

RESUMPTION OF TRADING

Trading in the shares of the Company on the Stock Exchange has been suspended since 9:00 a.m. on 1 June 2021. Following the publication of the annual results for the year ended 28 February 2021, the Company has made an application to the Stock Exchange for the resumption of trading in the Company's shares on the Stock Exchange with effect from 9:00 a.m. on 2 July 2021.

By order of the Board

Lin Xiaohui

Chairman

Hong Kong, 30 June 2021

As at the date of this announcement, the executive Directors are Dr. Lin Xiaohui, Madam Su Jiaohua, Dr. Yu Lai and Mr. Chan Chu Kin, the non-executive Directors are Dr. Tai Tak Fung and Mr. Philip K H Ma, and the independent non-executive Directors are Mr. King Wing Ma, Mr. Eric K K Lo, Mr. Peter Tan, Mr. Anders W L Lau, Mr. Yu Leung Fai, Mr. Yuan Baoyu and Mr. Chung Chun Hung Simon.