



**sincere**先施

**The Sincere Company, Limited**

Stock code: 244

Interim Report 2021

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## CORPORATE INFORMATION

### BOARD OF DIRECTORS

*Executive Directors*

Dr. LIN Xiaohui (*Chairman*)

Madam SU Jiaohua (*Chief Executive Officer*)

Dr. YU Lai

*Non-executive Director*

Dr. TAI Tak Fung

*Independent Non-executive Directors*

Mr. YU Leung Fai

Mr. YUAN Baoyu

Mr. CHUNG Chun Hung Simon

### AUDIT COMMITTEE

Mr. YU Leung Fai (*Chairman*)

Mr. YUAN Baoyu

Mr. CHUNG Chun Hung Simon

### REMUNERATION COMMITTEE

Mr. YUAN Baoyu (*Chairman*)

Mr. YU Leung Fai

Mr. CHUNG Chun Hung Simon

### NOMINATION COMMITTEE

Mr. CHUNG Chun Hung Simon (*Chairman*)

Mr. YU Leung Fai

Mr. YUAN Baoyu

### EXECUTIVE COMMITTEE

Dr. LIN Xiaohui (*Chairman*)

Madam SU Jiaohua

Dr. YU Lai

### COMPANY SECRETARY

Mr. Lee Ka Ho

### LEGAL ADVISERS

Holman Fenwick Willan

Debevoise & Plimpton

### AUDITOR

Ernst & Young

*Certified Public Accountants*

*Registered Public Interest Entity Auditor*

### PRINCIPAL BANKERS

DBS Bank (Hong Kong) Limited

Hang Seng Bank Limited

The Hongkong & Shanghai Banking

Corporation Limited

Bank of China (Hong Kong) Limited

### SHARE REGISTRAR & TRANSFER OFFICE

Tricor Tengis Limited

Level 54, Hopewell Centre,

183 Queen's Road East,

Wanchai,

Hong Kong

### REGISTERED OFFICE

24th floor, Leighton Centre,

77 Leighton Road, Hong Kong

### STOCK CODE

244

### WEBSITE

**Company:**

[www.sincere.com.hk](http://www.sincere.com.hk)

**Financial Information:**

[www.irasia.com/listco/hk/sincere/index.htm](http://www.irasia.com/listco/hk/sincere/index.htm)

## INTERIM RESULTS

The Board of Directors (the "Board") of The Sincere Company, Limited (the "Company") is pleased to present the unaudited condensed consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 31 August 2021, together with the comparative figures for the corresponding period in 2020 and the relevant explanatory notes as set out below. The condensed consolidated results are unaudited, but have been reviewed by the audit committee of the Company.

## CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 31 August 2021

	Notes	2021 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited)
<b>REVENUE</b>	4(a)	<b>80,184</b>	81,756
Cost of sales		<b>(39,546)</b>	(45,293)
Other income and gains, net	4(b)	<b>3,084</b>	1,352
Net unrealised loss on securities trading		<b>(3,574)</b>	(1,187)
Selling and distribution expenses		<b>(47,717)</b>	(55,828)
General and administrative expenses		<b>(32,448)</b>	(33,834)
Other operating expenses, net		<b>(5,132)</b>	(8,660)
Finance costs	5	<b>(15,979)</b>	(10,604)
<b>LOSS BEFORE TAX</b>	6	<b>(61,128)</b>	(72,298)
Income tax expense	7	–	–
<b>LOSS FOR THE PERIOD</b>		<b>(61,128)</b>	(72,298)
<b>ATTRIBUTABLE TO:</b>			
Equity holders of the Company		<b>(60,555)</b>	(71,885)
Non-controlling interests		<b>(573)</b>	(413)
		<b>(61,128)</b>	(72,298)
<b>LOSS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY</b>	8		
Basic		<b>HK\$(0.05)</b>	HK\$(0.07)
Diluted		<b>HK\$(0.05)</b>	HK\$(0.07)

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME***For the six months ended 31 August 2021*

	<b>2021</b> <i>HK\$'000</i> <b>(unaudited)</b>	2020 <i>HK\$'000</i> (unaudited)
<b>LOSS FOR THE PERIOD</b>	<b>(61,128)</b>	(72,298)
<b>OTHER COMPREHENSIVE INCOME/(LOSS)</b>		
<i>Other comprehensive income that may be reclassified to the income statement in subsequent periods:</i>		
Exchange differences arising on translation of foreign operations	<b>5</b>	32
Net other comprehensive income that may be reclassified to the income statement in subsequent periods	<b>5</b>	32
<i>Other comprehensive income/(loss) that will not be reclassified to the income statement in subsequent periods:</i>		
Actuarial gains on defined benefit plan	<b>1,658</b>	–
Revaluation of leasehold land and owned buildings	<b>15,109</b>	(12,809)
Changes in fair value of equity investments designated at fair value through other comprehensive income	<b>5,388</b>	1,049
Net other comprehensive income/(loss) that will not be reclassified to the income statement in subsequent periods	<b>22,155</b>	(11,760)
<b>OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD, NET OF TAX</b>	<b>22,160</b>	(11,728)
<b>TOTAL COMPREHENSIVE LOSS FOR THE PERIOD</b>	<b>(38,968)</b>	(84,026)
<b>ATTRIBUTABLE TO:</b>		
Equity holders of the Company	<b>(38,515)</b>	(83,329)
Non-controlling interests	<b>(453)</b>	(697)
	<b>(38,968)</b>	(84,026)

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

	Notes	31 August 2021 HK\$'000 (unaudited)	28 February 2021 HK\$'000 (audited)
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	10	211,495	231,049
Equity investments designated at fair value through other comprehensive income		29,625	24,237
Deposits, other receivables and other assets		3,818	22,702
Pension scheme assets		20,927	19,585
Total non-current assets		265,865	297,573
<b>CURRENT ASSETS</b>			
Inventories		36,727	42,927
Prepayments, deposits, other receivables and other assets	11	39,985	29,056
Financial assets at fair value through profit or loss		5,958	10,677
Pledged bank balances		138	1,854
Pledged deposits with banks		101,929	101,865
Cash and bank balances		117,063	87,949
Total current assets		301,800	274,328
<b>CURRENT LIABILITIES</b>			
Creditors	12	26,164	44,681
Lease liabilities	13	59,662	93,718
Insurance contracts liabilities		1,206	1,206
Deposits, accrued expenses and other payables		42,500	62,825
Contract liabilities		1,225	730
Interest-bearing bank borrowings	14(a)	133,038	162,679
Other loans	14(b)	2,188	152,167
Loan from a fellow subsidiary	14(c)	152,000	–
Loan from the immediate holding company	14(d)	55,000	–
Total current liabilities		472,983	518,006
<b>NET CURRENT LIABILITIES</b>		<b>(171,183)</b>	<b>(243,678)</b>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>94,682</b>	<b>53,895</b>

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

	Notes	31 August 2021 HK\$'000 (unaudited)	28 February 2021 HK\$'000 (audited)
<b>NON-CURRENT LIABILITIES</b>			
Deposits, accrued expenses and other payables		985	3,934
Other loans	14(b)	534	1,126
Lease liabilities	13	1,242	20,430
Total non-current liabilities		2,761	25,490
<b>NET ASSETS</b>		<b>91,921</b>	28,405
<b>EQUITY</b>			
<b>Equity attributable to equity holders of the Company</b>			
Share capital	15	469,977	469,977
Deficits		(426,958)	(472,954)
		43,019	(2,977)
Non-controlling interests		48,902	31,382
<b>TOTAL EQUITY</b>		<b>91,921</b>	28,405

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 31 August 2021

	Attributable to equity holders of the Company								Total HK\$'000
	Share capital HK\$'000	Reserves						Non- controlling interests HK\$'000	
		Treasury shares HK\$'000 (note 15)	General and other reserve HK\$'000	Asset revaluation reserve HK\$'000	Investment revaluation reserve HK\$'000	Accumulated losses HK\$'000	Total reserves/ (deficits) HK\$'000		
As at 1 March 2021 (audited)	469,977	(130,221)	228,216	159,121	(2,089)	(727,981)	(472,954)	31,382	28,405
Loss for the period	-	-	-	-	-	(60,555)	(60,555)	(573)	(61,128)
Other comprehensive income/(loss) for the period:									
Changes in fair value of equity investments designated at fair value through other comprehensive income	-	-	-	-	5,388	-	5,388	-	5,388
Exchange differences related to foreign operations	-	-	(101)	-	-	-	(101)	106	5
Actuarial gains on a defined benefit plan	-	-	-	-	-	1,644	1,644	14	1,658
Revaluation of leasehold land and owned buildings (note 10)	-	-	-	15,109	-	-	15,109	-	15,109
Total comprehensive income/(loss) for the period	-	-	(101)	15,109	5,388	(58,911)	(38,515)	(453)	(38,968)
Disposal of treasury shares (note 15)	-	130,221	(45,710)	-	-	-	84,511	17,973	102,484
<b>At 31 August 2021 (unaudited)</b>	<b>469,977</b>	<b>-</b>	<b>182,405</b>	<b>174,230</b>	<b>3,299</b>	<b>(786,892)</b>	<b>(426,958)</b>	<b>48,902</b>	<b>91,921</b>

For the six months ended 31 August 2020

	Attributable to equity holders of the Company								Total HK\$'000
	Share capital HK\$'000	Reserves						Non- controlling interests HK\$'000	
		Treasury shares HK\$'000 (note 15)	General and other reserve HK\$'000	Asset revaluation reserve HK\$'000	Investment revaluation reserve HK\$'000	Accumulated losses HK\$'000	Total reserves/ (deficits) HK\$'000		
At 1 March 2020 (audited)	469,977	(130,221)	227,496	168,141	(3,753)	(589,026)	(327,363)	32,567	175,181
Loss for the period	-	-	-	-	-	(71,885)	(71,885)	(413)	(72,298)
Other comprehensive income/(loss) for the period:									
Change in fair value of equity investments designated at fair value through other comprehensive income	-	-	-	-	1,049	-	1,049	-	1,049
Exchange differences arising on translation of foreign operations	-	-	316	-	-	-	316	(284)	32
Revaluation of leasehold land and owned buildings	-	-	-	(12,809)	-	-	(12,809)	-	(12,809)
Total comprehensive income/(loss) for the period	-	-	316	(12,809)	1,049	(71,885)	(83,329)	(697)	(84,026)
<b>At 31 August 2020 (unaudited)</b>	<b>469,977</b>	<b>(130,221)</b>	<b>227,812</b>	<b>155,332</b>	<b>(2,704)</b>	<b>(660,911)</b>	<b>(410,692)</b>	<b>31,870</b>	<b>91,155</b>

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS***For the six months ended 31 August 2021*

	<b>2021</b> <b>HK\$'000</b> <b>(unaudited)</b>	2020 <b>HK\$'000</b> (unaudited)
Net cash flows used in operating activities	<b>(49,721)</b>	(37,718)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Additions to owned assets in property, plant and equipment	<b>(67)</b>	–
Payment for termination of a lease	<b>(5,300)</b>	–
Decrease/(increase) in pledged bank balances	<b>1,716</b>	(76)
Increase in pledged deposits with banks	<b>(64)</b>	(1,631)
Net cash flows used in investing activities	<b>(3,715)</b>	(1,707)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
New bank loans	<b>80,010</b>	135,222
Repayments of bank loans	<b>(109,651)</b>	(120,692)
Increase/(decrease) in other loans	<b>(150,571)</b>	80,020
Principal portion of lease payments	<b>(46,722)</b>	(47,928)
Increase in loan from a fellow subsidiary	<b>152,000</b>	–
Increase in loan from the immediate holding company	<b>55,000</b>	–
Proceeds from disposal of treasury shares	<b>102,484</b>	–
Net cash flows from financing activities	<b>82,550</b>	46,622
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>29,114</b>	7,197
Cash and cash equivalents at beginning of period	<b>87,949</b>	13,761
Cash and cash equivalents at end of period	<b>117,063</b>	20,958
<b>ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS</b>		
Cash on hand and at bank and cash and cash equivalents as stated in the condensed consolidated statement of cash flows	<b>117,063</b>	20,958

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 1.1 CORPORATE INFORMATION

The Company 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 31 August 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”), is the holding company of the Company after the close of the voluntary conditional cash offer to acquire all the issued shares of the Company (the “Offer”). According to the disclosure of interest dated 30 July 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.

### 1.2 BASIS OF PREPARATION AND ACCOUNTING POLICIES

The unaudited condensed consolidated financial statements of the Group for the six months ended 31 August 2021 are prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants and the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“Listing Rules”). Save for those new and revised Hong Kong Financial Reporting Standards (“HKFRSs”) adopted during the period as set out in note 2, the significant accounting policies and basis of preparation used in the preparation of the unaudited condensed consolidated financial statements are the same as those used in the Group’s audited consolidated financial statements for the year ended 28 February 2021.

The financial information relating to the year ended 28 February 2021 that is included in the condensed consolidated statement of financial position as comparative information does not constitute the Company’s statutory annual consolidated financial statements for that year but is derived from those financial statements. Further information relating to those statutory financial statements required to be disclosed in accordance with Section 436 of the Hong Kong Companies Ordinance is as follows:

The Company has delivered the financial statements for the year ended 28 February 2021 to the Registrar of Companies as required by Section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance.

The Company’s auditor has reported on those financial statements. The auditor’s report was 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 Hong Kong Companies Ordinance.

### 1.3 BASIS OF PRESENTATION

During the six months ended 31 August 2021, the Group recorded a net loss for the period of approximately HK\$61,128,000. The Group's operations are financed by bank and other borrowings and loans from a fellow subsidiary and the immediate holding company and internal resources. As at 31 August 2021, the Group had net current liabilities of approximately HK\$171,183,000. The Group's cash and bank balances amounted to approximately HK\$117,063,000 as at 31 August 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, the 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 period. As at 31 August 2021, the Group had unutilised trade financing banking facilities of approximately HK\$54,317,000. 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, 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. 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. The loan bears interest at Hong Kong Interbank Offered Rate plus 1.75% per annum, is unsecured and is repayable 2 months after drawdown. On 10 August 2021, the terms of the loan was revised with a facilities limit of HK\$100,000,000 (the "Supplemental Loan"). The Supplemental Loan bears interest at 8.2% per annum, is unsecured and is repayable on or before 10 August 2022. As at 31 August 2021, the Group has utilised the Supplemental Loan of HK\$55,000,000.

### 1.3 BASIS OF PRESENTATION (Continued)

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 31 August 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 loans from a fellow subsidiary and the immediate holding company 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 and the loans from a fellow subsidiary and the immediate holding company.

The directors, 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 loans from a fellow subsidiary and the immediate holding company 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. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the unaudited condensed consolidated financial statements are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 28 February 2021, except for the adoption of the following revised HKFRSs for the first time for the current period's financial information.

Amendments to HKFRS 9, *Interest Rate Benchmark Reform – Phase 2*  
 HKAS 39 and HKFRS 7,

HKFRS 4 and HKFRS 16

Amendment to HKFRS 16 *Covid-19-Related Rent Concessions beyond 30 June 2021* (early adopted)

Other than as explained below regarding the impact of amendment to HKFRS 16, the adoption of the revised HKFRSs had no material effect on the results and financial position for the current or prior accounting periods which have been prepared and presented.

Amendment to HKFRS 16 issued in April 2021 extends the availability of the 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 by 12 months. Accordingly, the practical expedient applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022, provided the other conditions for applying the practical expedient are met. The amendment is effective retrospectively for annual periods beginning on or after 1 April 2021 with any cumulative effect of initially applying the amendment recognised as an adjustment to the opening balance of retained profits at the beginning of the current accounting period. Earlier application is permitted.

The Group has early adopted the amendment on 1 March 2021 and applied the practical expedient during the six months ended 31 August 2021 to all rent concessions granted by the lessors that affected only payments originally due on or before 30 June 2022 as a direct consequence of the COVID-19 pandemic. A reduction in the lease payments arising from the rent concessions of approximately HK\$5,237,000 has been accounted for as a variable lease payment by derecognising part of the lease liabilities and crediting in condensed consolidated income statement for the six months ended 31 August 2021.

### 3. SEGMENT INFORMATION

Segment information is presented by way of two segment formats: (i) operating segments; and (ii) geographical information.

The Group's operating businesses are structured and managed separately, according to the nature of their operations and the products and services they provide. Each of the Group's operating segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of other operating segments. Summary details of the operating segments are as follows:

- (a) the department store operations segment consists of the operations of department stores offering a wide range of consumer products;
- (b) the securities trading segment consists of the trading of Hong Kong and overseas securities; and
- (c) the others segment mainly consists of sublease of properties and general and life insurances.

In determining the Group's geographical information, revenues are attributed to the segments based on the location of the operations.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/(loss), which is a measure of adjusted loss before tax. The adjusted loss before tax is measured consistently with the Group's loss before tax except that certain interest income, unallocated revenue/(expenses) and finance costs are excluded from such measurement.

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

Certain amounts in the segment information for the six months ended 31 August 2020 have been reclassified to conform with current period presentation.

### 3. SEGMENT INFORMATION (Continued)

#### (a) Operating segments

The following table presents revenue and loss for the Group's operating segments for the six months ended 31 August 2021 and 31 August 2020.

	Department store operations		Securities trading		Others		Eliminations		Total	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
	HK\$'000 (unaudited)	HK\$'000 (unaudited)	HK\$'000 (unaudited)	HK\$'000 (unaudited)	HK\$'000 (unaudited)	HK\$'000 (unaudited)	HK\$'000 (unaudited)	HK\$'000 (unaudited)	HK\$'000 (unaudited)	HK\$'000 (unaudited)
Segment revenue:										
Sales to external customers	79,600	81,269	203	-	381	487	-	-	80,184	81,756
Intersegment sales	-	-	-	-	17,104	16,560	(17,104)	(16,560)	-	-
Other revenue	43	584	2,858	369	167	2	-	-	3,068	955
<b>Total</b>	<b>79,643</b>	<b>81,853</b>	<b>3,061</b>	<b>369</b>	<b>17,652</b>	<b>17,049</b>	<b>(17,104)</b>	<b>(16,560)</b>	<b>83,252</b>	<b>82,711</b>
Segment results	(47,495)	(48,850)	(2,362)	(5,062)	2	(12,860)	-	-	(49,855)	(66,772)
Interest income and unallocated revenue, net									16	397
Finance costs (other than interest on lease liabilities)									(11,289)	(5,923)
Loss before tax									(61,128)	(72,298)
Income tax expense									-	-
Loss for the period									(61,128)	(72,298)

#### (b) Geographical information

The following table presents revenue for the Group's geographical information.

	Hong Kong		United Kingdom		Others		Consolidated	
	2021	2020	2021	2020	2021	2020	2021	2020
	HK\$'000 (unaudited)							
Segment revenue:								
Sales to external customers	80,002	81,656	110	100	72	-	80,184	81,756

**4. REVENUE, OTHER INCOME AND GAINS, NET****(a) Revenue**

	<b>For the six months ended 31 August</b>	
	<b>2021</b>	2020
	<b>HK\$'000</b>	HK\$'000
	<b>(unaudited)</b>	(unaudited)
Revenue from contracts with customers		
Sale of goods – own goods	<b>61,530</b>	61,189
Net income from counter and consignment sales	<b>18,070</b>	20,080
Revenue from other sources		
Net realised gain on securities trading	<b>203</b>	–
Rental income	<b>270</b>	485
Gross insurance contracts premium revenue	–	2
Others	<b>111</b>	–
	<b>80,184</b>	81,756

***Revenue from contracts with customers******(i) Disaggregated revenue information***

All the revenue from contracts with customers are recognised at a point in time and are derived from Hong Kong.

***(ii) Performance obligations******Sale of goods – own goods***

For the sale of goods, revenue is recognised when control of the goods has transferred, being at the point the customer purchases the goods at the department stores. Payment of the transaction price is due immediately at the point the customer purchases the goods.

***Income from counter and consignment sale***

For income from counter and consignment sale, the counters and consignors will pay the commission income based on a certain percentage of sales in accordance with the terms of contracts. The Group receives the entire sales proceeds from ultimate customers on behalf of the counters and consignors and reimburses the sales proceeds back to counters and consignors after deducting the commission income.

**4. REVENUE, OTHER INCOME AND GAINS, NET (Continued)****(a) Revenue (Continued)****Revenue from contracts with customers (Continued)***(ii) Performance obligations (Continued)*

Provision for loyalty points programme

The performance obligation is satisfied upon utilisation of loyalty points. The Group allocated a portion of the transaction prices to the loyalty programme which is based on the relative standalone selling price. The transaction price of approximately HK\$1,225,000 (2020: approximately HK\$1,848,000) was allocated to the remaining performance obligations as at 31 August 2021 which are expected to be recognised as revenue within one year.

The following table shows the amounts of revenue recognised in the current reporting period that were included in the contract liabilities at the beginning of the reporting period and recognised from performance obligations satisfied in previous periods:

	<b>For the six months ended 31 August</b>	
	<b>2021</b>	2020
	<b>HK\$'000</b>	HK\$'000
	<b>(unaudited)</b>	(unaudited)
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:		
Loyalty points programme	<b>730</b>	2,887

**(b) Other income and gains, net**

	<b>For the six months ended 31 August</b>	
	<b>2021</b>	2020
	<b>HK\$'000</b>	HK\$'000
	<b>(unaudited)</b>	(unaudited)
Bank interest income	<b>26</b>	351
Other interest income from financial assets at fair value through profit or loss	<b>20</b>	55
Dividends from financial assets at fair value through profit or loss	<b>2,836</b>	314
Foreign exchange gains/(losses), net	<b>(11)</b>	45
Government subsidy*	<b>-</b>	420
Others	<b>213</b>	167
	<b>3,084</b>	1,352

\* There were no unfulfilled conditions or contingencies relating to this income.

## 5. FINANCE COSTS

An analysis of finance costs is as follows:

	For the six months ended 31 August	
	2021	2020
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Interest on bank borrowings	1,266	2,630
Interest on lease liabilities	4,690	4,681
Interest on other loans	5,270	3,293
Interest on loan from a fellow subsidiary (note 16(a))	4,414	–
Interest on loan from the immediate holding company (note 16(a))	339	–
	<b>15,979</b>	10,604

## 6. LOSS BEFORE TAX

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

	For the six months ended 31 August	
	2021	2020
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Depreciation	28,432	41,985
Provision for inventories ^	–	4,200
Impairment of items of property, plant and equipment*	7	–
Impairment of right-of-use assets*	2,264	8,660
Loss on termination of a lease*	2,861	–
Covid-19-related rent concessions from lessors	(5,237)	(7,296)

Note 1: Government grant from government's employment support scheme of approximately HK\$4,215,000 and approximately HK\$1,742,000 were included in selling and distribution expenses and general and administrative expenses, respectively, on the face of the condensed consolidated income statement for the six months ended 31 August 2020. There was no unfulfilled conditions or contingencies relating to this subsidy.

^ Amount is included in "Cost of sales" on the face of the condensed consolidated income statement.

\* Amount is included in "Other operating expenses, net" on the face of the condensed consolidated income statement.

**7. INCOME TAX**

No provision for Hong Kong profits tax had been made as there were no assessable profits arising in Hong Kong during the period (2020: Nil). During the six months ended 31 August 2021, taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the locations in which the Group operates.

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

The calculation of the basic loss per share for the six months ended 31 August 2021 is based on the loss for the period attributable to equity holders of the Company of approximately HK\$60,555,000 and the weighted average number of ordinary shares of 1,203,557,290 in issue throughout the period.

The calculation of the basic loss per share for the six months ended 31 August 2020 was based on the loss for the period attributable to equity holders of the Company of approximately HK\$71,885,000 and the weighted average number of ordinary shares of 1,053,519,360 in issue throughout the period, as adjusted to reflect the number of treasury shares of 260,443,200 held by the Company's subsidiaries.

The Group had no potentially dilutive ordinary shares in issue during the six months ended 31 August 2021 and 2020.

**9. DIVIDEND**

The Board has decided not to declare an interim dividend for the six months ended 31 August 2021 (2020: Nil).

**10. PROPERTY, PLANT AND EQUIPMENT**

	Owned assets <i>HK\$'000</i> (unaudited)	Right-of-use assets <i>HK\$'000</i> (unaudited)	Total <i>HK\$'000</i> (unaudited)
<b>31 August 2021</b>			
At beginning of period, net of accumulated depreciation and impairment	20,798	210,251	231,049
Additions	67	–	67
Modification	–	1,290	1,290
Termination	–	(5,317)	(5,317)
Depreciation provided for the period	(352)	(28,080)	(28,432)
Impairment provided for the period	(7)	(2,264)	(2,271)
Revaluation adjustment	1,814	13,295	15,109
At end of period, net of accumulated depreciation and impairment	<b>22,320</b>	<b>189,175</b>	<b>211,495</b>

As at 31 August 2021, the Group's leasehold land and owned buildings with an aggregate carrying value of approximately HK\$184,808,000 (28 February 2021: approximately HK\$172,529,000) were pledged as security for the bank loans granted (note 14(a)).

**11. PREPAYMENTS, DEPOSITS, OTHER RECEIVABLES AND OTHER ASSETS**

Included in prepayments, deposits and other receivables are amounts due from credit card companies related to sales settled by customers using credit cards of approximately HK\$650,000 (28 February 2021: approximately HK\$2,124,000) as at 31 August 2021.

The aging of the amounts due from credit card companies at the end of the reporting period, based on the invoice date, is within one month.

**12. CREDITORS**

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

	<b>31 August 2021 HK\$'000 (unaudited)</b>	28 February 2021 HK\$'000 (audited)
Current – 3 months	<b>23,212</b>	40,173
4 – 6 months	<b>580</b>	1,551
7 – 12 months	<b>421</b>	1,027
Over 1 year	<b>1,951</b>	1,930
	<b>26,164</b>	44,681

**13. LEASES****The Group as a lessee**

The Group has lease contracts for office premises and stores used in its operations. Lump sum payments were made upfront to acquire the leasehold land from the owner with a lease period of 55 years, and no ongoing payments will be made under the terms of these land leases. Leases of office premises and stores generally have lease terms between one and nine years. There are several lease contracts that include extension and termination options and variable lease payments.

**(a) Right-of-use assets**

The carrying amounts of the Group's right-of-use assets and the movements during the period are disclosed in note 10 to the condensed consolidated financial statements.

**13. LEASES (Continued)**  
**The Group as a lessee (Continued)**

**(b) Lease liabilities**

The carrying amount of lease liabilities and the movements during the period/year are as follows:

	<b>31 August 2021 HK\$'000 (unaudited)</b>	28 February 2021 HK\$'000 (audited)
Carrying amount beginning of the period/year	<b>114,148</b>	206,418
Accretion of interest recognised during the period/year	<b>4,690</b>	8,378
Payments	<b>(46,722)</b>	(95,744)
Modification of leases	<b>1,290</b>	6,573
Termination	<b>(7,265)</b>	–
Covid-19-related rent concessions from lessors	<b>(5,237)</b>	(11,477)
	<b>60,904</b>	114,148
Analysed into payable:		
Within one year	<b>59,662</b>	93,718
In the second year	<b>1,242</b>	20,430
Carrying amount at end of period/year	<b>60,904</b>	114,148
Less: current portion	<b>(59,662)</b>	(93,718)
Non-current portion	<b>1,242</b>	20,430

#### 14. INTEREST-BEARING BANK BORROWINGS, OTHER LOANS AND LOANS FROM A FELLOW SUBSIDIARY AND THE IMMEDIATE HOLDING COMPANY

##### (a) Interest-bearing bank borrowings

	31 August 2021			28 February 2021		
	Effective interest rate %	Maturity	HK\$'000 (unaudited)	Effective interest rate %	Maturity	HK\$'000 (audited)
Current						
Bank loans, secured	Hong Kong Interbank Offered Rate ("HIBOR")+1.5	2021-2022	133,038	HIBOR+1.5	2021	162,679
				<b>31 August 2021</b>	28 February 2021	
				<b>HK\$'000 (unaudited)</b>	HK\$'000 (audited)	
Analysed into:						
Within one year or on demand				<b>133,038</b>	162,679	

The interest-bearing borrowings are mainly 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 approximately HK\$138,000 (28 February 2021: approximately HK\$1,854,000) and time deposits amounting to approximately HK\$101,929,000 (28 February 2021: approximately HK\$101,865,000);
- (ii) the pledge of certain of the Group's marketable securities with an aggregate market value of approximately HK\$3,573,000 (28 February 2021: approximately HK\$4,912,000); 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\$184,808,000 (28 February 2021: approximately HK\$172,529,000).

#### 14. INTEREST-BEARING BANK BORROWINGS AND OTHER LOANS AND LOANS FROM A FELLOW SUBSIDIARY AND THE IMMEDIATE HOLDING COMPANY (Continued)

##### (b) Other loans

	Notes	31 August 2021 HK\$'000 (unaudited)	28 February 2021 HK\$'000 (audited)
Other loans	i	2,722	3,293
Loan from the Lender (as defined below)	ii	–	150,000
		<b>2,722</b>	153,293
Less: Amount repayable within one year or on demand and classified as current portion		<b>(2,188)</b>	(152,167)
Amount classified as non-current portion		<b>534</b>	1,126
		<b>31 August 2021 HK\$'000 (unaudited)</b>	28 February 2021 HK\$'000 (audited)
Analysed into:			
Within one year or on demand		<b>2,188</b>	152,167
In the second year		<b>534</b>	1,126
		<b>2,722</b>	153,293

##### Notes:

- (i) The other loans are unsecured, bore interest at 2% (28 February 2021: 2%) per annum and repayable on demand, except for an amount of approximately HK\$534,000 (28 February 2021: approximately HK\$1,126,000) which is not repayable in the next twelve months after the reporting period. These balances were denominated in Hong Kong dollars.
- (ii) On 18 February 2021, the Group executed 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, repayable in 18 months from the draw down date, or on demand. On 12 May 2021, the loan was fully settled.

**14. INTEREST-BEARING BANK BORROWINGS AND OTHER LOANS AND LOANS FROM A FELLOW SUBSIDIARY AND THE IMMEDIATE HOLDING COMPANY (Continued)****(c) Loan from a fellow subsidiary**

The balance of HK\$152,000,000 represented Realord Loan from Realord Finance. The balance is unsecured, interest bearing at 10% per annum and repayable 12 months after drawdown and is subject to Realord Finance's right to demand for early repayment.

**(d) Loan from the immediate holding company**

The balance of HK\$55,000,000 represented Supplemental Loan from Realord. The balance is unsecured, interest bearing at 8.2% per annum and repayable on or before 10 August 2022.

**15. SHARE CAPITAL**

	<b>31 August 2021 HK\$'000 (unaudited)</b>	28 February 2021 HK\$'000 (audited)
Issued and fully paid:		
1,313,962,560 ordinary shares	<b>469,977</b>	469,977

As at 28 February 2021, The Sincere Life Assurance Company Limited ("Sincere LA"), The Sincere Insurance & Investment Company, Limited ("Sincere II") and The Sincere Company (Perfumery Manufacturers), Limited ("Perfumery") (collectively the "Sincere Companies"), subsidiaries of the Company, held 183,136,032, 75,608,064 and 1,699,104 ordinary shares of the Company (the "Shares"), respectively. Accordingly, 260,443,200 ordinary shares of the Company held by the Company's subsidiaries were recognised in the Group's unaudited condensed consolidated financial statements as treasury shares through deduction from equity by approximately HK\$130,221,000.

In May 2021, the Sincere Companies had accepted the Offer. All 260,443,200 shares held by the Sincere Companies had tendered to Realord in exchange for approximately HK\$102,484,000 in cash. Such transaction was accounted for as equity transaction and treasury shares of approximately HK\$130,221,000 were decreased. Accordingly, non-controlling interests of approximately HK\$17,973,000 was increased and general and other reserve of approximately HK\$45,710,000 was decreased.

**16. RELATED PARTY TRANSACTIONS**

- (a) In addition to the transactions disclosed elsewhere in these condensed consolidated financial statements, the Group had the following transactions with related parties during the period:

	<b>For the six months ended 31 August</b>	
	<b>2021</b>	2020
	<b>HK\$'000</b>	HK\$'000
	<b>(unaudited)</b>	(unaudited)
Management service fees to a related company (note (i))	<b>452</b>	473
Interest expense on a loan from a fellow subsidiary (note (ii))	<b>4,414</b>	–
Interest expense on a loan from the immediate holding company (note (ii))	<b>339</b>	–

Notes:

- (i) The management service fees were charged by Rise Legend International Limited for the provision of key management personnel service to the Group.
- (ii) The interest expenses were charged in accordance with contractual terms with a fellow subsidiary and the immediate holding company. Details of which are set out in notes 14(c) and 14(d) to the condensed consolidated financial statements, respectively.
- (b) Compensation of key management personnel of the Group:

	<b>For the six months ended 31 August</b>	
	<b>2021</b>	2020
	<b>HK\$'000</b>	HK\$'000
	<b>(unaudited)</b>	(unaudited)
Short term employee benefits	<b>4,133</b>	9,028
Post-employment benefits, including pension cost for a defined benefit plan of nil (2020: approximately HK\$7,000)	<b>9</b>	28
<b>Total compensation paid to key management personnel</b>	<b>4,142</b>	9,056

**17. FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS**

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

**Assets measured at fair value:****As at 31 August 2021**

	Fair value measurement using			Total HK\$'000 (unaudited)
	Quoted prices in active markets (Level 1) HK\$'000 (unaudited)	Significant observable inputs (Level 2) HK\$'000 (unaudited)	Significant unobservable inputs (Level 3) HK\$'000 (unaudited)	
Equity instruments designated at fair value through other comprehensive income	-	-	29,625	29,625
Financial assets at fair value through profit or loss	3,573	2,385	-	5,958
Others assets	-	2,000	-	2,000
	<b>3,573</b>	<b>4,385</b>	<b>29,625</b>	<b>37,583</b>

**As at 28 February 2021**

	Fair value measurement using			Total HK\$'000 (audited)
	Quoted prices in active markets (Level 1) HK\$'000 (audited)	Significant observable inputs (Level 2) HK\$'000 (audited)	Significant unobservable inputs (Level 3) HK\$'000 (audited)	
Equity instruments designated at fair value through other comprehensive income	-	-	24,237	24,237
Financial assets at fair value through profit or loss	4,912	5,765	-	10,677
Others assets	-	2,000	-	2,000
	<b>4,912</b>	<b>7,765</b>	<b>24,237</b>	<b>36,914</b>

**17. FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (Continued)****Assets measured at fair value: (Continued)**

During the six months ended 31 August 2021 and the year ended 28 February 2021, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities.

The Group did not have any financial liabilities measured at fair value under Level 3 as at 31 August 2021 and 28 February 2021. As at 31 August 2021 and 28 February 2021, management used the following valuation techniques and key input for the valuation of financial assets measured at fair value under Level 3.

**Information about Level 3 fair value measurements**

	<b>Valuation techniques</b>	<b>Significant unobservable inputs</b>
<b>As at 31 August 2021</b>		
Equity instruments designated at fair value through other comprehensive income	<b>Adjusted net assets and market approach</b>	<b>Discount for lack of marketability of 30.9%</b>
<b>As at 28 February 2021</b>		
Equity instruments designated at fair value through other comprehensive income	Adjusted net assets and market approach	Discount for lack of marketability of 34.1%

The fair value of equity instruments designated at fair value through other comprehensive income is determined using market approach adjusted for lack of marketability discount. The fair value is negatively correlated to the discount for lack of marketability.

**17. FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (Continued)**  
**Information about Level 3 fair value measurements (Continued)**

At 31 August 2021 and 28 February 2021, it is estimated that an increase/decrease of 3% in each of the unobservable inputs, with all other variables held constant, would have increased/decreased the Group's other comprehensive income as follows:

	Increase/ (decrease) in unobservable inputs %	Increase/ (decrease) in other comprehensive income HK\$'000
<b>As at 31 August 2021</b>		
Discount for lack of marketability	<b>3</b> <b>(3)</b>	<b>(770)</b> <b>782</b>

**As at 28 February 2021**

Discount for lack of marketability	3 (3)	(770) 784
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The movement during the period in the balance of Level 3 fair value measurements is as follows:

	2021 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited)
Unlisted equity securities:		
At 1 March	<b>24,237</b>	22,573
Net gain recognised in other comprehensive income	<b>5,388</b>	1,049
	<hr/>	<hr/>
At 31 August	<b>29,625</b>	23,622

**18. OUTSTANDING COMMITMENTS AND CONTINGENT LIABILITIES**

- (a) Outstanding commitments and contingent liabilities at the end of the reporting period were as follows:

	<b>31 August 2021 HK\$'000 (unaudited)</b>	28 February 2021 HK\$'000 (audited)
Irrevocable letters of credit	<b>15,756</b>	16,832
Bank guarantees given in lieu of property rental deposits	<b>18,229</b>	19,654

- (b) During the six months ended 31 August 2021, certain non-compliance matters regarding the Group's insurance business are brought to the attention of the Company. Details of which are disclosed in note 19(b) to the condensed consolidated financial statements.

**19. CONTINGENT LIABILITIES AND LITIGATIONS****(a) Claim from former director**

As set out in the announcement of the Company dated 11 June 2021, the Company received a statutory demand (the "Statutory Demand") dated 4 June 2021 from the legal adviser acting on behalf of Mr. Philip KH Ma ("Mr. Philip Ma"), the former chairman, chief executive officer and director of the Company, pursuant to Section 327(4)(a) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of Laws of Hong Kong), demanding the Company to pay the amount of HK\$8,244,000, which is asserted to be outstanding remuneration under an employment contract due to Mr. Philip Ma, within 21 days from the date of service of the Statutory Demand, failing which Mr. Philip Ma may present a winding up petition against the Company.

As disclosed in the announcement of the Company dated 23 June 2021, the Company has sought legal advice in respect of the Statutory Demand and was advised that the Statutory Demand is a nullity. The Company was also advised that it has a bona fide dispute to the sum demanded by Mr. Philip Ma. 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.

## 19. CONTINGENT LIABILITIES AND LITIGATIONS (Continued)

### (a) Claim from former director (Continued)

On 21 June 2021, the Company received a Forms of Claim dated 17 June 2021 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 allegedly due from four subsidiaries of the Company in the total sum of approximately HK\$8,244,000, which is the same amount as that demanded by him in the Statutory Demand. The Company further received a letter from Mr. Philip Ma's legal advisers on 21 June 2021 stating the Mr. Philip Ma will not present a winding-up petition against the Company in respect of the alleged outstanding remunerations stated in the Statutory Demand pending the determination of the Labour Tribunal.

A calling meeting in respect of the LBTC Claim was held at the Labour Tribunal on 8 July 2021. Further information had been requested by the Labour Tribunal and provided on 19 August 2021. The next hearing was scheduled on 1 November 2021.

### (b) Non-compliance matter of Sincere LA and Sincere II

As set out in the Company's announcement dated 22 May 2019, a non-compliance matter (the "Incident") occurred in which certain Insurance Authority ("IA") regulatory filings were not made by Sincere LA and certain IA regulatory filings/prior written consents were not made/sought by Sincere II in connection with Win Dynamic Limited ("Win Dynamic"), the then controlling shareholder of the Company, acquiring 26.48% of the Company's shares in issue and becoming a substantial shareholder of the Company as a result of the completion (the "Rights Issue Completion") of the rights issue of the Company in December 2017. As a result of the Rights Issue Completion, Win Dynamic and Mr. Philip Ma each became a new "controller" within the meaning of Section 9(1)(a)(iii)(B) of the Insurance Ordinance (Cap. 41 of the laws of Hong Kong) ("IO") of Sincere II on 20 December 2017 (the "Change"). Pursuant to a directive which was imposed by the IA on Sincere II in its letter in March 2016, Sincere II was required to obtain the written consent of the IA for the Change before it took place. Sincere II was also required under the IO to make a notification filing for the Change to the IA within one month thereof. For Sincere LA, it is required under the IO to make a notification filing for the Change to the IA within one month thereof.

As a result of the non-compliance matter, Sincere LA and Sincere II may be subject to the potential liability and disciplinary actions under the IO. Pursuant to the IO, in failing to make the requisite filings/obtain the requisite consents (as the case may be) in relation to the Incident, (a) Sincere LA commits an offence and may be liable to a fine of HK\$200,000, together with a fine of HK\$2,000 for each day on which the offence continues; and (b) Sincere II commits two offences (for failing to obtain written consent of the IA for the Change; and failing to make a notification filing for the Change with the IA) and may be liable, respectively, to (i) a fine of HK\$200,000, together with a fine of HK\$1,000 for each day on which the first offence continues; and (ii) a fine of HK\$200,000, together with a fine of HK\$2,000 for each day on which the second offence continues. Further, both Sincere LA and Sincere II may be subject to disciplinary actions of the IA. Since then, both Sincere LA and Sincere II are in the process of carrying out the requisite remediation actions.

**19. CONTINGENT LIABILITIES AND LITIGATIONS (Continued)****(b) Non-compliance matter of Sincere LA and Sincere II (Continued)**

Based on the available information, development during the six months ended 31 August 2021 (including but not limited to a letter from IA to Sincere LA in November 2020 reiterating that the default in compliance is an offence which may rise to prosecution against Sincere LA if non-compliance is ever repeated, a letter from IA to Sincere II in November 2020 giving consent for Sincere II to acquire Mr. Philip Ma as a controller within the meaning of Section 9(1)(a)(iii)(B) of the IO as a result of the Rights Issue Completion, no objections from the IA for the action plans submitted by Sincere LA and Sincere II and the consent given by the IA for Sincere II to acquire Realord and others as controllers within the meaning of Section 9(1)(a)(iii)(B) of the IO for the purpose of the Offer and opinion given by the legal counsel of Sincere LA and Sincere II, the board of directors of the Company, Sincere LA and Sincere II are of the view that the possibility of the IA taking further enforcement actions as a result of the Incident should be low, provided that Sincere LA and Sincere II shall continue to implement the action plans and comply with the relevant applicable regulatory requirements under the IO. Nothing has come to the attention that, Sincere LA and Sincere II have committed material non-compliance with the requirements under the action plans or the regulatory requirements under the IO up to the date of approval of the condensed consolidated financial statements. Hence, no provision has been made as at 31 August 2021 (28 February 2021: Nil). Sincere LA and Sincere II would continue to discuss with the IA and monitor the progress in relation thereof.

**20. APPROVAL OF THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

The condensed consolidated financial statements were approved and authorised for issue by the Board on 22 October 2021.

## MANAGEMENT DISCUSSION AND ANALYSIS

### INTERIM RESULTS

The unaudited consolidated revenue of the Group for the six months ended 31 August 2021 was approximately HK\$80.2 million, decreased by approximately HK\$1.6 million or 1.9% as compared to the same period of last year. The unaudited loss attributable to equity holders of the Company for the six months ended 31 August 2021 was approximately HK\$60.6 million, losses decreased by approximately HK\$11.3 million or 15.8% from last period. This was mainly due to (i) the decrease in impairment of right-of-use assets of approximately HK\$6.4 million from approximately HK\$8.7 million in the same period last year to approximately HK\$2.3 million in current period; and (ii) decrease in provision for inventories from approximately HK\$4.2 million in the same period last year to nil in current period.

### BUSINESS REVIEW AND FUTURE PROSPECTS

#### *DEPARTMENT STORE OPERATIONS*

During the period under review, the Group's performance became stable with the number of confirmed cases for the COVID-19 maintained at a relatively low level. Despite one of our stores was closed during the period, our department store operations continued to record revenue of approximately HK\$79.6 million (2020: approximately HK\$81.3 million), represented a drop by only 2.1% against the same period of last year. Together with the Group's pro-active measures to reduce operating expenses and the rental concession obtained from landlords, the overall segment loss has been reduced to approximately HK\$47.5 million, decreased by approximately HK\$1.4 million or 2.8% as compared to same period of last year.

To maintain a healthy inventory level, continuing the clearance of previous season inventory is our major goal in this period. The inventory level further reduced from approximately HK\$42.9 million as at 28 February 2021 to approximately HK\$36.7 million as at 31 August 2021. As a result, provision for inventories decreased from approximately HK\$4.2 million in the same period last year to nil in current period.

### SECURITIES TRADING

With the investment portfolio alignment in prior years, significant portion of the investment had been disposed of. As a result, the net realised gain was approximately HK\$0.2 million in this period compared with nil in the same period last year. Net unrealised loss in current period was approximately HK\$3.6 million compared with net unrealised loss of approximately HK\$1.2 million in last period. Dividend income increased from approximately HK\$0.3 million in last period to approximately HK\$2.8 million in current period. Hence, a segment loss of approximately HK\$2.4 million (2020: approximately HK\$5.1 million) was resulted. The Group holds these investments for trading. The Group would review and refine its investment portfolio regularly based on market conditions and its capital needs.

### PROSPECTS

Despite the surge of a new wave of COVID-19 cases driven by the hyper-contagious Delta variant globally, the confirmed cases for the COVID-19 in Hong Kong continued to maintain at a relatively low level. The foot traffic for our stores continues to recover. The management is of the view that the department store operations would continue to be challenging with the new norm that COVID-19 would not die out in short run unless most people get vaccination. The Group will take a cautious approach in its business planning to weather the current unfavourable environment.

With the support of Realord as the new controlling shareholder of the Company during the period, the Board is cautious optimistic about the prospects of the Group.

## OTHER INFORMATION

### LIQUIDITY AND FINANCIAL RESOURCES

As at 31 August 2021, the Group had cash and bank balances, pledged bank balances and pledged deposits with banks of approximately HK\$219.1 million (28 February 2021: approximately HK\$191.7 million), of which approximately HK\$102.1 million (28 February 2021: approximately HK\$103.7 million) were pledged. As at 31 August 2021, the Group's gearing ratio, being the interest-bearing bank borrowings, other loans, lease liabilities and loans from a fellow subsidiary and the immediate holding company to net assets of approximately 439% (28 February 2021: approximately 1,514%).

The interest expense charged to the condensed consolidated income statement for the six months ended 31 August 2021 was approximately HK\$16.0 million (2020: approximately HK\$10.6 million). The interest-bearing bank borrowings of the Group as of 31 August 2021 were approximately HK\$133.0 million (28 February 2021: approximately HK\$162.7 million), which were repayable within one year or on demand. The bank borrowings were largely in Hong Kong dollars, with interest rates of Hong Kong Interbank Offered Rate + 1.5% per annum. All bank borrowings were secured against securities investments, a property and bank deposits. The current ratio was approximately 0.64 (28 February 2021: approximately 0.53).

On 10 May 2021, the Group has obtained the Realord Loan of HK\$152,000,000 from Realord Finance. The Realord Loan was used for the repayment of the Group's other loan of HK\$150 million at 28 February 2021. 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 loan from Realord up to a limit of HK\$40,000,000 for additional working capital. The loan bears interest at Hong Kong Interbank Offered Rate plus 1.75% per annum, is unsecured and is repayable 2 months after drawdown. On 10 August 2021, the terms of the loan was revised with a facilities limit of HK\$100,000,000. It bears interest at 8.2% per annum, is unsecured and is repayable on or before 10 August 2022. As at 31 August 2021, the Group has utilised the Supplemental Loan of HK\$55,000,000.

The net increase in bank borrowings, other loans and loans from a fellow subsidiary and the immediate holding company were due to the additional working capital need during the period.

As at 31 August 2021, the Group had net current liabilities of approximately HK\$171,183,000 and an equity attributable to the equity holders of the Company of approximately HK\$43,019,000. The Group's cash and bank balances amounted to approximately HK\$117,063,000 as at 31 August 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, the 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.

## **OTHER INFORMATION (Continued)**

### **LIQUIDITY AND FINANCIAL RESOURCES (Continued)**

The Group currently employs a foreign currency hedging policy on the Euro for the purchase of inventories, which hedges up to 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 operation during the period. All interest-bearing bank borrowings were secured against the securities investment, leasehold land and owned buildings and bank deposits.

### **UPDATE ON WD PROCEEDS**

References are made to the announcements issued by the Company dated 29 October 2020 and 4 February 2021, respectively, in relation to, among others, the deed of gift (the "Deed") executed by Win Dynamic in favour of the Company on 29 October 2020, pursuant to which Win Dynamic had irrevocably undertaken to the Company to gift the Company the net sale proceeds that Win Dynamic would be entitled to receive from Realord upon its acceptance of the Offer, and the purported cancellation of the Deed by Win Dynamic, respectively. As stated in the Company's announcement dated 29 October 2020, the Company understood that in order to facilitate the Deed, Mr. Philip Ma and Mr. Charles M W Chan, who were the shareholders and directors of Win Dynamic, had irrevocably agreed to waive all sums owed to them by Win Dynamic, and the Company 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 of directors of the Company had received a letter from Win Dynamic dated 3 February 2021 stating Win Dynamic's declaration that the Deed was 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 was 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 Company did not admit that the purported cancellation of the Deed by Win Dynamic was valid or effective.

On 12 May 2021, the Company was informed by the legal advisers of Realord that Realord had issued a writ of summons with an indorsement of claim (the "Writ") in the High Court of the Hong Kong Special Administrative Region (the "Court") against Win Dynamic on 10 May 2021 in relation to the purported cancellation of the Deed. Realord claimed against Win Dynamic, among others, for an order of specific performance requiring Win Dynamic to forthwith pay the Company the net proceeds in respect of the Company's shares tendered by Win Dynamic for acceptance of the Offer, after deducting the seller's ad valorem stamp duty payable by it, amounted to HK\$260,435,373 (the "WD Proceeds"), or such other sum as the Court may determine.

## **OTHER INFORMATION (Continued)**

### **UPDATE ON WD PROCEEDS (Continued)**

Realord also applied to the Court for an interlocutory injunction against Win Dynamic (the "Application") on 11 May 2021 which was heard by the Court on 14 May 2021. Upon hearing submissions from the parties, the Court has adjourned the hearing of the Application to a date to be fixed for substantive argument, and the Court has granted an interim-interim injunction, which shall remain in force pending the substantive determination of the Application, restraining Win Dynamic from, among others, (a) removing from Hong Kong any of its assets which are within Hong Kong, whether in its own name or not, and whether solely or jointly owned, up to the value of the WD Proceeds, or (b) in any way disposing of or dealing with or diminishing the value of any of its assets, which are within Hong Kong, whether in its own name or not, and whether solely or jointly owned, and whether or not Win Dynamic assets a beneficial interest in them up to the value of the WD Proceeds.

As at the date hereof, the date of the substantive hearing of the Court for the Application has yet to be fixed.

The Company on 16 July 2021 resolved that it was in the interest of the Company and its shareholders to commence legal proceedings against Win Dynamic in relation to the purported cancellation of the Deed. Subsequently, the Company had agreed to be joined as a party to the proceedings initiated by Realord. Accordingly, Realord sought the consent from Win Dynamic to join the Company as the 2nd plaintiff and Mr. Philip Ma as the 2nd defendant in the proceedings. As such, on 6 October 2021, Realord and Win Dynamic had jointly applied to the Court for, among others, (i) leave to join the Company as the 2nd plaintiff and Mr. Philip Ma as the 2nd defendant and (ii) leave to amend the Writ and the statement of claim in relation to the purported cancellation of the Deed, and as the date hereof, this joint application has still been pending the order of the Court.

### **EMPLOYEES AND REMUNERATION POLICIES**

At 31 August 2021, the Group had 193 employees (28 February 2021: 222) 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.

### **INTERIM DIVIDEND**

The Board has decided not to declare an interim dividend for the six months ended 31 August 2021.

## OTHER INFORMATION (Continued)

### SUBSTANTIAL SHAREHOLDERS

As at 31 August 2021, so far as is known to the directors, the following persons (not being a director or chief executive of the Company) had interest in the Shares and underlying Shares as recorded in the register required to be kept by the Company pursuant to Section 336 of the Securities and Future Ordinance (the "SFO") were as follow:

#### *Long position in the Shares*

Name	Capacity	Nature of interest	Number of Share	Approximate % of Shares in issue
Manureen Holdings Limited	Interests of controlled corporation	Corporate	985,471,362 (Note 1)	75.00
Realord Group Holdings Limited	Beneficial owner	Corporate	985,471,362 (Note 1)	75.00

#### Note:

- (1) There is duplication of interests among Manureen Holdings Limited and Realord Group Holdings Limited.

Reference is made to (i) the joint announcement issued by Realord Group Holdings Limited (the "Offeror" or "Realord") and the Company dated 15 May 2020 ("Joint Announcement") in relation to the voluntary conditional cash offer to acquire all the Shares (collectively the "Offer"); and (ii) the announcement of the Offeror dated 3 June 2021 in relation to the close of the Offer (collectively, the "Announcements"). Capitalised terms used in this note shall have the same meanings as those defined in the Announcements. Win Dynamic had irrevocably undertaken to the Offeror to tender, or procure the tender of, all of the 662,525,276 Shares beneficially owned by it for acceptance under the Offer. Each of the Sincere Companies had irrevocably undertaken to the Offeror to tender, or procure the tender of, all of the Shares beneficially owned by it, being 183,136,032 Shares in the case of Sincere LA, 75,608,064 Shares in the case of Sincere II and 1,699,104 Shares in the case of Perfumery, for acceptance under the Offer. On 3 June 2021, being the latest date for acceptance of the Offer, the Offeror had received valid acceptances in respect of a total of 1,044,695,362 Shares under the Offer.

**OTHER INFORMATION (Continued)****SUBSTANTIAL SHAREHOLDERS (Continued)***Long position in the Shares (Continued)**Notes: (Continued)*

As a result:

- The Offeror is interested in 1,044,695,362 Shares, representing 79.51% of the issued Shares of the Company; and
- Manureen Holdings Limited is deemed to be interested in 1,044,695,362 Shares, representing approximately 79.51% of the issued Shares of the Company, by virtue of its 74.62% interest in the Offeror.

On 27 July 2021, Realord entered into a placing agreement with Realord Asia Pacific Securities Limited (the "Placing Agent"), pursuant to which the Placing Agent shall as an agent of the Realord to procure, on a best effort basis, not less than six places to purchase up to a maximum 59,224,000 shares of the Company (the "Placing Shares") held by the Realord at placing price of HK\$0.59 per Placing Shares (the "Placing"). The Placing was completed on 30 July 2021 and following the completion, the number of shares of the Company held by the Realord decreased from 1,044,695,362 Shares to 985,471,362 Shares, representing a decrease in shareholding from approximately 79.51% to approximately 75.00% of Shares in issue.

Further details are disclosed in the announcement of the Company dated 29 June 2021 and the joint announcements of Realord and the Company dated 27 July 2021 and 30 July 2021.

**OTHER INFORMATION (Continued)****DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SHARES**

As at 31 August 2021, the interests and short positions of the directors and chief executive of the Company in the shares, underlying shares and debentures and the details of any right to subscribe for shares of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) and of the exercise of any such rights, as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong (the "Stock Exchange") pursuant to the Mode Code for Securities Transaction by Directors of Listed Issuers in the Listing Rules ("Model Code"), were as follows:

*(a) Long position in Shares*

Name of director	Capacity	Personal interests	Corporate interests	S. 317	Total interests	Approximate % of shares in issue
				Agreement interests		
Dr. Lin Xiaohui ("Dr. Lin")	Interest of controlled Corporation	Nil	985,471,362 (Note 1)	Nil	985,471,362 (Note 1)	75.00
Madam Su Jiaohua ("Madam Su")	Spousal interest	Nil	985,471,362 (Note 2)	Nil	985,471,362 (Note 1)	75.00

*Notes:*

- (1) As at 31 August 2021, Realord was the legal and beneficial owner of 985,471,362 Shares. Manureen Holdings Limited was the legal and beneficial owner of approximately 74.62% of Realord Group Holdings Limited. Since Dr. Lin owned 70% of the issued share capital of Manureen Holdings Limited, he was deemed to be interested in 985,471,362 Shares.
- (2) Madam Su, the spouse of Dr. Lin, was deemed to be interested in 985,471,362 Shares which Dr. Lin was deemed to be interested under the SFO as at 31 August 2021.

*(b) Associated corporations*

As at 31 August 2021, none of the directors or chief executive of the Company had any interests or short position in any of the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) that is required to be recorded and kept in the register in accordance with Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

At no time during the period was the Company or any of its subsidiaries a party to any arrangements to enable the directors of the Company or their spouses or children under the age of 18 to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

## **OTHER INFORMATION (Continued)**

### **DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS**

None of the directors and their respective connected entities had a material interest, either directly or indirectly, in any transactions, arrangements or contracts of significance to the business of the Group to which the Company or any of its subsidiaries was a party during six months ended 31 August 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 of in the Company, being 183,136,032 Shares in the case of Sincere LA, 75,608,064 Shares in the case of Sincere II and 1,699,104 Shares 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 six months ended 31 August 2021.

### **DIRECTORS' INTERESTS IN A COMPETING BUSINESS**

During the six months ended 31 August 2021, no director is considered to have an interest in a business which competes or is likely to compete, either directly or indirectly, with the businesses of the Group pursuant to the Listing Rules, other than those businesses to which the directors were appointed as directors to represent the interest of the Company and/or the Group.

### **PUBLIC FLOAT**

As at the date of the close of the Offer, 269,267,198 Shares, 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 would have to dispose at least 59,223,442 Shares to public shareholders of the Company. In view of the above, the Company 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 had granted the Company a temporary waiver from strict compliance with Rule 8.08(1)(a) of the Listing Rules during the Waiver Period.

## **OTHER INFORMATION (Continued)**

### **PUBLIC FLOAT (Continued)**

On 27 July 2021, Realord entered into a placing agreement with the Placing Agent, pursuant to which the Placing Agent shall act as an agent of Realord to procure, on a best effort basis, not less than six placees to purchase Placing Shares held by Realord at a placing price of HK\$0.59 per Placing Shares. The Placing was completed on 30 July 2021 and following the completion, the number of Shares held by Realord decreased from 1,044,695,362 Shares to 985,471,362 Shares, representing a decrease in shareholding from approximately 79.51% to approximately 75.00% of Shares in issue.

Further details are disclosed in the announcement of the Company dated 29 June 2021 and the joint announcements of Realord and the Company dated 27 July 2021 and 30 July 2021.

### **LITIGATIONS AND CONTINGENT LIABILITIES**

Save as disclosed in note 19 to the condensed consolidated financial statements and section headed "Update on WD Proceeds" above, the Group has no other litigations and contingent liabilities.

### **SIGNIFICANT INVESTMENTS, MATERIAL ACQUISITIONS AND DISPOSALS**

The Group did not make any material acquisition or disposal of subsidiaries and associated and significant investments during the six months ended 31 August 2021.

### **ADOPTION OF THE MODEL CODE**

The Company has adopted the Model Code as set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange as the code of conduct regarding director's securities transactions. All directors have confirmed, following specific enquiry by the Company, that they have complied with the required standard set out in the Model Code during the period under review.

### **CORPORATE GOVERNANCE**

The Company has complied throughout the six months ended 31 August 2021 with the Corporate Governance Code ("CG Code") as set out in Appendix 14 to the Listing Rules, save and except for code provision A.2.1, A.4.1 and A.6.7.

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 Ma, being the then chairman and chief executive officer of the Company from 1 March 2021 to 10 June 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 is running. The Board believed that vesting the roles of both chairman and chief executive officer in the same individual could provide the Company with strong and consistent leadership and allows for effective and efficient planning and implementation of business decisions and strategies.

## OTHER INFORMATION (Continued)

### CORPORATE GOVERNANCE (Continued)

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. Accordingly, the Company has complied with the code provision A.2.1 of the CG Code since then.

Code provision A.4.1 of the CG Code stipulates 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 subject to retirement by rotation and re-election at the Company's annual general meeting in accordance with the Company's articles of association.

Code provision A.6.7 of the CG Code that independent non-executive directors and other non-executive directors should also attend general meetings. Dr. Tai Tak Fung being the non-executive director of the Company and Mr. Anders W L Lau, Mr. Eric K K Lo and Mr. Peter Tan being the then independent non-executive directors of the Company did not attend the general meeting of the Company due to business arrangement.

### AUDIT COMMITTEE AND REVIEW OF FINANCIAL STATEMENTS

The Group has established an audit committee with written terms of reference in accordance with the Listing Rules. The audit committee comprises three members, whom are independent non-executive directors, namely Mr. Yu Leung Fai, Mr. Yuan Baoyu and Mr. Chung Chun Hung Simon. This committee is chaired by Mr. Yu Leung Fai. The audit committee has reviewed with management about the accounting principles and practices adopted by the Group and discussed auditing, risk management, internal controls and financial reporting matters including a review of the unaudited condensed consolidated interim financial statements for the six months ended 31 August 2021.

### APPRECIATION

On behalf of the Board, I would like to express its sincere gratitude to all our staff for their dedication and contribution, as well as to all our customers, suppliers, business associates and shareholders for their continuous support to the Group over the period.

By order of the Board  
**The Sincere Company, Limited**  
**Lin Xiaohui**  
*Chairman*

Hong Kong, 22 October 2021