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THE SINCERE COMPANY, LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock code: 0244)

**ANNOUNCEMENT OF FINAL RESULTS
FOR THE PERIOD FROM 1 MARCH 2021 TO 31 DECEMBER 2021**

Effective from 2021, The Sincere Company, Limited (the “**Company**”) changed its financial year end date to 31 December. This change has resulted in a shorter reporting period of ten months (1 March 2021 to 31 December 2021).

The board of directors (the “**Board**”) of the Company announces that the audited consolidated results of the Company and its subsidiaries (collectively, the “**Group**”) for the period from 1 March 2021 to 31 December 2021 together with the comparative figures for the year ended 28 February 2021 are as follows:

CONSOLIDATED INCOME STATEMENT

For the period from 1 March 2021 to 31 December 2021

		Period from 1 March 2021 to 31 December 2021	Year ended 28 February 2021
	<i>Notes</i>	HK\$'000	HK\$'000
Revenue	4(a)	140,060	177,472
Cost of sales		(65,908)	(91,744)
Other income and gains, net	4(b)	12,695	2,038
Net unrealised loss on securities trading		(3,791)	(726)
Selling and distribution expenses		(80,266)	(111,153)
General and administrative expenses		(49,285)	(78,698)
Other operating expenses, net		(4,860)	(22,614)
Finance costs	5	(25,719)	(20,257)
Loss before income tax	6	(77,074)	(145,682)
Income tax expense	7	(15)	(15)
Loss for the period/year		(77,089)	(145,697)
Attributable to:			
Equity holders of the Company		(75,880)	(145,017)
Non-controlling interests		(1,209)	(680)
		(77,089)	(145,697)
Loss per share attributable to equity holders of the Company			
Basic and diluted	9	HK\$(0.06)	HK\$(0.14)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the period from 1 March 2021 to 31 December 2021

	Period from 1 March 2021 to 31 December 2021 HK\$'000	Year ended 28 February 2021 HK\$'000
Loss for the period/year	<u>(77,089)</u>	<u>(145,697)</u>
Other comprehensive income/(loss)		
<i>Other comprehensive income/(loss) that may be reclassified to the consolidated income statement in subsequent periods:</i>		
Exchange differences arising on translation of foreign operations	<u>–</u>	<u>83</u>
<i>Other comprehensive income/(loss) that will not be reclassified to the consolidated income statement in subsequent periods:</i>		
Actuarial gains on a defined benefit plan	4,524	6,194
Revaluation of leasehold land and owned buildings	22,686	(9,020)
Changes in fair value of equity investments at fair value through other comprehensive income ("FVTOCI")	<u>6,216</u>	<u>1,664</u>
	<u>33,426</u>	<u>(1,162)</u>
Total comprehensive loss for the period/year	<u><u>(43,663)</u></u>	<u><u>(146,776)</u></u>
Attributable to:		
Equity holders of the Company	(42,686)	(145,591)
Non-controlling interests	<u>(977)</u>	<u>(1,185)</u>
	<u><u>(43,663)</u></u>	<u><u>(146,776)</u></u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2021

		As at 31 December 2021 <i>HK\$'000</i>	As at 28 February 2021 <i>HK\$'000</i>
	<i>Notes</i>		
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	<i>10</i>	263,991	231,049
Equity investments at FVTOCI		3,807	24,237
Prepayments, deposits, other receivables and other assets		172,058	22,702
Pension scheme assets		23,101	19,585
		462,957	297,573
Current assets			
Inventories		34,401	42,927
Prepayments, deposits, other receivables and other assets		27,466	29,056
Financial assets at fair value through profit or loss (“FVTPL”)		5,741	10,677
Pledged bank balances and deposits	<i>13(a)</i>	102,153	103,719
Cash and bank balances		54,092	87,949
		223,853	274,328
Asset classified as held for sale		26,646	–
		250,499	274,328
Current liabilities			
Creditors	<i>11</i>	35,557	44,681
Lease liabilities	<i>12</i>	54,859	93,718
Insurance contracts liabilities		1,174	1,206
Deposits, accrued expenses and other payables		32,053	62,825
Contract liabilities		2,119	730
Interest-bearing bank borrowings	<i>13(a)</i>	144,508	162,679
Other loans	<i>13(b)</i>	2,203	152,167
Loan from a fellow subsidiary	<i>13(c)</i>	104,000	–
Loan from immediate holding company	<i>13(d)</i>	55,000	–
		431,473	518,006

CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(continued)*

As at 31 December 2021

	<i>Notes</i>	As at 31 December 2021 HK\$'000	As at 28 February 2021 HK\$'000
Net current liabilities		<u>(180,974)</u>	<u>(243,678)</u>
Total assets less current liabilities		<u>281,983</u>	<u>53,895</u>
Non-current liabilities			
Deposits, accrued expenses and other payables		4,663	3,934
Other loans	<i>13(b)</i>	537	1,126
Lease liabilities	<i>12</i>	<u>39,556</u>	<u>20,430</u>
		<u>44,756</u>	<u>25,490</u>
Net assets		<u><u>237,227</u></u>	<u><u>28,405</u></u>
EQUITY			
Equity attributable to equity holders of the Company			
Share capital	<i>14</i>	469,977	469,977
Deficits		<u>(281,128)</u>	<u>(472,954)</u>
		188,849	(2,977)
Non-controlling interests		<u>48,378</u>	<u>31,382</u>
Total equity		<u><u>237,227</u></u>	<u><u>28,405</u></u>

Notes:

1. CORPORATE AND GROUP 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 period 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 of the Company, as at 31 December 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 following the close of the conditional voluntary cash offer to acquire all of the issued shares of the Company (the “**Offer**”). The ultimate holding company is Manureen Holdings Limited (“**Manureen Holdings**”), a company incorporated in the British Virgin Islands with limited liability. The ultimate shareholders of Manureen Holdings are Dr. Lin Xiaohui (“**Dr. Lin**”) and Madam Su Jiaohua (“**Madam Su**”), who own 70% and 30% equity interests of Manureen Holdings, respectively.

The consolidated financial statements for the period from 1 March 2021 to 31 December 2021 were approved for issue by the Board on 31 March 2022.

2.1 BASIS OF PREPARATION

These consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”), which collective term includes all applicable individual HKFRSs, Hong Kong Accounting Standards and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) and the accounting principles generally accepted in Hong Kong.

The consolidated financial statements also comply with the applicable requirements of the Companies Ordinance and include the applicable disclosure requirements of the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”).

The consolidated financial statements have been prepared on the historical cost basis except for leasehold land and owned buildings, equity investments at FVTOCI, and financial assets at FVTPL which are stated at fair values. Non-current assets held for sale are stated the lower of carrying amount and fair value less costs to sell.

These consolidated financial statements are presented in Hong Kong dollars and all values are rounded to the nearest thousand (HK\$’000) except when otherwise indicated.

2.1 BASIS OF PREPARATION *(continued)*

The financial information relating to the period from 1 March 2021 to 31 December 2021 and the year ended 28 February 2021 included in this preliminary announcement of final results for the period from 1 March 2021 to 31 December 2021 do not constitute the Company's statutory annual consolidated financial statements for those period/year 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 28 February 2021 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 period from 1 March 2021 to 31 December 2021 in due course. The Company's auditor has reported on these financial statements for both period/year.

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.

Going concern basis

During the period from 1 March 2021 to 31 December 2021, the Group recorded a net loss for the period of HK\$77,089,000. The Group's operations are financed by bank and other borrowings, loans from related parties and internal resources. As at 31 December 2021, the Group had net current liabilities of HK\$180,974,000, while the Company had net current liabilities of HK\$204,061,000. The Group's cash and bank balances amounted to HK\$54,092,000 as at 31 December 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 period. As at 31 December 2021, the Group had unutilised trade financing banking facilities of HK\$44,782,000. 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 PREPARATION *(Continued)*

Going concern basis *(Continued)*

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 18 months from 31 December 2021. As at 31 December 2021, the Group had unutilised facilities of HK\$45,000,000 from Realord.

On 21 March 2022, a company controlled by Dr. Lin (the “Backer”) entered into a loan facility agreement with the Company, pursuant to which the Backer had agreed to provide a loan facility up to HK\$200,000,000 for 36 months in order to support the operation of the Group.

The Company’s directors have reviewed the Group’s cash flow projections prepared by management. The cash flow projections cover a period of not less than 18 months from 31 December 2021. Management’s projections make key assumptions with regard to (i) the anticipated cash flows from the Group’s operations and capital expenditures; (ii) the continuous availability of bank and other borrowings facilities; (iii) the loans from related parties; and (iv) 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 related parties.

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 related parties, 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 reclassify non-current assets and liabilities as current assets and liabilities and to provide for any future liabilities which might arise, respectively. The effect of these potential adjustments has not been reflected in these consolidated financial statements.

Certain comparative figures have been reclassified to conform with the current period’s presentation.

Change of financial year end date

On 2 December 2021, the Board announced that the financial year end date of the Company has been changed from 28/29 February to 31 December commencing from the period from 1 March 2021 to 31 December 2021 to align the financial year end date of the Company with that of Realord. Accordingly, the accompanying consolidated financial statements for the current financial period cover a period of 10 months from 1 March 2021 to 31 December 2021. The comparative figures, however, are for 12 months from 1 March 2020 to 28 February 2021, and hence are not directly comparable.

2.2 ADOPTION OF NEW AND AMENDED HKFRSs

Amended HKFRSs that are effective for annual periods beginning on 1 March 2021

In the current period, the Group has applied for the first time the following amended HKFRSs issued by the HKICPA, which are relevant to the Group's operations and effective for the Group's consolidated financial statements for the annual period beginning on 1 March 2021:

Amendments to HKFRS 9, HKAS 39 and HKFRS 7, HKFRS 4 and HKFRS 16	<i>Interest Rate Benchmark Reform-Phase 2</i>
Amendment to HKFRS 16	<i>Covid-19-Related Rent Concessions beyond 30 June 2021 (early adopted)</i>

Other than as explained below, the adoption of the amended HKFRSs had no material effect on how the results and financial position for the current and prior periods have been prepared and presented.

Amendment to HKFRS 16 "Covid-19-Related Rent Concessions beyond 30 June 2021"

The amendment 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 accumulated losses at the beginning of the current accounting period. Earlier application is permitted.

The Group has elected to early adopt the amendment on 1 March 2021 and applied the practical expedient during the period 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 HK\$6,997,000 has been accounted for as a variable lease payment by derecognising part of the lease liabilities and crediting in the consolidated income statement for the period from 1 March 2021 to 31 December 2021.

2.2 ADOPTION OF NEW AND AMENDED HKFRSs (Continued)

Issued but not yet effective HKFRSs

The Group has not early adopted the following new and amended HKFRSs that have been issued but are not yet effective in these consolidated financial statements.

HKFRS 17	Insurance Contracts and related amendments ²
Amendments to HKFRS 3	Reference to the Conceptual Framework ⁴
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) ²
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies ²
Amendments to HKAS 8	Definition of Accounting Estimates ²
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction ²
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use ¹
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract ¹
Amendments to HKFRSs	Annual Improvements to HKFRSs Standards 2018-2020 ¹
Accounting Guideline 5 (Revised)	Merger Accounting for Common Control Combination ⁴

¹ Effective for annual periods beginning on or after 1 January 2022

² Effective for annual periods beginning on or after 1 January 2023

³ Effective date not yet determined

⁴ Effective for business combination/common control combination for which the acquisition/combination date is on or after the beginning of the first annual period beginning on or after 1 January 2022

The directors of the Company anticipate that all of the pronouncements will be adopted in the Group's accounting policy for the first period beginning on or after the effective date of the pronouncement. The new and amended HKFRSs are not expected to have a material impact on the Group's consolidated financial statements.

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 the sublease of properties and the provision of 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 resource allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/(loss), which is a measure of adjusted loss before income tax. The adjusted loss before income tax is measured consistently with the Group's loss before income tax except that certain interest income, unallocated revenue/(expenses) and finance costs are excluded from such measurement.

Segment assets exclude gift receivable from Win Dynamic Limited ("**Win Dynamic**"), pledged bank balances and deposits and cash and bank balances as these assets are managed on a group basis.

Segment liabilities exclude interest-bearing bank borrowings, other loans, loan from a fellow subsidiary and loan from immediate holding company as these liabilities are managed on a group basis.

Inter-segment 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.

3. SEGMENT INFORMATION (Continued)

(a) Operating segments

The following tables present revenue, loss and certain assets, liabilities and expenditure information for the Group's operating segments for the period from 1 March 2021 to 31 December 2021 and the year ended 28 February 2021.

	Department store operations <i>HK\$'000</i>	Securities trading <i>HK\$'000</i>	Others <i>HK\$'000</i>	Eliminations <i>HK\$'000</i>	Total <i>HK\$'000</i>
Period from 1 March 2021 to 31 December 2021					
Segment revenue:					
Sales to external customers	139,226	203	631	–	140,060
Inter-segment sales	–	–	28,511	(28,511)	–
Other income and gains, net	45	3,171	172	–	3,388
	<u>139,271</u>	<u>3,374</u>	<u>29,314</u>	<u>(28,511)</u>	<u>143,448</u>
Total	<u>139,271</u>	<u>3,374</u>	<u>29,314</u>	<u>(28,511)</u>	<u>143,448</u>
Segment results	(63,160)	(2,949)	(1,207)	–	(67,316)
Interest income and unallocated income and gains, net					9,307
ECL allowance on other receivables					(445)
Finance costs (other than interest on lease liabilities)					<u>(18,620)</u>
Loss before income tax					(77,074)
Income tax expense					<u>(15)</u>
Loss for the period					<u>(77,089)</u>
As at 31 December 2021					
Segment assets	192,777	10,174	223,901	(28,511)	398,341
Unallocated assets					<u>315,115</u>
Total assets					<u>713,456</u>
Segment liabilities	183,858	4,585	10,049	(28,511)	169,981
Unallocated liabilities					<u>306,248</u>
Total liabilities					<u>476,229</u>

3. SEGMENT INFORMATION (Continued)

(a) Operating segments (Continued)

	Department store operations <i>HK\$'000</i>	Securities trading <i>HK\$'000</i>	Others <i>HK\$'000</i>	Eliminations <i>HK\$'000</i>	Total <i>HK\$'000</i>
Year ended 28 February 2021					
Segment revenue:					
Sales to external customers	176,694	6	772	–	177,472
Inter-segment sales	–	–	33,037	(33,037)	–
Other income and gains, net	564	1,086	11	–	1,661
	<u>177,258</u>	<u>1,092</u>	<u>33,820</u>	<u>(33,037)</u>	<u>179,133</u>
Total					
Segment results	(108,490)	(8,923)	(16,767)	–	(134,180)
Interest income and unallocated income and gains, net					377
Finance costs (other than interest on lease liabilities)					<u>(11,879)</u>
Loss before income tax					(145,682)
Income tax expense					<u>(15)</u>
Loss for the year					<u><u>(145,697)</u></u>
As at 28 February 2021					
Segment assets	186,981	15,073	211,216	(33,037)	380,233
Unallocated assets					<u>191,668</u>
Total assets					<u><u>571,901</u></u>
Segment liabilities	235,154	4,612	20,795	(33,037)	227,524
Unallocated liabilities					<u>315,972</u>
Total liabilities					<u><u>543,496</u></u>

3. SEGMENT INFORMATION (Continued)

(b) Geographical information

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

	Hong Kong HK\$'000	United Kingdom HK\$'000	Others HK\$'000	Eliminations HK\$'000	Consolidated HK\$'000
Period from 1 March 2021 to 31 December 2021					
Segment revenue:					
Sales to external customers	<u>139,807</u>	<u>181</u>	<u>72</u>	<u>-</u>	<u>140,060</u>
As at 31 December 2021					
Non-current assets	<u>266,412</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>266,412</u>
Year ended 28 February 2021					
Segment revenue:					
Sales to external customers	<u>177,261</u>	<u>206</u>	<u>5</u>	<u>-</u>	<u>177,472</u>
As at 28 February 2021					
Non-current assets	<u>233,470</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>233,470</u>

The non-current asset information above is based on the locations of the assets and includes property, plant and equipment and prepayments and other assets (excluding gift receivable from Win Dynamic).

(c) Information about major customers

For the period from 1 March 2021 to 31 December 2021 and the year ended 28 February 2021, as no revenue derived from an individual customer of the Group has accounted for over 10% of the Group's total revenues, no information about major customers is presented under HKFRS 8 "Operating Segments".

4. REVENUE, OTHER INCOME AND GAINS, NET

(a) Revenue

	Period from 1 March 2021 to 31 December 2021 HK\$'000	Year ended 28 February 2021 HK\$'000
Revenue from contracts with customers		
Sale of goods – own goods	107,114	133,575
Income from counter and consignment sale	32,112	43,119
Revenue from other sources		
Net realised gains on securities trading	203	6
Rental income	631	770
Gross insurance contracts premium revenue	–	2
	140,060	177,472

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.

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 HK\$2,119,000 (As at 28 February 2021: HK\$730,000) was allocated to the remaining performance obligations as at 31 December 2021 which are expected to be recognised as revenue within one year. The contract liabilities increased during the period from 1 March 2021 to 31 December 2021 because more loyalty points were rewarded.

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 (Continued)

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:

	Period from 1 March 2021 to 31 December 2021 HK\$'000	Year ended 28 February 2021 HK\$'000
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:		
Loyalty points programme	<u>730</u>	<u>2,887</u>

(b) Other income and gains, net

	Period from 1 March 2021 to 31 December 2021 HK\$'000	Year ended 28 February 2021 HK\$'000
Bank interest income	35	431
Imputed interest income on gift receivable from Win Dynamic	9,314	–
Other interest income from financial assets at FVTPL	31	85
Dividends from financial assets at FVTPL	3,135	999
Gain on disposal of property, plant and equipment	8	–
Gain on deregistration of an associate	137	–
Foreign exchange loss, net	(42)	(54)
Government grants*	–	420
Others	<u>77</u>	<u>157</u>
	<u>12,695</u>	<u>2,038</u>

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

5. FINANCE COSTS

An analysis of finance costs is as follows:

	Period from 1 March 2021 to 31 December 2021 HK\$'000	Year ended 28 February 2021 HK\$'000
Interest on bank borrowings	2,098	4,309
Interest on lease liabilities (<i>note 12</i>)	7,099	8,378
Interest on other loans	5,288	7,570
Interest on loan from a fellow subsidiary	9,365	–
Interest on loan from immediate holding company	1,869	–
	<hr/>	<hr/>
	25,719	20,257
	<hr/> <hr/>	<hr/> <hr/>

6. LOSS BEFORE INCOME TAX

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

	Period from 1 March 2021 to 31 December 2021 HK\$'000	Year ended 28 February 2021 HK\$'000
Cost of inventories sold	67,515	90,640
(Reversal of provision)/Provision for inventories	(1,607)	1,103
Reinsurers' share portion and commission, net of gross change in unearned premiums	—	1
	<u>65,908</u>	<u>91,744</u>
Cost of sales		
Employee benefit expenses, excluding directors' and chief executive's remunerations:		
– Wages and salaries	31,972	47,492
– Pension contributions, including pension cost for a defined benefit plan of HK\$1,008,000 (Year ended 28 February 2021: HK\$1,296,000) (note (a))	2,213	2,962
– Less: Government grants (note (b))	—	(11,660)
	<u>34,185</u>	<u>38,794</u>
Depreciation	46,252	80,997
Auditor's remuneration	2,066	3,330
Impairment of an interest in an associate (note (c))	—	5
Bad debts written off	5	4,320
ECL allowance on other receivables	445	—
Other charges in respect of rental premises	17,349	25,136
Lease payments not included in the measurement of lease liabilities	2,185	364
Impairment of property, plant and equipment (note (c))	2,000	22,342
Impairment of other assets (note (c))	—	267
Gain on disposal of property, plant and equipment (note 4(b))	(8)	—
Gain on deregistration of an associate (note 4(b))	(137)	—
Net realised gains on securities trading	(203)	(6)
Foreign exchange loss, net (note 4(b))	42	54
Loss on termination of lease (note (c))	2,860	—
Covid-19-related rent concessions from lessors (note 12)	(6,997)	(11,477)

6. LOSS BEFORE INCOME TAX (Continued)

Notes:

- (a) As at 31 December 2021, the Group had no forfeited contributions available to reduce its contributions to the pension schemes in future years (As at 28 February 2021: Nil).
- (b) During the year ended 28 February 2021, government grants from Hong Kong government's employment support scheme of HK\$8,220,000 and HK\$3,440,000 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.
- (c) Amounts are included in "Other operating expenses, net" on the face of the consolidated income statement.

7. INCOME TAX EXPENSE

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

	Period from 1 March 2021 to 31 December 2021 HK\$'000	Year ended 28 February 2021 HK\$'000
Current charge for the period/year		
- Hong Kong	-	-
- Elsewhere	15	15
	<u>15</u>	<u>15</u>

8. DIVIDENDS

The Board did not recommend the payment of any dividend for the period from 1 March 2021 to 31 December 2021 and year ended 28 February 2021.

9. 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 period of HK\$75,880,000 (Year ended 28 February 2021: HK\$145,017,000) attributable to equity holders of the Company and the weighted average number of ordinary shares of 1,246,723,956 (As at 28 February 2021: 1,053,519,360). The weighted average number of ordinary shares in issue used in the basic loss per share calculation for the period from 1 March 2021 to 31 December 2021 has been adjusted to reflect the number of treasury shares of 67,238,604 (Year ended 28 February 2021: 260,443,200) held by the Company's subsidiaries during the period.

Diluted loss per share is the same basic loss per share as the Group had no potentially dilutive ordinary shares in issue during the period from 1 March 2021 to 31 December 2021 and the year ended 28 February 2021.

10. PROPERTY, PLANT AND EQUIPMENT

	Owned assets <i>HK\$'000</i>	Right-of-use assets <i>HK\$'000</i>	Total <i>HK\$'000</i>
Period from 1 March 2021 to 31 December 2021			
At the beginning of the period, net of accumulated depreciation and impairment	20,798	210,251	231,049
Additions	81	–	81
Modification of leases	–	63,745	63,745
Termination of leases	–	(5,318)	(5,318)
Depreciation	(650)	(45,602)	(46,252)
Impairment	(8)	(1,992)	(2,000)
Revaluation adjustment	2,722	19,964	22,686
	<u>22,943</u>	<u>241,048</u>	<u>263,991</u>
At the end of the period, net of accumulated depreciation and impairment	<u>22,943</u>	<u>241,048</u>	<u>263,991</u>

11. CREDITORS

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

	As at 31 December 2021 <i>HK\$'000</i>	As at 28 February 2021 <i>HK\$'000</i>
Current - 3 months	33,377	40,173
4 - 6 months	348	1,551
7 - 12 months	383	1,027
Over 1 year	1,449	1,930
	<u>35,557</u>	<u>44,681</u>

12. LEASE LIABILITIES

	Period from 1 March 2021 to 31 December 2021 <i>HK\$'000</i>	Year ended 28 February 2021 <i>HK\$'000</i>
At the beginning of the period/year	114,148	206,418
Accretion of interest recognised during the period/year (<i>note 5</i>)	7,099	8,378
Payments	(76,315)	(95,744)
Modification of leases	63,745	6,573
Termination of leases	(7,265)	–
Covid-19-related rent concessions from lessors (<i>note 6</i>)	(6,997)	(11,477)
	<u>94,415</u>	<u>114,148</u>
At the end of the period/year	<u>94,415</u>	<u>114,148</u>
Analysed into payable:		
Within one year	54,859	93,718
In the second to fifth years, inclusive	<u>39,556</u>	<u>20,430</u>
Carrying amount at the end of the period/year	94,415	114,148
Less: current portion	<u>(54,859)</u>	<u>(93,718)</u>
Non-current portion	<u>39,556</u>	<u>20,430</u>

13. INTEREST-BEARING BANK BORROWINGS, OTHER LOANS AND LOANS FROM RELATED PARTIES

(a) Interest-bearing bank borrowings

	As at 31 December 2021			As at 28 February 2021		
	Effective interest rate %	Maturity	HK\$'000	Effective interest rate %	Maturity	HK\$'000
Secured bank borrowings denominated in Hong Kong dollars	HIBOR+ 1.5	2022	144,508	HIBOR+ 1.5	2021	162,679
			As at 31 December 2021		As at 28 February 2021	
			HK\$'000		HK\$'000	

Analysed into:

Within one year or on demand	144,508	162,679
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As at 31 December 2021, the Group's bank borrowings and banking facilities are secured by:

- (i) the pledge of certain of the Group's bank balances and time deposit of HK\$102,153,000 (As at 28 February 2021: HK\$103,719,000);
- (ii) the pledge of certain of the Group's marketable securities with an aggregate fair value of approximately HK\$3,432,000 (As at 28 February 2021: HK\$4,912,000); and
- (iii) the mortgages over the Group's leasehold land and owned buildings with an aggregate carrying amount of approximately HK\$190,000,000 (As at 28 February 2021: HK\$172,529,000).

13. INTEREST-BEARING BANK BORROWINGS, OTHER LOANS AND LOANS FROM RELATED PARTIES (Continued)

(b) Other loans

		As at 31 December 2021 <i>HK\$'000</i>	As at 28 February 2021 <i>HK\$'000</i>
	<i>Notes</i>		
Other loans	<i>(a)</i>	2,740	3,293
Loan from the Lender (as defined below)	<i>(b)</i>	<u>–</u>	<u>150,000</u>
		2,740	153,293
Less: amount repayable within one year or on demand and classified as current portion		<u>(2,203)</u>	<u>(152,167)</u>
Amount classified as non-current portion		<u>537</u>	<u>1,126</u>
		As at 31 December 2021 HK\$'000	As at 28 February 2021 HK\$'000
Analysed into:			
Within one year or on demand		2,203	152,167
In the second year		<u>537</u>	<u>1,126</u>
		<u>2,740</u>	<u>153,293</u>

Notes:

- (a) The other loans were unsecured, bore interest at 2% (As at 28 February 2021: 2%) per annum and repayable on demand, except for an amount of HK\$537,000 (As at 28 February 2021: HK\$1,126,000) which was not repayable in the next 12 months after the end of the reporting period. The balances were denominated in Hong Kong dollars.
- (b) 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 (the “**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.

13. INTEREST-BEARING BANK BORROWINGS, OTHER LOANS AND LOANS FROM RELATED PARTIES *(Continued)*

(c) Loan from a fellow subsidiary

On 10 May 2021, Realord Finance Limited (“**Realord Finance**”), a wholly-owned subsidiary of Realord entered into a loan facility agreement with the Company, pursuant to which Realord Finance had agreed to provide a loan up to HK\$152,000,000 (the “**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, Realord Finance shall release and/or discharge all of its rights, benefits, title and interests under the Realord Debenture.

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 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.

As at 31 December 2021, the carrying amount of Realord Loan was HK\$104,000,000.

(d) Loan from immediate holding company

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 HIBOR 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 December 2021, the carrying amount of Supplemental Loan was HK\$55,000,000.

14. SHARE CAPITAL

	As at 31 December 2021 HK\$'000	As at 28 February 2021 HK\$'000
Issued and fully paid: 1,313,962,560 ordinary shares	<u>469,977</u>	<u>469,977</u>

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 in the Company, respectively. Accordingly, 260,443,200 ordinary shares of the Company held by the Company’s subsidiaries were recognised in the Group’s consolidated financial statements as treasury shares through deduction from equity by HK\$130,221,000.

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

15. 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.

15. 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 that 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.

Call-over hearings in respect of the LBTC Claim were held at the Labour Tribunal on 8 July 2021 and 1 November 2021. Mr. Philip Ma increased his claim in the LBTC Claim to include additional claims that the Company owed him an alleged partial unpaid director fee for the period of 1 March 2021 to 30 June 2021 and payment in lieu of annual leave entitlement; and in respect of the certain subsidiaries of the Company, Mr. Philip Ma also included his claim for director fees and management fees for the period between March to June 2021 and certain entertainment allowance.

The LBTC Claim was subsequently transferred to Court of First Instance of the High Court of Hong Kong, in which Mr. Philip Ma claimed a total sum of HK\$12,064,271.28 by including the additional claims in the aforesaid paragraph. The Company has instructed its legal advisers to defend Mr. Philip Ma’s claims in the High Court.

15. CONTINGENT LIABILITIES AND LITIGATIONS *(Continued)*

(b) 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 gift 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 was expected to amount to approximately HK\$260,442,992 (after deducting Win Dynamic’s ad valorem stamp duty). 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 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 “**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 (collectively the “**Dissenting Directors**”) disagreeing) did not admit that the Deed was null or void or had 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 adviser had 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 was 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.

15. CONTINGENT LIABILITIES AND LITIGATIONS *(Continued)*

(b) Deed and purported cancellation *(Continued)*

On 12 May 2021, the Company was informed by the legal adviser 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 (the “**Action**”). 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.

Realord also applied to the Court for an interlocutory injunction against Win Dynamic (the “**Injunction 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 Injunction 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 Injunction 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.

By a Notice of Hearing dated 18 November 2021, the date of the substantive hearing of the Injunction Application has been fixed for 27 May 2022 at 10 a.m..

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. 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 (the “**Joinder Application**”).

On 9 November 2021, the Court had granted an order in terms of the Joinder Application that, amongst other things, Realord was granted with leave to (i) join the Company as the 2nd plaintiff and Mr. Philip Ma as the 2nd defendant in the Action, and (ii) amend the Writ and the statement of claim in relation to the Purported Cancellation (the “**Joinder Order**”).

15. CONTINGENT LIABILITIES AND LITIGATIONS *(Continued)*

(b) **Deed and purported cancellation** *(Continued)*

On 15 November 2021, Realord and the Company instructed their solicitors to issue the amended Writ and the amended statement of claim against Win Dynamic and Mr. Philip Ma pursuant to the Joinder Order, and serve the same on Mr. Philip Ma on the same day. The Company claimed against Win Dynamic and Mr. Philip Ma for, among others, (i) an order of specific performance of the Deed requiring Win Dynamic to forthwith pay the Company the WD Proceeds, or such other sum as the Court may determine, and (ii) a declaration that the Deed is valid and binding, and Mr. Philip Ma had breached his contractual and/or fiduciary duties to the Company.

By an acknowledgment of service of amended writ of summons filed and served on 1 December 2021, Mr. Philip Ma stated that he intended to contest the Action.

Win Dynamic and Mr. Philip Ma had filed and served their Defence and Counterclaim in the Action on 18 January 2022 and 14 March 2022 respectively. Win Dynamic and Mr. Philip Ma averred, among others, that Realord and the Company were not entitled to any remedy against them. They further counterclaimed against Realord and the Company for, among others, a declaration that the Deed is null and void and/or unenforceable, or alternatively, that the Deed was lawfully rescinded, cancelled or revoked by Win Dynamic and is of no legal effect.

Further details are disclosed in the announcements of the Company dated 29 October 2020 and 4 February 2021, the offer document of Realord dated 5 May 2021 (the “**Offer Document**”) and the response document of the Company dated 20 May 2021 (the “**Response Document**”)

The Company has sought legal advice in respect of this litigation and was advised that (i) the Deed is enforceable, and (ii) the Company has legal and contractual rights over the WD Proceeds. Therefore, the WD Proceeds is initially recognised as “Gift receivable from Win Dynamic” under “Prepayment, deposits, other receivables and other assets” with an amount of HK\$150,001,000, being the fair value of the WD Proceeds which is determined based on an effective interest rate of 9.4%, with a corresponding gift receivable from the then controlling shareholder of the Company recognised under “General and other reserves”.

15. CONTINGENT LIABILITIES AND LITIGATIONS *(Continued)*

(b) Deed and purported cancellation *(Continued)*

As at 31 December 2021, the Group has recognised gift receivable from the then controlling shareholder of the Company (under “General and other reserves”) and gift receivable from Win Dynamic (under non-current portion of “Prepayment, deposits, other receivables and other assets”) of HK\$150,001,000, HK\$158,870,000, respectively. During the period from 1 March 2021 to 31 December 2021, the Group has recognised imputed interest income on gift receivable from Win Dynamic (under “Other income”) and ECL allowance on other receivables (under “General and administrative expenses”) of HK\$9,314,000 and HK\$445,000, respectively.

16. EVENT AFTER THE REPORTING PERIOD

Since February 2022, the Delta variant and the latest Omicron variant of Covid-19 pandemic in Hong Kong have affected the macro-economic conditions as a whole. A series of precautionary and control measures have been and continued to be implemented, including, among others, certain level of restrictions and controls over the travelling of people and traffic arrangements, quarantine of certain residents, and encouraged social distancing.

The outbreak of Covid-19 could affect the subsequent sales to customers. Pending development of this non-adjusting subsequent event subsequent to the date of approval of these consolidated financial statements, further changes in economic and operating conditions arising thereof may have impact on the Group’s financial results. The Group will pay close attention to the development of the Covid-19 pandemic and perform further assessment on its impact and take relevant measures.

RESULTS

The principal activities of the Group during the period of 1 March 2021 to 31 December 2021 (the “**Period**”) are the operation of department stores, securities trading and the provision of general and life insurances.

Overall Financial Review

During the Period, the Group recorded a total revenue of approximately HK\$140.1 million (for the year ended 28 February 2021: approximately HK\$177.5 million). The Group recorded a net loss of approximately HK\$77.1 million (for the year ended 28 February 2021: approximately HK\$145.7 million).

Revenue

During the Period, the revenue was mainly contributed from the operation of department store of approximately HK\$139.2 million (for the year ended 28 February 2021: approximately HK\$176.7 million), representing approximately 99.4% (for the year ended 28 February 2021: approximately 99.6%) of the total revenue of the Group.

Other income and gain, net

During the Period, other income and gain, net was approximately HK\$12.7 million (for the year ended 28 February 2021: approximately HK\$2.0 million), which was mainly attributable to (i) the imputed interest income on gift receivable from Win dynamic of approximately HK\$9.3 million (for the year ended 28 February 2021: Nil); and (ii) the dividend income of approximately HK\$3.1 million (for the year ended 28 February 2021: approximately HK\$1.0 million).

Selling and distribution expenses

During the Period, the selling and distribution expenses was approximately HK\$80.3 million (for the year ended 28 February 2021: approximately HK\$111.2 million), which was mainly attributable to (i) the depreciation of right-of-use assets of approximately HK\$45.6 million (for the year ended 28 February 2021: approximately HK\$80.2 million); and (ii) the employee benefit expenses of approximately HK\$19.5 million (for the year ended 28 February 2021: approximately HK\$18.7 million, net of government grants of approximately HK\$8.2 million).

General and administrative expenses

During the Period, the general and administrative expenses was approximately HK\$49.3 million (for the year ended 28 February 2021: approximately HK\$78.7 million), which was mainly attributable to (i) bad debt of approximately HK\$5,000 (for the year ended 28 February 2021: approximately HK\$4.3 million); (ii) director’s remuneration of approximately HK\$3.0 million (for the year ended 28 February 2021: approximately HK\$12.9 million); and (iii) the employee benefit expenses of approximately HK\$14.7 million (for the year ended 28 February 2021: approximately HK\$20.1 million, net of government grants of approximately HK\$3.4 million).

Other operating expenses, net

During the Period, other operating expenses, net was approximately HK\$4.9 million (for the year ended 28 February 2021: approximately HK\$22.6 million), which was mainly attributable to (i) the impairment of property, plant and equipment of approximately HK\$2.0 million (for the year ended 28 February 2021: approximately HK\$22.3 million); and (ii) loss on termination of lease of approximately HK\$2.9 million (for the year ended 28 February 2021: Nil).

Finance costs

During the Period, finance costs was approximately HK\$25.7 million (for the year ended 28 February 2021: approximately HK\$20.3 million), which was mainly attributable to (i) the interest on lease liabilities of approximately HK\$7.1 million (for the year ended 28 February 2021: approximately HK\$8.4 million); and (ii) the interest on loan from a fellow subsidiary of approximately HK\$9.4 million (for the year ended 28 February 2021: Nil).

Loss attributable to equity holders of the Company

During the Period, our department store operation was affected by the persistence impact of Covid-19 pandemic. As the result, the loss attributable to equity holders of the Company for the Period was approximately HK\$75.9 million (for the year ended 28 February 2021: approximately HK\$145.0 million). Financial review of each segment was further explained below.

BUSINESS REVIEW

DEPARTMENT STORE OPERATION

During the Period, our Group's performance was affected by the persistence impact of the Covid-19 pandemic. In addition, one of our stores was closed during the Period. Our department store operations recorded revenue of approximately HK\$139.2 million (for the year ended 28 February 2021: HK\$176.7 million).

As a result, the Group had adopted pro-active measures to reduce operating expenses, such as staff costs. Together with the rental concession obtained from landlords, the overall segment loss was approximately HK\$63.2 million during the Period (for the year ended 28 February 2021: HK\$108.5 million).

To maintain a healthy inventory level, continuing the clearance of previous season inventory was our major goal during the Period. The inventory level reduced from approximately HK\$42.9 million as at 28 February 2021 to approximately HK\$34.4 million as at 31 December 2021. As a result, reversal of provision for inventories of HK\$1.6 million was recognised (for the year ended 28 February 2021: provision for inventories of HK\$1.1 million).

SECURITIES TRADING OPERATION

The Group recorded net realised gain on securities trading of approximately HK\$0.2 million for the Period (for the year ended 28 February 2021: approximately HK\$6,000). Dividend income was approximately HK\$3.1 million (for the year ended 28 February 2021: approximately HK\$1.0 million). Hence, a segment loss of approximately HK\$2.9 million (for the year ended 28 February 2021: HK\$8.9 million) was resulted for the Period. 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

Currently, Hong Kong is under a new wave attack of Covid-19 driven by the Omicron variant. Apart from the social distancing policies, tougher measurements and controls, such as the “Vaccine Pass”, has been implemented by the government and department stores have fallen into one of the scheduled premises. Our business has been inevitably affected. 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. Meanwhile, the Group will take a more 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, the Board is optimistic about the prospects of the Group.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2021, the Group had cash and bank balances, pledged bank balances and deposits of approximately HK\$156.2 million (28 February 2021: HK\$191.7 million), of which approximately HK\$102.2 million (28 February 2021: HK\$103.7 million) were pledged. As at 31 December 2021, the Group’s gearing ratio, being the interest-bearing bank borrowings, other loans, lease liabilities, loans from a fellow subsidiary and the immediate holding company to net assets of approximately 169% (28 February 2021: 1,514%).

The interest expense charged to the consolidated income statement for the Period was approximately HK\$25.7 million (for the year ended 28 February 2021: HK\$20.3 million). The interest-bearing bank borrowings of the Group as of 31 December 2021 were approximately HK\$144.5 million (28 February 2021: 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 HIBOR + 1.5% per annum. All bank borrowings were secured against securities investments, a property and bank deposits. The current ratio was approximately 0.58 (28 February 2021: 0.53).

As at 31 December 2021, the Group has utilised the Realord Loan and Supplemental Loan of HK\$104,000,000 and HK\$55,000,000, respectively.

The decrease in the interest-bearing bank borrowings was due to decrease in trade financing which was in line with the Group's inventory level.

As at 31 December 2021, the Group had net current liabilities of approximately HK\$180,974,000 (28 February 2021: HK\$243,678,000) and an equity attributable to the equity holders of the Company of approximately HK\$188,849,000 (28 February 2021: a deficit attributable to the equity holders of the Company HK\$2,977,000). The Group's cash and bank balances amounted to approximately HK\$54,092,000 (28 February 2021: HK\$87,949,000) as at 31 December 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's products are partly imported from Europe and settled by Euro. Although the Group currently does not have a foreign currency hedging policy, it does and will continue to monitor the foreign exchange exposure closely and will consider hedging if there is significant foreign currency exposure.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2021, the Group had 198 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. 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 staff purchase discounts, subsidised medical care and training courses.

CONTINGENT LIABILITIES AND LITIGATIONS

Saved as disclosed in note 15 to this announcement, the Group do not have other material contingent liabilities and litigations.

EVENTS AFTER THE REPORTING PERIOD

Save as disclosed in note 16 to this announcement, the Group has no significant events after the reporting period up to the date of this announcement.

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 Undertaking**”). 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 31 December 2021, and of its consolidated financial performance and its consolidated cash flows for the period from 1 March 2021 to 31 December 2021 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 describes the principal conditions that raise doubt about the Group's ability to continue as a going concern. These events or conditions indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.”

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 period from 1 March 2021 to 31 December 2021, the Company has complied with the Code Provisions set out in the CG Code, save and except for code provision C.2.1 and C.1.6.

Code provision C.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. 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 C.2.1 of the CG Code since then.

Pursuant to code provision C.1.6 of the CG Code, independent non-executive directors and other non-executive directors of the Company should also attend general meetings to obtain better understanding of the views of the shareholders of the Company. 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 relevant general meetings during the period from 1 March 2021 to 31 December 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 period from 1 March 2021 to 31 December 2021.

SCOPE OF WORK OF GRANT THORNTON HONG KONG LIMITED

The figures in respect of the preliminary announcement of the Group's results for the period from 1 March 2021 to 31 December 2021 have been agreed by the Company's auditor, Grant Thornton Hong Kong Limited, to the amounts set out in the Group's audited consolidated financial statements for the period. The work performed by Grant Thornton Hong Kong Limited 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 the Grant Thornton Hong Kong Limited on the preliminary announcement.

AUDIT COMMITTEE

The Audit Committee of the Company consists of Mr. Yu Leung Fai, Mr. Yuan Baoyu and Mr. Chung Chun Hung Simon, independent non-executive directors of the Company. The Audit Committee has reviewed the final results (including the consolidated financial statements) of the Company for the period from 1 March 2021 to 31 December 2021.

DIVIDENDS

The Board did not recommend the payment of a dividend for the Period.

ANNUAL GENERAL MEETING

The annual general meeting of the Company (“AGM”) will be held on Thursday, 9 June 2022, and the notice of the AGM will be published and despatched in the manner as required by the Listing Rules in due course.

CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement to attend and vote at the AGM to be held on Thursday, 9 June 2022, the register of members of the Company will be closed from Thursday, 2 June 2022 to Thursday, 9 June, 2022, 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 Wednesday, 1 June 2022.

PUBLICATION OF ANNUAL REPORT

The annual report of the Group for the period from 1 March 2021 to 31 December 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.

By order of the Board
Lin Xiaohui
Chairman

Hong Kong, 31 March 2022

As at the date of this announcement, the executive Directors are Dr. Lin Xiaohui, Madam Su Jiaohua, and Dr. Yu Lai, the non-executive Director is Dr. Tai Tak Fung, and the independent non-executive Directors are Mr. Yu Leung Fai, Mr. Yuan Baoyu and Mr. Chung Chun Hung Simon.