



INTERIM REPORT 2022

sincere先施

The Sincere Company, Limited

Stock code: 244



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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Dr. LIN Xiaohui (*Chairman*)
Madam SU Jiaohua (*CEO*)
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. IP Ho Wing

LEGAL ADVISERS

Michael Li & Co.
Holman Fenwick Willan
Debevoise & Plimpton

AUDITOR

Grant Thornton Hong Kong Limited
11th Floor, Lee Garden Two,
28 Yun Ping Road,
Causeway Bay, Hong Kong

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
17/F, Far East Finance Centre
16 Harcourt Road,
Hong Kong

REGISTERED OFFICE

24/F, Jardine House,
1 Connaught Place,
Central, Hong Kong

STOCK CODE

244

WEBSITE

Company:

www.sincere.com.hk

Financial Information:

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 30 June 2022, together with the comparative figures for the six months ended 31 August 2021 and as at 31 December 2021 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 30 June 2022

		Six months ended 30 June 2022 HK\$'000 (unaudited)	Six months ended 31 August 2021 HK\$'000 (unaudited)
	Notes		
Revenue	5(a)	69,081	80,184
Cost of sales		(30,918)	(39,546)
Other income and gains, net	5(b)	8,545	3,084
Net unrealised loss on securities trading		(402)	(3,574)
Selling and distribution expenses		(44,172)	(47,717)
General and administrative expenses		(27,920)	(32,448)
Other operating expenses, net		–	(5,132)
Finance costs	6	(13,657)	(15,979)
Loss before income tax	7	(39,443)	(61,128)
Income tax expense	8	(36)	–
Loss for the period		(39,479)	(61,128)
Attributable to:			
Equity holders of the Company		(38,087)	(60,555)
Non-controlling interests		(1,392)	(573)
		(39,479)	(61,128)
Loss per share attributable to equity holders of the Company			
Basic and diluted	9	HK\$(0.03)	HK\$(0.05)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the six months ended 30 June 2022

	Six months ended 30 June 2022 HK\$'000 (unaudited)	Six months ended 31 August 2021 HK\$'000 (unaudited)
Loss for the period	(39,479)	(61,128)
Other comprehensive income		
<i>Other comprehensive (loss)/income that may be reclassified to the consolidated income statement in subsequent periods:</i>		
Exchange differences arising on translation of foreign operations	(54)	5
<i>Other comprehensive income that will not be reclassified to the consolidated income statement in subsequent periods:</i>		
Actuarial gains on a defined benefit plan	–	1,658
Revaluation of leasehold land and owned buildings	3,725	15,109
Changes in fair value of equity investments at fair value through other comprehensive income ("FVTOCI")	–	5,388
Gain on disposal of asset classified as held for sale	715	–
	4,440	22,155
Total comprehensive loss for the period	(35,093)	(38,968)
Attributable to:		
Equity holders of the Company	(34,474)	(38,515)
Non-controlling interests	(619)	(453)
	(35,093)	(38,968)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	As at 30 June 2022 HK\$'000 (unaudited)	As at 31 December 2021 HK\$'000 (audited)
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	11	242,153	263,991
Equity investments at FVTOCI		3,807	3,807
Prepayments, deposits, other receivables and other assets	12	179,337	172,058
Pension scheme assets		23,101	23,101
		448,398	462,957
Current assets			
Inventories		32,444	34,401
Prepayments, deposits, other receivables and other assets	12	32,046	27,466
Financial assets at fair value through profit or loss ("FVTPL")		4,548	5,741
Pledged bank balances and deposits		103,005	102,153
Cash and bank balances		106,637	54,092
		278,680	223,853
Asset classified as held for sale	13	17,956	26,646
		296,636	250,499
Current liabilities			
Creditors	14	26,455	35,557
Lease liabilities	15	30,343	54,859
Insurance contracts liabilities		1,154	1,174
Deposits, accrued expenses and other payables		33,314	32,053
Contract liabilities		1,067	2,119
Tax payable		34	–
Interest-bearing bank borrowings	16(a)	143,612	144,508
Other loans	16(b)	2,225	2,203
Loan from a fellow subsidiary	16(c)	104,000	104,000
Loan from immediate holding company	16(d)	65,000	55,000
Loan from a related company	16(e)	105,000	–
		512,204	431,473
Net current liabilities		(215,568)	(180,974)
Total assets less current liabilities		232,830	281,983

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

	Notes	As at 30 June 2022 HK\$'000 (unaudited)	As at 31 December 2021 HK\$'000 (audited)
Non-current liabilities			
Deposits, accrued expenses and other payables		4,663	4,663
Other loans	16(b)	542	537
Lease liabilities	15	25,491	39,556
		30,696	44,756
Net assets		202,134	237,227
EQUITY			
Equity attributable to equity holders of the Company			
Share capital	17	469,977	469,977
Deficits		(315,602)	(281,128)
		154,375	188,849
Non-controlling interests		47,759	48,378
Total equity		202,134	237,227

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the six months ended 30 June 2022

	Attributable to equity holders of the Company							
	Share capital HK\$'000	Reserves/(Deficits)					Non-controlling interests HK\$'000	Total equity HK\$'000
		General and other reserves HK\$'000	Asset revaluation reserve HK\$'000	Investment revaluation reserve HK\$'000	Accumulated losses HK\$'000	Total deficits HK\$'000		
As at 1 January 2022 (audited)	469,977	332,292	181,807	4,127	(799,354)	(281,128)	48,378	237,227
Loss for the period	-	-	-	-	(38,087)	(38,087)	(1,392)	(39,479)
Other comprehensive (loss)/income for the period:								
Exchange differences arising on translation of foreign operations	-	(827)	-	-	-	(827)	773	(54)
Revaluation of leasehold land and owned buildings (note 11)	-	-	3,725	-	-	3,725	-	3,725
Gain on disposal of asset classified as held for sale	-	-	-	715	-	715	-	715
Total comprehensive (loss)/income for the period	-	(827)	3,725	715	(38,087)	(34,474)	(619)	(35,093)
Release of reserve upon disposal of asset classified as held for sale	-	-	-	(6,127)	6,127	-	-	-
As at 30 June 2022 (unaudited)	469,977	331,465	185,532	(1,285)	(831,314)	(315,602)	47,759	202,134

	Attributable to equity holders of the Company								
	Share capital HK\$'000	Treasury shares HK\$'000	Reserves/(Deficits)					Non-controlling interests HK\$'000	Total equity HK\$'000
			General and other reserves HK\$'000	Asset revaluation reserve HK\$'000	Investment revaluation reserve HK\$'000	Accumulated losses HK\$'000	Total 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 (loss)/income for the period:									
Exchange differences arising on translation of 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	-	-	-	15,109	-	-	15,109	-	15,109
Changes in fair value of equity investments at FVTOCI	-	-	-	-	5,388	-	5,388	-	5,388
Total comprehensive (loss)/income for the period	-	-	(101)	15,109	5,388	(58,911)	(38,515)	(453)	(38,968)
Disposal of treasury shares	-	130,221	(45,710)	-	-	-	84,511	17,973	102,484
As at 31 August 2021 (unaudited)	469,977	-	182,405	174,230	3,299	(786,892)	(426,958)	48,902	91,921

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

for the six months ended 30 June 2022

	Six months ended 30 June 2022 HK\$'000 (unaudited)	Six months ended 31 August 2021 HK\$'000 (unaudited)
Net cash used in operating activities	(29,566)	(49,721)
Cash flows from investing activities		
Additions of owned assets in property, plant and equipment	(1,326)	(67)
(Increase)/Decrease in pledged bank balances and deposits	(852)	1,652
Proceeds from disposal of asset classified as held for sale	9,405	–
Net cash from investing activities	7,227	1,585
Cash flows from financing activities		
Proceeds from bank borrowings	64,129	80,010
Repayments of bank borrowings	(65,025)	(109,651)
Increase/(Decrease) in other loans	27	(150,571)
Proceeds from loan from a fellow subsidiary	50,000	152,000
Repayments of loan from a fellow subsidiary	(50,000)	–
Proceeds from loan from immediate holding company	10,000	55,000
Proceeds from loan from a related company	105,000	–
Final settlement on termination of a lease	–	(5,300)
Principal portion of lease payments	(39,247)	(46,722)
Proceeds from disposal of treasury shares	–	102,484
Net cash from financing activities	74,884	77,250
Net increase in cash and cash equivalents	52,545	29,114
Cash and cash equivalents at the beginning of the period	54,092	87,949
Cash and cash equivalents at the end of the period	106,637	117,063

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

for the six months ended 30 June 2022

1. CORPORATE INFORMATION

The Company is a limited liability company incorporated in Hong Kong. The registered office of the Company is located at 24/F, Jardine House, 1 Connaught Place, Central, 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 30 June 2022, 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 immediate holding company of the Company. 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.

2. BASIS OF PREPARATION

The condensed consolidated interim financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

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

The condensed consolidated interim financial statements do not include all the information and disclosures required in the annual consolidated financial statements and should be read in conjunction with the Group's annual consolidated financial statements for the period from 1 March 2021 to 31 December 2021 (the "Period"). The accounting policies and significant accounting judgments and estimates used in the preparation of the condensed consolidated interim financial statements are consistent with those applied in the Group's annual consolidated financial statements for the Period, except for the adoption of new and amended Hong Kong Financial Reporting Standards ("HKFRSs") as disclosed in note 3.

2. BASIS OF PREPARATION (CONTINUED)

The financial information relating to the Period 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 the Period 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 consolidated financial statements for the period ended 31 December 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 its 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.

Going concern basis

During the six months ended 30 June 2022, the Group recorded a net loss of HK\$39,479,000. The Group's operations are financed by bank and other borrowings, loans from related parties and internal resources. As at 30 June 2022, the Group had net current liabilities of HK\$215,568,000. The Group's cash and bank balances amounting to HK\$106,637,000 as at 30 June 2022.

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 current period. As at 30 June 2022, the Group had unutilised trade financing banking facilities of HK\$70,098,000. 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. 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 12 months from 30 June 2022.

On 21 March 2022, a related company, in which Dr. Lin and Madam Su own 70% and 30% equity interests respectively, entered into a loan facility agreement with the Company, pursuant to which the related company 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 30 June 2022. 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, respectively and to provide for any future liabilities which might arise. The effect of these potential adjustments has not been reflected in these condensed consolidated interim financial statements.

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 to align the financial year end date of the Company with that of Realord. Accordingly, the accompanying condensed consolidated interim financial statements for the current financial period cover a period of 6 months from 1 January 2022 to 30 June 2022. The comparative figures, however, are for 6 months from 1 March 2021 to 31 August 2021, and hence are not directly comparable.

3. ADOPTION OF NEW AND AMENDED HKFRSs

Amended HKFRSs that are effective for annual period beginning on 1 January 2022

The condensed consolidated interim financial statements for the six months ended 30 June 2022 have been prepared in accordance with the accounting policies adopted in the Group's annual consolidated financial statements for the Period, except for the adoption of the following amended HKFRSs which are effective as of 1 January 2022.

Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendments to HKAS 16	Property, Plant and Equipment - Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts - Cost of Fulfilling a Contract
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018-2020
Accounting Guideline 5 (Revised)	Merger Accounting for Common Control Combination

The adoption of these amended HKFRSs had no material impact on how the results and financial position of the Group for the current and prior periods have been prepared and presented.

Issued but not yet effective HKFRSs

At the date of authorisation of these condensed consolidated interim financial statements, certain new and amended HKFRSs have been published but are not yet effective, and have not been adopted early by the Group.

HKFRS 17	Insurance Contracts and related amendments ¹
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ²
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) ¹
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies ¹
Amendments to HKAS 8	Definition of Accounting Estimates ¹
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction ¹

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

² Effective date not yet determined

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 condensed consolidated interim financial statements.

4. 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 resources 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 income/(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 and loans from related parties as these liabilities are managed on a group basis.

Inter-segment 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.

4. SEGMENT INFORMATION (CONTINUED)

(a) Operating segments

The following table presents revenue and loss for the Group's operating segments for the six months ended 30 June 2022 and 31 August 2021.

	Department store operations		Securities trading		Others		Eliminations		Total	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Segment revenue and results										
Segment revenue:										
Sales to external customers	68,763	79,600	(10)	203	328	381	-	-	69,081	80,184
Inter-segment sales	-	-	-	-	16,209	17,104	(16,209)	(17,104)	-	-
Other income and gains, net	109	43	448	2,858	1	167	-	-	558	3,068
Total	68,872	79,643	438	3,061	16,538	17,652	(16,209)	(17,104)	69,639	83,252
Segment results	(27,151)	(47,495)	(1,118)	(2,362)	(8,406)	2	-	-	(36,675)	(49,855)
Interest income and unallocated other income and gains, net									7,987	16
Expected credit loss ("ECL") allowance on other receivables									(595)	-
Finance costs (other than interest on lease liabilities)									(10,160)	(11,289)
Loss before income tax									(39,443)	(61,128)
Income tax expense									(36)	-
Loss for the period									(39,479)	(61,128)

The following table presents certain assets and liabilities for the Group's operating segments as at 30 June 2022 and 31 December 2021.

	Department store operations		Securities trading		Others		Eliminations		Total	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(audited)	(unaudited)	(audited)	(unaudited)	(audited)	(unaudited)	(audited)	(unaudited)	(audited)
Segment assets and liabilities										
Segment assets	164,867	192,777	9,005	10,174	211,578	223,901	(16,209)	(28,511)	369,241	398,341
Unallocated assets									375,793	315,115
Total assets									745,034	713,456
Segment liabilities	124,267	183,858	4,678	4,585	9,785	10,049	(16,209)	(28,511)	122,521	169,981
Unallocated liabilities									420,379	306,248
Total liabilities									542,900	476,229

4. SEGMENT INFORMATION (CONTINUED)

(b) Geographical information

The following table presents revenue for the Group's geographical information for the six months ended 30 June 2022 and 31 August 2021.

	Hong Kong		United Kingdom		Others		Total	
	2022	2021	2022	2021	2022	2021	2022	2021
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Segment revenue:								
Sales to external customers	68,989	80,002	102	110	(10)	72	69,081	80,184

5. REVENUE, OTHER INCOME AND GAINS, NET

(a) Revenue

	Six months ended 30 June 2022 HK\$'000 (unaudited)	Six months ended 31 August 2021 HK\$'000 (unaudited)
Revenue from contracts with customers:		
Sale of goods - own goods	51,441	61,530
Income from counter and consignment sale	17,322	18,070
Revenue from other sources:		
Net realised (loss)/gains on securities trading	(10)	203
Rental income	328	381
	69,081	80,184

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.

5. REVENUE, OTHER INCOME AND GAINS, NET (CONTINUED)

(a) Revenue (Continued)

Revenue from contracts with customers (Continued)

(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\$1,067,000 (As at 31 August 2021: HK\$1,225,000) was allocated to the remaining performance obligations as at 30 June 2022 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:

	Six months ended 30 June 2022 HK\$'000 (unaudited)	Six months ended 31 August 2021 HK\$'000 (unaudited)
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:		
Loyalty points programme	2,119	730

5. REVENUE, OTHER INCOME AND GAINS, NET (CONTINUED)

(b) Other income and gains, net

	Six months ended 30 June 2022 HK\$'000 (unaudited)	Six months ended 31 August 2021 HK\$'000 (unaudited)
Bank interest income	94	26
Imputed interest income on gift receivable from Win Dynamic	7,877	–
Other interest income from financial assets at FVTPL	32	20
Dividends from financial assets at FVTPL	416	2,836
Foreign exchange gains/(losses), net	15	(11)
Others	111	213
	8,545	3,084

6. FINANCE COSTS

An analysis of finance costs is as follows:

	Six months ended 30 June 2022 HK\$'000 (unaudited)	Six months ended 31 August 2021 HK\$'000 (unaudited)
Interest on bank borrowings	1,179	1,266
Interest on lease liabilities	3,497	4,690
Interest on other loans	27	5,270
Interest on loan from a fellow subsidiary	4,842	4,414
Interest on loan from immediate holding company	2,638	339
Interest on loan from a related company	1,474	–
	13,657	15,979

7. LOSS BEFORE INCOME TAX

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

	Six months ended 30 June 2022 HK\$'000 (unaudited)	Six months ended 31 August 2021 HK\$'000 (unaudited)
Employee benefit expenses, excluding directors' and chief executive's remunerations		
– Wages and salaries	18,712	19,185
– Pension contributions	642	1,043
Less: government grants (note)	(2,592)	–
	16,762	20,228
Depreciation	28,275	28,432
Reversal of provision for inventories	(803)	–
Impairment of property, plant and equipment	–	7
Impairment of right-of-use assets	–	2,264
ECL allowance on other receivables	595	–
Loss on termination of lease	–	2,861
Covid-19-related rent concessions from lessors	(720)	(5,237)
Short-term lease payments	212	–

Note:

Government grants from Hong Kong Government's employment support scheme of HK\$1,836,000 (six months ended 31 August 2021: Nil) and HK\$756,000 (six months ended 31 August 2021: Nil) were included in "Selling and distribution expenses" and "General and administrative expenses", respectively, on the face of the condensed consolidated income statement. There are no unfulfilled conditions or contingencies relating to these grants.

8. INCOME TAX EXPENSE

No provision for Hong Kong Profits Tax had been made as there were no assessable profits arising in Hong Kong for the periods. During the six months ended 30 June 2022 and 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.

	Six months ended 30 June 2022 HK\$'000 (unaudited)	Six months ended 31 August 2021 HK\$'000 (unaudited)
Current charge for the period		
– Hong Kong	–	–
– Elsewhere	36	–
	36	–

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

The calculation of the basic loss per share for the six months ended 30 June 2022 is based on the loss for the period attributable to equity holders of the Company of HK\$38,087,000 and the weighted average number of ordinary shares of 1,313,962,560 in issue throughout the period.

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 HK\$60,555,000 and the weighted average number of ordinary shares of 1,202,141,838 in issue throughout the period, as adjusted to reflect the weighted average number of treasury shares of 111,820,722 held by the Company's subsidiaries during the period.

Diluted loss per share is the same as basic loss per share as the Group had no potentially dilutive ordinary shares in issue during the six months ended 30 June 2022 and 31 August 2021.

10. DIVIDEND

The Board has decided not to declare an interim dividend for the six months ended 30 June 2022 (2021: Nil).

11. PROPERTY, PLANT AND EQUIPMENT

	Owned assets HK\$'000	Right-of-use assets HK\$'000	Total HK\$'000
Net carrying amount as at 1 January 2022 (audited)	22,943	241,048	263,991
Additions	1,326	–	1,326
Modification of lease	–	1,386	1,386
Depreciation for the period	(502)	(27,773)	(28,275)
Revaluation adjustment	447	3,278	3,725
Net carrying amount as at 30 June 2022 (unaudited)	24,214	217,939	242,153

As at 30 June 2022, the Group's leasehold land and owned buildings with an aggregate carrying amount of HK\$190,000,000 (As at 31 December 2021: HK\$190,000,000) were pledged as security for the bank borrowings granted to the Group (note 16(a)).

12. PREPAYMENTS, DEPOSITS, OTHER RECEIVABLES AND OTHER ASSETS

	As at 30 June 2022 HK\$'000 (unaudited)	As at 31 December 2021 HK\$'000 (audited)
Gift receivable from Win Dynamic (note 21)	167,192	159,315
Prepayments, deposits and other receivables	40,810	36,233
Other assets	4,421	4,421
Loss allowance (note 21)	(1,040)	(445)
	211,383	199,524
Less: amount classified as current portion	(32,046)	(27,466)
Amount classified as non-current portion	179,337	172,058

Included in prepayments, deposits, other receivables and other assets are mainly gift receivable from Win Dynamic of HK\$166,152,000 (As at 31 December 2021: HK\$158,870,000), rental deposits of HK\$32,637,000 (As at 31 December 2021: HK\$32,640,000) and amounts due from credit card companies related to sales settled by customers using credit cards of HK\$548,000 (As at 31 December 2021: HK\$1,086,000) as at 30 June 2022.

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

13. ASSET CLASSIFIED AS HELD FOR SALE

The Group has entered into a sale and purchase agreement with an independent third party to dispose one of the unlisted investments of total shares of 12,202,422 in January 2022. The Group has completed the disposal of 3,979,764 shares on 14 February 2022 and 8,222,658 shares on 25 July 2022 respectively.

Such unlisted investments, which previously classified as financial assets at FVTOCI, were reclassified to asset classified as held for sale at 31 December 2021 and presented separately in the condensed consolidated statement of financial position.

14. CREDITORS

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

	As at 30 June 2022 HK\$'000 (unaudited)	As at 31 December 2021 HK\$'000 (audited)
Current - 3 months	24,205	33,377
4 - 6 months	472	348
7 - 12 months	150	383
Over 1 year	1,628	1,449
	26,455	35,557

15. LEASES

The Group as a lessee

The Group has lease contracts for warehouse, 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 1 and 9 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 11 to the condensed consolidated interim financial statements.

15. LEASES (CONTINUED)
The Group as a lessee (Continued)

(b) Lease liabilities

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

	As at 30 June 2022 HK\$'000 (unaudited)	As at 31 December 2021 HK\$'000 (audited)
At the beginning of the period	94,415	114,148
Accretion of interest recognised during the period	3,497	7,099
Payments	(42,744)	(76,315)
Modification of leases	1,386	63,745
Termination of a lease	–	(7,265)
Covid-19-related rent concessions from lessors	(720)	(6,997)
	55,834	94,415
Analysed into:		
Within one year	30,343	54,859
In the second to fifth years, inclusive	25,491	39,556
Carrying amount at the end of period	55,834	94,415
Less: current portion	(30,343)	(54,859)
Non-current portion	25,491	39,556

16. INTEREST-BEARING BANK BORROWINGS, OTHER LOANS AND LOANS FROM A FELLOW SUBSIDIARY/IMMEDIATE HOLDING COMPANY/A RELATED COMPANY

(a) Interest-bearing bank borrowings

	As at 30 June 2022			As at 31 December 2021		
	Effective interest rate %	Maturity	HK\$'000 (unaudited)	Effective interest rate %	Maturity	HK\$'000 (audited)
Secured bank borrowings denominated in Hong Kong dollars	Hong Kong Interbank Offered Rate ("HIBOR") + 1.5	2022	143,612	HIBOR + 1.5	2022	144,508
			As at 30 June 2022 HK\$'000 (unaudited)		As at 31 December 2021 HK\$'000 (audited)	
Analysed into:						
Within one year or on demand			143,612			144,508

As at 30 June 2022, the Group's bank borrowings and banking facilities are secured by:

- (i) the pledge of the Group's bank balances and time deposit of HK\$103,005,000 (As at 31 December 2021: HK\$102,153,000);
- (ii) the pledge of the Group's marketable securities with an aggregate fair value of HK\$2,516,000 (As at 31 December 2021: HK\$3,432,000); and
- (iii) the mortgages over the Group's leasehold land and owned buildings with an aggregate carrying amount of HK\$190,000,000 (As at 31 December 2021: HK\$190,000,000) (note 11).

16. INTEREST-BEARING BANK BORROWINGS, OTHER LOANS AND LOANS FROM A FELLOW SUBSIDIARY/IMMEDIATE HOLDING COMPANY/A RELATED COMPANY (CONTINUED)

(b) Other loans

	As at 30 June 2022 HK\$'000 (unaudited)	As at 31 December 2021 HK\$'000 (audited)
Other loans	2,767	2,740
	As at 30 June 2022 HK\$'000 (unaudited)	As at 31 December 2021 HK\$'000 (audited)
Analysed into:		
Within one year or on demand	2,225	2,203
In the second year	542	537
	2,767	2,740

The other loans are unsecured, bear interest at 2% (As at 31 December 2021: 2%) per annum and are repayable on demand, except for an amount of HK\$542,000 (As at 31 December 2021: HK\$537,000) which is not repayable in the next 12 months after the end of the reporting period.

(c) Loan from a fellow subsidiary

The loan from a fellow subsidiary, Realord Finance Limited ("Realord Finance"), is unsecured, bears interest at 10% (As at 31 December 2021: 10%) per annum and is repayable on or before 8 May 2023 and is subject to Realord Finance's right to demand for early repayment.

(d) Loan from immediate holding company

The loan from immediate holding company, Realord, is unsecured, bears interest at 8.2% (As at 31 December 2021: 8.2%) per annum and is repayable on or before 10 August 2023.

(e) Loan from a related company

The loan from a related company, in which Dr. Lin and Madam Su own 70% and 30% equity interests respectively, is unsecured, bears interest at HIBOR plus 5% per annum and is repayable within the term agreed with the related company.

17. SHARE CAPITAL

	As at 30 June 2022 HK\$'000 (unaudited)	As at 31 December 2021 HK\$'000 (audited)
Issued and fully paid: 1,313,962,560 ordinary shares	469,977	469,977

There was no movement in the Company's share capital for the six months ended 30 June 2022.

18. RELATED PARTY TRANSACTIONS

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

	Six months ended 30 June 2022 HK\$'000 (unaudited)	Six months ended 31 August 2021 HK\$'000 (unaudited)
Management service fee to a related company (note (i))	–	452
Professional fee to fellow subsidiaries (note (ii))	114	–
Interest expense on loan from a fellow subsidiary (note (iii))	4,842	4,414
Interest expense on loan from immediate holding company (note (iii))	2,638	339
Interest expense on loan from a related company (note (iii))	1,474	–
Handling fee to a related company (note (iv))	1,000	–
Expenses to immediate holding company (note (v))	249	–
Sale of goods to a fellow subsidiary (note (vi))	19	–
Sale of goods to immediate holding company (note (vi))	190	–

Notes:

- (i) The management service fee was charged in accordance with contractual terms with a related company controlled by a member of key management personnel of the Group.
- (ii) The professional fee to fellow subsidiaries were for the provision of printing and conferences services to the Group.
- (iii) The interest expenses were charged in accordance with contractual terms with a fellow subsidiary, the immediate holding company and a related company. Details of which are set out in notes 16(c), 16(d) and 16(e) to the condensed consolidated interim financial statements, respectively.
- (iv) Handling fee related to the loan from a related company and was charged in accordance with contractual terms with a related company. Details of the loan are set out in note 16(e) to the condensed consolidated interim financial statements.
- (v) The expenses were charged by immediate holding company for sharing of office location based on the occupancy area.
- (vi) The sale of goods was charged in accordance with contractual terms with a fellow subsidiary and immediate holding company.

18. RELATED PARTY TRANSACTIONS (CONTINUED)

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

As at 30 June 2022, outstanding professional fee to fellow subsidiaries included in deposits, accrued expenses and other payables was HK\$441,000 (As at 31 December 2021: HK\$979,000).

- (b) Compensation of key management personnel of the Group:

	Six months ended 30 June 2022 HK\$'000 (unaudited)	Six months ended 31 August 2021 HK\$'000 (unaudited)
Short term employee benefits	342	4,133
Pension contributions	–	9
	342	4,142

19. 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

	Fair value measurement using			Total HK\$'000
	Quoted prices in active markets (Level 1) HK\$'000	Significant observable inputs (Level 2) HK\$'000	Significant unobservable inputs (Level 3) HK\$'000	
As at 30 June 2022 (unaudited)				
Equity instruments at FVTOCI	–	–	3,807	3,807
Asset classified as held for sale	–	–	17,956	17,956
Financial assets at FVTPL	2,515	2,033	–	4,548
Others assets	–	2,000	–	2,000
	2,515	4,033	21,763	28,311
As at 31 December 2021 (audited)				
Equity instruments at FVTOCI	–	–	3,807	3,807
Asset classified as held for sale	–	–	26,646	26,646
Financial assets at FVTPL	3,432	2,309	–	5,741
Others assets	–	2,000	–	2,000
	3,432	4,309	30,453	38,194

19. FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (CONTINUED)

Assets measured at fair value (continued)

During the six months ended 30 June 2022 and the period from 1 March 2021 to 31 December 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 fair value of financial assets at FVTPL and other assets categorised under Level 2 fair value measurement is determined based on the quoted prices from the fund managers or the clubs, respectively.

The Group did not have any financial liabilities measured at fair value under Level 3 as at 30 June 2022 and 31 December 2021. As at 30 June 2022 and 31 December 2021, management used the following valuation technique and key input for the valuations of financial assets measured at fair value under Level 3.

Information about Level 3 fair value measurements

Financial instrument	Valuation technique	Significant unobservable input
Equity instruments at FVTOCI and asset classified as held for sale	Market approach	Discount for lack of marketability of 30.9% (As at 31 December 2021: 30.9%)

The fair value of equity instruments at FVTOCI and asset classified as held for sale is determined using market approach adjusted for lack of marketability discount. The fair value is negatively correlated to the discount for lack of marketability.

At 30 June 2022 and 31 December 2021, it is estimated that an increase/(decrease) of 3% in the unobservable inputs, with all other variables held constant, would have (decreased)/increased the Group's other comprehensive income as follows:

	Increase/ (Decrease) in unobservable inputs %	(Decrease)/ Increase in other comprehensive income HK\$'000
As at 30 June 2022		
Discount for lack of marketability	3 (3)	(539) 551
As at 31 December 2021		
Discount for lack of marketability	3 (3)	(800) 818

19. FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (CONTINUED)
Information about Level 3 fair value measurements (continued)

The movement during the period in the balance of Level 3 fair value measurements is as follows:

	For the period from 1 January 2022 to 30 June 2022 HK\$'000 (unaudited)	For the period from 1 March 2021 to 31 December 2021 HK\$'000 (audited)
<u>Equity investments at FVTOCI</u>		
At the beginning of the period/year	3,807	24,237
Net gains recognised in other comprehensive income	–	6,216
Transfer to asset classified as held for sale	–	(26,646)
	3,807	3,807
<u>Asset classified as held for sale</u>		
At the beginning of the period/year	26,646	–
Gain on disposal recognised in other comprehensive income	715	–
Disposal	(9,405)	–
Transfer from equity investments at FVTOCI	–	26,646
	17,956	26,646

Gain on disposal of asset classified as held for sale is recognised in other comprehensive income and included under “investment revaluation reserve”.

20. OUTSTANDING COMMITMENTS AND CONTINGENT LIABILITIES

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

	As at 30 June 2022 HK\$'000 (unaudited)	As at 31 December 2021 HK\$'000 (audited)
Irrevocable letters of credit	14,208	13,859
Bank guarantees given in lieu of property rental deposits and to a supplier	–	18,229
	14,208	32,088

(b) Certain non-compliance matters regarding the Group’s insurance business are brought to the attention of the Company. No provision has been made as at 30 June 2022 and 31 December 2021.

21. LITIGATION

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 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 remunerations 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.

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's fees for the period from 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's 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 approximately HK\$12,064,000 by including the additional claims in the aforesaid paragraph and subsequently revised the claims to approximately HK\$12,442,000. The Company has instructed its legal advisers to defend Mr. Philip Ma's claims and make a counterclaim with a total sum of approximately HK\$71,600,000 in the High Court. In the High Court proceedings, exchange of pleadings has been completed and is pending to trial.

Therefore, no provision has been made as at 30 June 2022 and 31 December 2021.

21. LITIGATION (CONTINUED)

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 conditional voluntary cash offer relating to all the 662,525,276 shares of the Company held by it (the "Offer"), which was expected to amount to approximately HK\$260,443,000 (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.

21. LITIGATION (CONTINUED)

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, amounting to approximately HK\$260,435,000 (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.

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").

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.

21. LITIGATION (CONTINUED)

Deed and purported cancellation (Continued)

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 "Prepayments, 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 a credit-adjusted effective interest rate of 9.66%, with a corresponding gift receivable from the then controlling shareholder of the Company recognised under "General and other reserves".

Realord and the Company had filed and served their Reply and Defence to WD's Counterclaim on 10 May 2022, and their Reply and Defence to Mr. Philip Ma's Counterclaim on 8 June 2022 respectively.

As at 30 June 2022, the carrying amount of gift receivable from Win Dynamic (under non-current portion of "Prepayments, deposits, other receivables and other assets") amounting to HK\$166,152,000, net of ECL allowance of HK\$1,040,000 (As at 31 December 2021: HK\$158,870,000, net of ECL allowance of HK\$445,000).

22. EVENTS AFTER THE REPORTING PERIOD

Since August 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 condensed 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.

MANAGEMENT DISCUSSION AND ANALYSIS

The Company has changed its financial year-end date from 28/29 February to 31 December with effect from 2021. This condensed consolidated financial statements for current period cover a six months period from 1 January 2022 to 30 June 2022 ("1H2022"), while the comparative amounts for the condensed consolidated financial statements and the related notes cover a six month period from 1 March 2021 to 31 August 2021 ("1H2021").

INTERIM RESULTS

The principal activities of the Group during the period under review are the operation of department stores, securities trading and the provision of general and life insurances.

Overall Finance Review

The consolidated revenue of the Group for 1H2022 was approximately HK\$69.1 million, decreased by approximately HK\$11.1 million or 13.8% as compared to 1H2021. The loss attributable to equity holders of the Company for 1H2022 was approximately HK\$38.1 million, losses decreased by approximately HK\$22.5 million or 37.1% from 1H2021. The reduction in loss was mainly attributable to (i) decrease in legal and professional fee of approximately HK\$5.8 million (1H2022: HK\$3.2 million; 1H2021: HK\$9.0 million); (ii) the decrease in other operating expenses in 1H2022 as the amount in 1H2021 included an one-off loss on termination of lease of approximately HK\$2.9 million (1H2022: Nil); (iii) impairment loss on right-of-use assets of approximately HK\$2.3 million was recognised for 1H2021 (1H2022: Nil); (iv) the recognition of government subsidies under the Hong Kong government employment support scheme (the "ESS") of approximately HK\$2.6 million in 1H2022 (1H2021: Nil); and (v) other income of approximately HK\$7.9 million in 1H2022 (1H2021: Nil) was recognised as imputed interest income calculated based on the discounted present value of the net proceeds of approximately HK\$260.4 million expected to be received from Win Dynamic pursuant to the deed of gift executed by it in favour of the Company on 29 October 2020.

Revenue

In 1H2022, the revenue of the Group was approximately HK\$69.1 million, decreased by approximately HK\$11.1 million or 13.8% as compared to 1H2021. The revenue was mainly contributed from the operation of department store of approximately HK\$68.8 million (1H2021: HK\$79.6 million), representing approximately 99.5% (1H2021: 99.3%) of the total revenue of the Group. Detailed analysis are set out in the sections "Business Review" below.

Other income and gains, net

In 1H2022, the other income and gains, net of the Group was approximately HK\$8.5 million, increased by approximately HK\$5.5 million or 177.1% as compared to 1H2021. The increase was mainly attributable to (i) the imputed interest on gift receivable from Win Dynamic of approximately HK\$7.9 million (1H2021: Nil); and was partially offset by (ii) the decrease in dividend from financial asset at FVTPL of approximately HK\$2.4 million from approximately HK\$2.8 million in 1H2021 to approximately HK\$0.4 million for 1H2022.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

Selling and distribution expenses

In 1H2022, the selling and distribution expenses of the Group was approximately HK\$44.2 million, decreased by approximately HK\$3.5 million or 7.4% as compared to 1H2021. The decrease was mainly attributable to the decrease in staff cost of approximately HK\$3.7 million, included the effect of the government subsidies under the ESS of approximately HK\$1.8 million recognised for 1H2022.

General and administrative expenses

In 1H2022, the general and administrative expenses of the Group was approximately HK\$27.9 million, decreased by approximately HK\$4.5 million or 14.0% as compared to 1H2021. The decrease was mainly attributable to the decrease in legal and professional fee of approximately HK\$5.8 million; and was partially offset by (ii) the recognition of government subsidies under the ESS of approximately HK\$0.8 million recognised for 1H2022.

Finance costs

In 1H2022, the finance costs of the Group was approximately HK\$13.7 million, decreased by approximately HK\$2.3 million or 14.5% as compared to 1H2021. The decrease was mainly attributable to (i) decrease in interest on interest-bearing borrowings by approximately HK\$1.1 million resulting from reduction in overall borrowing rate through certain arrangements to repay the loan with higher interest rate by loans with lower interest rate obtained from a fellow subsidiary and immediate holding company; and (ii) the decrease in interest on lease liabilities of approximately HK\$1.2 million.

Loss attributable to equity holders of the Company

In 1H2022, the loss attributable to equity holders of the Company was approximately HK\$38.1 million (1H2021: HK\$60.6 million), representing a decrease of HK\$22.5 million or 37.1%. Financial review of each segment was further explained below.

BUSINESS REVIEW

Department Store Operations

In 1H2022, our department store operations recorded revenue of approximately HK\$68.8 million (1H2021: approximately HK\$79.6 million), represented a drop by 13.6% against 1H2021. It was mainly attributable to the closure of one of our retail stores in 2021. In the meantime, the Group continued to (i) adopt pro-active measures to reduce operating expenses; and (ii) liaise with landlord to obtain rental concession. As a result, the overall segment loss has been reduced to approximately HK\$27.2 million, representing a decrease in loss of approximately HK\$20.3 million or 42.8% as compared to 1H2021.

To maintain a healthy inventory level, continuing the clearance of previous season inventory is our major goal during the 1H2022. The inventory level further reduced from approximately HK\$34.4 million as at 31 December 2021 to approximately HK\$32.4 million as at 30 June 2022. As a result, a reversal on provision for inventories of HK\$0.8 million (1H2021: Nil) was recognised for the 1H2022.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

Securities Trading

In 1H2022, the Group recorded net realised loss on securities trading of approximately HK\$10,000 in 1H2022 (1H2021: net realised gain of HK\$0.2 million) and net unrealised loss of approximately HK\$0.4 million (1H2021: net unrealised loss of approximately HK\$3.6 million). Dividend income decreased from approximately HK\$2.8 million in 1H2021 to approximately HK\$0.4 million for 1H2022. Hence, a segment loss of approximately HK\$1.1 million (1H2021: approximately HK\$2.4 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

Looking ahead, the Group anticipates that the retail sector in Hong Kong will continue to be affected by covid-19 but we remain positive of our prospects in the view that (i) business activities are expected to recover at an accelerated pace following the gradual relaxation of social distancing measures, and (ii) tourism are expected to resume normal following by the re-opening of boarder of some countries after long pandemic closure. However, the management is of the view that the department store operations would be still challenging with the new norm that covid-19 would not die out in short run. Meanwhile, the Group will continue to take a cautious approach in its business planning to cater the current uncertain environment.

With the support of Realord, the Board is optimistic about the prospects of the Group.

OTHER INFORMATION

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2022, the Group had cash and bank balances, pledged bank balances and pledged deposits with banks of approximately HK\$209.6 million (31 December 2021: approximately HK\$156.2 million), of which approximately HK\$103.0 million (31 December 2021: approximately HK\$102.2 million) were pledged. The unpledged cash and bank balances amounted to approximately HK\$106.6 million (31 December 2021: approximately HK\$54.1 million).

As of 30 June 2022, the interest-bearing bank borrowings of the Group were approximately HK\$143.6 million (31 December 2021: approximately HK\$144.5 million), which were repayable within one year or on demand. The bank borrowings were in Hong Kong dollars, with interest rates of Hong Kong Interbank Offered Rate + 1.5% per annum. All bank borrowings were secured against a property, securities investments and bank deposits.

As at 30 June 2022, the Group has utilised the loan from a fellow subsidiary (the "Realord Loan"), loan from immediate holding company (the "Supplemental Loan") and loan from a related party (the "RP Loan") of HK\$104.0 million, HK\$65.0 million and HK\$105.0 million, respectively. The net increase in bank borrowings, other loans, Realord Loan, Supplemental Loan and RP Loan were due to the additional working capital needs for 1H2022.

The interest expense charged to the condensed consolidated income statement for 1H2022 was approximately HK\$13.7 million (1H2021: approximately HK\$16.0 million).

As at 30 June 2022, the Group had net current liabilities of approximately HK\$215.6 million (31 December 2021: approximately HK\$181.0 million) and an equity attributable to the equity holders of the Company of approximately HK\$154.4 million (31 December 2022: approximately HK\$188.8 million).

As at 30 June 2022, the Group's current ratio was approximately 0.58 (31 December 2021: approximately 0.58), while the gearing ratio, being the interest-bearing bank borrowings, other loans, lease liabilities and Realord Loan, Supplemental Loan and RP Loan to net assets, was approximately 236% (31 December 2021: approximately 169%).

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.

OTHER INFORMATION (Continued)

EMPLOYEES AND REMUNERATION POLICIES

At 30 June 2022, the Group had 183 employees (31 December 2021: 198) 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 staff purchase discounts, subsidised medical care and training courses.

INTERIM DIVIDEND

The Board has decided not to declare an interim dividend for the 1H2022.

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2022, 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 Shares	Approximate % of Shares in issue
Manureen Holdings Limited	Interests of controlled corporation	Corporate	985,471,362 (Note)	75.00
Realord Group Holdings Limited	Beneficial owner	Corporate	985,471,362 (Note)	75.00

Note:

There is a duplication of interests of 985,471,362 shares amongst Manureen Holdings, Realord, Dr. Lin and Madam Su. As at 30 June 2021, Realord was the legal and beneficial owner of 985,471,362 shares of the Company, representing approximately 75.00% of the issued share capital of the Company. Realord is owned as to approximately 62.69% by Manureen Holdings, each of Madam Su and Dr. Lin owns 30% and 70% equity interest in Manureen Holdings, which Dr. Lin is deemed to be interested in 985,471,362 shares by virtue of interest of controlled corporation and Madam Su is deemed to be interested in the same block of shares as the spouse of Dr. Lin.

OTHER INFORMATION (Continued)

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SHARES

As at 30 June 2022, 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	Interest of controlled Corporation	Nil	985,471,362 (Note 1)	Nil	985,471,362 (Note 1)	75.00
Madam Su Jiaohua	Spousal interest	Nil	985,471,362 (Note 2)	Nil	985,471,362 (Note 1)	75.00

Notes:

- (1) As at 30 June 2022, Realord was the legal and beneficial owner of 985,471,362 shares of the Company. Manureen Holdings was the legal and beneficial owner of approximately 62.69% of Realord. Since Dr. Lin owned 70% of the issued share capital of Manureen Holdings, he was deemed to be interested in 985,471,362 shares of the Company.
- (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 30 June 2022.

(b) Associated corporations

As at 30 June 2022, 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

Save as disclosed in note 18 to the condensed consolidated financial statements, 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 1H2022.

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

There was no purchase, sale or redemption of the Company's listed shares by the Company or any of its subsidiaries during 1H2022.

DIRECTORS' INTERESTS IN A COMPETING BUSINESS

During 1H2022, 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.

CONTINGENT LIABILITIES AND LITIGATIONS

Save as disclosed in note 21 to the condensed consolidated financial statements, the Group has no other contingent liabilities and litigations.

EVENTS AFTER THE REPORTING PERIOD

Save as disclosed in note 22 to the condensed consolidated financial statements, the Group has no significant events after the reporting period up to the date of this interim report.

SIGNIFICANT INVESTMENTS, MATERIAL ACQUISITIONS AND DISPOSALS

The Group did not make any material acquisition or disposal of subsidiaries and associated and significant investments during 1H2022.

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 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 1H2022.

CORPORATE GOVERNANCE

The Company has complied throughout the 1H2022 with the Corporate Governance Code ("CG Code") as set out in Appendix 14 to the Listing Rules, save and except for code provision C.1.6.

Code provision C.1.6 of the CG Code that independent non-executive directors and other non-executive directors should also attend general meetings. Mr. Yuan Baoyu being the non-executive director of the Company did not attend the general meeting of the Company due to his own business arrangement.

OTHER INFORMATION (Continued)

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 1H2022.

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, 26 August 2022