

**sincere**先施

**The Sincere Company, Limited**

Stock code: 244

**INTERIM  
REPORT  
2023**

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## CORPORATE INFORMATION

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### 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 (retired on 8 June 2023)  
Mr. CHUNG Chun Hung Simon

### AUDIT COMMITTEE

Mr. YU Leung Fai (*Chairman*)  
Mr. YUAN Baoyu (retired on 8 June 2023)  
Mr. CHUNG Chun Hung Simon

### REMUNERATION COMMITTEE

Mr. YUAN Baoyu (*Chairman*)  
(retired on 8 June 2023)  
Mr. YU Leung Fai  
Mr. CHUNG Chun Hung Simon

### NOMINATION COMMITTEE

Mr. CHUNG Chun Hung Simon (*Chairman*)  
Mr. YU Leung Fai  
Mr. YUAN Baoyu (retired on 8 June 2023)

### EXECUTIVE COMMITTEE

Dr. LIN Xiaohui (*Chairman*)  
Madam SU Jiaohua  
Dr. YU Lai

### COMPANY SECRETARY

Mr. IP Ho Wing

### LEGAL ADVISERS

Michael Li & Co.  
Debevoise & Plimpton  
Holman Fenwick Willan

### 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

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

## 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 2023, together with the comparative figures for the six months ended 30 June 2022 and as at 31 December 2022 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 2023

		Six months ended 30 June	
	Notes	2023 HK\$'000 (unaudited)	2022 HK\$'000 (unaudited)
<b>Revenue</b>	5(a)	<b>74,356</b>	69,081
Cost of sales		<b>(30,432)</b>	(30,918)
Other income and gains, net	5(b)	<b>9,277</b>	8,545
Net unrealised gain/(loss) on securities trading		<b>72</b>	(402)
Selling and distribution expenses		<b>(34,245)</b>	(44,172)
General and administrative expenses		<b>(25,358)</b>	(27,920)
Finance costs	6	<b>(12,667)</b>	(13,657)
<b>Loss before income tax</b>	7	<b>(18,997)</b>	(39,443)
Income tax expense	8	<b>(14)</b>	(36)
<b>Loss for the period</b>		<b>(19,011)</b>	(39,479)
<b>Attributable to:</b>			
Equity holders of the Company		<b>(17,493)</b>	(38,087)
Non-controlling interests		<b>(1,518)</b>	(1,392)
		<b>(19,011)</b>	(39,479)
<b>Loss per share attributable to equity holders of the Company</b>			
Basic and diluted	9	<b>HK\$(0.01)</b>	HK\$(0.03)

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the six months ended 30 June 2023

	Six months ended 30 June	
	2023	2022
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
<b>Loss for the period</b>	<b>(19,011)</b>	(39,479)
<b>Other comprehensive income</b>		
<i>Item that may be reclassified subsequently to the consolidated income statement:</i>		
Exchange differences arising on translation of foreign operations	37	(54)
<i>Items that will not be reclassified subsequently to the consolidated income statement:</i>		
Surplus on revaluation of leasehold land and owned buildings	–	3,725
Changes in fair value of asset classified as held for sale	–	715
	–	4,440
<b>Total comprehensive loss for the period</b>	<b>(18,974)</b>	(35,093)
<b>Attributable to:</b>		
Equity holders of the Company	<b>(17,056)</b>	(34,474)
Non-controlling interests	<b>(1,918)</b>	(619)
	<b>(18,974)</b>	(35,093)

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 30 June 2023

	Notes	As at 30 June 2023 HK\$'000 (unaudited)	As at 31 December 2022 HK\$'000 (audited)
<b>ASSETS AND LIABILITIES</b>			
<b>Non-current assets</b>			
Property, plant and equipment	11	203,456	218,734
Equity investments at fair value through other comprehensive income ("FVTOCI")		4,041	4,041
Prepayments, deposits, other receivables and other assets	12	188,383	187,588
Pension scheme assets		23,160	23,160
		<b>419,040</b>	<b>433,523</b>
<b>Current assets</b>			
Inventories		26,168	29,373
Prepayments, deposits, other receivables and other assets	12	39,040	33,771
Financial assets at fair value through profit or loss ("FVTPL")		3,629	3,563
Pledged bank balances and deposits		22,571	84,276
Cash and bank balances		24,307	98,188
		<b>115,715</b>	<b>249,171</b>
<b>Current liabilities</b>			
Creditors	13	28,409	27,843
Lease liabilities	14	22,386	28,718
Insurance contracts liabilities		1,154	1,154
Deposits, accrued expenses and other payables		30,713	26,726
Contract liabilities		1,049	1,321
Bank borrowings	15(a)	84,935	140,979
Other loans	15(b)	2,269	2,247
Loan from immediate holding company	15(c)	14,963	73,263
Loan from a related company	15(d)	187,000	187,000
Tax payable		31	17
		<b>372,909</b>	<b>489,268</b>
<b>Net current liabilities</b>		<b>(257,194)</b>	<b>(240,097)</b>
<b>Total assets less current liabilities</b>		<b>161,846</b>	<b>193,426</b>

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

as at 30 June 2023

	Notes	As at 30 June 2023 HK\$'000 (unaudited)	As at 31 December 2022 HK\$'000 (audited)
<b>Non-current liabilities</b>			
Deposits, accrued expenses and other payables		956	7,120
Other loans	15(b)	553	548
Lease liabilities	14	4,392	10,839
		<b>5,901</b>	18,507
<b>Net assets</b>		<b>155,945</b>	174,919
<b>EQUITY</b>			
<b>Equity attributable to equity holders of the Company</b>			
Share capital	16	469,977	469,977
Deficits		(358,045)	(340,989)
		<b>111,932</b>	128,988
Non-controlling interests		44,013	45,931
<b>Total equity</b>		<b>155,945</b>	174,919

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the six months ended 30 June 2023

	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)/reserves HK\$'000		
As at 1 January 2023 (audited)	469,977	331,388	180,332	(11,318)	(841,391)	(340,989)	45,931	174,919
Loss for the period	-	-	-	-	(17,493)	(17,493)	(1,518)	(19,011)
Other comprehensive (loss)/income for the period:								
Exchange differences arising on translation of foreign operations	-	437	-	-	-	437	(400)	37
<b>Total comprehensive (loss)/income for the period</b>	<b>-</b>	<b>437</b>	<b>-</b>	<b>-</b>	<b>(17,493)</b>	<b>(17,056)</b>	<b>(1,918)</b>	<b>(18,974)</b>
<b>As at 30 June 2023 (unaudited)</b>	<b>469,977</b>	<b>331,825</b>	<b>180,332</b>	<b>(11,318)</b>	<b>(858,884)</b>	<b>(358,045)</b>	<b>44,013</b>	<b>155,945</b>

	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)/reserves 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)
Surplus on revaluation of leasehold land and owned buildings	-	-	3,725	-	-	3,725	-	3,725
Charges in fair value of asset classified as held for sale	-	-	-	715	-	715	-	715
<b>Total comprehensive (loss)/income for the period</b>	<b>-</b>	<b>(827)</b>	<b>3,725</b>	<b>715</b>	<b>(38,087)</b>	<b>(34,474)</b>	<b>(619)</b>	<b>(35,093)</b>
Release of reserve upon disposal of asset classified as held for sale	-	-	-	(6,127)	6,127	-	-	-
<b>As at 30 June 2022 (unaudited)</b>	<b>469,977</b>	<b>331,465</b>	<b>185,532</b>	<b>(1,285)</b>	<b>(831,314)</b>	<b>(315,602)</b>	<b>47,759</b>	<b>202,134</b>

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

for the six months ended 30 June 2023

	Six months ended 30 June	
	2023 HK\$'000 (unaudited)	2022 HK\$'000 (unaudited)
Net cash used in operating activities	<b>(6,584)</b>	(29,539)
<b>Cash flows from investing activities</b>		
Additions of owned assets in property, plant and equipment	<b>(768)</b>	(1,326)
Decrease/(Increase) in pledged bank balances and deposits	<b>61,705</b>	(852)
Proceeds from disposal of asset classified as held for sale	–	9,405
Proceeds from disposal of property, plant and equipment	<b>223</b>	–
Net cash from investing activities	<b>61,160</b>	7,227
<b>Cash flows from financing activities</b>		
Proceeds from bank borrowings	<b>85,280</b>	64,129
Repayments of bank borrowings	<b>(141,324)</b>	(65,025)
Proceeds from loan from a fellow subsidiary	–	50,000
Repayments of loan from a fellow subsidiary	–	(50,000)
Proceeds from loan from immediate holding company	–	10,000
Repayments of loan from immediate holding company	<b>(58,300)</b>	–
Proceeds from loan from a related company	–	105,000
Principal portion of lease payments	<b>(14,113)</b>	(39,247)
Net cash (used in)/from financing activities	<b>(128,457)</b>	74,857
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(73,881)</b>	52,545
Cash and cash equivalents at the beginning of the period	<b>98,188</b>	54,092
<b>Cash and cash equivalents at the end of the period</b>	<b>24,307</b>	106,637

## **NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

*for the six months ended 30 June 2023*

### **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 2023, 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 year ended 31 December 2022. 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, 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 year ended 31 December 2022 that is included in the condensed consolidated statement of financial position as comparative information does not constitute the Company's statutory annual consolidated financial statements for that year but is derived from those financial statements. Further information relating to those statutory financial statements required to be disclosed in accordance with Section 436 of the Hong Kong Companies Ordinance is as follows:

The Company has delivered the consolidated financial statements for the year ended 31 December 2022 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 2023, the Group recorded a net loss of HK\$19,011,000. The Group's operations are financed by bank and other borrowings, loans from related parties (including immediate holding company and a related company) and internal resources. As at 30 June 2023, the Group had net current liabilities of HK\$257,194,000. The Group's cash and bank balances amounting to HK\$24,307,000 as at 30 June 2023.

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, 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.

As at 30 June 2023, the Group had unutilised trade financing banking facilities of HK\$52,773,000. Besides, Realord had 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 2023.

## **2. BASIS OF PREPARATION (CONTINUED)**

### **Going concern basis (Continued)**

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 2023. 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; and (iii) the loans from related parties (including immediate holding company and a related company). 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 continuous availability of the bank and other borrowings facilities; and (iii) the financial support from related parties (including immediate holding company and a related company), 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.

### 3. ADOPTION OF NEW AND AMENDED HKFRSs

#### Amended HKFRSs that are effective for annual period beginning on 1 January 2023

The condensed consolidated interim financial statements for the six months ended 30 June 2023 have been prepared in accordance with the accounting policies adopted in the Group's annual consolidated financial statements for the year ended 31 December 2022, except for the adoption of the following amended HKFRSs which are effective as of 1 January 2023.

HKFRS 17	Insurance Contracts and related amendments
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to HKAS 12	International Tax Reform – Pillar Two Model Rules

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.

Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>2</sup>
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback <sup>1</sup>
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 <sup>1</sup>
Amendments to HKAS 1	Non-current Liabilities with Covenants <sup>1</sup>
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements <sup>1</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2024

<sup>2</sup> 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 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 2023 and 30 June 2022.

	Department store operations		Securities trading		Others		Eliminations		Total	
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
	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)
<b>Segment revenue and results</b>										
Segment revenue:										
Sales to external customers	74,264	68,763	(7)	(10)	99	328	-	-	74,356	69,081
Inter-segment sales	-	-	-	-	15,738	16,209	(15,738)	(16,209)	-	-
Other income and gains, net	330	109	216	448	2	1	-	-	548	558
<b>Total</b>	<b>74,594</b>	<b>68,872</b>	<b>209</b>	<b>438</b>	<b>15,839</b>	<b>16,538</b>	<b>(15,738)</b>	<b>(16,209)</b>	<b>74,904</b>	<b>69,639</b>
<b>Segment results</b>	<b>(6,000)</b>	<b>(27,151)</b>	<b>(668)</b>	<b>(1,118)</b>	<b>(9,065)</b>	<b>(8,406)</b>	<b>-</b>	<b>-</b>	<b>(15,733)</b>	<b>(36,675)</b>
Interest income and unallocated other income and gains, net									8,729	7,987
Expected credit loss ("ECL") allowance on other receivables									(622)	(595)
Finance costs (other than interest on lease liabilities)									(11,371)	(10,160)
Loss before income tax									(18,997)	(39,443)
Income tax expense									(14)	(36)
Loss for the period									(19,011)	(39,479)

The following table presents certain assets and liabilities for the Group's operating segments as at 30 June 2023 and 31 December 2022.

	Department store operations		Securities trading		Others		Eliminations		Total	
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
	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)
<b>Segment assets and liabilities</b>										
Segment assets	114,559	131,394	8,306	8,231	198,356	218,177	(15,738)	(31,973)	305,483	325,829
Unallocated assets									229,272	356,865
<b>Total assets</b>									<b>534,755</b>	<b>682,694</b>
Segment liabilities	90,118	121,095	4,540	4,617	10,171	9,999	(15,738)	(31,973)	89,091	103,738
Unallocated liabilities									289,719	404,037
<b>Total liabilities</b>									<b>378,810</b>	<b>507,775</b>

#### 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 2023 and 30 June 2022.

	Hong Kong		United Kingdom		Others		Total	
	2023	2022	2023	2022	2023	2022	2023	2022
	HK\$'000 (unaudited)							
Segment revenue:								
Sales to external customers	<b>74,264</b>	68,989	<b>99</b>	102	<b>(7)</b>	(10)	<b>74,356</b>	69,081

#### 5. REVENUE, OTHER INCOME AND GAINS, NET

##### (a) Revenue

	Six months ended 30 June	
	2023	2022
	HK\$'000 (unaudited)	HK\$'000 (unaudited)
Revenue from contracts with customers:		
Sale of goods - own goods	<b>53,464</b>	51,441
Income from counter and consignment sale	<b>20,800</b>	17,322
Revenue from other sources:		
Net realised loss on securities trading	<b>(7)</b>	(10)
Rental income	<b>99</b>	328
	<b>74,356</b>	69,081

##### **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\$1,049,000 (As at 30 June 2022: HK\$1,067,000) was located to the remaining performance obligations as at 30 June 2023 which are expected to be recognised as revenue within one year.

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

	<b>Six months ended 30 June</b>	
	<b>2023</b>	2022
	<b>HK\$'000</b>	HK\$'000
	<b>(unaudited)</b>	(unaudited)
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:		
Loyalty points programme	<b>1,321</b>	2,119

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

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

	Six months ended 30 June	
	2023 HK\$'000 (unaudited)	2022 HK\$'000 (unaudited)
Bank interest income	65	94
Imputed interest income on gift receivable from Win Dynamic (note 21)	8,616	7,877
Other interest income from financial assets at FVTPL	–	32
Dividends from financial assets at FVTPL	216	416
Foreign exchange gains, net	49	15
Gain on disposal of property, plant and equipment	223	–
Others	108	111
	<b>9,277</b>	<b>8,545</b>

## 6. FINANCE COSTS

	Six months ended 30 June	
	2023 HK\$'000 (unaudited)	2022 HK\$'000 (unaudited)
Interest charges on:		
Bank borrowings	2,445	1,179
Lease liabilities (note 14)	1,296	3,497
Other loans	27	27
Loan from a fellow subsidiary	–	4,842
Loan from immediate holding company	872	2,638
Loan from a related company	8,027	1,474
	<b>12,667</b>	<b>13,657</b>

## 7. LOSS BEFORE INCOME TAX

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

	Six months ended 30 June	
	2023	2022
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Employee benefit expenses, excluding directors' and chief executive's remunerations		
– Wages and salaries	19,358	18,712
– Pension contributions	619	642
Less: government grants (note)	–	(2,592)
	<b>19,977</b>	16,762
Depreciation	17,463	28,275
Reversal of provision for inventories	(628)	(803)
ECL allowance on other receivables	622	595
Covid-19-related rent concessions from lessors	–	(720)
Short-term lease payments	–	212

Note:

Government grants from Hong Kong Government's employment support scheme of HK\$Nil (six months ended 30 June 2022: HK\$1,836,000) and HK\$Nil (six months ended 30 June 2022: HK\$756,000) 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 2023 and 30 June 2022, 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	
	2023	2022
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Current charge for the period		
– Hong Kong	–	–
– Elsewhere	14	36
	<b>14</b>	<b>36</b>

## 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 2023 is based on the loss for the period attributable to equity holders of the Company of HK\$17,493,000 (2022: HK\$38,087,000) and the weighted average number of ordinary shares of 1,313,962,560 (2022: 1,313,962,560) in issue throughout 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 2023 and 30 June 2022.

## 10. DIVIDEND

The Board has resolved not to declare an interim dividend for the six months ended 30 June 2023 (2022: 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 2023 (audited)	22,975	195,759	218,734
Additions	768	1,417	2,185
Depreciation for the period	(755)	(16,708)	(17,463)
Net carrying amount as at 30 June 2023 (unaudited)	<b>22,988</b>	<b>180,468</b>	<b>203,456</b>

As at 30 June 2023, the Group's leasehold land and owned buildings with an aggregate carrying amount of HK\$177,306,000 (As at 31 December 2022: HK\$181,000,000) were pledged as security for the bank borrowings granted to the Group (note 15(a)).

## 12. PREPAYMENTS, DEPOSITS, OTHER RECEIVABLES AND OTHER ASSETS

	As at 30 June 2023 HK\$'000 (unaudited)	As at 31 December 2022 HK\$'000 (audited)
Gift receivable from Win Dynamic (note 21)	184,044	175,428
Prepayments, deposits and other receivables	40,607	42,537
Other assets	4,421	4,421
ECL allowance (note 21)	(1,649)	(1,027)
	<b>227,423</b>	221,359
Less: amount classified as current portion	<b>(39,040)</b>	(33,771)
Amount classified as non-current portion	<b>188,383</b>	187,588

Included in prepayments, deposits, other receivables and other assets are mainly gift receivable from Win Dynamic of HK\$184,044,000 (As at 31 December 2022: HK\$175,428,000), rental deposits of HK\$27,844,000 (As at 31 December 2022: HK\$31,939,000) and amounts due from credit card companies related to sales settled by customers using credit cards of HK\$797,000 (As at 31 December 2022: HK\$1,546,000) as at 30 June 2023.

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. 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 2023 HK\$'000 (unaudited)	As at 31 December 2022 HK\$'000 (audited)
Current - 3 months	24,767	25,425
4 - 6 months	1,357	378
7 - 12 months	546	280
Over 1 year	1,739	1,760
	<b>28,409</b>	27,843

## 14. LEASES

### The Group as a lessee

The Group has lease contracts for 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 stores generally have lease terms between 1 and 3 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.

#### (b) Lease liabilities

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

	<b>Period from 1 January to 30 June 2023 HK\$'000 (unaudited)</b>	Year ended 31 December 2022 HK\$'000 (audited)
At the beginning of the period/year	<b>39,557</b>	94,415
Accretion of interest recognised during the period/year (note 6)	<b>1,296</b>	5,393
Payments	<b>(15,409)</b>	(60,917)
Entering into new lease	<b>1,334</b>	–
Modification of leases	–	1,386
Covid-19-related rent concessions from lessors	–	(720)
	<b>26,778</b>	39,557
Analysed into:		
Within one year	<b>22,386</b>	28,718
In the second to fifth years, inclusive	<b>4,392</b>	10,839
Carrying amount at the end of period/year	<b>26,778</b>	39,557
Less: current portion	<b>(22,386)</b>	(28,718)
Non-current portion	<b>4,392</b>	10,839

**15. BANK BORROWINGS, OTHER LOANS AND LOANS FROM IMMEDIATE HOLDING COMPANY/A RELATED COMPANY/A FELLOW SUBSIDIARY**

**(a) Bank borrowings**

	As at 30 June 2023			As at 31 December 2022		
	Effective interest rate %	Maturity	HK\$'000 (unaudited)	Effective interest rate %	Maturity	HK\$'000 (audited)
Secured bank borrowings	Hong Kong Interbank Offered Rate ("HIBOR") + 1.5	2023	84,935	HIBOR + 1.5	2023	140,979
			<b>As at 30 June 2023 HK\$'000 (unaudited)</b>		<b>As at 31 December 2022 HK\$'000 (audited)</b>	
Analysed into:						
Within one year or on demand			<b>84,935</b>			140,979

As at 30 June 2023, 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\$22,571,000 (As at 31 December 2022: HK\$84,276,000);
- (ii) the pledge of the Group's marketable securities with an aggregate fair value of HK\$2,428,000 (As at 31 December 2022: HK\$2,181,000); and
- (iii) the mortgages over the Group's leasehold land and owned buildings with an aggregate carrying amount of HK\$177,306,000 (As at 31 December 2022: HK\$181,000,000) (note 11).

**15. BANK BORROWINGS, OTHER LOANS AND LOANS FROM IMMEDIATE HOLDING COMPANY/A RELATED COMPANY/A FELLOW SUBSIDIARY (CONTINUED)**

**(b) Other loans**

	<b>As at 30 June 2023 HK\$'000 (unaudited)</b>	As at 31 December 2022 HK\$'000 (audited)
Other loans	<b>2,822</b>	2,795
	<b>As at 30 June 2023 HK\$'000 (unaudited)</b>	As at 31 December 2022 HK\$'000 (audited)
Analysed into:		
Within one year or on demand	<b>2,269</b>	2,247
In the second year	<b>553</b>	548
	<b>2,822</b>	2,795

The other loans are unsecured, bear interest at 2% (As at 31 December 2022: 2%) per annum and are repayable on demand, except for an amount of HK\$553,000 (As at 31 December 2022: HK\$548,000) which is not repayable in the next 12 months after the end of the reporting period.

**(c) Loan from immediate holding company**

The loan from immediate holding company, Realord, is unsecured, bears interest at 8.2% (As at 31 December 2022: 8.2%) per annum and is repayable on or before 10 August 2024.

**(d) 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.

**(e) 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. The loan was fully settled during the year ended 31 December 2022.

## 16. SHARE CAPITAL

	<b>As at 30 June 2023 HK\$'000 (unaudited)</b>	As at 31 December 2022 HK\$'000 (audited)
Issued and fully paid:		
1,313,962,560 ordinary shares	<b>469,977</b>	469,977

There was no movement in the Company's share capital for the six months ended 30 June 2023.

## 17. 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:

	<b>Six months ended 30 June</b>	
	<b>2023</b>	2022
	<b>HK\$'000</b>	HK\$'000
	<b>(unaudited)</b>	(unaudited)
Professional fee to fellow subsidiaries (note (i))	<b>236</b>	114
Interest expense on loan from immediate holding company (note (ii))	<b>872</b>	2,638
Interest expense on loan from a related company (note (iii))	<b>8,027</b>	1,474
Interest expense on loan from a fellow subsidiary (note (ii))	–	4,842
Handling fee to a related company (note (iii))	<b>638</b>	1,000
Expenses to immediate holding company (note (iv))	<b>1,496</b>	249
Sale of goods to a fellow subsidiary (note (v))	–	19
Sale of goods to immediate holding company (note (v))	<b>445</b>	190
Sale commissions from related companies (note (vi))	<b>1,199</b>	–

Notes:

- (i) The professional fee to fellow subsidiaries were for the provision of printing and conferences services to the Group.
- (ii) The interest expenses were charged in accordance with contractual terms with the immediate holding company, a related company and a fellow subsidiary. Details of which are set out in notes 15(c), 15(d) and 15(e) to the condensed consolidated interim financial statements, respectively.
- (iii) Handling fee related to the loan from a related company was charged in accordance with contractual terms with a related company. Details of the loan are set out in note 15(d) to the condensed consolidated interim financial statements.
- (iv) The expenses were charged by immediate holding company for sharing of office location based on the occupancy area.
- (v) The sale of goods was charged in accordance with contractual terms with a fellow subsidiary and immediate holding company.
- (vi) Sales commissions was charged in accordance with contractual terms with related companies controlled by a director of the Company.

## 17. 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 2023, outstanding professional fee to fellow subsidiaries included in deposits, accrued expenses and other payables was HK\$57,000 (As at 31 December 2022: HK\$219,000).

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

	<b>Six months ended 30 June</b>	
	<b>2023</b>	2022
	<b>HK\$'000</b>	HK\$'000
	<b>(unaudited)</b>	(unaudited)
Short term employee benefits	<b>332</b>	342
Pension contributions	–	–
	<b>332</b>	342

## 18. 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

	<b>Fair value measurement using</b>			<b>Total</b>
	<b>Quoted prices in active markets (Level 1)</b>	<b>Significant observable inputs (Level 2)</b>	<b>Significant unobservable inputs (Level 3)</b>	
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>As at 30 June 2023 (unaudited)</b>				
Equity investments at FVTOCI	–	–	4,041	4,041
Financial assets at FVTPL	2,428	1,201	–	3,629
Other assets	–	2,000	–	2,000
	<b>2,428</b>	<b>3,201</b>	<b>4,041</b>	<b>9,670</b>
<b>As at 31 December 2022 (audited)</b>				
Equity investments at FVTOCI	–	–	4,041	4,041
Financial assets at FVTPL	2,181	1,382	–	3,563
Other assets	–	2,000	–	2,000
	2,181	3,382	4,041	9,604

## 18. FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (CONTINUED)

### Assets measured at fair value (continued)

During the six months ended 30 June 2023 and the year ended 31 December 2022, 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 2023 and 31 December 2022. As at 30 June 2023 and 31 December 2022, 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 investments at FVTOCI	Market approach	Discount for lack of marketability of 27.6% (As at 31 December 2022: 27.6%)

The fair value of equity investments at FVTOCI 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 2023 and 31 December 2022, 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
<b>As at 30 June 2023 and 31 December 2022</b>		
Discount for lack of marketability	3 (3)	(132) 132

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

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

	<b>Period from 1 January to 30 June 2023 HK\$'000 (unaudited)</b>	Year ended 31 December 2022 HK\$'000 (audited)
<u>Equity investments at FVTOCI</u>		
At the beginning of the period/year	4,401	3,807
Change in fair value recognised in other comprehensive income	–	234
At the end of the period/year	<b>4,401</b>	4,041
<u>Asset classified as held for sale</u>		
At the beginning of the period/year	–	26,646
Changes in fair value recognised in other comprehensive income	–	970
Disposal	–	(27,616)
At the end of the period/year	–	–

**19. OUTSTANDING COMMITMENTS**

Outstanding commitments at the end of the reporting period were as follows:

	<b>As at 30 June 2023 HK\$'000 (unaudited)</b>	As at 31 December 2022 HK\$'000 (audited)
Irrevocable letters of credit	<b>14,453</b>	13,450

## 20. CONTINGENT LIABILITIES

### 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 Forms 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 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 (the “High Court”), 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. Mr. Philip Ma disputed the Company’s counterclaim. The Pre-Trial Review hearing in the Court proceedings took place on 17 August 2023 and the trial is expected to commence in December 2023.

## 21. LITIGATION

### Deed and purported cancellation

On 15 May 2020, Realord and the Company jointly announced a voluntary conditional cash offer (subject to the satisfaction or waiver (as the case may be) of certain pre-conditions) to acquire all of the issued shares of the Company (the "Offer"). The then controlling shareholder of the Company, Win Dynamic, had executed an irrevocable undertaking to Realord that Win Dynamic would tender, or procure the tender of, all of its shares in the Company to accept the Offer.

On 29 October 2020, Win Dynamic 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\$260,443,000 (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 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 purported 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 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 later 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 (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 approximately HK\$260,435,000 (the "WD Proceeds").

Realord also applied to the Court for an interlocutory injunction against Win Dynamic (the "Injunction Application") on 11 May 2021. On 14 May 2021, the Court 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. At the initiation of Realord, the Company agreed to be joined as a party to the Action. By the consent of Realord and Win Dynamic, on 9 November 2021, the Court ordered, amongst other things, Realord be given 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.

On 15 November 2021, Realord and the Company amended the statement of claim against Win Dynamic and Mr. Philip Ma. 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.

Win Dynamic and Mr. Philip Ma 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.

## 21. LITIGATION (CONTINUED)

### Deed and purported cancellation (Continued)

Further details were 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").

Realord and the Company filed and served their Reply and Defence to Win Dynamic's Counterclaim on 10 May 2022, and their Reply and Defence to Mr. Philip Ma's Counterclaim on 8 June 2022 respectively. Realord and the Company averred that the Deed is enforceable and cannot be legally revoked.

Realord and the Company filed and served their Re-Amended Statement of Claim on 14 November 2022. Realord and the Company averred that the Company is a joint promisee under the 2nd agreement together with Realord. The 2nd agreement of which the Deed is an integral part was intended to benefit the Company and consisted of an undertaking or promise on the part of Win Dynamic to benefit the Company, namely to vest the benefit of the WD Proceeds or an equivalent sum in the Company, which shall be used as its working capital after Realord becomes its controlling shareholder.

Win Dynamic filed and served its Amended Defence and Counterclaim and Mr. Philip Ma filed and served his Amended Defence and Counterclaim on 9 December 2022. Win Dynamic and Mr. Philip Ma averred that the alleged 2nd Agreement (even if existed) and the Deed are null and void or unenforceable. They further averred that neither Dr. Lin, who had no authority to act on behalf of the Company at the material time whether as alleged or at all, nor Mr. Philip Ma had agreed on behalf of the Company that the Company would apply the Win Dynamic Proceeds as working capital after Realord becomes the controlling shareholders of the Company.

Realord and the Company filed and served their Amended Reply and Defence to the Counterclaim of Win Dynamic, and their Amended Reply and Defence to the Counterclaim of Mr. Philip Ma on 9 February 2023. Realord and the Company averred that Dr. Lin was acting on behalf of the Company in respect of a promise which would take effect after Realord becomes the Company's controlling shareholder.

The date of trial has not been fixed.

During the period from 1 March 2021 to 31 December 2021, the Company 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".

As at 30 June 2023, the carrying amount of gift receivable from Win Dynamic amounting to HK\$182,395,000, net of ECL allowance of HK\$1,649,000 (As at 31 December 2022: HK\$174,401,000, net of ECL allowance of HK\$1,027,000).

## MANAGEMENT DISCUSSION AND ANALYSIS

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### 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 the period from 1 January 2023 to 30 June 2023 (“1H2023”) was approximately HK\$74.4 million, increased by approximately HK\$5.3 million or 7.6% as compared to the period from 1 January 2022 to 30 June 2022 (“1H2022”). The loss attributable to equity holders of the Company for 1H2023 was approximately HK\$17.5 million, losses decreased by approximately HK\$20.6 million or 54.1% from 1H2022. The reduction in loss was mainly attributable to (i) increase in revenue of the department store operations of the Group in 1H2023 by approximately HK\$5.5 million resulting from the gradual recovery of economic activities in Hong Kong and the reopening of border with Mainland China in 1H2023; (ii) improvement in gross profit margin from approximately 55% to approximately 59%; and (iii) decrease in depreciation of right-of-use assets of approximately HK\$11.0 million as one of our stores closed in late 2022 and due to the rent concession obtained for the department store operation.

#### Revenue

In 1H2023, the revenue of the Group was approximately HK\$74.4 million, increased by approximately HK\$5.3 million or 7.6% as compared to approximately HK\$69.1 million in 1H2022. The revenue was mainly contributed from the operation of department store of approximately HK\$74.3 million (1H2022: approximately HK\$68.8 million), representing approximately 99.9% (1H2022: approximately 99.5%) of the total revenue of the Group. Detailed analysis are set out in the sections “Business Review” below.

#### Other income and gains, net

In 1H2023, the other income and gains, net of the Group was approximately HK\$9.3 million, increased by approximately HK\$0.7 million or 8.6% as compared to approximately HK\$8.5 million in 1H2022. The other income and gains, net was mainly contributed from the imputed interest on gift receivable from Win Dynamic of approximately HK\$8.6 million (1H2022: approximately HK\$7.9 million). The increase was mainly attributable to the increase in the imputed interest on gift receivable from Win Dynamic of approximately HK\$0.7 million in 1H2023.

## MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

### Selling and distribution expenses

In 1H2023, the selling and distribution expenses of the Group was approximately HK\$34.2 million, decreased by approximately HK\$9.9 million or 22.5% as compared to approximately HK\$44.2 million in 1H2022. The decrease was mainly attributable to decrease in depreciation of right-of-use assets of approximately HK\$11.0 million and was partly offset by the increase in other selling and distribution expenses.

### General and administrative expenses

In 1H2023, the general and administrative expenses of the Group was approximately HK\$25.4 million, decreased by approximately HK\$2.6 million or 9.2% as compared to approximately HK\$27.9 million in 1H2022. The decrease was mainly attributable to the decrease in legal and professional fee of approximately HK\$1.1 million and the decrease in other general and administrative expenses.

### Finance costs

In 1H2023, the finance costs of the Group was approximately HK\$12.7 million, decreased by approximately HK\$1.0 million or 7.2% as compared to approximately HK\$13.7 million in 1H2022. The decrease was mainly attributable to (i) the decrease in interest on lease liabilities of approximately HK\$2.2 million which is mainly due to the closure of a store in late 2022 and the rent concession obtained for the department store operation; and was partly offset by (ii) increase in interest on bank borrowings by approximately HK\$1.3 million resulting from the rise of bank borrowing interest rate during 1H2023.

### Loss attributable to equity holders of the Company

In 1H2023, the loss attributable to equity holders of the Company was approximately HK\$17.5 million (1H2022: approximately HK\$38.1 million), representing a decrease of approximately HK\$20.6 million or 54.1%. Financial review of each segment was further explained below.

## BUSINESS REVIEW

### Department Store Operations

In 1H2023, our department store operations recorded revenue of approximately HK\$74.3 million (1H2022: approximately HK\$68.8 million), represented an increase by approximately 8.0% against 1H2022. It was mainly attributable to the gradual recovery of economic activities in Hong Kong and the reopening of border with Mainland China in 1H2023. 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\$6.0 million, representing a decrease in loss of approximately HK\$21.2 million or 77.9% as compared to approximately HK\$27.2 million in 1H2022.

To maintain a healthy level of inventory, the clearance of out-of-season inventories continued to be our major goal during the 1H2023. The inventory level further reduced from approximately HK\$29.4 million as at 31 December 2022 to approximately HK\$26.2 million as at 30 June 2023. As a result, a reversal of provision for inventories of approximately HK\$0.6 million (1H2022: approximately HK\$0.8 million) was recognised in 1H2023.

## MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

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### Securities Trading

In 1H2023, the Group recorded net realised loss on securities trading of approximately HK\$7,000 (1H2022: net realised loss of HK\$10,000) and net unrealised gain of approximately HK\$72,000 (1H2022: net unrealised loss of approximately HK\$0.4 million). Dividend income decreased from approximately HK\$0.4 million in 1H2022 to approximately HK\$0.2 million in 1H2023. Hence, a segment loss of approximately HK\$0.7 million (1H2022: approximately HK\$1.1 million) was resulted. The Group holds these investments for trading. The Group would review and refine its investment portfolio regularly based on market conditions and its capital needs.

### PROSPECTS

Looking ahead, the Group anticipates that the retail sector in Hong Kong will continue to be benefited from the rebound of local consumption in Hong Kong. However, the management is of the view that the department store operations would be still challenging amidst the changing consumption pattern. Meanwhile, the Group will keep on monitoring and adjusting nimbly the Group's operating strategies to cater the challenging operating 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 2023, the Group had cash and bank balances, pledged bank balances and pledged deposits with banks of approximately HK\$46.9 million (31 December 2022: approximately HK\$182.5 million), of which approximately HK\$22.6 million (31 December 2022: approximately HK\$84.3 million) were pledged. The unpledged cash and bank balances amounted to approximately HK\$24.3 million (31 December 2022: approximately HK\$98.2 million).

As of 30 June 2023, the bank borrowings of the Group were approximately HK\$84.9 million (31 December 2022: approximately HK\$141.0 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 2023, the Group has utilised the loan from immediate holding company (the "Supplemental Loan") and loan from a related party (the "RP Loan") of approximately HK\$15.0 million and approximately HK\$187.0 million respectively.

The interest expense charged to the condensed consolidated income statement for 1H2023 was approximately HK\$12.7 million (1H2022: approximately HK\$13.7 million).

As at 30 June 2023, the Group had net current liabilities of approximately HK\$257.2 million (31 December 2022: approximately HK\$240.1 million) and an equity attributable to the equity holders of the Company of approximately HK\$111.9 million (31 December 2022: approximately HK\$129.0 million).

As at 30 June 2023, the Group's current ratio was approximately 0.31 (31 December 2022: approximately 0.51), while the gearing ratio, being the bank borrowings, other loans, lease liabilities, Supplemental Loan and RP Loan to net assets, was approximately 203% (31 December 2022: approximately 254%).

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, 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, the management 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 2023, the Group had 180 employees (31 December 2022: 161) 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.

### INTERIM DIVIDEND

The Board has resolved not to declare an interim dividend for the 1H2023.

### SUBSTANTIAL SHAREHOLDERS

As at 30 June 2023, 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 ("Manureen Holdings")	Interests of controlled corporation	Corporate	985,471,362 (Note)	75.00
Realord Group Holdings Limited ("Realord")	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 2023, 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 2023, 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 (the "Model Code"), were as follows:

#### (a) Long position in Shares

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

#### Notes:

- (1) As at 30 June 2023, 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 2023.

#### (b) Associated corporations

As at 30 June 2023, 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)**

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

Save as disclosed in note 17 to the condensed consolidated interim 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 1H2023.

### **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 1H2023.

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

During 1H2023, 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 notes 20 & 21 to the condensed consolidated interim financial statements, the Group has no other contingent liabilities and litigations.

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

The Group did not make any material acquisition or disposal of subsidiaries and associated and significant investments during 1H2023.

### **MODEL CODE FOR SECURITIES TRANSACTIONS**

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as the code of conduct regarding directors' 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 1H2023.

## **OTHER INFORMATION (Continued)**

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### **NON-COMPLIANCE WITH THE LISTING RULES**

Following the retirement of Mr. Yuan Baoyu and his cessation of being an independent non-executive Director, the chairman of the remuneration committee of the Company and a member of each of the audit committee and nomination committee of the Company on 8 June 2023, the Company now have (1) two independent non-executive Directors, which is below the minimum requirement under Rule 3.10(1) of the Listing Rules and the one-third threshold under Rule 3.10A of the Listing Rules; (2) two remuneration committee members whereas the position of the chairman is vacant, which does not comply with the requirement under Rule 3.25 of the Listing Rules; and (3) two audit committee members, which is below the minimum requirement under Rule 3.21 of the Listing Rules.

As at the date this report, the Company is still in the process of identifying a suitable candidate to fill the abovementioned vacancies as soon as practicable. The Company will make its best endeavor to identify a suitable candidate within three months from the date of retirement of Mr. Yuan Baoyu, so as to comply with the relevant requirements under the Listing Rules. Further announcement will be made as and when appropriate.

### **CORPORATE GOVERNANCE**

The Company has complied throughout the 1H2023 with the Corporate Governance Code (the “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. Yu Leung Fai being the non-executive director of the Company did not attend the general meeting of the Company due to his own business arrangement.

### **AUDIT COMMITTEE AND REVIEW OF FINANCIAL STATEMENTS**

The Group has established an audit committee with written terms of reference in accordance with the Listing Rules. The audit committee comprises two members, whom are independent non-executive directors, namely Mr. Yu Leung Fai and Mr. Chung Chun Hung Simon. The audit 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 1H2023.

## **OTHER INFORMATION (Continued)**

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### **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, 28 August 2023