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THE SINCERE COMPANY, LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock code: 0244)

**ANNOUNCEMENT OF FINAL RESULTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

The board of directors (the “Board”) of the Company announces that the audited consolidated results of the Company and its subsidiaries (collectively, the “Group”) for the year ended 31 December 2023 together with the comparative figures for the year ended 31 December 2022 are as follows:

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2023

	Notes	2023 HK\$'000	2022 HK\$'000 (Restated)
Revenue	4(a)	146,147	146,516
Cost of sales	6	(62,213)	(64,575)
Other income and gains, net	4(b)	18,745	18,811
Net unrealised gain/(loss) on securities trading		221	(1,319)
Selling and distribution expenses		(69,111)	(81,588)
General and administrative expenses		(48,194)	(54,023)
Non-operating expenses		(10,327)	–
Finance costs	5	<u>(26,866)</u>	<u>(27,768)</u>
Loss before income tax	6	(51,598)	(63,946)
Income tax expense	7	<u>(14)</u>	<u>(23)</u>
Loss for the year		<u>(51,612)</u>	<u>(63,969)</u>
Attributable to:			
Equity holders of the Company		(50,477)	(60,756)
Non-controlling interests		<u>(1,135)</u>	<u>(3,213)</u>
		<u>(51,612)</u>	<u>(63,969)</u>
Loss per share attributable to equity holders of the Company			
Basic and diluted	9	<u>HK\$(0.04)</u>	<u>HK\$(0.05)</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2023

	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i> (Restated)
Loss for the year	<u>(51,612)</u>	<u>(63,969)</u>
Other comprehensive income/(loss)		
<i>Item that may be reclassified subsequently to the consolidated income statement:</i>		
Exchange differences arising on translation of foreign operations	<u>37</u>	<u>(62)</u>
<i>Items that will not be reclassified subsequently to the consolidated income statement:</i>		
Actuarial gains on a defined benefit plan	89	276
Actuarial (losses)/gains on long service payment	(84)	439
Surplus/(Deficit) on revaluation of leasehold land and owned buildings	3,388	(1,475)
Changes in fair value of equity investments at fair value through other comprehensive income ("FVTOCI")	86	234
Changes in fair value of asset classified as held for sale	<u>–</u>	<u>970</u>
	<u>3,479</u>	<u>444</u>
Total comprehensive loss for the year	<u>(48,096)</u>	<u>(63,587)</u>
Attributable to:		
Equity holders of the Company	(46,584)	(61,140)
Non-controlling interests	<u>(1,512)</u>	<u>(2,447)</u>
	<u>(48,096)</u>	<u>(63,587)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2023

	<i>Notes</i>	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i> (Restated)
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	<i>10</i>	189,260	218,734
Equity investments at FVTOCI		4,127	4,041
Prepayments, deposits, other receivables and other assets		202,049	187,588
Pension scheme assets		23,777	23,160
		419,213	433,523
Current assets			
Inventories		29,844	29,373
Prepayments, deposits, other receivables and other assets		35,899	33,771
Financial assets at fair value through profit or loss (“FVTPL”)		3,689	3,563
Pledged bank balances and deposits	<i>13(a)</i>	11,277	84,276
Cash and bank balances		92,694	98,188
		173,403	249,171
Current liabilities			
Creditors	<i>11</i>	37,954	27,843
Lease liabilities	<i>12</i>	11,291	28,718
Insurance contracts liabilities		1,154	1,154
Deposits, accrued expenses and other payables		42,773	26,726
Contract liabilities		1,377	1,321
Bank borrowings	<i>13(a)</i>	84,314	140,979
Other loans	<i>13(b)</i>	2,292	2,247
Loan from immediate holding company	<i>13(c)</i>	71,900	73,263
Loan from a related company	<i>13(d)</i>	–	187,000
Long service payment obligations		59	200
Tax payable		20	17
		253,134	489,468

CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(continued)*

As at 31 December 2023

	<i>Notes</i>	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i> (Restated)
Net current liabilities		<u>(79,731)</u>	<u>(240,297)</u>
Total assets less current liabilities		<u>339,482</u>	<u>193,226</u>
Non-current liabilities			
Deposits, accrued expenses and other payables		84	7,120
Other loans	<i>13(b)</i>	559	548
Loan from a related company	<i>13(d)</i>	211,000	–
Lease liabilities	<i>12</i>	622	10,839
Long service payment obligation		<u>1,673</u>	<u>1,079</u>
		<u>213,938</u>	<u>19,586</u>
Net assets		<u>125,544</u>	<u>173,640</u>
EQUITY			
Equity attributable to equity holders of the Company			
Share capital	<i>14</i>	469,977	469,977
Deficits		<u>(388,852)</u>	<u>(342,268)</u>
		81,125	127,709
Non-controlling interests		<u>44,419</u>	<u>45,931</u>
Total equity		<u>125,544</u>	<u>173,640</u>

Notes:

1. CORPORATE AND GROUP INFORMATION

The Sincere Company, Limited (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 Company’s shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

The principal activities of the Company and its subsidiaries (collectively referred to as the “Group”) have not changed during the year and mainly consisted of the operation of department stores, securities trading and the provision of general and life insurances.

In the opinion of the directors of the Company, as at 31 December 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, 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 (“BVI”) with limited liability. The ultimate shareholders of Manureen Holdings are Dr. Lin Xiaohui (“Dr. Lin”) and Madam Su Jiaohua (“Madam Su”), who own 70% and 30% equity interests of Manureen Holdings, respectively.

The consolidated financial statements for the year ended 31 December 2023 were approved for issue by the board of directors (the “Board”) on 25 March 2024.

2.1 BASIS OF PREPARATION

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

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

The consolidated financial statements have been prepared on the historical cost basis except for leasehold land and owned buildings, equity investments at FVTOCI and financial assets at FVTPL which are stated at fair values.

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

2.1 BASIS OF PREPARATION *(Continued)*

Going concern basis

During the year ended 31 December 2023, the Group recorded a net loss of HK\$51,612,000. 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 31 December 2023, the Group had net current liabilities of HK\$79,731,000 and the Company had net current liabilities of HK\$159,977,000 and net liabilities of HK\$23,531,000. The Group's cash and bank balances amounted to HK\$92,694,000 as at 31 December 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 31 December 2023, the Group has unutilised trade financing banking facilities of HK\$443,000. Besides, Realord has undertaken to provide continuous financial support to the Group to meet its liabilities and obligations as and when they fall due for at least next 18 months from 31 December 2023.

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. During the year ended 31 December 2023, the terms of the loan was revised with a facility limit of HK\$260,000,000. As at 31 December 2023, the Group had unutilised loan facility of HK\$49,000,000.

The Company's directors have reviewed the Group's cash flow projections prepared by management. The cash flow projections cover a period of not less than 18 months from 31 December 2023. Management's projections make certain 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.

2.1 BASIS OF PREPARATION *(Continued)*

Going concern basis *(Continued)*

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 consolidated financial statements.

2.2 ADOPTION OF NEW AND AMENDED HKFRSs

New and amended HKFRSs that are effective for annual periods beginning on 1 January 2023

In the current year, the Group has applied for the first time the following new and amended HKFRSs issued by the HKICPA, which are relevant to the Group's operations and effective for the Group's consolidated financial statements for the annual period beginning on 1 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 the new and amended HKFRSs had no material impact on how the results and financial position for the current and prior periods have been prepared and presented.

2.2 ADOPTION OF NEW AND AMENDED HKFRSs (Continued)

HKFRS 17 “Insurance Contracts” and related amendments

HKFRS 17 is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. HKFRS 17 replaces HKFRS 4 Insurance Contracts. The standard applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions apply. The overall objective of the standard is to provide an accounting model for insurance contracts that is more useful and consistent for insurers, covering all relevant accounting aspects. The core of the standard is the general model, supplemented by:

- a specific adaptation for contracts with direct participation features (the variable fee approach); and
- a simplified approach (the premium allocation approach) mainly for short-duration contracts.

HKFRS 17 is not expected to have a material impact on the Group’s consolidated financial statements.

Issued but not yet effective HKFRSs

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

Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback ¹
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 ¹
Amendments to HKAS 1	Non-current Liabilities with Covenants ¹
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements ¹
Amendments to HKAS 21	Lack of exchangeability ²

¹ Effective for annual periods beginning on or after 1 January 2024

² Effective for annual periods beginning on or after 1 January 2025

³ 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. Information on new and amended HKFRSs that are expected to have impact on the Group’s accounting policies is provided below. Other amended HKFRSs are not expected to have a material impact on the Group’s consolidated financial statements.

2.2 ADOPTION OF NEW AND AMENDED HKFRSs (Continued)

Issued but not yet effective HKFRSs (Continued)

Amendments to HKAS 1 “Classification of Liabilities as Current or Non-current” (“2020 Amendments”) and related amendments to Hong Kong Interpretation 5 and Amendments to HKAS 1 “Non-current Liabilities with Covenants” (“2022 Amendments”)

The amendments provide further guidance to clarify how to classify debt and other liabilities as current or non-current which are summarised as follows:

- It clarifies that a liability is non-current if an entity has a right (instead of unconditional right as stated before the amendments) to defer settlement of the liability for at least twelve months from the end of the reporting period. This right has to be existed at the end of the reporting period, regardless of whether the lender tests for compliance at the date or at a later date;
- Any expectations about events after the reporting period do not impact the assessment made at the end of the reporting period as to the classification of the liability; and
- “Settlements” are newly defined as a transfer to the counterparty that results in the extinguishment of the liability. The transfer could be of cash, other economic resources (e.g. goods or services), or entity’s own equity instruments. Thus, if the counterparty conversion option is classified as liability under HKAS 32 “Financial Instruments: Presentation”, the transfer of equity instruments by exercising the conversion option constitute settlement of liability for the purpose of current or non-current classification of liabilities. One exception to the definition is that if the counterparty conversion option is classified as equity in accordance with HKAS 32, the transfer of equity instruments by exercising the conversion option does not constitute settlement of liability and would be disregarded when determining whether the liability is current or non-current.

2022 Amendments issued in 2022 clarified that only covenants of a liability arising from a loan arrangement, which an entity must comply with on or before the reporting date (even if the covenant is only assessed after the reporting date) affect the classification of that liability as current or non-current. Those covenants to be complied with after the reporting date do not affect such classification at the reporting date.

Besides, the 2022 Amendments required an entity to provide additional disclosure when a liability arising from a loan agreement is classified as non-current and the entity’s right to defer settlement is contingent on compliance with future covenants within twelve months.

The 2022 Amendments also deferred the effective date of the 2020 Amendments to the annual reporting periods beginning on or after 1 January 2024, in which both amendments are to be applied as a package and apply retrospectively. Earlier application is permitted.

Based on the Group’s outstanding liabilities as at 31 December 2023, the application of 2020 and 2022 Amendments will not result in reclassification of the Group’s liabilities.

2.2 ADOPTION OF NEW AND AMENDED HKFRSs (Continued)

New HKICPA guidance on the accounting implication of the MPF-LSP offsetting mechanism

In June 2022, the Hong Kong SAR Government (the “Government”) gazetted the Hong Kong Employment and Retirement Schemes Legislation (Offsetting Arrangement) (Amendment) Ordinance 2022 (the “Amendment Ordinance”), which will take effect on 1 May 2025 (the “Transition Date”). The Amendment Ordinance abolishes the use of the accrued benefits derived from employers’ Mandatory Provident Fund (“MPF”) contributions to offset long service payment (“LSP”) in respect of an employee’s service from the Transition Date (the “Abolition”). In addition, the last month’s salary immediately preceding the Transition Date is used to calculate the portion of the LSP in respect of the employment period before the Transition Date.

Prior to 1 January 2023, the Group applied practical expedient in paragraph 93(b) of HKAS 19 (the “Practical Expedient”) to account for the offsetable MPF benefits as deemed employee contributions to reduce the current service costs in the period in which the related services were rendered.

In July 2023, the HKICPA published “Accounting implications of the abolition of the MPF-LSP offsetting mechanism in Hong Kong” (“the Guidance”) that provides guidance for the accounting for the offsetting mechanism and the impact arising from the abolition of the MPF-LSP offsetting mechanism.

By following the Guidance, the Group has changed its accounting policy in connection with its LSP obligations. As a result of the Abolition, these contributions are no longer considered “linked solely to the employee’s service in that period” since the mandatory employer MPF contribution after the Transition Date can still be used to offset the pre-transition LSP obligation. Therefore, the Group ceased to apply the Practical Expedient and reattribute the deemed employee contributions to periods of service in the same manner as the gross LSP benefit by applying paragraph 93(a) of HKAS 19. This change in accounting policy upon the cessation in applying the Practical Expedient has resulted in a catch-up adjustment in profit or loss in June 2022 for the service cost up to that date and consequential impacts on current service cost, interest expense and remeasurement effects from changes in actuarial assumptions for the rest of 2022, with the corresponding adjustment to the carrying amount of the LSP obligations during the year ended 31 December 2022. This change in accounting policy did not have any impact on the opening balance of equity at 1 January 2022. The Group has assessed the implications of this new guidance on the above accounting policies and the guidance has a material impact on how the Group’s results and financial position for the current or prior periods have been prepared or presented in this annual financial statements.

This change in accounting policy has been applied retrospectively by restating the balances as at 31 December 2022. The following table summarises the impacts of the adoption of the Guidance on the comparatives presented in the Group’s consolidated statement of profit or loss and other comprehensive income and consolidated statement of financial position.

2.2 ADOPTION OF NEW AND AMENDED HKFRSs (Continued)

New HKICPA guidance on the accounting implication of the MPF-LSP offsetting mechanism (Continued)

Consolidated statement of financial position as at 31 December 2022

	Carrying amount as at 31 December 2022 (before the adoption) HK\$'000	Impact of adoption of the HKICPA guidance HK\$'000	Restated carrying amount as at 31 December 2022 (after the adoption) HK\$'000
Long service payment obligations	–	1,279	1,279
Accumulated losses	(841,391)	(1,279)	(842,670)

Consolidated statement of profit or loss and other comprehensive income for year ended 31 December 2022

	Original Amount (before the adoption) HK\$'000	Impact of adoption of the HKICPA guidance HK\$'000	Restated amount (after the adoption) HK\$'000
Selling and distribution expenses	80,728	860	81,588
General and administrative expenses	53,165	858	54,023
Loss for the year	62,251	1,718	63,969
Other comprehensive income/(loss)	(57)	439	382
Loss per share			
Basic and diluted earnings per share	HK\$(0.04)	HK\$(0.01)	HK\$(0.05)

The following table summarises the impacts of the adoption of the Guidance on the Group's consolidated statement of profit or loss and other comprehensive income and consolidated statement of financial position for the year ended 31 December 2023, if the Group had not changed its accounting policy as noted above and had continued to apply the practical expedient in paragraph 93(b) of HKAS 19:

2.2 ADOPTION OF NEW AND AMENDED HKFRSs (Continued)

New HKICPA guidance on the accounting implication of the MPF-LSP offsetting mechanism (Continued)

Consolidated statement of financial position as at 31 December 2023

	Carrying amount as at 31 December 2023 (before the adoption) <i>HK\$'000</i>	Impact of adoption of the HKICPA guidance <i>HK\$'000</i>	Carrying amount as at 31 December 2023 (after the adoption) <i>HK\$'000</i>
Long service payment obligations	–	1,732	1,732
Accumulated losses	(891,426)	(1,732)	(893,158)
	<u> </u>	<u> </u>	<u> </u>

Consolidated statement of profit or loss and other comprehensive income for year ended 31 December 2023

	Amount (before the adoption) <i>HK\$'000</i>	Impact of adoption of the HKICPA guidance <i>HK\$'000</i>	Amount (after the adoption) <i>HK\$'000</i>
Selling and distribution expenses	69,092	19	69,111
General and administrative expenses	47,844	350	48,194
Loss for the year	51,243	369	51,612
Other comprehensive income	3,600	(84)	3,516
	<u> </u>	<u> </u>	<u> </u>

3. SEGMENT INFORMATION

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

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

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

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

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/(loss), which is a measure of adjusted loss before income tax. The adjusted loss before income tax is measured consistently with the Group's loss before income tax except that certain interest income, unallocated 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 the case of rental income and income from the provision of warehouse services, at an agreed rate.

3. SEGMENT INFORMATION (Continued)

(a) Operating segments

The following tables present revenue, loss and certain assets, liabilities and expenditure information for the Group's operating segments for the year ended 31 December 2023 and 2022.

	Department store operations HK\$'000	Securities trading HK\$'000	Others HK\$'000	Eliminations HK\$'000	Total HK\$'000
Year ended 31 December 2023					
Segment revenue:					
– Sales to external customers	146,043	(94)	198	–	146,147
– Inter-segment sales	–	–	31,541	(31,541)	–
– Other income and gains, net	353	493	1	–	847
Total	<u>146,396</u>	<u>399</u>	<u>31,740</u>	<u>(31,541)</u>	<u>146,994</u>
Segment results	(25,928)	(3,090)	(15,562)	–	(44,580)
Interest income and unallocated other income and gains, net					17,897
ECL allowance on other receivables					(84)
Finance costs (other than interest on lease liabilities)					(24,831)
Loss before income tax					(51,598)
Income tax expense					(14)
Loss for the year					<u>(51,612)</u>
As at 31 December 2023					
Segment assets	105,850	8,452	213,945	(31,541)	296,706
Unallocated assets					295,910
Total assets					<u>592,616</u>
Segment liabilities	110,765	6,298	11,486	(31,541)	97,008
Unallocated liabilities					370,064
Total liabilities					<u>467,072</u>
Year ended 31 December 2023					
Other segment information:					
– Depreciation	27,309	–	7,820	–	35,129
– Capital expenditure of property, plant and equipment	2,267	–	–	–	2,267
– Reversal of provision for inventories	(1,365)	–	–	–	(1,365)

3. SEGMENT INFORMATION (Continued)

(a) Operating segments (Continued)

	Department store operations HK\$'000 (Restated)	Securities trading HK\$'000	Others HK\$'000	Eliminations HK\$'000	Total HK\$'000 (Restated)
Year ended 31 December 2022					
Segment revenue:					
– Sales to external customers	146,174	(79)	421	–	146,516
– Inter-segment sales	–	–	31,973	(31,973)	–
– Other income and gains, net	1,224	972	2	–	2,198
Total	147,398	893	32,396	(31,973)	148,714
Segment results (Restated)	(36,868)	(2,552)	(18,182)	–	(57,602)
Interest income and unallocated other income and gains, net					16,613
ECL allowance on other receivables					(582)
Finance costs (other than interest on lease liabilities)					(22,375)
Loss before income tax					(63,946)
Income tax expense					(23)
Loss for the year					(63,969)
As at 31 December 2022					
Segment assets	131,394	8,231	218,177	(31,973)	325,829
Unallocated assets					356,865
Total assets					682,694
Segment liabilities	122,374	4,617	9,999	(31,973)	105,017
Unallocated liabilities					404,037
Total liabilities					509,054
Year ended 31 December 2022					
Other segment information:					
– Depreciation	38,821	–	7,785	–	46,606
– Capital expenditure of property, plant and equipment	2,824	–	–	–	2,824
– Reversal of provision for inventories	(2,257)	–	–	–	(2,257)

3. SEGMENT INFORMATION (Continued)

(b) Geographical information

The following tables present revenue and non-current asset information.

	Hong Kong HK\$'000	United Kingdom HK\$'000	Others HK\$'000	Eliminations HK\$'000	Total HK\$'000
Year ended 31 December 2023					
Segment revenue:					
- Sales to external customers	<u>145,998</u>	<u>198</u>	<u>(49)</u>	<u>-</u>	<u>146,147</u>
As at 31 December 2023					
Non-current assets	<u>191,681</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>191,681</u>
Year ended 31 December 2022					
Segment revenue:					
- Sales to external customers	<u>146,330</u>	<u>196</u>	<u>(10)</u>	<u>-</u>	<u>146,516</u>
As at 31 December 2022					
Non-current assets	<u>221,155</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>221,155</u>

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

(c) Information about major customers

For the year ended 31 December 2023 and 2022, as no revenue derived from an individual customer of the Group has accounted for over 10% of the Group's total revenues, no information about major customers is presented under HKFRS 8 "Operating Segments".

4. REVENUE, OTHER INCOME AND GAINS, NET

(a) Revenue

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Revenue from contracts with customers		
Sale of goods – own goods	107,314	108,769
Income from counter and consignment sale	38,729	37,405
Revenue from other sources		
Net realised losses on securities trading	(94)	(79)
Rental income	198	421
	<u>146,147</u>	<u>146,516</u>

Revenue from contracts with customers

(i) *Disaggregated revenue information*

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

(ii) *Performance obligations*

Sale of goods – own goods

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

Income from counter and consignment sale

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

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

(a) Revenue *(Continued)*

Revenue from contracts with customers *(Continued)*

(ii) Performance obligations *(Continued)*

Provision for loyalty points programme

The performance obligation is satisfied upon utilisation of loyalty points. The Group allocated a portion of the transaction prices to the loyalty programme which is based on the relative stand-alone selling price. The transaction price of HK\$1,377,000 (2022: HK\$1,321,000) was allocated to the remaining performance obligations as at 31 December 2023 which are expected to be recognised as revenue within one year. The contract liabilities increased during the year ended 31 December 2023 because less loyalty points were utilised or expired.

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:

	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:		
– Loyalty points programme	<u><u>1,321</u></u>	<u><u>2,119</u></u>

4. REVENUE, OTHER INCOME AND GAINS, NET *(Continued)***(b) Other income and gains, net**

	2023	2022
	HK\$'000	HK\$'000
Bank interest income	236	447
Imputed interest income on gift receivable from Win Dynamic <i>(note 15)</i>	17,623	16,113
Other interest income from financial assets at FVTPL	–	32
Dividends from financial assets at FVTPL	493	940
Foreign exchange gains, net	39	52
Gain on disposal of property, plant and equipment	223	–
Reversal of provision of reinstatement	–	1,033
Others	131	194
	<u>18,745</u>	<u>18,811</u>

5. FINANCE COSTS

	2023	2022
	HK\$'000	HK\$'000
Interest charges on:		
– bank borrowings	5,182	4,381
– lease liabilities <i>(note 12)</i>	2,035	5,393
– other loans	56	55
– loan from a fellow subsidiary	–	5,996
– loan from immediate holding company	1,139	5,197
– loan from a related company	18,454	6,746
	<u>26,866</u>	<u>27,768</u>

6. LOSS BEFORE INCOME TAX

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

	2023	2022
	HK\$'000	HK\$'000
Cost of inventories sold	63,578	66,832
Reversal of provision for inventories	<u>(1,365)</u>	<u>(2,257)</u>
Cost of sales	<u>62,213</u>	<u>64,575</u>

6. LOSS BEFORE INCOME TAX (Continued)

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

	2023 HK\$'000	2022 HK\$'000
Employee benefit expenses, excluding directors' and chief executive's remunerations:		
– Wages and salaries	36,442	38,619
– Pension contributions, including pension credit for a defined benefit plan of HK\$528,000 (2022: pension cost HK\$217,000) (note (a))	711	1,516
– Expenses arising from LSP obligations	576	1,948
Less: government grants (note (b))	–	(3,703)
	<u>37,729</u>	<u>38,380</u>
Depreciation	35,129	46,606
Auditor's remuneration	2,295	2,080
ECL allowance on other receivables	84	582
Other charges in respect of rental premises	18,634	19,778
Lease payments not included in the measurement of lease liabilities	4	1,396
Gain on disposal of property, plant and equipment (note 4(b))	(223)	–
Net realised losses on securities trading (note 4(a))	94	79
Foreign exchange gains, net (note 4(b))	(39)	(52)
Covid-19-related rent concessions from lessors (note 12)	–	(720)
	<u>–</u>	<u>–</u>

Notes:

- (a) As at 31 December 2023, the Group had no forfeited contributions available to reduce its contributions to the pension schemes in future years (2022: Nil).
- (b) During the year ended 31 December 2023, government grants from Hong Kong government's employment support scheme of HK\$Nil (2022: HK\$2,757,000) and HK\$Nil (2022: HK\$946,000) were included in "Selling and distribution expenses" and "General and administrative expenses", respectively, on the face of the consolidated income statement. There are no unfulfilled conditions or contingencies relating to these grants.

7. INCOME TAX EXPENSE

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

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Current tax		
– Hong Kong	–	–
– Elsewhere	<u>14</u>	<u>23</u>
	<u><u>14</u></u>	<u><u>23</u></u>

A reconciliation of the tax expense applicable to loss before income tax at the statutory rates for the locations in which the Company and the majority of its subsidiaries are domiciled to the tax expense at the effective tax rates is as follows:

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i> (Restated)
Loss before income tax	<u>(51,598)</u>	<u>(63,946)</u>
Tax at the statutory tax rates	(8,639)	(10,551)
Income not subject to tax	(3,053)	(4,380)
Expenses not deductible for tax	4,694	2,126
Tax losses not recognised	7,243	13,538
Others	<u>(231)</u>	<u>(710)</u>
	<u><u>14</u></u>	<u><u>23</u></u>

As at 31 December 2023, the Group has tax losses arising in Hong Kong of approximately HK\$2,119,000,000 (2022: HK\$2,076,000,000) that are available indefinitely for offsetting against future taxable profits of the Company and certain of its subsidiaries. No deferred tax assets have been recognised in respect of these losses as the Company and certain of its subsidiaries have been loss-making for some time.

8. DIVIDENDS

The Board did not recommend the payment of any dividend for the year ended 31 December 2023 and 2022.

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

The calculation of the basic loss per share is based on the loss for the year ended 31 December 2023 of HK\$50,477,000 (2022: HK\$60,756,000) attributable to equity holders of the Company and the weighted average number of ordinary shares of 1,313,962,560 (2022: 1,313,962,560) in issue throughout the year.

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 year ended 31 December 2023 and 2022.

10. PROPERTY, PLANT AND EQUIPMENT

	Owned assets HK\$'000	Right-of-use assets HK\$'000	Total HK\$'000
Year ended 31 December 2023			
At the beginning of the year, net of accumulated depreciation and impairment	22,975	195,759	218,734
Additions	849	1,418	2,267
Depreciation	(1,595)	(33,534)	(35,129)
Revaluation adjustment	407	2,981	3,388
	<u>22,636</u>	<u>166,624</u>	<u>189,260</u>
At the end of the year, net of accumulated depreciation and impairment	<u>22,636</u>	<u>166,624</u>	<u>189,260</u>

11. CREDITORS

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

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Current – 3 months	34,437	25,425
4 – 6 months	1,490	378
7 – 12 months	123	280
Over 1 year	1,904	1,760
	<u>37,954</u>	<u>27,843</u>

12. LEASE LIABILITIES

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
At the beginning of the year	39,557	94,415
Accretion of interest recognised during the year (<i>note 5</i>)	2,035	5,393
Payments	(31,012)	(60,917)
Additions	1,333	–
Modification of leases	–	1,386
Covid-19-related rent concessions from lessors (<i>note 6</i>)	–	(720)
	<u>11,913</u>	<u>39,557</u>

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Analysed into:		
– Within one year	11,291	28,718
– In the second to fifth years, inclusive	622	10,839
	<u>11,913</u>	<u>39,557</u>
Carrying amount at the end of the year	11,913	39,557
Less: current portion	<u>(11,291)</u>	<u>(28,718)</u>
	<u>622</u>	<u>10,839</u>

13. BANK BORROWINGS, OTHER LOANS AND LOANS FROM RELATED PARTIES

(Continued)

(b) Other loans

	2023 HK\$'000	2022 HK\$'000
Other loans	2,851	2,795
Less: amount repayable within one year or on demand and classified as current portion	<u>(2,292)</u>	<u>(2,247)</u>
Amount classified as non-current portion	<u>559</u>	<u>548</u>
Analysed into:		
– Within one year or on demand	2,292	2,247
– In the second year	<u>559</u>	<u>548</u>
	<u>2,851</u>	<u>2,795</u>

As at 31 December 2023, the other loans are unsecured, bear interest at 2% (2022: 2%) per annum and repayable on demand, except for an amount of HK\$559,000 (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

On 11 June 2021, the Group has obtained a transitional loan facility from Realord up to a limit of HK\$40,000,000 for additional working capital. The loan bore interest at HIBOR plus 1.75% per annum, was unsecured and repayable 2 months after drawdown. On 10 August 2021, the terms of the loan was revised with a facility limit of HK\$100,000,000 (the “Supplemental Loan”).

The Supplemental Loan bears interest at 8.2% (2022: 8.2%) per annum, is unsecured and repayable on or before 10 August 2024 (2022: 10 August 2023). As at 31 December 2023, the carrying amount of the Supplemental Loan was HK\$71,900,000 (2022: HK\$73,263,000).

(d) Loan from a related company

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. During the year ended 31 December 2023, the terms of the loan was revised with a facility limit of HK\$260,000,000. The loan is unsecured, bears interest at HIBOR plus 5% per annum and is repayable on or before 20 March 2025. As at 31 December 2023, the carrying amount of loan from a related company was HK\$211,000,000 (2022: HK\$187,000,000).

13. BANK BORROWINGS, OTHER LOANS AND LOANS FROM RELATED PARTIES

(Continued)

(e) Loan from a fellow subsidiary

On 10 May 2021, Realord Finance Limited (“Realord Finance”), a wholly-owned subsidiary of Realord entered into a loan facility agreement with the Company, pursuant to which Realord Finance had agreed to provide a loan up to HK\$152,000,000 (the “Realord Loan”), which bore interest at 10% per annum, was repayable 12 months after drawdown and subject to Realord Finance’s right to demand for early repayment.

For the Realord Loan, the Company has executed a debenture (the “Realord Debenture”) on 10 May 2021 in favour of Realord Finance, which gives (i) a first fixed charge over the fixed property and assets of the Company; and (ii) a first floating charge over the undertaking and all other property assets and rights of the Company, subject to the debenture under the Facility (as defined in note 18(b) to the 2021 consolidated financial statements) to the extent that they have not been discharged and/or released by the Lender (as defined in note 18(b) to the 2021 consolidated financial statements).

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

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

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

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

As at 31 December 2021, the carrying amount of the Realord Loan was HK\$104,000,000. The Realord Loan was fully settled during the year ended 31 December 2022.

14. SHARE CAPITAL

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Issued and fully paid:		
1,313,962,560 ordinary shares	<u>469,977</u>	<u>469,977</u>

There is no movements in the Company's share capital for the year.

15. LITIGATION

Deed and purported cancellation

On 29 October 2020, Win Dynamic, the then controlling shareholder of the Company, executed a deed in favour of the Company at no consideration (the "Deed"). Pursuant to the Deed, Win Dynamic has irrevocably undertaken to the Company to gift to the Company the sum falling to be paid by Realord to Win Dynamic upon its acceptance of the Offer relating to all the 662,525,276 shares of the Company held by it, which was expected to amount to approximately HK\$260,443,000 (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 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.

15. LITIGATION *(Continued)*

Deed and purported cancellation *(Continued)*

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.

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 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. 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.

15. LITIGATION (*Continued*)

Deed and purported cancellation (*Continued*)

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.

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.

Between 22 June 2023 and 4 July 2023, the parties proceeded to discovery of documents. On 18 March 2024, the parties filed and exchanged their respective witness statements.

The date of trial has not been fixed.

15. LITIGATION (*Continued*)

Deed and purported cancellation (*Continued*)

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 31 December 2023, the carrying amount of gift receivable from Win Dynamic amounted to HK\$191,939,000, net of ECL allowance of HK\$1,111,000 (2022: HK\$174,401,000, net of ECL allowance of HK\$1,027,000). During the year ended 31 December 2023, the Group has also recognised imputed interest income on gift receivable from Win Dynamic under “Other income and gains, net” of HK\$17,623,000 (2022: HK\$16,113,000).

16. EVENT AFTER REPORTING PERIOD

Claim from former director

As set out in the announcement of the Company dated 28 August 2023, the Company has been a defendant in High Court, Hong Kong proceedings brought by Mr. Philip Ma, the former chairman, chief executive officer and director of the Company. In those High Court proceedings, Mr. Philip Ma claimed i) unpaid remuneration due for the period from March 2020 to February 2021 from the Company’s 4 subsidiaries (the “Subsidiaries”); ii) unpaid director’s fees for the period from 1 March 2021 to 30 June 2021 due from the Company; iii) unpaid remuneration due for the period from March 2021 to June 2021 from the Subsidiaries; and iv) unpaid wages in lieu of unused annual leave. His claim was in the sum of approximately HK\$12,442,000 (which was revised from HK\$12,064,000), plus interest and legal costs. The Company has throughout the High Court proceedings instructed its legal advisers to defend Mr. Philip Ma’s claims, also, it has sought a counterclaim with a total sum of approximately HK\$71,600,000.

The legal action proceeded to trial. The trial took place on 5, 6, 11 December 2023 and heard by the Deputy High Court Judge Burns SC (“DHCJ Burns SC”). On 1 February 2024, DHCJ Burns SC handed down his judgment (the “Judgment”). The Court found in Mr. Philip Ma’s favour for reasons including i) according to the Confirmation Letter signed between Mr. Philip Ma and the Company (the “Confirmation Letter”), a recommendation of the Remuneration Committee (“RC”) alone entitles Mr. Philip Ma to be paid; ii) it was an implied term and within the reasonable expectation of the parties that Mr. Philip Ma would receive director’s fees after March 2021 unless it was further reviewed or revised which it was not; iii) Mr. Philip Ma was contractually entitled to be remunerated for his role vis a vis the Subsidiaries because it was incidental to his position as director, and it was agreed by the Company that a director of a listed company necessarily means he need to deal with the affairs of the Subsidiaries; and iv) it was an implied term of the Confirmation Letter that the director’s fee is payable, it follows that the RC’s failure to meet to consider or confirm recommendations as to remuneration to be paid to Mr. Philip Ma in respect of the period from March 2021 was a breach of the implied terms of the Confirmation Letter. The Court dismissed the Company’s counter-claim and ordered judgment in the sum of HK\$12,064,272 (the “Judgment Sum”) after giving credit to payments made by the Company to Mr. Philip Ma in July and August 2021, plus interest on Judgment Sum and legal costs against the Company. The Company has effected payment of the Judgment Sum on or around 2 February 2024. With regards to interest on the Judgment Sum, Mr. Philip Ma has quantified his claim at HK\$2,949,435 and in response, the Company has paid Mr. Philip Ma a sum of HK\$2,135,781. The matter is to be determined by the Court. As to his claim for legal costs, Mr. Philip Ma has not yet quantified this claim.

RESULTS

The principal activities of the Group during FY2023 are the operation of department stores, securities trading and the provision of general and life insurances.

Overall Financial Review

The consolidated revenue of the Group for FY2023 was approximately HK\$146.1 million, decreased by approximately HK\$0.4 million or 0.3% as compared to the year ended 31 December 2022 (“FY2022”). The net loss of the Group for FY2023 was approximately HK\$51.6 million, decreased by approximately HK\$12.4 million or 19.3% as compared to FY2022. The reduction in loss was mainly attributable to (i) increase gross profit of approximately HK\$2.0 million resulting from the improvement in gross profit margin from 55.9% to 57.4%; (ii) decrease in depreciation of right-of-use assets of approximately HK\$11.9 million as one of our stores closed in late 2022 and due to the rent concession obtained for the department store operation; (iii) decrease in consultancy fee of approximately HK\$3.6 million; (iv) the unrealized gain on securities trading of approximately HK\$0.2 million comparing to the unrealized loss on securities trading of HK\$1.3 million; and (v) the increase in imputed interest income on gift receivables from Win Dynamic of approximately HK\$1.5 million. The reduction in loss was partially offset by the accrued settlement demands in relation to the claim from the former director of approximately HK\$10.3 million.

Revenue

During FY2023, the revenue of the Group was approximately HK\$146.1 million, decreased by approximately HK\$0.4 million or 0.3% as compared to approximately HK\$146.5 million in FY2022. The revenue was mainly contributed from the operation of department store of approximately HK\$146.0 million (FY2022: approximately HK\$146.2 million), representing approximately 99.9% (FY2022: approximately 99.8%) of the total revenue of the Group.

Other income and gains, net

During FY2023, other income and gains, net was approximately HK\$18.7 million (FY2022: approximately HK\$18.8 million), which was mainly attributable to (i) the imputed interest income on gift receivable from Win Dynamic of approximately HK\$17.6 million (FY2022: HK\$16.1 million); and (ii) the dividend income of approximately HK\$0.5 million (FY2022: approximately HK\$0.9 million).

Selling and distribution expenses

During FY2023, the selling and distribution expenses was approximately HK\$69.1 million (FY2022: approximately HK\$81.6 million), which was mainly attributable to (i) the depreciation of right-of-use assets of approximately HK\$33.5 million (FY2022: approximately HK\$45.4 million); and (ii) the employee benefit expenses of approximately HK\$17.9 million (FY2022: approximately HK\$18.2 million, net of government grants of approximately HK\$2.8 million). The decrease in selling and distribution expenses of approximately HK\$12.5 million was mainly arising from the decrease in depreciation of right-of-use assets of approximately HK\$11.9 million as one of our stores closed in late 2022 and due to the rent concession obtained for the department store operation.

General and administrative expenses

During FY2023, the general and administrative expenses was approximately HK\$48.2 million (FY2022: approximately HK\$54.0 million), which was mainly attributable to the employee benefit expenses of approximately HK\$19.8 million (FY2022: approximately HK\$20.1 million, net of government grants of approximately HK\$0.9 million). The decrease in general and administrative expenses of approximately HK\$5.8 million was mainly arising from the decrease in consultancy fee of approximately HK\$3.6 million.

Non-operating expenses

During FY2023, non-operating expenses of approximately HK\$10.3 million (FY2022: Nil), represented the accrued settlement demands in relation to the claim from the former director. For details, please refer to note 16, Event After Reporting Period.

Finance costs

During FY2023, finance costs was approximately HK\$26.9 million (FY2022: approximately HK\$27.8 million), which was mainly attributable to (i) interest on bank borrowings of approximately HK\$5.2 million (FY2022: approximately HK\$4.4 million); (ii) the interest on lease liabilities of approximately HK\$2.0 million (FY2022: approximately HK\$5.4 million); and (iii) the interest on loan from the immediately holding company and a related company of approximately HK\$19.6 million (FY2022: the interest on loan from a fellow subsidiary, the immediately holding company and a related company of approximately HK\$17.9 million).

Loss attributable to equity holders of the Company

During FY2023, the loss attributable to equity holders of the Company was approximately HK\$50.5 million (FY2022: approximately HK\$60.8 million), representing a decrease of approximately HK\$10.3 million or 16.9%.

BUSINESS REVIEW

DEPARTMENT STORE OPERATION

During FY2023, due to the gradual recovery of economic activities in Hong Kong and the reopening of border with Mainland China, the Group could maintain its revenue at approximately HK\$146.0 million (FY2022: approximately HK\$146.2 million) after one of our stores closed in late 2022. The improvement in revenue of the remaining stores covered the loss of revenue from the closed store. However, the increased trend of online shopping behavior of customers in retail sector limited the effect of recovery and hence hinder the performance of our department store operation.

In view of improving our performance, the Group continued to (i) adopt pro-active measures to reduce operating costs; (ii) negotiate with the landlords for rental concession; and (iii) reassess the profitability of stores and the products portfolios. Hence, the overall segment loss was approximately HK\$25.9 million during FY2023 (FY2022: approximately HK\$36.9 million).

To maintain a healthy inventory level, the clearance of out-of-season inventories continued to be our major goal during FY2023. As a result, reversal of provision for inventories of approximately HK\$1.4 million was recognised during FY2023 (FY2022: approximately HK\$2.3 million).

SECURITIES TRADING OPERATION

The Group recorded net realised loss on securities trading of approximately HK\$0.1 million for FY2023 (FY2022: net realized loss of approximately HK\$0.1 million). Dividend income was approximately HK\$0.5 million for FY2023 (FY2022: approximately HK\$0.9 million). Hence, a segment loss of approximately HK\$3.1 million (FY2022: approximately HK\$2.6 million) was resulted for FY2023. 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 challenging amidst the increased trend of online shopping behavior of customers in retail sector. Meanwhile, the Group will keep on monitoring and adjusting nimbly the Group's operating strategies of the department store operation to cater the challenging operating environment.

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

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2023, the Group had cash and bank balances, pledged bank balances and deposits of approximately HK\$104.0 million (31 December 2022: approximately HK\$182.5 million), of which approximately HK\$11.3 million (31 December 2022: approximately HK\$84.3 million) were pledged. As at 31 December 2023, the Group's gearing ratio, being the bank borrowings, other loans, lease liabilities, loans from the immediate holding company and a related company to net assets of approximately 304% (31 December 2022: approximately 255%).

The interest expense charged to the consolidated income statement for FY2023 was approximately HK\$26.9 million (FY2022: approximately HK\$27.8 million). The interest-bearing bank borrowings of the Group as of 31 December 2023 were approximately HK\$84.3 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 HIBOR plus 1.5% per annum. All bank borrowings were secured against a property and bank deposits. The current ratio was approximately 0.69 (31 December 2022: approximately 0.51).

As at 31 December 2023, the Group has utilised loan from immediate holding company and loan from a related company of HK\$71,900,000 and HK\$211,000,000, respectively.

As at 31 December 2023, the Group had net current liabilities of approximately HK\$79,731,000 (31 December 2022: approximately HK\$240,297,000) and an equity attributable to the equity holders of the Company of approximately HK\$81,125,000 (31 December 2022: approximately HK\$127,709,000). The Group's cash and bank balances amounted to approximately HK\$92,694,000 (31 December 2022: approximately HK\$98,188,000) as at 31 December 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, the management has been continuously implementing measures to improve profitability, control operating costs and reduce capital expenditures in order to improve the Group's operating performance and alleviate its liquidity risk. These measures include (i) continuously remapping its marketing strategies and pricing policies, (ii) continuing its measures to control capital and operating expenditures, (iii) negotiating with its landlords for rental reductions, and (iv) identifying the opportunity in realisation of certain assets of the Group. Management believes that these measures will further improve the Group's operating profitability and the resulting cash flows.

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.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2023, the Group had 178 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.

LITIGATIONS

Saved as disclosed in notes 15 to this announcement, the Group do not have other material litigations.

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 FY2023.

EXTRACT OF INDEPENDENT AUDITOR'S REPORT

The following is an extract of independent auditor's report issued by the Group's independent auditor:

“Opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2023, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

Material uncertainty related to going concern

We draw attention to note 2.1 to the consolidated financial statements, which describes the principal conditions that raise doubt about the Group's ability to continue as a going concern. These events or conditions indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.”

CORPORATE GOVERNANCE PRACTICE

The Company's corporate governance practices are based on the principles as set out in the Corporate Governance Code (the "CG Code") contained in Appendix 14 of the Listing Rules.

During FY2023, the Company has complied with the Code Provisions set out in the CG Code, save and except for code provision C.1.6.

Pursuant to code provision C.1.6 of the CG Code, independent non-executive directors and other non-executive directors of the Company should also attend general meetings to obtain better understanding of the views of the shareholders of the Company. Mr. Yu Leung Fai being the independent non-executive director of the Company did not attend the relevant general meetings during FY2023 of the Company due to business arrangement.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix C3 of the Listing Rules as the code governing the transactions of securities by the directors. After making specific enquiry to all directors, it is confirmed that all directors of the Company had complied with the relevant standard as provided in the Model Code throughout FY2023.

AUDIT COMMITTEE AND REVIEW OF FINAL RESULTS

The figures in respect of the Group's consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of financial position, and the related notes thereto for the year ended 31 December 2023 as set out in this announcement have been agreed by the Company's auditors, Grant Thornton Hong Kong Limited, to the amounts set out in the Group's audited consolidated financial statements for the year ended 31 December 2023. The work performed by the Company's auditors in this respect did not constitute an assurance engagement performed in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by Grant Thornton Hong Kong Limited on this announcement.

The Company has established the Audit Committee with written terms of reference in accordance with the Listing Rules. The Audit Committee comprises three members, namely Mr. Yu Leung Fai, Mr. Chung Chun Hung Simon and Mr. Lin Lin, who are all independent non-executive Directors. The Audit Committee has reviewed with the management about the accounting principles and practices adopted by the Group and discussed auditing, risk management, internal control system and financial reporting matters of the Group. The Audit Committee has also reviewed the consolidated financial statements of the Group for the year ended 31 December 2023.

DIVIDENDS

The Board does not recommend the payment of any dividend in respect of FY2023.

ANNUAL GENERAL MEETING

The annual general meeting of the Company (“AGM”) will be held on Thursday, 6 June 2024, and the notice of the AGM will be published and dispatched in the manner as required by the Listing Rules in due course.

CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement to attend and vote at the AGM to be held on Thursday, 6 June 2024, the register of members of the Company will be closed from Friday, 31 May 2024 to Thursday, 6 June, 2024, both days inclusive, during which period no transfer of shares will be registered. In order to be eligible to attend and vote at the AGM, all transfers accompanied by the relevant share certificates must be lodged with the Company’s registrar Tricor Tengis Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong no later than 4:30 p.m. on Thursday, 30 May 2024.

PUBLICATION OF ANNUAL REPORT

The annual report of the Group for FY2023, containing the relevant information required by the Listing Rules, will be published on the websites of the Stock Exchange and the Company in due course.

By order of the Board

Lin Xiaohui

Chairman

Hong Kong, 25 March 2024

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