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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 2022**

The Sincere Company, Limited (the “**Company**”) has changed its financial year-end date from 28/29 February to 31 December in 2021. Accordingly, the comparative figures are for 10 months from 1 March 2021 to 31 December 2021.

The board of directors (the “**Board**”) of the Company announces that the audited consolidated results of the Company and its subsidiaries (collectively, the “**Group**”) for the year ended 31 December 2022 together with the comparative figures for the period from 1 March 2021 to 31 December 2021 are as follows:

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2022

		Year ended 31 December 2022 HK\$'000	Period from 1 March 2021 to 31 December 2021 HK\$'000
	<i>Notes</i>		
Revenue	4(a)	146,516	140,060
Cost of sales	6	(64,575)	(65,908)
Other income and gains, net	4(b)	18,811	12,695
Net unrealised loss on securities trading		(1,319)	(3,791)
Selling and distribution expenses		(80,728)	(80,266)
General and administrative expenses		(53,165)	(49,285)
Other operating expenses, net		–	(4,860)
Finance costs	5	(27,768)	(25,719)
Loss before income tax	6	(62,228)	(77,074)
Income tax expense	7	(23)	(15)
Loss for the year/period		(62,251)	(77,089)
Attributable to:			
Equity holders of the Company		(59,038)	(75,880)
Non-controlling interests		(3,213)	(1,209)
		(62,251)	(77,089)
Loss per share attributable to equity holders of the Company			
Basic and diluted	9	HK\$(0.04)	HK\$(0.06)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2022

	Year ended 31 December 2022 HK\$'000	Period from 1 March 2021 to 31 December 2021 HK\$'000
Loss for the year/period	<u>(62,251)</u>	<u>(77,089)</u>
Other comprehensive (loss)/income		
<i>Item that may be reclassified subsequently to the consolidated income statement:</i>		
Exchange differences arising on translation of foreign operations	<u>(62)</u>	<u>–</u>
<i>Items that will not be reclassified subsequently to the consolidated income statement:</i>		
Actuarial gains on a defined benefit plan	276	4,524
(Deficit)/Surplus on revaluation of leasehold land and owned buildings	(1,475)	22,686
Changes in fair value of equity investments at fair value through other comprehensive income (“FVTOCI”)	234	6,216
Changes in fair value of asset classified as held for sale	<u>970</u>	<u>–</u>
	<u>5</u>	<u>33,426</u>
Total comprehensive loss for the year/period	<u><u>(62,308)</u></u>	<u><u>(43,663)</u></u>
Attributable to:		
Equity holders of the Company	(59,861)	(42,686)
Non-controlling interests	<u>(2,447)</u>	<u>(977)</u>
	<u><u>(62,308)</u></u>	<u><u>(43,663)</u></u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2022

		As at 31 December 2022 <i>HK\$'000</i>	As at 31 December 2021 <i>HK\$'000</i>
	<i>Notes</i>		
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	<i>10</i>	218,734	263,991
Equity investments at FVTOCI		4,041	3,807
Prepayments, deposits, other receivables and other assets		187,588	172,058
Pension scheme assets		23,160	23,101
		<hr/> 433,523 <hr/>	<hr/> 462,957 <hr/>
Current assets			
Inventories		29,373	34,401
Prepayments, deposits, other receivables and other assets		33,771	27,466
Financial assets at fair value through profit or loss (“FVTPL”)		3,563	5,741
Pledged bank balances and deposits	<i>13(a)</i>	84,276	102,153
Cash and bank balances		98,188	54,092
		<hr/> 249,171 <hr/>	<hr/> 223,853 <hr/>
Asset classified as held for sale		–	26,646
		<hr/> 249,171 <hr/>	<hr/> 250,499 <hr/>
Current liabilities			
Creditors	<i>11</i>	27,843	35,557
Lease liabilities	<i>12</i>	28,718	54,859
Insurance contracts liabilities		1,154	1,174
Deposits, accrued expenses and other payables		26,726	32,053
Contract liabilities		1,321	2,119
Bank borrowings	<i>13(a)</i>	140,979	144,508
Other loans	<i>13(b)</i>	2,247	2,203
Loan from a fellow subsidiary	<i>13(c)</i>	–	104,000
Loan from immediate holding company	<i>13(d)</i>	73,263	55,000
Loan from a related company	<i>13(e)</i>	187,000	–
Tax payable		17	–
		<hr/> 489,268 <hr/>	<hr/> 431,473 <hr/>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(continued)*

As at 31 December 2022

	<i>Notes</i>	As at 31 December 2022 HK\$'000	As at 31 December 2021 HK\$'000
Net current liabilities		<u>(240,097)</u>	<u>(180,974)</u>
Total assets less current liabilities		<u>193,426</u>	<u>281,983</u>
Non-current liabilities			
Deposits, accrued expenses and other payables		7,120	4,663
Other loans	<i>13(b)</i>	548	537
Lease liabilities	<i>12</i>	<u>10,839</u>	<u>39,556</u>
		<u>18,507</u>	<u>44,756</u>
Net assets		<u><u>174,919</u></u>	<u><u>237,227</u></u>
EQUITY			
Equity attributable to equity holders of the Company			
Share capital	<i>14</i>	469,977	469,977
Deficits		<u>(340,989)</u>	<u>(281,128)</u>
		<u>128,988</u>	<u>188,849</u>
Non-controlling interests		<u>45,931</u>	<u>48,378</u>
Total equity		<u><u>174,919</u></u>	<u><u>237,227</u></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 2022, Realord Group Holdings Limited (“**Realord**”), a company incorporated in Bermuda with limited liability and the shares of which are listed on the Main Board of the Stock Exchange, 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 2022 were approved for issue by the board of directors (the “**Board**”) on 28 March 2023.

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. Non-current assets held for sale are stated at the lower of carrying amount and fair value less costs to sell.

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)*

The financial information relating to the year ended 31 December 2022 and for the period from 1 March 2021 to 31 December 2021 included in this preliminary announcement of annual results for the year ended 31 December 2022 do not constitute the Company's statutory annual consolidated financial statements for those year/period but is derived from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Companies Ordinance is as follows:

The Company has delivered the financial statements for the period from 1 March 2021 to 31 December 2021 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Companies Ordinance and will deliver the financial statements for the year ended 31 December 2022 in due course. The Company's auditor has reported on these financial statements for both year/period.

The auditor's reports were unqualified; included a reference to a matter to which the auditor drew attention by way of emphasis without qualifying their report in relation to a material uncertainty about going concern; and did not contain a statement under sections 406(2), 407(2) or (3) of the Companies Ordinance.

Going concern basis

During the year ended 31 December 2022, the Group recorded a net loss of HK\$62,251,000. The Group's operations are financed by bank and other borrowings, loans from related parties and internal resources. As at 31 December 2022, the Group had net current liabilities of HK\$240,097,000 and the Company had net current liabilities of HK\$335,428,000. The Group's cash and bank balances amounted to HK\$98,188,000 as at 31 December 2022.

Management closely monitors the Group's financial performance and liquidity position to assess the Group's ability to continue as a going concern. In view of these circumstances and the impact of the Covid-19 pandemic, management has been continuously implementing measures to improve profitability, control operating costs and reduce capital expenditures in order to improve the Group's operating performance and alleviate its liquidity risk. These measures include (i) continuously remapping its marketing strategies and pricing policies; (ii) continuing its measures to control capital and operating expenditures; (iii) negotiating with its landlords for rental reductions; and (iv) identifying the opportunity in realisation of certain assets of the Group. Management believes that these measures will further improve the Group's operating profitability and the resulting cash flows.

With respect to the Group's bank financing, the Group maintains continuous communication with its banks and has successfully renewed the banking facilities with its principal banks during the current year. As at 31 December 2022, the Group had unutilised trade financing banking facilities of HK\$73,703,000. Based on the latest communications with the banks, the directors of the Company are not aware of any intention of the principal banks to withdraw their banking facilities or require early repayment of the borrowings, and the directors of the Company believe that the existing banking facilities will be renewed when their current terms expire given the good track record and relationships the Group has with the banks.

2.1 BASIS OF PREPARATION *(Continued)*

Going concern basis *(Continued)*

Realord has undertaken to provide continuous financial support to the Group to meet its liabilities and obligations as and when they fall due for at least next 18 months from 31 December 2022.

On 21 March 2022, a related company, in which Dr. Lin and Madam Su own 70% and 30% equity interests respectively, entered into a loan facility agreement with the Company, pursuant to which the related company had agreed to provide a loan facility up to HK\$200,000,000 for 36 months in order to support the operation of the Group. As at 31 December 2022, the Group had unutilised loan facility of HK\$13,000,000.

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 2022. 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; (iii) the loans from related parties; and (iv) the impact of the Covid-19 pandemic. The Group's ability to achieve the projected cash flows depends on management's ability to successfully implement the aforementioned improvement measures on profitability and liquidity and the continuous availability of bank and other borrowings facilities and the loans from related parties.

The directors of the Company, after making due enquiries and considering the basis of management's projections described above and after taking into account (i) the reasonably possible changes in the operational performance; (ii) the successful renewal and continuous availability of the bank and other borrowings facilities; and (iii) the financial support from related parties, believe that the Group will have sufficient financial resources to operate as a going concern.

Should the Group be unable to continue as a going concern, adjustments would have to be made to write down the value of assets to their recoverable amounts, to reclassify non-current assets and liabilities as current assets and liabilities, respectively and to provide for any future liabilities which might arise. The effect of these potential adjustments has not been reflected in these consolidated financial statements.

Change of financial year end date

On 2 December 2021, the Board announced that the financial year end date of the Company has been changed from 28/29 February to 31 December commencing from the period from 1 March 2021 to 31 December 2021 to align the financial year end date of the Company with that of Realord. Accordingly, the accompanying consolidated financial statements for the current financial period cover a period of 12 months from 1 January 2022 to 31 December 2022. The comparative figures, however, are for 10 months from 1 March 2021 to 31 December 2021, and hence are not directly comparable.

2.2 ADOPTION OF NEW AND AMENDED HKFRSs

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

In the current year, the Group has applied for the first time the following amended HKFRSs issued by the HKICPA, which are relevant to the Group's operations and effective for the Group's consolidated financial statements for the annual period beginning on 1 January 2022:

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

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

Issued but not yet effective HKFRSs

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

HKFRS 17	Insurance Contracts and related amendments ¹
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 ²
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 ²
Amendments to HKAS 1	Non-current Liabilities with Covenants ²
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies ¹
Amendments to HKAS 8	Definition of Accounting Estimates ¹
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction ¹

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

² Effective for annual periods beginning on or after 1 January 2024

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 new and 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)

HKFRS 17 “Insurance Contracts” and related amendments

HKFRS 17 was issued to replace HKFRS 4 “Insurance Contracts”, an interim standard that allowed entities to use a wide variety of accounting practices for insurance contracts, reflecting national accounting requirements and variations of those requirements. HKFRS 17 solves the comparison problems created by HKFRS 4 by requiring all insurance contracts to be accounted for in a consistent manner. Insurance obligations will be accounted for using current values instead of historical cost, ending the practice of using data from when a policy was taken out.

HKFRS 17 applies to all insurance contracts an entity issues (including those for reinsurance), reinsurance contracts it holds and investment contracts with a discretionary participation features, provided the entity also issues insurance contracts. The standard introduces insurance contract measurement principles requiring:

- current, explicit and unbiased estimates of future cash flows;
- discount rates that reflect the characteristics of the contracts’ cash flows; and
- explicit adjustment for non-financial risk.

Besides, HKFRS 17 also introduces the following changes:

- Day one profits should be deferred as a contractual service margin and allocated systematically to profit or loss as entities provide coverage and are released from risk.
- Revenue is no longer equal to written premiums but to the change in the contract liability covered by the consideration.
- A separate measurement model applies to reinsurance contracts held. Modifications are allowed for qualifying short-term contracts and participating contracts.
- More extensive disclosure requirements.

In February 2022, another amendment to HKFRS 17 was issued by the HKICPA to introduce a transition option that permits an entity to apply an optional classification overlay in the comparative period presented on initial application of HKFRS 17. The classification overlay applies to all financial assets, including those held in respect of activities not connected to contracts within the scope of HKFRS 17. It allows those assets to be classified in the comparative period in a way that aligns with how the entity expects those assets to be classified on the initial application of HKFRS 9. The classification can be applied on an instrument-by-instrument basis.

HKFRS 17 and related amendments are effective for annual periods beginning on or after 1 January 2023. Earlier application is permitted. HKFRS 17 is not expected to have a material impact on the Group’s consolidated financial statements.

3. SEGMENT INFORMATION

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

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

- (a) the department store operations segment consists of the operations of department stores offering a wide range of consumer products;
- (b) the securities trading segment consists of the trading of Hong Kong and overseas securities; and
- (c) the others segment mainly consists of the 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, pledged bank balances and deposits and cash and bank balances as these assets are managed on a group basis.

3. SEGMENT INFORMATION (Continued)

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.

(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 2022 and period from 1 March 2021 to 31 December 2021.

	Department store operations <i>HK\$'000</i>	Securities trading <i>HK\$'000</i>	Others <i>HK\$'000</i>	Eliminations <i>HK\$'000</i>	Total <i>HK\$'000</i>
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	<u>147,398</u>	<u>893</u>	<u>32,396</u>	<u>(31,973)</u>	<u>148,714</u>
Segment results	(35,150)	(2,552)	(18,182)	–	(55,884)
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)					<u>(22,375)</u>
Loss before income tax					(62,228)
Income tax expense					<u>(23)</u>
Loss for the year					<u><u>(62,251)</u></u>

3. SEGMENT INFORMATION (Continued)

(a) Operating segments (Continued)

	Department store operations <i>HK\$'000</i>	Securities trading <i>HK\$'000</i>	Others <i>HK\$'000</i>	Eliminations <i>HK\$'000</i>	Total <i>HK\$'000</i>
As at 31 December 2022					
Segment assets	131,394	8,231	218,177	(31,973)	325,829
Unallocated assets					<u>356,865</u>
Total assets					<u><u>682,694</u></u>
Segment liabilities	121,095	4,617	9,999	(31,973)	103,738
Unallocated liabilities					<u>404,037</u>
Total liabilities					<u><u>507,775</u></u>
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)
	<u>(2,257)</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>(2,257)</u>

3. SEGMENT INFORMATION (Continued)

(a) Operating segments (Continued)

	Department store operations <i>HK\$'000</i>	Securities trading <i>HK\$'000</i>	Others <i>HK\$'000</i>	Eliminations <i>HK\$'000</i>	Total <i>HK\$'000</i>
Period from 1 March 2021 to 31 December 2021					
Segment revenue:					
– Sales to external customers	139,226	203	631	–	140,060
– Inter-segment sales	–	–	28,511	(28,511)	–
– Other income and gains, net	45	3,171	172	–	3,388
Total	<u>139,271</u>	<u>3,374</u>	<u>29,314</u>	<u>(28,511)</u>	<u>143,448</u>
Segment results	(63,160)	(2,949)	(1,207)	–	(67,316)
Interest income and unallocated other income and gains, net					9,307
ECL allowance on other receivables					(445)
Finance costs (other than interest on lease liabilities)					<u>(18,620)</u>
Loss before income tax					(77,074)
Income tax expense					<u>(15)</u>
Loss for the period					<u><u>(77,089)</u></u>

3. SEGMENT INFORMATION (Continued)

(a) Operating segments (Continued)

	Department store operations <i>HK\$'000</i>	Securities trading <i>HK\$'000</i>	Others <i>HK\$'000</i>	Eliminations <i>HK\$'000</i>	Total <i>HK\$'000</i>
As at 31 December 2021					
Segment assets	192,777	10,174	223,901	(28,511)	398,341
Unallocated assets					<u>315,115</u>
Total assets					<u><u>713,456</u></u>
Segment liabilities	183,858	4,585	10,049	(28,511)	169,981
Unallocated liabilities					<u>306,248</u>
Total liabilities					<u><u>476,229</u></u>
Period from 1 March 2021 to 31 December 2021					
Other segment information:					
– Depreciation	40,965	–	5,287	–	46,252
– Impairment of property, plant and equipment	1,656	–	344	–	2,000
– Capital expenditure of property, plant and equipment	63,826	–	–	–	63,826
– Gain on disposal of property, plant and equipment	(8)	–	–	–	(8)
– Reversal of provision for inventories	(1,607)	–	–	–	(1,607)
– Bad debts written off	<u>5</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>5</u>

3. SEGMENT INFORMATION (Continued)

(b) Geographical information

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

	Hong Kong <i>HK\$'000</i>	United Kingdom <i>HK\$'000</i>	Others <i>HK\$'000</i>	Eliminations <i>HK\$'000</i>	Total <i>HK\$'000</i>
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>
Period from 1 March 2021 to 31 December 2021					
Segment revenue:					
– Sales to external customers	<u>139,807</u>	<u>181</u>	<u>72</u>	<u>–</u>	<u>140,060</u>
As at 31 December 2021					
Non-current assets	<u>266,412</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>266,412</u>

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 2022 and period from 1 March 2021 to 31 December 2021, as no revenue derived from an individual customer of the Group has accounted for over 10% of the Group's total revenues, no information about major customers is presented under HKFRS 8 "Operating Segments".

4. REVENUE, OTHER INCOME AND GAINS, NET

(a) Revenue

	Year ended 31 December 2022 <i>HK\$'000</i>	Period from 1 March 2021 to 31 December 2021 <i>HK\$'000</i>
Revenue from contracts with customers		
Sale of goods – own goods	108,769	107,114
Income from counter and consignment sale	37,405	32,112
Revenue from other sources		
Net realised (losses)/gains on securities trading	(79)	203
Rental income	421	631
	146,516	140,060

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\$1,321,000 (2021: HK\$2,119,000) was allocated to the remaining performance obligations as at 31 December 2022 which are expected to be recognised as revenue within one year. The contract liabilities decreased during the year ended 31 December 2022 because more 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:

	Year ended	Period from
	31 December	1 March
	2022	2021 to
	HK\$'000	31 December
		2021
		HK\$'000
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:		
– Loyalty points programme	<u><u>2,119</u></u>	<u><u>730</u></u>

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

(b) Other income and gains, net

	Year ended 31 December 2022 HK\$'000	Period from 1 March 2021 to 31 December 2021 HK\$'000
Bank interest income	447	35
Imputed interest income on gift receivable from Win Dynamic (note 16)	16,113	9,314
Other interest income from financial assets at FVTPL	32	31
Dividends from financial assets at FVTPL	940	3,135
Gain on disposal of property, plant and equipment	–	8
Gain on deregistration of an associate	–	137
Foreign exchange gains/(losses), net	52	(42)
Reversal of provision of reinstatement	1,033	–
Others	194	77
	<u>18,811</u>	<u>12,695</u>

5. FINANCE COSTS

	Year ended 31 December 2022 HK\$'000	Period from 1 March 2021 to 31 December 2021 HK\$'000
Interest charges on:		
– bank borrowings	4,381	2,098
– lease liabilities (note 12)	5,393	7,099
– other loans	55	5,288
– loan from a fellow subsidiary	5,996	9,365
– loan from immediate holding company	5,197	1,869
– loan from a related company	6,746	–
	<u>27,768</u>	<u>25,719</u>

6. LOSS BEFORE INCOME TAX

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

	Year ended 31 December 2022 HK\$'000	Period from 1 March 2021 to 31 December 2021 HK\$'000
Cost of inventories sold	66,832	67,515
Reversal of provision for inventories	(2,257)	(1,607)
Cost of sales	64,575	65,908
Employee benefit expenses, excluding directors' and chief executive's remunerations:		
– Wages and salaries	38,849	31,972
– Pension contributions, including pension cost for a defined benefit plan of HK\$217,000 (Period from 1 March 2021 to 31 December 2021: HK\$1,008,000) (<i>note (a)</i>)	1,516	2,213
Less: government grants (<i>note (b)</i>)	(3,703)	–
	36,662	34,185
Depreciation	46,606	46,252
Auditor's remuneration	2,080	2,066
Bad debts written off	–	5
ECL allowance on other receivables	582	445
Other charges in respect of rental premises	19,778	17,349
Lease payments not included in the measurement of lease liabilities	1,396	2,185
Impairment of property, plant and equipment (<i>note (c)</i>)	–	2,000
Gain on disposal of property, plant and equipment (<i>note 4(b)</i>)	–	(8)
Gain on deregistration of an associate (<i>note 4(b)</i>)	–	(137)
Net realised losses/(gains) on securities trading (<i>note 4(a)</i>)	79	(203)
Foreign exchange (gains)/losses, net (<i>note 4(b)</i>)	(52)	42
Loss on termination of a lease, including final settlement of HK\$Nil (Period from 1 March 2021 to 31 December 2021: HK\$5,300,000) and set off of reinstatement cost of HK\$Nil (Period from 1 March 2021 to 31 December 2021: HK\$493,000) (<i>note (c)</i>)	–	2,860
Covid-19-related rent concessions from lessors (<i>note 12</i>)	(720)	(6,997)

6. LOSS BEFORE INCOME TAX (Continued)

Notes:

- (a) As at 31 December 2022, the Group had no forfeited contributions available to reduce its contributions to the pension schemes in future years (2021: Nil).
- (b) During the year ended 31 December 2022, government grants from Hong Kong government's employment support scheme of HK\$2,757,000 and 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.
- (c) Amounts are included in "Other operating expenses, net" on the face of the consolidated income statement.

7. INCOME TAX EXPENSE

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

	Year ended 31 December 2022 HK\$'000	Period from 1 March 2021 to 31 December 2021 HK\$'000
Current tax		
– Hong Kong	–	–
– Elsewhere	<u>23</u>	<u>15</u>
	<u>23</u>	<u>15</u>

8. DIVIDENDS

The Board did not recommend the payment of any dividend for the year ended 31 December 2022 and period from 1 March 2021 to 31 December 2021.

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 2022 of HK\$59,038,000 attributable to equity holders of the Company and the weighted average number of ordinary shares of 1,313,962,560 in issue throughout the year.

The calculation of the basic loss per share is based on the loss for the period from 1 March 2021 to 31 December 2021 of HK\$75,880,000 attributable to equity holders of the Company and the weighted average number of ordinary shares of 1,246,723,956. The weighted average number of ordinary shares in issue used in the basic loss per share calculation for the period from 1 March 2021 to 31 December 2021 has been adjusted to reflect the number of treasury shares of 67,238,604 held by the Company's subsidiaries during the period.

Diluted loss per share is the same as basic loss per share as the Group had no potentially dilutive ordinary shares in issue during the year ended 31 December 2022 and period from 1 March 2021 to 31 December 2021.

10. PROPERTY, PLANT AND EQUIPMENT

	Owned assets HK\$'000	Right-of-use assets HK\$'000	Total HK\$'000
Year ended 31 December 2022			
At the beginning of the year, net of accumulated depreciation and impairment	22,943	241,048	263,991
Additions	1,438	–	1,438
Modification of leases	–	1,386	1,386
Depreciation	(1,229)	(45,377)	(46,606)
Revaluation adjustment	(177)	(1,298)	(1,475)
	<u>22,975</u>	<u>195,759</u>	<u>218,734</u>
At the end of the year, net of accumulated depreciation and impairment	<u>22,975</u>	<u>195,759</u>	<u>218,734</u>

11. CREDITORS

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

	As at 31 December 2022 HK\$'000	As at 31 December 2021 HK\$'000
Current – 3 months	25,425	33,377
4 – 6 months	378	348
7 – 12 months	280	383
Over 1 year	1,760	1,449
	<u>27,843</u>	<u>35,557</u>

12. LEASE LIABILITIES

	Year ended 31 December 2022 HK\$'000	Period from 1 March 2021 to 31 December 2021 HK\$'000
At the beginning of the year/period	94,415	114,148
Accretion of interest recognised during the year/period (note 5)	5,393	7,099
Payments	(60,917)	(76,315)
Modification of leases (note 10)	1,386	63,745
Termination of leases	–	(7,265)
Covid-19-related rent concessions from lessors (note 6)	(720)	(6,997)
	<u>39,557</u>	<u>94,415</u>
At the end of the year/period		
Analysed into:		
– Within one year	28,718	54,859
– In the second to fifth years, inclusive	10,839	39,556
	<u>39,557</u>	<u>94,415</u>
Carrying amount at the end of the year/period	39,557	94,415
Less: current portion	(28,718)	(54,859)
	<u>10,839</u>	<u>39,556</u>
Non-current portion	<u>10,839</u>	<u>39,556</u>

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

(a) Bank borrowings

	As at 31 December 2022			As at 31 December 2021		
	Effective interest rate %	Maturity	HK\$'000	Effective interest rate %	Maturity	HK\$'000
	Hong Kong Interbank Offered Rate ("HIBOR")			HIBOR +		
	+					
Secured bank borrowings	1.5	2023	140,979	1.5	2022	144,508
				As at 31 December 2022	As at 31 December 2021	
				HK\$'000	HK\$'000	

Analysed into:

– Within one year or on demand

140,979

144,508

As at 31 December 2022, the Group's bank borrowings and banking facilities are secured by:

- (i) the pledge of the Group's bank balances and time deposits of HK\$84,276,000 (2021: HK\$102,153,000);
- (ii) the pledge of the Group's marketable securities with an aggregate fair value of HK\$2,181,000 (2021: HK\$3,432,000); and
- (iii) the mortgages over the Group's leasehold land and owned buildings with an aggregate carrying amount of HK\$181,000,000 (2021: HK\$190,000,000).

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

(Continued)

(b) Other loans

	As at 31 December 2022 HK\$'000	As at 31 December 2021 HK\$'000
Other loans	2,795	2,740
Less: amount repayable within one year or on demand and classified as current portion	<u>(2,247)</u>	<u>(2,203)</u>
Amount classified as non-current portion	<u>548</u>	<u>537</u>
Analysed into:		
– Within one year or on demand	2,247	2,203
– In the second year	<u>548</u>	<u>537</u>
	<u>2,795</u>	<u>2,740</u>

As at 31 December 2022, the other loans are unsecured, bear interest at 2% (2021: 2%) per annum and repayable on demand, except for an amount of HK\$548,000 (2021: HK\$537,000) which is not repayable in the next 12 months after the end of the reporting period.

(c) Loan from a fellow subsidiary

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).

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

(Continued)

(c) Loan from a fellow subsidiary *(Continued)*

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.

(d) Loan from immediate holding company

On 11 June 2021, the Group has obtained a transitional loan facility from Realord up to a limit of HK\$40,000,000 for additional working capital. The loan 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% (2021: 8.2%) per annum, is unsecured and repayable on or before 10 August 2023 (2021: 10 August 2022). As at 31 December 2022, the carrying amount of the Supplemental Loan was HK\$73,263,000 (2021: HK\$55,000,000).

(e) 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.

The loan is unsecured, bears interest at HIBOR plus 5% per annum and is repayable 6 months after drawdown. The repayment of loan principal can be redrawn. As at 31 December 2022, the carrying amount of loan from a related company was HK\$187,000,000 (2021: Nil).

14. SHARE CAPITAL

	As at 31 December 2022 <i>HK\$'000</i>	As at 31 December 2021 <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/period.

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

In May 2021, the Sincere Companies had accepted the Offer (as defined in note 37 to the 2021 consolidated financial statements). All 260,443,200 ordinary shares held by the Sincere Companies had tendered to Realord in exchange for HK\$102,484,000 in cash. Such transaction was accounted for as equity transaction and treasury shares of HK\$130,221,000 were decreased, with a corresponding increase in non-controlling interests of HK\$17,973,000 and decrease in general and other reserve of HK\$45,710,000.

15. CONTINGENT LIABILITIES

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.

15. CONTINGENT LIABILITIES *(Continued)*

Claim from former director *(Continued)*

On 21 June 2021, the Company received a Forms of Claim dated 17 June 2021 by Mr. Philip Ma with the Labour Tribunal (the “**LBTC Claim**”). According to the said Form of Claim, Mr. Philip Ma claims against the Company for unpaid director’s fees and management fees allegedly due from four subsidiaries of the Company in the total sum of approximately HK\$8,244,000, which is the same amount as that demanded by him in the Statutory Demand. The Company further received a letter from Mr. Philip Ma’s legal advisers on 21 June 2021 stating that Mr. Philip Ma will not present a winding-up petition against the Company in respect of the alleged outstanding remunerations stated in the Statutory Demand pending the determination of the Labour Tribunal.

Call-over hearings in respect of the LBTC Claim were held at the Labour Tribunal on 8 July 2021 and 1 November 2021. Mr. Philip Ma increased his claim in the LBTC Claim to include additional claims that the Company owed him an alleged partial unpaid director’s fees for the year ended 31 December 2022 and payment in lieu of annual leave entitlement; and in respect of the certain subsidiaries of the Company, Mr. Philip Ma also included his claim for director’s fees and management fees for the period between March to June 2021 and certain entertainment allowance.

The LBTC Claim was subsequently transferred to Court of First Instance of the High Court of Hong Kong, in which Mr. Philip Ma claimed a total sum of approximately HK\$12,064,000 by including the additional claims in the aforesaid paragraph and subsequently revised the claims to approximately HK\$12,442,000. The Company has instructed its legal advisers to defend Mr. Philip Ma’s claims and make a counterclaim with a total sum of approximately HK\$71,600,000 in the High Court. In the High Court proceedings, exchange of pleadings has taken place and further procedural directions are expected to be made by the Court in April 2023. The case has not yet been fixed for trial.

16. 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**”).

16. LITIGATION (Continued)

Deed and purported cancellation (Continued)

As stated in the Company's announcement dated 4 February 2021, the Board (with Mr. Philip Ma and Mr. Charles M W Chan (collectively the "**Dissenting Directors**") disagreeing) did not admit that the Deed was null or void or had been cancelled. For the interest of the Company and its shareholders as a whole, the Board had resolved to include the review of the implication of the Purported Cancellation to the term of reference of the independent committee of the Board comprising independent non-executive directors, namely Mr. King Wing Ma, Mr. Eric K K Lo, Mr. Peter Tan and Mr. Anders W L Lau (collectively the "**IBC**"). The IBC had thereafter sought separate legal advice in respect of the Purported Cancellation.

In response to a letter from the legal adviser of the IBC to Win Dynamic requesting for evidence to support its reason for the Purported Cancellation, Win Dynamic responded in its reply letter that its professional adviser had advised it not to provide to the Company any information relating to the Deed.

Realord was informed, amongst other things, that the Board (except for the Dissenting Directors) (i.e. the IBC) did not admit that the Purported Cancellation was valid or effective. In response to an email from the legal adviser of the IBC to the legal adviser of Realord requiring the proceeds received by Win Dynamic from its sale of shares of the Company to Realord to be paid to the Company and not Win Dynamic, the legal adviser of Realord responded, amongst other things, that Realord would conduct the Offer, including but not limited to the settlement of the cash consideration for the valid acceptances of the Offer, in accordance with the terms and conditions of the Offer and in compliance with the Code on Takeovers and Mergers.

On 12 May 2021, the Company was informed by the legal adviser of Realord that Realord had issued a writ of summons with an indorsement of claim (the "**Writ**") in the High Court of the Hong Kong Special Administrative Region (the "**Court**") against Win Dynamic on 10 May 2021 in relation to the Purported Cancellation (the "**Action**"). Realord claimed against Win Dynamic, among others, for an order of specific performance requiring Win Dynamic to forthwith pay the Company the net proceeds in respect of the Company's shares tendered by Win Dynamic for acceptance of the Offer, after deducting the seller's ad valorem stamp duty payable by it, amounted to approximately HK\$260,435,000 (the "**WD Proceeds**"), or such other sum as the Court may determine.

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

16. LITIGATION (*Continued*)

Deed and purported cancellation (*Continued*)

The Company on 16 July 2021 resolved that it was in the interest of the Company and its shareholders to commence legal proceedings against Win Dynamic in relation to the Purported Cancellation. Subsequently, the Company had agreed to be joined as a party to the proceedings initiated by Realord. Accordingly, Realord sought the consent from Win Dynamic to join the Company as the 2nd plaintiff and Mr. Philip Ma as the 2nd defendant in the proceedings. As such, on 6 October 2021, Realord and Win Dynamic had jointly applied to the Court for, among others, (i) leave to join the Company as the 2nd plaintiff and Mr. Philip Ma as the 2nd defendant and (ii) leave to amend the Writ and the statement of claim in relation to the Purported Cancellation (the “**Joinder Application**”).

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

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

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

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

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

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

Realord and the Company had filed and served their Re-Amended Statement of Claim on 14 November 2022.

Win Dynamic had filed and served its Amended Defence and Counterclaim and Mr. Philip Ma had filed and served his Amended Defence and Counterclaim on 9 December 2022.

16. LITIGATION *(Continued)*

Deed and purported cancellation *(Continued)*

Realord and the Company had 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.

During the period from 1 March 2021 to 31 December 2021, the Company has sought legal advice in respect of this litigation and was advised that (i) the Deed is enforceable, and (ii) the Company has legal and contractual rights over the WD Proceeds. Therefore, the WD Proceeds is initially recognised as “Gift receivable from Win Dynamic” under “Prepayments, deposits, other receivables and other assets” with an amount of HK\$150,001,000, being the fair value of the WD Proceeds which is determined based on a credit-adjusted effective interest rate of 9.66%, with a corresponding gift receivable from the then controlling shareholder of the Company recognised under “General and other reserves”.

As at 31 December 2022, the carrying amount of gift receivable from Win Dynamic amounted to HK\$174,401,000, net of ECL allowance of HK\$1,027,000 (2021: HK\$158,870,000, net of ECL allowance of HK\$445,000). During the year ended 31 December 2022, the Group has also recognised imputed interest income on gift receivable from Win Dynamic under “Other income and gains, net” of HK\$16,113,000 (Period from 1 March 2021 to 31 December 2021: HK\$9,314,000).

The Company has changed its financial year end date from 28/29 February to 31 December with effect from 2021. The final results will cover the financial year from 1 January 2022 to 31 December 2022 (“FY2022”), while the comparative amounts for the final results will cover a ten-month period from 1 March 2021 to 31 December 2021 (“FP2021”).

RESULTS

The principal activities of the Group during FY2022 are the operation of department stores, securities trading and the provision of general and life insurances.

Overall Financial Review

During FY2022, the Group recorded a total revenue of approximately HK\$146.5 million (FP2021: approximately HK\$140.1 million). The Group recorded a net loss of approximately HK\$62.3 million (FP2021: approximately HK\$77.1 million).

Revenue

During FY2022, the revenue was mainly contributed from the operation of department store of approximately HK\$146.2 million (FP2021: approximately HK\$139.2 million), representing approximately 99.8% (FP2021: approximately 99.4%) of the total revenue of the Group.

Other income and gain, net

During FY2022, other income and gains, net was approximately HK\$18.8 million (FP2021: approximately HK\$12.7 million), which was mainly attributable to (i) the imputed interest income on gift receivable from Win Dynamic of approximately HK\$16.1 million (FP2021: HK\$9.3 million); and (ii) the dividend income of approximately HK\$0.9 million (FP2021: approximately HK\$3.1 million).

Selling and distribution expenses

During FY2022, the selling and distribution expenses was approximately HK\$80.7 million (FP2021: approximately HK\$80.3 million), which was mainly attributable to (i) the depreciation of right-of-use assets of approximately HK\$45.4 million (FP2021: approximately HK\$45.6 million); and (ii) the employee benefit expenses of approximately HK\$17.4 million, net of government grants of approximately HK\$2.8 million (FP2021: approximately HK\$19.5 million).

General and administrative expenses

During FY2022, the general and administrative expenses was approximately HK\$53.2 million (FP2021: approximately HK\$49.3 million), which was mainly attributable to the employee benefit expenses of approximately HK\$19.3 million, net of government grants of approximately HK\$0.9 million (FP2021: approximately HK\$14.7 million).

Other operating expenses, net

During FY2022, other operating expenses, net was Nil (FP2021: approximately HK\$4.9 million). The other operating expenses for FP2021 was mainly attributable to (i) the impairment of property, plant and equipment of approximately HK\$2.0 million; and (ii) loss on termination of lease of approximately HK\$2.9 million.

Finance costs

During FY2022, finance costs was approximately HK\$27.8 million (FP2021: approximately HK\$25.7 million), which was mainly attributable to (i) the interest on lease liabilities of approximately HK\$5.4 million (FP2021: approximately HK\$7.1 million); and (ii) the interest on loan from a fellow subsidiary, the immediately holding company and a related company of approximately HK\$17.9 million (FP2021: HK\$11.2 million).

Loss attributable to equity holders of the Company

During FY2022, our department store operation was affected by the persistence impact of Covid-19 pandemic. As the result, the loss attributable to equity holders of the Company for FY2022 was approximately HK\$59.0 million (FP2021: approximately HK\$75.9 million). Financial review of each segment was further explained below.

BUSINESS REVIEW

DEPARTMENT STORE OPERATION

During FY2022, our Group's performance was affected by the persistence impact of the Covid-19 pandemic. In addition, one of our stores was closed during FY2022. Our department store operations recorded revenue of approximately HK\$146.2 million (FP2021: approximately HK\$139.2 million).

As a result, the Group had adopted pro-active measures to reduce operating expenses, such as staff cost and negotiating rental concession with the landlords. Hence, the overall segment loss was approximately HK\$35.2 million during FY2022 (FP2021: approximately HK\$63.2 million).

To maintain a healthy inventory level, the clearance of previous season inventory continued to be our major goal during FY2022. The inventory level reduced from approximately HK\$34.4 million as at 31 December 2021 to approximately HK\$29.4 million as at 31 December 2022. As a result, reversal of provision for inventories of approximately HK\$2.3 million was recognised during FY2022 (FP2021: approximately HK\$1.6 million).

SECURITIES TRADING OPERATION

The Group recorded net realised loss on securities trading of approximately HK\$0.1 million for FY2022 (FP2021: net realized gain of approximately HK\$0.2 million). Dividend income was approximately HK\$0.9 million for FY2022 (FP2021: approximately HK\$3.1 million). Hence, a segment loss of approximately HK\$2.6 million (FP2021: approximately HK\$2.9 million) was resulted for FY2022. 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

Following by the gradual relaxation of anti-pandemic measures and most importantly, the reopening of border with Mainland China in early 2023, we expect that there will be a rebound on the retail market in Hong Kong. While there are positive signs on recovery, the management is of the view that challenges are still around us. Customer consumption pattern has been changed since the outbreak of Covid-19. In the post-pandemic era, the Group will take a more cautious approach in its business planning to cater the current environment.

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

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2022, the Group had cash and bank balances, pledged bank balances and deposits of approximately HK\$182.5 million (31 December 2021: approximately HK\$156.2 million), of which approximately HK\$84.3 million (31 December 2021: approximately HK\$102.2 million) were pledged. As at 31 December 2022, 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 254% (31 December 2021: approximately 169%).

The interest expense charged to the consolidated income statement for FY2022 was approximately HK\$27.8 million (FP2021: approximately HK\$25.7 million). The interest-bearing bank borrowings of the Group as of 31 December 2022 were approximately HK\$141.0 million (31 December 2021: approximately HK\$144.5 million), which were repayable within one year or on demand. The bank borrowings were in Hong Kong dollars, with interest rates of HIBOR+1.5% per annum. All bank borrowings were secured against securities investments, a property and bank deposits. The current ratio was approximately 0.51 (31 December 2021: approximately 0.58).

As at 31 December 2022, the Group has utilised loan from immediate holding company and loan from a related company of HK\$73,263,000 and HK\$187,000,000, respectively.

As at 31 December 2022, the Group had net current liabilities of approximately HK\$240,097,000 (31 December 2021: approximately HK\$180,974,000) and an equity attributable to the equity holders of the Company of approximately HK\$128,988,000 (31 December 2021: approximately HK\$188,849,000). The Group's cash and bank balances amounted to approximately HK\$98,188,000 (31 December 2021: approximately HK\$54,092,000) as at 31 December 2022.

Management closely monitors the Group's financial performance and liquidity position to assess the Group's ability to continue as a going concern. In view of these circumstances and the impact of the Covid-19 pandemic, 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 2022, the Group had 161 employees (31 December 2021: 198), including part-time staff. The Group operates various remuneration schemes for sales and non-sales employees to motivate front-line and back-office staff towards achieving higher sales and operating efficiencies. Apart from basic salary and discretionary bonuses based on individual merit, sales personnel are further remunerated on the basis of goal-oriented packages, comprising several sales commission schemes. The Group also provides employee benefits such as staff purchase discounts, subsidised medical care and training courses.

CONTINGENT LIABILITIES AND LITIGATIONS

Saved as disclosed in notes 15 and 16 to this announcement, the Group do not have other material contingent liabilities and litigations.

EVENTS AFTER THE REPORTING PERIOD

No significant event has taken place subsequent to 31 December 2022 and up to the date of this announcement.

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 FY2022.

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 2022, 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 FY2022, 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. Yuan Baoyu being the independent non-executive director of the Company did not attend the relevant general meetings during FY2022 of the Company due to business arrangement.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules (the "**Model Code**") as the code governing the transactions of securities by the directors. After making specific enquiry to all directors, it is confirmed that all directors of the Company had complied with the relevant standard as provided in the Model Code throughout FY2022.

SCOPE OF WORK OF GRANT THORNTON HONG KONG LIMITED

The figures in respect of the preliminary announcement of the Group's results for FY2022 have been agreed by the Company's auditor, Grant Thornton Hong Kong Limited, to the amounts set out in the Group's audited consolidated financial statements for the period. The work performed by Grant Thornton Hong Kong Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by the Grant Thornton Hong Kong Limited on the preliminary announcement.

AUDIT COMMITTEE

The Audit Committee of the Company consists of Mr. Yu Leung Fai, Mr. Yuan Baoyu and Mr. Chung Chun Hung Simon, independent non-executive directors of the Company. The Audit Committee has reviewed the final results (including the consolidated financial statements) of the Company for FY2022.

DIVIDENDS

The Board does not recommend the payment of any dividend in respect of FY2022.

ANNUAL GENERAL MEETING

The annual general meeting of the Company (“AGM”) will be held on Thursday, 8 June 2023, 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, 8 June 2023, the register of members of the Company will be closed from Thursday, 1 June 2023 to Thursday, 8 June, 2023, 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 Wednesday, 31 May 2023.

PUBLICATION OF ANNUAL REPORT

The annual report of the Group for FY2022, 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, 28 March 2023

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