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**THIS SUPPLEMENTAL CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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**If you are in any doubt** as to any aspect of this supplemental circular or as to the action you should take, you should consult your licensed securities dealer or registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser.

**If you have sold or transferred** all your shares in **Realord Group Holdings Limited**, you should at once hand this supplemental circular and the accompanying form of proxy to the purchaser(s) or the transferee(s) or to the bank, licensed securities dealer or registered institution in securities or other agent through whom the sale and transfer was effected for transmission to the purchaser(s) or the transferee(s).

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**偉祿集團控股有限公司**  
**REALORD GROUP HOLDINGS LIMITED**

*(Incorporated in Bermuda with limited liability)*  
**(Stock code: 1196)**

**SUPPLEMENTAL CIRCULAR**  
**TO**  
**THE CIRCULAR TO REALORD SHAREHOLDERS DATED 23 JULY 2020**  
**IN RELATION TO**  
**MAJOR TRANSACTION IN RELATION TO**  
**PRE-CONDITIONAL VOLUNTARY CASH OFFER BY**



**ON BEHALF OF**  
**REALORD GROUP HOLDINGS LIMITED**  
**TO ACQUIRE ALL OF THE ISSUED SHARES OF**  
**THE SINCERE COMPANY, LIMITED**

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Capitalised terms used in this cover shall have the same meanings as defined in this supplemental circular.

This supplemental circular shall be read in conjunction with the First Circular dated 23 July 2020.

This supplemental circular is for information purpose only. A letter from the Realord Board is set out on pages 2 to 5 of this supplemental circular.

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## DEFINITIONS

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*Capitalised terms used in this supplemental circular shall have the meanings as defined in the First Circular unless the context otherwise requires. Moreover, in this supplemental circular, the following terms shall have the following meanings:*

- |                               |   |
|-------------------------------|---|
| “First Circular”              | the circular of Realord dated 23 July 2020 which contains, amongst other things, the details of the Offer   |
| “New Latest Practicable Date” | 26 July 2021, being the latest practicable date prior to the printing of this supplemental circular for ascertaining certain information contained herein |

# *The English translation of Chinese names or words in this supplemental circular, where indicated, is included for information purpose only, and should not be regarded as the official English translation of such Chinese names and words.*

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LETTER FROM THE REALORD BOARD

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偉祿集團控股有限公司

REALORD GROUP HOLDINGS LIMITED

*(Incorporated in Bermuda with limited liability)*

**(Stock code: 1196)**

*Executive Directors:*

Dr. Lin Xiaohui (*Chairman*)

Madam Su Jiaohua (*Chief Executive Officer*)

Mr. Lin Xiaodong

*Registered office:*

Clarendon House

2 Church Street

Hamilton HM 11

Bermuda

*Independent non-executive Directors:*

Mr. Yu Leung Fai

Mr. Fang Jixin

Dr. Li Jue

*Head office and principal place of  
business in Hong Kong:*

Suites 2403–2410

24/F, Jardine House

1 Connaught Place

Central, Hong Kong

30 July 2021

*To the Realord Shareholders*

Dear Sir or Madam,

**SUPPLEMENTAL CIRCULAR  
TO  
THE CIRCULAR TO REALORD SHAREHOLDERS DATED 23 JULY 2020  
IN RELATION TO  
MAJOR TRANSACTION IN RELATION TO  
PRE-CONDITIONAL VOLUNTARY CASH OFFER BY  
REALORD ASIA PACIFIC SECURITIES LIMITED  
ON BEHALF OF  
REALORD GROUP HOLDINGS LIMITED  
TO ACQUIRE ALL OF THE ISSUED SHARES OF  
THE SINCERE COMPANY, LIMITED**

**INTRODUCTION**

This supplemental circular should be read together with the First Circular dated 23 July 2020 which contains, amongst other things, the details of the Offer.

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## LETTER FROM THE REALORD BOARD

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References are made to (i) the offer document dated 5 May 2021 issued by the Offeror; (ii) the First Circular; (iii) the Announcement jointly issued by the Offeror and Sincere on 15 May 2020 in relation to, among others, the Offer; and (iv) the announcements issued by the Offeror dated 7 May 2021 and 3 June 2021 in relation to, among others, the Offer becoming unconditional in all respects and the final closing of the Offer, respectively.

On 15 May 2020, the Offeror and Sincere jointly announced that Realord Asia Pacific will, for and on behalf of the Offeror and subject to the satisfaction or waiver (as the case may be) of the Pre-Conditions, make a voluntary conditional cash offer to acquire all of the issued SinCo Shares.

The Offeror had obtained a written shareholders' approval from MHL, the controlling shareholder of the Offeror beneficially interested in approximately 74.62% of the issued share capital of the Offeror as at the date of the Announcement, on 15 May 2020 for the making of the Offer and the acquisition of the SinCo Shares pursuant to the Offer. Pursuant to Rule 14.44(2) of the Listing Rules, the written shareholders' approval from MHL had been accepted in lieu of holding a general meeting of the Realord Shareholders.

The Offer was declared unconditional in all respects on 7 May 2021, and the Offer closed on 3 June 2021, where the Offeror had received valid acceptances in respect of a total of 1,044,695,362 SinCo Shares under the Offer, representing approximately 79.51% of the entire issued share capital of Sincere as at 4:00 p.m. on 3 June 2021.

Immediately before 15 May 2020 (being the commencement date of the Offer period), neither the Offeror nor parties acting in concert with it owned or had control or direction over any voting rights in and rights over any SinCo Shares. Following the close of the Offer and as at the New Latest Practicable Date, the Offeror and parties acting in concert with it held an aggregate of 1,044,695,362 SinCo Shares, representing approximately 79.51% of the entire issued share capital of Sincere. As detailed in the announcement of Sincere dated 29 June 2021, as approximately 20.49% of the entire issued share capital of Sincere was held by the public as at the date of close of the Offer, Realord will have to dispose at least 59,223,442 SinCo Shares (the "**Relevant Shares**") to public SinCo Shareholders in order to satisfy the minimum public float requirement under Rule 8.08(1)(a) of the Listing Rules. Realord has informed Sincere that it will either sell the Relevant Shares through the open market or place down the Relevant Shares through Realord Asia Pacific, to restore the public float by the end of July 2021. Sincere has applied to the Stock Exchange and the Stock Exchange has granted on 28 June 2021 for a temporary waiver from strict compliance with Rule 8.08(1)(a) of the Listing Rules for a period from 3 June 2021 to 31 July 2021.

The SinCo Shares held by Realord give the Realord Group control over the SinCo Group. Sincere is considered a non-wholly-owned subsidiary of Realord and the financial results of the SinCo Group will be consolidated into the financial statements of the Realord Group.

The purpose of this supplemental circular is to provide the Realord Shareholders with, amongst other things, the financial information of the SinCo Group.

Realord Shareholders and potential investors should note that the despatch of this supplemental circular will not affect the written approval obtained from MHL and the implementation and result of the Offer.

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## LETTER FROM THE REALORD BOARD

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### INFORMATION ON THE SINCO GROUP

#### Financial information

Set out below is a summary of the financial information of the SinCo Group extracted from the annual reports of Sincere for the three years ended 28 February 2021, which have been prepared in accordance with Hong Kong Financial Reporting Standards.

	<b>Year ended 28 February 2021</b>	<b>Year ended 29 February 2020</b>	<b>Year ended 28 February 2019</b>
	(audited)	(audited)	(audited)
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	177,472	263,312	311,865
Loss before taxation	(145,682)	(149,240)	(134,727)
Loss after taxation	(145,697)	(149,253)	(134,743)
			<b>As at 28 February 2021</b>
			(audited)
			<i>HK\$'000</i>
Total assets			571,901
Total liabilities			543,496
Net assets			28,405

### FINANCIAL EFFECTS OF THE OFFER ON EARNINGS, ASSETS AND LIABILITIES OF THE ENLARGED GROUP

Following the close of the Offer, the Realord Group obtained control in Sincere, Sincere became a non-wholly-owned subsidiary of Realord and the financial information of the SinCo Group will be consolidated into the consolidated financial statements of the Realord Group. The unaudited pro forma financial information of the Enlarged Group illustrating the financial impact of the close of the Offer on the assets and liabilities of the Enlarged Group is set out in Appendix III to this supplemental circular.

The unaudited pro forma consolidated statement of assets and liabilities of the Enlarged Group is based on (i) the audited consolidated statement of financial position of the Realord Group as at 31 December 2020 as extracted from the published annual report of the Realord Group for the year ended 31 December 2020; and (ii) the audited consolidated statement of financial position of the SinCo Group as at 28 February 2021 as extracted from the published annual report of the SinCo Group for the year ended 28 February 2021, after incorporating the unaudited pro forma adjustments as described in the accompanying notes to illustrate the effect of the close of the Offer.

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## LETTER FROM THE REALORD BOARD

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### *Loss*

The SinCo Group recorded a net loss after taxation of approximately HK\$145.7 million for the year ended 28 February 2021. With effect from the close of the Offer, the financial results of the SinCo Group would be reflected in the consolidated financial statements of the Realord Group.

### *Assets and Liabilities*

According to the unaudited pro forma financial information of the Enlarged Group as set out in Appendix III to this supplemental circular, with effect from the close of the Offer, the total consolidated net assets of the Enlarged Group would be approximately HK\$4,422.8 million. The total assets would increase from approximately HK\$16,719.5 million to approximately HK\$17,275.0 million. The total liabilities would increase from approximately HK\$12,307.9 million to approximately HK\$12,852.2 million.

The above financial effects are for illustrative purposes only and do not necessarily reflect the actual financial results and position of the Realord Group as a result of the close of the Offer. No representation is made as to the actual financial results and/or position of the Realord Group upon the close of the Offer.

### **FURTHER INFORMATION**

Your attention is also drawn to the additional information set out in the appendices to this supplemental circular.

Yours faithfully,  
By order of the Realord Board  
**Realord Group Holdings Limited**  
**Lin Xiaohui**  
*Chairman*

**1. FINANCIAL INFORMATION OF THE OFFEROR**

Financial information of the Offeror for the three years ended 31 December 2018, 2019 and 2020, are disclosed on pages 62–204 of the 2018 annual report published on 26 April 2019, pages 76–220 of the 2019 annual report published on 28 April 2020, and pages 85–218 of the 2020 annual report published on 26 April 2021, respectively, which are published on both the website of the Stock Exchange ([www.hkex.com.hk](http://www.hkex.com.hk)) and the website of the Offeror ([www.realord.com.hk](http://www.realord.com.hk)). Please refer to the hyperlinks as stated below:

**2018 annual report:**

<https://www1.hkexnews.hk/listedco/listconews/sehk/2019/0426/ltm201904262653.pdf>

**2019 annual report:**

<https://www1.hkexnews.hk/listedco/listconews/sehk/2020/0428/2020042803083.pdf>

**2020 annual report:**

<https://www1.hkexnews.hk/listedco/listconews/sehk/2021/0426/2021042601936.pdf>



## 2. INDEBTEDNESS STATEMENT

**Borrowings**

As at the close of business on 31 May 2021, being the latest practicable date for the purpose of this indebtedness statement, the Enlarged Group had total borrowings of HK\$11,488,116,000, details of which are as follows:

	<i>HK\$'000</i>
<b>Non-current</b>	
Bank borrowings	10,004,964
Lease liabilities	7,230
Loans from ultimate holding company	780,126
Other loans	<u>526</u>
	<u>10,792,846</u>
<b>Current</b>	
Bank borrowings and overdrafts	510,987
Lease liabilities	101,535
Amounts due to related parties	80,582
Other loans	<u>2,166</u>
	<u>695,270</u>
	<u><u>11,488,116</u></u>

**Pledged of assets**

As at 31 May 2021, the loans from the ultimate holding company, lease liabilities, amounts due to related parties and other loans were unsecured and unguaranteed. As at 31 May 2021, certain bank borrowings and overdrafts were guaranteed and secured by the investment properties, leasehold land and buildings, bank balances, time deposits, marketable securities, securities collateral pledged to the Realord Group by margin clients, Realord, Realord Group companies, Realord Directors, controlling shareholders of Realord and related parties of the Realord Group. The securities and guarantees of the bank borrowings and overdrafts of the Enlarged Group were summarised as follows:

	<i>HK\$'000</i>
Secured and guaranteed	6,924,924
Unsecured and guaranteed	<u>3,591,027</u>
	<u><u>10,515,951</u></u>

**Contingent liabilities**

As at 31 May 2021, the irrevocable letters of credit amounted to approximately HK\$11,174,000 and bank guarantees given in lieu of property rental deposits and to a supplier amounted to approximately HK\$18,229,000.

As set out in Sincere's announcement dated 22 May 2019, a non-compliance matter (the "**Incident**") occurred in which certain Insurance Authority ("**IA**") regulatory filings were not made by Sincere LA and certain IA regulatory filings/prior written consents were not made/sought by Sincere II in connection with Win Dynamic acquiring 26.48% of the SinCo Shares in issue and becoming a substantial shareholder of Sincere as a result of the completion (the "**Rights Issue Completion**") of the rights issue of Sincere in December 2017.

As a result of the Rights Issue Completion, Win Dynamic and Mr. Philip K H Ma ("**Mr. Ma**") each became a new "controller" within the meaning of section 9(1)(a)(iii)(B) of the Insurance Ordinance (Chapter 41 of the Laws of Hong Kong) ("**IO**") of Sincere II on 20 December 2017 (the "**Change**"). Pursuant to a directive which was imposed by the IA on Sincere II in its letter in March 2016, Sincere II was required to obtain the written consent of the IA for the Change before it took place. Sincere II was also required under the IO to make a notification filing for the Change to the IA within one month thereof. For Sincere LA, it is required under the IO to make a notification filing for the Change to the IA within one month thereof.

As a result of the non-compliance matter, Sincere LA and Sincere II may be subject to the potential liability and disciplinary actions under the IO. Pursuant to the IO, in failing to make the requisite filings/obtain the requisite consents (as the case may be) in relation to the Incident, (a) Sincere LA commits an offence and may be liable to a fine of HK\$200,000, together with a fine of HK\$2,000 for each day on which the offence continues; and (b) Sincere II commits two offences (for failing to obtain written consent of the IA for the Change; and failing to make a notification filing for the Change with the IA) and may be liable, respectively, to (i) a fine of HK\$200,000, together with a fine of HK\$1,000 for each day on which the first offence continues; and (ii) a fine of HK\$200,000, together with a fine of HK\$2,000 for each day on which the second offence continues. Further, both Sincere LA and Sincere II may be subject to disciplinary actions of the IA. Since then, both Sincere LA and Sincere II are in the process of carrying out the requisite remediation actions.

Based on the available information and opinion given by the legal counsel of Sincere LA and Sincere II, the board of directors of Sincere, Sincere LA and Sincere II were of the view that the possibility of the IA taking further enforcement actions as a result of the Incident should be low, provided that Sincere LA and Sincere II shall continue to implement the action plan and comply with the relevant applicable regulatory requirements under the IO. Nothing had come to the attention that the board of directors of Sincere, Sincere LA and Sincere II have committed material non-compliance with the requirements under the action plan or the regulatory requirements under the IO.

Save as disclosed above and apart from intra-group liabilities, the Enlarged Group did not have any outstanding debt securities issued and outstanding or authorised or otherwise created but unissued, term loans, other borrowings or indebtedness in the nature of borrowing including bank overdrafts, liabilities under acceptances (other than normal trade bills), acceptance credits, material lease commitments, mortgages and charges, material contingent liabilities and guarantees outstanding at the close of business on 31 May 2021.

### **3. WORKING CAPITAL STATEMENT**

The Realord Directors, after due and careful consideration and in the absence of unforeseeable circumstances, are of the opinion that the Enlarged Group will have sufficient working capital for its present operating requirements and for the next 12 months from the date of this supplemental circular.

### **4. MATERIAL ADVERSE CHANGE**

As at the New Latest Practicable Date, the Realord Directors were not aware of any material adverse change in the financial position or trading position of the Enlarged Group since 31 December 2020, being the date to which the latest published audited financial statements of the Realord Group was made up.

*Set out below is the management discussion and analysis on the SinCo Group, which is based on the financial information of the SinCo Group for the three years ended 28 February 2019, 29 February 2020 and 28 February 2021 in the 2018–2019 annual report, 2019–2020 annual report and 2020–2021 annual report published on 19 June 2019, 16 June 2020 and 14 July 2021, respectively, on the website of the Stock Exchange (<http://www.hkex.com.hk>), particulars of which are as follows:*

**FOR THE YEAR ENDED 28 FEBRUARY 2021****Financial Review*****Revenue***

For the year ended 28 February 2021, the SinCo Group recorded a revenue of approximately HK\$177,472,000 (2020: approximately HK\$263,312,000), of which revenue from (i) department store operations amounted to approximately HK\$176,694,000 (2020: approximately HK\$263,110,000); (ii) securities trading recorded a profit of approximately HK\$6,000 (2020: loss of approximately HK\$3,543,000); and (iii) others of approximately HK\$772,000 (2020: approximately HK\$3,745,000).

***Gross Loss***

For the year ended 28 February 2021, the SinCo Group recorded a gross loss of approximately HK\$145,682,000.

***Finance Costs***

For the year ended 28 February 2021, finance cost of interest expenses was approximately HK\$20,257,000.

***Loss for the Year***

For the year ended 28 February 2021, the SinCo Group recorded a loss for the year of approximately HK\$145,697,000.

***Liquidity and Financial Resources***

As at 28 February 2021, the SinCo Group had cash and bank balances, pledged bank balances and pledged deposits with banks of approximately HK\$191.7 million (2020: HK\$132.8 million), of which approximately HK\$103.7 million (2020: HK\$119.0 million) were pledged. The SinCo Group's gearing ratio, being the interest-bearing bank borrowings, other loans and lease liabilities to net assets, was approximately 1,514% as at 28 February 2021 (2020: 209%). The interest expense charged to the consolidated income statement for the year ended 28 February 2021 was approximately HK\$20.3 million (2020: HK\$19.2 million). The interest-bearing bank borrowings of the SinCo Group as of 28 February 2021 were approximately HK\$162.7 million (2020: HK\$156.7 million), which were repayable within one year or on demand. The other loans of the SinCo Group as of 28 February 2021 were HK\$153.3 million (2020: HK\$3.2 million), of which HK\$152.2 million were repayable within one year or on demand. As of 28 February 2021, lease liabilities of the SinCo Group were HK\$114.1 million (2020: HK\$206.4 million), of which HK\$93.7 million were repayable within one year. The bank borrowings were largely in

Hong Kong dollars, with interest rates of Hong Kong Interbank Offered Rate +1.5% per annum. The current ratio was 0.53 (2020: 0.67). The increase in bank borrowings, other loans and lease liabilities were due to the operating loss during the year.

### *Capital Structure*

The SinCo Group manages its capital to ensure that the SinCo Group will be able to continue as a going concern while maximising the return to the equity holders through the optimisation of the debt and equity balance. The capital structure of the SinCo Group consists of cash and bank balances, interest-bearing bank borrowings, lease liabilities and equity attributable to equity holders of Sincere, comprising share capital and reserves. The SinCo Group monitors capital on the basis of the gearing ratio. This ratio is calculated based on total interest-bearing bank borrowings and lease liabilities and total equity attributable to equity holders of Sincere.

### *Significant Investments*

As at 28 February 2021, the SinCo Group had held for trading investments with fair value of HK\$11 million (2020: HK\$13 million). During the year ended 28 February 2021, the SinCo Group recorded realised gains of HK\$6,000 (2020: loss of HK\$4 million) and unrealised loss on fair value of HK\$1 million (2020: loss of HK\$7 million).

### *Material Acquisition and Disposal of Subsidiaries or Associated Companies*

The SinCo Group had not made any other material acquisition or disposal of subsidiaries or associated companies for the year ended 28 February 2021.

### *Employees and Remuneration Policies*

As at 28 February 2021, the SinCo Group had 222 employees (2020: 266), including part-time staff. The SinCo Group operated various remuneration schemes for sales and non-sales employees to motivate front-line and back-office staff towards achieving higher sales and operating efficiencies. Besides basic salary and discretionary bonuses based on individual merit, sales personnel were further remunerated on the basis of goal-oriented packages, comprising several sales commission schemes. The SinCo Group provided employee benefits such as employee stock options, staff purchase discounts, subsidised medical care and training courses.

### *Contingent Liabilities*

As at 28 February 2021, the irrevocable letters of credit of SinCo Group amounted to approximately HK\$16,832,000 (2020: approximately HK\$17,548,000) and bank guarantees given in lieu of property rental deposits and to a supplier amounted to approximately HK\$19,654,000 (2020: approximately HK\$26,692,000).

### *Final Dividend*

The Sincere Board did not recommend a final dividend for the year ended 28 February 2021 (2020: Nil).

***Business Review******Department Store Operation***

During the financial year ended 28 February 2021, the SinCo Group's performance was affected by the COVID-19 pandemic since early 2020. The SinCo Group's department store operations recorded revenue of approximately HK\$176.7 million (2020: HK\$263.1 million), dropped by approximately 32.8% against last year as the public sentiment for outgoing and spending reduced leading to a decrease in our store traffic in the current year. Deeper discount and extended sales period were offered leading to further decrease in department stores' gross profit in the current year.

As a result, the SinCo Group had adopted pro-active measures to reduce operating expenses, such as advertisements and staff costs, during the year. With the additional rental concession obtained from landlords and the government's employment support scheme, the overall segment loss slightly decreased to approximately HK\$108.5 million (2020: HK\$110.0 million).

To maintain a healthy inventory level, continuing the clearance of previous season inventory was the major goal in the year. With more aggressive markdown and reduced the purchase for high end products, the inventory level was under control. The inventory level reduced from approximately HK\$66.3 million as at 29 February 2020 to approximately HK\$42.9 million as at 28 February 2021.

***Securities Trading Operation***

With the investment portfolio alignment in last financial year ended 29 February 2020, significant portion of the investment had been disposed of. As a result, the SinCo Group recorded net realised gain on securities trading of approximately HK\$6,000 in the financial year ended 28 February 2021 as compared with net realised loss of approximately HK\$3.5 million in last financial year. Net unrealised loss reduced significantly from last financial year ended 29 February 2020 of approximately HK\$6.7 million to approximately HK\$0.7 million the financial year ended 28 February 2021. Dividend income decreased from approximately HK\$7.2 million in financial year ended 29 February 2020 to approximately HK\$1.0 million in current year. Hence, a segment loss of approximately HK\$8.9 million (2020: HK\$12.0 million) was resulted. The SinCo Group held these investments for trading. The SinCo Group would review and refine its investment portfolio regularly based on market conditions and its capital needs.

***Outlook and Future Business Strategies***

Looking forward, with the number of confirmed cases for the COVID-19 maintained at a relatively low level and the ease of the social distancing polices implemented by the government previously, the foot traffic for the department stores had gradually recovered. The management of Sincere was of the view that the department store operations would be challenging with the new norm that COVID-19 would not die out in short run, but was still cautiously optimistic about the core department stores performance in the coming year. The SinCo Group would take a more cautious approach in its business planning to weather the current unfavourable environment.

As mentioned in the offer document dated 5 May 2021 issued by Realord in connection with the Offer, Realord intended to continue with the SinCo Group's existing principal business. Realord intended to preserve the brand heritage of "Sincere (先施)" and rally the department store operations on the platform of the Realord Group and to support the operation and improve the liquidity position of the SinCo Group. Realord would also make any changes it deems necessary or appropriate to Sincere's business and operations in order to enhance the value of Sincere and strengthen its revenue. With the support of Realord as the new controlling shareholder of Sincere, the Sincere Board was optimistic about the prospects of the SinCo Group.

**FOR THE YEAR ENDED 29 FEBRUARY 2020****Financial Review*****Revenue***

For the year ended 29 February 2020, the SinCo Group recorded a revenue of approximately HK\$263,312,000, of which revenue from (i) department store operations amounted to approximately HK\$263,110,000 (2019: approximately HK\$310,816,000); (ii) securities trading recorded a loss of approximately HK\$3,543,000 (2019: loss of approximately HK\$2,739,000); and (iii) others of approximately HK\$3,745,000 (2019: approximately HK\$3,788,000).

***Gross Loss***

For the year ended 29 February 2020, the SinCo Group recorded a gross loss of approximately HK\$149,240,000.

***Finance Costs***

For the year ended 29 February 2020, finance cost of interest expenses was approximately HK\$19,209,000.

***Loss for the Year***

For the year ended 29 February 2020, the SinCo Group recorded a loss for the year of approximately HK\$149,253,000.

***Liquidity and Financial Resources***

As at 29 February 2020, the SinCo Group had cash and bank balances of HK\$132.8 million (2019: HK\$110.7 million), of which HK\$119.0 million (2019: HK\$78.4 million) were pledged. The SinCo Group's gearing decreased from 666% to 255% in total debt to the shareholders' fund in comparison to the financial year ended 28 February 2019. The interest expense charged to the consolidated income statement for the financial year ended 29 February 2020 was HK\$19.2 million (2019: interest expense (without interest on lease liabilities) HK\$4.9 million). The interest-bearing bank borrowings of the SinCo Group as of 29 February 2020 were HK\$156.7 million (2019: HK\$190.0 million), which were repayable within one year or on demand. As of 29 February 2020, lease liabilities of the SinCo Group were HK\$206.4 million (2019: Nil), of which HK\$102.5 million were repayable within one year. The bank

borrowings were largely in Hong Kong dollars, with interest rates ranging from 1.4% to 5.1% per annum. The current ratio was 0.67 (2019: 1.1). The decrease in bank borrowings was financed by the funding from the issue of shares during the year.

### *Capital Structure*

The SinCo Group managed its capital to ensure that the SinCo Group would be able to continue as a going concern while maximising the return to the equity holders through the optimisation of the debt and equity balance. The capital structure of the SinCo Group consisted of cash and bank balances, interest-bearing bank borrowings, lease liabilities and equity attributable to equity holders of Sincere, comprising share capital and reserves. The SinCo Group monitored capital on the basis of the gearing ratio.

### *Significant Investments*

As at 29 February 2020, the SinCo Group had held for trading investments with fair value of HK\$13 million (2019: HK\$112 million). During the year ended 29 February 2020, the SinCo Group recorded realised losses of HK\$4 million (2019: HK\$3 million) and unrealised loss on fair value of HK\$7 million (2019: HK\$9 million).

### *Material Acquisition and Disposal of Subsidiaries or Associated Companies*

The SinCo Group had not made any other material acquisition or disposal of subsidiaries or associated companies for the year ended 29 February 2020.

### *Employees and Remuneration Policies*

As at 29 February 2020, the SinCo Group had 266 employees (2019: 328), including part-time staff. The SinCo Group operated various remuneration schemes for sales and non-sales employees to motivate front-line and back-office staff towards achieving higher sales and operating efficiencies. Besides basic salary and discretionary bonuses based on individual merit, sales personnel were further remunerated on the basis of goal-oriented packages, comprising several sales commission schemes. The SinCo Group provided employee benefits such as employee stock options, staff purchase discounts, subsidised medical care and training courses.

### *Contingent Liabilities*

As at 29 February 2020, the irrevocable letters of credit of SinCo Group amounted to approximately HK\$17,548,000 (2019: approximately HK\$21,059,000) and bank guarantees given in lieu of property rental deposits and to a supplier amounted to approximately HK\$26,692,000 (2019: approximately HK\$23,095,000).

### *Final Dividend*

The Sincere Board did not recommend a final dividend for the year ended 29 February 2020 (2019: Nil).



***Business Review***

The SinCo Group's total revenue was approximately HK\$263.3 million (2019: approximately HK\$311.9 million) during the year; representing a 16% drop from financial year ended 28 February 2019. The loss attributable to equity holders of Sincere for the year ended 29 February 2020 was approximately HK\$147.4 million (2019: approximately HK\$132.1 million), loss increased by approximately HK\$15.3 million or 11.6% compared with the previous year. Such increase in loss was mainly due to (i) the decrease in sales of the department store operations; and (ii) increase in impairment loss on the SinCo Group's right-of-use assets of approximately HK\$12.8 million as a result of sustained operating losses in department store operations.

***Outlook and Future Business Strategies***

With the decrease in the confirmed cases for the COVID-19 and the ease of the social distancing polices implemented by the government previously, the foot traffic for Sincere's stores had gradually recovered. The management of Sincere was of the view that the department store operations would be challenging, but was still cautiously optimistic about the core department stores performance in the coming year. The SinCo Group would take a cautious approach in its business planning to weather the current unfavourable environment.

On securities trading, the global financial market was still volatile as a result of various uncertainties, including the COVID-19 and the China-US trade war; as such Sincere would remain conservative on its investment strategy to ensure the SinCo Group had a better cash flow position.

Following the Offer made by Realord, the management of Sincere believed that there would have potential synergy effect between Realord and the SinCo Group leveraging on the experience on the SinCo Group in the department store operations by cooperating and utilizing the properties held by the Realord Group.

**FOR THE YEAR ENDED 28 FEBRUARY 2019****Financial Review***Revenue*

For the year ended 28 February 2019, the SinCo Group recorded a revenue of approximately HK\$311,865,000, of which revenue from (i) department store operations amounted to approximately HK\$310,816,000 (2018: approximately HK\$353,581,000); (ii) securities trading recorded a loss of approximately HK\$2,739,000 (2018: loss of approximately HK\$1,468,000); and (iii) others of approximately HK\$3,788,000 (2018: approximately HK\$3,752,000).

*Gross Loss*

For the year ended 28 February 2019, the SinCo Group recorded a gross loss of approximately HK\$134,727,000.

*Finance Costs*

For the year ended 28 February 2019, finance cost of interest expenses was approximately HK\$4,898,000.

*Loss for the Year*

For the year ended 28 February 2019, the SinCo Group recorded a loss for the year of approximately HK\$134,743,000.

*Liquidity and Financial Resources*

As at 28 February 2019, the SinCo Group had cash and bank balances of HK\$110.7 million (2018: HK\$111.4 million), of which HK\$78.4 million (2018: HK\$75.3 million) were pledged. The SinCo Group's gearing increased from 56% to 666% in total debt to the shareholders' fund in comparison to last year. The interest expense charged to the consolidated income statement for the year was HK\$4.9 million (2018: HK\$4.0 million). The interest-bearing bank borrowings of the SinCo Group as of 28 February 2019 were HK\$190.0 million (2018: HK\$94.3 million), which were repayable within one year or on demand. The bank borrowings were largely in Hong Kong dollars, with interest rates ranging from 1.4% to 5.1% per annum. The current ratio was 1.1 (2018: 1.8). The increase in bank borrowings was mainly used to support normal operations in department stores.

*Capital Structure*

The SinCo Group managed its capital to ensure that the SinCo Group would be able to continue as a going concern while maximising the return to the equity holders through the optimisation of the debt and equity balance. The capital structure of the SinCo Group consisted of cash and bank balances, interest-bearing bank borrowings and equity attributable to equity holders of Sincere, comprising share capital and reserves. The SinCo Group monitored capital on the basis of the gearing ratio.

***Significant Investments***

As at 28 February 2019, the SinCo Group had held for trading investments with fair value of HK\$112 million (2018: HK\$153 million). During the year ended 28 February 2019, the SinCo Group recorded realised losses of HK\$3 million (2018: loss of HK\$1 million) and unrealised loss on fair value of HK\$9 million (2018: gain of HK\$4 million).

***Material Acquisition and Disposal of Subsidiaries or Associated Companies***

The SinCo Group had not made any other material acquisition or disposal of subsidiaries or associated companies for the year ended 28 February 2019.

***Employees and Remuneration Policies***

As at 28 February 2019, the SinCo Group had 328 employees (2018: 303), including part-time staff. The SinCo Group operated various remuneration schemes for sales and non-sales employees to motivate front-line and back-office staff towards achieving higher sales and operating efficiencies. Besides basic salary and discretionary bonuses based on individual merit, sales personnel were further remunerated on the basis of goal-oriented packages, comprising several sales commission schemes. The SinCo Group provided employee benefits such as employee stock options, staff purchase discounts, subsidised medical care and training courses.

***Contingent Liabilities***

As at 28 February 2019, the irrevocable letters of credit of SinCo Group amounted to approximately HK\$21,059,000 (2018: approximately HK\$25,352,000) and bank guarantees given in lieu of property rental deposits and to a supplier amounted to approximately HK\$23,095,000 (2018: approximately HK\$22,519,000).

***Final Dividend***

The Sincere Board did not recommend a final dividend for the year ended 28 February 2019 (2018: Nil).

***Business Review***

The SinCo Group's total revenue was HK\$311.9 million (2018: HK\$355.9 million) during the year; representing a 12% drop from last year. The loss attributable to equity holders of the Sincere for the financial year was HK\$132.1 million (2018: HK\$90.5 million), loss increased by HK\$41.6 million or 45.9% compared with previous year. This was mainly due to an increase in loss in the department store operations segment by HK\$18.3 million and an increase in securities trading segment loss by HK\$17.8 million as compared to year ended 28 February 2018. Such increase in loss was attributable to (i) the decrease in gross profit of the department store operations due to the unseasonably warm winter and resulting quiet end-of-year sales period; (ii) the impairment loss on the SinCo Group's property, plant and equipment due to the operating losses in department store operations; and (iii) the increase in net realised losses arising from trading in and unrealised losses as a result of mark to market losses in the SinCo Group's investment in financial assets at fair value through profit or loss.

***Outlook and Future Business Strategies***

With the gradual recovery of the overall economic environment in Hong Kong in early 2019, the management of Sincere was cautiously optimistic about its core department stores performance for the year.

Sincere's management had implemented several actions to improve its department stores' performance. The Tsuen Wan Citywalk Store was revamped in August 2018 to provide a brand new image to its customers. Despite a slower than expected development in sales after the renovations completed in the second half of the year ended 28 February 2019, Sincere believed the new change could generate a better customer experience in the longer term. At the same time, Sincere expected it will benefit from the increase in foot traffic after nearby new outlet shops in Tsuen Wan Citywalk 2 open. In order to efficiently utilise resources, the under-performing Sincere CWB Store would be closed in early July 2019 when the lease expires. In addition, to improve its stores' foot traffic and widen its product categories, Sincere had introduced new consignment stores to sell popular snacks in Tsuen Wan Citywalk Store, Shamshuipo Dragon Centre Store and Sincere MK Store. To improve its merchandise, its women's merchandising team added stylish Spanish apparels and shoes to complement the Italian and German collection. Sincere believed the encouraging results from several product groups, such as outdoor and handbags, would continue and generate new revenue to the SinCo Group in coming year.

On securities trading, the global financial market was still volatile as a result of various uncertainties, including US interest rate upcycle, and the US-China trade war; as such Sincere would remain conservative on its investment strategy, aiming to provide a better investment return in the coming year.

**UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF ASSETS AND LIABILITIES OF  
THE ENLARGED GROUP****1. Introduction**

The unaudited pro forma financial information of the Enlarged Group (the “**Unaudited Pro Forma Financial Information**”) comprising the unaudited pro forma consolidated statement of assets and liabilities of the Enlarged Group as at 31 December 2020 is prepared as if the Offer had been completed on 31 December 2020, and is based on (i) the audited consolidated statement of financial position of the Realord Group as at 31 December 2020 as extracted from the published annual report of the Realord Group for the year ended 31 December 2020; and (ii) the audited consolidated statement of financial position of the SinCo Group as at 28 February 2021 as extracted from the published annual report of the SinCo Group for the year ended 28 February 2021, after making pro forma adjustments that are directly attributable to the Offer and factually supportable and clearly identifying those have/have no continuing effect on the Realord Group.

The unaudited pro forma consolidated statement of assets and liabilities of the Enlarged Group has been compiled by the Realord Directors in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and with reference to Accounting Guideline 7 “Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars” issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) to illustrate the effect of the Offer on the Realord Group’s consolidated financial position as at 31 December 2020 as if the Offer had taken place at 31 December 2020. The Unaudited Pro Forma Financial Information has been prepared for illustrative purpose only and is based on a number of assumptions, estimates and uncertainties, and because of its hypothetical nature, it may not give a true picture of the consolidated financial position of the Enlarged Group had the Offer been completed as of 31 December 2020 or any future date.

The Unaudited Pro Forma Financial Information should be read in conjunction with the historical information of the Realord Group and the SinCo Group as set out in the published annual reports of the Realord Group and the SinCo Group for the year ended 31 December 2020 and 28 February 2021, respectively, and other financial information contained in this supplemental circular.

## 2. Unaudited Pro Forma Consolidated Statement of Assets and Liabilities of the Enlarged Group

	The Realord Group as at 31 December 2020 HK\$'000 (Audited) Note 1	The SinCo Group as at 28 February 2021 HK\$'000 (Audited) Note 2	HK\$'000 Note 3	Pro forma adjustments			HK\$'000 Note 8	The Enlarged Group HK\$'000 (Unaudited)
				HK\$'000 Note 4	HK\$'000 Note 6	HK\$'000 Note 7		
<b>Non-current assets</b>								
Property, plant and equipment	447,153	231,049	-	-	-	-	-	678,202
Prepaid lease payments	4,977	-	-	-	-	-	-	4,977
Investment properties	11,839,176	-	-	-	-	-	-	11,839,176
Goodwill	87,390	-	-	-	117,605	-	-	204,995
Other intangible assets	43,396	-	-	-	10,664	-	-	54,060
Interests in a subsidiary	-	-	411,088	-	(411,088)	-	-	-
Equity instruments at fair value through other comprehensive income	8,899	24,237	-	-	-	-	-	33,136
Prepayments, deposits and other receivables	14,787	22,702	-	-	-	-	-	37,489
Pension scheme assets	-	19,585	-	-	-	-	-	19,585
	<u>12,445,778</u>	<u>297,573</u>	<u>411,088</u>	<u>-</u>	<u>(282,819)</u>	<u>-</u>	<u>-</u>	<u>12,871,620</u>
<b>Current assets</b>								
Inventories	36,538	42,927	-	-	-	-	-	79,465
Trade receivables	449,409	-	-	-	-	-	-	449,409
Receivables arising from securities broking	163,373	-	-	-	-	-	-	163,373
Loan receivables	157,053	-	-	-	-	(82,564)	-	74,489
Prepayments, deposits and other receivables	425,961	29,056	-	-	260,704	-	-	715,721
Proposed development project	1,634,083	-	-	-	-	-	-	1,634,083
Tax recoverable	4,121	-	-	-	-	-	-	4,121
Financial assets at fair value through profit or loss	15,297	10,677	-	-	-	-	-	25,974
Pledged bank balances	-	1,854	-	-	-	-	-	1,854
Pledged deposits with banks	-	101,865	-	-	-	-	-	101,865
Cash held on behalf of clients	119,538	-	-	-	-	-	-	119,538
Bank balances and cash	1,268,295	87,949	(411,088)	102,484	-	82,564	(15,578)	1,114,626
	<u>4,273,668</u>	<u>274,328</u>	<u>(411,088)</u>	<u>102,484</u>	<u>260,704</u>	<u>-</u>	<u>(15,578)</u>	<u>4,484,518</u>

**APPENDIX III**
**UNAUDITED PRO FORMA FINANCIAL  
INFORMATION OF THE ENLARGED GROUP**

	The Realord Group as at 31 December 2020 HK\$'000 (Audited) Note 1	The SinCo Group as at 28 February 2021 HK\$'000 (Audited) Note 2	HK\$'000 Note 3	Pro forma adjustments			HK\$'000 Note 7	HK\$'000 Note 8	The Enlarged Group HK\$'000 (Unaudited)
				HK\$'000 Note 4	HK\$'000 Note 6				
<b>Current liabilities</b>									
Trade payables	34,819	44,681	-	-	-	-	-	-	79,500
Payables arising from securities broking	139,642	-	-	-	-	-	-	-	139,642
Contract liabilities	35,743	730	-	-	-	-	-	-	36,473
Insurance contract liabilities	-	1,206	-	-	-	-	-	-	1,206
Other payables and accruals	168,699	62,825	-	-	-	-	-	-	231,524
Other loans	-	152,167	-	-	-	-	-	-	152,167
Bank borrowings	722,366	162,679	-	-	-	-	-	-	885,045
Amounts due to related parties	71,861	-	-	-	-	-	-	-	71,861
Lease liabilities	33,893	93,718	-	-	-	-	-	-	127,611
Tax payable	6,605	-	-	-	-	-	-	-	6,605
	<u>1,213,628</u>	<u>518,006</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,731,634</u>
<b>Net current assets/(liabilities)</b>	<u>3,060,040</u>	<u>(243,678)</u>	<u>(411,088)</u>	<u>102,484</u>	<u>260,704</u>	<u>-</u>	<u>(15,578)</u>	<u>-</u>	<u>2,752,884</u>
<b>Total assets less current liabilities</b>	<u>15,505,818</u>	<u>53,895</u>	<u>-</u>	<u>102,484</u>	<u>(22,115)</u>	<u>-</u>	<u>(15,578)</u>	<u>-</u>	<u>15,624,504</u>
<b>Non-current liabilities</b>									
Deferred tax liabilities	914,565	-	-	-	1,760	-	-	-	916,325
Other payables and accruals	44,693	3,934	-	-	-	-	-	-	48,627
Loans from ultimate holding company	744,192	-	-	-	-	-	-	-	744,192
Other loans	-	1,126	-	-	-	-	-	-	1,126
Bank borrowings	9,385,657	-	-	-	-	-	-	-	9,385,657
Lease liabilities	5,137	20,430	-	-	-	-	-	-	25,567
	<u>11,094,244</u>	<u>25,490</u>	<u>-</u>	<u>-</u>	<u>1,760</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>11,121,494</u>
<b>Net assets</b>	<u>4,411,574</u>	<u>28,405</u>	<u>-</u>	<u>102,484</u>	<u>(23,875)</u>	<u>-</u>	<u>(15,578)</u>	<u>-</u>	<u>4,503,010</u>

**3. Notes to the Unaudited Pro Forma Financial Information of the Enlarged Group**

- (1) The financial information of the Realord Group is extracted from the published annual report of the Realord Group for the year ended 31 December 2020.
- (2) The financial information of the SinCo Group is extracted from the published annual report of the SinCo Group for the year ended 28 February 2021.
- (3) The total cash consideration paid by the Realord Group of approximately HK\$411,088,000 is based on 1,044,695,362 SinCo Shares at the Final Offer Price of HK\$0.3935 per SinCo Share.
- (4) Sincere LA, Sincere II and Perfumery, the subsidiaries of Sincere held 260,443,200 ordinary shares of SinCo Shares, which is included in 1,044,695,362 SinCo Shares as mentioned in note 3, as treasury shares. Upon the completion of the Offer, the cash consideration paid by the Realord Group of approximately HK\$102,484,000 was received by SinCo Group from the disposal of the treasury shares.
- (5) The gift receivable from Win Dynamic Limited (“**Win Dynamic**”) under a Deed of Gift dated 29 October 2020 (the “**Deed**”) whereby Win Dynamic irrevocably undertook to gift Sincere the entire net proceeds it would receive from accepting the Offer, which amounted to approximately HK\$260,704,000 (the “**Proceeds**”). The Deed was executed by Win Dynamic pursuant to an agreement between Sincere and Win Dynamic relating to the Change (the “**Agreement**”). While Win Dynamic had purportedly revoked the Deed by a letter sent to Sincere dated 3 February 2021 for the reasons that the Deed 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 (Cap. 32 of the Laws of Hong Kong), based on the legal advice obtained by Sincere, Sincere has a valid claim against Win Dynamic for breach of the Agreement and has indeed commenced court proceedings against Win Dynamic for, among other things, an order of specific performance requiring Win Dynamic to pay the Proceeds to Sincere forthwith. The Realord Group’s management estimates the recoverable amount of the gift receivable from Win Dynamic based on the legal opinion obtained by Sincere advising that, according to the information currently available and subject to further development of the aforesaid court proceedings commenced by Sincere against Win Dynamic, even though Win Dynamic had wrongfully repudiated the Agreement by its purported revocation of the Deed, Sincere had affirmed the Agreement and is therefore entitled to an order compelling Win Dynamic to pay the Proceeds to Sincere in accordance with the Deed.
- (6) For the purpose of the Unaudited Pro Forma Financial Information and for illustrative purpose only, the Realord Group has carried out a purchase price allocation exercise in accordance with Hong Kong Financial Reporting Standard 3 (Revised) “Business Combinations” issued by the HKICPA. The allocation of the purchase price is determined based on the Realord Directors’ estimates of the fair values of the identified assets and liabilities of the SinCo Group which approximate to their carrying amounts as at 28 February 2021.



**APPENDIX III****UNAUDITED PRO FORMA FINANCIAL  
INFORMATION OF THE ENLARGED GROUP**

Other intangible asset of approximately HK\$10,664,000 was identified, which is attributable to the SinCo Group's brand name. Details of the provisional fair value of identifiable assets and liabilities of the SinCo Group used in the preparation of the unaudited pro forma consolidated statement of assets and liabilities of the Enlarged Group and the calculation of provisional goodwill are as follows:

	<b>Carrying amount</b> <i>HK\$'000</i>	<b>Fair value adjustment</b> <i>HK\$'000</i>	<b>Fair value</b> <i>HK\$'000</i>
Property, plant and equipment	231,049	–	231,049
Other intangible assets	–	10,664	10,664
Equity instruments at fair value through other comprehensive income	24,237	–	24,237
Pension scheme assets	19,585	–	19,585
Inventories	42,927	–	42,927
Other receivables	51,758	–	51,758
Financial assets at fair value through profit or loss	10,677	–	10,677
Bank balances and cash	191,668	–	191,668
Trade and other payables	(111,440)	–	(111,440)
Contract liabilities	(1,936)	–	(1,936)
Borrowings	(315,972)	–	(315,972)
Lease liabilities	(114,148)	–	(114,148)
Deferred tax liabilities	–	(1,760)	(1,760)
Total identifiable net assets of the SinCo Group at fair value	<u>28,405</u>	<u>8,904</u>	<u>37,309</u>
			<i>HK\$'000</i>
Consideration transferred			411,088
Less: fair value of identifiable net assets acquired			(37,309)
Less: cash received from the disposal of treasury shares ( <i>note 4</i> )			(102,484)
Less: gift receivable from Win Dynamic ( <i>note 5</i> )			(260,704)
Add: non-controlling interests			<u>107,014</u>
Goodwill			<u>117,605</u>

Since the fair values and the carrying amounts of the identifiable assets and liabilities of the SinCo Group at the completion date may be materially different from the values used in the preparation of the Unaudited Pro Forma Financial Information, the actual amounts of the assets, liabilities and goodwill to be recognised in the consolidated financial statements of the Enlarged Group upon the completion may be materially different from the estimated amounts shown in this appendix.

For the purpose of the Unaudited Pro Forma Financial Information of the Enlarged Group, the Realord Group's management has performed an impairment assessment on the brand name and goodwill arising from the acquisition pertaining to the Offer in accordance with Hong Kong Accounting Standard 36 ("**HKAS 36**") "*Impairment of Assets*" and considers that there would have been no impairment of the brand name and goodwill if the Offer had been completed on 31 December 2020 for the purpose of the unaudited pro forma consolidated statement of assets and liabilities of the Enlarged Group. The recoverable amount of the brand name and goodwill under impairment assessment was derived based on the higher of its fair value less cost of disposal and its value in use based on value in use calculation according to HKAS 36, and this approach will be adopted by the Realord Group in the preparation of consolidated financial statements in the subsequent accounting periods.

Based on internal assessment, Realord's Directors do not consider that there was any indication that the brand name and goodwill may be impaired and the Realord's Directors confirm that Realord will adopt consistent accounting policies, valuation method and principal assumptions as used in the pro forma financial information to assess the impairment of the Enlarged Group's brand name and goodwill in the future financial periods ends.

- (7) The adjustment represents the elimination of the loan receivables from SinCo Group as if the Offer had taken place at 31 December 2020. The loan receivables will be settled in cash in accordance with the payment terms of a facility agreement.
- (8) The adjustment represents the estimated acquisition-related costs of approximately HK\$15,578,000, including but not limited to legal and professional fees, directly attributable to the Offer.
- (9) Save as explained above, no other adjustments have been made to reflect any trading results or other transactions of the Realord Group entered into subsequent to 31 December 2020, or any trading results or other transactions of the SinCo Group entered into subsequent to 28 February 2021.

**INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE  
COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION**

*The following is the text of a report from Grant Thornton Hong Kong Limited, Certified Public Accountants, Hong Kong, the independent reporting accountants, in respect of the unaudited pro forma financial information of the Enlarged Group as set out in this appendix and prepared for the purpose of incorporation in this supplemental circular.*

**To the directors of Realord Group Holdings Limited**

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Realord Group Holdings Limited (the “**Company**”) and its subsidiaries (collectively the “**Group**”) and The Sincere Company, Limited (the “**Target Company**”) and its subsidiaries (collectively the “**Target Group**”) (collectively the “**Enlarged Group**”) by the directors for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma consolidated statement of assets and liabilities as at 31 December 2020 and related notes as set out on pages III-1 to III-6 of the supplemental circular issued by the Company dated 30 July 2021 in connection with the voluntary conditional cash offer to acquire all of the issued shares of the Target Company (the “**Offer**”). The applicable criteria on the basis of which the directors have compiled the unaudited pro forma financial information are described on pages III-1 to III-6.

The unaudited pro forma financial information has been compiled by the directors to illustrate the impact of the Offer on the Group’s consolidated financial position as at 31 December 2020 as if the Offer had taken place at 31 December 2020. As part of this process, information about the Group’s financial position has been extracted by the directors from the Group’s consolidated financial statements for the year ended 31 December 2020, on which an audit report has been published.

**Directors’ Responsibilities for the Unaudited Pro Forma Financial Information**

The directors are responsible for compiling the unaudited pro forma financial information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and with reference to Accounting Guideline 7 “Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars” (“**AG 7**”) issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”).

**Our Independence and Quality Control**

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Control 1 “Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements” issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

**Reporting Accountants’ Responsibilities**

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 “Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus” issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the directors have compiled the unaudited pro forma financial information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the unaudited pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the unaudited pro forma financial information.

The purpose of unaudited pro forma financial information included in a supplemental circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the Offer at 31 December 2020 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgment, having regard to the reporting accountants' understanding of the nature of the Group, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Opinion**

In our opinion:

- (a) the unaudited pro forma financial information has been properly compiled on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

**Grant Thornton Hong Kong Limited**

*Certified Public Accountants*

Level 12

28 Hennessy Road

Wanchai

Hong Kong

30 July 2021

**Ng Ka Kong**

Practising Certificate No.: P06919

## 1. RESPONSIBILITY STATEMENT

This supplemental circular, for which the Realord Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to Realord. The Realord Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this supplemental circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this supplemental circular misleading.

## 2. ADDITIONAL UPDATES ON CHANGES TO INFORMATION DISCLOSED IN THE FIRST CIRCULAR

Save as disclosed below, there is no change to any of the information set out in Appendix III to the First Circular, if such information were being stated by reference to the New Latest Practicable Date instead of the Latest Practicable Date:

### **Litigation or claims of material importance**

#### *WD Proceeds*

References are made to the announcements issued by Sincere dated 29 October 2020 and 4 February 2021, respectively, in relation to, among others, the deed of gift (the “**Deed**”) executed by Win Dynamic in favour of Sincere on 29 October 2020, pursuant to which Win Dynamic has irrevocably undertaken to Sincere to give to Sincere the net sale proceeds that Win Dynamic will be entitled to receive from the Offeror upon its acceptance of the Offer, and the purported cancellation of the Deed by Win Dynamic, respectively. As stated in Sincere’s announcement dated 29 October 2020, Sincere understood that in order to facilitate the Deed, Mr. Ma and Mr. Charles M W Chan, who are the shareholders and directors of Win Dynamic have irrevocably agreed to waive all sums owed to them by Win Dynamic, and Sincere intended that this gift from Win Dynamic, when received, will be applied as working capital of the SinCo Group. On 4 February 2021, Sincere announced in its announcement dated 4 February 2021 that the Sincere Board had received a letter from Win Dynamic dated 3 February 2021 stating Win Dynamic’s declaration that the Deed is 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 is an undervalue transaction pursuant to section 265D of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32 of the Laws of Hong Kong). On 6 May 2021, Realord also received an email from the legal adviser who was instructed to write on behalf of directors of Sincere stating, among others, that Sincere is the beneficiary of the Deed and Sincere does not admit that the purported cancellation of the Deed by Win Dynamic is valid or effective. References are also made to the announcements issued by Realord on 6 May 2021, 11 May 2021, 14 May 2021, respectively, in relation to, among others, update in relation to the Deed.

On 10 May 2021, Realord issued a writ of summons with an indorsement of claim in the High Court of Hong Kong against Win Dynamic in relation to the purported cancellation of the Deed. Realord claimed against Win Dynamic, among others, for an order of specific performance requiring Win Dynamic to forthwith pay Sincere the net proceeds in respect of the SinCo Shares tendered by Win Dynamic for acceptance of the Offer, after deducting the seller's ad valorem stamp duty payable by it, amounting to HK\$260,435,373 (the "**WD Proceeds**"), or such other sum as the court may determine.

On 11 May 2021, Realord further applied to the High Court of Hong Kong for an interlocutory injunction against Win Dynamic (the "**Application**") that it must not, among others, (a) remove 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 dispose of or deal with or diminish 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 asserts a beneficial interest in them up to the value of the WD Proceeds, which Application was heard by the Court on 14 May 2021. Upon hearing submissions from the parties, the Court has adjourned the 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 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 asserts a beneficial interest in them up to the value of the WD Proceeds.

*Claim from former Sincere Director*

As set out in the announcement of Sincere dated 11 June 2021, Sincere received a statutory demand (the "**Statutory Demand**") dated 4 June 2021 from the legal adviser acting on behalf of Mr. Ma, the former chairman and chief executive officer of Sincere, pursuant to Section 327(4)(a) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of Laws of Hong Kong), demanding Sincere to pay the amount of HK\$8,244,000, which is asserted to be outstanding remuneration under an employment contract due to Mr. Ma, within 21 days from the date of service of the Statutory Demand, failing which Mr. Ma may present a winding up petition against Sincere.

As disclosed in the announcement of Sincere dated 23 June 2021, Sincere has sought legal advice in respect of the Statutory Demand and was advised that the Statutory Demand is a nullity for the reasons that (i) the Statutory Demand is fundamentally defective as it was not issued in the prescribed form as required under section 178(1)(a)(i)(A) of the Companies (Winding Up Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong); and (ii) pursuant to the Labour Tribunal Ordinance (Chapter 25 of the Laws of Hong Kong), Mr. Ma's claim for the alleged outstanding remunerations falls within the exclusive jurisdiction of the Labour Tribunal. Sincere was also advised that it has a bona fide dispute to the sum demanded by Mr. Ma as all the salaries and director's fees owed by Sincere for the period from 1 March 2020 to 28 February 2021 have already been duly paid to Mr. Ma. In light of the above, Sincere had, through its legal advisers, requested Mr. Ma to (i) withdraw the Statutory Demand and (ii) undertake not to issue any winding-up petition against Sincere in reliance on the Statutory Demand. Sincere had also instructed its legal advisers to prepare for an injunction application to restrain Mr. Ma from presenting any winding-up petition against Sincere.

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

A calling meeting in respect of the LBTC Claim was held at the Labour Tribunal on 8 July 2021. Further information was requested by the Labour Tribunal and the next hearing was scheduled on 1 November 2021.

Save as disclosed above, as at the New Latest Practicable Date, neither Realord, Sincere nor any of their respective subsidiaries was engaged in any litigation or arbitration of material importance and no litigation, arbitration or claim of material importance was known to the Realord Directors to be pending or threatened against any member of the Enlarged Group.

### **3. EXPERT**

The following is the qualification of the expert who has given opinions or advice, which is contained in this supplemental circular:

<b>Name</b>	<b>Qualification</b>
Grant Thornton Hong Kong Limited	Certified public accountants

As at the New Latest Practicable Date, the above expert had given and had not withdrawn its written consent to the issue of this supplemental circular with the inclusion herein of its letter or its name in the form and context in which it appears.

As at the New Latest Practicable Date, the above expert did not have any shareholding in any member of the Enlarged Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Enlarged Group.

As at the New Latest Practicable Date, the above expert did not have any interest, either directly or indirectly, in any assets which had been since 31 December 2020 (being the date to which the latest published audited financial statements of Realord were made up) acquired or disposed of by or leased to any member of the Enlarged Group, or were proposed to be acquired or disposed of by or leased to any member of the Enlarged Group.

### **4. MISCELLANEOUS**

Save as otherwise stipulated in the First Circular or in this supplemental circular, in the event of any inconsistency between the English version and the Chinese version, the English version shall prevail.



**5. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents will be made available for inspection during normal business hours at the head office and principal place of business in Hong Kong of Realord at Suites 2403–2410, 24/F, Jardine House, 1 Connaught Place, Central, Hong Kong from the date of this supplemental circular up to 14 days thereafter:

- (a) the memorandum of association and the articles of association of Realord;
- (b) the annual reports of Realord for the three years ended 31 December 2018, 31 December 2019 and 31 December 2020;
- (c) the annual reports of Sincere for the three years ended 28 February 2019, 29 February 2020 and 28 February 2021;
- (d) the report from Grant Thornton Hong Kong Limited on the unaudited pro forma financial information of the Enlarged Group, the text of which is set out in Appendix III to this supplemental circular;
- (e) the written consent(s) referred to in the paragraph headed “3. Expert” in this appendix;
- (f) the First Circular; and
- (g) this supplemental circular.