

sincere 先施

# The Sincere Company, Limited

Stock code: 244

INTERIM REPORT 2024



# CONTENTS

	Page
Corporate Information	2
Unaudited Condensed Consolidated Financial Statements	
Condensed Consolidated Income Statement	3
Condensed Consolidated Statement of Comprehensive Income	4
Condensed Consolidated Statement of Financial Position	5
Condensed Consolidated Statement of Changes in Equity	7
Condensed Consolidated Statement of Cash Flows	8
Notes to the Condensed Consolidated Interim Financial Statements	9
Management Discussion and Analysis	33
Other Information	36

## CORPORATE INFORMATION

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### BOARD OF DIRECTORS

#### *Executive Directors*

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

#### *Non-executive Director*

Dr. TAI Tak Fung

#### *Independent Non-executive Directors*

Mr. YU Leung Fai  
Mr. CHUNG Chun Hung Simon  
Mr. LIN Lin

### AUDIT COMMITTEE

Mr. YU Leung Fai (*Chairman*)  
Mr. CHUNG Chun Hung Simon  
Mr. LIN Lin

### REMUNERATION COMMITTEE

Mr. LIN Lin (*Chairman*)  
Mr. YU Leung Fai  
Mr. CHUNG Chun Hung Simon

### NOMINATION COMMITTEE

Mr. CHUNG Chun Hung Simon (*Chairman*)  
Mr. YU Leung Fai  
Mr. LIN Lin

### EXECUTIVE COMMITTEE

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

### COMPANY SECRETARY

Mr. IP Ho Wing

### LEGAL ADVISERS

Michael Li & Co.  
Debevoise & Plimpton  
Holman Fenwick Willan

### AUDITOR

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

### PRINCIPAL BANKERS

DBS Bank (Hong Kong) Limited  
Bank of China (Hong Kong) Limited

### SHARE REGISTRAR & TRANSFER OFFICE

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

### REGISTERED OFFICE

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

### STOCK CODE

244

### WEBSITE

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

## INTERIM RESULTS

The Board of Directors (the “Board”) of The Sincere Company, Limited (the “Company”) is pleased to present the unaudited condensed consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2024, together with the comparative figures for the six months ended 30 June 2023 and as at 31 December 2023 and the relevant explanatory notes as set out below. The condensed consolidated results are unaudited, but have been reviewed by the audit committee of the Company.

## CONDENSED CONSOLIDATED INCOME STATEMENT

for the six months ended 30 June 2024

	Notes	Six months ended 30 June	
		2024 HK\$'000 (unaudited)	2023 HK\$'000 (unaudited)
<b>Revenue</b>	5(a)	<b>65,050</b>	74,356
Cost of sales		<b>(29,116)</b>	(30,432)
Other income and gains, net	5(b)	<b>10,368</b>	9,277
Net unrealised (loss)/gain on securities trading		<b>(122)</b>	72
Selling and distribution expense		<b>(33,476)</b>	(34,245)
General and administrative expenses		<b>(25,091)</b>	(25,358)
Finance costs	6	<b>(14,275)</b>	(12,667)
<b>Loss before income tax</b>	7	<b>(26,662)</b>	(18,997)
Income tax expense	8	–	(14)
<b>Loss for the period</b>		<b>(26,662)</b>	(19,011)
<b>Attributable to:</b>			
Equity holders of the Company		<b>(27,260)</b>	(17,493)
Non-controlling interests		<b>598</b>	(1,518)
		<b>(26,662)</b>	(19,011)
<b>Loss per share attributable to equity holders of the Company</b>			
Basic and diluted	9	<b>HK\$(0.02)</b>	HK\$(0.01)

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the six months ended 30 June 2024

	Six months ended 30 June	
	2024	2023
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
<b>Loss for the period</b>	<b>(26,662)</b>	(19,011)
<b>Other comprehensive income</b>		
<i>Item that may be reclassified subsequently to the consolidated income statement:</i>		
Exchange differences arising on translation of foreign operations	5	37
<i>Item that will not be reclassified subsequently to the consolidated income statement:</i>		
Surplus of revaluation of leasehold land and owned buildings	1,883	–
<b>Total comprehensive loss for the period</b>	<b>(24,774)</b>	(18,974)
<b>Attributable to:</b>		
Equity holders of the Company	<b>(25,415)</b>	(17,056)
Non-controlling interests	<b>641</b>	(1,918)
	<b>(24,774)</b>	(18,974)



## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 30 June 2024

	Notes	As at 30 June 2024 HK\$'000 (unaudited)	As at 31 December 2023 HK\$'000 (audited)
<b>ASSETS AND LIABILITIES</b>			
<b>Non-current assets</b>			
Property, plant and equipment	11	20,327	189,260
Equity investments at fair value through other comprehensive income ("FVTOCI")		4,127	4,127
Prepayments, deposits, other receivables and other assets	12	220,361	202,049
Pension scheme assets		23,777	23,777
		<b>268,592</b>	419,213
<b>Current assets</b>			
Inventories		34,318	29,844
Prepayments, deposits, other receivables and other assets	12	28,686	35,899
Financial assets at fair value through profit or loss ("FVTPL")		858	3,689
Pledged bank balances and deposits		1,185	11,277
Cash and bank balances		13,188	92,694
		<b>78,235</b>	173,403
Asset classified as held for sale	13	177,000	–
		<b>255,235</b>	173,403
<b>Current liabilities</b>			
Creditors	14	46,836	37,954
Lease liabilities	15	19,409	11,291
Insurance contracts liabilities		478	1,154
Deposits, accrued expenses and other payables		52,628	42,773
Contract liabilities		1,202	1,377
Bank borrowings	16(a)	83,917	84,314
Other loans	16(b)	–	2,292
Loan from immediate holding company	16(c)	–	71,900
Loan from a related company	16(d)	211,000	–
Long service payment obligation		59	59
Tax payable		27	20
		<b>415,556</b>	253,134
<b>Net current liabilities</b>		<b>(160,321)</b>	(79,731)
<b>Total assets less current liabilities</b>		<b>108,271</b>	339,482

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

as at 30 June 2024

	Notes	As at 30 June 2024 HK\$'000 (unaudited)	As at 31 December 2023 HK\$'000 (audited)
<b>Non-current liabilities</b>			
Deposits, accrued expenses and other payables		2,542	84
Other loans	16(b)	564	559
Loan from immediate holding company	16(c)	2,340	–
Loan from a related company	16(d)	–	211,000
Lease liabilities	15	382	622
Long service payment obligations		1,673	1,673
		<b>7,501</b>	213,928
Net assets		<b>100,770</b>	125,544
<b>EQUITY</b>			
<b>Equity attributable to equity holders of the Company</b>			
Share capital	17	469,977	469,977
Deficits		(414,267)	(388,852)
		<b>55,710</b>	81,125
Non-controlling interests		45,060	44,419
<b>Total equity</b>		<b>100,770</b>	125,544

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the six months ended 30 June 2024

	Attributable to equity holders of the Company							Total equity HK\$'000
	Share capital HK\$'000	Reserves/(Deficits)					Non-controlling interests HK\$'000	
		General and other reserves HK\$'000	Asset revaluation reserve HK\$'000	Investment revaluation reserve HK\$'000	Accumulated losses HK\$'000	Total deficits HK\$'000		
As at 1 January 2024 (audited)	469,977	331,818	183,720	(11,232)	(893,158)	(388,852)	44,419	125,544
Loss for the period	-	-	-	-	(27,260)	(27,260)	598	(26,662)
Other comprehensive (loss)/income for the period:								
Exchange differences arising on translation of foreign operations	-	(38)	-	-	-	(38)	43	5
Surplus on revaluation of leasehold land and owned building	-	-	1,883	-	-	1,883	-	1,883
<b>Total comprehensive (loss)/income for the period</b>	<b>-</b>	<b>(38)</b>	<b>1,883</b>	<b>-</b>	<b>(27,260)</b>	<b>(25,415)</b>	<b>641</b>	<b>(24,774)</b>
As at 30 June 2024 (unaudited)	469,977	331,780	185,603	(11,232)	(920,418)	(414,267)	45,060	100,770

	Attributable to equity holders of the Company							Total equity HK\$'000
	Share capital HK\$'000	Reserves/(Deficits)					Non-controlling interests HK\$'000	
		General and other reserves HK\$'000	Asset revaluation reserve HK\$'000	Investment revaluation reserve HK\$'000	Accumulated losses HK\$'000	Total deficits HK\$'000		
As at 1 January 2023 (restated)	469,977	331,388	180,332	(11,318)	(842,670)	(342,268)	45,931	173,640
Loss for the period	-	-	-	-	(17,493)	(17,493)	(1,518)	(19,011)
Other comprehensive (loss)/income for the period:								
Exchange differences arising on translation of foreign operations	-	437	-	-	-	437	(400)	37
<b>Total comprehensive (loss)/income for the period</b>	<b>-</b>	<b>437</b>	<b>-</b>	<b>-</b>	<b>(17,493)</b>	<b>(17,056)</b>	<b>(1,918)</b>	<b>(18,974)</b>
As at 30 June 2023 (unaudited)	469,977	331,825	180,332	(11,318)	(860,163)	(359,324)	44,013	154,666



## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

for the six months ended 30 June 2024

	Six months ended 30 June	
	2024	2023
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
<b>Net cash used in operating activities</b>	<b>(2,373)</b>	(6,584)
<b>Cash flows from investing activities</b>		
Additions of owned assets in property, plant and equipment	(125)	(768)
Decrease in pledged bank balances and deposits	10,092	61,705
Proceeds from disposal of property, plant and equipment	–	223
<i>Net cash from investing activities</i>	<b>9,967</b>	61,160
<b>Cash flows from financing activities</b>		
Proceeds from bank borrowings	81,000	85,280
Repayments of bank borrowings	(81,397)	(141,324)
Repayment of other loan	(2,292)	–
Proceeds from loan from immediate holding company	22,400	–
Repayments of loan from immediate holding company	(91,960)	(58,300)
Principal portion of lease payments	(14,851)	(14,113)
<i>Net cash used in financing activities</i>	<b>(87,100)</b>	(128,457)
<b>Net decrease in cash and cash equivalents</b>	<b>(79,506)</b>	(73,881)
Cash and cash equivalents at the beginning of the period	92,694	98,188
<b>Cash and cash equivalents at the end of the period</b>	<b>13,188</b>	24,307

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

*for the six months ended 30 June 2024*

### **1. CORPORATE INFORMATION**

The Company is a limited liability company incorporated in Hong Kong. The registered office of the Company is located at 24/F, Jardine House, 1 Connaught Place, Central, Hong Kong. The principal activities of the Group have not changed during the period and mainly consisted of the operation of department stores, securities trading and the provision of general and life insurances.

In the opinion of the directors of the Company, as at 30 June 2024, Realord Group Holdings Limited ("Realord"), a company incorporated in Bermuda with limited liability and the shares of which are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), is the immediate holding company of the Company. The ultimate holding company is Manureen Holdings Limited ("Manureen Holdings"), a company incorporated in the British Virgin Islands with limited liability. The ultimate shareholders of Manureen Holdings are Dr. Lin Xiaohui ("Dr. Lin") and Madam Su Jiaohua ("Madam Su"), who own 70% and 30% equity interests of Manureen Holdings, respectively.

### **2. BASIS OF PREPARATION**

The condensed consolidated interim financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the applicable disclosure requirements of Appendix D2 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

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

The condensed consolidated interim financial statements do not include all the information and disclosures required in the annual consolidated financial statements and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2023. The accounting policies and significant accounting judgments and estimates used in the preparation of the condensed consolidated interim financial statements are consistent with those applied in the Group's annual consolidated financial statements, except for the adoption of amended Hong Kong Financial Reporting Standards ("HKFRSs") as disclosed in note 3.

## 2. BASIS OF PREPARATION (CONTINUED)

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

The Company has delivered the consolidated financial statements for the year ended 31 December 2023 to the Registrar of Companies as required by Section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance.

The Company's auditor has reported on those financial statements. The auditor's report was unqualified; included a reference to a matter to which the auditor drew attention by way of emphasis without qualifying its report in relation to a material uncertainty about going concern; and did not contain a statement under Sections 406(2), 407(2) or (3) of the Hong Kong Companies Ordinance.

### Going concern basis

During the six months ended 30 June 2024, the Group recorded a net loss of HK\$26,662,000. The Group's operations are financed by bank and other borrowings, loans from related parties (including immediate holding company and a related company) and internal resources. As at 30 June 2024, the Group had net current liabilities of HK\$160,321,000. The Group's cash and bank balances amounting to HK\$13,188,000 as at 30 June 2024.

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

As at 30 June 2024, the Group had unutilised trade financing banking facilities of HK\$85,000. Besides, Realord has undertaken to provide continuous financial support to the Group to meet its liabilities and obligations as and when they fall due for at least next 12 months from 30 June 2024.

## 2. BASIS OF PREPARATION (CONTINUED)

### Going concern basis (Continued)

On 21 March 2022, a related company, in which Dr. Lin and Madam Su own 70% and 30% equity interests respectively, entered into a loan facility agreement with the Company, pursuant to which the related company had agreed to provide a loan facility up to HK\$200,000,000 for 36 months in order to support the operation of the Group. During the year ended 31 December 2023, the term of the Loan was revised with a facility limit of HK\$260,000,000. The loan is unsecured, bears interest at HIBOR plus 5% per annum and is repayable on 20 March 2025. As at 30 June 2024, the Group had unutilised loan facility of HK\$49,000,000.

The Company's directors have reviewed the Group's cash flow projections prepared by management. The cash flow projections cover a period of not less than 18 months from 30 June 2024. Management's projections make key assumptions with regard to (i) the anticipated cash flows from the Group's operations and capital expenditures; (ii) the continuous availability of bank and other borrowings facilities; and (iii) the continuous availability of the loans from related parties (including immediate holding company and a related company). The Group's ability to achieve the projected cash flows depends on management's ability to successfully implement the aforementioned improvement measures on profitability and liquidity and the continuous availability of bank and other borrowings facilities and the loans from related parties.

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

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

### 3. ADOPTION OF NEW AND AMENDED HKFRSs

#### Amended HKFRSs that are effective for annual period beginning on 1 January 2024

The condensed consolidated interim financial statements for the six months ended 30 June 2024 have been prepared in accordance with the accounting policies adopted in the Group's annual consolidated financial statements for the year ended 31 December 2023, except for the adoption of the following amended HKFRSs which are effective as of 1 January 2024.

Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5
Amendments to HKAS 1	Non-current Liabilities with Covenants
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangement

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

#### Issued but not yet effective HKFRSs

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

Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>4</sup>
Amendments to HKAS 21	Lack of Exchangeability <sup>1</sup>
Amendments to HKFRS 9 and HKFRS 7	Amendments to the Classification and Measurement of Financial Instruments <sup>2</sup>
HKFRS 18	Presentation and Disclosure in Financial Statements <sup>3</sup>
HKFRS 19	Subsidiaries without Public Accountability Disclosure <sup>3</sup>
Amendments to Hong Kong Interpretation 5	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause <sup>3</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2025

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2026

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2027

<sup>4</sup> Effective date not yet determined

The directors of the Company anticipate that all of the pronouncements will be adopted in the Group's accounting policy for the first period beginning on or after the effective date of the pronouncement. The new and amended HKFRSs are not expected to have a material impact on the Group's condensed consolidated interim financial statements.

#### 4. SEGMENT INFORMATION

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

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

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

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

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/(loss), which is a measure of adjusted loss before income tax. The adjusted loss before income tax is measured consistently with the Group's loss before income tax except that certain interest income, unallocated income/(expenses) and finance costs are excluded from such measurement.

Segment assets exclude gift receivable from Win Dynamic Limited ("Win Dynamic"), pledged bank balances and deposits and cash and bank balances as these assets are managed on a group basis.

Segment liabilities exclude bank borrowings, other loans and loans from related parties as these liabilities are managed on a group basis.

Inter-segment sales are transacted based on the direct costs incurred or in case of rental income and income from the provision of warehouse services, at an agreed rate.



#### 4. SEGMENT INFORMATION (CONTINUED)

##### (a) Operating segments

The following table presents revenue and loss for the Group's operating segments for the six months ended 30 June 2024 and 30 June 2023.

	Department store operations		Securities trading		Others		Eliminations		Total	
	2024	2023	2024	2023	2024	2023	2024	2023	2024	2023
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
<b>Segment revenue and results</b>										
Segment revenue:										
Sales to external customers	65,279	74,264	(329)	(7)	100	99	-	-	65,050	74,356
Inter-segment sales	-	-	-	-	15,959	15,738	(15,959)	(15,738)	-	-
Other income and gains, net	14	330	72	216	676	2	-	-	762	548
<b>Total</b>	<b>65,293</b>	<b>74,594</b>	<b>(257)</b>	<b>209</b>	<b>16,735</b>	<b>15,839</b>	<b>(15,959)</b>	<b>(15,738)</b>	<b>65,812</b>	<b>74,904</b>
<b>Segment results</b>	<b>(17,309)</b>	<b>(6,000)</b>	<b>(1,340)</b>	<b>(668)</b>	<b>(3,628)</b>	<b>(9,065)</b>	<b>-</b>	<b>-</b>	<b>(22,277)</b>	<b>(15,733)</b>
Interest income and unallocated other income and gains, net										
									9,606	8,729
Expected credit loss ("ECL") allowance on other receivables										
									(626)	(622)
Finance costs (other than interest on lease liabilities)										
									(13,365)	(11,371)
Loss before income tax										
									(26,662)	(18,997)
Income tax expense										
									-	(14)
Loss for the period										
									(26,662)	(19,011)

The following table presents certain assets and liabilities for the Group's operating segments as at 30 June 2024 and 31 December 2023.

	Department store operations		Securities trading		Others		Eliminations		Total	
	2024	2023	2024	2023	2024	2023	2024	2023	2024	2023
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(audited)	(unaudited)	(audited)	(unaudited)	(audited)	(unaudited)	(audited)	(unaudited)	(audited)
<b>Segment assets and liabilities</b>										
Segment assets										
	120,902	105,850	5,621	8,452	198,153	213,945	(15,959)	(31,541)	308,717	296,706
Unallocated assets										
									215,110	295,910
<b>Total assets</b>									<b>523,827</b>	<b>592,616</b>
Segment liabilities										
	113,824	110,765	863	6,298	26,509	11,486	(15,959)	(31,541)	125,237	97,008
Unallocated liabilities										
									297,820	370,064
<b>Total liabilities</b>									<b>423,057</b>	<b>467,072</b>

#### 4. SEGMENT INFORMATION (CONTINUED)

##### (b) Geographical information

The following table presents revenue for the Group's geographical information for the six months ended 30 June 2024 and 30 June 2023.

	Hong Kong		United Kingdom		Others		Total	
	2024	2023	2024	2023	2024	2023	2024	2023
	HK\$'000 (unaudited)	HK\$'000 (unaudited)	HK\$'000 (unaudited)	HK\$'000 (unaudited)	HK\$'000 (unaudited)	HK\$'000 (unaudited)	HK\$'000 (unaudited)	HK\$'000 (unaudited)
Segment revenue:								
Sales to external customers	<b>64,949</b>	74,264	<b>101</b>	99	-	(7)	<b>65,050</b>	74,356

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

##### (a) Revenue

	Six months ended 30 June	
	2024	2023
	HK\$'000 (unaudited)	HK\$'000 (unaudited)
Revenue from contracts with customers:		
Sale of goods – own goods	<b>48,944</b>	53,464
Income from counter and consignment sale	<b>16,335</b>	20,800
Revenue from other sources:		
Net realised loss on securities trading	<b>(330)</b>	(7)
Rental income	<b>101</b>	99
	<b>65,050</b>	74,356

##### **Revenue from contracts with customers**

###### (i) Disaggregated revenue information

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

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

### (a) Revenue (Continued)

#### *Revenue from contracts with customers (Continued)*

##### *(ii) Performance obligations*

###### Sale of goods – own goods

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

###### Income from counter and consignment sale

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

###### Provision for loyalty points programme

The performance obligation is satisfied upon utilisation of loyalty points. The Group allocated a portion of the transaction prices to the loyalty programme which is based on the relative standalone selling price. The transaction price of HK\$1,202,000 (As at 30 June 2023: HK\$1,049,000) was located to the remaining performance obligations as at 30 June 2024 which are expected to be recognised as revenue within one year.

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

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

	Six months ended 30 June	
	2024	2023
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Bank interest income	156	65
Imputed interest income on gift receivable from Win Dynamic (note 21)	9,424	8,616
Dividends from financial assets at FVTPL	72	216
Foreign exchange gains, net	26	49
Gain on disposal of property, plant and equipment	–	223
Others	690	108
	<b>10,368</b>	<b>9,277</b>

## 6. FINANCE COSTS

	Six months ended 30 June	
	2024	2023
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Interest charges on:		
Bank borrowings	2,584	2,445
Lease liabilities (note 15)	910	1,296
Other loans	23	27
Loan from immediate holding company	593	872
Loan from a related company	10,165	8,027
	<b>14,275</b>	<b>12,667</b>

## 7. LOSS BEFORE INCOME TAX

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

	Six months ended 30 June	
	2024	2023
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Employee benefit expenses, excluding directors' and chief executive's remunerations		
– Wages and salaries	16,251	19,358
– Pension contributions	597	619
	<b>16,848</b>	19,977
Depreciation	16,670	17,463
Provision/(Reversal of provision) for inventories	580	(628)
ECL allowance on other receivables	626	622
Other charges in respect of rental premises	9,472	9,509

## 8. INCOME TAX EXPENSE

No provision for Hong Kong Profits Tax had been made as there were no assessable profits arising in Hong Kong for the periods. During the six months ended 30 June 2024 and 30 June 2023, taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the locations in which the Group operates.

	Six months ended 30 June	
	2024	2023
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Current charge for the period		
– Hong Kong	–	–
– Elsewhere	–	14
	–	14

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

The calculation of the basic loss per share for the six months ended 30 June 2024 is based on the loss for the period attributable to equity holders of the Company of HK\$27,260,000 (2023: HK\$17,493,000) and the weighted average number of ordinary shares of 1,313,962,560 (2023: 1,313,962,560) in issue throughout the period.

Diluted loss per share is the same as basic loss per share as the Group had no potentially dilutive ordinary shares in issue during the six months ended 30 June 2024 and 30 June 2023.

## 10. DIVIDEND

The Board has resolved not to declare an interim dividend for the six months ended 30 June 2024 (2023: Nil).

## 11. PROPERTY, PLANT AND EQUIPMENT

	Owned assets HK\$'000	Right-of-use assets HK\$'000	Total HK\$'000
Net carrying amount as at 1 January 2024 (audited)	22,636	166,624	189,260
Additions	125	–	125
Modification of leases	–	22,729	22,729
Depreciation for the period	(613)	(16,057)	(16,670)
Reversal upon revaluation	226	1,657	1,883
Transfer to asset classified as held for sale (note 13)	(21,239)	(155,761)	(177,000)
<b>Net carrying amount as at 30 June 2024 (unaudited)</b>	<b>1,135</b>	<b>19,192</b>	<b>20,327</b>

As at 30 June 2024, the Group's leasehold land and owned buildings with an aggregate carrying amount of HK\$Nil (As at 31 December 2023: HK\$177,000,000) were pledged as security for the bank borrowings granted to the Group (note 16(a)).

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

	As at 30 June 2024 HK\$'000 (unaudited)	As at 31 December 2023 HK\$'000 (audited)
Gift receivable from Win Dynamic (note 21)	202,474	193,050
Prepayments, deposits and other receivables	43,889	41,588
Other assets	4,421	4,421
ECL allowance (note 21)	(1,737)	(1,111)
	249,047	237,948
Less: amount classified as current portion	(28,686)	(35,899)
Amount classified as non-current portion	220,361	202,049



## 12. PREPAYMENTS, DEPOSITS, OTHER RECEIVABLES AND OTHER ASSETS (CONTINUED)

Included in prepayments, deposits, other receivables and other assets are mainly gift receivable from Win Dynamic of HK\$202,474,000 (As at 31 December 2023: HK\$193,050,000), rental deposits of HK\$27,956,000 (As at 31 December 2023: HK\$27,839,000), amounts due from credit card companies related to sales settled by customers using credit cards of HK\$1,576,000 (As at 31 December 2023: HK\$2,045,000) and prepaid deposit of loan from a related company of HK\$7,332,000 (As at 31 December 2023: HK\$7,332,000) as at 30 June 2024.

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

## 13. ASSET CLASSIFIED AS HELD FOR SALE

As set out in the circular dated 6 May 2024 of the Company, the Group has entered into a provisional agreement with an independent third party dated 12 April 2024 to dispose a property at a consideration of HK\$210,000,000. The Group has completed the disposal of property on 22 July 2024.

Such property, which previously classified as property, plant and equipment, were reclassified to asset classified as held for sale at 30 June 2024 and presented separately in the condensed consolidated statement of financial position (note 11).

As at 30 June 2024, the Group's asset classified as held for sale with an aggregate carrying amount of HK\$177,000,000 (As at 31 December 2023: HK\$Nil) were pledged as security for the bank borrowings granted to the Group (note 16(a)).

## 14. CREDITORS

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

	<b>As at 30 June 2024 HK\$'000 (unaudited)</b>	<b>As at 31 December 2023 HK\$'000 (audited)</b>
Current – 3 months	<b>34,980</b>	34,437
4 – 6 months	<b>9,022</b>	1,490
7 – 12 months	<b>803</b>	123
Over 1 year	<b>2,031</b>	1,904
	<b>46,836</b>	37,954

## 15. LEASES

### The Group as a lessee

The Group has lease contracts for stores used in its operations. Lump sum payments were made upfront to acquire the leasehold land from the owner with a lease period of 55 years, and no ongoing payments will be made under the terms of these land leases. Leases of stores generally have lease terms between 1 and 3 years. There are several lease contracts that include extension and termination options and variable lease payments.

#### (a) Right-of-use assets

The carrying amounts of the Group's right-of-use assets and the movements during the period are disclosed in note 11 to the condensed consolidated interim financial statements.

#### (b) Lease liabilities

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

	<b>Period from 1 January to 30 June 2024 HK\$'000 (unaudited)</b>	Year ended 31 December 2023 HK\$'000 (audited)
At the beginning of the period/year	<b>11,913</b>	39,557
Accretion of interest recognised during the period/year (note 6)	<b>910</b>	2,035
Payments	<b>(15,761)</b>	(31,012)
Entering into new lease	–	1,333
Modification of leases	<b>22,729</b>	–
	<hr/> <b>19,791</b> <hr/>	11,913
Analysed into:		
Within one year	<b>19,409</b>	11,291
In the second to fifth years, inclusive	<b>382</b>	622
	<hr/>	<hr/>
Carrying amount at the end of period/year	<b>19,791</b>	11,913
Less: current portion	<b>(19,409)</b>	(11,291)
	<hr/>	<hr/>
Non-current portion	<b>382</b>	622
	<hr/> <hr/>	<hr/> <hr/>

**16. BANK BORROWINGS, OTHER LOANS AND LOANS FROM IMMEDIATE HOLDING COMPANY/A RELATED COMPANY**

**(a) Bank borrowings**

	As at 30 June 2024			As at 31 December 2023		
	Effective interest rate %	Maturity	HK\$'000 (unaudited)	Effective interest rate %	Maturity	HK\$'000 (audited)
Secured bank borrowings	Hong Kong Interbank Offered Rate ("HIBOR") + 1.5	2025	83,917	HIBOR + 1.5	2024	84,314
			<b>As at 30 June 2024 HK\$'000 (unaudited)</b>		<b>As at 31 December 2023 HK\$'000 (audited)</b>	
Analysed into:						
Within one year or on demand			<b>83,917</b>			84,314

As at 30 June 2024, the Group's bank borrowings and banking facilities are secured by:

- (i) the pledge of the Group's bank balances and time deposit of HK\$1,185,000 (As at 31 December 2023: HK\$11,277,000); and
- (ii) the mortgages over the Group's asset classified held for sale with an aggregate carrying amount of HK\$177,000,000 (As at 31 December 2023: leasehold land and owned building with an aggregate carrying amount of HK\$177,000,000) (note 13).

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

**(b) Other loans**

	<b>As at 30 June 2024 HK\$'000 (unaudited)</b>	As at 31 December 2023 HK\$'000 (audited)
Other loans	<b>564</b>	2,851
	<b>As at 30 June 2024 HK\$'000 (unaudited)</b>	As at 31 December 2023 HK\$'000 (audited)
Analysed into:		
Within one year or on demand	–	2,292
In the second year	<b>564</b>	559
	<b>564</b>	2,851

The other loans are unsecured, bear interest at 2% (As at 31 December 2023: 2%) per annum.

As at 30 June 2024, the other loans of HK\$564,000 (As at 31 December 2023: HK\$559,000) are not repayable in the next 12 months after the end of the reporting period.

As at 31 December 2023, the other loans of HK\$2,292,000 are repayable on demand.

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

The loan from immediate holding company, Realord, is unsecured, bears interest at 8.2% (As at 31 December 2023: 8.2%) per annum and is repayable on or before 10 August 2025.

**(d) Loan from a related company**

The loan from a related company, in which Dr. Lin and Madam Su own 70% and 30% equity interests respectively is unsecured, bears interest at HIBOR plus 5% per annum and is repayable on 20 March 2025.

**17. SHARE CAPITAL**

	<b>As at 30 June 2024 HK\$'000 (unaudited)</b>	As at 31 December 2023 HK\$'000 (audited)
Issued and fully paid:		
1,313,962,560 ordinary shares	<b>469,977</b>	469,977

There was no movement in the Company's share capital for the six months ended 30 June 2024.

## 18. RELATED PARTY TRANSACTIONS

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

	Six months ended 30 June	
	2024	2023
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Professional fee to fellow subsidiaries (note (i))	993	236
Interest expense on loan from immediate holding company (note (ii))	593	872
Interest expense on loan from a related company (note (ii))	10,165	8,027
Handling fee to a related company (note (iii))	1,163	638
Expenses to immediate holding company (note (iv))	1,507	1,496
Sale of goods to immediate holding company (note (v))	430	445
Sale of commissions from related companies (note (vi))	394	1,199

Notes:

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

As at 30 June 2024, outstanding professional fee to fellow subsidiaries included in deposits, accrued expenses and other payables was HK\$1,179,000 (As at 31 December 2023: HK\$233,000).

## 18. RELATED PARTY TRANSACTIONS (CONTINUED)

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

	Six months ended 30 June	
	2024	2023
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Short term employee benefits	342	332
Pension contributions	-	-
	<b>342</b>	<b>332</b>

## 19. FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

### Assets measured at fair value

	Fair value measurement using			Total HK\$'000
	Quoted prices in active markets (Level 1) HK\$'000	Significant observable inputs (Level 2) HK\$'000	Significant unobservable inputs (Level 3) HK\$'000	
<b>As at 30 June 2024 (unaudited)</b>				
Equity investments at FVTOCI	-	-	4,127	4,127
Financial assets at FVTPL	-	858	-	858
Other assets	-	2,000	-	2,000
	-	<b>2,858</b>	<b>4,127</b>	<b>6,985</b>
<b>As at 31 December 2023 (audited)</b>				
Equity investments at FVTOCI	-	-	4,127	4,127
Financial assets at FVTPL	2,616	1,073	-	3,689
Other assets	-	2,000	-	2,000
	2,616	3,073	4,127	9,816



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

### Assets measured at fair value (Continued)

During the six months ended 30 June 2024 and the year ended 31 December 2023, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities.

The fair value of financial assets at FVTPL and other assets categorised under Level 2 fair value measurement is determined based on the quoted prices from the fund managers or the clubs, respectively.

The Group did not have any financial liabilities measured at fair value under Level 3 as at 30 June 2024 and 31 December 2023. As at 30 June 2024 and 31 December 2023, management used the following valuation technique and key input for the valuations of financial assets measured at fair value under Level 3.

### Information about Level 3 fair value measurements

Financial instrument	Valuation technique	Significant unobservable input
Equity investment at FVTOCI	Market approach	Discount for lack of marketability of 20.5% (As at 31 December 2023: 20.5%)

The fair value of equity instruments at FVTOCI is determined using market approach adjusted for lack of marketability discount. The fair value is negatively correlated to the discount for lack of marketability.

At 30 June 2024 and 31 December 2023, it is estimated that an increase/(decrease) of 3% in the unobservable inputs, with all other variables held constant, would have (decreased)/increased the Group's other comprehensive income as follows:

	Increase/ (Decrease) in unobservable inputs %	(Decrease)/ Increase in other comprehensive income HK\$'000
<b>As at 30 June 2024 and 31 December 2023</b>		
Discount for lack of marketability	3 (3)	(124) 124

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

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

	<b>Period from 1 January 2024 to 30 June 2024 HK\$'000 (unaudited)</b>	Year ended 31 December 2023 HK\$'000 (audited)
<u>Equity investments at FVTOCI</u>		
At the beginning of the period/year	4,127	4,041
Changes in fair value recognised in other comprehensive income	–	86
	<b>4,127</b>	<b>4,127</b>

**20. OUTSTANDING COMMITMENTS**

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

	<b>As at 30 June 2024 HK\$'000 (unaudited)</b>	As at 31 December 2023 HK\$'000 (audited)
Irrevocable letters of credit	<b>3,598</b>	12,843

## 21. LITIGATION

### Deed and purported cancellation

On 15 May 2020, Realord and the Company jointly announced a voluntary conditional cash offer (subject to the satisfaction or waiver (as the case may be) of certain pre-conditions) to acquire all of the issued shares of the Company (the "Offer").

On 29 October 2020, Win Dynamic, the then controlling shareholder of the Company, executed a deed in favour of the Company at no consideration (the "Deed"). Pursuant to the Deed, Win Dynamic has irrevocably undertaken to the Company to gift to the Company the sum falling to be paid by Realord to Win Dynamic upon its acceptance of the Offer relating to all the 662,525,276 shares of the Company held by it, which was expected to amount to approximately HK\$260,443,000 (after deducting Win Dynamic's ad valorem stamp duty). As disclosed in the announcement of the Company dated 29 October 2020, the Company at that time intended that this gift from Win Dynamic, when received, would be applied as working capital of the Group.

On 4 February 2021, the Company announced that the Board had received a letter from Win Dynamic dated 3 February 2021 stating Win Dynamic's declaration that the Deed was null and void and cancelled with immediate effect, for the reason that it was executed by Win Dynamic under undue influence and duress, given without separate legal representation or proper advice, and was an undervalue transaction pursuant to section 265D of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong) (the "Purported Cancellation").

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

## 21. LITIGATION (CONTINUED)

### Deed and purported cancellation (Continued)

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 (the "Writ") in the High Court of the Hong Kong Special Administrative Region (the "High Court") against Win Dynamic on 10 May 2021 in relation to the Purported Cancellation (the "Action"). Realord claimed against Win Dynamic, among others, for an order of specific performance requiring Win Dynamic to forthwith pay the Company the net proceeds in respect of the Company's shares tendered by Win Dynamic for acceptance of the Offer, after deducting the seller's ad valorem stamp duty payable by it, amounted to approximately HK\$260,435,000 (the "WD Proceeds").

Realord also applied to the High Court for an interlocutory injunction against Win Dynamic (the "Injunction Application") on 11 May 2021 which was heard by the High Court on 14 May 2021. Upon hearing submissions from the parties, the High Court has adjourned the hearing of the Injunction Application to a date to be fixed for substantive argument, and the High 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.

## **21. 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. At the initiation of Realord, the Company agreed to be joined as a party to the Action. By the consent of Realord and Win Dynamic, on 9 November 2021, the High Court ordered, amongst other things, Realord be given leave to (i) join the Company as the 2nd plaintiff and Mr. Philip Ma as the 2nd defendant in the Action, and (ii) amend the Writ and the statement of claim in relation to the Purported Cancellation.

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

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

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

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

## **21. LITIGATION (CONTINUED)**

### **Deed and purported cancellation (Continued)**

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

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

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

Between 22 June 2023 and 4 July 2023, the parties proceeded to discovery of documents.

On 7 September 2023, Win Dynamic informed Realord that the WD Proceeds which was maintained with Citibank N.A. Hong Kong ("Citibank") had been placed in its fixed deposit account on 31 July 2023.

On 22 February 2024, Win Dynamic applied to the High Court to further amend the injunction order made on 14 May 2021 as continued and varied by the Order made on 6 April 2022 (the "Injunction Order") thereby allowing the WD Proceeds to be placed in fixed deposit account to generate interest returns.

## 21. LITIGATION (CONTINUED)

### Deed and purported cancellation (Continued)

On 5 March 2024, Realord applied to the High Court for an order that Win Dynamic to disclose the current location of the WD Proceeds maintained with Citibank.

On 8 March 2024, the High Court granted leave to Win Dynamic that it is at liberty, with Realord's written consent, to place the WD Proceeds maintained with Citibank in fixed deposit account, and further ordered Win Dynamic to disclose the current location of the WD Proceeds maintained with Citibank.

On 14 March 2024, Win Dynamic made disclosure pursuant to the High Court's order made on 8 March 2024.

On 18 March 2024, the parties filed and exchanged their respective witness statements.

The date of trial has not been fixed.

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

As at 30 June 2024, the carrying amount of gift receivable from Win Dynamic amounted to HK\$200,737,000, net of ECL allowance of HK\$1,737,000 (As at 31 December 2023: HK\$191,939,000, net of ECL allowance of HK\$1,111,000). During the six months ended 30 June 2024, the Group has also recognised imputed interest income on gift receivable from Win Dynamic under "Other income and gains, net" of HK\$9,424,000 (Six months ended 30 June 2023: HK\$8,616,000).

## MANAGEMENT DISCUSSION AND ANALYSIS

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### INTERIM RESULTS

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

#### Overall Finance Review

The consolidated revenue of the Group for the period from 1 January 2024 to 30 June 2024 (“1H2024”) was approximately HK\$65.1 million, decreased by approximately HK\$9.3 million or 12.5% as compared to the period from 1 January 2023 to 30 June 2023 (“1H2023”). The loss attributable to equity holders of the Company for 1H2024 was approximately HK\$27.3 million, losses increased by approximately HK\$9.8 million or 56.0% from 1H2023. During 1H2024, the consumer and retail market in Hong Kong experienced a period of sluggish consumer spending, resulting in keen competition among the retailers with more sales promotion campaigns and pricing cutting. The generally stagnant market sentiment had also impacted the results of the Group for 1H2024. The increase in loss of the Group for 1H2024 was mainly attributable to (i) a decrease in revenue of approximately HK\$9.3 million or 12.5%, when compared to the revenue recorded for the Group of approximately HK\$74.4 million for 1H2023; (ii) a decline in gross profit margin for the revenue made, from approximately 59.1% for 1H2023 to approximately 55.2%, as a result of more price cutting to promote sales. This, couples with the decrease in revenue, resulted in a decline in gross profit of approximately HK\$8.0 million; and (iii) an increase in finance costs of approximately HK\$1.6 million.

#### Revenue

In 1H2024, the revenue of the Group was approximately HK\$65.1 million, decreased by approximately HK\$9.3 million or 12.5% as compared to approximately HK\$74.4 million in 1H2023. The revenue was mainly contributed from the operation of department store of approximately HK\$65.3 million (1H2023: approximately HK\$74.3 million). Detailed analysis are set out in the sections “Business Review” below.

#### Other income and gains, net

In 1H2024, the other income and gains, net of the Group was approximately HK\$10.4 million, increased by approximately HK\$1.1 million or 11.8% as compared to approximately HK\$9.3 million in 1H2023. The other income and gains, net was mainly contributed from the imputed interest on gift receivable from Win Dynamic of approximately HK\$9.4 million (1H2023: approximately HK\$8.6 million). The increase was mainly attributable to the increase in the imputed interest on gift receivable from Win Dynamic of approximately HK\$0.8 million in 1H2024.



## MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

### Selling and distribution expenses

In 1H2024, the selling and distribution expenses of the Group was approximately HK\$33.5 million (1H2023: approximately HK\$34.2 million), which mainly represented (i) the depreciation of right-of-use assets of approximately HK\$16.1 million (1H2023: approximately HK\$16.7 million); and (ii) the employee benefit expenses of approximately HK\$8.3 million (1H2023: approximately HK\$8.7 million). The decrease in the selling and distribution expenses of approximately HK\$0.7 million was mainly arising from the decrease in employee benefit expenses of approximately HK\$0.3 million and the decrease in the depreciation of right-of-use assets of approximately HK\$0.6 million.

### General and administrative expenses

In 1H2024, the general and administrative expenses of the Group was approximately HK\$25.1 million (1H2023: approximately HK\$25.4 million), which mainly represented the employee benefit expenses of approximately HK\$8.5 million (1H2023: approximately HK\$11.3 million) and various general and administrative expenses. The decrease in the general and administrative expenses of approximately HK\$0.3 million was mainly arising from the decrease in employee benefit expenses of approximately HK\$2.8 million; and was partly offset by the increase of trademark registration fee of approximately HK\$2.3 million.

### Finance costs

In 1H2024, the finance costs of the Group was approximately HK\$14.3 million, increased by approximately HK\$1.6 million or 12.6% as compared to approximately HK\$12.7 million in 1H2023. The increase was mainly attributable to the increase in interest on loan from a related company of approximately HK\$2.1 million and was partly offset by the decrease in interest charges on lease liabilities and loan from immediate holding company of approximately HK\$0.4 million and HK\$0.3 million respectively.

### Loss attributable to equity holders of the Company

In 1H2024, the loss attributable to equity holders of the Company was approximately HK\$27.3 million (1H2023: approximately HK\$17.5 million), representing an increase of approximately HK\$9.8 million or 56.0%. Financial review of each segment was further explained below.

## MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

### BUSINESS REVIEW

#### Department Store Operations

In 1H2024, our department store operations recorded revenue of approximately HK\$65.3 million (1H2023: approximately HK\$74.3 million), represented a decrease by approximately 12.1% against 1H2023. It was mainly attributable to sluggish consumer spending in the retail sector and the generally stagnant market sentiment during 1H2024. As a result, the overall segment loss increased to approximately HK\$17.3 million, representing an increase in loss of approximately HK\$11.3 million or 188.3% as compared to approximately HK\$6.0 million in 1H2023.

The inventory level increased to approximately HK\$34.3 million as at 30 June 2024, representing an increase of approximately HK\$4.5 million or 15.1% as compared to approximately HK\$29.8 million as at 31 December 2023. As a result, a provision for inventories of approximately HK\$0.6 million (1H2023: reversal of provision for inventories of approximately HK\$0.6 million) was recognised in 1H2024.

#### Securities Trading

In 1H2024, the Group recorded net realised loss on securities trading of approximately HK\$0.3 million (1H2023: net realised loss of HK\$7,000) and net unrealised loss of approximately HK\$0.1 million (1H2023: net unrealised gain of approximately HK\$72,000). Dividend income decreased from approximately HK\$0.2 million in 1H2023 to approximately HK\$70,000 in 1H2024. Hence, a segment loss of approximately HK\$1.3 million (1H2023: approximately HK\$0.7 million) was resulted. The Group holds these investments for trading. The Group would review and refine its investment portfolio regularly based on market conditions and its capital needs.

### PROSPECTS

Looking ahead, the Group anticipates that the retail sector in Hong Kong will continue to be challenging amidst the sluggish consumer spending and the increased trend of online shopping behavior of customers in the retail sector. Meanwhile, the Group will keep on monitoring and adjusting nimbly the Group's operating strategies of the department store operation to cater the challenging operating environment.

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

## OTHER INFORMATION

### LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2024, the Group had cash and bank balances, pledged bank balances and pledged deposits with banks of approximately HK\$14.4 million (31 December 2023: approximately HK\$104.0 million), of which approximately HK\$1.2 million (31 December 2023: approximately HK\$11.3 million) were pledged. The unpledged cash and bank balances amounted to approximately HK\$13.2 million (31 December 2023: approximately HK\$92.7 million).

As of 30 June 2024, the bank borrowings of the Group were approximately HK\$83.9 million (31 December 2023: approximately HK\$84.3 million), which were repayable within one year or on demand. The bank borrowings were in Hong Kong dollars, with interest rates of Hong Kong Interbank Offered Rate + 1.5% per annum. All bank borrowings were secured against a property.

As at 30 June 2024, the Group has utilised the loan from immediate holding company and loan from a related company of approximately HK\$2.3 million and approximately HK\$211.0 million respectively.

The interest expense charged to the condensed consolidated income statement for 1H2024 was approximately HK\$14.3 million (1H2023: approximately HK\$12.7 million).

As at 30 June 2024, the Group had net current liabilities of approximately HK\$160.3 million (31 December 2023: approximately HK\$79.7 million) and an equity attributable to the equity holders of the Company of approximately HK\$55.7 million (31 December 2023: approximately HK\$81.1 million).

As at 30 June 2024, the Group's current ratio was approximately 0.61 (31 December 2023: approximately 0.69), while the gearing ratio, being the bank borrowings, other loans, lease liabilities, loans from immediate holding company and a related company to net assets, was approximately 315% (31 December 2023: approximately 304%).

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

The Group's products are partly imported from Europe and settled by Euro. Although the Group currently does not have a foreign currency hedging policy, the management will continue to monitor the foreign exchange exposure closely and will consider hedging if there is significant foreign currency exposure.

## OTHER INFORMATION (Continued)

### EMPLOYEES AND REMUNERATION POLICIES

At 30 June 2024, the Group had 176 employees (31 December 2023: 178) 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 defined benefit pension scheme, mandatory provident fund scheme, staff purchase discounts, subsidised medical care and training courses.

### INTERIM DIVIDEND

The Board has resolved not to declare an interim dividend for the 1H2024.

### SUBSTANTIAL SHAREHOLDERS

As at 30 June 2024, so far as is known to the directors, the following persons (not being a director or chief executive of the Company) had interest in the shares and underlying shares as recorded in the register required to be kept by the Company pursuant to Section 336 of the Securities and Future Ordinance (the "SFO") were as follow:

#### *Long position in the shares*

Name	Capacity	Nature of interest	Number of Shares	Approximate % of Shares in issue
Manureen Holdings Limited ("Manureen Holdings")	Interests of controlled corporation	Corporate	985,471,362 (Note)	75.00
Realord Group Holdings Limited ("Realord")	Beneficial owner	Corporate	985,471,362 (Note)	75.00

#### *Note:*

There is a duplication of interests of 985,471,362 shares amongst Manureen Holdings, Realord, Dr. Lin and Madam Su. As at 30 June 2024, Realord was the legal and beneficial owner of 985,471,362 shares of the Company, representing approximately 75.00% of the issued share capital of the Company. Realord is owned as to approximately 62.69% by Manureen Holdings, each of Madam Su and Dr. Lin owns 30% and 70% equity interest in Manureen Holdings, which Dr. Lin is deemed to be interested in 985,471,362 shares by virtue of interest of controlled corporation and Madam Su is deemed to be interested in the same block of shares as the spouse of Dr. Lin.

## OTHER INFORMATION (Continued)

### DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SHARES

As at 30 June 2024, the interests and short positions of the directors and chief executive of the Company in the shares, underlying shares and debentures and the details of any right to subscribe for shares of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) and of the exercise of any such rights, as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong (the "Stock Exchange") pursuant to the Mode Code for Securities Transaction by Directors of Listed Issuers in the Listing Rules (the "Model Code"), were as follows:

#### (a) Long position in Shares

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

#### Notes:

- (1) As at 30 June 2024, Realord was the legal and beneficial owner of 985,471,362 shares of the Company. Manureen Holdings was the legal and beneficial owner of approximately 62.69% of Realord. Since Dr. Lin owned 70% of the issued share capital of Manureen Holdings, he was deemed to be interested in 985,471,362 shares of the Company.
- (2) Madam Su, the spouse of Dr. Lin, was deemed to be interested in 985,471,362 Shares which Dr. Lin was deemed to be interested under the SFO as at 30 June 2024.

#### (b) Associated corporations

As at 30 June 2024, none of the directors or chief executive of the Company had any interests or short position in any of the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) that is required to be recorded and kept in the register in accordance with Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

At no time during the Period was the Company or any of its subsidiaries a party to any arrangements to enable the directors of the Company or their spouses or children under the age of 18 to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

## **OTHER INFORMATION (Continued)**

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

Save as disclosed in note 18 to the condensed consolidated interim financial statements, none of the directors and their respective connected entities had a material interest, either directly or indirectly, in any transactions, arrangements or contracts of significance to the business of the Group to which the Company or any of its subsidiaries was a party during 1H2024.

### **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 1H2024.

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

During 1H2024, no director is considered to have an interest in a business which competes or is likely to compete, either directly or indirectly, with the businesses of the Group pursuant to the Listing Rules, other than those businesses to which the directors were appointed as directors to represent the interest of the Company and/or the Group.

### **CONTINGENT LIABILITIES**

The Group has no material contingent liabilities as at 30 June 2024.

### **LITIGATIONS**

Reference is made to the note 36 to the consolidated financial statements of the Company for the year ended 31 December 2023, all claim for interest on the Judgment Sum, costs claims have been settled and paid by the Company to the former director in July 2024. In the opinion of the Board, the High Court proceedings brought by the former director has been fully finalised.

Other than the above, and save as disclosed in note 21 to the condensed consolidated interim financial statements, the Group has no other material litigation.

### **COMMITMENTS**

Save as disclosed in note 20 to the condensed consolidated interim financial statements, the Group has no other material commitments.

### **SIGNIFICANT INVESTMENTS, MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATED COMPANIES**

The Group did not make any material acquisition or disposal of subsidiaries and associated and significant investments during 1H2024.

## **OTHER INFORMATION (Continued)**

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

The Company has adopted the Model Code as set out in Appendix C3 to the Listing Rules as the code of conduct regarding directors' securities transactions. All directors have confirmed, following specific enquiry by the Company, that they have complied with the required standard set out in the Model Code during 1H2024.

### **CORPORATE GOVERNANCE**

The Company has complied throughout the 1H2024 with the Corporate Governance Code (the "CG Code") as set out in Appendix C1 to the Listing Rules.

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

The Group has established an audit committee with written terms of reference in accordance with the Listing Rules. The audit committee comprises three members, whom are independent non-executive directors, namely Mr. Yu Leung Fai, Mr. Chung Chun Hung Simon and Mr. Lin Lin. The audit committee is chaired by Mr. Yu Leung Fai. The audit committee has reviewed with management about the accounting principles and practices adopted by the Group and discussed auditing, risk management, internal controls and financial reporting matters including a review of the unaudited condensed consolidated interim financial statements for 1H2024.

### **APPRECIATION**

On behalf of the Board, I would like to express its sincere gratitude to all our staff for their dedication and contribution, as well as to all our customers, suppliers, business associates and shareholders for their continuous support to the Group over the period.

By order of the Board  
**The Sincere Company, Limited**  
**Lin Xiaohui**  
*Chairman*

Hong Kong, 28 August 2024