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The Sincere Company, Limited

Stock code: 244

ANNUAL REPORT

2021

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

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

Non-executive Director

Dr. TAI Tak Fung

Independent Non-executive Directors

Mr. YU Leung Fai
Mr. YUAN Baoyu
Mr. CHUNG Chun Hung Simon

AUDIT COMMITTEE

Mr. YU Leung Fai *(Chairman)*
Mr. YUAN Baoyu
Mr. CHUNG Chun Hung Simon

REMUNERATION COMMITTEE

Mr. YUAN Baoyu *(Chairman)*
Mr. YU Leung Fai
Mr. CHUNG Chun Hung Simon

NOMINATION COMMITTEE

Mr. CHUNG Chun Hung Simon *(Chairman)*
Mr. YU Leung Fai
Mr. YUAN Baoyu

EXECUTIVE COMMITTEE

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

COMPANY SECRETARY

Mr. IP Ho Wing

LEGAL ADVISORS

Michael Li & Co.
Debevoise & Plimpton
Holman Fenwick Willan

INDEPENDENT AUDITOR

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

PRINCIPAL BANKERS

DBS Bank (Hong Kong) Limited
Hang Seng Bank Limited
The Hongkong & Shanghai Banking Corporation Limited
Bank of China (Hong Kong) Limited

SHARE REGISTRAR & TRANSFER OFFICE

Tricor Tengis Limited
Level 54, Hopewell Centre,
183 Queen's Road East,
Wanchai,
Hong Kong

REGISTERED OFFICE

24th Floor, Leighton Centre,
77 Leighton Road, Hong Kong

STOCK CODE

244

WEBSITE

Company:
www.sincere.com.hk

Financial information:
www.irasia.com/listco/hk/sincere/index.htm

MISSION STATEMENT

Founded in 1900, The Sincere Company, Limited ("Sincere" or the "Company", together with its subsidiaries, the "Group") is one of the Hong Kong's oldest and most respected retail groups.

At the core of Sincere's success is its unwavering dedication to quality service and customer satisfaction. Through its chain of department stores, the Company strives to provide consumers with a competitive range of merchandise at affordable prices.

Sincere's on-going commitment to prudent expansion demonstrates the Company's determination to sustain its position as a leading retailer in the next century and beyond.

CHAIRMAN'S REVIEW OF OPERATIONS

On behalf of the Board of Directors (the "Board") of the Company, I would like to present shareholders with the Annual Report for the period from 1 March 2021 to 31 December 2021 (the "Period").

The Company has changed its financial year-end date from 28/29 February to 31 December in 2021. Upon the change in controlling shareholder of the Company in 2021, the Company changed the financial year end date in order to align the financial year end date of Realord Group Holdings Limited ("Realord"), the holding company of the Company. The Board considers that the change of the financial year end date will better facilitate the preparation of the consolidated financial statements of the Group and those of Realord and its subsidiaries.

RESULTS

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

Overall Financial Review

During the Period, the Group recorded a total revenue of approximately HK$140.1 million (for the year ended 28 February 2021: approximately HK$177.5 million). The Group recorded a net loss of approximately HK$77.1 million (for the year ended 28 February 2021: approximately HK$145.7 million).

Revenue

During the Period, the revenue was mainly contributed from the operation of department store of approximately HK$139.2 million (for the year ended 28 February 2021: approximately HK$176.7 million), representing approximately 99.4% (for the year ended 28 February 2021: approximately 99.6%) of the total revenue of the Group.

Other income and gains, net

During the Period, other income and gains, net was approximately HK$12.7 million (for the year ended 28 February 2021: approximately HK$2.0 million), which was mainly attributable to (i) the imputed interest income on gift receivable from Win Dynamic of approximately HK$9.3 million (for the year ended 28 February 2021: Nil); and (ii) the dividend income of approximately HK$3.1 million (for the year ended 28 February 2021: approximately HK$1.0 million).

Selling and distribution expenses

During the Period, the selling and distribution expenses was approximately HK$80.3 million (for the year ended 28 February 2021: approximately HK$111.2 million), which was mainly attributable to (i) the depreciation of right-of-use assets of approximately HK$45.6 million (for the year ended 28 February 2021: approximately HK$80.2 million); and (ii) the employee benefit expenses of approximately HK$19.5 million (for the year ended 28 February 2021: approximately HK$18.7 million, net of government grants of approximately HK$8.2 million).

General and administrative expenses

During the Period, the general and administrative expenses was approximately HK$49.3 million (for the year ended 28 February 2021: approximately HK$78.7 million), which was mainly attributable to (i) bad debt of approximately HK$5,000 (for the year ended 28 February 2021: approximately HK$4.3 million); (ii) director's remuneration of approximately HK$3.0 million (for the year ended 28 February 2021: approximately HK$12.9 million); and (iii) the employee benefit expenses of approximately HK$14.7 million (for the year ended 28 February 2021: approximately HK$20.1 million, net of government grants of approximately HK$3.4 million).

Other operating expenses, net

During the Period, other operating expenses, net was approximately HK$4.9 million (for the year ended 28 February 2021: approximately HK$22.6 million), which was mainly attributable to (i) the impairment of property, plant and equipment of approximately HK$2.0 million (for the year ended 28 February 2021: approximately HK$22.3 million); and (ii) loss on termination of lease of approximately HK$2.9 million (for the year ended 28 February 2021: Nil).

Finance costs

During the Period, finance costs was approximately HK$25.7 million (for the year ended 28 February 2021: approximately HK$20.3 million), which was mainly attributable to (i) the interest on lease liabilities of approximately HK$7.1 million (for the year ended 28 February 2021: approximately HK$8.4 million); and (ii) the interest on loan from a fellow subsidiary of approximately HK$9.4 million (for the year ended 28 February 2021: Nil).

Loss attributable to equity holders of the Company

During the Period, our department store operation was affected by the persistence impact of Covid-19 pandemic. As the result, the loss attributable to equity holders of the Company for the Period was approximately HK$75.9 million (for the year ended 28 February 2021: approximately HK$145.0 million). Financial review of each segment was further explained below.

BUSINESS REVIEW

DEPARTMENT STORE OPERATION

During the Period, our Group's performance was affected by the persistence impact of the Covid-19 pandemic. In addition, one of our stores was closed during the Period. Our department store operations recorded revenue of approximately HK$139.2 million (for the year ended 28 February 2021: approximately HK$176.7 million).

As a result, the Group had adopted pro-active measures to reduce operating expenses, such as staff costs. Together with the rental concession obtained from landlords, the overall segment loss was approximately HK$63.2 million during the Period (for the year ended 28 February 2021: approximately HK$108.5 million).

To maintain a healthy inventory level, continuing the clearance of previous season inventory was our major goal during the Period. The inventory level reduced from approximately HK$42.9 million as at 28 February 2021 to approximately HK$34.4 million as at 31 December 2021. As a result, reversal of provision for inventories of approximately HK$1.6 million was recognised (for the year ended 28 February 2021: provision for inventories of approximately HK$1.1 million).

SECURITIES TRADING OPERATION

The Group recorded net realised gain on securities trading of approximately HK$0.2 million for the Period (for the year ended 28 February 2021: approximately HK$6,000). Dividend income was approximately HK$3.1 million (for the year ended 28 February 2021: approximately HK$1.0 million). Hence, a segment loss of approximately HK$2.9 million (for the year ended 28 February 2021: approximately HK$8.9 million) was resulted for the Period. 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

Currently, Hong Kong is under a new wave attack of Covid-19 driven by the Omicron variant. Apart from the social distancing policies, tougher measurements and controls, such as the "Vaccine Pass", has been implemented by the government and department stores have fallen into one of the scheduled premises. Our business has been inevitably affected. The management is 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. Meanwhile, the Group will take a more cautious approach in its business planning to weather the current unfavourable environment.

With the support of Realord as the new controlling shareholder of the Company, the Board is optimistic about the prospects of the Group.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2021, the Group had cash and bank balances, pledged bank balances and deposits of approximately HK$156.2 million (28 February 2021: approximately HK$191.7 million), of which approximately HK$102.2 million (28 February 2021: approximately HK$103.7 million) were pledged. As at 31 December 2021, the Group's gearing ratio, being the interest-bearing bank borrowings, other loans, lease liabilities, loans from a fellow subsidiary and the immediate holding company to net assets of approximately 169% (28 February 2021: approximately 1,514%).

The interest expense charged to the consolidated income statement for the Period was approximately HK$25.7 million (for the year ended 28 February 2021: approximately HK$20.3 million). The interest-bearing bank borrowings of the Group as of 31 December 2021 were approximately HK$144.5 million (28 February 2021: approximately HK$162.7 million), which were repayable within one year or on demand. The bank borrowings were largely in Hong Kong dollars, with interest rates of HIBOR+1.5% per annum. All bank borrowings were secured against securities investments, a property and bank deposits. The current ratio was approximately 0.58 (28 February 2021: approximately 0.53).

As at 31 December 2021, the Group has utilised the loan from a fellow subsidiary and loan from immediate holding company of HK$104,000,000 and HK$55,000,000, respectively.

The decrease in the interest-bearing bank borrowings was due to decrease in trade financing which was in line with the Group's inventory level.

As at 31 December 2021, the Group had net current liabilities of approximately HK$180,974,000 (28 February 2021: approximately HK$243,678,000) and an equity attributable to the equity holders of the Company of approximately HK$188,849,000 (28 February 2021: a deficit attributable to the equity holders of the Company approximately HK$2,977,000). The Group's cash and bank balances amounted to approximately HK$54,092,000 (28 February 2021: approximately HK$87,949,000) as at 31 December 2021.

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

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, it does and will continue to monitor the foreign exchange exposure closely and will consider hedging if there is significant foreign currency exposure.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2021, the Group had 198 employees (28 February 2021: 222), including part-time staff. The Group operates various remuneration schemes for sales and non-sales employees to motivate front-line and back-office staff towards achieving higher sales and operating efficiencies. Apart from basic salary and discretionary bonuses based on individual merit, sales personnel are further remunerated on the basis of goal-oriented packages, comprising several sales commission schemes. The Group also provides employee benefits such as staff purchase discounts, subsidised medical care and training courses.

DIVIDENDS

The Board did not recommend the payment of a dividend for the Period.

CHAIRMAN'S REVIEW OF OPERATIONS

APPRECIATION

On behalf of the Board, I wish to take this opportunity to extend my appreciation to our shareholders, customers, business partners and suppliers for their continued support, and for their confidence in the Group. I would also like to express our sincere thanks to the management and the staff for their commitment and contribution to the Group throughout the year.

Lin Xiaohui
Chairman

31 March 2022

OTHER INFORMATION

VOLUNTARY CONDITIONAL CASH OFFER

On 15 May 2020, Realord announced a voluntary conditional cash offer (subject to the satisfaction or waiver (as the case may be) of certain pre-conditions) to acquire all of the issued shares of the Company (the "Offer"). The then controlling shareholder of the Company, Win Dynamic Limited ("Win Dynamic"), has executed an irrevocable undertaking to Realord that Win Dynamic would tender, or procure the tender of, all of its shares in the Company to accept the Offer. In addition, the subsidiaries of the Company, including The Sincere Insurance & Investment Company, Limited ("Sincere II"), The Sincere Life Assurance Company Limited ("Sincere LA") and The Sincere Company (Perfumery Manufacturers), Limited ("Perfumery") (collectively the "Sincere Companies") had also executed irrevocable undertakings to accept the Offer (collectively the "Irrevocable Undertakings").

On 28 April 2021, Realord announced the pre-conditions of the Offer have been satisfied or waived (as the case may be).

As disclosed in the Offer Document, the final offer price is HK$0.3935 per share. In addition, the Offer was then conditional only on valid acceptances of the Offer will result in Realord holding more than 50% of the voting rights of the Company.

On 7 May 2021, Realord announced the Offer had become unconditional in all respects.

As disclosed in the announcement of Realord dated 3 June 2021, the Offer closed on 3 June 2021. Realord had received valid acceptances in respect of a total of 1,044,695,362 shares of the Company under the Offer, representing approximately 79.51% of the then entire issued share capital of the Company. Accordingly, Realord has become the controlling shareholder of the Company.

Further details are disclosed in the joint announcement of Realord and the Company dated 15 May 2021, the offer document of Realord dated 5 May 2021 and the response document of the Company dated 20 May 2021.

CONTINGENT LIABILITIES AND LITIGATIONS

Save as disclosed in notes 35 and 36 to the financial statements, the Group do not have other material contingent liabilities and litigations.

EVENTS AFTER THE REPORTING PERIOD

Save for those disclosed in note 38 to the notes to the financial statements, the Group has no significant events after the reporting period up to the date of this annual report.

CORPORATE GOVERNANCE REPORT

The Board has committed to maintaining good corporate governance standards.

The Company's corporate governance practices are based on the principles as set out in the Corporate Governance Code (the "CG Code") contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (collectively the "Listing Rules").

During the period from 1 March 2021 to 31 December 2021 (the "Period") the Company has complied with the Code Provisions set out in the CG Code, save and except for code provision C.2.1 and C.1.6 which deviations are explained in the relevant paragraphs in the relevant paragraphs of this corporate governance report.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

BOARD OF DIRECTORS

As at the date of this annual report, the Board currently comprises seven members, consisting of three executive Directors, a non-executive Directors and three independent non-executive Directors. The biographical information of the Directors are set out in the section headed "Biographies of Directors and Senior Executives" on pages 32 to 35 of this annual report.

Dr. Lin Xiaohui and Madam Su Jiaohua are spouse. To the best knowledge of the Company, save as disclosed above and in the Directors' and Chief Executive's Interests in Shares as set out on pages 27 to 29, there is no financial, business and family relationship among members of the Board. All of them are free to exercise their independent judgement.

The Board held thirteen Board meetings and two general meeting during the Period. The following table shows the attendance of Directors at meetings during the Period:

Directors	General Meetings attended/held	Board Meetings attended/held
Executive Directors		
Dr. LIN Xiaohui *(Chairman)*	2/2	8/8
Madam SU Jiaohua *(CEO)*	2/2	8/8
Dr. YU Lai	2/2	8/8
Mr. CHAN Chu Kin	2/2	4/4
Non-Executive Directors		
Dr. TAI Tak Fung	1/2	8/8
Mr. Philip K H MA*	0/0	6/7
Mr. Mr. Charles M W CHAN	0/0	4/4
Independent Non-Executive Directors		
Mr. YU Leung Fai	2/2	8/8
Mr. YUAN Baoyu	2/2	8/8
Mr. CHUNG Chun Hung Simon	2/2	7/8
Mr. Eric K K LO	0/1	8/8
Mr. Peter TAN	0/1	6/8
Mr. Anders W L LAU	0/1	8/8
Mr. King Wing MA	0/0	4/7

* re-designed as non-executive director on 11 June 2021 and resigned on 1 July 2021.

\+ Code provision C.1.6 of the CG Code that independent non-executive directors and other non-executive directors should also attend general meetings to obtain better understanding of the view of the shareholders of the Company. Dr. Tai Tak Fung being the non-executive director of the Company and Mr. Anders W L Lau, Mr. Eric K K Lo and Mr. Peter Tan being the then independent non-executive directors of the Company did not attend the general meeting of the Company due to business arrangement.

Chairman and Chief Executive Officer

Code provision C.2.1 stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual. Mr. Philip Ma, was the then chairman and chief executive officer of the Company from 1 March 2021 to 10 June 2021. On 11 June 2021, Dr. Lin and Madam Su have been appointed as the chairman and the chief executive officer of the Company, respectively. Mr. Philip Ma has ceased to act as the chairman and the chief executive officer of the Company and has been re-designated from an executive director to a non-executive director. Accordingly, the Company has complied with the code provision C.2.1 of the CG Code since then.

Independent Non-Executive Directors

The Company has complied with Rules 3.10(1), 3.10(2) and 3.10A of the Listing Rules for the appointment of at least three independent non-executive Directors representing at least one-third of the Board with one of whom possessing appropriate professional qualifications or accounting or related financial management expertise.

The Company has received, from each of the independent non-executive Directors, an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all of the independent non-executive Directors are independent during the Period.

Responsibilities, Accountabilities and Contributions of the Board and Management

The Board is responsible to ensure the Company achieves its objectives, approve the business strategic plans and review management performance.

All Directors, including non-executive Directors and independent non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning.

All Directors have full and timely access to all the information of the Company as well as the services and advice from the company secretary and senior management. The Directors may, upon request, seek independent professional advice in appropriate circumstances, at the Company's expenses for discharging their duties to the Company.

The Directors shall disclose to the Company details of other offices held by them and the Board regularly reviews the contribution required from each director of the Company to perform his responsibilities to the Company.

The Board reserves for its decision on all major matters relating to policy matters, strategies and budgets, internal control and risk management, material transactions (in particular those that may involve conflict of interests), financial information, appointment of Directors and other significant operational matters of the Company. Responsibilities relating to implementing decisions of the Board, directing and co-ordinating the daily operation and management of the Company are delegated to the management.

Continuous Professional Development of Directors

Directors keep abreast of responsibilities as a Director of the Company and of the conduct, business activities and development of the Company.

Every newly appointed Director of the Company will receive formal, comprehensive and tailored-made induction on the first occasion of his/her appointment to ensure appropriate understanding of the business and operations of the Company and full awareness of director's responsibilities and obligations under the Listing Rules and relevant statutory requirements.

Directors should participate in appropriate continuous professional development to develop and refresh their knowledge and skills to ensure that their contribution to the Board remains informed and relevant.

During the Period, relevant reading materials including regulatory update and seminar handouts have been provided to the Directors for their reference and studying.

A summary of training received by the Directors according to the records provided by the Directors during the Period is as follows:

Director	**Training on corporate governance, regulatory development and other relevant topics**
Executive Directors	
Dr. LIN Xiaohui *(Chairman)*	✔
Madam SU Jiaohua *(CEO)*	✔
Dr. YU Lai	✔
Non-Executive Director	
Dr. TAI Tak Fung	✔
Independent Non-Executive Directors	
Mr. YU Leung Fai	✔
Mr. YUAN Baoyu	✔
Mr. CHUNG Chun Hung Simon	✔

BOARD COMMITTEES

During the Period, the Board has established four committees, namely, the Audit Committee, Remuneration Committee, Nomination Committee and Executive Committee to oversee particular aspects of the Company's affairs and to assist in the execution of the Board's responsibilities. All Board committees of the Company are established with defined written terms of reference. The terms of reference of the Board committees are posted on the Company's website and the Stock Exchange's website and are available to shareholders upon request.

Audit Committee

The Audit Committee consists of Mr. Yu Leung Fai, Mr. Yuan Baoyu, Mr. Chung Chun Hung Simon, independent non-executive Directors. Mr. Yu Leung Fai is the chairman of the Audit Committee.

The main duties of the Audit Committee are to assist the Board in reviewing the financial information and reporting process, internal control procedures and risk management system and relationship with external auditors, and internal control or other matters of the Company.

During the Period, the Audit Committee held four meetings to review and discuss significant issues on the financial reporting and compliance procedures, internal control and risk management systems, scope of work and appointment of external auditor, and the attendance record, on a named basis, is set out below:

Audit Committee Members	**Meetings attended/held**
Mr. YU Leung Fai *(appointed on 11 June 2021 and re-designated as chairman on 15 July 2021)*	4/4
Mr. YUAN Baoyu *(appointed on 15 July 2021)*	3/3
Mr. CHUNG Chun Hung Simon *(appointed on 15 July 2021)*	3/3
Mr. Eric K K LO *(resigned on 15 July 2021)*	1/1
Mr. Peter TAN *(resigned on 15 July 2021)*	1/1
Mr. Anders W L LAU *(resigned on 15 July 2021)*	1/1
Mr. King Wing MA *(resigned on 1 July 2021)*	0/1
Mr. Charles M W CHAN *(resigned on 4 June 2021)*	0/0

The Group's audited financial statements for the Period have been reviewed by the Audit Committee.

The Audit Committee also met with the external auditor twice during the Period.

Remuneration Committee

The Remuneration Committee consists of Mr. Yuan Baoyu, Mr. Yu Leung Fai and Mr. Chung Chun Hung Simon, independent non-executive Directors. Mr. Yuan Baoyu is the chairman of the Remuneration Committee.

The primary functions of the Remuneration Committee include determining the remuneration packages of individual executive Director, making recommendation to the Board the remuneration policy and structure for all Directors; and establishing transparent procedures for developing such remuneration policy and structure to ensure that no Director or any of his associates will participate in deciding his own remuneration.

During the Period, the Remuneration Committee held two meetings to review and make recommendation to the Board on the remuneration policy and structure of the Company, and the remuneration packages of the executive Directors and other related matters, and the attendance record, on a named basis, is set out below:

Remuneration Committee Members	Meeting attended/held
Mr. YUAN Baoyu *(appointed as co-chairman on 11 June 2021 and became chairman on 15 July 2021)*	1/1
Mr. YU Leung Fai *(appointed on 11 June 2021)*	1/1
Mr. CHUNG Chun Hung Simon *(appointed on 11 June 2021)*	1/1
Mr. Peter TAN *(resigned on 15 July 2021)*	1/2
Mr. Eric K K LO *(resigned on 15 July 2021)*	2/2
Mr. Anders W L LAU *(resigned on 15 July 2021)*	2/2
Mr. King Wing MA *(resigned on 1 July 2021)*	1/1
Mr. Charles M W CHAN *(resigned on 4 June 2021)*	0/0

Pursuant to code provision E.1.5 of the CG Code, details of the annual remuneration of the member of the senior management by band for the Period is as follows:

	Number of employee(s)
Nil to HK$1,500,000	4

Details of the remuneration of each Director for the Period are set out in note 26 to the financial statements.

Nomination Committee

The Nomination Committee consists of Mr. Chung Chun Hung Simon, Mr. Yu Leung Fai and Mr. Yuan Baoyu, independent non-executive Directors. Mr. Chung Chun Hung Simon is the chairman of the Nomination Committee.

The principal duties of the Nomination Committee include reviewing the Board composition, developing and formulating relevant procedures for the nomination and appointment of Directors, making recommendations to the Board on the appointment and succession planning of Directors, and assessing the independence of independent non-executive Directors.

The nomination policy of the Company specifies the selection criteria of Directors including but not limited to the following:

– Character and integrity;

– Qualifications including professional qualifications, skills, knowledge and experience that are relevant to the Company's business and corporate strategy;

– Diversity in all aspects, including but not limited to gender, age (18 years or above) cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service;

– Requirements of independent non-executive directors on the Board and independence of the proposed independent non-executive directors in accordance with the Listing Rules; and

– Commitment in respect of available time and relevant interest to discharge duties as a member of the Board and/or Board committee(s) of the Company.

During the Period, the Nomination Committee held two meeting to review the structure, size and composition of the Board and the independence of the independent non-executive Directors, and to consider the qualifications of the retiring Directors standing for re-election at the Annual General Meeting, and the attendance record, on a named basis, is set out below:

Nomination Committee Members	**Meeting attended/held**
Mr. CHUNG Chun Hung Simon *(appointed as co-chairman on 11 June 2021 and became chairman on 15 July 2021)*	0/0
Mr. YU Leung Fai *(appointed on 11 June 2021)*	0/0
Mr. YUAN Baoyu *(appointed on 11 June 2021)*	0/0
Mr. Eric K K LO *(resigned on 15 July 2021)*	2/2
Mr. Peter TAN *(resigned on 15 July 2021)*	2/2
Mr. Anders W L LAU *(resigned on 15 July 2021)*	2/2
Mr. King Wing MA *(resigned on 1 July 2021)*	2/2
Mr. Charles M W CHAN *(resigned on 4 June 2021)*	0/1

Executive Committee

On 11 June 2021, the Executive Committee has been established to assist the Board in facilitating more efficient day-to-day operations of the Group and is delegated by the Board with the powers to oversee the management of the business and affairs of the Company.

As at the date of this annual report, the Executive Committee consists of Dr. Lin Xiaohui, Madam Su Jiaohua and Dr. Yu Lai, executive Directors. Dr. Lin Xiaohui is the chairman of the Executive Committee.

During the Period, the Executive Committee held one meeting, is set out below:

Executive Committee Members	**Meeting attended/held**
Dr. Lin Xiaohui *(appointed on 11 June 2021)*	1/1
Madam Su Jiaohua *(appointed on 11 June 2021)*	1/1
Dr. Yu Lai *(appointed on 11 June 2021)*	1/1
Mr. CHAN Chu Kin *(appointed on 11 June 2021 and resigned on 10 August 2021)*	1/1

Board Diversity Policy

The Company recognizes and embraces the benefits of having a diverse Board to enhance the quality of its performance. In this connection, the Company has adopted a board diversity policy which sets out the approach to achieve diversity on the Board (the "Board Diversity Policy").

In designing the Board Diversity Policy, the Company has considered from a number of aspects, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. All Board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board.

Corporate Governance Functions

The Board is responsible for performing the functions set out in the code provision D.3.1 of the CG Code.

The Board reviewed the Company's corporate governance policies and practices, training and continuous professional development of Directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, the compliance of the Model Code and the Company's compliance with the CG Code and disclosure in this corporate governance report.

DIRECTORS' RESPONSIBILTY IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibilities for the preparation of the financial statements of the Group and ensure that the financial statements are in accordance with statutory requirements and applicable accounting standards. The Directors also ensure the timely publication of the financial statements of the Group.

The Directors have reviewed the Group's cash flow projections prepared by the management. The cash flow projections cover a period of not less than twelve months from 31 December 2021. Management's projections make key assumptions with regard to the anticipated cash flows from the Group's operations, capital expenditures and the continuous availability of bank and other borrowings facilities and the impact of the COVID-19 pandemic. The Group's ability to achieve the projected cash flows depends on management's ability to successfully implement the aforementioned improvement measures on profitability and liquidity and the continuous availability of bank and other borrowings facilities.

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

The statement of the independent auditor of the Company about their reporting responsibilities on the financial statements is set out in the independent auditor's report on pages 52 to 59.

AUDITOR'S REMUNERATION

During the Period, the fees payable to the Company's external auditors for audit services totalled to approximately HK$2,066,000 (for the year ended 28 February 2021: HK$3,330,000). The external auditor has also provided the Group with non-audit service, including the provision of tax services and agreed-upon procedures, at fees amounted to approximately HK$690,000 (for the year ended 28 February 2021: HK$545,000).

DIVIDEND POLICY

The Board has the discretion to declare and distribute dividends to the shareholders of the Company, subject to the articles of association of the Company and all applicable laws and regulations. In recommending or declaring dividends, the Company shall maintain adequate cash reserves for meeting its working capital requirements and future growth as well as its shareholder value. The Company has no fixed dividend pay-out ratio. The Board considers that, in general, the amount of dividends to be declared will depend on the Group's financial results, cash position, capital requirements, business conditions and strategies, and other factors as may be considered relevant at such time by the Board.

RISK MANAGEMENT AND INTERNAL CONTROLS

The Board acknowledges that it is its duty to monitor the risk management and internal control systems of the Group on an ongoing basis and review their effectiveness. Such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

During the Period, the Board conducted an annual review of the risk management and internal control systems of the Group, covering all material controls, including financial, operational and compliance controls, with a view to ensuring that resources, staff qualifications and experience, training programmes and budget of the Group's accounting, internal audit and financial reporting functions are adequate. In this respect, the Audit Committee communicates any material issues to the Board.

During the Period, the Group engaged an independent professional consultancy firm for performing independent review of the adequacy and effectiveness of the internal control and risk management. The consultancy firm identifying and assessing the risks of the Group through a series of interviews; and independently perform internal control review and assess effectiveness of the Group's risk management and internal control systems. The review results has been properly reported to the Audit Committee.

Based on the internal control review and risk assessment conducted during the Period, no significant control deficiency was identified.

The Group maintains a risk register to keep track of all identified major risks of the Group. The risk register provides the Board, the Audit Committee and management with a profile of its major risks and records management's action taken to mitigate the relevant risks. Each risk is evaluated at least annually based on its likelihood of occurrence and potential impact upon the Group.

The Company will continue to engage external independent professionals to review the Group's system of internal controls and risk management annually and further enhance the Group's internal control and risk management systems as appropriate.

There is currently no internal audit function within the Group. The Directors have reviewed the need for an internal audit function and are of the view that in light of the size, nature and complexity of the business of the Group, it would be more cost effective to appoint external independent professionals to perform internal audit function for the Group in order to meet its needs. Nevertheless, the Directors will continue to review at least annually the need for an internal audit function.

SHAREHOLDERS' RIGHTS

To safeguard shareholder interests and rights, a separate resolution is proposed for each substantially separate issue at shareholder meetings, including the election of individual directors. All resolutions put forward at shareholder meetings will be voted on by poll pursuant to the Listing Rules and poll results will be posted on the websites of the Company and of the Stock Exchange after each shareholder meeting.

Convening a General Meeting by Shareholders

General meetings may be convened by the Board on requisition of shareholder(s) holding not less than one-twentieth of the paid-up capital of the Company or by such shareholder(s) who made the requisition (the "Requisitionist(s)") (as the case may be) pursuant to the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) (the "Companies Ordinance"). The objects of the meeting must be stated in the requisition which must be signed by the Requisitionist(s) and deposited at the registered office of the Company. Shareholders should follow the requirements and procedures as set out in Companies Ordinance for convening a general meeting.

Putting Forward Proposals at General Meetings

Pursuant to the Companies Ordinance, shareholders representing not less than one-fortieth of the total voting rights of all shareholders; or not less than 50 shareholders holding shares in the Company may make requisition in writing for proposing resolution or business to be dealt with at the next general meeting. Shareholders should follow the requirements and procedures as set out in the Companies Ordinance for putting forward a proposal at a general meeting.

Putting Forward Enquiries to the Board

For putting forward any enquiries to the Board of the Company, shareholders may send written enquiries to the Company.

Note: The Company will not normally deal with verbal or anonymous enquiries.

Contact Details

Shareholders may send their enquiries or requests as mentioned above to the following address:

24th Floor, Leighton Centre, 77 Leighton Road, Hong Kong
(For the attention of the Company Secretary)

For the avoidance of doubt, shareholder(s) must deposit and send the original duly signed written requisition, notice or statement, or enquiry (as the case may be) to the above address and provide their full name, contact details and identification in order to give effect thereto. Shareholders' information may be disclosed as required by law.

INVESTOR RELATIONS

The Company considers that effective communication with shareholders is essential for enhancing investor relations and investor understanding of the Group's business performance and strategies. The Company endeavours to maintain an on-going dialogue with shareholders and in particular, through annual general meetings and other general meetings. The Chairman of the Board, all other members of the Board including non-executive and independent non-executive Directors, and the chairmen of all Board committees (or their delegates) will make themselves available at the annual general meetings to meet shareholders and answer their enquiries.

During the Period, the Company has not made any change to its Articles of Association. An up to date version of the Company's Articles of Association is available on the Company's website and the Stock Exchange's website.

REPORT OF THE DIRECTORS

The Directors of the Company (the "Directors") present their annual report and the audited financial statements of the Company and its subsidiaries (together, the "Group") for the period from 1 March 2021 to 31 December 2021 (the "Period").

PRINCIPAL ACTIVITIES

The principal activities of the Group have not changed during the financial year and mainly consisted of the operation of department stores, securities trading and the provision of general and life insurances.

BUSINESS REVIEW

A review of the business of the Group during the Period including a discussion of the principal risks and uncertainties facing the Group and an indication of likely future developments in the Group's business are provided in the "Chairman's Review of Operation" set out on pages 4 to 8 of this annual report. This discussion forms part of this Report of the Directors.

The financial risk management objectives and policies of the Group are summarised in note 32 to the financial statements.

The key financial and business performance indicators comprised of revenue; finance costs, loss attributable to equity holders and debt to equity ratio. Details of the key performance indicators are provided in the Chairman's Review of Operations set out on pages 4 to 8 of this annual report.

A discussion of the Group's environmental policies and community involvement is contained in the Environmental, Social and Governance Report on pages 36 to 51 of this annual report.

Details of the Group's compliance with laws and regulations and relationship with key stakeholders are discussed below:

Compliance with Laws and Regulations

The Group continues to update its compliance and risk management policies and procedures, and the senior management are delegated with continuing responsibility to monitor compliance with all significant legal and regulatory requirements. To the best knowledge of the board of Directors (the "Board") and management, save as disclosed in the financial statement, the Group has complied in material respects with the relevant laws and regulations that have a significant impact on the business and operation of the Group during the Period.

Relationships with key stakeholders

The Group's success also depends on the support from key stakeholders which comprise employees, customers and suppliers.

Employees

Employees are regards as the most important and valuable assets of the Group. The objective of the Group's human resource management is to reward and recognize well-performing staff by providing a competitive remuneration package and implementing a sound performance appraisal system with appropriate incentives, and to promote career development and progression by appropriate training and providing opportunities within the Group for career advancement.

Customers

The Group maintains a good relationship with its customers. It is the Group's mission to provide excellent customer service whilst maintaining long term profitability, business and asset growth. Various means have been established to strengthen the communications between the customers and the Group in the provision of excellent customer service. A customer complaint handling mechanism is in place to receive, analysis and study complaints and make recommendations on remedies with the aim of improving service quality.

Suppliers

Sound relationships with key suppliers of the Group are important in supply chain, meeting business challenges and regulatory requirements, which can derive cost effectiveness and foster long term business benefits. We have developed long-standing relationships with a number of our suppliers and take great care to ensure that they share our commitment to quality and ethics.

RESULTS

The Group's loss for the Period and the Group's financial position as at that date are set out in the audited financial statements on pages 60 to 168.

A summary of the published results and of the assets, liabilities and non-controlling interests of the Group for the last five financial years is set out on pages 169 to 170 of the annual report.

DIVIDEND

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

ANNUAL GENERAL MEETING

The annual general meeting of the Company ("AGM") will be held on Thursday, 9 June 2022, and the notice of the AGM will be published and dispatched in the manner as required by the Listing Rules in due course.

CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement to attend and vote at the AGM to be held on Thursday, 9 June 2022, the register of members of the Company will be closed from Thursday, 2 June 2022 to Thursday, 9 June, 2022, both days inclusive, during which period no transfer of shares will be registered. In order to be eligible to attend and vote at the AGM, all transfers accompanied by the relevant share certificates must be lodged with the Company's registrar Tricor Tengis Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong no later than 4:30 p.m. on Wednesday, 1 June 2022.

SHARE CAPITAL AND SHARE OPTIONS

Details of movements in the Company's share capital during the Period are set out in note 24 to the financial statements.

The share options scheme was expired on 5 December 2020. There was no share option scheme effective during the Period.

DISTRIBUTABLE RESERVES

As at 31 December 2021, the Company has no distributable reserves, calculated under Part 6 of the Hong Kong Companies Ordinance (Cap. 622) (28 February 2021: Nil).

MAJOR CUSTOMERS AND SUPPLIERS

For the Period, the Group's sales to the five largest customers and purchases from the five largest suppliers accounted for less than 30% of the Group's turnover and purchases, respectively.

PERMITTED INDEMNITY PROVISION

Pursuant to the Company's Articles of Association, every director or other officer shall be entitled to be indemnified out of the asset of the Company against all costs, charges, losses, expenses and liabilities (subject to and so far as may be permitted by the Companies Ordinance (Chapter 622 of the Laws of Hong Kong)) which he may sustain or incur in or about the execution and discharge of his duties or in relation thereto. The Company has arranged appropriate directors' and officer's liability coverage for the directors and officers of the Group.

REPORT OF THE DIRECTORS

DIRECTORS

The directors who served during the Period were as follows:

Executive Directors:

Dr. LIN Xiaohui *(Chairman) (appointed on 9 June 2021 and appointed as Chairman on 11 June 2021)*
Madam SU Jiaohua *(CEO) (appointed on 9 June 2021 and appointed as CEO on 11 June 2021)*
Dr. YU Lai *(appointed on 9 June 2021)*
Mr. CHAN Chu Kin *(appointed on 9 June 2021 and resigned on 10 August 2021)*

Non-Executive Directors:

Dr. TAI Tak Fung *(appointed on 9 June 2021)*
Mr. Philip K H MA *(re-designated on 11 June 2021 and resigned on 1 July 2021)*
Mr. Charles M W Chan *(resigned on 4 June 2021)*

Independent Non-Executive Directors:

Mr. King Wing MA *(resigned on 1 July 2021)*
Mr. Eric K K LO *(resigned on 15 July 2021)*
Mr. Peter TAN *(resigned on 15 July 2021)*
Mr. Anders W L LAU *(resigned on 15 July 2021)*
Mr. YU Leung Fai *(appointed on 9 June 2021)*
Mr. YUAN Baoyu *(appointed on 9 June 2021)*
Mr. CHUNG Chun Hung Simon *(appointed on 9 June 2021)*

The directors who served as at the date of this report were as follows:

Executive Directors:

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

Non-Executive Directors:

Dr. TAI Tak Fung

Independent Non-Executive Directors:

Mr. YU Leung Fai
Mr. YUAN Baoyu
Mr. CHUNG Chun Hung Simon

In accordance with article 85 and 93 of the Company's Articles of Association, each of Dr. Lin Xiaohui, Madam Su Jiaohua, Dr. Yu Lai, Dr. Tai Tak Fung, Mr. Yu Leung Fai, Mr. Yuan Baoyu and Mr. Chung Chun Hung Simon will retire and being eligible, will offer themselves for re-election at the forthcoming AGM.

During the Period, the Company has received, from each of the independent non-executive Directors, an annual confirmation of his independence pursuant to Rule 3.13 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules"). The Company considers all of the independent non-executive Directors are independent.

During the Period, a letter of appointment setting out the terms and conditions of appointment is provided to each Director. None of the Directors has a service contract with the Company which is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

Details of the "Biographies Of The Directors And Senior Executives" are set out on pages 32 to 35 of this annual report.

DIRECTORS OF SUBSIDIARIES

During the Period, Dr. Lin Xiaohui and Madam Su Jiaohua held directorship in some of the Company's subsidiaries. Other directors of the Company's subsidiaries include Mr. Chen Aiguo, Ms. Cheng Ying, Mr. Philip K H Ma, Mr. Ma Kin Kai John, Mr. Ma King Cheuk, Mr. Ma Francis, Mr. Yuen Chu Kau, Mr. Ma King Wong Steve, Mr. Ma Wai Tak Victor and Ms. Cheung Suet Ping.

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2021, so far as is known to the Directors, the following persons (not being a Director or Chief Executive of the Company) had interests in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of Securities and Futures Ordinance (the "SFO") were as follow:

Long position in the shares of the Company

Name	Capacity	Nature of interest	Number of shares	Approximate % of Shares in issue
Manureen Holdings Limited	Interests of controlled corporation	Corporate	985,471,362 *(Note 1)*	75.00
Realord Group Holdings Limited ("Realord")	Beneficial owner	Corporate	985,471,362 *(Note 1)*	75.00

Note:

There is a duplication of interests of 985,471,362 Shares amongst Manureen Holdings Limited, Realord, Dr. Lin Xiaohui and Madam Su Jiaohua. As at 31 December 2021, 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 62.73% by Manureen Holdings Limited, each of Madam Su Jiaohua and Dr. Lin Xiaohui owns 30% and 70% equity interest in Manureen Holdings Limited, which Dr. Lin Xiaohui is deemed to be interested in 985,471,362 Shares by virtue of interest of controlled corporation and Madam Su Jiaohua is deemed to be interested in the same block of Shares as the Spouse of Dr. Lin Xiaohui.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SHARES

As at 31 December 2021, 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 ("Model Code"), were as follows:

(a) Long position in shares of the Company

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

Notes:

(1) As at 31 December 2021, Realord was the legal and beneficial owner of 985,471,362 shares of the Company. Manureen Holdings Limited was the legal and beneficial owner of approximately 62.73% of Realord. Since Dr. Lin owned 70% of the issued share capital of Manureen Holdings Limited, 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 of the Company which Dr. Lin was deemed to be interested under the SFO as at 31 December 2021.

(b) Associated corporations

As at 31 December 2021, 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 corporates of the acquisition of shares in or debentures of the Company or any other body corporate.

MATERIAL CONNECTED TRANSACTIONS

For those related party transactions of the Group during the Period as disclosed in note 29 to the consolidated financial statements, except for the management service fee to a related company which was not a connected transaction, all were connected or continuing connected transactions (as the case may be) which were fully exempted from the disclosure requirements for reporting, announcement and independent shareholders' approval under Chapter 14A of the Listing Rules. The Company confirmed it has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Save as disclosed in notes 26 and 29 to the 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 the Period.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SHARES

On 15 May 2020, each of the Sincere Companies (as defined below) irrevocably undertook to Realord to tender, or procure the tender of, all of its shares of in the Company, being 183,136,032 shares of the Company in the case of The Sincere Life Assurance Company Limited, 75,608,064 shares of the Company in the case of The Sincere Insurance & Investment Company, Limited and 1,699,104 shares of the Company in the case of The Sincere Company (Perfumery Manufacturers), Limited (representing approximately 13.94%, 5.75% and 0.13% of the then issued shares of the Company, respectively) (collectively the "Sincere Companies"), for acceptance under the Offer (collectively the "SC Irrevocable Undertakings"). As stated in the announcement of Realord dated 7 May 2021, the Sincere Companies had tendered their acceptance of the Offer pursuant to the SC Irrevocable Undertakings.

Save as disclose above, there was no other purchase, sale or redemption of the Company's listed shares by the Company or any of its subsidiaries during the Period.

DIRECTORS' INTERESTS IN A COMPETING BUSINESS

During the Period, 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.

SUFFICIENCY OF PUBLIC FLOAT

As at the date of the close of the Offer, 269,267,198 Shares, representing approximately 20.49% of the existing issued share capital of the Company, were held by the public (as defined in the Listing Rules), which was less than the minimum public float requirement of 25% of the existing issued share capital of the Company as required under Rule 8.08(1)(a) of the Listing Rules. Accordingly, the minimum public float requirement was not satisfied. In order to restore the public float to 25%, Realord would have to dispose at least 59,223,442 Shares to public shareholders of the Company. In view of the above, the Company applied to the Stock Exchange 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 "Waiver Period").

On 28 June 2021, the Stock Exchange had granted the Company a temporary waiver from strict compliance with Rule 8.08(1)(a) of the Listing Rules during the Waiver Period.

On 27 July 2021, Realord entered into a placing agreement with the Placing Agent, pursuant to which the Placing Agent shall act as an agent of Realord to procure, on a best effort basis, not less than six placees to purchase Placing Shares held by Realord at a placing price of HK$0.59 per Placing Shares. The Placing was completed on 30 July 2021 and following the completion, the number of Shares held by Realord decreased from 1,044,695,362 Shares to 985,471,362 Shares, representing a decrease in shareholding from approximately 79.51% to approximately 75.00% of Shares in issue.

Further details are disclosed in the announcement of the Company dated 29 June 2021 and the joint announcements of Realord and the Company dated 27 July 2021 and 30 July 2021.

DONATIONS

The Group has made donation of HK$250,000 during the Period (for the year ended 28 February 2021: HK$120,000).

AUDIT COMMITTEE

The Audit Committee of the Company comprises three members, namely, Mr. Yu Leung Fai (chairman of the Audit Committee), Mr. Yuan Baoyu and Mr. Chung Chun Hung Simon, independent non-executive Directors of the Company. Regular meetings have been held by the Audit Committee since its establishment and the Audit Committee met four times during the Period. The primary duties of the Audit Committee are to review the Group's internal control and financial reporting process including interim and annual financial statements before recommending them to the Board for approval. The Group's audited results for the Period have been reviewed by the Audit Committee.

AUDITOR

The Board has appointed Grant Thornton Hong Kong Limited as the new auditor of the Company with effect from 16 December 2021 to fill the casual vacancy following the resignation of Ernst & Young. Save as disclosed above, there was no other change of auditors of the Company in the preceding three years.

The consolidated financial statements for the Period have been audited by Grant Thornton Hong Kong Limited, who will retire and being eligible offer themselves for re-appointment at the forthcoming AGM.

ON BEHALF OF THE BOARD

Lin Xiaohui
Chairman

Hong Kong, 31 March 2022

BIOGRAPHIES OF DIRECTORS AND SENIOR EXECUTIVES

EXECUTIVE DIRECTORS

Dr. Lin Xiaohui (林曉輝博士) ("Dr. Lin")

Dr. Lin, aged 48, was appointed as the chairman and an executive director of the Company and the chairman of the Executive Committee. Dr. Lin is also currently the chairman and an executive director of Realord Group Holdings Limited, a company listed on the Main Board of the Stock Exchange (Stock Code: 1196) ("Realord"), the immediate holding company of the Company. Dr. Lin obtained a post graduate diploma in business administration from the Society of Business Practitioners in December 2013, a Master degree of business administration from the City University (formerly known as the City University College of Science and Technology) in September 2014 and a Honorary Doctorate degree of Business Administration from the SABI University in August 2015.

Since 2005, Dr. Lin has held management positions in a number of private companies in which he has shareholding interests, and these companies are mainly engaged in real estate, electronics, logistics and financial investment in Shenzhen. Dr. Lin is currently a member of the election committee of the chief executive of Hong Kong Special Administrative Region, a member of the Committee of the Chinese People's Political Consultative Conference of Shenzhen, a vice chairman of Shenzhen Federation of Industry & Commerce* (深圳市工商聯), a chairman of Shenzhen Futian District Federation of Industry & Commerce* (深圳市福田區工商聯(總商會)), and was a member of Standing Committee of the 3rd to 5th Chinese People's Political Consultative Conference of Futian District, Shenzhen. Dr. Lin is the spouse of Madam Su Jiaohua (蘇嬌華女士) ("Madam Su"). Dr. Lin joined the Group in June 2021.

Madam Su

Madam Su, aged 49, has been appointed as the chief executive officer and an executive Director of the Company and a member of the Executive Committee. Madam Su is also currently an executive director and the chief executive officer of Realord. Madam Su obtained the advanced diploma in business studies from Ashford College of Management & Technology Singapore (formerly known as AMGT Management School) in September 2012. Since 2005, Madam Su has held management positions in a number of private companies in which she has shareholding interests, and these companies are mainly engaged in real estate, electronics, logistics and financial investment in Shenzhen. Madam Su also served as a member of the 6th People's Congress of Futian District, Shenzhen City, and a member of the 6th People's Congress of Shenzhen City. Madam Su is the spouse of Dr. Lin.

BIOGRAPHIES OF DIRECTORS AND SENIOR EXECUTIVES

Dr. Yu Lai (禹來博士) ("Dr. Yu")

Dr. Yu, aged 66, has been appointed as an executive Director of the Company and a member of the Executive Committee.

Dr. Yu obtained a master degree and a doctorate degree in business management from Sun Yat-sen Business School in July 1990 and June 2001, respectively. Dr. Yu is currently the chairman of Realord Commercial Group Limited* (偉祿商業集團有限公司). Dr. Yu has over 18 years of experience in business management and has held management positions in a number of companies. From May 2003 to May 2006, Dr. Yu worked with Guangdong Investment Limited ("GIL", a company listed on the main board of the Stock Exchange (stock code: 270)) in a number of positions within the GIL group, namely (i) the director and deputy general manager of GIL; and (ii) the chairman and director of Guangdong Teemall (holdings) Limited* (廣東天河城(集團)股份有限公司). From June 2006 to December 2010, Dr. Yu worked in Shenzhen CITIC Commercial Management Co., Ltd* (深圳市中信商業管理有限公司) and served in various position, including the chairman of Shenzhen CITIC City Plaza Investment Co., Ltd.* (深圳市中信城市廣場投資有限公司) and the deputy general manager of Sino Hope (H.K.) Limited. From April 2007 to January 2008, Dr. Yu was the deputy general manager of CITIC Shenzhen (Group) Company* (中信深圳(集團)公司) and from January 2008 to December 2010, Dr. Yu was appointed as the vice president of CITIC Real Estate Co., Ltd (中信房地產股份有限公司). Dr. Yu then worked with Horoy Holdings Limited ("HHL") from January 2011 to August 2013, with his last position held as the president of HHL. In September 2013, Dr. Yu joined Guangdong JianJi Group (廣東堅基集團) ("GJG") and served in a number of positions within the GJG group, namely (i) the president of the GJG group; (ii) the general manager of Guangdong JianJi Commercial Operation Management Company* (廣東堅基商業運營管理公司); and (iii) the general manager of Heyuan JianJi Performing Arts Company Limited* (河源市堅基演藝有限公司).

NON-EXECUTIVE DIRECTOR

Dr. Tai Tak Fung (戴德豐博士) ("Dr. Tai")

Dr. Tai, *GBM, GBS, SBS, JP, Phd (honoris causa)*, aged 73, has been appointed as a non-executive Director of the Company.

Dr. Tai is currently the founder, executive director and chairman of Four Seas Mercantile Holdings Limited (Stock Code: 374) and the non-executive director of Hong Kong Food Investment Holdings Limited (Stock Code: 60) both companies of which are listed on the Main Board of the Stock Exchange. Dr. Tai has been awarded the Grand Bauhinia Medal, Gold Bauhinia Star, Silver Bauhinia Star and Justice of the Peace by the Government of the Hong Kong Special Administrative Region. He also served as a member of the National Committee of the Chinese People's Political Consultative Conference ("CPPCC") from 2003 to 2018, during which he was a standing committee member of the CPPCC from 2008 to 2018. He is currently a standing committee member of the Guangdong Provincial Committee of the CPPCC. Dr. Tai was awarded the Order of the Rising Sun, Gold and Silver Rays by the Government of Japan in 2017 and, prior to receiving the said award, Dr. Tai was also awarded The Minister of Agriculture, Forestry and Fisheries Award in recognition of his contribution towards the promotion of Japanese food products. He is currently serving several public office, including the president of the Hong Kong Foodstuffs Association and special advisor to China National Food Industry Association. He had also received a number of awards including Industrialist of the Year Award and Hong Kong Distinguished Brand Leader Award conferred respectively by the Federation of Hong Kong Industries and the Chinese Manufacturers' Association of Hong Kong.

BIOGRAPHIES OF DIRECTORS AND SENIOR EXECUTIVES

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Yu Leung Fai (余亮暉先生) ("Mr. Yu")

Mr. Yu, aged 45, has been appointed as an independent non-executive director of the Company, the chairman of the Audit Committee and a member of the Remuneration Committee and the Nomination Committee.

Mr. Yu is a member of the American Institute of Certified Public Accountants, Certified Practicing Accountants of Australia and the Hong Kong Institute of Certified Public Accountants. Mr. Yu obtained a bachelor's degree in commerce from University of Toronto, Canada in June 2000 and a bachelor's degree in law from University of London, United Kingdom in August 2005. Mr. Yu has over 20 years of experience in corporate services field. He first started his career as an auditor of Deloitte Touche Tohmatsu. Since 2001, Mr. Yu joined Fung, Yu & Co. CPA Limited (formerly Fung, Yu & Co.) and is currently the company's managing partner. Mr. Yu has also been the company secretary of Beijing Media Corporation Limited (stock Code: 1000), Yuanda China Holdings Limited (stock Code: 2789) and Sany Heavy Equipment International Holdings Company Limited (stock Code: 631), and the independent non-executive director of Realord (stock Code: 1196) and Dowway Holdings Limited (stock Code: 8403) and CSMall Group Limited (stock Code: 1815), all of which are listed companies in Hong Kong, since 2010, 2012, 2017, 2014, 2019 and 2021, respectively.

Mr. Yuan Baoyu (袁寶玉先生) ("Mr. Yuan")

Mr. Yuan, aged 71, has been appointed as an independent non-executive director of the Company, the chairman of the Remuneration Committee and a member of the Audit Committee and the Nomination Committee.

Mr. Yuan obtained a bachelor degree in administrative management from Guaugdong Social Science University in December 1990. Mr. Yuan served in the Shenzhen Local Taxation Bureau and Shenzhen Municipal Office of the State Administration of Taxation (the "SMOSAT") for 25 years. In May 1984, he first served as the deputy chief of the fourth branch of the Shenzhen Local Taxation Bureau. Mr. Yuan was subsequently transferred to the Shekou Branch of the Shenzhen Local Taxation Bureau* (深圳市稅務局蛇口分局) and was appointed as the director of the second division of the Taxation Office in August 1985 and the chief of the second management section in March 1989. From September 1994 to September 1995, Mr. Yuan was appointed as the deputy director of the Shatoujiao Branch of the Shenzhen Local Taxation Bureau* (深圳市稅務局沙頭角分局). Mr. Yuan then served as the deputy director and director of the Luohu Branch of the SMOSAT* (深圳市國家稅務局羅湖分局) in September 1995. In March 2000, he was appointed as the director and the secretary of the party committee of the Bao'an Branch of the SMOSAT* (深圳市寶安區國家稅務局). In December 2005 and September 2008, Mr. Yuan was further appointed as the director of the import and export tax management office of the SMOSAT* (深圳市國稅局進出口稅收管理處) and the deputy inspector of the SMOSAT, respectively.

BIOGRAPHIES OF DIRECTORS AND SENIOR EXECUTIVES

Mr. Chung Chun Hung Simon (鍾振雄先生) ("Mr. Chung")

Mr. Chung, aged 50, has been appointed as an independent non-executive director of the Company, the chairman of the Nomination Committee and a member of the Audit Committee and the Remuneration Committee.

Mr. Chung obtained a bachelor degree in mathematics from the University of Waterloo, Canada in May 1993 and a master degree of science in investment management from The Hong Kong University of Science and Technology in November 2001. Mr. Chung was a licensed person registered with the SFC to carry out type 1 (dealing in securities) and type 2 (dealing in futures contracts) regulated activities under the SFO from February 2000 to May 2017 and has over 15 years of securities brokerage and dealing experience in the financial services industry. He worked in Core Pacific-Yamaichi International (H.K.) Limited from February 2000 to June 2005, with his last position held as assistant sales director, primarily responsible for dealing in securities and futures contracts. From June 2005 to May 2017, Mr. Chung was the investment representative of KGI Hong Kong Limited (a company principally engaged in the provision of investment products and services, wealth management and person investment services), primarily responsible for dealing in securities and future contracts. In June 2012, he cofounded Speedy Finance Limited, a company principally engaged in money lending business in Hong Kong and has been its director since then. Mr. Chung has also been the honorary treasurer of Hong Kong General Chamber of Property Finance (formerly known as the Hong Kong Property Finance Association) since January 2016 and has been the honorary president of the CityU Industrial and Business Leaders Circle.

SENIOR EXECUTIVE

Mr. Ip Ho Wing, aged 39, joined the Company as finance director in December 2021. He has over 15 years of experience in accounting and finance. He is a member of Hong Kong Institute of Certified Public Accountants. Prior to joining the Company, he had worked as senior finance manager at Realord Group Holdings Limited (Stock Code: 1196), the controlling shareholder of the Company, since January 2015.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The Sincere Company, Limited (the "Company") and its subsidiaries (collectively the "Group") strive continuously to incorporate sustainability initiatives into their daily operations and management. While sharing the vision of becoming the preferred choice of our stakeholders, the Company is committed to improving its Environmental, Social and Governance ("ESG") performance by upholding good corporate governance standards, protecting the environment, engaging the community and promoting social integration.

This report has complied with the "comply or explain" provisions set out in the "Environmental, Social and Governance Reporting Guide" under Appendix 27 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (collectively the "Listing Rules"). The reporting period is from 1 March 2021 to 31 December 2021 ("the Period"). The reporting boundary is limited to retail and office operation in Hong Kong unless other specified. Disclosed content of the report has been reviewed by the board of directors of the Company (the "Board").

The Company values your feedback regarding the review and its overall sustainability practices. The Company endeavours to provide a balanced, honest and transparent account of its performance.

REPORTING PRINCIPLES

The Company have taken the following reporting principles into account in development of this ESG report:

Materiality

The Company regularly engages its stakeholders to better understand their concerns relating to sustainability issues that affect them. The Company also makes regular reference to our peers and both local and regional sustainability criteria when we review our sustainability context, materiality and disclosures in order to keep our sustainability priorities and strategy relevant. The Board and the management regularly review the sustainability issues that are most significant to our business and operations, and consider the issues discussed in this report to be material to the Group.

Quantitative

For the quantitative information, the Company reports on, and it provides explanation on how it collects and analyse relevant date in appropriate circumstances. The environmental key performance indicators include the disclosure of comparative data to allow stakeholders to make analysis based on its performance. Calculations of environmental key performance indicators follows "How to prepare an ESG Report Appendix 2: Reporting Guidance on Environmental KPIs".

Balance

The Company aims to keep its report balanced and make fair disclosures on critical aspects of its performance, both in terms of progress made and continuing challenges that it is dealing with.

Consistency

The Company has reported in accordance with the "ESG Reporting Guide" of the Stock Exchange, which allows for year-to-year comparison with our pervious performance:

MATERIALITY ASSESSMENT

Based on the principle of materiality, this report focuses on the environmental and social impacts of our operations and sales activities. The materiality assessment is the exercise through which the Company identify issues of importance to the Company from a sustainability perspective and to prioritise those which are considered material. This report identified the following material ESG issues.

ESG Aspects		Material ESG issues
A.	**Environmental**	
A1	Emissions	Air Emissions
		Waste Management and Reduction
A2	Use of Resources	Energy Conservation
A3	The Environmental and Natural Resources	Impacts to Natural Resources
B.	**Social**	
B1	Employment	Employment Practices
		Equal Opportunity
B2	Health and Safety	Workplace Health and Safety
B3	Development and Training	Staff Training
B4	Labour Standards	Prohibition against Child and Forced
B5	Supply Chain Management	Labour Sustainable Supply Chain
B6	Product Responsibility	Data Privacy
B7	Anti-corruption	Anti-corruption
B8	Community Investment	Supporting the Community

BOARD INVOLVEMENT AND GOVERNANCE

The Board is responsible for overseeing long-term sustainable development for all operating companies under the Group. Information and management on sustainability risks and performance is reported to the Board.

The ESG working group meets at least once a year to exchange information and best practices, with a view to developing specific policy recommendations, improving efficiency, manage climate-related risk, reducing costs and engaging staff in sustainable development. The ESG working group is delegated responsibility by the Board for executing our corporate ESG management approach, strategy and initiatives, including material ESG-related issues and ESG-related goals and targets. In turn, the direct reports in the Company have functional responsibility for carrying out sustainable business practice in specific areas, collection and monitoring of ESG related data.

The Group has developed its own corporate governance code (the "CG Code") according to the principles as set out in the Corporate Governance Code and Corporate Governance Report contained in Appendix 14 to the Listing Rules. The CG code sets out the corporate governance principles applied by the Group and is constantly reviewed to ensure transparency, accountability and independence. For details, please refer to the "Corporate Governance Report" section.

STAKEHOLDER ENGAGEMENT

As a responsible business, we have the responsibility to build a thriving future where we can create long-term value for our stakeholders. The stakeholders of the Company include shareholders, investors, customers, employees, business partners, suppliers, regulators, industry practitioners, charity groups and non-governmental parties etc.

To determine the direction of the Group's long-term development and maintain close relationships with our stakeholders, the Company engaged our stakeholders through constructive communications including meetings, interviews, direct phone calls, mails and staff performance appraisal interviews.

A. ENVIRONMENTAL

The Company is committed to the long term sustainability of the environment and communities in which we operate. To the best knowledge, the Company have not identified any material non-compliance with relevant laws and regulations regarding environmental issues, including the Product Eco-responsibility Ordinance (Chapter 603 of the Laws of Hong Kong), during the Period. During the Period, the Company measured and managed its environmental performance in several aspects throughout its operations.

A1. Emissions

i. Air Emissions

Air pollution has become one of the major critical problems in cities. We reckon that every company should take its responsibility to tackle this problem. To mitigate air pollution, we have been taking considerable measures to control our emissions.

To evaluate the air emissions, the Company assessed the fuel consumption based on the distribution network within Hong Kong. The Company owns its fleet used to deliver the goods. Based on the current delivery model, the Company consistently reviews its operation to optimise the efficiency of the logistic network to remain economically competitive and environmentally sustainable, for example, reducing the number of miles driven and hours spent. Optimising the efficiency of the distribution network and continuous communicating with the Company logistics manager lead the Company to stay economically competitive and environmentally sustainable. The Company remains committed to improve the fuel efficiency, optimise transportation network and track emission reduction.

In addition, the Company has implemented the following measures:

- Regular maintenance and cleaning of vehicles
- Green driving practices (e.g. no idling engine)

As a result, the Company emitted 57 g of sulphur oxides (SOx) (Year ended 28 February 2021: 109 g), 35,644 g of nitrogen oxides (NOx) (Year ended 28 February 2021: 51,742 g), and 3,522 g of particulate matter (PM) (Year ended 28 February 2021: 5,092 g) during the period, which mainly came from emissions from its own fleet.

ii. Waste Management and Reduction

The Company works diligently in reducing our waste produced from operations by sorting of waste, and to re-use materials wherever possible. It recognises the importance of waste reduction and waste separation at source for recycling. The Company has put continuous efforts to implement various waste management initiatives among our operation boundaries.

The Company advocates the use of electronic means to replace paper for communication. The Company has also promoted the reuse of paper for printing informal documents and returned the used toner cartridges to a third party for recycling regularly.

Furthermore, we have established waste reduction target as to maintain the hazardous and non-hazardous waste at the same level next year. To achieve that, we will continue to implement various waste reduction measures as follows:

- Affix reminder at collection point(s) and prominent area(s) in the office to encourage waste recycling
- Affix reminders in printers and photocopiers to remind staff of saving paper
- Apply electronic functions to reduce photocopying and printing publications
- Buy electrical & electronic equipment and batteries only when necessary
- Double-sided printing
- Electrical & electronic products and batteries were well maintained to prolong life span
- Print only when necessary and print in black & white
- Reduce box files consumption by reusing old box files or applying electronic means for filing
- Reduce paper towel consumption by use of hand dryers
- Reduce the frequency of replacing rubbish bags
- Repair broken items to avoid waste disposal as far as possible
- Reuse furniture when moving or renovation
- Reuse materials for decorating festive events (e.g. Christmas and Chinese New Year, etc.)
- Reuse old envelopes
- Reuse single-sided printed paper
- Reuse stationeries, e.g. paper clips, folders, binders, envelopes
- Use refillable containers for cleaning products
- Use re-useable containers, dishes, cups and coffee filters in the pantry wherever possible

Amounts of waste collected for recycling by weight are shown in following table:

Waste collected for recycling	Unit	Period from 1 March 2021 to 31 December 2021	Year ended 28 February 2021
Paper Recycling	kg	710.00	240.00
Toner Recycling	kg	58.97	190.51

iii. Greenhouse Gas Emissions

The Company is committed to managing our environmental footprint responsibly and it leverages its resources and engage our people to make a difference along our operations. To cut down the Company's greenhouse gas emissions, the Company has implemented energy and saving measures resources (see "A2 Use Resources – Energy Conservation" below). The Company has also established emission target as to maintain the greenhouse (GHG) emission at the same level next year. To achieve that, we will continue to implement energy and saving measures (see "A2 Use of Resources – Electricity Management" below).

A2. Use of Resources

Energy Conservation

The impact of global climate change is a challenge that businesses and organisations around the world must face and address. The Company is committed to minimising the adverse impact that its operations may have on the environment. Using energy efficiently will help us conserve resources and tackle climate change. The Company has established energy use efficiency target as to maintain the energy consumption at the same level next year. To achieve that, we will continue to implement energy and saving measures (see "A2 Use of Resources – Electricity Management" below).

Electricity Management

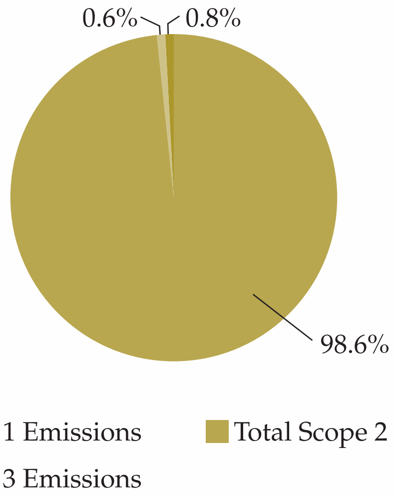
The Company promotes green lighting in the workplace to reduce usage of electricity. This involves installing energy-saving lights and using energy-saving light bulbs in our office and stores facilities. The Company also encourage the Company's employees to switch off the lights in the areas of the workplace that are not being used.

Energy consumption accounts for a major part of its GHG emissions. To reduce our carbon footprint, we have implemented the following measures:

- Affix reminder to remind staff of switching the office equipment into standby mode in the office after use (e.g. photocopiers, printer, etc.) for office equipment
- Follow the maintenance schedules of appliances as recommended in the instruction manual of the related appliance
- Power off electronic and electrical appliances after office hours
- Regular maintenance and cleaning of equipment
- Switch-off unnecessary wireless connection
- Unwanted materials & thick ice were regularly cleared & defrosted from refrigerator

During the Period, we consumed 1,755,070 kWh (Year ended 28 February: 2,773,507 kWh) of electricity. The following table shows our GHG emissions and energy consumption during the Period.

Greenhouse Gas Emissions



GHG Emissions	Unit	Period from 1 March 2021 to 31 December 2021	Year ended 28 February 2021
Total Scope 1 Emissions	tCO_2e	9.54	18.99
Total Scope 2 Emissions	tCO_2e	1,228.55	1,941.45
Total Scope 3 Emissions	tCO_2e	7.50	11.88
Total GHG Emissions	tCO_2e	1,245.59	1,972.32
Total GHG Emissions/Employee	tCO_2e/employee	6.29	8.88
Total GHG Emissions/Floor Area	tCO_2e/square metre	0.08	0.10

Energy Consumption	Unit	Period from 1 March 2021 to 31 December 2021	Year ended 28 February 2021
Diesel Consumption	L	2,507.20	3,435.39
Petrol Consumption	L	1,099.74	3,662.84
Electricity Consumption	kWh	1,755,070.00	2,773,507.00
Electricity Consumption/Employee	kWh/employee	8,863.99	12,493.27
Electricity Consumption/Floor Area	kWh/square metre	106.40	145.01

A3. The Environmental and Natural Resources

While benefiting from the natural environment and resources, the Company should bear the responsibilities and fulfil the obligations of protecting them and making appropriate use. The Company has taken considerable efforts to minimise the impact generated from our business operations to our natural environment. As a retail business, the Company promotes eco-friendly shopping to the Company's customers. The Company strictly follows the Product Eco-responsibility Ordinance (Chapter 603 of the Laws of Hong Kong) and charge HK$1 for each shopping bag provided to consumers.

Reducing the packaging material bring both the environmental and economic benefit. The Company is dedicated to optimise the design of the packaging such that it can deliver against key performance criteria while using the least amount of packaging material. The Company measures different types of material used to gauge our environmental performance. The following tables show the figures of material consumption in our business operations:

Material Consumption	**Unit**	**Period from 1 March 2021 to 31 December 2021**	**Year ended 28 February 2021**
Paper Consumption	kg	1,562.50	2,475.00
Toner Consumption	kg	58.97	190.51
Carton Box Consumption	pieces	166	101
Plastic Bag Consumption	pieces	91,300	117,400

A4. Climate Change

The Company recognises the importance of the identification and mitigation of significant climate-related issues, therefore, the Company is committed to managing the potential climate-related risks which may impact the Company's business activities. The Company has established risk management policy in identifying and mitigating different risks including climate-related risks. The Board meets regularly and cooperates closely with key management to identify and evaluates climate-related risks and to formulate strategies to manage the identified risks.

For physical risk, the increased frequency and severity of extreme weather such as typhoons, storms and heavy rains can disrupt the Group's operations by damaging the power grid, and department stores, and delayed goods delivery from suppliers as well as to customers. To minimise the potential risks and hazards, the Company regularly maintains its facilities as to make sure the damage by extreme weather events are minimized. The Company has also established adverse weather guidance to protect our staffs and our contractors. The Company will continuously review the potential impact of climate change on our business annually and implement corresponding measures to reduce any potential risks.

B. SOCIAL

The Company realises the importance of compliance with regulatory requirements and risk of non-compliance with the laws and regulations regarding social issues. This includes but not limited to the Employment Ordinance (Chapter 57 of the Laws of Hong Kong), anti-discrimination ordinances implemented by The Equal Opportunities Commission. Same as disclosed in this annual report, the Company has not identified any other material non-compliance with the relevant laws and regulations that have a significant impact on the business and operation of the Company during the Period.

B1. Employment and Labour Practices

Employment

As key enablers in achieving its economic, environmental and social objectives, the Company's staff is among our most valuable assets. In the Company, the Company believes that creating a workplace that offers a strong sense of belonging may inspire our employees to champion our core values. The Company strive to create an environment where every employee can develop to their full potential and work happily.

Employment Practices and Equal Opportunity

The Company recognised that employees are key contributors towards our success, the Company aims to create a harmonious working environment for its employees through competitive remuneration packages that are structured to be commensurate with individual responsibilities, qualification, experience and performance. The Company believes in equal opportunities and diversity in terms of age, sex, nationality, disability and religion. Any discrimination on race, gender, religion, national origin, physical or mental disability, age, sexual orientation, and gender identity are strictly prohibited during the employment process and workplace. Employees are encouraged report on discriminatory practices to the management. An internal performance management system is used to objectively review employees' performance level. Observations and evaluations of employee's work behaviour and accomplishments form the basis for decision making within the reward system.

The Company has not identified any material non-compliance to employment laws and regulations during the Period.

The Group employs 198 staff in total as of 31 December 2021.

Workforce statistic by gender, employment type, age group and geographical region:

	As at 31 December 2021	As at 28 February 2021
Hong Kong and Mainland China	198	222
(a) Breakdown by gender		
Employees – Female	134	157
Employees – Male	64	65
(b) Breakdown by age group		
Employees Age < 30	21	22
Employees Age 30 – 50	79	92
Employees Age > 50	98	108
(c) Breakdown by employment type		
Employees – Part-time	33	19
Employees – Full-time	165	203

Employee turnover rate by gender, age group and geographical region:

	Period from 1 March 2021 to 31 December 2021
Hong Kong and Mainland China	49.49%
(d) Breakdown by gender	
Employees – Female	52.99%
Employees – Male	42.19%
(e) Breakdown by age group	
Employees Age < 30	57.14%
Employees Age 30 – 50	53.16%
Employees Age > 50	44.90%

B2. Health and Safety

The Company values the safety and well-being of staff. The Company strives to provide its employees with a safe working environment under the requirement of Occupational Safety and Health Ordinance (Chapter 509 of the Laws of Hong Kong). The Company's employees are provided with occupational safety education and training to enhance their safety awareness. The Company also provides subsidised medical care and life insurances to employees.

To provide a safe working environment for all, the Company has implemented the following measures:

– Conduct regular inspections of all parts of the Company's premises
– Conduct annual fire drills for employees to practice evacuation procedures of department stores and offices in the event of a fire or other emergencies

The Company has not identified any work-related fatality over the past 3 years and material non-compliance case of health and safety laws and regulations during the Period.

In view of the COVID-19 pandemic happening across 2021, the Group has implemented certain workplace health and safety measures to prevent our staff members and customers infected. To comply with the Prevention and Control of Disease Ordinance (Chapter 599 of the Laws of Hong Kong), the Company has requested its staff members to wear masks in workplace and retail outlets. Policies on flexible working hours and work-from-home were adopted for office operations to safeguard the health and safety of its employees. Personal protective equipment was offered to staff to avoid infection. Non-essential business travel is prohibited. As the COVID-19 pandemic is gradually under control, operations were resumed in an orderly manner in accordance to government regulations.

B3. Development and Training

To enable the Company's talents to develop themselves to their fullest potential and to provide them with the essential skill sets to deliver the best, a comprehensive development plan has been established.

The Company encourages personal development of staff. The Company provides structured training programmes in the form of workshops, seminars and on-the-job coaching for our staff with regard to their positions, job responsibilities and experience, and provide subsidy support appropriate external professional training. During the Period, the total staff training hours were 12.5 (Year ended 28 February 2021: 19.5). The small amount of staff trained and low training hours was due to the social distancing policies imposed as a result of the COVID-19 pandemic during the Period.

Statistic of training by gender and employment category:

Percentage of employees trained by gender and employment category	Unit	Period from 1 March 2021 to 31 December 2021
Percentage trained by gender		
Female	%	0.75
Male	%	1.60
Percentage trained by employment category		
Senior	%	10.00
Middle level	%	5.26
Supervisory level	%	0
General	%	0

Average training hours completed per employee by gender and employment category	Unit	Period from 1 March 2021 to 31 December 2021
Average training hours per employee by gender		
Female	Hours	0.04
Male	Hours	0.10
Average training hours per employee by employment category		
Senior	Hours	0.60
Middle level	Hours	0.34
Supervisory level	Hours	0
General	Hours	0

B4. Labour Standard

The Company strictly complies with the Employment Ordinance (Chapter 57 of the Laws of Hong Kong) and prohibits the use of child labour and forced or compulsory labour at all its units and suppliers. No employee is made to work against his/her will or work as forced labour, or subject to corporal punishment or coercion of any type related to work. Identification check is needed during hiring process to ensure the employee reaches legal minimum age for working. Save as disclosed in this annual report, the Group has not identified any other material non-compliance in relation to child or forced labour-related laws and regulations.

The Group has zero-tolerance to employment of child labour and forced labour within the Company's supply chain. The Group has not identified any non-compliance in relation to child or forced labour-related laws and regulations. If suppliers are found to have any employment of child labour and forced labour, immediate cessation of business would be conducted.

B5. Supply Chain Management

The Company is aware of the social and environmental risks of our supply chain. To foster long term business benefits, the Company maintains sound relationships with its key suppliers to meet business challenges and regulatory requirements. With long-standing relationships with a number of suppliers, the Company also shares the its commitment to quality and business ethics to them.

The Company's business partners are expected to strive for efficiency and full compliance within their operations in terms of environmental and social risks. These policies come up to an open, equitable and ethical purchasing process for all parties by offering equal opportunities to the Company's suppliers and contractors from various geographical locations. Supplier assessments are required to access the environmental and social performance of the potential suppliers and contractors, and regular assessments on active suppliers are in place.

Environmentally sound supply chain management is an opportunity to reduce carbon footprint and costs. The Company places high importance on purchasing eco-friendly materials for daily operations, supporting suppliers that are committed to source sustainable raw materials.

During the Period, the breakdown of suppliers are as follows:

Number of Suppliers by Geographical Region

Asia & others	1
Europe	85
Hong Kong	81
N.&S. America	2

B6. Product Responsibility

As a responsible company, the Company is fully aware of the importance to comply with relevant laws and regulations concerning the provision and use of our products and services, relating to health and safety, advertising, labelling and privacy matters.

The Company has no products recalled subject to recalls for safety and health reasons during the Period.

The Company has received 4 products related complaints and 2 service related complaints during the Period. All complaints received are handled by designated staff to confirm the case details of every complaints, and look for areas of improvement to prevent recurring complaints.

The Company values the confidentiality of personal and sensitive commercial data. In addition to compliance with the Personal Data (Privacy) Ordinance (Chapter 486 of the Laws of Hong Kong), the Company requires in our terms of employment strict adherence to the Company's data privacy and confidentiality policies.

The Company aims to ensure high quality standards for products we offer. The Company constantly communicates with its customers to ensure our products are up to standards. Communication and feedback channels are created for quality assurance and recall procedures.

The Company takes appropriate action to protect intellectual property rights, which gives the business competitive edge. A specific department is responsible for the registration of the Company's self-created trademarks and patents.

The Company has not identified any material non-compliance of product and service quality laws and regulations during the Period.

B7. Anti-corruption

The Company is committed to adhering to the regulatory requirements and highest ethical standards, maintaining a corporate culture of integrity and justice for preventing, detecting and reporting all types of fraud, including corruption. This includes but not limited to the Prevention of Bribery Ordinance (Chapter 201 of the Laws of Hong Kong). The Company's employees are expected to carry out their work in a responsible and honest manner. All staff must avoid receiving any money or in-kind donation or gifts from either clients or any third parties.

To demonstrate our commitment to the highest standards of openness, accountability and probity, the Company has established a written whistle-blowing policy and reporting procedures under which any suspected misconduct or malpractice can be directly reported to our independent directors.

The Company also offers anti-corruption training to directors and staffs. The training covers elements of the Prevention of Bribery Ordinance (Chapter 201 of the Laws of Hong Kong), as well as the company's whistle-blowing policy and reporting procedures.

The Company did not observe nor receive any legal cases regarding corrupt practices, bribery, conflicts of interest, extortion, fraud, money laundering brought against the Company or its employees during the Period.

B8. Community Investment

The Company pursues sustainable development of our community by assessing and managing the social impact of its operations on the marketplace and by supporting initiatives that create effective and lasting benefits to communities in its operating boundaries.

Supporting the Community

To contribute towards the promotion of harmony and stability of the society, the Company communicates with non-government entities and charities to understand the needs of the community, participate in community events and make donations to causes that help those who are in need. In addition, the Company has a total donations of HK$250,000 to the cultural, environmental and health sectors.

In the future, the Company will engage in more meaningful charity campaigns to support a wide range of charitable activities covering social welfare services and assistance to the needy in Hong Kong.

Grant Thornton
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To the members of
The Sincere Company, Limited
(incorporated in Hong Kong with limited liability)

OPINION

We have audited the consolidated financial statements of The Sincere Company, Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 60 to 168, which comprise the consolidated statement of financial position as at 31 December 2021, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the period from 1 March 2021 to 31 December 2021, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2021, and of its consolidated financial performance and its consolidated cash flows for the period from 1 March 2021 to 31 December 2021 in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

MATERIAL UNCERTAINTY RELATED TO GOING CONCERN

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

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How the matter was addressed in our audit
Recognition of gift receivable from Win Dynamic Limited ("Win Dynamic")	
We identified the recognition of gift receivable from Win Dynamic as a key audit matter due to the significance of the balance to the consolidated financial statements and the involvement of subjective judgment and management estimates in determining the initial recognition of gift receivable from Win Dynamic. As disclosed in note 36 to the consolidated financial statements, the gift receivable from Win Dynamic amounting to HK$150,001,000, being the fair value of the WD Proceeds (as defined in note 36 to the consolidated financial statements), is initially recognised by the Company upon the acceptance of the Offer (as defined in note 1 to the consolidated financial statements) by Win Dynamic. Management assessed the recognition of gift receivable from Win Dynamic with assistance from an independent qualified professional legal counsel ("Lawyer") and an independent qualified professional valuer ("Valuer"). As set out in note 3 to the consolidated financial statements, management considers that such recognition is supported by the legal advices and determined by the basis of various assumptions when estimating the timing and the expected credit losses ("ECL") of gift receivable from Win Dynamic, which includes forward-looking scenarios and their likelihoods, counterparty's credit rating and probability of default and recovery rate. As at 31 December 2021, the carrying amount of gift receivable from Win Dynamic amounting to HK$158,870,000 (net of ECL allowance of HK$445,000).	Our procedures in relation to the recognition of gift receivable from Win Dynamic included the following: • obtained the deed of gift, legal documents and supporting evidences in relation to the litigation; • obtained an understanding of the process over management's assessment in the recognition of gift receivable from Win Dynamic; • assessed the reasonableness of the basis and management's judgment in the recognition of gift receivable from Win Dynamic; • evaluated the competence, capability and objectivity of the Lawyer and the Valuer; • obtained the legal opinion and discussed with the Lawyer regarding management's basis and judgment in the recognition of gift receivable from Win Dynamic and the probability of timing of legal process; • obtained an understanding from the Valuer about the valuation methodology and key assumptions used in the valuation; and • assessed the reasonableness of the valuation methodology and the key assumptions used in the valuation, including the ECL of gift receivable from Win Dynamic and discount rate.

KEY AUDIT MATTERS (Continued)

Key audit matter	How the matter was addressed in our audit
Fair value measurement of leasehold land and owned buildings	
We identified the fair value measurement of leasehold land and owned buildings as a key audit matter due to the significance of the balances to the consolidated financial statements, combined with management judgment associated with determining the fair values at the end of the reporting period. As at 31 December 2021, the Group has leasehold land of HK$167,201,000 under right-of-use assets, and buildings of HK$22,799,000 under owned assets included in property, plant and equipment (collectively the "Properties"), which were measured at fair values. The measurement of the fair values of the Properties and the related deferred tax impact require management's significant judgment and estimates. Management appointed a Valuer to assist in the valuations of the Properties and determined the fair values with reference to the valuations carried out by the Valuer. Management determined the deferred tax impact based on the expected manner of recovery of the Properties. The significant accounting judgments and estimates and disclosures of the fair values of the Properties are included in notes 3 and 11 to the consolidated financial statements.	Our procedures in relation to the fair value measurement of leasehold land and owned buildings included the following: • evaluated the competency, capability and objectivity of the Valuer; • obtained an understanding from the Valuer about the valuation methodologies, significant unobservable inputs and critical judgment on key inputs and data used in the valuations; • assessed the reasonableness of valuation methodologies used by the Valuer with the assistance from our valuation experts; • assessed the reasonableness of significant unobservable inputs used by the Valuer with the assistance from our valuation experts by comparing them to publicly available information of similar comparable properties; • evaluated the reasonableness of adjusting factors on the conditions and locations of the properties made by the Valuer with the assistance from our valuation experts by comparing them with historical adjusting factors applied, comparability and other market factors for similar properties; and

KEY AUDIT MATTERS (Continued)

Key audit matter	How the matter was addressed in our audit
Fair value measurement of leasehold land and owned buildings (Continued)	
	• for the deferred tax impact, obtained an understanding and evaluated the assumptions used by management in the determination of the expected manner of recovery of the Properties which included reference to the business plan of the Group; and involved our internal tax specialists to assist us in reviewing the expected tax consequences arising from the recovery of the Properties.
Impairment assessment of right-of-use assets	
We identified the impairment assessment of right-of-use assets as a key audit matter due to the significance of the balance to the consolidated financial statements and the involvement of subjective judgment and management estimates in evaluating the recoverable amount of the Group's right-of-use assets at the end of the reporting period. As at 31 December 2021, the net carrying amount of the Group's buildings under right-of-use assets amounting to HK$73,847,000. Management has conducted an assessment of impairment for such right-of-use assets of the Group to determine whether the carrying amount of the right-of-use assets is higher than the recoverable amount. The recoverable amount is determined based on the higher of the value in use and the fair value less costs of disposal.	Our procedures in relation to the impairment assessment of right-of-use assets included the following: • evaluated the reasonableness of management judgments in determining the cash-generating units ("CGUs") of the business, which the Group has determined to be the individual stores for the purpose of impairment assessment; • regarding management's value in use calculation, assessed the reasonableness of methodology used by management in its preparation of the discounted cash flows with reference to the requirements of the prevailing accounting standard; assessed the reasonableness of the key assumptions used by management in the discounted cash flow projections of each CGU such as the expected growth rate by making reference to the historical results and the discount rate by comparing with the relevant industry's weighted average cost of capital; and

KEY AUDIT MATTERS (Continued)

Key audit matter

Impairment assessment of right-of-use assets (Continued)

The value in use is calculated from cash flow projections for the remaining lease periods by using data from the Group's internal forecasts and as such relies upon management assumptions, such as the estimates of future performance, corporate expense allocation and the discount rate. The fair value less costs of disposal of the right-of-use assets, reflected the market valuation of the Group's leases less any costs for restoration. Fair value was determined based on valuations performed by the Valuers.

As a result of the Group's impairment assessment, an impairment of right-of-use assets amounting to HK$1,992,000 was recognised in the current period.

The significant accounting judgments and estimates and disclosures of the impairment assessment of right-of-use assets are included in notes 3 and 11 to the consolidated financial statements.

How the matter was addressed in our audit

- regarding the fair value less costs of disposal of the right-of-use assets, evaluated the competency, capability and objectivity of the Valuers; obtained an understanding from the Valuers about the valuation methodologies and key assumptions used in the valuations; assessed the reasonableness of valuation methodologies used by the Valuers with the assistance from our valuation experts; and assessed the reasonableness of key assumptions used by the Valuers with the assistance from our valuation experts by comparing them to publicly available information.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises all the information in the 2021 annual report of the Company, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors of the Company are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of the Company either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The directors of the Company assisted by the Audit Committee are responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, in accordance with section 405 of the Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors of the Company.

- conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

31 March 2022

Lam Wai Ping
Practising Certificate No.: P07826

CONSOLIDATED INCOME STATEMENT

For the period from 1 March 2021 to 31 December 2021

	Notes	Period from 1 March 2021 to 31 December 2021 HK$'000	Year ended 28 February 2021 HK$'000
Revenue	*5(a)*	**140,060**	177,472
Cost of sales	*7*	**(65,908)**	(91,744)
Other income and gains, net	*5(b)*	**12,695**	2,038
Net unrealised loss on securities trading		**(3,791)**	(726)
Selling and distribution expenses		**(80,266)**	(111,153)
General and administrative expenses		**(49,285)**	(78,698)
Other operating expenses, net		**(4,860)**	(22,614)
Finance costs	*6*	**(25,719)**	(20,257)
Loss before income tax	*7*	**(77,074)**	(145,682)
Income tax expense	*8*	**(15)**	(15)
Loss for the period/year		**(77,089)**	(145,697)
Attributable to:			
Equity holders of the Company		**(75,880)**	(145,017)
Non-controlling interests		**(1,209)**	(680)
		(77,089)	(145,697)
Loss per share attributable to equity holders of the Company			
Basic and diluted	*10*	**HK$(0.06)**	HK$(0.14)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the period from 1 March 2021 to 31 December 2021

	Notes	Period from 1 March 2021 to 31 December 2021 HK$'000	Year ended 28 February 2021 HK$'000
Loss for the period/year		**(77,089)**	(145,697)
Other comprehensive income/(loss)			
Other comprehensive income that may be reclassified to the consolidated income statement in subsequent periods:			
Exchange differences arising on translation of foreign operations		**–**	83
Other comprehensive income/(loss) that will not be reclassified to the consolidated income statement in subsequent periods:			
Actuarial gains on a defined benefit plan	*23*	**4,524**	6,194
Revaluation of leasehold land and owned buildings	*11*	**22,686**	(9,020)
Changes in fair value of equity investments at fair value through other comprehensive income ("FVTOCI")	*31*	**6,216**	1,664
		33,426	(1,162)
Total comprehensive loss for the period/year		**(43,663)**	(146,776)
Attributable to:			
Equity holders of the Company		**(42,686)**	(145,591)
Non-controlling interests		**(977)**	(1,185)
		(43,663)	(146,776)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2021

	Notes	As at 31 December 2021 HK$'000	As at 28 February 2021 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	*11*	**263,991**	231,049
Equity investments at FVTOCI	*13*	**3,807**	24,237
Prepayments, deposits, other receivables and other assets	*14*	**172,058**	22,702
Pension scheme assets	*23*	**23,101**	19,585
		462,957	297,573
Current assets			
Inventories		**34,401**	42,927
Prepayments, deposits, other receivables and other assets	*14*	**27,466**	29,056
Financial assets at fair value through profit or loss ("FVTPL")	*15*	**5,741**	10,677
Pledged bank balances and deposits	*18(a)*	**102,153**	103,719
Cash and bank balances	*16*	**54,092**	87,949
		223,853	274,328
Asset classified as held for sale	*17*	**26,646**	–
		250,499	274,328
Current liabilities			
Creditors	*19*	**35,557**	44,681
Lease liabilities	*20*	**54,859**	93,718
Insurance contracts liabilities	*21*	**1,174**	1,206
Deposits, accrued expenses and other payables	*22*	**32,053**	62,825
Contract liabilities	*5(a)*	**2,119**	730
Interest-bearing bank borrowings	*18(a)*	**144,508**	162,679
Other loans	*18(b)*	**2,203**	152,167
Loan from a fellow subsidiary	*18(c)*	**104,000**	–
Loan from immediate holding company	*18(d)*	**55,000**	–
		431,473	518,006
Net current liabilities		**(180,974)**	(243,678)
Total assets less current liabilities		**281,983**	53,895

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2021

	Notes	As at 31 December 2021 HK$'000	As at 28 February 2021 HK$'000
Non-current liabilities			
Deposits, accrued expenses and other payables	*22*	**4,663**	3,934
Other loans	*18(b)*	**537**	1,126
Lease liabilities	*20*	**39,556**	20,430
		44,756	25,490
Net assets		**237,227**	28,405
EQUITY			
Equity attributable to equity holders of the Company			
Share capital	*24*	**469,977**	469,977
Deficits	*25*	**(281,128)**	(472,954)
		188,849	(2,977)
Non-controlling interests		**48,378**	31,382
Total equity		**237,227**	28,405

Lin Xiaohui
Director

Su Jiaohua
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the period from 1 March 2021 to 31 December 2021

	Attributable to equity holders of the Company								
		(Deficits)/Reserves							
	Share capital HK$'000 *(note 24)*	Treasury shares HK$'000 *(note 24)*	General and other reserves# HK$'000	Asset revaluation reserve HK$'000	Investment revaluation reserve HK$'000	Accumulated losses HK$'000	Total (deficits)/ reserves HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
As at 1 March 2020	469,977	(130,221)	227,496	168,141	(3,753)	(589,026)	(327,363)	32,567	175,181
Loss for the year	–	–	–	–	–	(145,017)	(145,017)	(680)	(145,697)
Other comprehensive income/(loss) for the year:									
Exchange differences arising on translation of foreign operations	–	–	720	–	–	–	720	(637)	83
Actuarial gains on a defined benefit plan *(note 23)*	–	–	–	–	–	6,062	6,062	132	6,194
Revaluation of leasehold land and owned buildings *(note 11)*	–	–	–	(9,020)	–	–	(9,020)	–	(9,020)
Changes in fair value of equity investments at FVTOCI	–	–	–	–	1,664	–	1,664	–	1,664
Total comprehensive income/(loss) for the year	–	–	720	(9,020)	1,664	(138,955)	(145,591)	(1,185)	(146,776)
As at 28 February 2021	469,977	(130,221)	228,216	159,121	(2,089)	(727,981)	(472,954)	31,382	28,405

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the period from 1 March 2021 to 31 December 2021

	Attributable to equity holders of the Company								
		(Deficits)/Reserves							
	Share capital HK$'000 *(note 24)*	Treasury shares HK$'000 *(note 24)*	General and other reserves# HK$'000	Asset revaluation reserve HK$'000	Investment revaluation reserve HK$'000	Accumulated losses HK$'000	Total (deficits)/ reserves HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
As at 1 March 2021	469,977	(130,221)	228,216	159,121	(2,089)	(727,981)	(472,954)	31,382	28,405
Loss for the period	–	–	–	–	–	(75,880)	(75,880)	(1,209)	(77,089)
Other comprehensive (loss)/income for the period:									
Exchange differences arising on translation of foreign operations	–	–	(215)	–	–	–	(215)	215	–
Actuarial gains on a defined benefit plan *(note 23)*	–	–	–	–	–	4,507	4,507	17	4,524
Revaluation of leasehold land and owned buildings *(note 11)*	–	–	–	22,686	–	–	22,686	–	22,686
Changes in fair value of equity investments at FVTOCI	–	–	–	–	6,216	–	6,216	–	6,216
Total comprehensive (loss)/income for the period	–	–	(215)	22,686	6,216	(71,373)	(42,686)	(977)	(43,663)
Disposal of treasury shares *(note 24)*	–	130,221	(45,710)	–	–	–	84,511	17,973	102,484
Gift receivable from the then controlling shareholder of the Company *(note 36)*	–	–	150,001	–	–	–	150,001	–	150,001
Transactions with equity holders	–	130,221	104,291	–	–	–	234,512	17,973	252,485
As at 31 December 2021	469,977	–	332,292	181,807	4,127	(799,354)	(281,128)	48,378	237,227

Included in the general and other reserves as at 31 December 2021 was a debit amount of HK$10,810,000 (As at 28 February 2021: HK$10,595,000) attributable to the exchange fluctuation reserve.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the period from 1 March 2021 to 31 December 2021

	Notes	Period from 1 March 2021 to 31 December 2021 HK$'000	Year ended 28 February 2021 HK$'000
Cash flows from operating activities			
Loss before income tax		**(77,074)**	(145,682)
Adjustments for:			
Interest expense	*6*	**25,719**	20,257
Bank interest income	*5(b)*	**(35)**	(431)
Imputed interest income on gift receivable from Win Dynamic Limited ("Win Dynamic")	*5(b)*	**(9,314)**	–
Other interest income from financial assets at FVTPL	*5(b)*	**(31)**	(85)
Depreciation	*7*	**46,252**	80,997
Impairment of property, plant and equipment	*7*	**2,000**	22,342
Impairment of an interest in an associate	*7*	**–**	5
Impairment of other assets	*7*	**–**	267
(Reversal of provision)/Provision for inventories	*7*	**(1,607)**	1,103
Gain on disposal of property, plant and equipment	*7*	**(8)**	–
Gain on deregistration of an associate	*7*	**(137)**	–
Bad debts written off	*7*	**5**	4,320
Covid-19-related rent concessions from lessors	*7*	**(6,997)**	(11,477)
Loss on termination of lease	*7*	**2,860**	–
ECL allowance on other receivables	*7*	**445**	–
Exchange realignment		**–**	83
Operating cash flows before movements in working capital		**(17,922)**	(28,301)
Decrease in inventories		**10,133**	22,259
Decrease in reinsurance assets		**3**	7
Decrease/(Increase) in prepayments, deposits and other receivables		**11,099**	(16,942)
Decrease in financial assets at FVTPL		**4,936**	2,687
(Decrease)/Increase in creditors		**(9,124)**	1,202
Decrease in insurance contracts liabilities		**(35)**	(8)
(Decrease)/Increase in deposits, accrued expenses and other payables		**(29,550)**	29,982
Increase/(Decrease) in contract liabilities		**1,389**	(2,157)
Movement in pension scheme assets		**1,008**	1,281
Cash (used in)/generated from operations		**(28,063)**	10,010
Interest paid		**(25,719)**	(20,257)
Interest received		**66**	516
Overseas taxes paid		**(15)**	(15)
Net cash used in operating activities		**(53,731)**	(9,746)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the period from 1 March 2021 to 31 December 2021

	Notes	**Period from 1 March 2021 to 31 December 2021 HK$'000**	Year ended 28 February 2021 HK$'000
Cash flows from investing activities			
Additions of owned assets in property, plant and equipment		**(81)**	(30)
Proceeds from disposal of property, plant and equipment		**8**	–
Proceeds from deregistration of an associate		**137**	–
Decrease in pledged bank balances and deposits		**1,566**	15,322
Movements in amount due from an associate		**–**	(5)
Net cash from investing activities		**1,630**	15,287
Cash flows from financing activities			
Proceeds from bank borrowings	*27*	**130,873**	206,779
Repayments of bank borrowings	*27*	**(149,044)**	(200,819)
Proceeds from other loans	*27*	**–**	150,053
Repayments of other loans	*27*	**(150,553)**	–
Proceeds from loan from a fellow subsidiary	*27*	**152,000**	–
Repayments of loan from a fellow subsidiary	*27*	**(48,000)**	–
Proceeds from loan from immediate holding company	*27*	**55,000**	–
Final settlement on termination of a lease	*7*	**(5,300)**	–
Principal portion of lease payments	*27*	**(69,216)**	(87,366)
Proceeds from disposal of treasury shares	*24*	**102,484**	–
Net cash from financing activities		**18,244**	68,647
Net (decrease)/increase in cash and cash equivalents		**(33,857)**	74,188
Cash and cash equivalents at the beginning of the period/year		**87,949**	13,761
Cash and cash equivalents at the end of the period/year	*16*	**54,092**	87,949

1. CORPORATE AND GROUP INFORMATION

The Sincere Company, Limited (the "Company") is a limited liability company incorporated in Hong Kong. The registered office of the Company is located at 24th Floor, Leighton Centre, 77 Leighton Road, Hong Kong. The principal activities of the Company and its subsidiaries (collectively referred to as 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 31 December 2021, 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 holding company of the Company following the close of the conditional voluntary cash offer to acquire all of the issued shares of the Company (the "Offer") (note 37). The ultimate holding company is Manureen Holdings Limited ("Manureen Holdings"), a company incorporated in the British Virgin Islands ("BVI") with limited liability. The ultimate shareholders of Manureen Holdings are Dr. Lin Xiaohui ("Dr. Lin") and Madam Su Jiaohua ("Madam Su"), who own 70% and 30% equity interests of Manureen Holdings, respectively.

The consolidated financial statements for the period from 1 March 2021 to 31 December 2021 were approved for issue by the board of directors (the "Board") on 31 March 2022.

2.1 BASIS OF PREPARATION

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

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

The consolidated financial statements have been prepared on the historical cost basis except for leasehold land and owned buildings, equity investments at FVTOCI and financial assets at FVTPL which are stated at fair values. Non-current assets held for sale are stated at the lower of carrying amount and fair value less costs to sell.

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

2.1 BASIS OF PREPARATION (Continued)

Going concern basis

During the period from 1 March 2021 to 31 December 2021, the Group recorded a net loss of HK$77,089,000. The Group's operations are financed by bank and other borrowings, loans from related parties and internal resources. As at 31 December 2021, the Group had net current liabilities of HK$180,974,000 and the Company had net current liabilities of HK$204,061,000. The Group's cash and bank balances amounting to HK$54,092,000 as at 31 December 2021.

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

With respect to the Group's bank financing, the Group maintains continuous communication with its banks and has successfully renewed the banking facilities with its principal banks during the current period. As at 31 December 2021, the Group had unutilised trade financing banking facilities of HK$44,782,000. Based on the latest communications with the banks, the directors of the Company are not aware of any intention of the principal banks to withdraw their banking facilities or require early repayment of the borrowings, and the directors of the Company believe that the existing banking facilities will be renewed when their current terms expire given the good track record and relationships the Group has with the banks.

Realord has undertaken to provide continuous financial support to the Group to meet its liabilities and obligations as and when they fall due for at least next 18 months from 31 December 2021.

On 21 March 2022, a company controlled by Dr. Lin (the "Backer") entered into a loan facility agreement with the Company, pursuant to which the Backer 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.

2.1 BASIS OF PREPARATION (Continued)

Going concern basis (Continued)

The Company's directors have reviewed the Group's cash flow projections prepared by management. The cash flow projections cover a period of not less than 18 months from 31 December 2021. 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; (iii) the loans from related parties; and (iv) the impact of the Covid-19 pandemic. The Group's ability to achieve the projected cash flows depends on management's ability to successfully implement the aforementioned improvement measures on profitability and liquidity and the continuous availability of bank and other borrowings facilities and the loans from related parties.

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

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

Certain comparative figures have been reclassified to conform with the current period's presentation.

Change of financial year end date

On 2 December 2021, the Board announced that the financial year end date of the Company has been changed from 28/29 February to 31 December commencing from the period from 1 March 2021 to 31 December 2021 to align the financial year end date of the Company with that of Realord. Accordingly, the accompanying consolidated financial statements for the current financial period cover a period of 10 months from 1 March 2021 to 31 December 2021. The comparative figures, however, are for 12 months from 1 March 2020 to 28 February 2021, and hence are not directly comparable.

2.1 BASIS OF PREPARATION (Continued)

Basis of consolidation

The consolidated financial statements include the financial statements of the Group for the period ended 31 December 2021. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e. existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the equity holders of the Company and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

2.1 BASIS OF PREPARATION (Continued)

Basis of consolidation (Continued)

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

Non-controlling interests represent the equity on a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from the equity attributable to the owners of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated income statement and consolidated statement of comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the owners of the Company.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficits in the consolidated income statement. The Group's share of components previously recognised in other comprehensive income is reclassified to the consolidated income statement or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.2 ADOPTION OF NEW AND AMENDED HKFRSs

Amended HKFRSs that are effective for annual periods beginning on 1 March 2021

In the current period, the Group has applied for the first time the following amended HKFRSs issued by the HKICPA, which are relevant to the Group's operations and effective for the Group's consolidated financial statements for the annual period beginning on 1 March 2021:

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2
Amendment to HKFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021 (early adopted)

Other than as explained below, the adoption of the amended HKFRSs had no material impact on how the results and financial position for the current and prior periods have been prepared and presented.

Amendment to HKFRS 16 "Covid-19-Related Rent Concessions beyond 30 June 2021"

The amendment extends the availability of the practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 pandemic by 12 months. Accordingly, the practical expedient applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022, provided the other conditions for applying the practical expedient are met. The amendment is effective retrospectively for annual periods beginning on or after 1 April 2021 with any cumulative effect of initially applying the amendment recognised as an adjustment to the opening balance of accumulated losses at the beginning of the current accounting period. Earlier application is permitted.

2.2 ADOPTION OF NEW AND AMENDED HKFRSs (Continued)

Amended HKFRSs that are effective for annual periods beginning on 1 March 2021 (Continued)

Amendment to HKFRS 16 "Covid-19-Related Rent Concessions beyond 30 June 2021" (Continued)

The Group has elected to early adopt the amendment on 1 March 2021 and applied the practical expedient during the period to all rent concessions granted by the lessors that affected only payments originally due on or before 30 June 2022 as a direct consequence of the Covid-19 pandemic. A reduction in the lease payments arising from the rent concessions of HK$6,997,000 has been accounted for as a variable lease payment by derecognising part of the lease liabilities and crediting in the consolidated income statement for the period from 1 March 2021 to 31 December 2021.

Issued but not yet effective HKFRSs

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

HKFRS 17	Insurance Contracts and related amendments[2]
Amendments to HKFRS 3	Reference to the Conceptual Framework[4]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)[2]
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies[2]
Amendments to HKAS 8	Definition of Accounting Estimates[2]
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction[2]
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use[1]
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018-2020[1]
Accounting Guideline 5 (Revised)	Merger Accounting for Common Control Combination[4]

1 Effective for annual periods beginning on or after 1 January 2022

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

3 Effective date not yet determined

4 Effective for business combination/common control combination for which the acquisition/combination date is on or after the beginning of the first annual period beginning on or after 1 January 2022

2.2 ADOPTION OF NEW AND AMENDED HKFRSs (Continued)

Issued but not yet effective HKFRSs (Continued)

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 consolidated financial statements.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Investments in associates

An associate is an entity in which the Group has a long-term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

The Group's interests in associates are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses.

The Group's share of the post-acquisition results and other comprehensive income of associates is included in the consolidated income statement and consolidated statement of comprehensive income, respectively. In addition, when there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's interests in the associates, except where unrealised losses provide evidence of an impairment of the assets transferred. Goodwill arising from the acquisition of associates is included as part of the Group's interests in associates.

If an investment in an associate becomes an investment in a joint venture, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method. In all other cases, upon loss of significant influence over the associate, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognised in the consolidated income statement.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair value measurement

The Group measures its equity investments and leasehold land and owned buildings at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities
Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly
Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, pension scheme assets and financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's ("CGU's") value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the CGU to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the consolidated income statement in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the consolidated income statement in the period in which it arises, unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is accumulated for in accordance with the relevant accounting policy for the revalued asset.

Corporate assets are allocated to individual CGU, when a reasonable and consistent basis of allocation can be identified, or otherwise they are allocated to the smallest group of CGUs for which a reasonable and consistent allocation basis can be identified.

Treasury shares

Own equity instruments which are held by the Group (treasury shares) are recognised directly in equity at cost. No gain or loss is recognised in the consolidated income statement on the purchase, sale, issue or cancellation of the Group's own equity instruments.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis and includes all costs of purchase, costs of conversion, and other costs incurred in bringing the inventories to their present location and condition. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, FVTOCI and FVTPL.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value, plus in the case of a financial asset not at FVTPL, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under HKFRS 15 in accordance with the policies set out for "Revenue recognition" below.

In order for a financial asset to be classified and measured at amortised cost or FVTOCI, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding. Financial assets with cash flows that are not SPPI are classified and measured at FVTPL, irrespective of the business model.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at FVTOCI are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at FVTPL.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments and other financial assets (Continued)

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at amortised cost (debt instruments)

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment, except for purchased or originated credit-impaired financial assets, for which the original credit-adjusted effective interest rate is applied to the amortised cost of the financial asset. Gains and losses are recognised in the consolidated income statement when the asset is derecognised, modified or impaired.

Financial assets at FVTOCI (equity investments)

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity investments at FVTOCI when they meet the definition of equity under HKAS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to the consolidated income statement. Dividends are recognised as other income and gains, net in the consolidated income statement when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in other comprehensive income. Equity investments at FVTOCI are not subject to impairment assessment.

Financial assets at FVTPL

Financial assets at FVTPL are carried in the consolidated statement of financial position at fair value with net changes in fair value recognised in the consolidated income statement.

This category includes equity investments which the Group had not irrevocably elected to classify at FVTOCI. Dividends on equity investments classified as financial assets at FVTPL are also recognised as other income in the consolidated income statement when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments and other financial assets (Continued)

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e. removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or

- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risk and rewards of ownership of the assets. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of financial assets

The Group recognises an allowance for expected credit losses ("ECLs") for all debt instruments not held at FVTPL. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate (or credit-adjusted effective interest rate for purchased or originated credit-impaired financial assets). The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

General approach

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of financial assets (Continued)

General approach (Continued)

Financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables which apply the simplified approach as detailed below.

Stage 1 – Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs

Stage 2 – Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs

Stage 3 – Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

Purchased or originated credit-impaired financial assets refers to financial assets that are credit-impaired at the initial recognition and for which the loss allowance is measured at the amount equal to the lifetime ECL.

Simplified approach

For trade receivables that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For trade receivables that contain a significant financing component and lease receivables, the Group chooses as its accounting policy to adopt the simplified approach in calculating ECLs with policies as described above.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at FVTPL, loans and borrowings, payables and lease liabilities.

All financial liabilities (other than lease liabilities) are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Financial liabilities at amortised cost (loans and borrowings)

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the consolidated income statement when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the consolidated income statement.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the consolidated income statement.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is currently an enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Property, plant and equipment and depreciation

Property, plant and equipment (other than cost of right-of-use assets as described as below) are stated at cost or valuation less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the consolidated income statement in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Buildings are measured at fair value less accumulated depreciation and impairment losses recognised after the date of revaluation. Valuations are performed frequently enough to ensure that the fair value of a revalued asset does not differ materially from its carrying amount. Changes in the values of property, plant and equipment are dealt with as movements in the asset revaluation reserve. If the total of this reserve is insufficient to cover a deficit, on an individual asset basis, the excess of the deficit is charged to the consolidated income statement. Any subsequent revaluation surplus is credited to the consolidated income statement to the extent of the deficit previously charged. On disposal of a revalued asset, the relevant portion of the asset revaluation reserve realised in respect of previous valuations is transferred to retained profits/accumulated losses as a movement in reserves.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Buildings	2%–4%
Furniture, fixtures and equipment	10%–20%
Motor vehicles	$16^{2}/_{3}$%–25%
Leasehold improvements	Shorter of lease terms and useful lives

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each year end.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, plant and equipment and depreciation (Continued)

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the consolidated income statement in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e. assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Leases

At inception of a contract, the Group considers whether a contract is, or contains a lease. A lease is defined as 'a contract, or part of a contract, that conveys the right to use an identified asset (the underlying asset) for a period of time in exchange for consideration'. To apply this definition, the Group assesses whether the contract meets three key evaluations which are whether:

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Group;

- the Group has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract; and

- the Group has the right to direct the use of the identified asset throughout the period of use. The Group assess whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use.

The only exception is any rent concessions which arose as a direct consequence of the Covid-19 pandemic and which satisfied the conditions set out in paragraph 46B of HKFRS 16 "Leases". In such cases, the Group took advantage of the practical expedient set out in paragraph 46A of HKFRS 16 and recognised the change in consideration as if it were not a lease modification.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leases (Continued)

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets as follows:

Leasehold land	55 years
Buildings	2 to 3 years

If ownership of the leased asset transfers to the Group by the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

When the right-of-use assets relate to interests in leasehold land, the corresponding right-of-use asset is initially measured at cost, and subsequently measured at fair value, in accordance with the Group's policy for "property, plant and equipment".

The Group's right-of-use assets are included in property, plant and equipment.

Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate the lease. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leases (Continued)

Group as a lessee (Continued)

Lease liabilities (Continued)

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in lease payments (e.g. a change to future lease payments resulting from a change in an index or rate) or a change in assessment of an option to purchase the underlying asset.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of buildings (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the recognition exemption for leases of low-value assets.

When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalise the lease on a lease-by-lease basis.

Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

Group as a lessor

When the Group acts as a lessor, it classifies at lease inception (or when there is a lease modification) each of its leases as either an operating lease or a finance lease.

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. Rental income is accounted for on a straight-line basis over the lease terms and is included in revenue in the consolidated income statement due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Leases that transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee are accounted for as finance leases.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leases (Continued)

Group as a lessor (Continued)

When the Group is an intermediate lessor, a sublease is classified as a finance lease or operating lease with reference to the right-of-use asset arising from the head lease. If the head lease is a short-term lease to which the Group applies the on-balance sheet recognition exemption, the Group classifies the sublease as an operating lease.

Provisions and contingent liabilities

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the consolidated income statement.

All provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future uncertain events not wholly within the control of the Group, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

If the Group has a contract that is onerous, the present obligation under the contract is recognised and measured as a provision. However, before a separate provision for an onerous contract is established, the Group recognises any impairment loss that has occurred on assets dedicated to that contract.

An onerous contract is a contract under which the unavoidable costs (i.e. the costs that the Group cannot avoid because it has the contract) of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The unavoidable costs under a contract reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Share-based payments

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments ("Equity-settled Transactions").

The cost of Equity-settled Transactions is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using a binomial model.

The cost of Equity-settled Transactions is recognised in employee benefit expense, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for Equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the consolidated income statement for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

For awards that do not ultimately vest because non-market performance and/or service conditions have not been met, no expense is recognised. Where awards include a market or non-vesting condition, the transactions are treated as vesting irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Share-based payments (Continued)

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

Employee benefits

Retirement benefits

The Group operates a funded final salary defined benefit pension scheme (the "Scheme") for those employees who are eligible to participate in the Scheme.

An actuarial estimate is made annually by a professionally qualified independent actuary, using the projected unit credit actuarial valuation method, of the present value of the Group's future defined benefit obligation under the Scheme earned by the employees at the end of the reporting period. The assets contributed by the Group to the Scheme are held separately from the assets of the Group in an independently administered fund, and are valued at their fair value at the end of the reporting period.

Remeasurements arising from defined benefit pension plans, comprising actuarial gains and losses, the effect of the asset ceiling (excluding amounts included in net interest on the net defined benefit liability) and the return on plan assets (excluding amounts included in net interest on the net defined benefit liability), are recognised immediately in the consolidated statement of financial position with a corresponding debit or credit to retained profits/accumulated losses through other comprehensive income in the period in which they occur. Remeasurements are not reclassified to the consolidated income statement in subsequent periods.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Employee benefits (Continued)

Retirement benefits (Continued)

Past service costs are recognised in the consolidated income statement at the earlier of:

- the date of the plan amendment or curtailment; and
- the date that the Group recognises restructuring-related costs.

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset. The Group recognises the following changes in the net defined benefit obligation under "General and administrative expenses" in the consolidated income statement by function.

- Service costs comprising current service costs, past-service costs, gains and losses on curtailments and non-routine settlements; and
- Net interest expense or income.

In addition, the Group also operates a defined contribution Mandatory Provident Fund ("MPF") retirement benefit scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance. Contributions to the MPF Scheme are made based on a percentage of the employees' basic salaries and are charged to the consolidated income statement as they become payable in accordance with the rules of the MPF scheme. The Group's employer contributions are fully and immediately vested in favour of the employees when contributed to the MPF Scheme.

The employees of the subsidiaries established in Mainland China are members of the Central Pension Scheme operated by the Mainland China government. The subsidiaries are required to contribute a certain percentage of their covered payroll to the Central Pension Scheme to fund the benefits. The only obligation for the subsidiaries with respect to the Central Pension Scheme is to meet the required contributions under the Central Pension Scheme.

Termination benefits

Termination benefits are recognised at the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises restructuring costs involving the payment of termination benefits.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Product classification – Insurance contracts

Insurance contracts are those contracts when the Group (the insurer) has accepted significant insurance risk from another party (the policyholders) by agreeing to compensate the policyholders if a specified uncertain future event (the insured event) adversely affects the policyholders. As a general guideline, the Group determines whether it has significant insurance risk, by comparing benefits payable after an insured event with benefits payable if the insured event did not occur. Insurance contracts can also transfer financial risk.

Once a contract has been classified as an insurance contract, it remains an insurance contract for the remaining of its lifetime, even if the insurance risk reduces significantly during this period, unless all rights and obligations are extinguished or expire.

Insurance contracts liabilities

Life insurance contracts liabilities

Life insurance contracts liabilities are recognised when contracts are entered into and premiums are charged. The provision for life insurance contracts consists of outstanding claims and the life reserve.

Life reserve

Life reserve represents a reserve to cover unexpired risk of life insurance policies and is valued by an independent actuary. The resultant surplus or deficit is transferred to or from the consolidated income statement.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside the consolidated income statement is recognised, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income tax (Continued)

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries and associates, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, and the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries and associates, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income tax (Continued)

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, for which it is intended to compensate, are expensed.

Revenue recognition

Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

When the contract contains a financing component which provides the customer with a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. When the contract contains a financing component which provides the Group a significant financial benefit for more than one year, revenue recognised under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in HKFRS 15.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition (Continued)

Revenue from contracts with customers (Continued)

(a) Sale of goods

Revenue from the sale of goods is recognised at the point in time when control of the asset is transferred to the customer.

Some contracts for the sale of goods provide customers with rights of return. The rights of return give rise to variable consideration. For contracts which provide a customer with a right to return the goods within a specified period, the expected value method is used to estimate the goods that will not be returned because this method best predicts the amount of variable consideration to which the Group will be entitled. The requirements in HKFRS 15 on constraining estimates of variable consideration are applied in order to determine the amount of variable consideration that can be included in the transaction price. For goods that are expected to be returned, instead of revenue, a refund liability is recognised. A right-of-return asset (and the corresponding adjustment to cost of sales) is also recognised for the right to recover products from a customer.

(b) Income from counter and consignment sale

Commission income from counter and consignment sale is recognised at a point in time and based on certain percentage of sales made by the customers in accordance with the terms of contracts.

Revenue from other sources

Rental income is recognised on a time proportion basis over the lease terms.

Net realised gain/(loss) of security trading investments is recognised on the trade date.

Insurance premium income is recognised on the basis of policies issued.

Other income

Interest income is recognised on an accrual basis using the effective interest method. For financial assets measured at amortised cost that are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the asset. For credit-impaired financial assets, the effective interest rate is applied to the amortised cost (i.e. gross carrying amount net of ECL allowance) of the asset.

Dividend income is recognised when the shareholders' right to receive payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition (Continued)

Contract liabilities

A contract liability is recognised when a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Contract liabilities are recognised as revenue when the Group performs under the contract (i.e. transfers control of the related goods or services to the customer).

Foreign currencies

These consolidated financial statements are presented in Hong Kong dollars, which is the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in the consolidated income statement.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e. translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or income statement is also recognised in other comprehensive income or income statement, respectively).

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of the advance consideration.

The functional currencies of certain overseas subsidiaries and associates are currencies other than the Hong Kong dollar. At the end of the reporting period, the assets and liabilities of these entities are translated into Hong Kong dollars at the exchange rates prevailing at the end of the reporting period and their income statements are translated into Hong Kong dollars at the weighted average exchange rates for the year. The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of an operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the consolidated income statement.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Foreign currencies (Continued)

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries are translated into Hong Kong dollars at the exchange rates prevailing at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into Hong Kong dollars at the weighted average exchange rates for the period/year.

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person:
- (i) has control or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of the key management personnel of the Group or of a parent of the Group; or

(b) the party is an entity where any of the following conditions applies:
- (i) the entity and the Group are members of the same group;
- (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
- (iii) the entity and the Group are joint ventures of the same third party;
- (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
- (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
- (vi) the entity is controlled or jointly controlled by a person identified in (a);
- (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and
- (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short-term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within 3 months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statement of financial position, cash and bank balances comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Non-current assets held for sale

Non-current assets that are highly probable to be recovered principally through sale rather than through continuing use, are classified as held for sale. Immediately before classification as held for sale, the assets are remeasured in accordance with the Group's accounting policies. Thereafter generally the assets are measured at the lower of their carrying amount and fair value less costs to sell. Impairment losses on initial classification as held for sale and subsequent gains and losses on remeasurement are recognised in the consolidated income statement. Gains are not recognised in excess of any cumulative impairment loss.

Segment reporting

The Group identifies operating segments and prepares segment information based on the regular internal financial information reported to the executive directors for their decisions about resources allocation to the Group's business components and for their review of the performance of those components.

3. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of the Group's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgments

In the process of applying the Group's accounting policies, management has made the following judgments, apart from those involving estimations, which have the most significant effect on the amounts recognised in the consolidated financial statements:

Consolidation of entities in which the Group holds less than a majority of voting rights

The Company considers that it controls The Sincere Life Assurance Company Limited ("Sincere LA") and its subsidiary (collectively "Sincere LA Group"), The Sincere Insurance & Investment Company, Limited ("Sincere II") and its subsidiary (collectively "Sincere II Group") and The Sincere Company (Perfumery Manufacturers), Limited ("Perfumery") even though it owns less than 50% of the voting rights. This is because the Company is the single largest shareholder of Sincere LA Group, Sincere II Group and Perfumery with 48.09%, 40.67% and 37.15% direct equity interests, respectively. Based on the Company's absolute size of holding in Sincere LA Group, Sincere II Group and Perfumery, the relative size and dispersion of the shareholdings owned by the other shareholders who acted as principal of their investments in Sincere LA Group, Sincere II Group and Perfumery, and past history of voting patterns in the shareholders' meetings of Sincere LA Group, Sincere II Group and Perfumery, the directors of the Company concluded that the Group has had control over Sincere LA Group, Sincere II Group and Perfumery since the dates on which the Group obtained control. The Group has consolidated the financial statements of Sincere LA Group, Sincere II Group and Perfumery based on its 56.96%, 57.98% and 62.37% effective equity interests and accounted for the remaining equity interests of 43.04%, 42.02% and 37.63% as non-controlling interests, respectively.

3. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES (Continued)

Judgments (Continued)

Recognition of gift receivable from Win Dynamic

The gift receivable from Win Dynamic amounting to HK$150,001,000, being the fair value of the WD Proceeds (as defined in note 36) which is determined based on a credit-adjusted effective interest rate of 9.66%, is initially recognised by the Company upon the acceptance of the Offer by Win Dynamic. Management considers that such recognition is supported by the legal advices as disclosed in note 36 and determined by the basis of various assumptions when estimating the timing and the ECL of gift receivable from Win Dynamic, which includes forward-looking scenarios and their likelihoods, counterparty's credit rating and probability of default and recovery rate. As at 31 December 2021, the carrying amount of gift receivable from Win Dynamic amounting to HK$158,870,000 (net of ECL allowance of HK$445,000). Further details are included in notes 14 and 36 to the consolidated financial statements.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next year, are described below.

Estimation of impairment of property, plant and equipment

For owned assets and right-of-use assets included in property, plant and equipment, management conducted an impairment review of certain CGUs of the Group where there were indicators of impairment by considering the recoverable amounts of the relevant CGUs. Management identifies individual store as a CGU for the purpose of impairment assessment. The amount of any impairment loss was measured as the difference between the CGU's carrying amount and its recoverable amount.

The recoverable amount is the higher of value in use and fair value less costs of disposal. Value in use is the estimated future cash flows, based on key assumptions including expected growth or deterioration rate, discounted to their present values using an appropriate discount rate that reflects current market assessments of the time value of money and the risks specific to the CGU. Where the actual future cash flows are less or more than expected, or there are unfavourable changes in facts and circumstances which result in downward revision of the estimated future cash flows for the purpose of determining the value in use, further impairment loss or reversal of impairment loss may arise. The calculation of the fair value less costs of disposal is based on available data from market rent and discounted to the net present value of market rent less any costs to transform or restoration.

Further details of the impairment of property, plant and equipment are set out in note 11 to the consolidated financial statements.

3. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES (Continued)

Estimation uncertainty (Continued)

Estimation of provision for inventories

The Group reviews an ageing analysis at the end of the reporting period, and determines the provision for inventories by reference to the nature and condition of the inventories, the marketability and estimated selling prices, the historical and current ageing pattern of the inventories and the sales strategy of the Group. The carrying amount of inventories as at 31 December 2021 was HK$34,401,000 (As at 28 February 2021: HK$42,927,000). Reversal of provision for inventories amounting to HK$1,607,000 (Year ended 28 February 2021: provision for inventories amounting to HK$1,103,000) was recognised during the period from 1 March 2021 to 31 December 2021.

Estimation of fair value of leasehold land and owned buildings

In the absence of current prices in an active market for similar properties, the Group considers information from a variety of sources, including:

(a) current prices in an active market for properties of a different nature, condition or location, adjusted to reflect those differences;

(b) recent prices of similar properties on less active markets, with adjustments to reflect any changes in economic conditions since the dates of the transactions that occurred at those prices; and

(c) discounted cash flow projections based on reliable estimates of future cash flows, supported by the terms of any existing lease and other contracts and (when possible) by external evidence such as current market rents for similar properties in the same location and condition, and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows.

The carrying amounts of leasehold land under right-of-use assets and buildings under owned assets included in property, plant and equipment (collectively the "Properties") as at 31 December 2021 were HK$167,201,000 (As at 28 February 2021: HK$151,826,000) and HK$22,799,000 (As at 28 February 2021: HK$20,703,000), respectively. Further details, including the key assumptions used for fair value measurement, are given in note 11 to the consolidated financial statements.

Deferred tax related to leasehold land and owned buildings

The measurement of deferred tax liabilities and deferred tax assets shall reflect the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. In respect of the Properties, significant management judgment is required to determine the expected manner of recovery of the Properties (i.e. whether the Group expects to recover the asset through sale or through use). Based on the business plan of the Group and the activities being taken by management, management has determined that the Properties will be recovered through sale. Accordingly, the deferred tax liabilities relating to the Properties were measured on a recovery through sale basis and no deferred tax was recognised as at 31 December 2021 and 28 February 2021.

3. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES (Continued)

Estimation uncertainty (Continued)

Pension and other retirement benefits

The determination of the Group's obligation, fair value of plan assets and cost for defined benefits is performed by independent actuaries engaged by the Group and is dependent on the selection of certain assumptions used by them in calculating such amounts. Those assumptions include, among others, discount rates, expected returns on plan assets, rates of salary and pension increase and the average remaining working life of employees. In accordance with the Group's accounting policy for pension obligations, actual results that differ from the Group's assumptions are recognised immediately in other comprehensive income as and when they occur. While the Group believes that the actuaries' assumptions are reasonable and appropriate, significant differences in the Group's actual experience or significant changes in the Group's assumptions may materially affect its pension and other retirement obligations. The carrying amount of pension scheme assets as at 31 December 2021 was HK$23,101,000 (As at 28 February 2021: HK$19,585,000).

Fair value of unlisted equity investments

The unlisted equity investments have been valued based on a market-based valuation technique as detailed in note 31 to the consolidated financial statements. The valuation requires the Group to determine the comparable public companies (peers), select the price multiple and make estimates about the discount for lack of marketability. The Group classifies the fair value of these investments as Level 3. The fair value of the unlisted equity investments as at 31 December 2021 was HK$30,453,000 (As at 28 February 2021: HK$24,237,000). Further details are included in notes 13 and 17 to the consolidated 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 resource allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/(loss), which is a measure of adjusted loss before income tax. The adjusted loss before income tax is measured consistently with the Group's loss before income tax except that certain interest income, unallocated revenue/(expenses) and finance costs are excluded from such measurement.

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

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

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

4. SEGMENT INFORMATION (Continued)

(a) Operating segments

The following tables present revenue, loss and certain assets, liabilities and expenditure information for the Group's operating segments for the period from 1 March 2021 to 31 December 2021 and the year ended 28 February 2021.

	Department store operations HK$'000	Securities trading HK$'000	Others HK$'000	Eliminations HK$'000	Total HK$'000
Period from 1 March 2021 to 31 December 2021					
Segment revenue:					
Sales to external customers	139,226	203	631	–	140,060
Inter-segment sales	–	–	28,511	(28,511)	–
Other income and gains, net	45	3,171	172	–	3,388
Total	139,271	3,374	29,314	(28,511)	143,448
Segment results	(63,160)	(2,949)	(1,207)	–	(67,316)
Interest income and unallocated other income and gains, net					9,307
ECL allowance on other receivables					(445)
Finance costs (other than interest on lease liabilities)					(18,620)
Loss before income tax					(77,074)
Income tax expense					(15)
Loss for the period					(77,089)
As at 31 December 2021					
Segment assets	192,777	10,174	223,901	(28,511)	398,341
Unallocated assets					315,115
Total assets					713,456
Segment liabilities	183,858	4,585	10,049	(28,511)	169,981
Unallocated liabilities					306,248
Total liabilities					476,229
Period from 1 March 2021 to 31 December 2021					
Other segment information:					
Depreciation	40,965	–	5,287	–	46,252
Impairment of property, plant and equipment	1,656	–	344	–	2,000
Capital expenditure of property, plant and equipment	63,826	–	–	–	63,826
Gain on disposal of property, plant and equipment	(8)	–	–	–	(8)
Reversal of provision for inventories	(1,607)	–	–	–	(1,607)
Bad debts written off	5	–	–	–	5

4. SEGMENT INFORMATION (Continued)

(a) Operating segments (Continued)

	Department store operations HK$'000	Securities trading HK$'000	Others HK$'000	Eliminations HK$'000	Total HK$'000
Year ended 28 February 2021					
Segment revenue:					
Sales to external customers	176,694	6	772	–	177,472
Inter-segment sales	–	–	33,037	(33,037)	–
Other income and gains, net	564	1,086	11	–	1,661
Total	177,258	1,092	33,820	(33,037)	179,133
Segment results	(108,490)	(8,923)	(16,767)	–	(134,180)
Interest income and unallocated other income and gains, net					377
Finance costs (other than interest on lease liabilities)					(11,879)
Loss before income tax					(145,682)
Income tax expense					(15)
Loss for the year					(145,697)
As at 28 February 2021					
Segment assets	186,981	15,073	211,216	(33,037)	380,233
Unallocated assets					191,668
Total assets					571,901
Segment liabilities	235,154	4,612	20,795	(33,037)	227,524
Unallocated liabilities					315,972
Total liabilities					543,496
Year ended 28 February 2021					
Other segment information:					
Depreciation	74,102	–	6,895	–	80,997
Impairment of property, plant and equipment	16,395	–	5,947	–	22,342
Impairment of other assets	–	–	267	–	267
Capital expenditure of property, plant and equipment	6,603	–	–	–	6,603
Provision for inventories	1,103	–	–	–	1,103
Impairment of an interest in an associate	–	–	5	–	5
Bad debts written off	4,320	–	–	–	4,320

4. SEGMENT INFORMATION (Continued)

(b) Geographical information

The following table presents revenue and non-current asset information.

	Hong Kong HK$'000	United Kingdom HK$'000	Others HK$'000	Eliminations HK$'000	Total HK$'000
Period from 1 March 2021 to 31 December 2021					
Segment revenue:					
Sales to external customers	**139,807**	**181**	**72**	**–**	**140,060**
As at 31 December 2021					
Non-current assets	**266,412**	**–**	**–**	**–**	**266,412**
Year ended 28 February 2021					
Segment revenue:					
Sales to external customers	177,261	206	5	–	177,472
As at 28 February 2021					
Non-current assets	233,470	–	–	–	233,470

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

(c) Information about major customers

For the period from 1 March 2021 to 31 December 2021 and the year ended 28 February 2021, as no revenue derived from an individual customer of the Group has accounted for over 10% of the Group's total revenues, no information about major customers is presented under HKFRS 8 "Operating Segments".

5. REVENUE, OTHER INCOME AND GAINS, NET

(a) Revenue

	Period from 1 March 2021 to 31 December 2021 HK$'000	Year ended 28 February 2021 HK$'000
Revenue from contracts with customers		
Sale of goods – own goods	**107,114**	133,575
Income from counter and consignment sale	**32,112**	43,119
Revenue from other sources		
Net realised gains on securities trading	**203**	6
Rental income	**631**	770
Gross insurance contracts premium revenue	**–**	2
	140,060	177,472

Revenue from contracts with customers

(i) Disaggregated revenue information

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

(ii) Performance obligations

Sale of goods – own goods

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

Income from counter and consignment sale

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

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

(a) Revenue (Continued)

(ii) Performance obligations (Continued)

Provision for loyalty points programme

The performance obligation is satisfied upon utilisation of loyalty points. The Group allocated a portion of the transaction prices to the loyalty programme which is based on the relative standalone selling price. The transaction price of HK$2,119,000 (As at 28 February 2021: HK$730,000) was allocated to the remaining performance obligations as at 31 December 2021 which are expected to be recognised as revenue within one year. The contract liabilities increased during the period from 1 March 2021 to 31 December 2021 because more loyalty points were rewarded.

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

	Period from 1 March 2021 to 31 December 2021 HK$'000	Year ended 28 February 2021 HK$'000
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:		
Loyalty points programme	**730**	2,887

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

(b) Other income and gains, net

	Period from 1 March 2021 to 31 December 2021 HK$'000	Year ended 28 February 2021 HK$'000
Bank interest income	**35**	431
Imputed interest income on gift receivable from Win Dynamic (note 36)	**9,314**	–
Other interest income from financial assets at FVTPL	**31**	85
Dividends from financial assets at FVTPL	**3,135**	999
Gain on disposal of property, plant and equipment	**8**	–
Gain on deregistration of an associate	**137**	–
Foreign exchange loss, net	**(42)**	(54)
Government grants*	**–**	420
Others	**77**	157
	12,695	2,038

* There are no unfulfilled conditions or contingencies relating to this income.

6. FINANCE COSTS

An analysis of finance costs is as follows:

	Period from 1 March 2021 to 31 December 2021 HK$'000	Year ended 28 February 2021 HK$'000
Interest on bank borrowings	**2,098**	4,309
Interest on lease liabilities *(note 20)*	**7,099**	8,378
Interest on other loans	**5,288**	7,570
Interest on loan from a fellow subsidiary	**9,365**	–
Interest on loan from immediate holding company	**1,869**	–
	25,719	20,257

7. LOSS BEFORE INCOME TAX

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

	Period from 1 March 2021 to 31 December 2021 HK$'000	Year ended 28 February 2021 HK$'000
Cost of inventories sold	**67,515**	90,640
(Reversal of provision)/Provision for inventories	**(1,607)**	1,103
Reinsurers' share portion and commission, net of gross change in unearned premiums	**–**	1
Cost of sales	**65,908**	91,744
Employee benefit expenses, excluding directors' and chief executive's remunerations *(note 26)*:		
– Wages and salaries	**31,972**	47,492
– Pension contributions, including pension cost for a defined benefit plan of HK$1,008,000 (Year ended 28 February 2021: HK$1,296,000) *(note (a))*	**2,213**	2,962
– Less: government grants *(note (b))*	**–**	(11,660)
	34,185	38,794
Depreciation	**46,252**	80,997
Auditor's remuneration	**2,066**	3,330
Impairment of an interest in an associate *(note (c))*	**–**	5
Bad debts written off	**5**	4,320
ECL allowance on other receivables *(note 14)*	**445**	–
Other charges in respect of rental premises	**17,349**	25,136
Lease payments not included in the measurement of lease liabilities *(note 20(c))*	**2,185**	364
Impairment of property, plant and equipment *(note (c))*	**2,000**	22,342
Impairment of other assets *(note (c))*	**–**	267
Gain on disposal of property, plant and equipment *(note 5(b))*	**(8)**	–
Gain on deregistration of an associate *(note 5(b))*	**(137)**	–
Net realised gains on securities trading *(note 5(a))*	**(203)**	(6)
Foreign exchange loss, net *(note 5(b))*	**42**	54
Loss on termination of lease, including final settlement of HK$5,300,000 (Year ended 28 February 2021: Nil) and set off of reinstatement cost of HK$493,000 (Year ended 28 February 2021: Nil) *(note (c))*	**2,860**	–
Covid-19-related rent concessions from lessor *(note 20)*	**(6,997)**	(11,477)

7. LOSS BEFORE INCOME TAX (Continued)

Notes:

(a) As at 31 December 2021, the Group had no forfeited contributions available to reduce its contributions to the pension schemes in future years (As at 28 February 2021: Nil).

(b) During the year ended 28 February 2021, government grants from Hong Kong government's employment support scheme of HK$8,220,000 and HK$3,440,000 were included in "Selling and distribution expenses" and "General and administrative expenses", respectively, on the face of the consolidated income statement. There are no unfulfilled conditions or contingencies relating to these grants.

(c) Amounts are included in "Other operating expenses, net" on the face of the consolidated income statement.

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 period/year. Taxes on assessable profits elsewhere have been calculated at the rates of tax prevailing in the locations in which the Group operates.

	Period from 1 March 2021 to 31 December 2021 HK$'000	Year ended 28 February 2021 HK$'000
Current charge for the period/year		
– Hong Kong	**–**	–
– Elsewhere	**15**	15
	15	15

8. INCOME TAX EXPENSE (Continued)

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

	Period from 1 March 2021 to 31 December 2021 HK$'000	Year ended 28 February 2021 HK$'000
Loss before income tax	**(77,074)**	(145,682)
Tax at the statutory tax rates	**(12,733)**	(24,348)
Income not subject to tax	**(3,886)**	(300)
Expenses not deductible for tax	**3,069**	6,511
Tax losses not recognised	**15,065**	18,250
Others	**(1,500)**	(98)
	15	15

The Group has tax losses arising in Hong Kong of approximately HK$1,995,838,000 (As at 28 February 2021: HK$1,904,532,000) that are available indefinitely for offsetting against future taxable profits of the Company and certain of its subsidiaries. No deferred tax assets have been recognised in respect of these losses as the Company and certain of its subsidiaries have been loss-making for some time.

9. DIVIDENDS

The Board did not recommend the payment of any dividend for the period from 1 March 2021 to 31 December 2021 and the year ended 28 February 2021.

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

The calculation of the basic loss per share is based on the loss for the period from 1 March 2021 to 31 December 2021 of HK$75,880,000 (Year ended 28 February 2021: HK$145,017,000) attributable to equity holders of the Company and the weighted average number of ordinary shares of 1,246,723,956 (As at 28 February 2021: 1,053,519,360). The weighted average number of ordinary shares in issue used in the basic loss per share calculation for the period from 1 March 2021 to 31 December 2021 has been adjusted to reflect the number of treasury shares of 67,238,604 (Year ended 28 February 2021: 260,443,200) held by the Company's subsidiaries during the period.

Diluted loss per share is the same as basic loss per share as the Group had no potentially dilutive ordinary shares in issue during the period from 1 March 2021 to 31 December 2021 and the year ended 28 February 2021.

11. PROPERTY, PLANT AND EQUIPMENT

	Owned assets				Right-of-use assets			
	Buildings HK$'000	Furniture, fixtures, equipment and motor vehicles HK$'000	Leasehold improvements HK$'000	Total HK$'000	Leasehold land HK$'000	Buildings HK$'000	Total HK$'000	Total HK$'000
Cost or valuation								
As at 1 March 2021	20,703	18,596	73,006	112,305	151,826	256,200	408,026	520,331
Additions	–	81	–	81	–	–	–	81
Modification of leases	–	–	–	–	–	63,745	63,745	63,745
Termination of leases	–	–	–	–	–	(33,504)	(33,504)	(33,504)
Write off	–	(783)	(14,847)	(15,630)	–	–	–	(15,630)
Revaluation adjustment	2,722	–	–	2,722	19,964	–	19,964	22,686
Reversal upon revaluation	(626)	–	–	(626)	(4,589)	–	(4,589)	(5,215)
As at 31 December 2021	22,799	17,894	58,159	98,852	167,201	286,441	453,642	552,494
Accumulated depreciation and impairment								
As at 1 March 2021	–	18,596	72,911	91,507	–	197,775	197,775	289,282
Depreciation	626	6	18	650	4,589	41,013	45,602	46,252
Impairment	–	8	–	8	–	1,992	1,992	2,000
Termination of leases	–	–	–	–	–	(28,186)	(28,186)	(28,186)
Write off	–	(783)	(14,847)	(15,630)	–	–	–	(15,630)
Reversal upon revaluation	(626)	–	–	(626)	(4,589)	–	(4,589)	(5,215)
As at 31 December 2021	–	17,827	58,082	75,909	–	212,594	212,594	288,503
Net carrying amount								
As at 31 December 2021	22,799	67	77	22,943	167,201	73,847	241,048	263,991

11. PROPERTY, PLANT AND EQUIPMENT (Continued)

	Owned assets				Right-of-use assets			
	Buildings HK$'000	Furniture, fixtures, equipment and motor vehicles HK$'000	Leasehold improvements HK$'000	Total HK$'000	Leasehold land HK$'000	Buildings HK$'000	Total HK$'000	Total HK$'000
Cost or valuation								
As at 1 March 2020	22,388	19,293	73,060	114,741	165,807	249,627	415,434	530,175
Additions	–	30	–	30	–	–	–	30
Modification of leases	–	–	–	–	–	6,573	6,573	6,573
Write off	–	(727)	(54)	(781)	–	–	–	(781)
Revaluation adjustment	(888)	–	–	(888)	(8,132)	–	(8,132)	(9,020)
Reversal upon revaluation	(797)	–	–	(797)	(5,849)	–	(5,849)	(6,646)
As at 28 February 2021	20,703	18,596	73,006	112,305	151,826	256,200	408,026	520,331
Accumulated depreciation and impairment								
As at 1 March 2020	–	19,293	72,944	92,237	–	101,133	101,133	193,370
Depreciation	797	–	21	818	5,849	74,330	80,179	80,997
Impairment	–	30	–	30	–	22,312	22,312	22,342
Write off	–	(727)	(54)	(781)	–	–	–	(781)
Reversal upon revaluation	(797)	–	–	(797)	(5,849)	–	(5,849)	(6,646)
As at 28 February 2021	–	18,596	72,911	91,507	–	197,775	197,775	289,282
Net carrying amount								
As at 28 February 2021	20,703	–	95	20,798	151,826	58,425	210,251	231,049

As at 31 December 2021, the Group's leasehold land and owned buildings with an aggregate carrying amount of HK$190,000,000 (As at 28 February 2021: HK$172,529,000) were pledged as security for the bank borrowings granted to the Group (note 18(a)).

11. PROPERTY, PLANT AND EQUIPMENT (Continued)

Impairment assessment of property, plant and equipment

Management identified certain stores which continued to underperform and estimated the recoverable amounts of these stores, where each of these is a separate CGU. The recoverable amounts of each CGU has been determined based on value in use or fair value less costs of disposal, whichever is higher.

Based on the value in use calculation, the carrying amounts of owned assets and certain right-of-use buildings were written down by HK$8,000 and HK$822,000 (Year ended 28 February 2021: HK$30,000 and Nil), respectively, during the period from 1 March 2021 to 31 December 2021. As at 31 December 2021, the aggregate recoverable amount of these owned assets and right-of-use buildings was HK$100,318,000 (As at 28 February 2021: Nil). The estimate of the recoverable amount of each CGU was determined by applying a discount rate of 10.7% (As at 28 February 2021: 11.1%) to the cashflow projections.

In addition, management also estimated the recoverable amounts of certain right-of-use buildings by using fair value less costs of disposal based on valuations performed by Castores Magi (Hong Kong) Limited and Valtech Valuation Advisory Limited, the independent qualified professional valuers. Based on the fair value less costs of disposal of these right-of-use buildings, the carrying amounts of these right-of-use buildings were written down by HK$1,170,000 (Year ended 28 February 2021: HK$22,312,000). The fair value measurement was categorised under Level 3.

Below is a summary of the valuation technique used and the key inputs to the valuations of right-of-use buildings:

Valuation technique	Significant unobservable input	Range
Discounted cash flow method	Estimated rental value (per square feet and per month)	HK$30 to HK$69 (As at 28 February 2021: HK$26 to HK$90)
	Discount rate	9.6% (As at 28 February 2021: 9.5%)

11. PROPERTY, PLANT AND EQUIPMENT (Continued)

Revaluation of leasehold land and owned buildings

Management determined that the leasehold land and owned buildings constitute a separate class of property, plant and equipment, based on the nature, characteristics and risks of the property.

The Group's leasehold land and owned buildings were revalued based on valuations performed by Roma Appraisals Limited (As at 28 February 2021: Castores Magi (Hong Kong) Limited), an independent qualified professional valuer, at HK$190,000,000 on 31 December 2021 (As at 28 February 2021: HK$172,529,000). The valuations were based on comparable market transactions and evidence and considered adjustments to reflect differences in transaction timing, location and tenure. Revaluation surplus of HK$22,686,000 (Year ended 28 February 2021: deficit of HK$9,020,000) resulting from the above revaluation was recognised in other comprehensive income during the period from 1 March 2021 to 31 December 2021.

The Group appoints an external valuer to be responsible for the external valuations of the Group's properties. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. The Group discusses with the valuer on the valuation assumptions and valuation results when the valuations are performed for financial reporting. In estimating the fair value of the leasehold land and owned buildings, the highest and best use of the leasehold land and owned buildings is their current use.

The fair values of the Group's leasehold land and owned buildings as at 31 December 2021 and 28 February 2021 were estimated by using significant unobservable inputs and the fair value measurement was categorised under Level 3.

Reconciliation of carrying amounts and fair values of leasehold land and owned buildings

	Owned buildings HK$'000	Leasehold land HK$'000	Total HK$'000
As at 1 March 2020	22,388	165,807	188,195
Depreciation	(797)	(5,849)	(6,646)
Level 3 revaluation deficit on revaluation as at 28 February 2021	(888)	(8,132)	(9,020)
As at 28 February 2021 and 1 March 2021	**20,703**	**151,826**	**172,529**
Depreciation	**(626)**	**(4,589)**	**(5,215)**
Level 3 revaluation surplus on revaluation as at 31 December 2021	**2,722**	**19,964**	**22,686**
As at 31 December 2021	**22,799**	**167,201**	**190,000**

11. PROPERTY, PLANT AND EQUIPMENT (Continued)

Revaluation of leasehold land and owned buildings (Continued)

Below is a summary of the key inputs to the valuations of leasehold land and owned buildings:

Leasehold land and owned buildings held by the Group	Significant unobservable input	Range As at 31 December 2021	Range As at 28 February 2021
Industrial property in Hong Kong (As at 31 December 2021: HK$186,300,000 (As at 28 February 2021: HK$168,629,000))	Adopted price per square feet determined based on comparable transactions (HK$)	**6,500 to 7,100**	3,400 to 4,300
	Adjusting factors for variable conditions and locations	**adjusting factors range from 82% to 90%**	adjusting factors range from 83% to 93%
2 car parking spaces in Hong Kong (As at 31 December 2021: HK$3,700,000 (As at 28 February 2021: HK$3,900,000))	Adopted price per bay determined based on comparable transactions (HK$'000)	**1,900**	2,000
	Adjusting factors for variable conditions and locations	**adjusting factor of 95%**	adjusting factor of 95%

Significant increase/(decrease) in estimated price per square feet/bay in isolation would result in a significantly higher/(lower) fair value on a linear basis.

12. INTEREST IN AN ASSOCIATE

	As at 31 December 2021 HK$'000	As at 28 February 2021 HK$'000
Share of net assets other than goodwill	**–**	–
Due from an associate *(note (a))*	**–**	9,926
Provision for impairment *(note (b))*	**–**	(9,926)
	–	–

Notes:

(a) The balance with an associate is unsecured, interest-free and not repayable within the next 12 months from the end of the reporting period.

(b) As at 28 February 2021, an aggregate impairment of HK$9,926,000 was recognised for an amount due from an associate with a gross carrying amount of HK$9,926,000, because the associate had suffered losses for years. The impairment had taken into account the net asset value and operating performance of the associate.

Particulars of the associate are as follows:

Company name	**Business structure**	**Place of incorporation**	**Particular of issued shares held**	**Percentage of ownership interest attributable to the Group**	**Principal activity**
CPE Investments Limited	Corporate	BVI	Ordinary shares of US$1 each	N/A* (As at 28 February 2021: 50%)	Investment holding

* During the period from 1 March 2021 to 31 December 2021, the Group's associate has been struck off.

12. INTEREST IN AN ASSOCIATE (Continued)

The following table illustrates the summarised financial information of the Group's associate extracted from its management account:

	As at 31 December 2021 HK$'000	As at 28 February 2021 HK$'000
Total assets	**N/A**	–
Total liabilities	**N/A**	(17,172)
Loss before income tax	**N/A**	(5)

The Group has discontinued the recognition of its share of losses of the associate because the share of losses of the associate exceeded the Group's interests in the associate and the Group has no obligation to take up further losses. The amount of the Group's unrecognised share of loss of the associate for the year ended 28 February 2021 and the amount of the Group's unrecognised share of losses cumulatively as at 28 February 2021 were HK$3,000 and HK$9,641,000, respectively.

13. EQUITY INVESTMENTS AT FVTOCI

	As at 31 December 2021 HK$'000	As at 28 February 2021 HK$'000
Equity investments at FVTOCI	**3,807**	24,237

The above equity investments were irrevocably designated at FVTOCI as the Group considers these investments to be strategic in nature.

14. PREPAYMENTS, DEPOSITS, OTHER RECEIVABLES AND OTHER ASSETS

	Notes	As at 31 December 2021 HK$'000	As at 28 February 2021 HK$'000
Gift receivable from Win Dynamic	*36*	**159,315**	–
Prepayments, deposits and other receivables	*(a)*	**36,233**	47,337
Other assets	*(b)*	**4,421**	4,421
Loss allowance	*(c), 36*	**(445)**	–
		199,524	51,758
Less: amount classified as current portion		**(27,466)**	(29,056)
Amount classified as non-current portion		**172,058**	22,702

Notes:

(a) Prepayments, deposits and other receivables

Included in prepayments, deposits and other receivables are mainly rental deposits of HK$32,640,000 (As at 28 February 2021: HK$36,876,000) and amounts due from credit card companies related to sales settled by customers using credit cards of HK$1,086,000 (As at 28 February 2021: HK$2,124,000).

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.

Where applicable, an impairment analysis is performed at each reporting date by considering the probability of default of comparable companies with published credit ratings. In the situation where no comparable companies with credit ratings can be identified, ECL are estimated by applying a loss rate approach with reference to the historical loss record of the Group. The loss rate is adjusted to reflect the current conditions and forecasts of future economic conditions, as appropriate. As at 31 December 2021 and 28 February 2021, the Group estimated the loss rate of the other receivables to be minimal and no impairment was made.

14. PREPAYMENTS, DEPOSITS, OTHER RECEIVABLES AND OTHER ASSETS (Continued)

Notes: (Continued)

(b) Other assets

Other assets represented investments in club debentures which were classified as intangible assets of HK$2,421,000 (As at 28 February 2021: HK$2,421,000) and financial assets at FVTPL of HK$2,000,000 (As at 28 February 2021: HK$2,000,000). The intangible assets are regarded as having indefinite useful lives and are stated at cost less any impairment losses. During the period from 1 March 2021 to 31 December 2021, no impairment loss was recognised (Year ended 28 February 2021: an impairment loss of HK$267,000 was recognised as the carrying amount of the investment in a club debenture exceeds its fair value less cost of disposal).

Certain club debentures were classified as financial assets at FVTPL as their contractual cash flows are not solely payments of principal and interest. The fair value of these club debentures is based on the quoted market price from the respective club.

(c) Loss allowance

Further details are disclosed in note 32 to the consolidated financial statements.

15. FINANCIAL ASSETS AT FVTPL

	As at 31 December 2021 HK$'000	As at 28 February 2021 HK$'000
Listed investments, at fair value	**3,432**	4,912
Other investments, at quoted price	**2,309**	5,765
	5,741	10,677

The above investments as at 31 December 2021 and 28 February 2021 were classified as financial assets at FVTPL as they were held for trading.

At the end of the reporting period, investments held for trading with an aggregate fair value of HK$3,432,000 (As at 28 February 2021: HK$4,912,000) were pledged as security for the bank borrowings granted to the Group (note 18(a)).

16. CASH AND BANK BALANCES

	As at 31 December 2021 HK$'000	As at 28 February 2021 HK$'000
Cash on hand and at banks	**54,092**	87,949

At the end of the reporting period, the cash and bank balances of the Group denominated in Renminbi ("RMB") amounting to HK$916,000 (As at 28 February 2021: HK$910,000). RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short-term time deposits are made for varying periods of between one day and 3 months depending on the immediate cash requirements of the Group, and earn interest at the respective short-term time deposit rates. The bank balances and time deposits are deposited with creditworthy banks with no recent history of default.

17. ASSET CLASSIFIED AS HELD FOR SALE

	As at 31 December 2021 HK$'000	As at 28 February 2021 HK$'000
Unlisted investment	**26,646**	–

The Group is seeking to dispose one of its unlisted investments and has entered into a sale and purchase agreement with an independent third party in January 2022. The Group anticipates that the disposal will be completed by 2022.

18. INTEREST-BEARING BANK BORROWINGS, OTHER LOANS AND LOANS FROM RELATED PARTIES

(a) Interest-bearing bank borrowings

	As at 31 December 2021			As at 28 February 2021		
	Effective interest rate	**Maturity**		Effective interest rate	Maturity	
	%		**HK$'000**	%		HK$'000
Secured bank borrowings denominated in Hong Kong dollars	**Hong Kong Interbank Offered Rate ("HIBOR")+ 1.5**	**2022**	**144,508**	HIBOR+ 1.5	2021	162,679

	As at 31 December 2021 HK$'000	As at 28 February 2021 HK$'000
Analysed into:		
Within one year or on demand	**144,508**	162,679

As at 31 December 2021, the Group's bank borrowings and banking facilities are secured by:

(i) the pledge of the Group's bank balances and time deposits of HK$102,153,000 (As at 28 February 2021: HK$103,719,000);

(ii) the pledge of the Group's marketable securities with an aggregate fair value of HK$3,432,000 (As at 28 February 2021: HK$4,912,000) (note 15); and

(iii) the mortgages over the Group's leasehold land and owned buildings with an aggregate carrying amount of HK$190,000,000 (As at 28 February 2021: HK$172,529,000) (note 11).

18. INTEREST-BEARING BANK BORROWINGS, OTHER LOANS AND LOANS FROM RELATED PARTIES (Continued)

(b) Other loans

	Notes	As at 31 December 2021 HK$'000	As at 28 February 2021 HK$'000
Other loans	*(i)*	**2,740**	3,293
Loan from the Lender (as defined below)	*(ii)*	**–**	150,000
		2,740	153,293
Less: amount repayable within one year or on demand and classified as current portion		**(2,203)**	(152,167)
Amount classified as non-current portion		**537**	1,126

	As at 31 December 2021 HK$'000	As at 28 February 2021 HK$'000
Analysed into:		
Within one year or on demand	**2,203**	152,167
In the second year	**537**	1,126
	2,740	153,293

18. INTEREST-BEARING BANK BORROWINGS, OTHER LOANS AND LOANS FROM RELATED PARTIES (Continued)

(b) Other loans (Continued)

Notes:

(i) The other loans were unsecured, bore interest at 2% (As at 28 February 2021: 2%) per annum and repayable on demand, except for an amount of HK$537,000 (As at 28 February 2021: HK$1,126,000) which was not repayable in the next 12 months after the end of the reporting period. The balances were denominated in Hong Kong dollars.

(ii) On 18 February 2021, the Group executed a loan of HK$150,000,000 in a loan facility agreement with a financial institution that is independent of the Group and of its connected persons (the "Lender") (collectively the "Facility"). As one of the conditions of the Facility, the Company has executed a debenture which gives (i) a first fixed charge over the fixed property and assets of the Company; and (ii) a first floating charge over the undertaking and all other property assets and rights of the Company, in favour of the Lender.

The loan under the Facility was denominated in Hong Kong dollars and fully drawdown during the year ended 28 February 2021. The loan bore interest at 16% per annum, repayable in 18 months from the drawdown date, or on demand. On 12 May 2021, the loan was fully settled.

(c) Loan from a fellow subsidiary

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

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

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

18. INTEREST-BEARING BANK BORROWINGS, OTHER LOANS AND LOANS FROM RELATED PARTIES (Continued)

(c) Loan from a fellow subsidiary (Continued)

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

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

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

As at 31 December 2021, the carrying amount of Realord Loan was HK$104,000,000.

(d) Loan from immediate holding company

On 11 June 2021, the Group has obtained a transitional loan facility from Realord up to a limit of HK$40,000,000 for additional working capital. The loan bears interest at HIBOR plus 1.75% per annum, is unsecured and repayable 2 months after drawdown. On 10 August 2021, the terms of the loan was revised with a facilities limit of HK$100,000,000 (the "Supplemental Loan"). The Supplemental Loan bears interest at 8.2% per annum, is unsecured and repayable on or before 10 August 2022. As at 31 December 2021, the carrying amount of Supplemental Loan was HK$55,000,000.

19. CREDITORS

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

	As at 31 December 2021 HK$'000	As at 28 February 2021 HK$'000
Current – 3 months	**33,377**	40,173
4 – 6 months	**348**	1,551
7 – 12 months	**383**	1,027
Over 1 year	**1,449**	1,930
	35,557	44,681

20. LEASES

The Group as a lessee

The Group has lease contracts for warehouse, office premises and 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 office premises and stores generally have lease terms between 1 and 9 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/year are disclosed in note 11 to the consolidated financial statements.

20. LEASES (Continued)

The Group as a lessee (Continued)

(b) Lease liabilities

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

	Period from 1 March 2021 to 31 December 2021 HK$'000	Year ended 28 February 2021 HK$'000
At the beginning of the period/year	**114,148**	206,418
Accretion of interest recognised during the period/year *(note 6)*	**7,099**	8,378
Payments	**(76,315)**	(95,744)
Modification of leases *(note 11)*	**63,745**	6,573
Termination of a lease	**(7,265)**	–
Covid-19-related rent concessions from lessors *(note 7)*	**(6,997)**	(11,477)
At the end of the period/year	**94,415**	114,148
Analysed into payable:		
Within one year	**54,859**	93,718
In the second to fifth years, inclusive	**39,556**	20,430
Carrying amount at the end of the period/year	**94,415**	114,148
Less: current portion	**(54,859)**	(93,718)
Non-current portion	**39,556**	20,430

The maturity analysis of lease liabilities is disclosed in note 32 to the consolidated financial statements.

20. LEASES (Continued)

The Group as a lessee (Continued)

(c) Amounts recognised in the consolidated income statement

The amounts charged/(credited) in the consolidated income statement in relation to leases are as follows:

	Period from 1 March 2021 to 31 December 2021 HK$'000	Year ended 28 February 2021 HK$'000
Interest on lease liabilities *(note 6)*	**7,099**	8,378
Depreciation of right-of-use assets *(note 11)*	**45,602**	80,179
Impairment of right-of-use assets *(note 11)*	**1,992**	22,312
Loss on termination of lease, including final settlement of HK$5,300,000 (Year ended 28 February 2021: Nil) and set off of reinstatement cost of HK$493,000 (Year ended 28 February: Nil) *(note 7)*	**2,860**	–
Expense relating to short-term leases	**2**	56
Variable lease payments not included in the measurement of lease liabilities (included in selling and distribution expenses)	**2,183**	308
Covid-19-related rent concession from lessors *(note 7)*	**(6,997)**	(11,477)
	52,741	99,756

(d) Total cash outflow

The total cash outflow for leases are disclosed in note 27(b) to the consolidated financial statements.

The Group as a lessor

The Group subleases certain area of certain premises under operating lease arrangements. Rental income recognised by the Group during the period from 1 March 2021 to 31 December 2021 was HK$631,000 (Year ended 28 February 2021: HK$770,000), details of which are included in note 5(a) to the consolidated financial statements. As at 31 December 2021, the undiscounted sub-lease payments of HK$90,000 (As at 28 February 2021: HK$450,000) receivable by the Group in the future periods under non-cancellable operating lease with the tenant are within one year.

21. INSURANCE CONTRACTS LIABILITIES

(a) Life insurance contracts liabilities

	Notes	As at 31 December 2021 HK$'000	As at 28 February 2021 HK$'000
Life reserve	*(i)*	**1,046**	1,078
Provision for claims	*(ii)*	**128**	128
		1,174	1,206

Notes:

(i) Life reserve is analysed as follows:

	Period from 1 March 2021 to 31 December 2021 HK$'000	Year ended 28 February 2021 HK$'000
At the beginning of the period/year	**1,078**	1,078
Decrease in the period/year	**(32)**	–
At the end of the period/year	**1,046**	1,078

(ii) During the period from 1 March 2021 to 31 December 2021 and the year ended 28 February 2021, there were no movements of the provision for claims of life insurance contracts.

21. INSURANCE CONTRACTS LIABILITIES (Continued)

(b) Terms and conditions

The principal risk the Group faces under insurance contracts is that the actual claims and benefit payments or the timing thereof differ from expectations. This is influenced by the frequency of claims, severity of claims, actual benefits paid and subsequent development of long-term claims. Therefore, the objective of the Group is to ensure that sufficient reserves are available to cover these liabilities.

Life insurance contracts offered by the Group are whole life contracts. Whole life contracts are conventional regular premium products when lump sum benefits are payable on death or permanent disability.

The main risk that the Group is exposed to is mortality risk - risk of loss arising due to policy holder death experience being different than expected. This risk does not vary significantly in relation to the location of the risk insured by the Group, type of risk insured or industry.

For contracts for which death or disability is the insured risk, the significant factors that could increase the overall frequency of claims are epidemics, widespread changes in lifestyle and natural disasters, resulting in earlier or more claims than expected.

(c) Key assumptions

Material judgment is required in determining the liabilities and in the choice of assumptions. Assumptions in use are based on past experience, current internal data, external market indices and benchmarks which reflect current observable market prices and other published information. Assumptions and prudent estimates are determined at the date of valuation and no credit is taken for possible beneficial effects of voluntary withdrawals. Assumptions are further evaluated on a continuous basis in order to ensure realistic and reasonable valuations.

The key assumptions to which the estimation of liabilities is particularly sensitive are as follows:

Mortality rates

Assumptions are based on standard industry and national tables, according to the type of contract written and the territory in which the insured person resides. They reflect recent historical experience and are adjusted when appropriate to reflect the Group's own experiences. An appropriate, but not excessive, prudent allowance is made for expected future improvements. Assumptions are differentiated by sex, underwriting class and contract type.

21. INSURANCE CONTRACTS LIABILITIES (Continued)

(c) Key assumptions (Continued)

Mortality rates (Continued)

An increase in rates will lead to a larger number of claims (and claims could occur sooner than anticipated), which will increase the expenditure and reduce profits for the shareholders.

Discount rates

Life insurance liabilities are determined as the sum of the discounted value of the expected benefits and future administration expenses directly related to the contract, less the discounted value of the expected theoretical premiums that would be required to meet these future cash outflows. Discount rates are based on current industry risk rates, adjusted for the Group's own risk exposure.

A decrease in the discount rate will increase the value of the insurance liability and therefore reduce profits for the shareholders.

22. DEPOSITS, ACCRUED EXPENSES AND OTHER PAYABLES

	As at 31 December 2021 HK$'000	As at 28 February 2021 HK$'000
Accrued and other payables	**23,797**	49,682
Deposits received	**901**	967
Interest payables	**–**	723
Provision for staff cost	**1,063**	1,945
Provision for reinstatement costs	**10,955**	13,442
	36,716	66,759
Less: amount classified as current portion	**(32,053)**	(62,825)
Amount classified as non-current portion	**4,663**	3,934

23. PENSION SCHEME ASSETS

The Group operates a funded final salary defined benefit pension scheme (the "Scheme") for those employees who are eligible to participate in the Scheme. The Scheme provides lump sum benefits based on a multiple of a member's final salary and years of service upon the member's retirement, death or early retirement due to incapacity. In addition to the above, a flat pension payment equals to 50% of final salary payable over a period that is related to the member's year of service.

The Group's defined benefit plan is a final salary plan, which requires contributions to be made to a separately administered fund. The Scheme is governed under a trust and is administrated by a corporate trustee with the assets held separately from those of the Group. The trustee is responsible for ensuring that the Scheme is administered in accordance with the trust deed and rules and to act on behalf of all members impartially, prudently and in good faith.

The trustee and the Group periodically review the investment strategy and funding position. The investment portfolio is a mix of 36% in equity and 64% in debt instruments (As at 28 February 2021: a mix of 35% in equity and 65% in debt instruments).

The Scheme is exposed to interest rate risk, investment risk and salary risk.

The most recent actuarial valuation to determine the present value of the defined benefit obligations of the Scheme was carried out on 31 December 2021 by an independent qualified professional valuer, Towers Watson Hong Kong Limited, using the projected unit credit actuarial valuation method.

23. PENSION SCHEME ASSETS (Continued)

(a) The principal actuarial assumptions used at the end of the reporting period are as follows:

	As at 31 December 2021	As at 28 February 2021
Discount rate	**1.2%**	0.7%
Expected rate of salary increase	**2.0%**	2.0%

The actuarial valuation showed that the market value of plan assets was HK$42,776,000 (As at 28 February 2021: HK$57,680,000) and that the actuarial value of these assets represented 217% (As at 28 February 2021: 151%) of the benefits that had been accrued to qualifying employees.

(b) A quantitative sensitivity analysis for significant assumptions at the end of the reporting period is shown below:

	Increase in rate %	**(Decrease)/ Increase in net defined benefit obligations HK$'000**	**Decrease in rate %**	**Increase/ (Decrease) in net defined benefit obligations HK$'000**
As at 31 December 2021				
Discount rate	**0.25**	**(269)**	**(0.25)**	**250**
Long-term salary increase rate	**0.25**	**243**	**(0.25)**	**(237)**
As at 28 February 2021				
Discount rate	0.25	(446)	(0.25)	460
Long-term salary increase rate	0.25	507	(0.25)	(495)

The sensitivity analysis above has been determined based on a method that extrapolates the impact on defined benefit obligations as a result of reasonable changes in key assumptions occurring at the end of the reporting period. The sensitivity analysis is based on a change in a significant assumption, keeping all other assumptions constant. The sensitivity analysis may not be representative of an actual change in the defined benefit obligations as it is unlikely that changes in assumptions would occur in isolation of one another.

23. PENSION SCHEME ASSETS (Continued)

(c) The total expenses recognised in the consolidated income statement in respect of the plan are as follows:

	Period from 1 March 2021 to 31 December 2021 HK$'000	Year ended 28 February 2021 HK$'000
Current service cost	**1,115**	1,435
Net interest income	**(107)**	(133)
Net pension scheme cost	**1,008**	1,302

The above amount of the Group's net pension scheme cost was included in "General and administrative expenses" on the face of the consolidated income statement.

(d) The movements in the present value of the defined benefit obligations are as follows:

	Period from 1 March 2021 to 31 December 2021 HK$'000	Year ended 28 February 2021 HK$'000
At the beginning of the period/year	**38,095**	37,881
Current service cost	**1,115**	1,435
Interest cost	**192**	337
Actuarial gains	**(3,819)**	(57)
Benefit paid	**(15,908)**	(1,501)
At the end of the period/year	**19,675**	38,095

23. PENSION SCHEME ASSETS (Continued)

(e) The movements in the defined benefit obligations and the fair value of plan assets are as follows:

		Pension cost credited/(charged) to the income statement				Remeasurement income/(losses) in the other comprehensive income						
	As at 1 March 2021 HK$'000	Service cost HK$'000	Net interest income/ (expense) HK$'000	Sub-total included in the income statement HK$'000	Benefit paid HK$'000	Return on plan assets (excluding amounts included in net interest expense) HK$'000	Actuarial changes arising from changes in demographic assumptions HK$'000	Actuarial changes arising from changes in financial assumptions HK$'000	Experience adjustments HK$'000	Sub-total included in the other comprehensive income HK$'000	Contribution by employer HK$'000	As at 31 December 2021 HK$'000
Period from 1 March 2021 to 31 December 2021												
Defined benefit obligations	(38,095)	(1,115)	(192)	(1,307)	15,908	–	(1)	499	3,321	3,819	–	(19,675)
Fair value of plan assets	57,680	–	299	299	(15,908)	705	–	–	–	705	–	42,776
Benefit assets/(liabilities)	19,585	(1,115)	107	(1,008)	–	705	(1)	499	3,321	4,524	–	23,101

		Pension cost credited/(charged) to the income statement				Remeasurement income/(losses) in the other comprehensive income						
	As at 1 March 2020 HK$'000	Service cost HK$'000	Net interest income/ (expense) HK$'000	Sub-total included in the income statement HK$'000	Benefit paid HK$'000	Return on plan assets (excluding amounts included in net interest expense) HK$'000	Actuarial changes arising from changes in demographic assumptions HK$'000	Actuarial changes arising from changes in financial assumptions HK$'000	Experience adjustments HK$'000	Sub-total included in the other comprehensive income HK$'000	Contribution by employer HK$'000	As at 28 February 2021 HK$'000
Year ended 28 February 2021												
Defined benefit obligations	(37,881)	(1,435)	(337)	(1,772)	1,501	–	2	(395)	450	57	–	(38,095)
Fair value of plan assets	52,553	–	470	470	(1,501)	6,137	–	–	–	6,137	21	57,680
Benefit assets/(liabilities)	14,672	(1,435)	133	(1,302)	–	6,137	2	(395)	450	6,194	21	19,585

23. PENSION SCHEME ASSETS (Continued)

(f) The major categories of the fair value of the total plan assets are as follows:

	As at 31 December 2021	As at 28 February 2021
Equity instruments, quoted in an active market	**36%**	35%
Debt instruments, at quoted prices	**64%**	65%
Total	**100%**	100%

(g) Expected contributions to the defined benefit plan in future years are as follows:

	As at 31 December 2021 HK$'000	As at 28 February 2021 HK$'000
Within the next 12 months	**–**	–

The average duration of the defined benefit obligations at the end of the reporting period was 5.0 years (As at 28 February 2021: 4.8 years).

(h) In addition to the above disclosures, the following information is further provided pursuant to the requirements of the Listing Rules:

The Group has paid contributions to the Scheme at rates as recommended and calculated by the independent actuary, Ms. Wing Lui, Fellow of the Society of Actuaries, using the attained age valuation method. The latest ongoing funding valuation and solvency funding valuation were performed as at 1 March 2020. The market value of the assets was HK$52,553,000 while the levels of funding were 147% and 268%, respectively. Based on the accrued funding status as at 1 March 2020, the Scheme was fully funded. An interest rate of 2% per annum and a salary increase rate of 2% per annum were assumed in the valuation.

24. SHARE CAPITAL

	As at 31 December 2021 HK$'000	As at 28 February 2021 HK$'000
Issued and fully paid:		
1,313,962,560 ordinary shares	**469,977**	469,977

There is no movement in the Company's share capital for the period/year.

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

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

25. DEFICITS

The amounts of the Group's deficits and the movements therein for the current period and prior years are presented in the consolidated statement of changes in equity.

26. REMUNERATION OF THE DIRECTORS AND CHIEF EXECUTIVE AND THE FIVE HIGHEST PAID INDIVIDUALS

Directors' and chief executive's remuneration for the period/year, disclosed pursuant to the Listing Rules, section 383(1)(a), (b), (c) and (f) of the Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	Period from 1 March 2021 to 31 December 2021 HK$'000	Year ended 28 February 2021 HK$'000
Fees	**640**	2,414
Other emoluments:		
– Salaries, allowances and other benefits	**2,349**	10,434
– Pension contributions, including pension cost for a defined benefit plan of Nil (Year ended 28 February 2021: HK$6,000)	**–**	6
	2,989	12,854

26. REMUNERATION OF THE DIRECTORS AND CHIEF EXECUTIVE AND THE FIVE HIGHEST PAID INDIVIDUALS (Continued)

	Fees HK$'000	Salaries, allowances and other benefits HK$'000	Pension contributions HK$'000	Total HK$'000
Period from 1 March 2021 to 31 December 2021				
Executive directors				
Dr. Lin *(appointed on 9 June 2021)*	–	–	–	–
Madam Su* *(appointed on 9 June 2021)*	–	–	–	–
Dr. Yu Lai *(appointed on 9 June 2021)*	–	–	–	–
Mr. Chan Chu Kin *(appointed on 9 June 2021 and resigned on 10 August 2021)*	–	–	–	–
Mr. Philip K H Ma ("Mr. Philip Ma")** *(re-designated on 11 June 2021)*	–	–	–	–
	–	–	–	–
Non-executive directors				
Dr. Tai Tak Fung *(appointed on 9 June 2021)*	121	–	–	121
Mr. Charles M W Chan *(resigned on 4 June 2021)*	28	13	–	41
Mr. Philip Ma** *(re-designated on 11 June 2021 and resigned on 1 July 2021)*	67	2,262	–	2,329
	216	2,275	–	2,491
Independent non-executive directors				
Mr. Yu Leung Fai *(appointed on 9 June 2021)*	88	–	–	88
Mr. Yuan Baoyu *(appointed on 9 June 2021)*	88	–	–	88
Mr. Chung Chun Hung Simon *(appointed on 9 June 2021)*	88	–	–	88
Mr. King Wing Ma *(resigned on 1 July 2021)*	37	17	–	54
Mr. Eric K K Lo *(resigned on 15 July 2021)*	41	19	–	60
Mr. Peter Tan *(resigned on 15 July 2021)*	41	19	–	60
Mr. Anders W L Lau *(resigned on 15 July 2021)*	41	19	–	60
	424	74	–	498
	640	2,349	–	2,989

26. REMUNERATION OF THE DIRECTORS AND CHIEF EXECUTIVE AND THE FIVE HIGHEST PAID INDIVIDUALS (Continued)

	Fees HK$'000	Salaries, allowances and other benefits HK$'000	Pension contributions HK$'000	Total HK$'000
Year ended 28 February 2021				
Executive director				
Mr. Philip Ma	1,864	10,184	6	12,054
Non-executive director				
Mr. Charles M W Chan	110	50	–	160
Independent non-executive directors				
Mr. King Wing Ma	110	50	–	160
Mr. Eric K K Lo	110	50	–	160
Mr. Peter Tan	110	50	–	160
Mr. Anders W L Lau	110	50	–	160
	440	200	–	640
	2,414	10,434	6	12,854

There were no other emoluments payable to the independent non-executive directors during the period from 1 March 2021 to 31 December 2021 (Year ended 28 February 2021: Nil).

No emoluments were paid by the Group to any directors as an inducement to join or upon joining the Group or as compensation for loss of office during the period from 1 March 2021 to 31 December 2021 (Year ended 28 February 2021: Nil).

* Madam Su has been appointed as the chief executive of the Company with effect from 11 June 2021.

** Mr. Philip Ma has ceased to act as the chief executive of the Company with effect from 11 June 2021.

26. REMUNERATION OF THE DIRECTORS AND CHIEF EXECUTIVE AND THE FIVE HIGHEST PAID INDIVIDUALS (Continued)

There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the period/year.

The five highest paid individuals included one (Year ended 28 February 2021: one) director of the Company and his remuneration is included in the directors' and chief executive's remuneration above. The remuneration of the remaining four (Year ended 28 February 2021: four) highest paid individuals, analysed by nature thereof and designated band, is set out below:

	Period from 1 March 2021 to 31 December 2021 HK$'000	Year ended 28 February 2021 HK$'000
Salaries, allowances and other benefits	**2,445**	3,766
Pension contributions	**45**	29
	2,490	3,795

	Number of individuals	
	Period from 1 March 2021 to 31 December 2021 HK$'000	Year ended 28 February 2021 HK$'000
Nil – HK$1,000,000	**3**	3
HK$1,000,001 – HK$1,500,000	**1**	1

27. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Changes in liabilities arising from financing activities

	Lease liabilities HK$'000	Interest-bearing bank borrowings HK$'000	Other loans HK$'000	Loan from a fellow subsidiary HK$'000	Loan from immediate holding company HK$'000
As at 1 March 2020	206,418	156,719	3,240	–	–
Financing cash flows:					
Proceeds	–	206,779	150,053	–	–
Repayments	(87,366)	(200,819)	–	–	–
Operating cash flows:					
Interest paid	(8,378)	(4,309)	(7,570)	–	–
Non-cash:					
Modification of leases	6,573	–	–	–	–
Interest expense	8,378	4,309	7,570	–	–
Covid-19-related rent concession from lessors	(11,477)	–	–	–	–
As at 28 February 2021 and 1 March 2021	**114,148**	**162,679**	**153,293**	**–**	**–**
Financing cash flows:					
Proceeds	**–**	**130,873**	**–**	**152,000**	**55,000**
Repayments	**(69,216)**	**(149,044)**	**(150,553)**	**(48,000)**	**–**
Final settlement on termination of a lease paid	**(5,300)**	**–**	**–**	**–**	**–**
Operating cash flows:					
Interest paid	**(7,099)**	**(2,098)**	**(5,288)**	**(9,365)**	**(1,869)**
Non-cash:					
Modification of leases	**63,745**	**–**	**–**	**–**	**–**
Termination of leases	**(7,265)**	**–**	**–**	**–**	**–**
Interest expense	**7,099**	**2,098**	**5,288**	**9,365**	**1,869**
Final settlement on termination of a lease	**5,300**	**–**	**–**	**–**	**–**
Covid-19-related rent concession from lessors	**(6,997)**	**–**	**–**	**–**	**–**
As at 31 December 2021	**94,415**	**144,508**	**2,740**	**104,000**	**55,000**

27. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

(b) Total cash outflow for leases

The total cash outflow for leases included in the consolidated statement of cash flows is as follows:

	Period from 1 March 2021 to 31 December 2021 HK$'000	Year ended 28 February 2021 HK$'000
Within operating activities	**9,284**	8,742
Within financing activities	**74,516**	87,366
	83,800	96,108

28. OUTSTANDING COMMITMENTS AND CONTINGENT LIABILITIES

(a) Outstanding commitments and contingent liabilities at the end of the reporting period were as follows:

	As at 31 December 2021 HK$'000	As at 28 February 2021 HK$'000
Irrevocable letters of credit	**13,859**	16,832
Bank guarantees given in lieu of property rental deposits and to a supplier	**18,229**	19,654
	32,088	36,486

(b) Certain non-compliance matters regarding the Group's insurance business are brought to the attention of the Company. No provision has been made as at 31 December 2021 and 28 February 2021.

29. RELATED PARTY TRANSACTIONS

(a) In addition to the transactions disclosed elsewhere in these consolidated financial statements, the Group had the following material transactions with connected and related parties during the period/year:

	Period from 1 March 2021 to 31 December 2021 HK$'000	Year ended 28 February 2021 HK$'000
Management service fee to a related company *(note (i))*	**764**	939
Professional fee to fellow subsidiaries *(note (ii))*	**1,103**	–
Interest on loan from a fellow subsidiary *(note (iii))*	**9,365**	–
Interest on loan from immediate holding company *(note (iii))*	**1,869**	–
Sale of goods to immediate holding company *(note (iv))*	**177**	–
Purchase of goods from a related company *(note (v))*	**74**	–

Except for the management service fee to a related company, the related party transactions constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules. The disclosures required by Chapter 14A of the Listing Rules are disclosed in "Report of the Directors" section to the annual report.

Notes:

(i) The management service fee was charged in accordance with contractual terms with a related company controlled by a member of key management personnel of the Group.

(ii) The professional fee to fellow subsidiaries is for the provision of printing and financial advisory service to the Group.

(iii) The interest expenses were charged in accordance with contractual terms with a fellow subsidiary and immediate holding company. Details of which are set out in notes 18(c) and 18(d), respectively, to the consolidated financial statements.

(iv) The sale of goods was charged in accordance with contractual terms with immediate holding company.

(v) The purchase of goods was charged in accordance with contractual terms with a related company controlled by a director of the Company.

As at 31 December 2021, outstanding professional fee to fellow subsidiaries included in deposits, accrued expenses and other payables was HK$979,000 (As at 28 February 2021: Nil).

29. RELATED PARTY TRANSACTIONS (Continued)

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

	Period from 1 March 2021 to 31 December 2021 HK$'000	Year ended 28 February 2021 HK$'000
Short-term employee benefits	**5,100**	16,173
Pension contributions, including pension cost for a defined benefit plan of Nil (Year ended 28 February 2021: HK$7,000)	**17**	49
	5,117	16,222

Further details of directors' and the chief executive's remuneration are included in note 26 to the consolidated financial statements.

30. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments at the end of the reporting period are as follows:

	As at 31 December 2021 HK$'000	As at 28 February 2021 HK$'000
Financial assets at amortised cost		
Financial assets included in prepayments, deposits, other receivables and other assets	**193,124**	45,520
Pledged bank balances and deposits	**102,153**	103,719
Cash and bank balances	**54,092**	87,949
	349,369	237,188
Financial assets at FVTPL		
Financial assets at FVTPL	**5,741**	10,677
Other assets	**2,000**	2,000
	7,741	12,677
Financial assets at FVTOCI		
Equity investments at FVTOCI	**3,807**	24,237
Asset classified as held for sale	**26,646**	–
	30,453	24,237
Financial liabilities at amortised cost		
Creditors	**35,557**	44,681
Provision for claims of life insurance	**128**	128
Financial liabilities included in deposits, accrued expenses and other payables	**35,815**	64,900
Interest-bearing bank borrowings	**144,508**	162,679
Other loans	**2,740**	153,293
Loan from a fellow subsidiary	**104,000**	–
Loan from the immediate holding company	**55,000**	–
Lease liabilities	**94,415**	114,148
	472,163	539,829

31. 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			
	Quoted prices in active markets (Level 1) HK$'000	Significant observable inputs (Level 2) HK$'000	Significant unobservable inputs (Level 3) HK$'000	Total HK$'000
As at 31 December 2021				
Equity investments at FVTOCI	**–**	**–**	**3,807**	**3,807**
Asset classified as held for sale	**–**	**–**	**26,646**	**26,646**
Financial assets at FVTPL	**3,432**	**2,309**	**–**	**5,741**
Other assets	**–**	**2,000**	**–**	**2,000**
	3,432	**4,309**	**30,453**	**38,194**
As at 28 February 2021				
Equity investments at FVTOCI	–	–	24,237	24,237
Financial assets at FVTPL	4,912	5,765	–	10,677
Other assets	–	2,000	–	2,000
	4,912	7,765	24,237	36,914

During the period from 1 March 2021 to 31 December 2021 and the year ended 28 February 2021, 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 31 December 2021 and 28 February 2021. As at 31 December 2021 and 28 February 2021, management used the following valuation technique and key input for the valuations of financial assets measured at fair value under Level 3.

31. FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (Continued)

Information about Level 3 fair value measurements

Financial instrument	Valuation technique	Significant unobservable input
Equity investments at FVTOCI and asset classified as held for sale	Market approach	Discount for lack of marketability of 30.9% (As at 28 February 2021: 34.1%)

The fair value of equity investments at FVTOCI and asset classified as held for sale is determined using the market approach adjusted for lack of marketability discount. The fair value is negatively correlated to the discount for lack of marketability.

As at 31 December 2021 and 28 February 2021, it is estimated that an increase/(decrease) of 3% in the unobservable input, with all other variables held constant, would have (decreased)/increased the Group's other comprehensive income as follows:

	Increase/ (Decrease) in unobservable input %	(Decrease)/ Increase in other comprehensive income HK$'000
As at 31 December 2021		
Discount for lack of marketability	**3**	**(800)**
	(3)	**818**
As at 28 February 2021		
Discount for lack of marketability	3	(770)
	(3)	784

31. 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:

	Period from 1 March 2021 to 31 December 2021 HK$'000	Year ended 28 February 2021 HK$'000
Equity investments at FVTOCI		
At the beginning of the period/year	**24,237**	22,573
Net gains recognised in other comprehensive income	**6,216**	1,664
Transfer to asset classified as held for sale	**(26,646)**	–
At the end of the period/year	**3,807**	24,237
Asset classified as held for sale		
At the beginning of the period/year	**–**	–
Transfer from equity investments at FVTOCI	**26,646**	–
At the end of the period/year	**26,646**	–

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise interest-bearing bank borrowings, other loans, loans from related parties, pledged bank balances and deposits, cash and bank balances and lease liabilities. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as creditors, which arise directly from its operations.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk, liquidity risk and market risk. The Board reviews and agrees policies for managing each of these risks and they are summarised below.

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's bank borrowings with floating interest rates. The Group regularly reviews and monitors the mix of fixed and floating interest rate borrowings in order to manage its interest rate risk. Floating rate interest income and expenses are credited/charged to the consolidated income statement as earned/incurred. The Group's policy to manage its interest rate risk is to reduce or maintain its current level of interest-bearing borrowings.

At the end of the reporting period, a hypothetical 100-basis point increase/(decrease) in interest rates on the bank borrowings that are carried at variable rates would increase/(decrease) the interest expense as follows:

	As at 31 December 2021 HK$'000	As at 28 February 2021 HK$'000
Increase/decrease in interest expense	**1,445**	1,627

Foreign currency risk

The Group has transactional currency exposures. Such exposures arise from sales or purchases by operating units in currencies other than the unit's functional currency. Also, the value of a financial instrument will fluctuate because of changes in foreign exchange rates. Given that the Hong Kong dollar is pegged to the United States dollar ("US$"), management does not expect that the Group has significant foreign exchange exposure to US$, and hence the Group has no hedging policy on US$.

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the Euro exchange rates, with all other variables held constant, of the Group's loss before income tax, in respect of the financial assets at FVTPL based on their carrying amounts at the end of the reporting period.

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Foreign currency risk (Continued)

	Increase/ (Decrease) in exchange rate %	(Decrease)/ Increase in loss before income tax HK$'000
As at 31 December 2021		
Investments denominated in:		
Euro	**5**	(15)
	(5)	15
As at 28 February 2021		
Investments denominated in:		
Euro	5	(13)
	(5)	13

Credit risk

Maximum exposure and period/year-end staging as at 31 December 2021 and 28 February 2021

The tables below show the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and period/year-end staging classification as at 31 December 2021 and 28 February 2021. The amounts presented are gross carrying amounts for financial assets.

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Credit risk (Continued)

Maximum exposure and period/year-end staging as at 31 December 2021 and 28 February 2021 (Continued)

	12-month ECLs	Lifetime ECLs			
	Stage 1 HK$'000	Stage 2 HK$'000	Stage 3 HK$'000	Simplified approach HK$'000	Total HK$'000
As at 31 December 2021					
Financial assets included in prepayments, deposits, other receivables and other assets					
– Normal*	**34,254**	**–**	**–**	**–**	**34,254**
– Doubtful*	**–**	**–**	**159,315**	**–**	**159,315**
Pledged bank balances and deposits					
– Not yet past due	**102,153**	**–**	**–**	**–**	**102,153**
Cash and bank balances					
– Not yet past due	**54,092**	**–**	**–**	**–**	**54,092**
	190,499	**–**	**159,315**	**–**	**349,814**
As at 28 February 2021					
Financial assets included in prepayments, deposits, other receivables and other assets					
– Normal*	45,520	–	–	–	45,520
Pledged bank balances and deposits					
– Not yet past due	103,719	–	–	–	103,719
Cash and bank balances					
– Not yet past due	87,949	–	–	–	87,949
	237,188	–	–	–	237,188

* The credit quality of the financial assets included in prepayments, deposits, other receivables and other assets is considered to be "normal" when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets is considered to be "doubtful".

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Credit risk (Continued)

Loss rate

Set out below is the loss rate applied for financial assets is considered to be "doubtful". The loss rates for other financial assets at amortised cost are assessed insignificant.

	12-month ECLs Stage 1	Lifetime ECLs Stage 2	Stage 3	Simplified approach
As at 31 December 2021				
Financial assets included in prepayments, deposits, other receivables and other assets – Doubtful	**0.0%**	**0.0%**	**0.28%**	**0.0%**

Movement in the loss allowance

Set out below is the movements in the loss allowance of the Group's other receivables:

	12-month ECLs Stage 1 HK$'000	Lifetime ECLs Stage 2 HK$'000	Stage 3 HK$'000	Simplified approach HK$'000	Total HK$'000
As at 1 March 2020, 28 February 2021 and 1 March 2021	–	–	–	–	–
Impairment losses	–	–	445	–	445
As at 31 December 2021	–	–	445	–	445

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Liquidity risk

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial instruments and financial assets and projected cash flows from operations.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank and other borrowings to ensure that the Group maintains sufficient cash to meet its liquidity requirements.

The maturity profile of the financial liabilities, at the end of the reporting period, based on the contractual undiscounted payments, was as follows:

	On demand or within 1 year HK$'000	In the second to fifth years, inclusive HK$'000	Total HK$'000
As at 31 December 2021			
Creditors	**35,557**	**–**	**35,557**
Provision for claims of life insurance	**128**	**–**	**128**
Deposits, accrued expenses and other payables	**31,152**	**4,663**	**35,815**
Interest-bearing bank borrowings	**147,305**	**–**	**147,305**
Other loans	**2,247**	**548**	**2,795**
Loan from a fellow subsidiary	**114,400**	**–**	**114,400**
Loan from immediate holding company	**59,510**	**–**	**59,510**
Lease liabilities	**60,222**	**41,803**	**102,025**
	450,521	**47,014**	**497,535**
As at 28 February 2021			
Creditors	44,681	–	44,681
Provision for claims of life insurance	128	–	128
Deposits, accrued expenses and other payables	60,966	3,934	64,900
Interest-bearing bank borrowings	165,257	–	165,257
Other loans	153,328	1,149	154,477
Lease liabilities	97,198	20,693	117,891
	521,558	25,776	547,334

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Market risk

Market risk is the risk that the fair values of investments held for trading decrease as a result of changes in the levels of equity indices and the value of individual securities. The Group was exposed to market risk arising from individual investments classified as held for trading (note 15).

The following table demonstrates the sensitivity to every 10% change in the fair values of the financial assets with all other variables held constant and before any impact on tax, based on their carrying amounts at the end of the reporting period.

	Increase/ (Decrease) in fair value %	(Decrease)/ Increase in loss before income tax HK$'000
As at 31 December 2021		
Financial assets at FVTPL	**10**	**(574)**
	(10)	**574**
As at 28 February 2021		
Financial assets at FVTPL	10	(1,068)
	(10)	1,068

Insurance risk management

The risk under an insurance contract is the risk that an insured event will occur including the uncertainty of the amount and timing of any resulting claim. The principal risk the Group faces under such contracts is that the actual claims and benefit payments may exceed the carrying amount of insurance liabilities. This is influenced by the frequency of claims, severity of claims, actual benefits paid which are greater than originally estimated and subsequent development of long tail claims. At the end of the reporting period, no claims and benefit payments of life insurances were unsettled.

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Capital management

The Group manages its capital to ensure that the 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 Group consists of interest-bearing bank borrowings, other loans, loans from related parties, lease liabilities and equity attributable to equity holders of the Company, comprising share capital and deficits/reserves. The Group monitors capital on the basis of the gearing ratio. This ratio is calculated based on total interest-bearing bank borrowings, other loans, loans from related parties and lease liabilities and total equity.

The gearing ratio at the end of the reporting period was as follows:

	As at 31 December 2021 HK$'000	As at 28 February 2021 HK$'000
Interest-bearing bank borrowings	**144,508**	162,679
Other loans	**2,740**	153,293
Loan from a fellow subsidiary	**104,000**	–
Loan from immediate holding company	**55,000**	–
Lease liabilities	**94,415**	114,148
Sub-total	**400,663**	430,120
Total equity	**237,227**	28,405
Gearing ratio	**169%**	1,514%

33. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	As at 31 December 2021 HK$'000	As at 28 February 2021 HK$'000
Non-current assets		
Property, plant and equipment	**30,030**	45,021
Interests in subsidiaries	**73,396**	136,660
Equity investments at FVTOCI	**799**	21,296
Prepayments, deposits, other receivables and other assets	**170,598**	21,242
Pension scheme assets	**20,119**	16,657
	294,942	240,876
Current assets		
Inventories	**34,401**	42,927
Prepayments, deposits, other receivables and other assets	**25,169**	26,832
Pledged deposits	**64,813**	65,079
Cash and bank balances	**12,366**	72,017
	136,749	206,855
Asset classified as held for sale	**26,646**	–
	163,395	206,855
Current liabilities		
Creditors	**35,553**	44,677
Lease liabilities	**7,678**	68,526
Deposits, accrued expenses and other payables	**18,598**	44,973
Contract liabilities	**2,119**	730
Interest-bearing bank borrowings	**144,508**	162,679
Other loan	**–**	150,000
Loan from a fellow subsidiary	**104,000**	–
Loan from immediate holding company	**55,000**	–
	367,456	471,585
Net current liabilities	**(204,061)**	(264,730)
Total assets less current liabilities	**90,881**	(23,854)

33. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (Continued)

	As at 31 December 2021 HK$'000	As at 28 February 2021 HK$'000
Non-current liabilities		
Deposits, accrued expenses and other payables	**4,663**	3,934
Lease liabilities	**39,556**	20,430
	44,219	24,364
Net assets/(liabilities)	**46,662**	(48,218)
Equity		
Share capital	**469,977**	469,977
Deficits *(note)*	**(423,315)**	(518,195)
Total equity/(deficits)	**46,662**	(48,218)

Lin Xiaohui
Director

Su Jiaohua
Director

33. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (Continued)

Note:

A summary of the Company's reserves/(deficits) is as follows:

	General and other reserves HK$'000	Investment revaluation reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
As at 1 March 2020	46,613	8,667	(449,633)	(394,353)
Loss for the year	–	–	(132,305)	(132,305)
Other comprehensive income for the year:				
– Actuarial gains on a defined benefit plan	–	–	5,886	5,886
– Changes in fair value of equity instruments at FVTOCI	–	2,577	–	2,577
As at 28 February 2021 and 1 March 2021	**46,613**	**11,244**	**(576,052)**	**(518,195)**
Loss for the period	**–**	**–**	**(65,755)**	**(65,755)**
Other comprehensive income for the period:				
– Actuarial gains on a defined benefit plan	**–**	**–**	**4,485**	**4,485**
– Changes in fair value of equity instruments at FVTOCI	**–**	**6,149**	**–**	**6,149**
Gift receivable from the then controlling shareholder of the Company *(note 36)*	**150,001**	**–**	**–**	**150,001**
As at 31 December 2021	**196,614**	**17,393**	**(637,322)**	**(423,315)**

34. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Particulars of the Company's principal subsidiaries as at 31 December 2021 and 28 February 2021 are as follows:

Name	Place of incorporation/ registration and business	Issued/ registered share capital/ paid-up capital	Class of shares held	Percentage of equity attributable to the Company		Principal activity
				Directly	Indirectly	
Ottoway Limited	BVI	US$1	Registered	100	–	Investment holding
Right View Limited	Hong Kong	HK$2	Ordinary	–	100	Property holding
Silveroute Limited	BVI	US$1	Registered	100	–	Securities trading
Sincere (Shanghai) Commercial Management Company Limited^	Mainland China	US$1,000,000	N/A	100	–	Provision of management services
Sincere II	Hong Kong	HK$20,000,000	Ordinary	40.67#	17.31#	General insurance and investment
Sincere LA	Hong Kong	HK$10,000,000	Ordinary	48.09#	8.87#	Life insurance and investment
Perfumery	Hong Kong	HK$1,300,000	Ordinary	37.15#	25.22#	Investment holding
Springview Limited	Hong Kong	HK$500,000	Ordinary	100	–	Securities trading
The Sincere Finance Company, Limited	Hong Kong	HK$2	Ordinary	100	–	Provision of finance

^ Registered as a wholly-foreign-owned enterprise under Law of the Mainland China.

Sincere LA, Sincere II and Perfumery are accounted for as subsidiaries of the Group based on the factors as explained in note 3 to the consolidated financial statements.

The above table lists the subsidiaries of the Company, which in the opinion of the directors of the Company, principally affected the results for the period/year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors of the Company, result in particulars of excessive length.

34. PARTICULARS OF PRINCIPAL SUBSIDIARIES (Continued)

Details of the Group's subsidiaries that have material non-controlling interests are set out below:

Sincere LA Group

	Period from 1 March 2021 to 31 December 2021 HK$'000	Year ended 28 February 2021 HK$'000
Loss for the period/year allocated to non-controlling interests	**(795)**	(332)
Other comprehensive (loss)/income for the period/year allocated to non-controlling interests	**(93)**	347
	(888)	15

	As at 31 December 2021	As at 28 February 2021
Percentage of effective equity interest held by non-controlling interests	**43.04%**	43.04%
Accumulated balances of non-controlling interests at the reporting dates (HK$'000)	**40,907**	41,795

The following tables illustrate the summarised financial information of Sincere LA Group. The amounts disclosed are before any inter-company eliminations:

	Period from 1 March 2021 to 31 December 2021 HK$'000	Year ended 28 February 2021 HK$'000
Loss for the period/year	**(1,863)**	(1,882)
Total comprehensive income/(loss) for the period/year	**23,237**	(2,951)
Net cash flows (used in)/from operating activities	**(4,173)**	1,219
Net cash flows from/(used in) investing activities	**12,116**	(160)
Net cash flows used in financing activities	**(2,661)**	(1,022)
Net increase in cash and cash equivalents	**5,282**	37

34. PARTICULARS OF PRINCIPAL SUBSIDIARIES (Continued)

	As at 31 December 2021 HK$'000	As at 28 February 2021 HK$'000
Current assets	**70,363**	54,477
Non-current assets	**21,071**	18,653
Current liabilities	**(2,159)**	(7,092)

35. CONTINGENT LIABILITIES

Claim from former director

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

As disclosed in the announcement of the Company dated 23 June 2021, the Company has sought legal advice in respect of the Statutory Demand and was advised that the Statutory Demand is a nullity. The Company was also advised that it has a bona fide dispute to the sum demanded by Mr. Philip Ma. The Company had, through its legal advisers, requested Mr. Philip Ma to (i) withdraw the Statutory Demand and (ii) undertake not to issue any winding-up petition against the Company in reliance on the Statutory Demand.

35. CONTINGENT LIABILITIES (Continued)

Claim from former director (Continued)

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

Call-over hearings in respect of the LBTC Claim were held at the Labour Tribunal on 8 July 2021 and 1 November 2021. Mr. Philip Ma increased his claim in the LBTC Claim to include additional claims that the Company owed him an alleged partial unpaid director's fees for the period from 1 March 2021 to 30 June 2021 and payment in lieu of annual leave entitlement; and in respect of the certain subsidiaries of the Company, Mr. Philip Ma also included his claim for director's fees and management fees for the period between March to June 2021 and certain entertainment allowance.

The LBTC Claim was subsequently transferred to Court of First Instance of the High Court of Hong Kong, in which Mr. Philip Ma claimed a total sum of approximately HK$12,064,000 by including the additional claims in the aforesaid paragraph. The Company has instructed its legal advisers to defend Mr. Philip Ma's claims in the High Court.

Therefore, no provision has been made as at 31 December 2021.

36. LITIGATION

Deed and purported cancellation

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

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

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

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

36. LITIGATION (Continued)

Deed and purported cancellation (Continued)

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

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

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

36. LITIGATION (Continued)

Deed and purported cancellation (Continued)

By a Notice of Hearing dated 18 November 2021, the date of the substantive hearing of the Injunction Application has been fixed for 27 May 2022 at 10 a.m..

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

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

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

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

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

36. LITIGATION (Continued)

Deed and purported cancellation (Continued)

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

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

As at 31 December 2021, the carrying amount of gift receivable from Win Dynamic (under non-current portion of "Prepayments, deposits, other receivables and other assets") amounting to HK$158,870,000 (net of ECL allowance of HK$445,000). During the period from 1 March 2021 to 31 December 2021, the Group has also recognised imputed interest income on gift receivable from Win Dynamic (under "Other income and gains, net") of HK$9,314,000.

37. VOLUNTARY CONDITIONAL CASH OFFER

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 then controlling shareholder of the Company, Win Dynamic, had executed an irrevocable undertaking to Realord that Win Dynamic would tender, or procure the tender of, all of its shares in the Company to accept the Offer. In addition, the Sincere Companies had also executed irrevocable undertakings to accept the Offer (collectively "Irrevocable Undertakings").

On 28 April 2021, Realord announced the pre-conditions of the Offer have been satisfied or waived (as the case may be).

37. VOLUNTARY CONDITIONAL CASH OFFER (Continued)

As disclosed in the Offer Document, the final offer price is HK$0.3935 per share. In addition, the Offer was then conditional only on valid acceptances of the Offer which would result in Realord holding more than 50% of the voting rights of the Company.

On 7 May 2021, Realord announced the Offer had become unconditional in all respects.

As disclosed in the announcement of Realord dated 3 June 2021, the Offer closed on 3 June 2021. Realord received valid acceptances in respect of a total of 1,044,695,362 shares of the Company under the Offer, representing approximately 79.51% of the then entire issued share capital of the Company. Accordingly, Realord has become the controlling company of the Company.

Further details are disclosed in the joint announcement of Realord and the Company dated 15 May 2021, the Offer Document and the Response Document.

On 27 July 2021, Realord entered into a placing agreement with the placing agent, pursuant to which the placing agent shall act as an agent of Realord to procure, on a best effort basis, not less than six placees to purchase placing shares held by Realord at a placing price of HK$0.59 per placing shares. The placing was completed on 30 July 2021 and following the completion, the number of shares held by Realord decreased from 1,044,695,362 shares to 985,471,362 shares, representing a decrease in shareholding from approximately 79.51% to approximately 75.00% of shares in issue.

Further details are disclosed in the announcement of the Company dated 29 June 2021 and the joint announcements of Realord and the Company dated 27 July 2021 and 30 July 2021.

38. EVENTS AFTER THE REPORTING PERIOD

Since February 2022, the Delta variant and the latest Omicron variant of Covid-19 pandemic in Hong Kong have affected the macro-economic conditions as a whole. A series of precautionary and control measures have been and continued to be implemented, including, among others, certain level of restrictions and controls over the travelling of people and traffic arrangements, quarantine of certain residents, and encouraged social distancing.

The outbreak of Covid-19 could affect the subsequent sales to customers. Pending development of this non-adjusting subsequent event subsequent to the date of approval of these consolidated financial statements, further changes in economic and operating conditions arising thereof may have impact on the Group's financial results. The Group will pay close attention to the development of the Covid-19 pandemic and perform further assessment on its impact and take relevant measures.

FIVE-YEAR FINANCIAL SUMMARY

For the period from 1 March 2021 to 31 December 2021

The consolidated results, assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the published audited financial statements are summarised below.

	Period from 1 March 2021 to 31 December 2021	Years ended 28/29 February			
	2021	2021	2020	2019	2018
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
RESULTS					
CONTINUING OPERATIONS					
REVENUE	**140,060**	177,472	263,312	311,865	355,865
LOSS BEFORE INCOME TAX	**(77,074)**	(145,682)	(149,240)	(134,727)	(92,862)
INCOME TAX EXPENSE	**(15)**	(15)	(13)	(16)	(18)
LOSS FOR THE PERIOD/YEAR	**(77,089)**	(145,697)	(149,253)	(134,743)	(92,880)
Attributable to:					
Equity holders of the Company	**(75,880)**	(145,017)	(147,364)	(132,068)	(90,497)
Non-controlling interests	**(1,209)**	(680)	(1,889)	(2,675)	(2,383)
	(77,089)	(145,697)	(149,253)	(134,743)	(92,880)

FIVE-YEAR FINANCIAL SUMMARY

31 December 2021

The consolidated results, assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the published audited financial statements are summarised below. (Continued)

	As at 31 December 2021 HK$'000	As at 28/29 February 2021 HK$'000	2020 HK$'000	2019 HK$'000	2018 HK$'000
ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS					
PROPERTY, PLANT AND EQUIPMENT	**263,991**	231,049	336,805	27,261	35,607
OTHER NON-CURRENT ASSETS	**198,966**	66,524	63,785	63,197	73,914
NET CURRENT ASSETS/(LIABILITIES)	**(180,974)**	(243,678)	(111,951)	14,990	152,176
NON-CURRENT LIABILITIES	**(44,756)**	(25,490)	(113,458)	(42,792)	(56,865)
NON-CONTROLLING INTERESTS	**(48,378)**	(31,382)	(32,567)	(34,112)	(36,500)
EQUITY/(DEFICITS) ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY	**188,849**	(2,977)	142,614	28,544	168,332