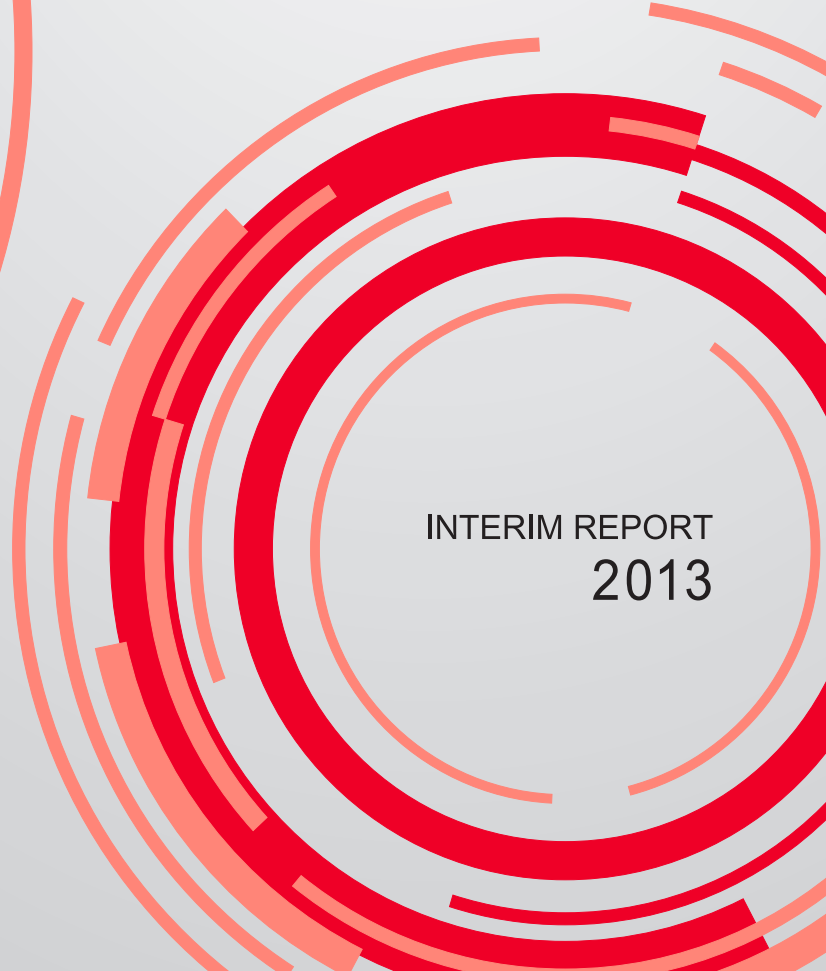




sincere先施

**The Sincere Company, Limited**

Stock code: 244



INTERIM REPORT  
2013

## INTERIM RESULTS

The board of directors of The Sincere Company, Limited (the "Company") herein presents the unaudited condensed consolidated interim results of the Company and its subsidiaries (the "Group") for the six months ended 31 August 2013, together with the comparative amounts. The interim financial statements have not been audited by the Company's auditors, but have been reviewed by the Audit Committee of the Company.

## CONDENSED CONSOLIDATED INCOME STATEMENT – UNAUDITED

For the six months ended 31 August 2013

	Notes	2013 HK\$'000 (unaudited)	2012 HK\$'000 (unaudited) (restated)
<b>CONTINUING OPERATIONS</b>			
REVENUE	5	224,756	225,152
Cost of sales		(82,443)	(79,585)
Other income and gains, net		18,482	16,332
Net unrealised loss on securities trading		(11,872)	(11,101)
Selling and distribution expenses		(115,622)	(96,736)
General and administrative expenses		(66,123)	(58,295)
Other operating income/(expenses)		(89)	165
Finance costs		(1,188)	(976)
Share of profits less losses of associates		118	(45)
LOSS BEFORE TAX FROM CONTINUING OPERATIONS	6	(33,981)	(5,089)
Income tax expense	7	(289)	(275)
LOSS FOR THE PERIOD FROM CONTINUING OPERATIONS		(34,270)	(5,364)
<b>DISCONTINUED OPERATION</b>			
Loss for the period from the discontinued operation	9	-	(6,724)
LOSS FOR THE PERIOD		(34,270)	(12,088)
ATTRIBUTABLE TO:			
Equity holders of the Company		(32,797)	(13,710)
Non-controlling interests		(1,473)	1,622
		(34,270)	(12,088)

**CONDENSED CONSOLIDATED INCOME STATEMENT – UNAUDITED**  
**(continued)***For the six months ended 31 August 2013*

	<i>Notes</i>	<b>2013</b> <b>HK\$'000</b> <b>(unaudited)</b>	2012 HK\$'000 (unaudited) (restated)
LOSS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY	8		
Basic			
– For loss for the period		<b>HK\$(0.10)</b>	HK\$(0.04)
– For loss from continuing operations		<b>HK\$(0.10)</b>	HK\$(0.02)
Diluted			
– For loss for the period		<b>HK\$(0.10)</b>	HK\$(0.04)
– For loss from continuing operations		<b>HK\$(0.10)</b>	HK\$(0.02)



## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME – UNAUDITED

For the six months ended 31 August 2013

	2013 HK\$'000 (unaudited)	2012 HK\$'000 (unaudited) (restated)
LOSS FOR THE PERIOD	<b>(34,270)</b>	(12,088)
OTHER COMPREHENSIVE INCOME/(LOSS)		
<i>Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods:</i>		
Exchange differences arising on translation of foreign operations	<b>4,587</b>	(884)
Realisation of exchange fluctuation reserve upon disposal of a subsidiary	<b>325</b>	–
Total other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods	<b>4,912</b>	(884)
<i>Item not to be reclassified to profit or loss in subsequent periods:</i>		
Actuarial gains/(losses) on defined benefit plans	<b>4,942</b>	(5,534)
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD	<b>(24,416)</b>	(18,506)
ATTRIBUTABLE TO:		
Equity holders of the Company	<b>(22,712)</b>	(20,934)
Non-controlling interests	<b>(1,704)</b>	2,428
	<b>(24,416)</b>	(18,506)

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION –  
UNAUDITED**

	<i>Notes</i>	<b>31 August 2013 HK\$'000 (unaudited)</b>	28 February 2013 HK\$'000 (unaudited) (restated)
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	17	<b>71,171</b>	72,783
Interests in a joint venture	11	<b>20,915</b>	–
Financial instruments	12	<b>26,326</b>	26,326
Deposits and other receivables		<b>48,597</b>	26,389
		<hr/>	<hr/>
Total non-current assets		<b>167,009</b>	125,498
<b>CURRENT ASSETS</b>			
Inventories		<b>76,715</b>	75,400
Debtors	13	<b>133</b>	187
Reinsurance assets		<b>16</b>	16
Prepayments, deposits and other receivables		<b>38,571</b>	31,136
Financial assets at fair value through profit or loss	14	<b>276,157</b>	277,241
Financial instruments	12	<b>–</b>	124,800
Derivative financial instruments		<b>276</b>	–
Pledged bank balances	17	<b>20,106</b>	22,193
Pledged deposits with banks	17	<b>133,218</b>	52,278
Cash and bank balances	15	<b>290,543</b>	227,580
		<hr/>	<hr/>
Total current assets		<b>835,735</b>	810,831
<b>CURRENT LIABILITIES</b>			
Creditors	16	<b>70,087</b>	104,722
Insurance contract liabilities		<b>1,244</b>	1,228
Deposits, accrued expenses and other payables		<b>72,804</b>	65,610
Derivative financial instruments		<b>8</b>	14
Interest-bearing bank borrowings	17	<b>182,763</b>	52,000
Tax payable		<b>64</b>	82
		<hr/>	<hr/>
Total current liabilities		<b>326,970</b>	223,656
<b>NET CURRENT ASSETS</b>		<hr/> <b>508,765</b>	<hr/> 587,175
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<hr/> <b>675,774</b>	<hr/> 712,673

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION –  
UNAUDITED (continued)**

	<b>31 August 2013 HK\$'000 (unaudited)</b>	28 February 2013 HK\$'000 (unaudited) (restated)
	<i>Notes</i>	
<b>NON-CURRENT LIABILITIES</b>		
Other payable	<b>976</b>	966
Interest-bearing bank borrowings	<b>10,681</b>	15,197
Pension scheme liabilities	<b>9,969</b>	13,547
	<hr/>	<hr/>
Total non-current liabilities	<b>21,626</b>	29,710
	<hr/>	<hr/>
<b>NET ASSETS</b>	<b>654,148</b>	682,963
	<hr/>	<hr/>
<b>EQUITY</b>		
Equity attributable to equity holders of the Company		
Issued share capital	<b>287,154</b>	287,154
Share premium account	<b>26</b>	26
Reserves	<b>304,497</b>	333,585
	<hr/>	<hr/>
	<b>591,677</b>	620,765
Non-controlling interests	<b>62,471</b>	62,198
	<hr/>	<hr/>
<b>TOTAL EQUITY</b>	<b>654,148</b>	682,963
	<hr/>	<hr/>

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY –  
UNAUDITED**

For the six months ended 31 August 2013

	Attributable to equity holders of the Company									
	Issued share capital HK\$'000 (unaudited)	Share premium account HK\$'000 (unaudited)	Reserves					Non- controlling interests HK\$'000 (restated)	Total HK\$'000 (restated)	Total HK\$'000 (restated)
			Treasury shares HK\$'000 (unaudited) (restated)	General and other reserves HK\$'000 (unaudited) (restated)	Share option reserve HK\$'000 (unaudited)	Retained profits HK\$'000 (unaudited) (restated)	Total reserves HK\$'000 (unaudited) (restated)			
At 1 March 2013										
As previously reported	287,154	26	-	39,635	5,754	382,660	428,049	(16,017)	699,212	
Prior year adjustments (note 2)	-	-	(130,221)	194,146	-	(158,389)	(94,464)	78,215	(16,249)	
At restated	287,154	26	(130,221)	233,781	5,754	224,271	333,585	62,198	682,963	
Loss for the period	-	-	-	-	-	(32,797)	(32,797)	(1,473)	(34,270)	
Other comprehensive income/(loss) for the period:										
Exchange differences arising on translation of foreign operations	-	-	-	4,754	-	-	4,754	(167)	4,587	
Realisation of exchange fluctuation reserve upon disposal of a subsidiary	-	-	-	325	-	-	325	-	325	
Actuarial gains/(losses) on defined benefit plans	-	-	-	-	-	5,006	5,006	(64)	4,942	
Total comprehensive income/(loss) for the period	-	-	-	5,079	-	(27,791)	(22,712)	(1,704)	(24,416)	
Final 2013 dividend paid (note 10)	-	-	-	-	-	(8,615)	(8,615)	-	(8,615)	
Dividend attributable to subsidiaries*	-	-	-	-	-	2,239	2,239	1,668	3,907	
Movement in balances with non-controlling interests	-	-	-	-	-	-	-	309	309	
At 31 August 2013	287,154	26	(130,221)	238,860	5,754	190,104	304,497	62,471	654,148	

\* The dividend attributable to subsidiaries represents that portion of the Company's dividend received by subsidiaries in relation to the treasury shares of 260,443,200 held by these subsidiaries.

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY – UNAUDITED (continued)

For the six months ended 31 August 2012

	Attributable to equity holders of the Company								
	Issued share capital HK\$'000 (unaudited)	Share premium account HK\$'000 (unaudited)	Reserves					Non- controlling interests HK\$'000 (unaudited) (restated)	Total HK\$'000 (unaudited) (restated)
			Treasury shares HK\$'000 (unaudited) (restated)	General and other reserves HK\$'000 (unaudited) (restated)	Share option reserve HK\$'000 (unaudited)	Retained profits HK\$'000 (unaudited) (restated)	Total reserves HK\$'000 (unaudited) (restated)		
At 1 March 2012									
As previously reported	287,154	26	-	81,232	-	307,836	389,068	(16,612)	659,636
Prior year adjustments (note 2)	-	-	(130,221)	194,146	-	(149,944)	(86,019)	68,069	(17,950)
At restated	287,154	26	(130,221)	275,378	-	157,892	303,049	51,457	641,686
Profit/(loss) for the period	-	-	-	-	-	(13,710)	(13,710)	1,622	(12,088)
Other comprehensive income/(loss) for the period:									
Exchange differences arising on translation of foreign operations	-	-	-	(1,838)	-	-	(1,838)	954	(884)
Actuarial losses on defined benefit plans	-	-	-	-	-	(5,386)	(5,386)	(148)	(5,534)
Total comprehensive income/(loss) for the period	-	-	-	(1,838)	-	(19,096)	(20,934)	2,428	(18,506)
Movement in balances with non-controlling interests	-	-	-	-	-	-	-	88	88
At 31 August 2012	287,154	26	(130,221)	273,540	-	138,796	282,115	53,973	623,268



**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS –  
UNAUDITED***For the six months ended 31 August 2013*

	<b>2013</b> <b>HK\$'000</b> <b>(unaudited)</b>	2012 HK\$'000 (unaudited) (restated)
Net cash flows from/(used in):		
Operating activities	<b>(87,041)</b>	(33,175)
Investing activities	<b>28,156</b>	(12,288)
Financing activities	<b>121,201</b>	28,831
	<hr/>	<hr/>
Net increase/(decrease) in cash and cash equivalents	<b>62,316</b>	(16,632)
Cash and cash equivalents at beginning of period	<b>220,753</b>	65,891
	<hr/>	<hr/>
Cash and cash equivalents at end of period	<b>283,069</b>	49,259
	<hr/>	<hr/>
<b>ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS</b>		
Cash and bank balances	<b>290,543</b>	56,155
Bank overdrafts	<b>(7,474)</b>	(6,896)
	<hr/>	<hr/>
Cash and cash equivalents as stated in the condensed consolidated statement of cash flows	<b>283,069</b>	49,259
	<hr/>	<hr/>



## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

31 August 2013

### 1. SIGNIFICANT ACCOUNTING POLICIES

The unaudited condensed consolidated interim financial statements are prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” and other relevant HKASs, Interpretations and Hong Kong Financial Reporting Standards (collectively, the “HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and the disclosure requirements of Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. They have been prepared under the historical cost convention, except for financial assets at fair value through profit or loss and derivative financial instruments, which have been measured at fair value. Save for those new and revised HKFRSs as set out in note 2 and the following new accounting policies adopted by the Group during the period, the accounting policies and basis of preparation adopted in the preparation of the interim financial statements are the same as those used in the annual financial statements for the year ended 28 February 2013.

#### Joint venture

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The Group’s investments in joint venture 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.

#### Treasury shares

Own equity instruments (treasury shares) are recognised at cost and deducted from equity. No gain or loss is recognised in the income statement on the purchase, sale, issue or cancellation of the Group’s own equity instruments. Any difference between the carrying amount and the consideration is recognised in equity.

#### 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 paid 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 remainder of its lifetime, even if the insurance risk reduces significantly during this period, unless all rights and obligations are extinguished or expire.

## 1. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Insurance contracts liabilities

#### *General insurance contracts liabilities*

General insurance contracts liabilities are recognised when contracts are entered into and premiums are charged. These liabilities are known as the outstanding claims provision, which are based on the estimated ultimate cost of all claims incurred but not settled at the reporting date, whether reported or not, together with handling costs. Delays can be experienced in the notification and settlement of certain types of general insurance claims, therefore, the ultimate cost of which cannot be known with certainty at the end of the reporting period.

#### *Outstanding claims*

Full provision has been made for outstanding claims, including those incurred but not reported until after the end of the reporting period, and also for the related claims handling expenses estimated to be necessarily and directly incurred in the claims settlement process. This provision, although not a precise assessment, has been made in light of available information and after taking into account the direct claims handling expenses and possible recoveries from other parties. Claims provisions are not discounted for the time value of money and no estimate of inflationary adjustment are admitted until confirmed as necessary. The provisions are derecognised when they are discharged or settled.

#### *Unearned premiums*

Unearned premiums are computed at the rate of 40% of the premiums earned during the year, net of premiums ceded in respect of risks reinsured.

#### *Liability adequacy test*

At each reporting date, the Group reviews its unexpired risk and a liability adequacy test is performed in accordance with HKFRSs to determine whether there is any overall excess of expected claims over unearned premiums. This calculation uses current estimates of future contractual cash flows after taking account of the investment return expected to arise on assets relating to the relevant non-life insurance technical provisions. If these estimates show that the carrying amount of the unearned premiums is inadequate, the deficiency is recognised in the income statement by setting up a provision for premium deficiency.

#### *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 income statement.

## 1. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Reinsurance

The Group cedes insurance risk in the normal course of business for all of its businesses. Reinsurance assets represent balances due from reinsurance companies. Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision or settled claims associated with the reinsurer's policies and are in accordance with the related reinsurance contract.

Reinsurance assets are reviewed for impairment at each reporting date, or more frequently, when an indication of impairment arises during the reporting year. Impairment occurs when there is objective evidence that occurred after initial recognition of the reinsurance asset that the Group may not receive all outstanding amounts due under the terms of the contract and the event has a reliably measurable impact on the amounts that the Group will receive from the reinsurer. The impairment loss is recorded in the income statement.

Ceded reinsurance arrangements do not relieve the Group from its obligations to policyholders.

Premiums and claims are presented on a gross basis for ceded reinsurance.

Reinsurance assets are derecognised when the contractual rights are extinguished or expire.

## 2. CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

The Group has applied, for the first time, the following new and revised HKFRSs issued by HKICPA which are effective for the Group's financial year beginning on 1 March 2013.

HKFRS 1 Amendments	Amendments to HKFRS 1 <i>First-time Adoption of Hong Kong Financial Reporting Standards – Government Loans</i>
HKFRS 7 Amendments	Amendments to HKFRS 7 <i>Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities</i>
HKFRS 10	<i>Consolidated Financial Statements</i>
HKFRS 11	<i>Joint Arrangements</i>
HKFRS 12	<i>Disclosure of Interests in Other Entities</i>
HKFRS 10, HKFRS 11 and HKFRS 12 Amendments	Amendments to HKFRS 10, HKFRS 11 and HKFRS 12 - <i>Transition Guidance</i>
HKFRS 13	<i>Fair Value Measurement</i>
HKAS 1 Amendments	Amendments to HKAS 1 <i>Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income</i>
HKAS 19 (2011)	<i>Employee Benefits</i>
HKAS 27 (2011)	<i>Separate Financial Statements</i>
HKAS 28 (2011)	<i>Investments in Associates and Joint Ventures</i>
HK(IFRIC)-Int 20	<i>Stripping Costs in the Production Phase of a Surface Mine</i>
<i>Annual Improvements 2009 – 2011 Cycle</i>	Amendments to a number of HKFRSs issued in June 2012

## 2. CHANGES IN ACCOUNTING POLICY AND DISCLOSURES (continued)

Other than as further explained below regarding the impact of amendments to HKAS 1, HKAS 19 (2011), HKFRS 10, HKFRS 11 and HKFRS 13, the adoption of the new and revised HKFRSs had no material effect on the results and financial position for the current or prior accounting periods which have been prepared and presented.

The HKAS 1 Amendments change the grouping of items presented in other comprehensive income. Items that could be reclassified (or recycled) to profit or loss at a future point in time (for example, net gain on hedge of a net investment, exchange differences on translation of foreign operations, net movement on cash flow hedges and net loss or gain on available-for-sale financial assets) would be presented separately from items which will never be reclassified (for example, actuarial gains and losses on defined benefit plans and revaluation of land and buildings). The amendments affected presentation only and had no impact on the Group's financial position or performance.

HKAS 19 Employee Benefits (Revised 2011) ("HKAS 19 (2011)") includes a number of amendments to the accounting for defined benefit plans, including actuarial gains and losses that are now recognised in other comprehensive income (OCI) and permanently excluded from profit and loss; expected returns on plan assets that are no longer recognised in profit or loss, instead, there is a requirement to recognise interest on the net defined benefit liability (asset) in profit or loss, calculated using the discount rate used to measure the defined benefit obligation, and; unvested past service costs are now recognised in profit or loss at the earlier of when the amendment occurs or when the related restructuring or termination costs are recognised. Other amendments include new disclosures, such as, quantitative sensitivity disclosures.

HKAS 19 (2011) requires retrospective application. The adoption of HKAS 19 (2011) had an impact on the net defined benefit plan obligations due to the difference in accounting for actuarial gains and losses, interest on plan assets and unvested past service costs. The comparative information have been restated in the condensed consolidated financial statements. The quantitative impact on the financial statements is provided in the tables below.

HKFRS 10 establishes a single control model that applies to all entities including special purpose entities or structured entities. It includes a new definition of control which is used to determine which entities are consolidated. The changes introduced by HKFRS 10 require management of the Group to exercise significant judgement to determine which entities are controlled, compared with the requirements in HKAS 27 and HK(SIC)-Int 12 "Consolidation – Special Purpose Entities". HKFRS 10 replaces the portion of HKAS 27 "Consolidated and Separate Financial Statements" that addresses the accounting for consolidated financial statements. It also includes the issues raised in HK(SIC)-Int 12.

## 2. CHANGES IN ACCOUNTING POLICY AND DISCLOSURES (continued)

HKFRS 10 changes the definition of control such that an investor controls an investee when it 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. To meet the definition of control in HKFRS 10, all of the three criteria, including (a) an investor has power over an investee, (b) the investor has exposure, or rights, to variable returns from its involvement with the investee, and (c) the investor has the ability to use its power over the investee to affect the amount of the investor's returns, must be met. Previously, control is presumed to exist when the parent owns, directly or indirectly through subsidiaries, more than half of the voting power of an entity under HKAS 27. Detailed guidance has been established in HKFRS 10 to explain when an investor that owns less than 50 per cent of the voting shares in an investee has control over the investee. For example, in assessing whether or not an investor with less than a majority of the voting rights in an investee has a sufficiently dominant voting interest to meet the power criterion, HKFRS 10 requires the investor to take into account all relevant facts and circumstances, particularly, the size of the investor's holding of voting rights relative to the size and dispersion of shareholdings of the other vote holders and voting patterns in investee's previous shareholders' meetings.

The adoption of HKFRS 10 has affected the accounting for the Company's 48.09%, 40.67% and 37.15% equity interest in The Sincere Life Assurance Company Limited and its subsidiaries ("Sincere Life Group"), The Sincere Insurance and Investment Company, Limited and its subsidiaries ("Sincere I&I Group") and The Sincere Company (Perfumery Manufacturers), Limited ("Sincere Perfumery"), respectively.

The directors assessed whether or not the Group has control over Sincere Life Group, Sincere I&I Group and Sincere Perfumery in accordance with the new definition of control and the related guidance set out in HKFRS 10. After the reassessment based on the accounting judgement which included the Company's absolute size of holding in Sincere Life Group, Sincere I&I Group and Sincere Perfumery, the relative size and dispersion of the shareholdings owned by the other shareholders who acted as principal of their investments in Sincere Life Group, Sincere I&I Group and Sincere Perfumery and the past history of voting patterns in the shareholders meetings of Sincere Life Group, Sincere I&I Group and Sincere Perfumery, the directors concluded that the Group has had control over Sincere Life Group, Sincere I&I Group and Sincere Perfumery since the dates on which the Group obtains control. Therefore, in accordance with the requirements of HKFRS 10, Sincere Life Group, Sincere I&I Group and Sincere Perfumery have been the subsidiaries of the Company since the dates on which the Group obtains control. Before the adoption of HKFRS 10, Sincere Life Group, Sincere I&I Group and Sincere Perfumery were treated as associates of the Company and accounted for using the equity method of accounting.

The Group has consolidated the financial statements of Sincere Life Group, Sincere I&I Group and Sincere Perfumery since the dates on which the Group obtains control. For the period ended 31 August 2013, the Group has consolidated the financial statements of Sincere Life Group, Sincere I&I Group and Sincere 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. The assets, liabilities and equity of Sincere Life Group, Sincere I&I Group and Sincere Perfumery have been retrospectively consolidated in the financial statements of the Group. Non-controlling interests have been recognised at a proportionate share of the net assets of the subsidiaries. The comparative information have been restated in the condensed consolidated financial statements. The quantitative impact on the financial statements is provided in the tables below.

## 2. CHANGES IN ACCOUNTING POLICY AND DISCLOSURES (continued)

HKFRS 11 replaces HKAS 31 *Interests in Joint Ventures* and HK(SIC)-Int 13 *Jointly Controlled Entities – Non-Monetary Contributions by Venturers*. It describes the accounting for joint arrangements with joint control. It addresses only two forms of joint arrangements, i.e., joint operations and joint ventures, and removes the option to account for joint ventures using proportionate consolidation. Since the Group had no investment in joint arrangements prior to the adoption of HKFRS 11, HKFRS 11 had no retrospective effect on the results and financial position to the Group.

HKFRS 13 provides a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across HKFRSs. The standard does not change the circumstances in which the Group is required to use fair value, but provides guidance on how fair value should be applied where its use is already required or permitted under other HKFRSs.

The adoption of HKFRS 13 only affects disclosures on fair value measurements in the condensed consolidated interim financial statements. HKFRS 13 has been applied prospectively.

### Effects on the condensed consolidated financial statements of the adoption of new and revised HKFRSs

#### *Impact on the condensed consolidated income statement:*

##### **For the period ended 31 August 2013\***

	HKAS 19 (2011) HK\$'000		
Increase in loss for the period			<u>(1,364)</u>
For the period ended 31 August 2012			
	HKFRS 10 HK\$'000	HKAS 19 (2011) HK\$'000	Total HK\$'000
Decrease/(increase) in loss for the period	<u>1,883</u>	<u>(1,386)</u>	<u>497</u>

#### *Impact on the condensed consolidated statement of comprehensive income:*

##### **For the period ended 31 August 2013\***

	HKAS 19 (2011) HK\$'000
Decrease in total comprehensive loss for the period	<u>3,578</u>

## 2. CHANGES IN ACCOUNTING POLICY AND DISCLOSURES (continued)

### Effects on the condensed consolidated financial statements of the adoption of new and revised HKFRSs (continued)

#### Impact on the condensed consolidated statement of comprehensive income: (continued)

For the period ended 31 August 2012

	HKFRS 10 HK\$'000	HKAS 19 (2011) HK\$'000	Total HK\$'000
Decrease/(increase) in total comprehensive loss for the period	2,712	(6,920)	(4,208)

#### Impact on the condensed consolidated statement of financial position:

As at 31 August 2013\*

	HKAS 19 (2011) HK\$'000
Decrease in net assets and total equity	(13,316)

As at 28 February 2013

	HKFRS 10 HK\$'000	HKAS 19 (2011) HK\$'000	Total HK\$'000
Increase/(decrease) in net assets and total equity	645	(16,894)	(16,249)



**2. CHANGES IN ACCOUNTING POLICY AND DISCLOSURES (continued)****Effects on the condensed consolidated financial statements of the adoption of new and revised HKFRSs (continued)***Impact on the Group's loss per share:*

	Loss for the period attributable to equity holders of the Company HK\$'000	Basic loss per share HK\$ per share	Diluted loss per share HK\$ per share
<b>For the period ended 31 August 2013*</b>			
Amounts before restatements of HKAS 19 (2011)	(31,472)	(0.10)	(0.10)
Adjustments arising from changes in accounting policies in relation to: HKAS 19 (2011)	<u>(1,325)</u>	<u>–</u>	<u>–</u>
Amounts after restatements	<u>(32,797)</u>	<u>(0.10)</u>	<u>(0.10)</u>
<b>For the period ended 31 August 2012</b>			
Amounts before restatements of HKAS 19 (2011) and HKFRS 10	(12,382)	(0.03)	(0.03)
Adjustments arising from changes in accounting policies in relation to: HKAS 19 (2011) HKFRS 10	<u>(1,328)</u> <u>–</u>	<u>–</u> <u>(0.01)</u>	<u>–</u> <u>(0.01)</u>
Amounts after restatements	<u>(13,710)</u>	<u>(0.04)</u>	<u>(0.04)</u>

## 2. CHANGES IN ACCOUNTING POLICY AND DISCLOSURES (continued)

### Effects on the condensed consolidated financial statements of the adoption of new and revised HKFRSs (continued)

#### Impact on the condensed consolidated statement of cash flows:

For the period ended 31 August 2012

	HKFRS 10 HK\$'000	HKAS 19 (2011) HK\$'000	Total HK\$'000
Increase in net cash flows used in operating activities	(6,782)	–	(6,782)
Decrease in net cash flows used in investing activities	5,889	–	5,889
Net decrease in cash and cash equivalents	(893)	–	(893)

\* Only the quantitative information for the immediately preceding period were disclosed in accordance with the requirement set out in HKFRS 10 when it is firstly applied.

## 3. ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these interim financial statements.

HKFRS 9	<i>Financial Instruments</i> <sup>2</sup>
HKFRS 10, HKFRS 12 and HKAS 27 (2011) Amendments	Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011) – <i>Investment Entities</i> <sup>1</sup>
HKAS 32 Amendments	Amendments to HKAS 32 <i>Financial Instruments</i> : <i>Presentation – Offsetting Financial Assets and Financial Liabilities</i> <sup>1</sup>
HKAS 36 Amendments	Amendments to HKAS 36 <i>Impairment of Assets</i> – <i>Recoverable Amount Disclosures for Non-Financial Assets</i> <sup>1</sup>
HKAS 39 Amendments	Amendments to HKAS 39 <i>Financial Instruments</i> : <i>Recognition and Measurement – Novation of Derivatives and Continuation of Hedge Accounting</i> <sup>1</sup>
HK(IFRIC)-Int 21	<i>Levies</i> <sup>1</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2014

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2015

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. However, it is not yet in a position to state whether they would have a significant impact on the Group's results of operations and financial position.

## 4. SEGMENT INFORMATION

Segment information is presented by way of two segment formats: (i) operating segment; 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 consists of other rental income, furniture design and manufacturing, advertising agency services, travel agency franchising services and general and life insurances.

The property rental and development segment was classified as a discontinued operation during the year ended 28 February 2013 as detailed in note 9 to the condensed consolidated financial statements.

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

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

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

## 4. SEGMENT INFORMATION (continued)

### (a) Operating segments

The following table presents revenue and profit/(loss) for the Group's operating segments for the six months ended 31 August 2013 and 31 August 2012.

	Continuing operations								Discontinued operation					
	Department store operations		Securities trading		Others		Eliminations		Total		Property rental and development		Consolidated	
	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
		(restated)		(restated)		(restated)		(restated)		(restated)		(restated)		(restated)
Segment revenue:														
Sales to external customers	209,195	205,849	(144)	421	15,705	18,882	-	-	224,756	225,152	-	2,912	224,756	228,064
Inter-segment sales	-	-	-	-	17,963	16,682	(17,963)	(16,682)	-	-	-	-	-	-
Other revenue	27	30	345	98	4,711	8,541	-	-	5,083	8,669	-	189	5,083	8,858
Total	209,222	205,879	201	519	38,379	44,105	(17,963)	(16,682)	229,839	233,821	-	3,101	229,839	236,922
Segment results	(17,357)	4,604	(17,888)	(16,166)	(11,065)	(169)	-	-	(46,310)	(11,731)	-	(6,727)	(46,310)	(18,458)
Interest income, dividend income and unallocated revenue									13,399	7,663	-	3	13,399	7,666
Finance costs									(1,188)	(976)	-	-	(1,188)	(976)
Share of profits less losses of associates									118	(45)	-	-	118	(45)
Loss before tax									(33,981)	(5,089)	-	(6,724)	(33,981)	(11,813)
Income tax expense									(289)	(275)	-	-	(289)	(275)
Loss for the period									(34,270)	(5,364)	-	(6,724)	(34,270)	(12,088)

## 4. SEGMENT INFORMATION (continued)

### (b) Geographical information

The following table presents revenue from continuing operations.

	Hong Kong		Mainland China		United Kingdom		Others		Consolidated	
	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Segment revenue:										
Sales to external customers	211,416	212,334	13,573	12,402	202	125	(435)	291	224,756	225,152

(restated)

(restated)

## 5. REVENUE

Revenue, which is also the Group's turnover, represents the aggregate of the invoiced value of goods sold less discounts and returns, net income from counter and consignment sales, net realised gain or loss on securities trading, rental income, advertising and travel agency fee income, income from furniture design and manufacturing and gross insurance contracts premium revenue during the period.

## 6. LOSS BEFORE TAX FROM CONTINUING OPERATIONS

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

	For the six months ended	
	2013	2012
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
		(restated)
Depreciation	7,166	6,221
Gain on disposal of an investment property <sup>#</sup>	–	(402)
Gain on disposal of items of property, plant and equipment <sup>#</sup>	–	(24)
Gain on disposal of available-for-sale investments <sup>#</sup>	(4,182)	(7,408)
Write-back of impairment on other receivables <sup>*</sup>	–	(312)
Write-back of impairment on inventories <sup>^</sup>	(2,835)	–
Impairment on interests in associates <sup>*</sup>	27	147
Loss on disposal of a subsidiary <sup>#</sup>	423	–

<sup>#</sup> Amounts are included in "Other income and gains, net" on the face of the condensed consolidated income statement.

<sup>\*</sup> Amounts are included in "Other operating income/(expenses)" on the face of the condensed consolidated income statement.

<sup>^</sup> Amount is included in "Cost of sales" on the face of the condensed consolidated income statement.

## 7. INCOME TAX

	For the six months ended	
	31 August	
	2013	2012
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Current – Hong Kong	-	-
Current – Elsewhere		
Charge for the period	<u>289</u>	<u>275</u>
Total tax charge for the period	<u>289</u>	<u>275</u>

No provision for Hong Kong profits tax has been made during the period (2012: Nil) as the Group did not generate any assessable profits arising in Hong Kong. Taxes on profits assessable elsewhere have been calculated at the rate of tax prevailing in the locations in which the Group operates.

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

The calculation of basic loss per share is based on the loss for the period and loss for the period from continuing operations of HK\$32,797,000 (2012: HK\$13,710,000 (restated)) and HK\$32,797,000 (2012: HK\$6,986,000 (restated)), respectively, attributable to equity holders of the Company and the 313,864,800 ordinary shares (2012: 313,864,800 (restated)) in issue throughout the period, as adjusted to reflect the number of treasury shares of 260,443,200 (2012: 260,443,200) held by the Company's subsidiaries.

No adjustments have been made to the basic loss per share for the current and prior periods as the share options in issue have no dilutive effect during the period ended 31 August 2013 and there were no dilutive potential ordinary shares in existence in prior period.

## 9. DISCONTINUED OPERATION

On 14 September 2012, The Sincere Department Store (China) Limited, a wholly-owned subsidiary of the Company, Dalian Sincere Building Co. Ltd. ("Dalian Sincere"), an indirect wholly-owned subsidiary of the Company and the Company entered into an agreement with Dashang Jiahua Group Limited ("Dashang Jiahua") to sell the entire registered capital of Dalian Sincere at a consideration of RMB72,000,000 and to sell all amounts owned by Dalian Sincere to the Group to Dashang Jiahua at a consideration of RMB229,000,000. The aggregate consideration was RMB301,000,000 (equivalent to HK\$374,926,000). Dalian Sincere's principal asset is Dalian Sincere Building located at 18 Jie Fang Road, Zhong Shan District, Dalian, the People's Republic of China ("PRC"). Given the stalemate property market conditions in the PRC and the deteriorating physical condition of the property, the Group considered it was a good opportunity to realise the property by disposing of the entire registered capital and the debt of Dalian Sincere so that the Group need not inject further funding for the property but also obtaining the sales proceed from the disposal. The transaction was completed in December 2012 and, accordingly, the Group's property rental and development operation was discontinued.

**9. DISCONTINUED OPERATION (continued)**

The results of the discontinued operation for the six months ended 31 August 2013 and 31 August 2012 are presented below:

	<b>For the six months ended 31 August</b>	
	<b>2013 HK\$'000 (unaudited)</b>	<b>2012 HK\$'000 (unaudited)</b>
Revenue	-	2,912
Cost of sales	-	(169)
Other income and gains, net	-	192
Selling and distribution expenses	-	(871)
General and administrative expenses	-	(8,778)
Other operating expenses	-	(10)
	<hr/>	<hr/>
Loss before tax	-	(6,724)
Income tax expense	-	-
	<hr/>	<hr/>
Loss for the period from the discontinued operation	-	(6,724)
	<hr/>	<hr/>
Loss per share:		
Basic, from the discontinued operation	-	HK\$(0.02)
Diluted, from the discontinued operation	-	HK\$(0.02)
	<hr/>	<hr/>

The calculation of basic loss per share from the discontinued operation was based on the loss from the discontinued operation attributable to equity holders of the Company for the period ended 31 August 2012 of HK\$6,724,000 and the 313,864,800 (restated) ordinary shares in issue throughout the prior period, as adjusted to reflect the number of treasury shares of 260,443,200 held by the Company's subsidiaries.

No adjustment had been made to the basic loss per share for the prior period as there were no dilutive potential ordinary shares in existence in prior period.

## 10. DIVIDEND

For the six months ended 31 August	
2013	2012
HK\$'000	HK\$'000
(unaudited)	(unaudited)

Dividend paid during the period  
Final in respect of the financial year ended 28 February 2013  
– HK1.5 cents per ordinary share (2012: Nil)

<b>8,615</b>	–
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The board of directors of the Company has decided not to declare an interim dividend for the six months ended 31 August 2013 (31 August 2012: Nil).

## 11. INTERESTS IN A JOINT VENTURE

31 August 2013 HK\$'000 (unaudited)	28 February 2012 HK\$'000 (unaudited)
--	--

Share of net assets  
Loan to a joint venture

–	–
<b>20,915</b>	–
<b>20,915</b>	–

The loan to a joint venture is unsecured, interest-bearing at 8% per annum and has no fixed terms of repayment.

Particulars of the joint venture are as follows:

Name	Particulars of issued shares held	Place of registration	Percentage of			Principal activities
			Ownership interest	Voting power	Profit sharing	
109A Lancaster Gate Limited	Registered capital of GBP0.01 each	England and Wales	75	50	43	Property investment

The above joint venture is indirectly held by the Company.



**12. FINANCIAL INSTRUMENTS**

	<b>31 August 2013 HK\$'000 (unaudited)</b>	28 February 2013 HK\$'000 (unaudited)
Available-for-sale investments		
Unlisted investments at cost:		
Hong Kong	<b>53</b>	53
PRC/Mainland China	<b>37,575</b>	37,575
Taiwan	<b>24,409</b>	24,409
United States	<b>17,176</b>	17,176
	<b>79,213</b>	79,213
Unlisted investment fund, at cost:		
PRC/Mainland China	–	124,800
	<b>79,213</b>	204,013
Less: Provision for impairment	<b>(52,887)</b>	(52,887)
	<b>26,326</b>	151,126
Portion classified as current assets	–	(124,800)
Portion classified as non-current assets	<b>26,326</b>	26,326

**13. DEBTORS**

The Group's trading terms with its customers are mainly on credit, except for department store operations, where payment is normally made on a cash basis. The credit period is generally for a period of one month. The Group seeks to maintain strict control over its outstanding receivables by the sales department to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its debtor balances. Trade receivables are non-interest-bearing.

### 13. DEBTORS (continued)

An aged analysis of the debtors as at the end of the reporting period, based on the payment due date, is as follows:

	<b>31 August 2013 HK\$'000 (unaudited)</b>	28 February 2013 HK\$'000 (unaudited)
Within 3 months not past due	31	136
Within 3 months past due	95	51
Over 3 months past due	<u>160</u>	<u>797</u>
Total debtors	<b>286</b>	984
Impairment	<u>(153)</u>	<u>(797)</u>
Total	<u><b>133</b></u>	<u>187</u>

Debtors that were neither past due nor impaired relate to a number of customers for whom there was no recent history of default. Debtors that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, the directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

### 14. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	<b>31 August 2013 HK\$'000 (unaudited)</b>	28 February 2013 HK\$'000 (unaudited) (restated)
Listed investments, at fair value:		
Hong Kong	<b>74,813</b>	85,588
Elsewhere	<u><b>76,351</b></u>	<u>69,282</u>
	<b>151,164</b>	154,870
Other investments, at fair value	<u><b>124,993</b></u>	<u>122,371</u>
	<u><b>276,157</b></u>	<u>277,241</u>

The above investments at 31 August 2013 were classified as held for trading.

At the end of the reporting period, investments held for trading with an aggregate fair value of approximately HK\$211,837,000 (28 February 2013: HK\$205,832,000 (restated)) were pledged to banks to secure certain bank borrowings and banking facilities granted to the Group (note 17).

**15. CASH AND BANK BALANCES**

	<b>31 August 2013 HK\$'000 (unaudited)</b>	28 February 2013 HK\$'000 (unaudited) (restated)
Cash on hand and at banks	<b>50,309</b>	169,891
Time deposits with original maturity of less than three months	<b>240,234</b>	57,689
	<b>290,543</b>	227,580

**16. CREDITORS**

An aged analysis of the creditors as at the end of the reporting period is as follows:

	<b>31 August 2013 HK\$'000 (unaudited)</b>	28 February 2013 HK\$'000 (unaudited)
Current – 3 months	<b>69,215</b>	103,270
4 – 6 months	<b>81</b>	275
7 – 12 months	<b>761</b>	1,162
Over 1 year	<b>30</b>	15
	<b>70,087</b>	104,722

## 17. INTEREST-BEARING BANK BORROWINGS

	<b>31 August 2013 HK\$'000 (unaudited)</b>	28 February 2013 HK\$'000 (unaudited)
Bank loans, secured	<b>185,970</b>	60,370
Bank overdrafts, secured	<b>7,474</b>	6,827
	<b><u>193,444</u></b>	<u>67,197</u>
Analysed into:		
Within one year or on demand	<b>182,763</b>	52,000
In the second year	<b>10,681</b>	15,197
	<b>193,444</b>	67,197
Less: Amounts repayable within one year or on demand and classified as current portion	<b><u>(182,763)</u></b>	<u>(52,000)</u>
Amount classified as non-current portion	<b><u>10,681</u></b>	<u>15,197</u>

The bank loans and overdrafts bear interest at floating rates ranging from 1.4% to 5.0% (28 February 2013: 1.0% to 5.8%) per annum. The interest-bearing bank borrowings are mainly denominated in Hong Kong dollars.

The Group's bank borrowings and banking facilities are secured by:

- (a) the pledge of certain of the Group's bank balances of HK\$20,106,000 (28 February 2013: HK\$22,193,000) and time deposits amounting to HK\$133,218,000 (28 February 2013: HK\$52,278,000 (restated));
- (b) the pledge of certain of the Group's marketable securities with an aggregate fair value of approximately HK\$211,837,000 (28 February 2013: HK\$205,832,000 (restated)) (note 14); and
- (c) mortgages over certain of the Group's land and buildings which had an aggregate carrying value at the end of the reporting period of approximately HK\$31,989,000 (28 February 2013: HK\$32,497,000).

## 18. OUTSTANDING COMMITMENTS

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

	<b>31 August 2013 HK\$'000 (unaudited)</b>	28 February 2013 HK\$'000 (unaudited) (restated)
Irrevocable letters of credit	<b>25,233</b>	21,741

In addition, the Group had contracted, but not provided for, commitments in respect of items of property, plant and equipment amounting to approximately HK\$10,537,000 (28 February 2013: Nil).

## 19. RELATED PARTY TRANSACTIONS AND BALANCES

In addition to the transactions and balances detailed elsewhere in these condensed consolidated financial statements, the Group had the following material transactions with related parties during the period:

Compensation of key management personnel of the Group:

	<b>For the six months ended</b>	
	<b>31 August 2013 HK\$'000 (unaudited)</b>	2012 HK\$'000 (unaudited) (restated)
Short term employee benefits	<b>15,390</b>	15,657
Post-employment benefits, including pension costs for defined benefit schemes of HK\$348,000 (2012: HK\$343,000)	<b>356</b>	350
Total compensation paid to key management personnel	<b>15,746</b>	16,007

## 20. FAIR VALUE AND FAIR VALUE HIERARCHY

The Group uses the following hierarchy for determining and disclosing the fair values of financial instruments:

Level 1: fair values measured based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2: fair values measured based on valuation techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly

Level 3: fair values measured based on valuation techniques for which any inputs which have a significant effect on the recorded fair value are not based on observable market data (unobservable inputs)

### *Assets measured at fair value:*

	Level 1 HK\$'000 (unaudited)	Level 2 HK\$'000 (unaudited)	Level 3 HK\$'000 (unaudited)	Total HK\$'000 (unaudited)
<b>As at 31 August 2013</b>				
Financial assets at fair value through profit or loss	151,164	124,993	–	276,157
Derivative financial instruments	–	276	–	276
	151,164	125,269	–	276,433

### *Liabilities measured at fair value:*

	Level 1 HK\$'000 (unaudited)	Level 2 HK\$'000 (unaudited)	Level 3 HK\$'000 (unaudited)	Total HK\$'000 (unaudited)
<b>As at 31 August 2013</b>				
Derivative financial instruments	–	8	–	8
	–	8	–	8

During the period, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3.

The fair values of listed equity investments are based on quoted market prices. The fair values of unlisted investment funds and derivative financial instruments are based on quoted price from fund managers. The unlisted available-for-sale equity investments are measured at cost less impairment because the investments do not have quoted market prices in active markets and their fair values cannot be reliably measured.

## 21. COMPARATIVE AMOUNTS

As further explained in note 2 to the condensed consolidated interim financial statements, due to the adoption of new and revised HKFRSs during the current period, the accounting treatment and presentation of certain items and balances in the financial statements have been revised or added to comply with the new requirements. Accordingly, certain prior year adjustments have been made, certain comparative amounts have been reclassified and restated to conform with the current period's presentation and accounting treatment. In addition, the comparative income statement and relevant notes have been re-presented as if the operation discontinued during the current period had been discontinued at the beginning of the comparative period (note 9).

## 22. APPROVAL OF THE INTERIM FINANCIAL REPORT

These condensed consolidated interim financial statements were approved and authorised for issue by the board of directors on 31 October 2013.



## INTERIM RESULTS

The Group's unaudited consolidated turnover for the six months ended 31 August 2013 was HK\$225 million which was flat on the last corresponding period. The loss attributable to shareholders was HK\$33 million increased over two times from the last corresponding period. It was mainly attributable to the initial costs for entering into new leases and the rental expenses which was caused by the compliance with relevant accounting standard to recognise the effective rent during the rent free period for the new stores. This resulted substantial increase in rental for the leasing of the new stores, but none of the new stores are operating in the second quarter of 2013. Two new stores only commenced trading in the third quarter of 2013 while the third store is expected to be commenced trading in the fourth quarter of 2013.

## BUSINESS REVIEW AND FUTURE PROSPECTS

Turnover of the department store operation was HK\$209 million, slightly grew by 2%. The increment was mixed with a good performance from the removal sale of the Central store but dragged by the downsizing impact arising from the shopping mall renovation of the Grand Century Place store. The segment results recorded a loss of HK\$17 million as compared to a profit from the last corresponding period, it was mainly attributable to the effective rent of HK\$14 million for the new stores that have been recognised during the period under review while trading commence after the reporting period.

Turnover of the Central store grew by 25% and the gross profit margin was marginally up from the last corresponding period. The store was returned to the landlord on 31 August 2013 where the removal sale from the middle of June to the end of August 2013 was a success. The turnover of the Grand Century Place store has gone down by 41% as affected by the 60% store shrank in size since October 2012; with such interruption, strategies have been changed to focus on re-blending the merchandises with higher gross profit margin and launching removal sales theme promotions to alleviate the impact. The Shamshuipo store maintained its sale while the Tsuen Wan Citywalk store recorded a satisfactory growth of 10% in turnover, mainly contributed from the good performance in the enlarged mix of European merchandises.

The SU-PA-DE-PA store at Yau Tong Domain has been operated for a year but both the foot traffic and the turnover were behind expectations. The store has a challenge due to the lack of PRC tourists and natural local traffic. The management is fine tuning on the product mix and offering special promotions to the customers. The turnover of the 22<sup>nd</sup> Avenue store recorded a double digit growth subsequent to the alignment with the department store by re-blending the merchandises mix and refreshing the window display.

On the new stores, two were opened in September 2013. One was at Li Po Chun Chambers in Des Voeux Road with 5,000 sq ft and shall be extended to 11,000 sq ft by the first quarter of 2014. This store mainly targeted to serve the customers from the previous Central store with focus on quality European merchandises. The other store is the 40,000 sq ft flagship at King Wah Centre in Mong Kok aiming to expand the Sincere customer base to a younger clientele by offering less traditional merchandises, in particular on new brands from Korea.

The turnover and the direct operating profit of the promotional short term "Roadshow" were down 11% and 18% from the last corresponding period respectively. It was mainly attributable to the diminished consumer sentiment and surged operating costs.

On securities trading, as compared to end of February 2013, a segment loss of HK\$18 million or a small increase in losses was recorded due to a mark to market loss when compared to the fair value at the end of the last financial year.



On the other investments, the associated insurance group companies have been reclassified as subsidiaries of the Group in accordance with the new accounting standard. A loss of HK\$11 million was recorded in other investments as compared to a marginal loss from the last corresponding period which was mainly attributable to a disposal gain from an unlisted investment of approximately HK\$7 million in the last corresponding period and, lesser profit was contributed from the furniture business in current period. The turnover on the advertising business recorded a decline attributed to the slow down of the PRC market in which customers have scaled down the advertising budget. On the furniture business, the turnover recorded a decline of 12% following the close down of the factory.

Apart from the above, the Group has made a new joint venture investment with an experienced partner to develop a property project at Lancaster Gate in London, United Kingdom. The property shall be refurbished and resale.

Looking ahead, the Hong Kong retail operation has been completely transformed to position as a contemporary department store. A new slick red corporate logo has been employed along a young image girl to project a youthful image. New concept store design with modern technology has been incorporated into the new stores. More importantly, new merchandise mix including Korean fashion imports along with our solid foundation of European imports will propel Sincere to be the Store of Today's generation for many years to come.

Apart from the two new stores mentioned above, there will be another new store coming in the fourth quarter of 2013 at Percival Street in Causeway Bay with approximately 22,000 sq ft, and the Grand Century Place store has extended the lease going into the first quarter of 2014.

On the securities trading, in view of the uncertain global economic environment and the recent concerns over the momentums of the US recovery, the management shall remain conservative on the investment strategies. The advertising operation will focus on the Group's department store brand rebuilding programs. The joint venture property project in UK is on schedule and expects to do more provided there are suitable properties.

Mixed with the risks and opportunities on the new stores and the new image and strategies, the management is excited and well prepared to meet with those challenges ahead.

## LIQUIDITY AND FINANCIAL RESOURCES

As at 31 August 2013, the Group had cash and bank balance of total HK\$444 million (28 February 2013 restated: HK\$302 million) of which HK\$153 million (28 February 2013 restated: HK\$74 million) were pledged. The Group's gearing increased by 21.9% to 32.7% in total interest-bearing bank borrowings to the shareholders' equity as compared to that of 28 February 2013 restated. The increase of borrowings mainly due to financing the set up of new department stores.

The maturity of all bank borrowings ranged from less than one year to two years. The bank borrowings were mainly in HK dollars with interest rates ranging from 1.4% to 5.0%. The interest expense charged to the condensed consolidated income statement for the period was HK\$1.2 million (2012 restated: HK\$1.0 million).

The current ratio decreased by 1.0 from 3.6 to 2.6 as compared to that of 28 February 2013 restated. The Group currently has a foreign currency hedging policy on Euro for the purchase of inventories, which hedges half of the anticipated total value of the European inventory purchase for re-sale at the department stores. In addition to the internal generated cash flows, the Group also made use of short term borrowings to finance its operation during the period. All borrowings were secured against the securities investment, certain properties and bank deposits.

## EMPLOYEES AND REMUNERATION POLICIES

As at 31 August 2013, the Group had 523 employees (28 February 2013: 491) (including part time staff). The Group operates different remuneration schemes for sales and non-sales employees to motivate front-line and back office staff towards higher sales achievement and operating efficiencies. Apart from basic salary and discretionary year-end bonuses based on individual merit, sales personnel are further remunerated on the basis of goal-oriented packages comprising several scheme of sales commission. The Group provides employee benefits such as staff purchase discounts, subsidised medical care and training courses.

## INTERIM DIVIDEND

The Board of Directors of the Company has decided not to declare an interim dividend for the six months ended 31 August 2013.

## PRINCIPAL SHAREHOLDERS

At 31 August 2013, according to the register of interests kept by the Company pursuant to the Section 336 of the Securities and Futures Ordinance (the "SFO") and so far as is known to the Directors, The Sincere Life Assurance Company Limited and The Sincere Insurance and Investment Company, Limited were interested in 183,136,032 and 75,608,064 shares of HK\$0.50 each in the Company, representing 31.89% and 13.17% of the issued share capital of the Company, respectively. Save for the above, there were no other shareholders who had registered an interest, directly or indirectly, of 5% or more of the issued equity share capital of the Company.

## DIRECTORS' INTERESTS IN SHARES

At 31 August 2013, the interests of the Directors in the share capital of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), 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 Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, were as follows:

### (a) Long position in shares of the Company

Name	Capacity and nature of interest	Shares/equity derivatives	Number of Shares/equity derivatives held	Percentage of the Company's issued share capital
Walter K W MA	Personal Interest	Ordinary shares	9,925,000	1.7
	Personal Interest	Share options	5,700,000	1.0
Philip K H MA	Personal Interest	Ordinary shares	2,000,000	0.3
	Personal Interest	Share options	5,700,000	1.0
John Y C FU	Personal Interest	Ordinary shares	40,000	–
	Personal Interest	Share options	2,280,000	0.4
King Wing MA	Personal Interest	Ordinary shares	1,240,928	0.2
	Personal Interest	Share options	570,000	0.1
Eric K K LO	Personal Interest	Ordinary shares	2,200,400	0.4
	Personal Interest	Share options	570,000	0.1
Charles M W CHAN	Personal Interest	Ordinary shares	40,000	–
	Personal Interest	Share options	570,000	0.1
Peter TAN	Personal Interest	Ordinary shares	40,000	–
	Personal Interest	Share options	570,000	0.1

**(b) Associated corporations**

At 31 August 2013, Mr Walter K W Ma, Mr Philip K H Ma, Mr King Wing Ma and Mr Eric K K Lo held 527, 713, 1,225 and 216 ordinary shares, respectively, in The Sincere Life Assurance Company Limited. In addition, at 31 August 2013, Mr Philip K H Ma held 500 promoter shares and Mr King Wing Ma held 834 promoter shares in The Sincere Life Assurance Company Limited.

At 31 August 2013, Mr Walter K W Ma, Mr Philip K H Ma, Mr King Wing Ma and Mr Eric K K Lo held 4,521, 2,485, 26 and 1,019 ordinary shares, respectively, in The Sincere Insurance and Investment Company, Limited.

At 31 August 2013, Mr Walter K W Ma and Mr Philip K H Ma held 10 and 10 ordinary shares, respectively, in The Sincere Company (Perfumery Manufacturers), Limited.

In addition to the above, certain Directors have non-beneficial personal equity interests in certain subsidiaries held for the benefit of the Company solely for the purpose of complying with minimum company membership requirements.

Save as disclosed herein, as at 31 August 2013, none of the Directors or any of their associates had any interests or short position in any of the shares, underlying shares or debentures of the Company or any of its associated corporations that is required to be recorded and kept in the register in accordance with Section 352 of the SFO.

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

Due to change in the definition of “control” and related guidance set out in HKFRS 10, as stated in the section headed “Changes in Accounting Policy and Disclosures” of “Notes to Financial Statements”, after taking into account of all relevant facts and circumstances, the following companies are regarded as subsidiaries of the Company:

The Sincere Life Assurance Company Limited  
The Sincere Insurance and Investment Company, Limited  
The Sincere Company (Perfumery Manufacturers), Limited

The said companies are also regarded as “associated corporations” of The Sincere Company, Limited pursuant to section 308 of the Securities and Futures Ordinance (Cap. 571 Laws of Hong Kong). An “associated corporation” is defined in section 308 of the Securities and Futures Ordinance as a subsidiary or holding company of the listed corporation or a subsidiary of the listed corporation’s holding company.

## SHARE OPTION SCHEME

On 6 December 2010, the Company adopted a share option scheme (the "Option Scheme"). The following is a summary of the Option Scheme:

### 1. Purpose

The purpose of the Option Scheme is to provide incentives and/or rewards to participants thereunder for their contribution to the Group and/or to enable the Group to recruit and retain high-calibre employees and attract human resources that are valuable to the Group and any entity in which the Group holds any equity interest ("Invested Entity").

### 2. Participants

Any person belonging to any of the following classes of persons:

- (a) any employee(s) (whether full time or part time employee(s), including any Executive Director but not any Non-Executive Director) of the Company, its subsidiaries or any Invested Entity ("Eligible Employee(s)");
- (b) any Non-Executive Director (including Independent Non-Executive Directors) of the Company, any of its subsidiaries or any Invested Entity;
- (c) any supplier of goods or services to any member of the Group or any Invested Entity;
- (d) any customer of the Group or any Invested Entity;
- (e) any person or entity that provides research, development or other technological support to the Group or any Invested Entity; and
- (f) any shareholder of any member of the Group or any Invested Entity or any holder of any securities issued by any member of the Group or any Invested Entity.

### 3. Total number of shares available for issue

- (a) The total number of shares which may be issued upon exercise of all options to be granted under the Option Scheme and any other share option schemes of the Company shall not in aggregate exceed 10% of the total number of shares in issue as at the date of approval of the Option Scheme. Options lapsed in accordance with the terms of the Option Scheme or any other share option schemes of the Company will not be counted for the purpose of calculating the 10% limit.
- (b) The Company may seek approval of the shareholders in general meeting for refreshing the 10% limit under the Option Scheme save that the total number of shares which may be issued upon exercise of all options to be granted under the Option Scheme and any other share option schemes of the Company under the limit as "refreshed" shall not exceed 10% of the total number of shares in issue as at the date of approval of the limit as "refreshed". Options previously granted under the Option Scheme or any other share option schemes of the Company (including options outstanding, cancelled, lapsed or exercised in accordance with the terms of the Option Scheme or any other share option schemes of the Company) will not be counted for the purpose of calculating the limit as "refreshed".

- (c) The maximum number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Option Scheme and any other share option schemes of the Company must not exceed 30% of the total number of shares in issue from time to time.
- (d) The total number of Company shares in issue as of 31 August 2013 was 574,308,000.

#### **4. Maximum entitlement of each participant**

The total number of shares issued and to be issued upon exercise of the options granted to each participant (including both exercised and outstanding options) in any 12-month period shall not exceed 1% of the total number of shares in issue. Where any further grant of options to a participant would result in the total number of shares issued and to be issued upon exercise of all the options granted and to be granted to such person (including exercised, cancelled and outstanding options) in the 12-month period up to and including the date of such further grant representing in aggregate over 1% of the total number of shares in issue, such further grant must be separately approved by the shareholders in a general meeting.

Where any grant of options to a substantial shareholder or an Independent Non-Executive Director of the Company, or any of their respective associates, would result in the shares issued and to be issued upon exercise of all options already granted and to be granted (including options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant:

- (a) representing in aggregate over 0.1% of shares in issue; and
- (b) having an aggregate value, based on the closing price of the shares at the date of each grant, in excess of HK\$5,000,000,

such further grant of options must be approved by the shareholders in a general meeting.

#### **5. Period within which the shares must be taken up**

The board may in its absolute discretion determine and notify to each grantee, save that such period shall not be more than ten years from the offer date subject to the provisions for early termination set out in the Option Scheme and that the Board may at its discretion determine the minimum period for which the option has to be held before the exercise of the subscription right attaching thereto.

#### **6. Basis of determining the subscription price**

The subscription price in respect of any particular option shall be such price as determined by the Board in its absolute discretion at the time of the making of the offer (which shall be stated in the letter containing the offer) but in any case the subscription price shall not be lower than the highest of (i) the closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheet on the offer date, which must be a trading day; (ii) the average closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheets for the five trading days immediately preceding the offer date; and (iii) the nominal value of the Company shares.

#### **7. Remaining life of the Option Scheme**

The Option Scheme will expire on 5 December 2020.

#### **8. Acceptance of the option**

The offer of a grant of share options may be accepted within 28 days from the date of offer, upon payment of a nominal consideration of HK\$1 in total by the grantee.

Set out below are the outstanding share options under the Option Scheme as at 31 August 2013:

Name or category of participant	Number of share options					Date of grant of share options	Exercise period of share options	Exercise price of share options HK\$ per share
	At 1 March 2013	Granted during the period	Cancelled or lapsed during the period	Exercised during the period	At 31 August 2013			
<b>Executive Directors</b>								
Walter K W Ma	5,700,000	-	-	-	5,700,000	28 February 2013	28 February 2013 to 27 February 2018	0.82
Philip K H Ma	5,700,000	-	-	-	5,700,000	28 February 2013	28 February 2013 to 27 February 2018	0.82
John Y C Fu	2,280,000	-	-	-	2,280,000	28 February 2013	28 February 2013 to 27 February 2018	0.82
<b>Independent Non-Executive Directors</b>								
King Wing Ma	570,000	-	-	-	570,000	28 February 2013	28 February 2013 to 27 February 2018	0.82
Eric K K Lo	570,000	-	-	-	570,000	28 February 2013	28 February 2013 to 27 February 2018	0.82
Charles M W Chan	570,000	-	-	-	570,000	28 February 2013	28 February 2013 to 27 February 2018	0.82
Peter Tan	570,000	-	-	-	570,000	28 February 2013	28 February 2013 to 27 February 2018	0.82
<b>Other grantees</b>								
Employees in aggregate	3,700,000	-	-	-	3,700,000	28 February 2013	28 February 2013 to 27 February 2018	0.82
Non-employees in aggregate	2,850,000	-	-	-	2,850,000	28 February 2013	28 February 2013 to 27 February 2018	0.82
	<u>22,510,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>22,510,000</u>			

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

There was no purchase, sale or redemption by the Company or any of its subsidiaries of the Company's listed shares during the period.

## **AUDIT COMMITTEE**

The Audit Committee has reviewed with the management the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting including the review of the unaudited condensed consolidated interim financial statements for the six months ended 31 August 2013.

## **ADOPTION OF THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS ("MODEL CODE")**

The Company has adopted the Model Code as set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") as the code of conduct regarding Director's securities transactions. All Directors have confirmed, following specific enquiry by the Company, that they have complied with the required standard set out in the Model Code during the period under review.

## **CORPORATE GOVERNANCE**

The Company has complied throughout the period ended 31 August 2013 with the Code on Corporate Governance Practices as set out in Appendix 14 to the Listing Rules, except the Code Provision A.4.1 that the Non-Executive Directors were not appointed for a specific term, but are subject to retirement by rotation and re-election at the Company's Annual General Meetings in accordance with the Company's Articles of Association.

By order of the Board  
**Walter K W Ma**  
*Executive Chairman*

Hong Kong, 31 October 2013

