

**sincere**先施

**The Sincere Company, Limited**

Stock code: 244

Interim Report  
**2015**

## 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 2015, 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

For the six months ended 31 August 2015

	Notes	2015 HK\$'000 (unaudited)	2014 HK\$'000 (unaudited)
REVENUE	4	163,427	166,809
Cost of sales		(62,838)	(71,138)
Other income and gains, net		15,154	19,574
Net unrealised gain/(loss) on securities trading		(21,130)	10,757
Selling and distribution expenses		(128,205)	(129,334)
General and administrative expenses		(57,417)	(63,722)
Other operating income/(expenses)		403	(372)
Finance costs		(3,409)	(3,494)
LOSS BEFORE TAX	5	(94,015)	(70,920)
Income tax expense	6	(23)	–
LOSS FOR THE PERIOD		(94,038)	(70,920)
<b>ATTRIBUTABLE TO:</b>			
Equity holders of the Company		(92,502)	(69,082)
Non-controlling interests		(1,536)	(1,838)
		(94,038)	(70,920)
<b>LOSS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY</b>	7		
Basic		HK\$(0.29)	HK\$(0.22)
Diluted		HK\$(0.29)	HK\$(0.22)

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 31 August 2015

	2015 HK\$'000 (unaudited)	2014 HK\$'000 (unaudited)
LOSS FOR THE PERIOD	<u>(94,038)</u>	<u>(70,920)</u>
OTHER COMPREHENSIVE LOSS		
<i>Other comprehensive loss to be reclassified to the income statement in subsequent periods:</i>		
Exchange differences arising on translation of foreign operations	(6,432)	(890)
Realisation of exchange fluctuation reserve upon deregistration of a subsidiary	<u>-</u>	<u>(1,067)</u>
Net other comprehensive loss to be reclassified to the income statement in subsequent periods	<u>(6,432)</u>	<u>(1,957)</u>
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD	<u>(100,470)</u>	<u>(72,877)</u>
ATTRIBUTABLE TO:		
Equity holders of the Company	(98,940)	(71,144)
Non-controlling interests	<u>(1,530)</u>	<u>(1,733)</u>
	<u>(100,470)</u>	<u>(72,877)</u>

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	<i>Notes</i>	<b>31 August 2015 HK\$'000 (unaudited)</b>	28 February 2015 HK\$'000 (audited)
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		<b>90,207</b>	97,205
Interests in associates		–	–
Interest in a joint venture		–	–
Financial instruments		<b>26,326</b>	26,326
Deposits and other receivables		<b>28,839</b>	35,891
		<hr/>	<hr/>
Total non-current assets		<b>145,372</b>	159,422
<b>CURRENT ASSETS</b>			
Inventories		<b>51,607</b>	53,250
Debtors	9	<b>11</b>	49
Reinsurance assets		<b>17</b>	16
Prepayments, deposits and other receivables		<b>36,776</b>	34,131
Financial assets at fair value through profit or loss		<b>235,550</b>	255,118
Derivative financial instruments		<b>51</b>	461
Pledged bank balances		<b>30,234</b>	58,523
Pledged deposits with banks		<b>256,342</b>	383,000
Cash and bank balances		<b>112,780</b>	82,029
		<hr/>	<hr/>
Total current assets		<b>723,368</b>	866,577
<b>CURRENT LIABILITIES</b>			
Creditors	10	<b>58,795</b>	68,922
Insurance contract liabilities		<b>1,225</b>	1,224
Deposits, accrued expenses and other payables		<b>43,340</b>	50,156
Interest-bearing bank borrowings		<b>328,744</b>	368,229
Other loans		<b>1,939</b>	1,954
Tax payable		<b>24</b>	2
		<hr/>	<hr/>
Total current liabilities		<b>434,067</b>	490,487
		<hr/>	<hr/>
NET CURRENT ASSETS		<b>289,301</b>	376,090
		<hr/>	<hr/>
TOTAL ASSETS LESS CURRENT LIABILITIES		<b>434,673</b>	535,512
		<hr/>	<hr/>

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

	<i>Notes</i>	<b>31 August 2015 HK\$'000 (unaudited)</b>	28 February 2015 HK\$'000 (audited)
NON-CURRENT LIABILITIES			
Accrued expenses and other payables		<b>44,915</b>	43,280
Interest-bearing bank borrowings		<b>9,005</b>	11,009
Other loans		<b>1,005</b>	1,005
Pension scheme liabilities		<b>825</b>	825
		<hr/>	<hr/>
Total non-current liabilities		<b>55,750</b>	56,119
		<hr/>	<hr/>
NET ASSETS		<b>378,923</b>	479,393
		<hr/>	<hr/>
EQUITY			
Equity attributable to equity holders of the Company			
Share capital		<b>287,180</b>	287,180
Reserves		<b>33,487</b>	132,427
		<hr/>	<hr/>
		<b>320,667</b>	419,607
		<hr/>	<hr/>
Non-controlling interests		<b>58,256</b>	59,786
		<hr/>	<hr/>
TOTAL EQUITY		<b>378,923</b>	479,393
		<hr/>	<hr/>

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 31 August 2015

	Attributable to equity holders of the Company							
	Share capital	Treasury shares	General and other reserves	Share option reserve	Reserves		Non-controlling interests	Total
					Retained profits/ (accumulated loss)	Total reserves		
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 March 2015 (audited)	287,180	(130,221)	230,024	5,608	27,016	132,427	59,786	479,393
Loss for the period	-	-	-	-	(92,502)	(92,502)	(1,536)	(94,038)
Other comprehensive income/(loss) for the period:								
Exchange differences arising on translation of foreign operations	-	-	(6,438)	-	-	(6,438)	6	(6,432)
Total comprehensive loss for the period	-	-	(6,438)	-	(92,502)	(98,940)	(1,530)	(100,470)
At 31 August 2015 (unaudited)	287,180	(130,221)	223,586	5,608	(65,486)	33,487	58,256	378,923

For the six months ended 31 August 2014

	Attributable to equity holders of the Company								
	Share capital	Share premium account	Treasury shares	General and other reserves	Share option reserve	Reserves		Non-controlling interests	Total
						Retained profits	Total reserves		
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
At 1 March 2014 (audited)	287,154	26	(130,221)	238,948	5,754	140,286	254,767	62,430	604,377
Loss for the period	-	-	-	-	-	(69,082)	(69,082)	(1,838)	(70,920)
Other comprehensive income/(loss) for the period:									
Exchange differences arising on translation of foreign operations	-	-	-	(995)	-	-	(995)	105	(890)
Realisation of exchange fluctuation reserve upon deregistration of a subsidiary	-	-	-	(1,067)	-	-	(1,067)	-	(1,067)
Total comprehensive loss for the period	-	-	-	(2,062)	-	(69,082)	(71,144)	(1,733)	(72,877)
Transition to non-par value regime <sup>#</sup>	26	(26)	-	-	-	-	-	-	-
Movement in balances with non-controlling interests	-	-	-	-	-	-	-	450	450
At 31 August 2014 (unaudited)	287,180	-	(130,221)	236,886	5,754	71,204	183,623	61,147	531,950

<sup>#</sup> In accordance with the transitional provisions set out in section 37 of Schedule 11 to the Hong Kong Companies Ordinance (Cap. 622), on 3 March 2014, any amount standing to the credit of the share premium account has become part of the Company's share capital. Accordingly, the share premium of HK\$26,000 was transferred to share capital.

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS***For the six months ended 31 August 2015*

	<b>2015</b> <b>HK\$'000</b> <b>(unaudited)</b>	2014 HK\$'000 (unaudited)
Net cash flows used in operating activities	<b>(77,448)</b>	(89,877)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Additions to items of property, plant and equipment	<b>(6,026)</b>	(768)
Proceeds from disposal of items of property, plant and equipment	<b>860</b>	16
Proceeds from disposal of financial instruments	–	696
Decrease/(increase) in pledged bank balances	<b>28,289</b>	(10,193)
Decrease/(increase) in pledged deposits with banks	<b>126,658</b>	(212,221)
Advance to an associate	<b>(78)</b>	(4)
Repayment from a joint venture	–	229
Increase in an amount due from a joint venture	–	(913)
Net cash flows from/(used in) investing activities	<b>149,703</b>	(223,158)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Repayments of bank loans	<b>(329,828)</b>	(256,773)
New bank loans	<b>288,352</b>	434,556
Increase/(decrease) in other loans	<b>(15)</b>	14
Non-controlling interests	–	450
Net cash flows from/(used in) financing activities	<b>(41,491)</b>	178,247
Net increase/(decrease) in cash and cash equivalents	<b>30,764</b>	(134,788)
Cash and cash equivalents at beginning of period	<b>80,576</b>	226,499
Cash and cash equivalents at end of period	<b>111,340</b>	91,711
<b>ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS</b>		
Cash on hand and at banks	<b>76,690</b>	61,297
Time deposits with original maturity of less than three months	<b>36,090</b>	37,830
Cash and cash equivalents as stated in the condensed consolidated statement of financial position	<b>112,780</b>	99,127
Bank overdrafts	<b>(1,440)</b>	(7,416)
Cash and cash equivalents as stated in the condensed consolidated statement of cash flows	<b>111,340</b>	91,711

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

31 August 2015

### 1. BASIS OF PREPARATION AND 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 (“Listing Rules”). 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 revised HKFRSs adopted during the period as set out in note 2, the accounting policies and basis of preparation adopted in the preparation of the condensed consolidated interim financial statements are the same as those used in the annual financial statements for the year ended 28 February 2015.

### 2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has applied, for the first time, the following revised HKFRSs issued by HKICPA which are effective for the Group’s financial year beginning on 1 March 2015.

Amendments to HKAS 19 <i>Annual Improvements</i> <i>2010-2012 Cycle</i>	<i>Defined Benefit Plans: Employee Contributions</i> Amendments to a number of HKFRSs
<i>Annual Improvements</i> <i>2011-2013 Cycle</i>	Amendments to a number of HKFRSs

The adoption of the revised HKFRSs has had no material effect on the results and financial position for the current or prior accounting periods which have been prepared and presented.



### 3. SEGMENT INFORMATION

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

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

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

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

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

Intersegment 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.

### 3. 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 2015 and 31 August 2014.

	Department store operations		Securities trading		Others		Eliminations		Total	
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
	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	161,916	162,422	(364)	1,647	1,875	2,740	-	-	163,427	166,809
Intersegment sales	-	-	-	-	14,603	17,229	(14,603)	(17,229)	-	-
Other revenue	600	72	10,454	15,289	64	808	-	-	11,118	16,169
Total	<u>162,516</u>	<u>162,494</u>	<u>10,090</u>	<u>16,936</u>	<u>16,542</u>	<u>20,777</u>	<u>(14,603)</u>	<u>(17,229)</u>	<u>174,545</u>	<u>182,978</u>
Segment results	(67,059)	(76,276)	(15,979)	20,438	(11,604)	(14,993)	-	-	(94,642)	(70,831)
Interest income and unallocated revenue									4,036	3,405
Finance costs									(3,409)	(3,494)
Loss before tax									(94,015)	(70,920)
Income tax expense									(23)	-
Loss for the period									<u>(94,038)</u>	<u>(70,920)</u>

### 3. SEGMENT INFORMATION (continued)

#### (b) Geographical information

The following table presents revenue for the Group's geographical information.

	Hong Kong		Mainland China		United Kingdom		Others		Consolidated	
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
	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	<b>163,944</b>	166,390	<b>52</b>	-	<b>122</b>	133	<b>(691)</b>	286	<b>163,427</b>	166,809

### 4. REVENUE

Revenue 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 agency fee income and gross insurance contracts premium revenue during the period.

### 5. LOSS BEFORE TAX

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

	For the six months ended	
	2015	2014
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Depreciation	<b>12,634</b>	11,493
Impairment on inventories <sup>^</sup>	<b>1,413</b>	12,760
Impairment on interest in an associate*	<b>78</b>	4
Impairment on other receivables	<b>533</b>	-
Loss/(gain) on disposal of items of property, plant and equipment*	<b>(481)</b>	368
Gain on disposal of available-for-sale investments <sup>#</sup>	-	(696)
Gain on deregistration of a subsidiary <sup>#</sup>	-	(1,067)

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

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

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

## 6. INCOME TAX

	For the six months ended	
	31 August	
	2015	2014
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Current – Hong Kong	–	–
Current – Elsewhere		
Charge for the period	<u>23</u>	<u>–</u>
Total tax charge for the period	<u>23</u>	<u>–</u>

No provision for Hong Kong profits tax has been made as there were no assessable profits arising in Hong Kong during the period (2014: Nil). During the period ended 31 August 2015, taxes on profits assessable elsewhere had been calculated at the rate of taxes prevailing in the locations in which the Group operates.

## 7. 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 attributable to equity holders of the Company of HK\$92,502,000 (2014: HK\$69,082,000) and the 313,864,800 ordinary shares (2014: 313,864,800) in issue throughout the period, as adjusted to reflect the number of treasury shares of 260,443,200 (2014: 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 periods ended 31 August 2015 and 31 August 2014.

## 8. DIVIDEND

The board of directors of the Company has decided not to declare an interim dividend for the six months ended 31 August 2015 (2014: Nil).

## 9. 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 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.

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 2015 HK\$'000 (unaudited)</b>	28 February 2015 HK\$'000 (audited)
Within 3 months not past due	–	49
Over 3 months past due	<u>11</u>	<u>–</u>
Total debtors	<b>11</b>	49
Impairment	<u>–</u>	<u>–</u>
Total	<u><b>11</b></u>	<u>49</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.

## 10. CREDITORS

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

	<b>31 August 2015 HK\$'000 (unaudited)</b>	28 February 2015 HK\$'000 (audited)
Current – 3 months	<b>55,727</b>	68,430
4 – 6 months	<b>2,854</b>	298
7 – 12 months	<b>172</b>	15
Over 1 year	<b>42</b>	179
	<b>58,795</b>	68,922

## 11. RELATED PARTY TRANSACTIONS

- (a) During the period ended 31 August 2015, no interest income was received from a joint venture (2014: HK\$932,000). The loan to a joint venture was borne interest at 8% per annum.
- (b) Compensation of key management personnel of the Group:

	<b>For the six months ended 31 August</b>	
	<b>2015 HK\$'000 (unaudited)</b>	2014 HK\$'000 (unaudited)
Short term employee benefits	<b>12,255</b>	16,161
Post-employment benefits, including pension cost for a defined benefit plan of HK\$360,000 (2014: HK\$608,000)	<b>378</b>	616
Total compensation paid to key management personnel	<b>12,633</b>	16,777

## 12. FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

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

### *Assets measured at fair value:*

#### **As at 31 August 2015**

	Fair value measurement using		Total HK\$'000 (unaudited)
	Quoted prices in active markets (Level 1) HK\$'000 (unaudited)	Significant observable inputs (Level 2) HK\$'000 (unaudited)	
Financial assets at fair value through profit or loss	139,728	95,822	235,550
Derivative financial instruments	–	51	51
	<u>139,728</u>	<u>95,873</u>	<u>235,601</u>

#### **As at 28 February 2015**

	Fair value measurement using		Total HK\$'000 (audited)
	Quoted prices in active markets (Level 1) HK\$'000 (audited)	Significant observable inputs (Level 2) HK\$'000 (audited)	
Financial assets at fair value through profit or loss	147,343	107,775	255,118
Derivative financial instruments	–	461	461
	<u>147,343</u>	<u>108,236</u>	<u>255,579</u>

As at 31 August 2015 and 28 February 2015, the Group had no financial instruments measured at fair value under Level 3 for both financial assets and financial liabilities.

During the period ended 31 August 2015 and the year ended 28 February 2015, there were no transfer 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.

## 13. APPROVAL OF THE INTERIM FINANCIAL REPORT

These condensed consolidated interim financial statements were approved and authorised for issue by the board of directors on 30 October 2015.

## INTERIM RESULTS

The unaudited consolidated revenue of the Group for the six months ended 31 August 2015 was HK\$163 million, slightly decreased by HK\$3 million or 2%. The unaudited loss attributable to shareholders for the six months ended 31 August 2015 was HK\$93 million, increased by HK\$23 million or 34%. The increased loss was attributable to the volatile global stock market, created an unrealised mark to market adjustment on the financial assets with a segment loss of HK\$16 million compared to a profit of HK\$20 million in last period; while the department store operations recorded a loss of HK\$67 million, improved by HK\$9 million or 12%. The other segments recorded a loss of HK\$12 million which has improved by HK\$3 million or 23% mainly due to cost savings from the closures of certain non-profit making operations.

## BUSINESS REVIEW AND FUTURE PROSPECTS

The core department store operations recorded a revenue of HK\$162 million, when excluding the impacts on the closure of Grand Century Place store and the boutique Olympian City store in April and November 2014 respectively, the revenue for the six comparable stores recorded a growth of 9% from last period, under the background of reducing inbound tourists and a volatile global and local stock market that has soften the consumer's buying sentiments. Focus was placed on launching various new marketing initiatives and promotional campaigns. Apart from the seasonal launch and crazy sale theme, a number of new programs were introduced including Come and Experience Italian Fashion, Fashion Seoul 2 and, various joint promotions with business partners, restaurants and clubs in order to catch the other market segments.

With aggressive promotional campaigns, four out of the six stores have recorded a revenue growth, in which Shamshuipo Dragon Centre store grew by 8%, Central Li Po Chun store grew by 14%, Tsuen Wan Citywalk and Yau Tong Domain stores both grew by 20%. For Tsuen Wan Citywalk and Yau Tong Domain stores that have achieved the better growth, the product assortments were further fine-tuned with more Korean fashions and more loyal customers and VIP members returned with repeated purchases.

Sincere CWB and Sincere MK stores both recorded a slight decline in revenue of 1% and 3% respectively. Retail shops in Causeway Bay and Mongkok districts were experiencing high rental expenses and declining foot traffic. In view of such difficult situations, the management has carried out renovation in March and July 2015, respectively. With the uplifted image, famous international brands and Korean fashions were introduced to enhance the product assortments.

The contribution from Roadshow was down as a result of high rental and limited supply of venues. The revenue from the twenty-seven Roadshows for the six months ended was HK\$4 million, decreased by 2% from the thirty-one Roadshows in last period.

On the securities trading, driven by extreme volatility in the stock market on a global scale during the closing month of August 2015, Hang Seng index was down 13% as compared with end of February 2015. As approximately one-third of the investment portfolios were being placed in the Hong Kong market, a segment loss of HK\$16 million was recorded as a result of the mark to market unrealised loss of HK\$21 million. This result when compared with the mark to market gain of HK\$11 million in last period produced a substantial difference on the respective overall group performances. Meanwhile, dividends from securities investment and bond interest income have also decreased by HK\$5 million or 32% as compared to last period.



On the other investments, the loss reduced by HK\$3 million to HK\$12 million mainly attributable to the cost reductions from the closures of the non-profit making operations. The insurance business remained focus on investment with limited operation.

Looking ahead, with the negative impact from the stock market volatility, comparatively high rents and wages, a strong US dollar and less Chinese tourists, the immediate forecast for the Hong Kong retail scene is not optimistic. It will be a challenging second half year. However, management will continue to strive hard to achieve a business growth and control cost. Initiatives shall include expediting the launch of an on-line shopping platform and execute a focused customer relationship management program (CRM). A new advertising campaign will be launched this Winter to drive sales and solidify the new contemporary image of Sincere. In the meantime, more stringent on cost control will be established.

On the securities trading, the investment strategy will remain conservative and prudent. The management is confident that a dedicated team effort will pull us through this difficult period.

## LIQUIDITY AND FINANCIAL RESOURCES

As at 31 August 2015, the Group had cash and bank balance of total HK\$399 million (28 February 2015: HK\$524 million) of which HK\$287 million (28 February 2015: HK\$442 million) were pledged. The Group's gearing increased by 14.9% to 105.3% in total interest-bearing bank borrowings to the shareholders' equity as compared to that of 28 February 2015. The decrease of borrowings mainly due to the repayment of bank loans and the increase in gearing was attributable to the decrease in shareholders equities.

The interest-bearing bank borrowings of the Group as of 31 August 2015 were HK\$338 million (28 February 2015: HK\$379 million), of which HK\$329 million (28 February 2015: HK\$368 million) was repayable within one year, while the remaining balance was repayable within the second to fifth years. The bank borrowings were mainly in HK dollars with interest rates ranging from 1.2% to 5.0%. The interest expense charged to the condensed consolidated income statement for the period was HK\$3.4 million (2014: HK\$3.5 million).

The current ratio slightly decreased by 0.1 from 1.8 to 1.7 as compared to that of 28 February 2015. The Group currently has a foreign currency hedging policy on Euro for the purchase of inventories, which hedges approximately fifty percent of the anticipated total value of the European inventory purchase for re-sale at the department stores. In addition to internally generated cash flows, the Group also made use of both long and short term borrowings to finance its operation during the period. All borrowings were secured against the securities investment, a property and bank deposits.

## EMPLOYEES AND REMUNERATION POLICIES

As at 31 August 2015, the Group had 374 employees (28 February 2015: 453) (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 2015.

## PRINCIPAL SHAREHOLDERS

At 31 August 2015, 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 & Investment Company, Limited were interested in 183,136,032 and 75,608,064 shares in the Company, representing 31.89% and 13.17% of the total number of shares of the Company in issue, respectively. Save for the above, there were no other shareholders who had registered an interest, directly or indirectly, of 5% or more of the total number of shares of the Company in issue.

## DIRECTORS' INTERESTS IN SHARES

At 31 August 2015, 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 total number of shares in issue
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 2015, Mr Philip K H Ma, Mr King Wing Ma and Mr Eric K K Lo held 713, 1,225 and 216 ordinary shares, respectively, in The Sincere Life Assurance Company Limited. In addition, at 31 August 2015, 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 2015, Mr Philip K H Ma, Mr King Wing Ma and Mr Eric K K Lo held 2,485, 26 and 1,019 ordinary shares, respectively, in The Sincere Insurance & Investment Company, Limited.

At 31 August 2015, Mr Philip K H Ma and Mr King Wing 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 2015, 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.

**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’s shares in issue as of 31 August 2015 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 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's 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 2015:

Name or category of participant	Number of share options					At 31 August 2015	Date of grant of share options	Exercise period of share options	Exercise price of share options HK\$ per share
	At 1 March 2015	Granted during the period	Cancelled or lapsed during the period	Exercised during the period					
<b>Executive directors</b>									
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	3,130,000	-	-	-	3,130,000	28 February 2013	28 February 2013 to 27 February 2018	0.82	
Non-employees in aggregate	8,550,000	-	-	-	8,550,000	28 February 2013	28 February 2013 to 27 February 2018	0.82	
	<u>21,940,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>21,940,000</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 2015.

## 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 of Hong Kong Limited (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 PRACTICE

The Company's corporate governance practices are based on the principles as set out in the Corporate Governance Code (the "CG Code") contained in Appendix 14 of the Listing Rules.

During the period ended 31 August 2015, the Company has complied with the Code Provisions set out in the CG Code, save and except for code provision A.2.1 and A.4.1.

Pursuant to code provision A.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 K H Ma is Chairman and Chief Executive Officer of the Company. He provides leadership to the Board ensuring that members of the Board receive accurate, timely and clear information to help them reach well-informed and well-considered decisions. He is also responsible for leading the management team to manage day-to-day operation and report to the Board the way the business is run. The Board believes that vesting the roles of both Chairman and Chief Executive Officer in the same individual can provide the Company with strong and consistent leadership and allows for effective and efficient planning and implementation of business decisions and strategies.

Pursuant to code provision A.4.1 of the CG Code that non-executive directors should be appointed for a specific term, subject to re-election. The Independent Non-Executive Directors of the Company were not appointed for a specific term but are subjected to retirement by rotation and re-election at the Company's Annual General Meeting in accordance with the Company's Articles of Association.

By order of the Board  
**Philip K H Ma**  
Chairman & CEO

Hong Kong, 30 October 2015