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THE SINCERE COMPANY, LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 0244)

**ANNOUNCEMENT OF RESULTS
FOR THE YEAR ENDED 29 FEBRUARY 2016**

The Board of Directors (the “Board”) of The Sincere Company, Limited (the “Company”) announces that the consolidated results of the Company and its subsidiaries (the “Group”) for the year ended 29 February 2016 together with the comparative figures for the previous year are as follows:

CONSOLIDATED INCOME STATEMENT

Year ended 29 February 2016

	<i>Notes</i>	2016 HK\$'000	2015 HK\$'000
REVENUE	3	384,338	370,333
Cost of sales		(152,089)	(146,218)
Other income and gains, net		25,535	34,634
Net unrealised gain/(loss) on securities trading		(39,795)	7,538
Selling and distribution expenses		(269,404)	(257,596)
General and administrative expenses		(111,710)	(126,029)
Other operating expenses, net		(13,512)	(759)
Finance costs	4	(6,472)	(8,109)
LOSS BEFORE TAX	5	(183,109)	(126,206)
Income tax expense	6	(29)	(37)
LOSS FOR THE YEAR		<u>(183,138)</u>	<u>(126,243)</u>
ATTRIBUTABLE TO:			
Equity holders of the Company		(181,796)	(122,567)
Non-controlling interests		(1,342)	(3,676)
		<u>(183,138)</u>	<u>(126,243)</u>
LOSS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY	8		
Basic		<u>HK\$(0.58)</u>	<u>HK\$(0.39)</u>
Diluted		<u>HK\$(0.58)</u>	<u>HK\$(0.39)</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 29 February 2016

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
LOSS FOR THE YEAR	(183,138)	(126,243)
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	(7,447)	(6,967)
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> (7,447)</u>	<u> (8,034)</u>
<i>Other comprehensive income not to be reclassified to the income statement in subsequent periods:</i>		
Actuarial gains on a defined benefit plan	<u> 1,262</u>	<u> 9,642</u>
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	<u>(189,323)</u>	<u> (124,635)</u>
ATTRIBUTABLE TO:		
Equity holders of the Company	(188,711)	(122,340)
Non-controlling interests	<u> (612)</u>	<u> (2,295)</u>
	<u>(189,323)</u>	<u> (124,635)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

29 February 2016

	<i>Notes</i>	2016 HK\$'000	2015 <i>HK\$'000</i>
NON-CURRENT ASSETS			
Property, plant and equipment		61,178	97,205
Interests in associates		–	–
Interest in a joint venture		–	–
Financial instruments		26,326	26,326
Deposits and other receivables		28,375	35,891
		<hr/>	<hr/>
Total non-current assets		115,879	159,422
CURRENT ASSETS			
Inventories		48,358	53,250
Debtors	9	–	49
Reinsurance assets		21	16
Prepayments, deposits and other receivables		36,921	34,131
Financial assets at fair value through profit or loss		202,782	255,118
Derivative financial instruments		–	461
Pledged bank balances		50,295	58,523
Pledged deposits with banks		85,979	383,000
Cash and bank balances		44,217	82,029
		<hr/>	<hr/>
Total current assets		468,573	866,577
CURRENT LIABILITIES			
Creditors	10	82,947	68,922
Insurance contracts liabilities		1,229	1,224
Deposits, accrued expenses and other payables		46,192	50,156
Interest-bearing bank borrowings	11	92,593	368,229
Other loans		1,924	1,954
Tax payable		1	2
		<hr/>	<hr/>
Total current liabilities		224,886	490,487
NET CURRENT ASSETS		243,687	376,090
TOTAL ASSETS LESS CURRENT LIABILITIES		359,566	535,512

	<i>Notes</i>	2016 HK\$'000	2015 <i>HK\$'000</i>
NON-CURRENT LIABILITIES			
Accrued expenses and other payables		59,188	43,280
Interest-bearing bank borrowings	<i>11</i>	6,975	11,009
Other loans		1,005	1,005
Pension scheme liabilities		228	825
		<hr/>	<hr/>
Total non-current liabilities		67,396	56,119
		<hr/>	<hr/>
NET ASSETS		292,170	479,393
		<hr/> <hr/>	<hr/> <hr/>
EQUITY			
Equity attributable to equity holders of the Company			
Share capital		287,180	287,180
Reserves		(54,184)	132,427
		<hr/>	<hr/>
		232,996	419,607
		<hr/>	<hr/>
Non-controlling interests		59,174	59,786
		<hr/>	<hr/>
TOTAL EQUITY		292,170	479,393
		<hr/> <hr/>	<hr/> <hr/>

Notes:

1. CORPORATE AND GROUP INFORMATION

The Sincere Company, Limited is a limited liability company incorporated in Hong Kong. The registered office of the Company is located at 24th Floor, Leighton Centre, 77 Leighton Road, Hong Kong. The principal activities of the Company and its subsidiaries have not changed during the financial year and mainly consisted of the operation of department stores, securities trading and the provision of general and life insurances.

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), accounting principles generally accepted in Hong Kong and the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for derivative financial instruments and financial assets at fair value through profit or loss which have been measured at fair value. These financial statements are presented in Hong Kong dollars and all values are rounded to the nearest thousand (HK\$’000) except when otherwise indicated.

The unaudited financial information relating to the year ended 29 February 2016 and the financial information relating to the year ended 28 February 2015 included in this preliminary announcement of annual results for the year ended 29 February 2016 does not constitute the Company’s statutory annual consolidated financial statements for those years but, in respect of the year ended 28 February 2015, is derived from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance is as follows:

The financial statements for the year ended 29 February 2016 have yet to be reported on by the Company’s auditors and will be delivered to the Registrar of Companies in due course.

The Company has delivered the financial statements for the year ended 28 February 2015 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance.

The Company’s auditors have reported on these financial statements for the year ended 28 February 2015. The auditors’ report was unqualified; did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying its report; and did not contain a statement under sections 406(2), 407(2) or (3) of the Hong Kong Companies Ordinance.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following revised standards for the first time for the current year’s financial statements.

Amendments to HKAS 19 Defined Benefit Plans: Employee Contributions
Annual Improvements to HKFRSs 2010-2012 Cycle
Annual Improvements to HKFRSs 2011-2013 Cycle

The nature and the impact of each amendment is described below:

- (a) Amendments to HKAS 19 apply to contributions from employees or third parties to defined benefit plans. The amendments simplify the accounting for contributions that are independent of the number of years of employee service, for example, employee contributions that are calculated according to a fixed percentage of salary. If the amount of the contributions is independent of the number of years of service, an entity is permitted to recognise such contributions as a reduction of service cost in the period in which the related service is rendered. The amendments have had no impact on the Group as the Group does not have contribution from employees or third parties.
- (b) The *Annual Improvements to HKFRSs 2010-2012 Cycle* issued in January 2014 sets out amendments to a number of HKFRSs. Details of the amendments that are effective for the current year are as follows:
 - *HKFRS 8 Operating Segments*: Clarifies that an entity must disclose the judgements made by management in applying the aggregation criteria in HKFRS 8, including a brief description of operating segments that have been aggregated and the economic characteristics used to assess whether the segments are similar. The amendments also clarify that a reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker. The amendments have had no impact on the Group.
 - *HKAS 24 Related Party Disclosures*: Clarifies that a management entity (i.e., an entity that provides key management personnel services) is a related party subject to related party disclosure requirements. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services. The Group received key management personnel services and the details of the transaction have been disclosed in the financial statements.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

(c) The *Annual Improvements to HKFRSs 2011-2013 Cycle* issued in January 2014 sets out amendments to a number of HKFRSs. Details of the amendments that are effective for the current year are as follows:

- **HKFRS 13 *Fair Value Measurement*:** Clarifies that the portfolio exception in HKFRS 13 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of HKFRS 9 or HKAS 39 as applicable. The amendment is applied prospectively from the beginning of the annual period in which HKFRS 13 was initially applied. The amendment has had no impact on the Group as the Group does not apply the portfolio exception in HKFRS 13.

In addition, the requirements of Part 9 “Accounts and Audit” of the Hong Kong Companies Ordinance (Cap. 622) came into effect for the first time during the current financial year. The main impact to the financial statements is on the presentation and disclosure of certain information in the financial statements.

3. SEGMENT INFORMATION

(a) Operating segments

The following tables present revenue, loss and certain assets, liabilities and expenditure information for the Group’s operating segments for the years ended 29 February 2016 and 28 February 2015.

	Department store operations		Securities trading		Others		Eliminations		Total	
	2016 HK\$'000	2015 HK\$'000	2016 HK\$'000	2015 HK\$'000	2016 HK\$'000	2015 HK\$'000	2016 HK\$'000	2015 HK\$'000	2016 HK\$'000	2015 HK\$'000
Segment revenue:										
Sales to external customers	383,566	362,745	(2,987)	1,708	3,759	5,880	-	-	384,338	370,333
Intersegment sales	-	-	-	-	29,180	34,374	(29,180)	(34,374)	-	-
Other revenue	764	500	22,039	25,699	57	2,153	-	-	22,860	28,352
Total	384,330	363,245	19,052	27,407	32,996	42,407	(29,180)	(34,374)	407,198	398,685
Segment results	(133,144)	(116,158)	(31,230)	20,483	(14,938)	(28,704)	-	-	(179,312)	(124,379)
Interest income and unallocated revenue									2,675	6,282
Finance costs									(6,472)	(8,109)
Loss before tax									(183,109)	(126,206)
Income tax expense									(29)	(37)
Loss for the year									(183,138)	(126,243)
Segment assets	141,842	179,750	222,890	277,478	68,409	79,593	(29,180)	(34,374)	403,961	502,447
Unallocated assets									180,491	523,552
Total assets									584,452	1,025,999
Segment liabilities	204,593	180,308	300	1,065	17,001	20,369	(29,180)	(34,374)	192,714	167,368
Unallocated liabilities									99,568	379,238
Total liabilities									292,282	546,606
Other segment information:										
Depreciation	23,502	21,481	411	408	1,549	1,637	-	-	25,462	23,526
Capital expenditure	5,899	3,501	849	796	19	813	-	-	6,767	5,110
Loss/(gain) on disposal/write-off of items of property, plant and equipment	16,940	368	(485)	-	-	336	-	-	16,455	704
Net income derived from available-for-sale investments	-	-	-	-	-	(697)	-	-	-	(697)
Provision for inventories	1,413	12,760	-	-	-	-	-	-	1,413	12,760
Impairment on interest in an associate	-	-	-	-	115	55	-	-	115	55
Impairment on other receivables	-	-	-	-	507	-	-	-	507	-
Bad debts written off	-	-	-	-	29	-	-	-	29	-
Write-back of other payables	-	(777)	-	-	-	(197)	-	-	-	(974)
Gain on deregistration of a subsidiary	-	-	-	-	-	(1,067)	-	-	-	(1,067)
Write-back of impairment of a deposit	-	-	-	-	(3,000)	-	-	-	(3,000)	-

3. SEGMENT INFORMATION (continued)

(b) Geographical information

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

	Hong Kong		Mainland China		United Kingdom		Others		Eliminations		Consolidated	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue:												
Sales to external customers	<u>387,034</u>	<u>368,984</u>	<u>103</u>	<u>119</u>	<u>239</u>	<u>257</u>	<u>(3,038)</u>	<u>973</u>	<u>-</u>	<u>-</u>	<u>384,338</u>	<u>370,333</u>
Non-current assets	<u>88,102</u>	<u>131,528</u>	<u>1,451</u>	<u>1,568</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>89,553</u>	<u>133,096</u>

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

(c) Information about major customers

For the years ended 29 February 2016 and 28 February 2015, as no revenue derived from an individual customer of the Group has accounted for over 10% of the Group's total revenue, no information about major customers is presented under HKFRS 8.

4. FINANCE COSTS

An analysis of finance costs is as follows:

	2016 HK\$'000	2015 HK\$'000
Interest on bank borrowings	6,444	7,157
Others	<u>28</u>	<u>952</u>
	<u>6,472</u>	<u>8,109</u>

5. LOSS BEFORE TAX

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

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Depreciation	25,462	23,526
Auditors' remuneration	3,318	3,544
Employee benefit expense, excluding directors' and chief executive's remuneration:		
Wages and salaries	82,957	81,573
Pension contributions, including a pension cost for a defined benefit plan of HK\$3,027,000 (2015: HK\$4,027,000)	4,858	6,229
Equity-settled share option expenses	532	–
	<u>88,347</u>	<u>87,802</u>
Impairment on interest in an associate *	115	55
Impairment on other receivables	507	–
Bad debts written off	29	–
Provision for inventories **	1,413	12,760
Operating lease rental payments:		
Minimum lease payments	174,616	178,033
Contingent rent	2,252	2,620
Loss on disposal/write-off of items of property, plant and equipment *	16,455	704
Gain on deregistration of a subsidiary ***	–	(1,067)
Net income derived from available-for-sale investments ***	–	(697)
Net realised loss/(gain) on securities trading	2,987	(1,708)
Underwriting profit	(3)	(5)
Rental income	(3,695)	(3,668)
Interest income ***	(9,478)	(17,393)
Dividends from financial assets at fair value through profit or loss ***	(17,984)	(18,162)
Foreign exchange loss, net ***	2,880	4,348
Write-back of other payables ***	–	(974)
Write-back of impairment of a deposit Δ*	<u>(3,000)</u>	<u>–</u>

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

** Amount is included in "Cost of sales" on the face of the consolidated income statement.

*** Amounts are included in "Other income and gains, net" on the face of the consolidated income statement.

Δ Amount represented write-back of impairment of HK\$3,000,000 for the Group's deposit for an investment in Mainland China.

6. INCOME TAX

No provision for Hong Kong profits tax had been made as there were no assessable profits arising in Hong Kong for both years. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the locations in which the Group operates.

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Current – Hong Kong	–	–
Current – Elsewhere		
Charge for the year	<u>29</u>	<u>37</u>
Total tax charge for the year	<u><u>29</u></u>	<u><u>37</u></u>

7. DIVIDENDS

The Board does not recommend the payment of any dividend for the year ended 29 February 2016 (2015: Nil).

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

The calculation of the basic loss per share is based on the loss for the year of HK\$181,796,000 (2015: HK\$122,567,000) attributable to equity holders of the Company and the 313,864,800 (2015: 313,864,800) ordinary shares in issue throughout the year, as adjusted to reflect the number of treasury shares of 260,443,200 (2015: 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 years as the share options in issue had no dilutive effect during the years ended 29 February 2016 and 28 February 2015.

9. DEBTORS

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

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Within 3 months not past due	–	49
Impairment	<u>–</u>	<u>–</u>
Total	<u><u>–</u></u>	<u><u>49</u></u>

10. CREDITORS

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

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Current – 3 months	79,793	68,430
4 – 6 months	2,538	298
7 – 12 months	265	15
Over 1 year	<u>351</u>	<u>179</u>
	<u>82,947</u>	<u>68,922</u>

11. INTEREST-BEARING BANK BORROWINGS

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Bank loans, secured	98,263	377,785
Bank overdrafts, secured	<u>1,305</u>	<u>1,453</u>
	<u>99,568</u>	<u>379,238</u>
Analysed into:		
Within one year or on demand	92,593	368,229
In the second year	4,147	4,033
In the third to fifth years, inclusive	<u>2,828</u>	<u>6,976</u>
	99,568	379,238
Less: Amounts repayable within one year or on demand and classified as current portion	<u>(92,593)</u>	<u>(368,229)</u>
Amounts classified as non-current portion	<u>6,975</u>	<u>11,009</u>

12. COMPARATIVE AMOUNTS

Certain comparative amounts have been reclassified to conform with the current year's presentation.

DIVIDENDS

The Board does not recommend the payment of a dividend in respect of the financial year ended 29 February 2016.

RESULTS

It was a difficult year for the Group. According to the Census and Statistics Department, the Hong Kong general retail sales has deteriorated for all of the last twelve months with a cumulative drop of 6% for the department stores category since March 2015. The anti-tourists protests, coupled with Renminbi depreciation and stock market slump, had significantly reduced inbound tourism and local spending, while expenses in particular rentals were still very high. The retail industry in Hong Kong has been facing an acute setting.

Although the Group's operations delivered solid revenue performance during the year under review with HK\$384 million representing a 4% growth from last year, a 48% increase in loss attributable to equity holders of HK\$182 million was recorded. This deteriorated result was due to losses in department store operation and the mark to market losses in securities trading.

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 financial year.

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 Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules").

During the financial year ended 29 February 2016, the Company has complied with the Code Provisions set out in the CG Code, save and except for code provision A.2.1, A.4.1 and A.6.7.

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, being the Chairman and Chief Executive Officer of the Company, 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 Article of Association.

Pursuant to code provision A.6.7 of the CG Code that independent non-executive directors and chairman of the board should also attend general meetings. Mr Charles M W Chan, and Mr Peter Tan, both are Independent Non-Executive Directors of the Company, did not attend the general meeting of the Company due to business arrangement.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

AUDIT COMMITTEE

The Audit Committee of the Company comprises four members all of whom are Independent Non-Executive Directors, namely, Mr Eric K K Lo, Mr Charles M W Chan, Mr King Wing Ma and Mr Peter Tan. The Audit Committee has reviewed the annual results (including the consolidated financial statements) of the Company for the year ended 29 February 2016 and discussed with the external auditors of the Company.

LIQUIDITY AND FINANCIAL RESOURCES

At 29 February 2016, the Group had cash and bank balances of HK\$180 million (2015: HK\$524 million), of which HK\$136 million (2015: HK\$442 million) were pledged. The Group’s gearing dropped by half to 43% (2015: 90%) in total debt to the shareholders’ fund compared with last year. The interest expense charged to the consolidated income statement for the year was HK\$6 million (2015: HK\$8 million). The interest-bearing bank borrowings of the Group as of 29 February 2016 were HK\$100 million (2015: HK\$379 million), of which HK\$93 million (2015: HK\$368 million) was repayable within one year, while the remaining balance was repayable within the second and fifth years. The above substantial decrease in cash, bank borrowings and gearing were due to the discontinuance of the cross-border loan arrangements and the settlement of respective bank loans in Hong Kong. The bank borrowings were mainly in Hong Kong Dollars, with interest rates ranging from 1.2% to 5.0% (2015: 0.9% to 5.0%) per annum. The current ratio was 2.1 (2015: 1.8).

The Group currently has a foreign currency hedging policy on the euro for the purchase of inventories, which hedges approximately fifty percent of the European inventory purchases for resale at the department stores. In addition to internally generated cash flows, the Group also made use of both long-term and short-term borrowings to finance its operation during the year. All borrowings were secured against the securities investment, a property and bank deposits.

EMPLOYEES AND REMUNERATION POLICIES

At 29 February 2016, the Group had 392 employees (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 achieving higher sales 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 schemes of sales commission. The Group provides employee benefits such as employee stock options, staff purchase discounts, subsidised medical care and training courses.

BUSINESS REVIEW

DEPARTMENT STORE OPERATION

Under the background of reducing inbound tourists and a volatile global and local stock market that soften the consumer's buying sentiments, the Group's core department store operations delivered solid sales performance during the year. It recorded a revenue of HK\$384 million, with a growth of 6% even with the closure of Grand Century Place store and the boutique Olympian City store in April and November 2014, respectively. The key drivers of growth came from the new contemporary retail setting of a "New Sincere" brand; launched with various new marketing initiatives and promotional campaigns; and enlarged our customer base through a wider choice of merchandise. In November 2015, we also launched a major campaign inviting Miss Gaile Lai to upgrade our image and was well received.

Segment results recorded a loss of HK\$133 million, representing an increase of 15% from last year which was due to a HK\$17 million store leasehold improvements write off.

The contribution from Roadshow has gone down as a result of high rental and limited supply of venues. The revenue from the fifty-two Roadshows for the year was HK\$9 million, decreased by 5% from the sixty-six Roadshows in previous year.

Shamshuipo Dragon Centre Store

The revenue and gross profit have increased slightly from last year. We have introduced more concession counters with attractions such as foot health counter to raise attraction. In addition, "daily specials" promotions successfully drawn repeating customers.

Tsuen Wan Citywalk Store

The revenue and gross profit have improved with the increased traffic flow. On product assortments, more high value items were introduced and were well received.

Yau Tong Domain Store

The revenue and gross profit were both up on last year. Although the Domain Mall was disappointing with many shop vacancies and lower traffic, after trading for over three years now, we understood the customer profile and were able to uplift both the hit rate and the average dollars they spent. At the same time, the store has built a loyal customer relationship facilitating repeated patronage.

Sincere MK Store

The store in Mongkok was the most difficult store, with the highest rent yet way underperforming sales. The situation deteriorated further after the ‘Occupancy Central’ in October 2014, further impaired with another incident on the evening of the first day of Chinese New Year in February 2016.

Central Li Po Chun Store

This store has recorded the steady improvement among all stores. Over the year, we have strengthened the store with international brand items which were popular to this particular customer segment. We have also introduced fur sale since last winter with very good response.

Sincere CWB Store

In 2015, all hardgoods products from this store were removed to re-position this store for fashionable apparels; introduced more own fashion items at higher average selling price that substantially improved the sales per ticket, resulting an improved sales over last year.

SECURITIES TRADING OPERATION

On the securities trading, market volatility has remained vigorous and continual. The Hang Seng Index dropped by almost one-fourth for the year ended 29 February 2016 as a result of minimal economic growth and, a sluggish stock market following the crash of the Mainland stocks in the second quarter of 2015. As approximately one-third of the Group’s investment portfolios were in the Hong Kong equity market, a segment loss of HK\$31 million was recorded as a result of the mark to market unrealised loss adjustments of HK\$40 million. This when compared with the mark to market gain of HK\$8 million in last year reflected the major difference on the overall group performance.

PROSPECTS

The effects of Mainland economic transition and the normalisation of US monetary policy are likely to create ongoing challenges to the pace of economic recovery for Hong Kong in the coming year. The global economy still has many uncertainties and we expect the downward trend of the economy and the difficult retailing environment in Hong Kong is likely to continue.

Our core development strategies are to consolidate our business strengths and experiences to improve the Company’s revenue and profitability; we will further promote local consumption by offering top-notch lifestyle shopping experiences for our retail customers, and to keep getting new and younger customers.

The Management will stay focus on the major brands and to start manufacture our own private label products; implement innovative promotional campaigns and enhance the customer services. We will also strengthen our customer loyalty program by classifying VIPs into different classes, with each class being rewarded with different shopping privileges. We will implement a digital Customers Relationship Management system later this year to better utilize our big data as a source of boosting sales revenue. On product’s variety, we shall expand the product categories to bring freshness to our customers. We will import more fashionable products from Korea, aiming at capturing the younger generation market.

Store rental expenses are always the most significant running cost; rent of prime location has already seen having some noticeable downward adjustments and we believe that this will continue in the distant future. To compensate for the drop in sales, we will keep negotiating with each landlord for a more reasonable rental package so as to reduce the pressure on the department store operation.

On the securities trading, market volatility would still be there so we will remain conservative, though with the recent growth momentum in the global stock market, we are cautiously optimistic on a better return in the year ahead.

To conclude, it is expected that the retail market condition will remain weak in the short run, our dedicated management team shall try their utmost to generate as much revenue, and control expenses during these challenging times.

As at the date of this announcement, the Executive Directors of the Company are Mr Philip K H Ma and Mr John Y C Fu, and the Independent Non-Executive Directors are Mr King Wing Ma, Mr Eric K K Lo, Mr Charles M W Chan and Mr Peter Tan.

On behalf of the Board
Philip K H MA
Chairman & CEO

Hong Kong, 27 May 2016