THE SINCERE COMPANY, LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 0244)

ANNOUNCEMENT OF RESULTS FOR THE YEAR ENDED 28 FEBRUARY 2011

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 28 February 2011 together with the comparative figures for the previous year are as follows:

CONSOLIDATED INCOME STATEMENT
Year ended 28 February 2011

	Notes	**2011** *HK$'000*	2010 *HK$'000*
REVENUE	2	**458,410**	381,010
Cost of sales		**(163,234)**	(132,103)
Other income and gains, net		**22,774**	14,585
Net unrealised gain on securities and future contracts trading		**10,640**	45,127
Selling and distribution costs		**(158,784)**	(135,865)
General and administrative expenses		**(125,713)**	(119,997)
Other operating expenses, net		**(15,875)**	(5,759)
Finance costs	3	**(1,709)**	(2,534)
Share of profits less losses of associates		**(15,843)**	(10,840)
PROFIT BEFORE TAX	4	**10,666**	33,624
Income tax expense	5	**(444)**	(421)
PROFIT FOR THE YEAR		**10,222**	33,203
ATTRIBUTABLE TO:			
Equity holders of the Company		**10,477**	33,166
Non-controlling interests		**(255)**	37
		10,222	33,203
EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY	7		
Basic		**HK$0.02**	HK$0.07
Diluted		**N/A**	N/A

Details of the dividend are disclosed in note 6.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 28 February 2011

	2011	2010
	HK$'000	*HK$'000*
PROFIT FOR THE YEAR	**10,222**	33,203
OTHER COMPREHENSIVE INCOME:		
Exchange differences arising on translation of foreign operations	**11,228**	4,609
Realisation of exchange fluctuation reserve upon deregistration/dissolution of subsidiaries	**–**	11
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**21,450**	37,823
ATTRIBUTABLE TO:		
Equity holders of the Company	**22,897**	38,705
Non-controlling interests	**(1,447)**	(882)
	21,450	37,823

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

28 February 2011

	Notes	**2011** **HK$'000**	2010 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**77,179**	66,712
Investment properties		**113,963**	102,535
Prepaid land premium		**731**	722
Interests in associates		**20,671**	49,133
Financial instruments		**32,095**	46,017
Rental deposits		**7,753**	6,015
Pension scheme assets		**3,563**	3,604
Total non-current assets		**255,955**	274,738
CURRENT ASSETS			
Properties under development		**125,787**	120,705
Inventories		**64,436**	54,852
Debtors	*8*	**2,317**	2,621
Prepayments, deposits and other receivables		**55,343**	32,467
Financial assets at fair value through profit or loss		**260,645**	250,701
Financial instruments		**12,926**	3,900
Derivative financial instruments		**24,604**	5,081
Pledged bank balances		**9,073**	2,892
Pledged deposits with banks		**17,055**	17,055
Cash and bank balances		**72,354**	54,856
Total current assets		**644,540**	545,130
CURRENT LIABILITIES			
Creditors	*9*	**116,592**	92,292
Deposits, accrued expenses and other payables		**77,584**	55,116
Interest-bearing bank borrowings		**23,694**	24,128
Tax payable		**142**	359
Total current liabilities		**218,012**	171,895
NET CURRENT ASSETS		**426,528**	373,235
TOTAL ASSETS LESS CURRENT LIABILITIES		**682,483**	647,973
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings		**16,864**	–
NET ASSETS		**665,619**	647,973

	Notes	**2011**	2010
		HK$'000	*HK$'000*
EQUITY			
Equity attributable to equity holders of the Company			
Issued share capital		**287,154**	287,154
Share premium account		**26**	26
Reserves		**395,432**	375,943
		682,612	663,123
Non-controlling interests		**(16,993)**	(15,150)
TOTAL EQUITY		**665,619**	647,973

Notes:

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 investment properties, 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.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 28 February 2011. The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date such control ceases. All intra-group balances, transactions, unrealised gains and losses resulting from transactions and dividends are eliminated on consolidation in full.

Basis of consolidation from 1 March 2010

Losses within a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate.

Basis of consolidation prior to 1 March 2010

Certain of the above-mentioned requirements have been applied on a prospective basis. The following differences, however, are carried forward in certain instances from the previous basis of consolidation:

- Acquisitions of non-controlling interests (formerly known as minority interests), prior to 1 March 2010, were accounted for using the parent entity extension method, whereby the differences between the consideration and the book value of the share of the net assets acquired were recognised in goodwill.

- Losses incurred by the Group were attributed to the non-controlling interest until the balance was reduced to nil. Any further excess losses were attributable to the parent, unless the non-controlling interest had a binding obligation to cover these. Losses prior to 1 March 2010 were not reallocated between non-controlling interest and the parent shareholders.

- Upon loss of control, the Group accounted for the investment retained at its proportionate share of net asset value at the date control was lost. The carrying amount of such investment at 1 March 2010 has not been restated.

CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

The Group has adopted the following new and revised HKFRSs for the first time for the current year's financial statements.

HKFRS 1 (Revised)	*First-time Adoption of Hong Kong Financial Reporting Standards*
HKFRS 1 Amendments	Amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards – Additional Exemptions for First-time Adopters*
HKFRS 2 Amendments	Amendments to HKFRS 2 *Share-based Payment – Group Cash-settled Share-based Payment Transactions*
HKFRS 3 (Revised)	*Business Combinations*
HKAS 27 (Revised)	*Consolidated and Separate Financial Statements*
HKAS 32 Amendment	Amendment to HKAS 32 *Financial Instruments: Presentation – Classification of Rights Issues*
HKAS 39 Amendment	Amendment to HKAS 39 *Financial Instruments: Recognition and Measurement – Eligible Hedged Items*
HK(IFRIC)-Int 17	*Distributions of Non-cash Assets to Owners*
HKFRS 5 Amendments included in *Improvements to HKFRSs* issued in October 2008	Amendments to HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations – Plan to sell the controlling interest in a subsidiary*
Improvements to HKFRSs 2009	Amendments to a number of HKFRSs issued in May 2009
HK Interpretation 4 Amendment	Amendment to HK Interpretation 4 *Leases – Determination of the Length of Lease Term in respect of Hong Kong Land Leases*
HK Interpretation 5	*Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause*

Other than as further explained below regarding the impact of HKFRS 3 (Revised), HKAS 27 (Revised), amendments to HKAS 7 and HKAS 17 included in *Improvements to HKFRSs 2009*, HK Interpretation 4 (Revised in December 2009) and HK Interpretation 5, the adoption of the new and revised HKFRSs has had no significant financial effect on these financial statements.

The principal effects of adopting these new and revised HKFRSs are as follows:

(a) HKFRS 3 (Revised) *Business Combinations* and HKAS 27 (Revised) *Consolidated and Separate Financial Statements*

HKFRS 3 (Revised) introduces a number of changes in the accounting for business combinations that affect the initial measurement of non-controlling interests, the accounting for transaction costs, the initial recognition and subsequent measurement of a contingent consideration and business combinations achieved in stages. These changes will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs, and future reported results.

HKAS 27 (Revised) requires that a change in the ownership interest of a subsidiary without loss of control is accounted for as an equity transaction. Therefore, such a change will have no impact on goodwill, nor will it give rise to a gain or loss. Furthermore, the revised standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary. Consequential amendments were made to various standards, including, but not limited to HKAS 7 *Statement of Cash Flows*, HKAS 12 *Income Taxes*, HKAS 21 *The Effects of Changes in Foreign Exchange Rates*, HKAS 28 *Investments in Associates* and HKAS 31 *Interests in Joint Ventures*.

The changes introduced by these revised standards are applied prospectively and affect the accounting of acquisitions, loss of control and transactions with non-controlling interests after 1 March 2010.

(b) *Improvements to HKFRSs 2009* issued in May 2009 sets out amendments to a number of HKFRSs. There are separate transitional provisions for each standard. While the adoption of some of the amendments results in changes in accounting policies, none of these amendments has had a significant financial impact on the Group. Details of the key amendments most applicable to the Group are as follows:

- HKAS 7 *Statement of Cash Flows*: Requires that only expenditures that result in a recognised asset in the statement of financial position can be classified as a cash flow from investing activities.

- HKAS 17 *Leases*: Removes the specific guidance on classifying land as a lease. As a result, leases of land should be classified as either operating or finance leases in accordance with the general guidance in HKAS 17.

  Amendment to HK Interpretation 4 *Leases – Determination of the Length of Lease Term in respect of Hong Kong Land Leases* is revised as a consequence of the amendment to HKAS 17 *Leases* included in *Improvements to HKFRSs 2009*. Following this amendment, the scope of HK Interpretation 4 has been expanded to cover all land leases, including those classified as finance leases. As a result, this interpretation is applicable to all leases of property accounted for in accordance with HKAS 16, HKAS 17 and HKAS 40.

  Upon the adoption of the amendments, the classification of leases in Mainland China remained as operating leases. As the lease in Hong Kong cannot be allocated reliably between land and building elements before the adoption of the amendments, in which case, the entire lease was generally treated as finance lease and accounted for as property, plant and equipment.

(c) HK Interpretation 5 *Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause*

HK Interpretation 5 requires that a loan that contains a clause that gives the lender the unconditional right to call the loan at any time shall be classified in total by the borrower as current in the statement of financial position. This is irrespective of whether a default event has occurred and notwithstanding any other terms and maturity stated in the loan agreement. This interpretation does not have a material impact on the Group's financial statements.

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 financial statements.

HKFRS 1 Amendment	Amendment to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards – Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters* [1]
HKFRS 1 Amendments	Amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters* [3]
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures – Transfers of Financial Assets* [3]
HKFRS 9	*Financial Instruments* [5]
HKAS 12 Amendments	Amendments to HKAS 12 *Income Taxes – Deferred Tax: Recovery of Underlying Assets* [4]
HKAS 24 (Revised)	*Related Party Disclosures* [2]
HK(IFRIC)-Int 14 Amendments	Amendments to HK(IFRIC)-Int 14 *Prepayments of a Minimum Funding Requirement* [2]
HK(IFRIC)-Int 19	*Extinguishing Financial Liabilities with Equity Instruments* [1]

Apart from the above, the HKICPA has issued *Improvements to HKFRSs 2010* which sets out amendments to a number of HKFRSs primarily with a view to removing inconsistencies and clarifying wording. The amendments to HKFRS 3 and HKAS 27 are effective for annual periods beginning on or after 1 July 2010, whereas the amendments to HKFRS 1, HKFRS 7, HKAS 1, HKAS 34 and HK(IFRIC)-Int 13 are effective for annual periods beginning on or after 1 January 2011 although there are separate transitional provisions for each standard.

[1] Effective for annual periods beginning on or after 1 July 2010
[2] Effective for annual periods beginning on or after 1 January 2011
[3] Effective for annual periods beginning on or after 1 July 2011
[4] Effective for annual periods beginning on or after 1 January 2012
[5] Effective for annual periods beginning on or after 1 January 2013

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application and is not yet in a position to conclude the impact of these new and revised HKFRSs on the Group's results of operations and financial position.

2. SEGMENT INFORMATION

(a) Operating segments

The following tables present revenue, profit and certain asset, liability and expenditure information for the Group's operating segments for the years ended 28 February 2011 and 2010.

	Department store operations		Property rental and development		Securities trading		Others		Eliminations		Consolidated	
	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
	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	418,942	328,343	9,505	9,475	4,099	24,191	25,864	19,001	–	–	458,410	381,010
Intersegment sales	–	–	25,261	24,973	–	–	9,162	8,089	(34,423)	(33,062)	–	–
Other revenue	170	417	8,225	2,992	1	7	258	166	–	–	8,654	3,582
Total	419,112	328,760	42,991	37,440	4,100	24,198	35,284	27,256	(34,423)	(33,062)	467,064	384,592
Segment results	32,774	(2,297)	(1,466)	(3,161)	5,009	59,845	(22,219)	(18,392)	–	–	14,098	35,995
Interest income, dividend income and unallocated revenue											14,120	11,003
Finance costs											(1,709)	(2,534)
Share of profits less losses of associates											(15,843)	(10,840)
Profit before tax											10,666	33,624
Income tax expense											(444)	(421)
Profit for the year											10,222	33,203
Segment assets	119,844	99,463	338,253	303,869	312,355	267,223	45,313	58,904	(34,423)	(33,527)	781,342	695,932
Unallocated assets											98,482	74,803
Interests in associates	–	–	12,305	21,790	–	–	8,366	27,343	–	–	20,671	49,133
Total assets											900,495	819,868
Segment liabilities	178,058	147,600	40,330	22,780	943	1,127	9,410	9,787	(34,423)	(33,527)	194,318	147,767
Unallocated liabilities											40,558	24,128
Total liabilities											234,876	171,895
Other segment information:												
Depreciation	5,765	4,778	2,866	4,047	107	107	598	516	–	–	9,336	9,448
Amortisation of prepaid land premium	–	–	27	54	–	–	–	–	–	–	27	54
Capital expenditure	16,986	1,081	531	102	–	–	496	1,395	–	–	18,013	2,578
Loss/(gain) on disposal/write-off of items of property, plant and equipment	28	–	2	65	–	–	(31)	–	–	–	(1)	65
Gain on disposal of investment properties	–	–	–	(1,489)	–	–	–	–	–	–	–	(1,489)
Write-back of impairment for inventories	(3,291)	(607)	–	–	–	–	–	–	–	–	(3,291)	(607)
Impairment on interests in associates	–	–	805	–	–	–	–	–	–	–	805	–
Fair value gain on investment properties in Mainland China	–	–	(8,145)	(1,534)	–	–	–	–	–	–	(8,145)	(1,534)
Impairment on financial instruments	–	–	–	–	–	–	15,000	6,800	–	–	15,000	6,800
Write-back of impairment on properties under development	–	–	–	(1,106)	–	–	–	–	–	–	–	(1,106)

(b) **Geographical information**

The following table presents revenue and certain non-current assets for the Group's geographical information.

	Hong Kong		Mainland China		United Kingdom ("UK")		Others		Eliminations		Consolidated	
	2011	2010	**2011**	2010	**2011**	2010	**2011**	2010	**2011**	2010	**2011**	2010
	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	**432,478**	354,169	**22,525**	16,348	**261**	331	**3,146**	10,162	**–**	–	**458,410**	381,010
Non-current assets	**66,242**	54,507	**133,384**	121,477	**–**	–	**–**	–	**–**	–	**199,626**	175,984

The non-current asset information above is based on the location of assets and includes property, plant and equipment, investment properties, prepaid land premium and rental deposits.

(c) **Information about a major customer**

For the years ended 28 February 2011 and 2010, as no customer of the Group has individually accounted for over 10% of the Group's total revenue, no information about major customers is presented under HKFRS 8.

3. FINANCE COSTS

	Group	
	2011	2010
	HK$'000	*HK$'000*
Interest on bank borrowings wholly repayable within five years	**1,560**	2,414
Others	**149**	120
	1,709	2,534

4. PROFIT BEFORE TAX

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

	2011	2010
	HK$'000	*HK$'000*
Depreciation	**9,336**	9,448
Amortisation of prepaid land premium	**27**	54
Auditors' remuneration	**2,824**	2,575
Employee benefit expenses, excluding directors' remuneration:		
Wages and salaries	**67,093**	55,707
Pension contributions, including pension costs for defined benefit scheme of HK$2,151,000 (2010: HK$2,158,000)	**4,098**	2,944
	71,191	58,651
Write-back of impairment on properties under development *	**–**	(1,106)
Write-back of impairment for inventories **	**(3,291)**	(607)
Impairment on financial instruments *	**15,000**	6,800
Impairment on interests in associates *	**805**	–
Net realised gain on securities and future contracts trading	**(4,099)**	(24,191)
Operating lease rental payments in respect of land and buildings:		
Minimum lease payments	**118,636**	113,338
Contingent rent	**3,318**	550
Loss/(gain) on disposal/write-off of items of property, plant and equipment *	**(1)**	65
Foreign exchange losses, net ***	**243**	1,048
Property rental, net of outgoings	**(9,505)**	(9,475)
Interest income ***	**(6,053)**	(4,989)
Dividends from listed investments ***	**(7,361)**	(3,376)
Dividends from an unlisted available-for-sale investment ***	**–**	(3,697)
Gain on disposal of investment properties ***	**–**	(1,489)
Fair value gain on investment properties in Mainland China ***	**(8,145)**	(1,534)
Loss/(gain) on deregistration/dissolution of subsidiaries, net ***	**(949)**	11

No dividend income (2010: HK$3,000,000) from an unlisted associate was eliminated on consolidation in the current year.

* 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.

5. INCOME TAX

No provision for Hong Kong profits tax has been made during the year (2010: Nil) as the Group did not generate any assessable profits arising in Hong Kong. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the locations in which the Group operates.

	Group	
	2011	2010
	HK$'000	*HK$'000*
Group:		
Current – Hong Kong	**–**	–
Current – Elsewhere		
Charge for the year	**444**	421
Total tax charge for the year	**444**	421

6. DIVIDEND

	2011	2010
	HK$'000	*HK$'000*
Dividend paid during the year		
Final in respect of the financial year ended 28 February 2010:		
HK0.8 cent per ordinary share (2010: Nil)	**4,594**	–

The board of directors does not recommend the payment of a dividend for the year ended 28 February 2011 (2010: HK0.8 cent).

7. EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The calculation of basic earnings per share is based on the net profit attributable to equity holders of the Company for the year of HK$10,477,000 (2010: HK$33,166,000) and the 486,233,000 ordinary shares (2010: 486,233,000) in issue throughout the year, as adjusted to reflect the number of shares held by an associate through reciprocal shareholding.

No adjustments have been made to the basic earnings per share for the current and prior years as there were no dilutive potential ordinary shares in existence during these years.

8. 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 from 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. 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:

	Group	
	2011	2010
	HK$'000	*HK$'000*
Within 3 months not past due	**2,293**	2,186
Within 3 months past due	**–**	77
Over 3 months past due	**24**	358
Total debtors	**2,317**	2,621
Impairment	**–**	–
Total	**2,317**	2,621

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. The Group does not hold any collateral or other credit enhancements over these balances.

9. CREDITORS

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

	Group		Company	
	2011	2010	**2011**	2010
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Current – 3 months	**110,836**	88,344	**109,483**	87,582
4 – 6 months	**3,528**	2,452	**2,173**	1,019
7 – 12 months	**1,262**	760	**1,200**	–
Over 1 year	**966**	736	**900**	53
	116,592	92,292	**113,756**	88,654

10. EVENTS AFTER THE REPORTING PERIOD

On 12 April 2011, the Liaoning Province High People's Court (遼寧省高級人民法院), (the "High People's Court") issued a notice to the Company, the Sincere Department Store (China) Limited ("Sincere China") and Dalian Sincere Building Co., Ltd, wholly-owned subsidiaries of the Company. The former potential buyer and an independent third party of the Group, Da Shang Ka Wah Group Limited ("Da Shang"), claimed that Sincere China failed to transfer all its interests and the rights in its wholly-owned subsidiary, Dalian Sincere Building Co., Ltd, in accordance with a letter of intent entered into between Sincere China and Da Shang on 17 April 2009 (the "Letter of Intent"). The major assets of Dalian Sincere Building Co., Ltd is Dalian Sincere Building. On 30 June 2009, the Letter of Intent expired.

An injunction was granted by the High People's Court on the same date. It ruled that Dalian Sincere Building Co., Ltd cannot transfer certain floors of its property, Dalian Sincere Building and Da Shang cannot transfer certain floors of its hotel located in Dalian until further rulings.

The Group is preparing to file the petition to the High People's Court in May 2011. No further development took place since then. Having consulted the PRC legal counsels, the directors are of the opinion that this case will not have an adverse effect on the Group's financial position.

DIVIDENDS

The Board of Directors does not recommend the payment of a dividend in respect of the financial year ended 28 February 2011.

RESULTS

The Group recorded a turnover of HK$458 million representing 20% growth over last year. This was brought about by a strong economic rebound and the arrival of Mainland tourists that increased favorably the turnover and profit of the departmental stores. With the share market stabilized, both the trading volume and mark to market gain have moderated as compared with last year. The full year profit attributable to shareholders amounted to HK$10 million, which has decreased by HK$23 million mainly due to the impairment loss for an associate property project in Australia and an impairment provision in the USA software company.

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 has complied throughout the year ended 28 February 2011 with the Code on Corporate Governance Practices as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), except 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.

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 three members all of whom are Independent Non-Executive Directors, namely, Mr Eric K K Lo, Mr Charles M W Chan and Mr King Wing Ma. Regular meetings have been held by the Audit Committee since its establishment and the Audit Committee met two times in the year under review. The primary duties of the Audit Committee are to review the Group's internal control and financial reporting process including interim and annual financial statements before recommending them to the Board of Directors for approval. The Group's results for the year ended 28 February 2011 have been reviewed by the Audit Committee.

LIQUIDITY AND FINANCIAL RESOURCES

At 28 February 2011, the Group had cash and bank balances of HK$98 million (2010: HK$75 million) of which HK$26 million (2010: HK$20 million) were pledged. The Group's gearing increased by 2% to 6% in total debt to the shareholders' fund as compared to last year. The interest expense charged to the consolidated income statement for the year was HK$2 million (2010: HK$3 million). The bank borrowings were mainly in HKD and USD with interest rates ranging from 1% to 5% per annum. The current ratio was 3.0 (2010: 3.2).

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 year. All borrowings were secured against the securities investment, a property and various pledged bank deposits.

EMPLOYEES AND REMUNERATION POLICIES

At 28 February 2011, the Group had 587 employees (2010: 516) 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 schemes of sales commission. The Group provides employee benefits such as staff purchase discounts, subsidized medical care and training courses.

BUSINESS REVIEW

The department store operation recorded an encouraging growth as a result of the improved economy leading to an increase in the overall retail market spending. During the year, the management focused to enhance the gross profit margin and to expand the retail market share. These were achieved by importing more high quality European merchandises and in particular, commenced the fourth department store at Tsuen Wan Citywalk 2 for trading in September; which was the Group’s first store at the New Territories district.

The advertising business also improved following the general economic recovery where more retail clients had resumed their advertising and promotional budget. The furniture business recorded a substantial growth attributable to the rapid development in the Mainland projects and exports to overseas. The travel franchise business recorded a satisfactory growth following the establishment of the Beijing and Shanghai branches, several franchisees were granted and contributed turnover to the Group. The securities trading recorded a profit but compared with last year became substantially less; this was due to lesser equities being realized during the year.

PROSPECTS

Looking ahead, the economy is generally improving, in particular with Mainland at nearly 10% GDP growth. The Group will grasp this opportunity to keep expanding the retail market share, strengthening the brand image and sustaining a growth in the gross profit margin. Meanwhile, the management prepares to face the challenges on the inflationary pressure predominantly from the rising cost of rental and labour. To pursue the growth momentum and to confine problems brought about by inflation, the Group will look for opportunities of opening specialty shops at prime location with smaller store area; these shops will focus on selling shoes and related accessories of foreign brands with higher gross profit margin.

On the advertising operation, the management will aggressively look for business opportunity with Hong Kong operators that also operate in the Mainland market. The furniture business will keep enhancing the product quality and developing high end furniture to expand the business volume. The travel franchise operation will continue to enhance the brand awareness and to expand into other regions of the PRC. On the securities trading, the management will continue the conservative strategy as a result of the negative sentiment over the inflationary breakout and the tightening monetary policy in the Mainland. On property development in Dalian, the management will pursue vigorously to sort out the legal matters before re-launching the sales campaign.

As a whole, the year ahead is filled with a mix of opportunities and threats, but the Group is confident to sustain the business growth with the above strategies in place.

DIRECTORS

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

On behalf of the Board
Walter K W MA
Chairman

Hong Kong, 26 May 2011