THE SINCERE COMPANY, LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 0244)

ANNOUNCEMENT OF RESULTS FOR THE YEAR ENDED 29 FEBRUARY 2012

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 2012 together with the comparative figures for the previous year are as follows:

CONSOLIDATED INCOME STATEMENT

Year ended 29 February 2012

	Notes	**2012** *HK$'000*	2011 *HK$'000*
REVENUE	2	**532,250**	458,410
Cost of sales		**(195,775)**	(163,234)
Other income and gains, net		**31,940**	22,774
Net unrealised gain/(loss) on securities and future contracts trading		**(13,933)**	10,640
Selling and distribution costs		**(201,966)**	(181,441)
General and administrative expenses		**(123,834)**	(103,056)
Impairment on deposits, other receivables and financial instruments	4	**(28,833)**	(15,000)
Other operating expenses		**(2,428)**	(875)
Finance costs	3	**(1,406)**	(1,709)
Share of profits less losses of associates		**(4,223)**	(15,843)
PROFIT/(LOSS) BEFORE TAX	4	**(8,208)**	10,666
Income tax expense	5	**(342)**	(444)
PROFIT/(LOSS) FOR THE YEAR		**(8,550)**	10,222
ATTRIBUTABLE TO:			
Equity holders of the Company		**(8,549)**	10,477
Non-controlling interests		**(1)**	(255)
		(8,550)	10,222
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY	7		
Basic		**HK$(0.02)**	HK$0.02
Diluted		**N/A**	N/A

Details of the dividend are disclosed in note 6.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 29 February 2012

	2012	2011
	HK$'000	*HK$'000*
PROFIT/(LOSS) FOR THE YEAR	**(8,550)**	10,222
OTHER COMPREHENSIVE INCOME:		
Exchange differences arising on translation of foreign operations	**1,413**	11,228
Realisation of exchange fluctuation reserve upon dissolution of an associate	**1,149**	–
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR	**(5,988)**	21,450
ATTRIBUTABLE TO:		
Equity holders of the Company	**(6,364)**	22,897
Non-controlling interests	**376**	(1,447)
	(5,988)	21,450

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
29 February 2012

	Notes	2012 HK$'000	2011 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**81,804**	77,179
Investment properties		**127,695**	113,963
Prepaid land premium		**735**	731
Interests in associates		**14,788**	20,671
Financial instruments		**38,674**	32,095
Rental deposits		**6,351**	7,753
Pension scheme assets		**3,286**	3,563
Total non-current assets		**273,333**	255,955
CURRENT ASSETS			
Properties under development		**130,658**	125,787
Inventories		**69,005**	64,436
Debtors	*8*	**7,333**	2,317
Prepayments, deposits and other receivables		**36,736**	55,343
Financial assets at fair value through profit or loss		**257,775**	260,645
Financial instruments		**–**	12,926
Derivative financial instruments		**–**	24,604
Pledged bank balances		**15,514**	9,073
Pledged deposits with banks		**27,386**	17,055
Cash and bank balances		**52,649**	72,354
Total current assets		**597,056**	644,540
CURRENT LIABILITIES			
Creditors	*9*	**97,997**	116,592
Deposits, accrued expenses and other payables		**50,376**	77,584
Interest-bearing bank borrowings		**42,966**	23,694
Tax payable		**106**	142
Total current liabilities		**191,445**	218,012
NET CURRENT ASSETS		**405,611**	426,528
TOTAL ASSETS LESS CURRENT LIABILITIES		**678,944**	682,483
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings		**19,308**	16,864
NET ASSETS		**659,636**	665,619

	Notes	**2012**	2011
		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		**389,068**	395,432
		676,248	682,612
Non-controlling interests		**(16,612)**	(16,993)
TOTAL EQUITY		**659,636**	665,619

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 (the "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 29 February 2012. 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.

Total comprehensive income within a subsidiary is 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.

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 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*
HKAS 24 (Revised)	*Related Party Disclosures*
HK(IFRIC)-Int 14 Amendments	Amendments to HK(IFRIC)-Int 14 *Prepayments of a Minimum Funding Requirement*
HK(IFRIC)-Int 19	*Extinguishing Financial Liabilities with Equity Instruments*
Improvements to HKFRSs 2010	Amendments to a number of HKFRSs issued in May 2010

Other than as further explained below regarding the impact of HKAS 24 (Revised), and amendments to HKFRS 3, HKAS 1 and HKAS 27 included in *Improvements to HKFRSs 2010*, the adoption of the new and revised HKFRSs has had no significant financial effect on these financial statements.

The principal effects of adopting these HKFRSs are as follows:

(a) HKAS 24 (Revised) *Related Party Disclosures*

HKAS 24 (Revised) clarifies and simplifies the definitions of related parties. The new definitions emphasise a symmetrical view of related party relationships and clarify the circumstances in which persons and key management personnel affect related party relationships of an entity. The revised standard also introduces an exemption from the general related party disclosure requirements for transactions with a government and entities that are controlled, jointly controlled or significantly influenced by the same government as the reporting entity. The accounting policy for related parties has been revised to reflect the changes in the definitions of related parties under the revised standard. The adoption of the revised standard did not have any impact on the financial position or performance of the Group.

(b) *Improvements to HKFRSs 2010* issued in May 2010 sets out amendments to a number of HKFRSs. There are separate transitional provisions for each standard. While the adoption of some of the amendments may result in changes in accounting policies, none of these amendments has had a significant financial impact on the financial position or performance of the Group. Details of the key amendments most applicable to the Group are as follows:

- HKFRS 3 *Business Combinations*: The amendment clarifies that the amendments to HKFRS 7, HKAS 32 and HKAS 39 that eliminate the exemption for contingent consideration do not apply to contingent consideration that arose from business combinations whose acquisition dates precede the application of HKFRS 3 (as revised in 2008).

  In addition, the amendment limits the scope of measurement choices for non-controlling interests. Only the components of non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the acquiree's net assets in the event of liquidation are measured at either fair value or at the present ownership instruments' proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by another HKFRS.

  The amendment also added explicit guidance to clarify the accounting treatment for non-replaced and voluntarily replaced share-based payment awards.

- HKAS 1 *Presentation of Financial Statements*: The amendment clarifies that an analysis of each component of other comprehensive income can be presented either in the statement of changes in equity or in the notes to the financial statements. The Group elects to present the analysis of each component of other comprehensive income in the statement of changes in equity.

- HKAS 27 *Consolidated and Separate Financial Statements*: The amendment clarifies that the consequential amendments from HKAS 27 (as revised in 2008) made to HKAS 21, HKAS 28 and HKAS 31 shall be applied prospectively for annual periods beginning on or after 1 July 2009 or earlier if HKAS 27 is applied earlier.

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 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*[1]
HKFRS 1 Amendments	Amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards – Government Loans*[4]
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures – Transfers of Financial Assets*[1]
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities*[4]
HKFRS 9	*Financial Instruments*[6]
HKFRS 10	*Consolidated Financial Statements*[4]
HKFRS 11	*Joint Arrangements*[4]
HKFRS 12	*Disclosure of Interests in Other Entities*[4]
HKFRS 13	*Fair Value Measurement*[4]
HKAS 1 Amendments	Amendments to HKAS 1 *Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income*[3]
HKAS 12 Amendments	Amendments to HKAS 12 *Income Taxes – Deferred Tax: Recovery of Underlying Assets*[2]
HKAS 19 (2011)	*Employee Benefits*[4]
HKAS 27 (2011)	*Separate Financial Statements*[4]
HKAS 28 (2011)	*Investments in Associates and Joint Ventures*[4]
HKAS 32 Amendments	Amendments to HKAS 32 *Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities*[5]
HK(IFRIC)-Int 20	*Stripping Costs in the Production Phase of a Surface Mine*[4]

[1] Effective for annual periods beginning on or after 1 July 2011
[2] Effective for annual periods beginning on or after 1 January 2012
[3] Effective for annual periods beginning on or after 1 July 2012
[4] Effective for annual periods beginning on or after 1 January 2013
[5] Effective for annual periods beginning on or after 1 January 2014
[6] Effective for annual periods beginning on or after 1 January 2015

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application 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/(loss) and certain asset, liability and expenditure information for the Group's operating segments for the years ended 29 February 2012 and 28 February 2011.

	Department store operations		Property rental and development		Securities trading		Others		Eliminations		Consolidated	
	2012	2011	**2012**	2011	**2012**	2011	**2012**	2011	**2012**	2011	**2012**	2011
	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	**490,109**	418,942	**9,416**	9,505	**(2,670)**	4,099	**35,395**	25,864	**–**	–	**532,250**	458,410
Intersegment sales	**–**	–	**29,661**	25,261	**–**	–	**7,983**	9,162	**(37,644)**	(34,423)	**–**	–
Other revenue	**203**	170	**9,191**	8,225	**57**	1	**247**	258	**–**	–	**9,698**	8,654
Total	**490,312**	419,112	**48,268**	42,991	**(2,613)**	4,100	**43,625**	35,284	**(37,644)**	(34,423)	**541,948**	467,064
Segment results	**41,964**	32,774	**(4,603)**	(1,466)	**(27,261)**	5,009	**(34,921)**	(22,219)	**–**	–	**(24,821)**	14,098
Interest income, dividend income and unallocated revenue											**22,242**	14,120
Finance costs											**(1,406)**	(1,709)
Share of profits less losses of associates											**(4,223)**	(15,843)
Profit/(loss) before tax											**(8,208)**	10,666
Income tax expense											**(342)**	(444)
Profit/(loss) for the year											**(8,550)**	10,222
Segment assets	**126,404**	119,844	**343,572**	338,253	**291,035**	312,355	**36,685**	45,313	**(37,644)**	(34,423)	**760,052**	781,342
Unallocated assets											**95,549**	98,482
Interests in associates	**–**	–	**6,613**	12,305	**–**	–	**8,175**	8,366	**–**	–	**14,788**	20,671
Total assets											**870,389**	900,495
Segment liabilities	**168,699**	178,058	**10,054**	40,330	**358**	943	**7,012**	9,410	**(37,644)**	(34,423)	**148,479**	194,318
Unallocated liabilities											**62,274**	40,558
Total liabilities											**210,753**	234,876
Other segment information:												
Depreciation	**7,820**	5,765	**2,671**	2,866	**107**	107	**614**	598	**–**	–	**11,212**	9,336
Amortisation of prepaid land premium	**–**	–	**29**	27	**–**	–	**–**	–	**–**	–	**29**	27
Capital expenditure	**13,565**	16,986	**990**	531	**–**	–	**700**	496	**–**	–	**15,255**	18,013
Loss/(gain) on disposal/write-off of items of property, plant and equipment	**(12)**	28	**5**	2	**–**	–	**7**	(31)	**–**	–	**–**	(1)
Loss on disposal of financial instruments	**138**	–	**–**	–	**–**	–	**–**	–	**–**	–	**138**	–
Impairment/(write-back of impairment) for inventories	**2,472**	(3,291)	**–**	–	**–**	–	**–**	–	**–**	–	**2,472**	(3,291)
Impairment on interests in associates	**–**	–	**240**	805	**–**	–	**–**	–	**–**	–	**240**	805
Fair value gain on investment properties in Mainland China	**–**	–	**(9,191)**	(8,145)	**–**	–	**–**	–	**–**	–	**(9,191)**	(8,145)
Impairment on deposits, other receivables and financial instruments	**–**	–	**–**	–	**–**	–	**28,833**	15,000	**–**	–	**28,833**	15,000

(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	
	2012	2011	**2012**	2011	**2012**	2011	**2012**	2011	**2012**	2011	**2012**	2011
	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	**503,269**	432,478	**28,321**	22,525	**254**	261	**406**	3,146	**–**	–	**532,250**	458,410
Non-current assets	**69,864**	66,242	**146,721**	133,384	**–**	–	**–**	–	**–**	–	**216,585**	199,626

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 major customers

For the years ended 29 February 2012 and 28 February 2011, 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.

3. FINANCE COSTS

	Group	
	2012	2011
	HK$'000	*HK$'000*
Interest on bank borrowings wholly repayable within five years	**1,236**	1,560
Others	**170**	149
	1,406	1,709

4. PROFIT/(LOSS) BEFORE TAX

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

	2012	2011
	HK$'000	*HK$'000*
Depreciation	**11,212**	9,336
Amortisation of prepaid land premium	**29**	27
Auditors' remuneration	**2,972**	2,824
Employee benefit expenses, excluding directors' remuneration:		
Wages and salaries	**62,263**	58,232
Pension contributions, including pension costs for defined benefit scheme of HK$1,813,000 (2011: HK$2,151,000)	**4,275**	3,919
	66,538	62,151
Impairment on interests in associates *	**240**	805
Impairment/(write-back of impairment) for inventories **	**2,472**	(3,291)
Loss on disposal of financial instruments *	**138**	–
Net realised loss/(gain) on securities and future contracts trading	**2,670**	(4,099)
Operating lease rental payments in respect of land and buildings:		
Minimum lease payments	**129,012**	118,636
Contingent rent	**4,655**	3,318
Gain on disposal/write-off of items of property, plant and equipment *	**–**	(1)
Foreign exchange losses/(gains), net ***	**(8,172)**	243
Property rental, net of outgoings	**(9,416)**	(9,505)
Interest income ***	**(7,019)**	(6,053)
Dividends from listed investments ***	**(7,051)**	(7,361)
Fair value gain on investment properties in Mainland China ***	**(9,191)**	(8,145)
Gain on deregistration/dissolution of subsidiaries, net ***	**–**	(949)
Loss on dissolution of an associate, net *	**2,050**	–
Impairment on deposits, other receivables and financial instruments △	**28,833**	15,000

* Amounts are included in "Other operating expenses" 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.

△ Impairment on deposits, other receivables and financial instruments included a total amount of approximately HK$16,826,000 relating to the Group's acquisition of non-negotiable convertible promissory notes of TR-BIZ, a private limited company in United States (2011: HK$4,624,000), the related interest receivables of approximately HK$2,469,000 (2011: Nil) and nil for the Group's investment cost in TR-BIZ (2011: HK$10,376,000).

5. INCOME TAX

No provision for Hong Kong profits tax has been made during the year (2011: Nil) as the Group has available tax losses brought forward from prior years to offset the assessable profits generated during the year. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the locations in which the Group operates.

	Group	
	2012	2011
	HK$'000	*HK$'000*
Group:		
Current – Hong Kong	**–**	–
Current – Elsewhere		
Charge for the year	**342**	444
Total tax charge for the year	**342**	444

6. DIVIDEND

	2012	2011
	HK$'000	*HK$'000*
Dividend paid during the year		
Final – Nil (2011: Final in respect of the financial year ended 28 February 2010 – HK0.8 cent per ordinary share)	**–**	4,594

The board of directors does not recommend the payment of a dividend for the year ended 29 February 2012 (2011: Nil).

7. EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The calculation of basic earnings/(loss) per share is based on the loss attributable to equity holders of the Company for the year of HK$8,549,000 (2011: profit of HK$10,477,000) and the 486,233,000 ordinary shares (2011: 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/(loss) 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. 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:

	Group	
	2012	2011
	HK$'000	*HK$'000*
Within 3 months not past due	**612**	2,293
Within 3 months past due	**4,870**	–
Over 3 months past due	**1,851**	24
Total debtors	**7,333**	2,317
Impairment	**–**	–
Total	**7,333**	2,317

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.

9. CREDITORS

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

	Group	
	2012	2011
	HK$'000	*HK$'000*
Current – 3 months	**94,159**	110,836
4 – 6 months	**2,220**	3,528
7 – 12 months	**1,579**	1,262
Over 1 year	**39**	966
	97,997	116,592

DIVIDENDS

The Board of Directors does not recommend the payment of a dividend in respect of the financial year ended 29 February 2012.

RESULTS

The Group recorded a turnover of HK$532 million and a loss attributable to equity holders of HK$9 million. The turnover increased by 16% from last year was mainly attributable to a strong retail growth in the department stores, a full year operation at Tsuen Wan Citywalk 2 and the opening in December 2011 of the first fashion concept boutique "22nd Avenue" at Olympian City. Concerns over the global economic decline and the European sovereign debt crisis continued to impair the global financial markets, recorded a significant decline on the mark to market value in the securities investment. Included the impairment provision on the investment in a United States software company being provided in the first half of the year, the Group recorded the above mentioned loss of HK$9 million as compared to a profit of HK$10 million in last year, while if compared to the six months interim period to 31 August 2011 at a loss of HK$44 million, the loss for the full year has been reduced by HK$35 million due to the strong winter sale season of the department store.

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 29 February 2012 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 Independent 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 29 February 2012 have been reviewed by the Audit Committee.

LIQUIDITY AND FINANCIAL RESOURCES

At 29 February 2012, the Group had cash and bank balances of HK$96 million (2011: HK$98 million) of which HK$43 million (2011: HK$26 million) were pledged. The Group's gearing increased by 3% to 9% 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$1 million (2011: HK$2 million). The bank borrowings were mainly in HKD and USD with interest rates ranging from 1% to 5% per annum. The current ratio was 3.1 (2011: 3.0).

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 29 February 2012, the Group had 597 employees (2011: 587) 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

During the year, both sales and profit of the department store operation achieved a double digit growth on last year, this was brought about from the good growth of the three existing stores, a full year operation of the fourth department store and a new concept store. At the same time, the management focused to increase the high ticket assortments and to continue upholding the terms with the suppliers and concession counters, this successfully achieved an encouraging growth in gross profit margin.

The advertising business recorded a significant double digit growth in revenue over last year, this was attributable to the retail market expansion of clients both in Hong Kong and the Mainland that significantly up lifted the demands in advertising services. The furniture business recorded a persistent growth both in revenue and profit, the strong domestic consumption compelled major retail brands to continue expanding their sales outlets in different Mainland regions that contributed to the growth. The travel franchise business faced competition due to more self-service hotel and ticketing internet platforms in the Mainland. Under the shadow of the European repudiation of sovereign debt and uncertainties on the global fiscal policies, the securities trading recorded a substantial unrealized loss as compared to last year.

PROSPECTS

The management believes the economy will slowdown and the retail environment will be more challenging. With escalating costs pressure from store rentals and salaries, the department stores shall focus on further strengthening the gross profit margin by introducing more premium European brands and, upgrading the brand image.

Revamp of the entire Grand Century Place shopping mall has been progressed for two years, by October 2012, the store there has to be downsized by half. This will significantly affect the department store performance. Parallel to this, a new store in East Kowloon shall be opened and can partly compensate for the sales loss. It is also targeted to further develop the new "22nd Avenue" concept with more sales outlets.

On the advertising operation, with the strong retail market in the Mainland, the management will continue to get hold of this growth momentum. The furniture business will diversify its clientele and, will continue to control the escalating manufacturing costs. The travel franchise operation will focus on granting new franchisees in different regions and offering better terms to increase the competitiveness. Given the ongoing political crisis in Europe, it is expected that the global equity markets will be volatile, the management will remain cautious on the investment strategy. The property development project in Dalian is still pending on the litigation, Court proceedings were conducted and mediations have been arranged with positive progress.

In conclusion, despite the uncertainties lying ahead, the Group remains cautiously optimistic in the coming year 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, 31 May 2012