THE SINCERE COMPANY, LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 0244)

ANNOUNCEMENT OF RESULTS FOR THE YEAR ENDED 28 FEBRUARY 2015

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 2015 together with the comparative figures for the previous year are as follows:

CONSOLIDATED INCOME STATEMENT

Year ended 28 February 2015

	Notes	**2015** *HK$'000*	2014 *HK$'000*
REVENUE	*3*	**370,333**	444,113
Cost of sales		**(146,218)**	(165,426)
Other income and gains, net		**34,634**	45,986
Net unrealised gain/(loss) on securities trading		**7,538**	(12,700)
Selling and distribution expenses		**(257,596)**	(258,400)
General and administrative expenses		**(126,029)**	(134,309)
Other operating expenses		**(759)**	(928)
Finance costs	*4*	**(8,109)**	(4,077)
LOSS BEFORE TAX	*5*	**(126,206)**	(85,741)
Income tax expense	*6*	**(37)**	(325)
LOSS FOR THE YEAR		**(126,243)**	(86,066)

	Notes	**2015**	2014
		HK$'000	*HK$'000*
ATTRIBUTABLE TO:			
Equity holders of the Company		**(122,567)**	(85,068)
Non-controlling interests		**(3,676)**	(998)
		(126,243)	(86,066)
LOSS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY	*8*		
Basic		**HK$(0.39)**	HK$(0.27)
Diluted		**HK$(0.39)**	HK$(0.27)

Details of the dividends are disclosed in note 7.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 28 February 2015

	2015	2014
	HK$'000	*HK$'000*
LOSS FOR THE YEAR	**(126,243)**	(86,066)
OTHER COMPREHENSIVE INCOME/(LOSS)		
Other comprehensive income/(loss) to be reclassified to the income statement in subsequent periods:		
Exchange differences arising on translation of foreign operations	**(6,967)**	3,840
Realisation of exchange fluctuation reserve upon deregistration/disposal of a subsidiary	**(1,067)**	325
Net other comprehensive income/(loss) to be reclassified to the income statement in subsequent periods	**(8,034)**	4,165
Other comprehensive income not to be reclassified to the income statement in subsequent periods:		
Actuarial gains on a defined benefit plan	**9,642**	7,613
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	**(124,635)**	(74,288)
ATTRIBUTABLE TO:		
Equity holders of the Company	**(122,340)**	(72,442)
Non-controlling interests	**(2,295)**	(1,846)
	(124,635)	(74,288)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

28 February 2015

	Notes	2015 HK$'000	2014 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**97,205**	116,471
Interests in associates		**–**	–
Interest in a joint venture		**–**	–
Financial instruments		**26,326**	26,326
Deposits and other receivables		**35,891**	35,932
Total non-current assets		**159,422**	178,729
CURRENT ASSETS			
Inventories		**53,250**	62,890
Loan to a joint venture		**–**	23,119
Due from a joint venture		**–**	1,053
Debtors	*9*	**49**	312
Reinsurance assets		**16**	16
Prepayments, deposits and other receivables		**34,131**	25,169
Financial assets at fair value through profit or loss		**255,118**	312,044
Derivative financial instruments		**461**	–
Pledged bank balances		**58,523**	30,571
Pledged deposits with banks		**383,000**	180,002
Cash and bank balances		**82,029**	233,857
Total current assets		**866,577**	869,033
CURRENT LIABILITIES			
Creditors	*10*	**68,922**	73,023
Insurance contracts liabilities		**1,224**	1,224
Deposits, accrued expenses and other payables		**50,156**	60,204
Derivative financial instruments		**–**	439
Interest-bearing bank borrowings	*11*	**368,229**	237,874
Other loans		**1,954**	1,916
Tax payable		**2**	35
Total current liabilities		**490,487**	374,715
NET CURRENT ASSETS		**376,090**	494,318
TOTAL ASSETS LESS CURRENT LIABILITIES		**535,512**	673,047

	Notes	2015 HK$'000	2014 HK$'000
NON-CURRENT LIABILITIES			
Accrued expenses and other payables		**43,280**	37,828
Interest-bearing bank borrowings	*11*	**11,009**	21,036
Other loans		**1,005**	986
Pension scheme liabilities		**825**	8,820
Total non-current liabilities		**56,119**	68,670
NET ASSETS		**479,393**	604,377
EQUITY			
Equity attributable to equity holders of the Company			
Share capital		**287,180**	287,154
Share premium account		**–**	26
Reserves		**132,427**	254,767
		419,607	541,947
Non-controlling interests		**59,786**	62,430
TOTAL EQUITY		**479,393**	604,377

Notes:

1. CORPORATE 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, the provision of advertising agency services 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 and accounting principles generally accepted in Hong Kong. These financial statements also comply with the applicable requirements of the Hong Kong Companies Ordinance relating to the preparation of financial statements, which for this financial year and the comparative period continue to be those of the predecessor Hong Kong Companies Ordinance (Cap. 32), in accordance with transitional and saving arrangements for Part 9 of the Hong Kong Companies Ordinance (Cap. 622), "Accounts and Audit", which are set out in sections 76 to 87 of Schedule 11 to that Ordinance. The financial statements 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.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011)	*Investment Entities*
Amendments to HKAS 32	*Offsetting Financial Assets and Financial Liabilities*
Amendments to HKAS 39	*Novation of Derivatives and Continuation of Hedge Accounting*
HK(IFRIC)–Int 21	*Levies*
Amendment to HKFRS 2 included in *Annual Improvements 2010-2012 Cycle*	*Definition of Vesting Condition*[1]
Amendment to HKFRS 3 included in *Annual Improvements 2010-2012 Cycle*	*Accounting for Contingent Consideration in a Business Combination*[1]
Amendment to HKFRS 13 included in *Annual Improvements 2010-2012 Cycle*	*Short-term Receivables and Payables*
Amendment to HKFRS 1 included in *Annual Improvements 2011-2013 Cycle*	*Meaning of Effective HKFRSs*

[1] Effective from 1 July 2014

Other than explained below regarding the impact of amendments to HKFRS 2 and HKFRS 13, the adoption of the above revised standards and new interpretation has had no significant financial effect on these financial statements.

(a) The HKFRS 2 Amendment clarifies various issues relating to the definitions of performance and service conditions which are vesting conditions, including (i) a performance condition must contain a service condition; (ii) a performance target must be met while the counterparty is rendering service; (iii) a performance target may relate to the operations or activities of an entity, or to those of another entity in the same group; (iv) a performance condition may be a market or non-market condition; and (v) if the counterparty, regardless of the reason, ceases to provide service during the vesting period, the service condition is not satisfied. The amendment has had no impact on the Group.

(b) The HKFRS 13 Amendment clarifies that short-term receivables and payables with no stated interest rates can be measured at invoice amounts when the effect of discounting is immaterial. The amendment has had no impact on the Group.

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 28 February 2015 and 28 February 2014.

	Department store operations		Securities trading		Others		Eliminations		Total	
	2015	2014	**2015**	2014	**2015**	2014	**2015**	2014	**2015**	2014
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue:										
Sales to external customers	**362,745**	423,519	**1,708**	1,420	**5,880**	19,174	**–**	–	**370,333**	444,113
Intersegment sales	**–**	–	**–**	–	**34,374**	38,212	**(34,374)**	(38,212)	**–**	–
Other revenue	**500**	467	**25,699**	23,544	**2,153**	11,521	**–**	–	**28,352**	35,532
Total	**363,245**	423,986	**27,407**	24,964	**42,407**	68,907	**(34,374)**	(38,212)	**398,685**	479,645
Segment results	**(116,158)**	(70,374)	**20,483**	181	**(28,704)**	(21,925)			**(124,379)**	(92,118)
Interest income and unallocated revenue									**6,282**	10,454
Finance costs									**(8,109)**	(4,077)
Loss before tax									**(126,206)**	(85,741)
Income tax expense									**(37)**	(325)
Loss for the year									**(126,243)**	(86,066)
Segment assets	**179,750**	202,280	**277,478**	332,597	**79,593**	106,667	**(34,374)**	(38,212)	**502,447**	603,332
Unallocated assets									**523,552**	444,430
Total assets									**1,025,999**	1,047,762
Segment liabilities	**180,308**	198,094	**1,065**	739	**20,369**	23,854	**(34,374)**	(38,212)	**167,368**	184,475
Unallocated liabilities									**379,238**	258,910
Total liabilities									**546,606**	443,385
Other segment information:										
Depreciation	**21,481**	16,065	**408**	375	**1,637**	1,579	**–**	–	**23,526**	18,019
Capital expenditure	**3,501**	61,844	**796**	–	**813**	409	**–**	–	**5,110**	62,253
Loss on disposal/write-off of items of property, plant and equipment	**368**	418	**–**	–	**336**	121	**–**	–	**704**	539
Net income derived from available-for-sale investments	**–**	–	**–**	–	**(697)**	(5,146)	**–**	–	**(697)**	(5,146)
Provision for inventories	**12,760**	99	**–**	–	**–**	–	**–**	–	**12,760**	99
Impairment on interest in an associate	**–**	–	**–**	–	**55**	326	**–**	–	**55**	326
Write-back of impairment on debtors	**–**	–	**–**	–	**–**	(644)	**–**	–	**–**	(644)
Write-back of other payables	**(777)**	–	**–**	–	**(197)**	(5,004)	**–**	–	**(974)**	(5,004)
Gain on deregistration of a subsidiary	**–**	–	**–**	–	**(1,067)**	–	**–**	–	**(1,067)**	–
Loss on disposal of a subsidiary	**–**	–	**–**	–	**–**	423	**–**	–	**–**	423

(b) Geographical information

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

	Hong Kong		Mainland China		United Kingdom		Others		Eliminations		Consolidated	
	2015	2014	**2015**	2014	**2015**	2014	**2015**	2014	**2015**	2014	**2015**	2014
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue:												
Sales to external customers	**368,984**	428,640	**119**	14,696	**257**	334	**973**	443	**–**	–	**370,333**	444,113
Non-current assets	**131,528**	150,929	**1,568**	1,474	**–**	–	**–**	–	**–**	–	**133,096**	152,403

The non-current assets 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 28 February 2015 and 28 February 2014, 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:

	Group	
	2015	2014
	HK$'000	*HK$'000*
Interest on bank borrowings wholly repayable within five years	**7,157**	3,820
Others	**952**	257
	8,109	4,077

5. LOSS BEFORE TAX

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

	2015 *HK$'000*	2014 *HK$'000*
Depreciation	**23,526**	18,019
Auditors' remuneration	**3,544**	3,856
Employee benefit expense, excluding directors' and chief executive's remuneration:		
Wages and salaries	**81,573**	85,342
Pension contributions, including a pension cost for a defined benefit plan of HK$4,027,000 (2014: HK$4,766,000)	**6,229**	7,019
	87,802	92,361
Impairment on interest in an associate *	**55**	326
Provision for inventories **	**12,760**	99
Operating lease rental payments in respect of land and buildings:		
Minimum lease payments	**178,033**	171,016
Contingent rent	**2,620**	7,846
Loss on disposal/write-off of items of property, plant and equipment *	**704**	539
Gain on deregistration of a subsidiary ***	**(1,067)**	–
Loss on disposal of a subsidiary ***	**–**	423
Write-back of impairment on debtors	**–**	(644)
Net income derived from available-for-sale investments ***	**(697)**	(5,146)
Net realised gain on securities trading	**(1,708)**	(1,420)
Underwriting profit	**(5)**	(11)
Rental income	**(3,668)**	(3,572)
Interest income ***	**(17,393)**	(11,592)
Dividends from listed investments ***	**(3,446)**	(2,726)
Dividends from unlisted investments ***	**(14,716)**	(13,564)
Foreign exchange loss/(gain), net ***	**4,348**	(4,057)
Write-back of other payables ***	**(974)**	(5,004)

* 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.

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.

	Group	
	2015	2014
	HK$'000	*HK$'000*
Current – Hong Kong		
Overprovision in prior years	**–**	(16)
Current – Elsewhere		
Charge for the year	**37**	341
Total tax charge for the year	**37**	325

7. DIVIDENDS

	2015	2014
	HK$'000	*HK$'000*
Dividend paid during the year		
Final dividend in respect of the financial year ended 28 February 2014 – Nil (2014: final dividend in respect of the financial year ended 28 February 2013 – HK1.5 cents per ordinary share)	**–**	8,615

The board of directors does not recommend the payment of a dividend for the year ended 28 February 2015.

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$122,567,000 (2014: HK$85,068,000) attributable to equity holders of the Company and the 313,864,800 (2014: 313,864,800) ordinary shares in issue throughout the year, as adjusted to reflect the number of treasury shares of 260,443,200 (2014: 260,443,200) held by the Company's subsidiaries.

No adjustments had 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 28 February 2015 and 28 February 2014.

9. DEBTORS

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

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

	Group	
	2015	2014
	HK$'000	*HK$'000*
Within 3 months not past due	**49**	305
Over 3 months past due	**–**	52
Total debtors	**49**	357
Impairment	**–**	(45)
Total	**49**	312

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

10. CREDITORS

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

	Group	
	2015	2014
	HK$'000	*HK$'000*
Current – 3 months	**68,430**	68,830
4 – 6 months	**298**	1,556
7 – 12 months	**15**	1,723
Over 1 year	**179**	914
	68,922	73,023

11. INTEREST-BEARING BANK BORROWINGS

	Group	
	2015	2014
	HK$'000	*HK$'000*
Bank loans, secured	**377,785**	251,552
Bank overdrafts, secured	**1,453**	7,358
	379,238	258,910
Analysed into:		
Within one year or on demand	**368,229**	237,874
In the second year	**4,033**	10,027
In the third to fifth years, inclusive	**6,976**	11,009
	379,238	258,910
Less: Amounts repayable within one year or on demand and classified as current portion	**(368,229)**	(237,874)
Amount classified as non-current portion	**11,009**	21,036

DIVIDENDS

The Board of Directors does not recommend the payment of a dividend in respect of the financial year ended 28 February 2015.

RESULTS

The Group has had a challenging year, with sales declining along with high operating costs for prime stores. Following the closures of the two major stores at Central and Grand Century Place in August 2013 and April 2014, respectively, the Group opened three new stores in the prime locations of Central, Mongkok and Causeway Bay. Management made great efforts during the year to build a new contemporary retail image: directly importing varieties of well-known European merchandise; renovating and uplifting store ambience; and launching PR events and programs for the "New Sincere". The three new stores have been operating for more than a year and are still in their growth stages. However, the Mongkok and Causeway Bay stores, in particular, were hurt by less-than-expected traffic flow and business suffered as a result. This was compounded by high rentals. Impaired by the retail performances mentioned above, the Group recorded a loss attributable to equity holders of HK$123 million, representing an increase of 44% from last year. Revenue was HK$370 million, representing a decline of 17%.

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 28 February 2015, 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, A.6.7 and E.1.2.

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, the former Deputy Chairman and Chief Executive Officer of the Company, was appointed as Chairman and Chief Executive Officer of the Company with effect from 16 September 2014 after Mr Walter K W Ma, the former Executive Chairman of the Company, passed away on 14 September 2014. Mr Philip K H Ma 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 and E.1.2 of the CG Code that independent non-executive directors and chairman of the board should also attend general meetings. Mr Charles M W Chan, the Independent Non-Executive Director of the Company and Mr Walter K W Ma, the former Executive Chairman of the Company, did not attend the general meeting of the Company due to business arrangement and health condition, respectively.

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. 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 audit committee of the Company has discussed with the external auditors of the Company on the accounting principles and practices adopted by the Group and the consolidated results of the Group for the year ended 28 February 2015, and is of the opinion that the consolidated results complied with the applicable accounting standards, the Stock Exchange and legal requirements, and that adequate disclosures have been made.

LIQUIDITY AND FINANCIAL RESOURCES

At 28 February 2015, the Group had cash and bank balances of HK$524 million (2014: HK$444 million) of which HK$442 million (2014: HK$211 million) were pledged. The Group's gearing increased by 42% to 90% in total debt to the shareholders' fund as compared with last year. The substantial increase was a result of the arrangement of cross-border loans, where cash deposits were pledged to banks in the People's Republic of China to secure certain bank loans in Hong Kong. The interest expense charged to the consolidated income statement for the year was HK$8 million (2014: HK$4 million). The interest-bearing bank borrowings of the Group as of 28 February 2015 were HK$379 million (2014: HK$259 million) of which HK$368 million (2014: HK$238 million) was repayable within one year, while the remaining balance was repayable within the second and fifth years. The bank borrowings were mainly in Hong Kong Dollars, with interest rates ranging from 0.9% to 5.0% per annum. The current ratio was 1.8 (2014: 2.3).

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

EMPLOYEES AND REMUNERATION POLICIES

At 28 February 2015, the Group had 453 employees (2014: 571) 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 option, staff purchase discounts, subsidised medical care and training courses.

BUSINESS REVIEW

DEPARTMENT STORE OPERATION

The revenue for the retail operation declined 14% and segment results recorded a loss of HK$116 million, representing a significant increase of 65% from last year. Driven by depressed local retail demand and soaring operating costs, the core retail operation is experiencing difficult trading conditions; various attempts were implemented to rectify the situation. During the year, we imported famous European-branded apparel to enlarge the customer base and increase dollars per transaction; introduced branded skincare products and children's wear to enrich product varieties; launched various marketing campaigns to drive local traffic to the stores; and refined pricing strategies to enhance competitiveness.

The revenue from our Roadshow operations has been declining for the past few years. Some landlords have changed retail mall requirements, which have resulted in lesser venues being available, while those that are available have seen substantial increases in rent. There were sixty-six Roadshows during the year compared with seventy-six in the previous year.

Shamshuipo Dragon Centre Store

Revenue and gross profit dollar increased slightly by 2% from last year. Compared with other stores, this store was relatively stable as more concession counters were well-positioned to serve the customers.

Tsuen Wan Citywalk Store

Revenue and gross profit dollar increased slightly by around 3% from the previous year. During the year, this store enhanced ambience with brighter lighting, which has lead to improved traffic flow. On the product assortment, more Korean fashions were introduced and were well received.

Yau Tong Domain Store

The revenue was marginally up on last year while the gross profit dollar was down by 3%. This was attributable to the introduction of more concession counters with lower commission rate. Additionally, children's wear was introduced and received a good response.

Sincere MK Store

This store in Mongkok was most challenging among the six stores, with the highest rent and underperforming sales. Customer traffic flow to the store was way below initial expectations. As a result, this store recorded a substantial loss for the year. We have implemented strong promotional campaigns, rearranged product assortments, and expanded the household goods department to improve traffic flow.

Central Li Po Chun Store

Of the three new stores opened in late 2013, this was the most satisfactory. Built next to our closed Central store, loyal customers returned to this store, in additional to new VIPs. The store has correctly positioned for the targetted market segment, mainly offering branded European apparel, shoes and several imported brands of selected handbags. The response was encouraging.

Sincere CWB Store

This store in Causeway Bay has been operating for a year but sales performance has been disappointing. Similar to Sincere MK, it persistently suffered from low traffic flow. Due to the low awareness of the store location, several measures were implemented, including a light-box advertisement at Causeway Bay MTR station and the distribution of flyers and coupons to attract customers. To improve sales performance, there was a comprehensive review on product assortment with a major remix on branded European apparel and shoes, and the introduction of children's wear and imported skincare.

SECURITIES TRADING OPERATION

The market for securities investments for the year, compared with the end of February 2014, has improved. With one-third of our investment portfolio Hong Kong-listed, there was a gain of $20 million, which included an unrealised gain of $8 million compared with break-even last year.

OTHER OPERATIONS

As the Group is focusing on its core department store operations, other business segments have been scaled down substantially and the advertising business ceased operations in March 2015. The travel franchise remains dormant and the insurance business focused on investment with limited operation. In UK, a joint venture property project at Lancaster Gate was sold and recorded a marginal profit.

PROSPECTS

In the year ahead, the Group expects the retail operating environment to be tough with the appreciation of the Hong Kong dollar, aggressive discounting among competitors, weak consumer sentiment, lower tourists arrivals, and high operating costs. Management is well aware that improving the gross profit margin and department-store traffic flow are the key objectives. Strategies include focusing on brands and manufacturing our own private label products; implementing innovative promotional campaigns; and improving customer services.

By the end of this year, stores will be classified into two lines based on product categories: namely "Sincere Wear 先施時尚館" and "Sincere Living 先施生活館". The Sincere CWB and Central Li Po Chun stores will be classified under Sincere Wear, offering apparel, shoes, handbags and accessories. Shamshuipo Dragon Centre, Yau Tong Domain, Tsuen Wan Citywalk and Sincere MK stores will be classified under Sincere Living, offering "wear" products along with other product lines, including sports, household, bedding and bath, to fulfill the needs of general living. This store segmentation will enhance the utilisation of space, better allocate marketing resources, better position high-ended apparel and shoes, and provide a clearer message to our customers on which store has what focus.

On marketing, we will work with NOW TV to produce the program "Sincere Fashion Seoul 大激戰" for the second year. Jointly working with the Hong Kong Polytechnic University, the competition will be broadcast for six weeks from June to August 2015. This matches our strategy to stock more Korean ladies fashion products. Another new program highlighting products from Italy will also work with NOW TV and to be broadcast, also for six weeks, from November to December 2015, aiming at promoting and further strengthen the awareness of the strong positioning of Sincere branded European apparels and shoes.

To foster a better shopping experience, we will enhance our customer loyalty program by classifying our VIPs into different classes, with each class being rewarded with different shopping privileges. We will continue investigating the possibility of online shopping and implementing a digital Customers Relationship Management system to better understand our customers' shopping behaviors to achieve a better target and improve social marketing.

There will be investments in renovations in selected stores to go with an expanded range of European apparel. There will also be investments in talent. An experienced general manager has been recruited to oversee the entire retail operation and to monitor the execution and effectiveness of those strategies being implemented. A consultant has been engaged to strengthen the marketing functions and be in charge of the entire brand re-building exercise. A new individual-commission scheme has been implemented for front-line staff in order to increase productivity. As usual, straight costs control measures have been implemented.

Securities trading will remain conservative, and we are cautiously optimistic about returns in the year ahead, with the recent favorable growth momentum in the global stock market.

Although the current situation for the Group is tough, management believes this is a period of adjustment for transformation to a new brand image with a new mode of operations. We are determined to rework the "New Sincere" to a contemporary and profitable brand for years to come.

DIRECTORS

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, 28 May 2015