THE SINCERE COMPANY, LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 0244)

ANNOUNCEMENT OF THE 2015 INTERIM RESULTS

The Board of Directors of The Sincere Company, Limited (the "Company") is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (the "Group") for the six months ended 31 August 2015, together with the comparative amounts. The interim results of the Group are unaudited, but have been reviewed by the Audit Committee of the Company.

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 31 August 2015

	Notes	**2015** **HK$'000** **(unaudited)**	2014 *HK$'000* (unaudited)
REVENUE	*3*	**163,427**	166,809
Cost of sales		**(62,838)**	(71,138)
Other income and gains, net		**15,154**	19,574
Net unrealised gain/(loss) on securities trading		**(21,130)**	10,757
Selling and distribution expenses		**(128,205)**	(129,334)
General and administrative expenses		**(57,417)**	(63,722)
Other operating income/(expenses)		**403**	(372)
Finance costs		**(3,409)**	(3,494)
LOSS BEFORE TAX	*4*	**(94,015)**	(70,920)
Income tax expense	*5*	**(23)**	–
LOSS FOR THE PERIOD		**(94,038)**	(70,920)

	Notes	**2015**	2014
		HK$'000	*HK$'000*
		(unaudited)	(unaudited)
ATTRIBUTABLE TO:			
Equity holders of the Company		**(92,502)**	(69,082)
Non-controlling interests		**(1,536)**	(1,838)
		(94,038)	(70,920)
LOSS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY	*6*		
Basic		**HK$(0.29)**	HK$(0.22)
Diluted		**HK$(0.29)**	HK$(0.22)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the six months ended 31 August 2015

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

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	**31 August 2015** **HK$'000** **(unaudited)**	28 February 2015 *HK$'000* (audited)
NON-CURRENT ASSETS			
Property, plant and equipment		**90,207**	97,205
Interests in associates		**–**	–
Interest in a joint venture		**–**	–
Financial instruments		**26,326**	26,326
Deposits and other receivables		**28,839**	35,891
Total non-current assets		**145,372**	159,422
CURRENT ASSETS			
Inventories		**51,607**	53,250
Debtors	*8*	**11**	49
Reinsurance assets		**17**	16
Prepayments, deposits and other receivables		**36,776**	34,131
Financial assets at fair value through profit or loss		**235,550**	255,118
Derivative financial instruments		**51**	461
Pledged bank balances		**30,234**	58,523
Pledged deposits with banks		**256,342**	383,000
Cash and bank balances		**112,780**	82,029
Total current assets		**723,368**	866,577
CURRENT LIABILITIES			
Creditors	*9*	**58,795**	68,922
Insurance contract liabilities		**1,225**	1,224
Deposits, accrued expenses and other payables		**43,340**	50,156
Interest-bearing bank borrowings		**328,744**	368,229
Other loans		**1,939**	1,954
Tax payable		**24**	2
Total current liabilities		**434,067**	490,487
NET CURRENT ASSETS		**289,301**	376,090
TOTAL ASSETS LESS CURRENT LIABILITIES		**434,673**	535,512

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

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The unaudited condensed consolidated interim financial statements are prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" and other relevant HKASs, Interpretations and Hong Kong Financial Reporting Standards (collectively, the "HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the disclosure requirements of Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules"). They have been prepared under the historical cost convention, except for financial assets at fair value through profit or loss and derivative financial instruments, which have been measured at fair value. Save for those revised HKFRSs adopted during the period as set out in note 2, the accounting policies and basis of preparation adopted in the preparation of the condensed consolidated interim financial statements are the same as those used in the annual financial statements for the year ended 28 February 2015.

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

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

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

3. SEGMENT INFORMATION

(a) Operating segments

The following table presents revenue and profit/(loss) for the Group's operating segments for the six months ended 31 August 2015 and 31 August 2014.

	Department store operations		Securities trading		Others		Eliminations		Total	
	2015	2014	**2015**	2014	**2015**	2014	**2015**	2014	**2015**	2014
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
	(unaudited)	(unaudited)	**(unaudited)**	(unaudited)	**(unaudited)**	(unaudited)	**(unaudited)**	(unaudited)	**(unaudited)**	(unaudited)
Segment revenue:										
Sales to external customers	**161,916**	162,422	**(364)**	1,647	**1,875**	2,740	**–**	–	**163,427**	166,809
Intersegment sales	**–**	–	**–**	–	**14,603**	17,229	**(14,603)**	(17,229)	**–**	–
Other revenue	**600**	72	**10,454**	15,289	**64**	808	**–**	–	**11,118**	16,169
Total	**162,516**	162,494	**10,090**	16,936	**16,542**	20,777	**(14,603)**	(17,229)	**174,545**	182,978
Segment results	**(67,059)**	(76,276)	**(15,979)**	20,438	**(11,604)**	(14,993)	**–**	–	**(94,642)**	(70,831)
Interest income and unallocated revenue									**4,036**	3,405
Finance costs									**(3,409)**	(3,494)
Loss before tax									**(94,015)**	(70,920)
Income tax expense									**(23)**	–
Loss for the period									**(94,038)**	(70,920)

(b) Geographical information

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

	Hong Kong		Mainland China		United Kingdom		Others		Consolidated	
	2015	2014	**2015**	2014	**2015**	2014	**2015**	2014	**2015**	2014
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
	(unaudited)	(unaudited)	**(unaudited)**	(unaudited)	**(unaudited)**	(unaudited)	**(unaudited)**	(unaudited)	**(unaudited)**	(unaudited)
Segment revenue:										
Sales to external customers	**163,944**	166,390	**52**	–	**122**	133	**(691)**	286	**163,427**	166,809

4. LOSS BEFORE TAX

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

	For the six months ended 31 August	
	2015	2014
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Depreciation	**12,634**	11,493
Impairment on inventories^	**1,413**	12,760
Impairment on interest in an associate*	**78**	4
Impairment on other receivables	**533**	–
Loss/(gain) on disposal of items of property, plant and equipment*	**(481)**	368
Gain on disposal of available-for-sale investments#	**–**	(696)
Gain on deregistration of a subsidiary#	**–**	(1,067)

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

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

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

5. INCOME TAX

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

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

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

The calculation of basic loss per share is based on the loss for the period attributable to equity holders of the Company of HK$92,502,000 (2014: HK$69,082,000) and the 313,864,800 ordinary shares (2014: 313,864,800) in issue throughout the period, as adjusted to reflect the number of treasury shares of 260,443,200 (2014: 260,443,200) held by the Company's subsidiaries.

No adjustments have been made to the basic loss per share for the current and prior periods as the share options in issue have no dilutive effect during the periods ended 31 August 2015 and 31 August 2014.

7. DIVIDEND

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

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 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:

	31 August 2015 *HK$'000* **(unaudited)**	28 February 2015 *HK$'000* (audited)
Within 3 months not past due	**–**	49
Over 3 months past due	**11**	–
Total debtors	**11**	49
Impairment	**–**	–
Total	**11**	49

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:

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

INTERIM RESULTS

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

BUSINESS REVIEW AND FUTURE PROSPECTS

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

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

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

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

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

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

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

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

LIQUIDITY AND FINANCIAL RESOURCES

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

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

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

EMPLOYEES AND REMUNERATION POLICIES

As at 31 August 2015, the Group had 374 employees (28 February 2015: 453) (including part time staff). The Group operates different remuneration schemes for sales and non-sales employees to motivate front-line and back office staff towards higher sales achievement and operating efficiencies. Apart from basic salary and discretionary year-end bonuses based on individual merit, sales personnel are further remunerated on the basis of goal-oriented packages comprising several scheme of sales commission. The Group provides employee benefits such as staff purchase discounts, subsidised medical care and training courses.

INTERIM DIVIDEND

The Board of Directors of the Company has decided not to declare an interim dividend for the six months ended 31 August 2015.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SHARES

There was no purchase, sale or redemption by the Company or any of its subsidiaries of the Company's listed shares during the period.

AUDIT COMMITTEE

The Audit Committee has reviewed with the management the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting including the review of the unaudited condensed consolidated interim financial statements for the six months ended 31 August 2015.

ADOPTION OF THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS ("MODEL CODE")

The Company has adopted the Model Code as set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") as the code of conduct regarding Director's securities transactions. All Directors have confirmed, following specific enquiry by the Company, that they have complied with the required standard set out in the Model Code during the period under review.

CORPORATE GOVERNANCE PRACTICE

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

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

Pursuant to code provision A.2.1 stipulates that the roles of Chairman and Chief Executive should be separate and should not be performed by the same individual. Mr Philip K H Ma is Chairman and Chief Executive Officer of the Company. He provides leadership to the Board ensuring that members of the Board receive accurate, timely and clear information to help them reach well-informed and well-considered decisions. He is also responsible for leading the management team to manage day-to-day operation and report to the Board the way the business is run. The Board believes that vesting the roles of both Chairman and Chief Executive Officer in the same individual can provide the Company with strong and consistent leadership and allows for effective and efficient planning and implementation of business decisions and strategies.

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

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 of the Company are Mr King Wing Ma, Mr Eric K K Lo, Mr Charles M W Chan and Mr Peter Tan.

By order of the Board
Philip K H MA
Chairman & CEO

Hong Kong, 30 October 2015