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THE SINCERE COMPANY, LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 0244)

ANNOUNCEMENT OF THE 2016 INTERIM RESULTS

The Board of Directors (the "Board") 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 2016, 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 2016

	Notes	**2016** ***HK$'000*** **(unaudited)**	2015 *HK$'000* (unaudited)
REVENUE	*3*	**171,615**	163,427
Cost of sales		**(69,921)**	(62,838)
Other income and gains, net		**11,545**	15,154
Net unrealised loss on securities trading		**(658)**	(21,130)
Selling and distribution expenses		**(117,298)**	(128,205)
General and administrative expenses		**(52,836)**	(57,417)
Other operating income, net		**2,496**	403
Finance costs		**(1,290)**	(3,409)
LOSS BEFORE TAX	*4*	**(56,347)**	(94,015)
Income tax expense	*5*	**(13)**	(23)
LOSS FOR THE PERIOD		**(56,360)**	(94,038)
ATTRIBUTABLE TO:			
Equity holders of the Company		**(55,142)**	(92,502)
Non-controlling interests		**(1,218)**	(1,536)
		(56,360)	(94,038)
LOSS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY	*6*		
Basic		**HK$(0.18)**	HK$(0.29)
Diluted		**HK$(0.18)**	HK$(0.29)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 31 August 2016

	2016 *HK$'000* (unaudited)	2015 *HK$'000* (unaudited)
LOSS FOR THE PERIOD	**(56,360)**	(94,038)
OTHER COMPREHENSIVE LOSS		
Other comprehensive loss to be reclassified to the income statement in subsequent periods:		
Exchange differences arising on translation of foreign operations	**(738)**	(6,432)
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD	**(57,098)**	(100,470)
ATTRIBUTABLE TO:		
Equity holders of the Company	**(56,333)**	(98,940)
Non-controlling interests	**(765)**	(1,530)
	(57,098)	(100,470)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	**31 August 2016 HK$'000 (unaudited)**	29 February 2016 HK$'000 (audited)
NON-CURRENT ASSETS			
Property, plant and equipment		**51,648**	61,178
Interests in associates		**–**	–
Financial instruments		**26,326**	26,326
Deposits and other receivables		**31,731**	28,375
Total non-current assets		**109,705**	115,879
CURRENT ASSETS			
Inventories		**79,687**	48,358
Reinsurance assets		**21**	21
Prepayments, deposits and other receivables		**24,945**	36,921
Financial assets at fair value through profit or loss		**192,925**	202,782
Pledged bank balances		**40,227**	50,295
Pledged deposits with banks		**80,743**	85,979
Cash and bank balances		**56,599**	44,217
Total current assets		**475,147**	468,573
CURRENT LIABILITIES			
Creditors	*8*	**68,326**	82,947
Insurance contracts liabilities		**1,229**	1,229
Deposits, accrued expenses and other payables		**42,357**	46,192
Interest-bearing bank borrowings	*9*	**168,247**	92,593
Other loans		**1,909**	1,924
Tax payable		**1**	1
Total current liabilities		**282,069**	224,886
NET CURRENT ASSETS		**193,078**	243,687
TOTAL ASSETS LESS CURRENT LIABILITIES		**302,783**	359,566

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

	Notes	**31 August 2016** ***HK$'000*** **(unaudited)**	29 February 2016 *HK$'000* (audited)
NON-CURRENT LIABILITIES			
Accrued expenses and other payables		**61,563**	59,188
Interest-bearing bank borrowings	*9*	**4,915**	6,975
Other loans		**1,005**	1,005
Pension scheme liabilities		**228**	228
Total non-current liabilities		**67,711**	67,396
NET ASSETS		**235,072**	292,170
EQUITY			
Equity attributable to equity holders of the Company			
Share capital		**287,180**	287,180
Reserves		**(110,517)**	(54,184)
		176,663	232,996
Non-controlling interests		**58,409**	59,174
TOTAL EQUITY		**235,072**	292,170

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The unaudited condensed consolidated interim financial statements of the Group for the six months ended 31 August 2016 are prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the applicable disclosure requirements of Appendix 16 to 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, which have been measured at fair value. Save for those revised Hong Kong Financial Reporting Standards ("HKFRSs") adopted during the period as set out in note 2, the significant accounting policies and basis of preparation used in the preparation of the condensed consolidated interim financial statements are the same as those used in the Group's audited consolidated financial statements for the year ended 29 February 2016.

The financial information relating to the year ended 29 February 2016 that is included in the condensed consolidated statement of financial position as comparative information does not constitute the Company's statutory annual consolidated financial statements for that year but is derived from those financial statements. Further information relating to those statutory financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance is as follows:

The Company has delivered the financial statements for the year ended 29 February 2016 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance.

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

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 2016.

Amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011)	*Investment Entities: Applying the Consolidation Exception*
Amendments to HKFRS 11	*Accounting for Acquisitions of Interests in Joint Operations*
Amendments to HKAS 1	*Disclosure Initiative*
Amendments to HKAS 16 and HKAS 38	*Clarification of Acceptable Methods of Depreciation and Amortisation*
Amendments to HKAS 16 and HKAS 41	*Agriculture: Bearer Plants*
Amendments to HKAS 27 (2011)	*Equity Method in Separate Financial Statements*
Annual Improvements 2012-2014 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 2016 and 31 August 2015.

	Department store operations		Securities trading		Others		Eliminations		Total	
	2016	2015	**2016**	2015	**2016**	2015	**2016**	2015	**2016**	2015
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
	(unaudited)	(unaudited)	**(unaudited)**	(unaudited)	**(unaudited)**	(unaudited)	**(unaudited)**	(unaudited)	**(unaudited)**	(unaudited)
Segment revenue:										
Sales to external customers	**168,949**	161,916	**812**	(364)	**1,854**	1,875	**–**	–	**171,615**	163,427
Intersegment sales	**–**	–	**–**	–	**14,559**	14,603	**(14,559)**	(14,603)	**–**	–
Other revenue	**165**	600	**9,354**	10,454	**2,460**	64	**–**	–	**11,979**	11,118
Total	**169,114**	162,516	**10,166**	10,090	**18,873**	16,542	**(14,559)**	(14,603)	**183,594**	174,545
Segment results	**(54,734)**	(67,059)	**4,231**	(15,979)	**(4,120)**	(11,604)	**–**	–	**(54,623)**	(94,642)
Interest income and unallocated revenue/(expenses), net									**(434)**	4,036
Finance costs									**(1,290)**	(3,409)
Loss before tax									**(56,347)**	(94,015)
Income tax expense									**(13)**	(23)
Loss for the period									**(56,360)**	(94,038)

(b) Geographical information

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

	Hong Kong		Mainland China		United Kingdom		Others		Consolidated	
	2016	2015	**2016**	2015	**2016**	2015	**2016**	2015	**2016**	2015
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
	(unaudited)	(unaudited)	**(unaudited)**	(unaudited)	**(unaudited)**	(unaudited)	**(unaudited)**	(unaudited)	**(unaudited)**	(unaudited)
Segment revenue:										
Sales to external customers	**170,607**	163,944	**50**	52	**110**	122	**848**	(691)	**171,615**	163,427

4. LOSS BEFORE TAX

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

	For the six months ended 31 August	
	2016	2015
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Depreciation	**10,433**	12,634
Impairment on inventories^	**–**	1,413
Impairment on interest in an associate*	**4**	78
Impairment on other receivables	**–**	533
Write-off of other receivables	**182**	–
Gain on disposal of items of property, plant and equipment*	**–**	(481)
Write-back of impairment of a deposit∆*	**(2,500)**	–
Write-back of other payables#	**(2,444)**	–

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

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

∆ *Amount represented write-back of impairment of HK$2,500,000 for the Group's deposit for an investment in Mainland China.*

\# *Amount is 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	
	2016	2015
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Current – Hong Kong	**–**	–
Current – Elsewhere		
Charge for the period	**13**	23
Total tax charge for the period	**13**	23

No provision for Hong Kong profits tax had been made as there were no assessable profits arising in Hong Kong during the period (2015: Nil). During the period ended 31 August 2016, taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the locations in which the Group operates.

6. 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 period attributable to equity holders of the Company of HK$55,142,000 (2015: HK$92,502,000) and the 313,864,800 ordinary shares (2015: 313,864,800) in issue throughout the period, as adjusted to reflect the number of treasury shares of 260,443,200 (2015: 260,443,200) held by the Company's subsidiaries.

No adjustment had been made to the basic loss per share amount presented for the period ended 31 August 2016 in respect of a dilution as the impact of the share options outstanding during the period had an anti-dilutive effect on the basic loss per share amount presented.

No adjustment had been made to the basic loss per share for the prior period as the share options in issue during the period ended 31 August 2015 had no dilutive effect.

7. DIVIDEND

The Board has decided not to declare an interim dividend for the six months ended 31 August 2016 (2015: Nil).

8. CREDITORS

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

	31 August 2016	29 February 2016
	HK$'000	*HK$'000*
	(unaudited)	(audited)
Current – 3 months	**59,570**	79,793
4 – 6 months	**6,922**	2,538
7 – 12 months	**1,678**	265
Over 1 year	**156**	351
	68,326	82,947

9. INTEREST-BEARING BANK BORROWINGS

	31 August 2016	29 February 2016
	HK$'000	*HK$'000*
	(unaudited)	(audited)
Bank loans, secured	**169,534**	98,263
Bank overdrafts, secured	**3,628**	1,305
	173,162	99,568
Analysed into:		
Within one year or on demand	**168,247**	92,593
In the second year	**4,203**	4,147
In the third to fifth years, inclusive	**712**	2,828
	173,162	99,568
Less: Amounts repayable within one year or on demand and classified as current portion	**(168,247)**	(92,593)
Amount classified as non-current portion	**4,915**	6,975

INTERIM RESULTS

The unaudited consolidated revenue of the Group for the six months ended 31 August 2016 was HK$172 million, increased by HK$8 million or 5% as compared to the same period of last year. The unaudited loss attributable to equity holders of the Company for the six months ended 31 August 2016 was HK$55 million, losses reduced by HK$37 million or 40% from last period. This improvement was due to a better department store operation at a segment loss of HK$55 million, which decreased loss by HK$12 million from last period and, a better securities trading segment profit of HK$4 million as compared to a loss of HK$16 million in the same period of last year. The other segments recorded HK$4 million loss which has reduced mainly due to the successful collections of an impaired China investment.

BUSINESS REVIEW AND FUTURE PROSPECTS

DEPARTMENT STORE OPERATIONS

The department store operations recorded revenue of HK$169 million, growth by 4% against the same period of last year. This contrasted with the Census and Statistics Department of the Hong Kong Government that has kept reporting a drop in the total retail sales; which for the first eight months this year to August 2016 has decreased by over 10% as compared with last period, a result of the continued drag from slowdown in inbound tourism and the more cautious local consumer sentiment amid subpar economic conditions.

The positive sales result of our department stores derived from several key drivers, including the extension of sale campaigns, the introduction of new and high value products such as fur coats and crocodile handbags, and the launch of a new stamp redemption marketing program offering household and travel items at attractive redemption prices to customers. All six comparable stores have recorded a revenue growth, from a marginal 1% at the Mongkok store, to the highest 19% at the Causeway Bay store supported by the new merchandises; while the Yau Tong Domain store, the Central Li Po Chun store, the Tsuen Wan Citywalk store and the Shamshuipo Dragon Centre store ranges between 3% to 12% sales growth. Roadshow as expected with lack of suitable venues has generated insignificant revenue of HK$1 million when compared to HK$4 million in last period.

With the above sale campaigns and a higher mix of household products at lower margin, there was a slight drop in the gross profit margin; however, a marginal growth in the gross profit dollars had been achieved. During the current period, there were major cost cutting exercises, in particular on the rent re-negotiations and salaries reductions which have successfully reduced the expenses by over HK$10 million, hence the overall segment recorded a loss of HK$55 million which decreased loss by HK$12 million or 18% from last period.

SECURITIES TRADING

On the securities trading, market volatility has remained vigorous and continual, the Brexit from the European Union added uncertainties. For the reported period up to 31 August 2016, a segment profit of HK$4 million was recorded that contrasted with the significant segment loss of HK$16 million owing to the mark-to-market unrealised loss adjustment in last period.

PROSPECTS

Looking ahead, the global economy still has many uncertainties; the US presidential election, the Brexit moving forward, the slow China export and economic momentum still clouded the outlook. The Hong Kong Government already indicated that the near-term retail sales performance would continue to be difficult. Our department store target is to continue to maintain the business growth momentum and through various cost control, we cautiously expect to see a better performing year.

In October 2016, we have successfully launched the customer relationship management program (CRM) with a digital application accessible by all mobile phone users. This new VIP membership is offered free to all our existing VIP members and to all new customers, aiming to strengthen customer loyalty through better communication, and providing target reward programs with different shopping privileges. This is not just to increase sales revenue but also to enhance customer services and communication, further development with better facilities for our members from this CRM system would be initiated.

On the securities trading, the investment strategy will remain conservative and with the recent growth momentum in the global financial market, we are cautiously optimistic on a better investment return in this financial year.

LIQUIDITY AND FINANCIAL RESOURCES

At 31 August 2016, the Group had cash and bank balance of HK$178 million (29 February 2016: HK$180 million), of which HK$121 million (29 February 2016: HK$136 million) were pledged.

The interest-bearing bank borrowings of the Group at 31 August 2016 were HK$173 million (29 February 2016: HK$100 million), of which HK$168 million (29 February 2016: HK$93 million) was repayable within one year, while the remaining balance was repayable within the second and fifth years. The bank borrowings were mainly in HK dollars with interest rates ranging from 0.8% to 5.0%. The interest expense charged to the condensed consolidated income statement for the period was HK$1.3 million (2015: HK$3.4 million).

The Group's gearing ratio, which is total interest-bearing bank borrowings to the shareholders' fund, increased from 43% as of 29 February 2016 to 98% as of 31 August 2016. The increase was attributable to extended bank borrowings to support the department store operations and the decrease in shareholders' fund. The current ratio of the Group at 31 August 2016 was 1.7 as compared to 2.1 at 29 February 2016.

The Group currently has a foreign currency hedging policy on Euro for the purchase of inventories, which hedges approximately fifty percent 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-term and short-term borrowings to finance its operation during the period. All interest-bearing bank borrowings were secured against the securities investment, a property and bank deposits.

EMPLOYEES AND REMUNERATION POLICIES

At 31 August 2016, the Group had 383 employees (29 February 2016: 392) including part-time staff. The Group operates different remuneration schemes for sales and non-sales employees to motivate front-line and back-office staff towards achieving higher sales and operating efficiencies. Apart from basic salary and discretionary year-end bonuses based on individual merit, sales personnel are further remunerated on the basis of goal-oriented packages, comprising several schemes of sales commission. The Group provides employee benefits such as employee stock options, staff purchase discounts, subsidised medical care and training courses.

INTERIM DIVIDEND

The Board has decided not to declare an interim dividend for the six months ended 31 August 2016.

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

There was no purchase, sale or redemption of the Company's listed shares by the Company or any of its subsidiaries 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 2016.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS ("MODEL CODE")

The Company has adopted the Model Code as set out in Appendix 10 to 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 has complied throughout the period ended 31 August 2016 with the Code on Corporate Governance Practices ("CG Code") as set out in Appendix 14 to the Listing Rules, save and except for code provision A.2.1, A.4.1 and A.6.7.

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

Code provision A.4.1 of the CG Code stipulates that non-executive directors shall be appointed for a specific term, subject to re-election, whereas code provision A.4.2 states that all directors appointed to fill a casual vacancy shall be subject to election by shareholders at the first general meeting after appointment and that every director, including those appointed for a specific term, shall be subject to retirement by rotation at least once every three years.

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 Meeting in accordance with the Company's Articles of Association.

Code provision A.6.7 of the CG Code stipulates that independent non-executive directors should also attend general meeting. Mr Charles M W Chan and Mr Peter Tan, both are Independent Non-Executive Directors of the Company did not attend the general meeting of the Company held on 5 August 2016 due to business arrangement.

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, 28 October 2016