

THE SINCERE COMPANY, LIMITED

stock code: 244



TM

INTERIM REPORT 2007

INTERIM RESULTS

The Board of Directors (the "Board") of The Sincere Company, Limited (the "Company") herein presents the unaudited condensed consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 31 August 2007, together with the comparative amounts. The interim financial statements have not been audited by the Company's auditors, but have been reviewed by the Audit Committee of the Company.

CONDENSED CONSOLIDATED INCOME STATEMENT – UNAUDITED

For the six months ended 31 August 2007

	Notes	2007 HK\$'000	2006 HK\$'000
REVENUE	4	199,707	264,619
Cost of sales		(66,131)	(146,910)
Other income		23,018	81,648
Selling and distribution costs		(68,178)	(61,774)
General and administrative expenses		(58,659)	(59,817)
Other operating expenses		(2,881)	(77,048)
Finance costs		(2,387)	(5,717)
Share of profits less losses of associates		11,110	13,751
PROFIT BEFORE TAX	5	35,599	8,752
Tax	6	1,652	(1,121)
PROFIT FOR THE PERIOD		37,251	7,631
ATTRIBUTABLE TO:			
Equity holders of the Company		37,598	2,897
Minority interests		(347)	4,734
		37,251	7,631
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	7		
Basic		6.5 cents	0.5 cent
Diluted		N/A	N/A

CONDENSED CONSOLIDATED BALANCE SHEET – UNAUDITED

	Notes	31 August 2007 HK\$'000 (unaudited)	28 February 2007 HK\$'000 (audited)
NON-CURRENT ASSETS			
Property, plant and equipment		65,826	72,677
Investment properties		126,180	126,180
Prepaid land premium		761	776
Properties under development		79,100	79,100
Interests in associates		154,104	141,464
Available-for-sale investments	8	9,171	9,171
Rental deposits		5,633	5,661
Pension scheme assets		5,509	5,509
Total non-current assets		446,284	440,538
CURRENT ASSETS			
Inventories		66,999	47,546
Debtors	9	997	683
Prepayments, deposits and other receivables		36,563	129,587
Financial assets at fair value through profit or loss	10	429,291	381,695
Positive fair values of derivative financial instruments	11	18,781	1,281
Pledged bank balances		32,736	21,784
Pledged deposits with banks		76,734	110,281
Cash and bank balances	12	60,935	76,525
Total current assets		723,036	769,382
CURRENT LIABILITIES			
Interest-bearing borrowings and overdrafts		113,101	180,821
Creditors	13	59,416	66,523
Deposits, accrued expenses and other payables		45,960	47,781
Negative fair values of derivative financial instruments	11	15,312	5,319
Tax		704	3,917
Unclaimed dividends		–	4,605
Total current liabilities		234,493	308,966
NET CURRENT ASSETS		488,543	460,416
TOTAL ASSETS LESS CURRENT LIABILITIES		934,827	900,954
EQUITY			
Equity attributable to equity holders of the Company			
Issued share capital		287,154	287,154
Share premium account		26	26
Reserves		665,827	627,934
Proposed final dividend		–	6,892
		953,007	922,006
Minority interests		(18,180)	(21,052)
TOTAL EQUITY		934,827	900,954

Walter K W Ma
Director

Philip K H Ma
Director

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY – UNAUDITED

For the six months ended 31 August 2007

	Attributable to equity holders of the Company								
	Issued share capital HK\$'000	Share premium account HK\$'000	Reserves					Minority interests HK\$'000	Total HK\$'000
			General and other reserves HK\$'000	Retained profits HK\$'000	Proposed final dividend HK\$'000	Total reserves HK\$'000			
At 1 March 2007	287,154	26	60,172	567,762	6,892	634,826	(21,052)	900,954	
Exchange differences on translation of the financial statements of foreign entities	-	-	(35)	-	-	(35)	-	(35)	
Realisation of exchange fluctuation reserve upon deregistration	-	-	(4,275)	-	-	(4,275)	-	(4,275)	
Write back of unclaimed dividend	-	-	-	4,605	-	4,605	-	4,605	
Profit for the period	-	-	-	37,598	-	37,598	(347)	37,251	
Final 2007 dividend declared	-	-	-	-	(6,892)	(6,892)	-	(6,892)	
Movement in balances with minority interests	-	-	-	-	-	-	3,219	3,219	
At 31 August 2007	287,154	26	55,862	609,965	-	665,827	(18,180)	934,827	

For the six months ended 31 August 2006

	Attributable to equity holders of the Company								
	Issued share capital HK\$'000	Share premium account HK\$'000	Reserves					Minority interests HK\$'000	Total HK\$'000
			General and other reserves HK\$'000	Retained profits HK\$'000	Proposed final dividend HK\$'000	Total reserves HK\$'000			
At 1 March 2006	287,154	26	58,329	533,460	-	591,789	41,050	920,019	
Exchange differences on translation of the financial statements of foreign entities	-	-	17,829	-	-	17,829	-	17,829	
Profit for the period	-	-	-	2,897	-	2,897	4,734	7,631	
Divestment of minority interests	-	-	-	-	-	-	387	387	
Movement in balances with minority interests	-	-	-	-	-	-	(57,942)	(57,942)	
At 31 August 2006	287,154	26	76,158	536,357	-	612,515	(11,771)	887,924	

CONDENSED CONSOLIDATED CASH FLOW STATEMENT – UNAUDITED

For the six months ended 31 August 2007

	2007	2006
	HK\$'000	HK\$'000
Net cash inflow/(outflow) from:		
Operating activities	27,321	138,855
Investing activities	21,590	207,982
Financing activities	(102,239)	(303,821)
	<hr/>	<hr/>
Increase/(decrease) in cash and cash equivalents	(53,328)	43,016
Cash and cash equivalents at beginning of period	76,520	41,254
	<hr/>	<hr/>
Cash and cash equivalents at end of period	23,192	84,270
	<hr/>	<hr/>
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	60,935	86,615
Bank overdrafts	(37,743)	(2,345)
	<hr/>	<hr/>
	23,192	84,270
	<hr/>	<hr/>

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

31 August 2007

1. SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

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 and Interpretations, 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”). Save for those new HKFRSs adopted during the period as set out in note 2, the accounting policies and basis of preparation adopted in the preparation of the interim financial statements are the same as those used in the annual financial statements for the year ended 28 February 2007.

2. IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

The HKICPA has issued a number of new and revised HKFRSs that are effective for accounting periods commencing on or after 1 January 2007. In the opinion of directors, the adoption of these HKFRSs does not have any significant impact on the Group’s results of operations and financial position.

HKAS 1 Amendment	Capital Disclosures
HKFRS 7	Financial Instruments: Disclosures
HK(IFRIC)-Int 8	Scope of HKFRS 2
HK(IFRIC)-Int 9	Reassessment of Embedded Derivatives
HK(IFRIC)-Int 10	Interim Financial Reporting and Impairment
HK(IFRIC)-Int 11	HKFRS 2 – Group and Treasury Share Transactions

The Group has not early applied the following new HKFRSs that have been issued but are not yet effective. The directors of the Company expect that application of these new HKFRSs will have no material impact on the results and financial position of the Group.

HKAS 23 (Revised)	Borrowing Costs ¹
HKFRS 8	Operating Segments ¹
HK(IFRIC)-Int 12	Service Concession Arrangements ²
HK(IFRIC)-Int 13	Customer Loyalty Programmes ³
HK(IFRIC)-Int 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction ²

¹ Effective for accounting periods beginning on or after 1 January 2009.

² Effective for accounting periods beginning on or after 1 January 2008.

³ Effective for accounting periods beginning on or after 1 July 2008.

3. SEGMENT INFORMATION
(a) Business segments

The following table presents revenue and results for the Group's business segments.

	Department store operations		Property rental		Property development		Securities trading		Corporate and others		Eliminations		Consolidated	
	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
	HK\$'000	HK\$'000	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	161,230	153,808	4,640	4,729	-	101,872	32,444	2,075	1,393	2,135	-	-	199,707	264,619
Inter-segment sales	-	-	9,338	8,803	-	-	-	-	4,789	5,212	(14,127)	(14,015)	-	-
Other revenue	167	354	-	-	-	-	-	-	-	1	-	-	167	355
Total	161,397	154,162	13,978	13,532	-	101,872	32,444	2,075	6,182	7,348	(14,127)	(14,015)	199,874	264,974
Segment results	(14,987)	(11,108)	(226)	(80,255)	(6,788)	14,965	28,069	(725)	(1,840)	(2,606)	-	-	4,228	(79,729)
Interest, dividend income and unallocated revenue													22,851	81,107
Unallocated expenses													(203)	(660)
Finance costs													(2,387)	(5,717)
Share of profits less losses of associates													11,110	13,751
Profit before tax													35,599	8,752
Tax													1,652	(1,121)
Profit for the period													37,251	7,631

(b) Geographical segments

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

	Hong Kong		Mainland China		United Kingdom		Others		Consolidated	
	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
	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	194,871	157,767	3,529	3,599	-	101,872	1,307	1,381	199,707	264,619

4. REVENUE

Revenue represents the Group's turnover from the invoiced value of goods sold less discounts and returns, net income from counter and consignment sales, rental income net of outgoings, gross proceeds from the sales of properties, net gain or loss on securities trading and advertising agency fee income.

5. PROFIT BEFORE TAX

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

	For the six months ended	
	31 August	
	2007	2006
	HK\$'000	HK\$'000
Depreciation	5,889	5,663
Amortisation of prepaid land premium	12	12
Changes in fair value of investment properties in Mainland China*	–	48,000
Impairment on properties under development in Mainland China*	–	32,000
Loss/(gain) on disposal of items of property, plant and equipment	1,909	(58)
Gain on deregistration of subsidiaries, net**	(4,028)	–

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

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

6. TAX

	For the six months ended	
	31 August	
	2007	2006
	HK\$'000	HK\$'000
Hong Kong	–	–
Overseas		
– charge for the period	27	3,180
– overprovision in prior years	(1,679)	(2,059)
	(1,652)	1,121

No provision for Hong Kong tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the period (2006: Nil).

Overseas tax has been provided on the profit of subsidiaries in accordance with the tax laws of the locations in which the subsidiaries operate.

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

The calculation of basic earnings per share is based on the net profit attributable to ordinary equity holders of the Company for the period of HK\$37,598,000 (2006: HK\$2,897,000) and the 574,308,000 (2006: 574,308,000) shares in issue throughout the period.

No diluted earnings per share is presented for both current and last periods as there are no dilutive potential ordinary shares in existence during these periods.

8. AVAILABLE-FOR-SALE INVESTMENTS

	As at 31 August 2007 HK\$'000	As at 28 February 2007 HK\$'000
Unlisted investments at cost:		
Hong Kong	13,052	13,052
Taiwan	23,108	23,108
	<u>36,160</u>	<u>36,160</u>
Less: Provision for impairment	(26,989)	(26,989)
	<u>9,171</u>	<u>9,171</u>

9. DEBTORS

The age analysis of trade debtors at the balance sheet date was as follows:

	As at 31 August 2007 HK\$'000	As at 28 February 2007 HK\$'000
Current – 3 months	818	673
4 – 6 months	179	10
	<u>997</u>	<u>683</u>

The carrying amounts of debtors approximate to their fair values.

10. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 31 August 2007 HK\$'000	As at 28 February 2007 HK\$'000
Listed equity investments, at market value:		
Hong Kong	76,207	36,188
Elsewhere	353,084	345,507
	<u>429,291</u>	<u>381,695</u>

The above equity investments at 31 August 2007 were classified as held for trading.

At the balance sheet date, marketable securities with an aggregate market value of approximately HK\$429,291,000 (28 February 2007: HK\$377,659,000) were pledged to banks to secure banking facilities granted to the Group.

11. DERIVATIVE FINANCIAL INSTRUMENTS

The following is the summary of the fair value of each significant type of derivatives at 31 August 2007:

	As at 31 August 2007	
	Assets HK\$'000	Liabilities HK\$'000
Derivatives held for trading, at market value:		
Equity contracts	312	3,820
Interest rate swaps	8,580	7,561
Foreign exchange rate contracts	9,889	3,931
	<u>18,781</u>	<u>15,312</u>
		As at 28 February 2007
	Assets HK\$'000	Liabilities HK\$'000
Derivatives held for trading, at market value:		
Equity contracts	–	2,010
Interest rate swaps	81	541
Foreign exchange rate contracts	1,200	2,768
	<u>1,281</u>	<u>5,319</u>

12. CASH AND BANK BALANCES

	As at 31 August 2007 HK\$'000	As at 28 February 2007 HK\$'000
Cash on hand and at banks	52,840	54,366
Deposits with banks with original maturity within three months	8,095	22,159
	<u>60,935</u>	<u>76,525</u>

13. CREDITORS

The age analysis of trade creditors at the balance sheet date was as follows:

	As at 31 August 2007 HK\$'000	As at 28 February 2007 HK\$'000
Current – 3 months	55,432	61,077
4 – 6 months	2,785	2,707
7 – 12 months	590	477
Over 1 year	609	2,262
	<u>59,416</u>	<u>66,523</u>

The carrying amounts of the creditors approximate to their fair values.

14. CONTINGENT LIABILITIES

The Group's share of guarantee provided by certain associates amounted to approximately HK\$176,568,000 (28 February 2007: HK\$169,361,000) as at the balance sheet date in respect of a banking facility granted to their associate.

15. OUTSTANDING COMMITMENTS

Outstanding commitments at 31 August 2007 were as follows:

	As at 31 August 2007 HK\$'000	As at 28 February 2007 HK\$'000
Irrevocable letters of credit	13,556	7,813
Capital commitments contracted, but not provided for	<u>5,594</u>	<u>–</u>

16. RELATED PARTY TRANSACTIONS

- (a) In addition to the transactions detailed elsewhere in the financial statements, the Group also paid insurance premium expenses of approximately HK\$363,000 (2006: HK\$673,000) to an associate. The insurance premium expenses were at prices and terms similar to those offered to other unrelated customers of the associate.
- (b) Compensation of key management personnel of the Group:

	For the six months ended	
	31 August	
	2007	2006
	HK\$'000	HK\$'000
Short term employee benefits	14,062	16,505
Post-employment benefits	230	238
	<hr/>	<hr/>
Total compensation paid to key management personnel	<u>14,292</u>	<u>16,743</u>

17. COMPARATIVE AMOUNTS

Certain last period's segment information had been reclassified to conform with the current period's presentation.

18. APPROVAL OF THE INTERIM FINANCIAL REPORT

These condensed consolidated interim financial statements were approved and authorised for issue by the board of directors on 19 November 2007.

INTERIM RESULTS

The Group's unaudited consolidated turnover for the six months ended 31 August 2007 was approximately HK\$200 million. This represented a decrease of 25% due to the completion of the sales in UK properties at the end of the last financial year. Excluding the sale of properties in UK, the turnover recorded a like-for-like increase of 23%. Profit attributable to shareholders increased to HK\$38 million. This positive result was attributable to the satisfactory investment performance.

BUSINESS REVIEW AND PROSPECTS

During the period under review, the Group faced various challenges in the core retail business. The turnover of the department store operation has been maintained but the cost increased substantially due to increase in rental and staff costs.

To cope with these challenges, the management had focused on strengthening the product gross margin. Despite the hike of Euro currency, the strategy of importing high quality European merchandises has not only continued, but further improving the product assortments to target for the middle clientele market. As a result, the gross profit margin on the department store operation lifted by 0.7 percentage point of sales.

The sales and promotion events "Roadshow" has recorded a decline in the turnover and direct operating profit. This practice of short term sales events were started two years ago and are now followed by other retailers. It is becoming increasingly difficult to find suitable venues.

The turnover of the flagship Central store recorded a decline caused by the refurbishment of the entire store during July to October 2007. The ladies' department has been re-located to the ground floor; men's department has been moved to the first and second floor while household remained at the third floor. This store has uplifted the Sincere brand image and is very well received by customers since its reopening. The management will continue to develop new clientele with good spending power to stand out from other competitors.

Due to the soaring stock market in Hong Kong and the PRC, the investment result was satisfactory and contributed to the Group's result.

In the advertising operation, the Company continued providing media and production services to the Group. A solid operation has been in place in Shanghai to serve the PRC clientele.

The furniture business "Sincere Living" recorded a satisfactory growth with turnover increased by over 50%. The turnover growth mainly derived from interior design contracts and projects furniture. A production line has also been established in Shenzhen. This successfully improved the delivery time with guaranteed quality to the customers.

The travel business "UNIGLOBE" is still under the development stage. During the period, the management focused their efforts on expediting the establishment of travel agencies in the PRC to meet the local statutory requirements to grant franchise business.

In the PRC, the Dalian Sincere Building and the Shanghai apartments continued to provide stable income to the Group. The management continued its effort on evaluating proposals to further develop the Building.

In UK, most major projects had been completed and recognised in the last financial year, there are only a few apartments left for resale. The UK market has become increasingly expensive. At the right entry price, the Group will continue to source further projects where there was much success over the years.

Looking ahead, the Group will focus to reinforce the brand positioning of the core department stores, raise the gross profit margin by injecting higher quality merchandises and by introducing more international brands, increase the average spending per transaction and to provide better customer services. On the other lines of business, the prudent securities investment shall be continued, while the advertising, furniture and travel business is confident to improve. To conclude, the management is cautiously optimistic about the Group's future performance.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 August 2007, the Group had cash and bank balance of total HK\$170 million (28 February 2007: HK\$209 million) of which HK\$109 million were pledged. After repayment of bank borrowings, the Group's gearing dropped by 8% from 20% to 12% in total debt to the shareholders' funds as compared to that of 28 February 2007. The bank borrowings were mainly in HK dollars and US dollars with interest rates ranging from 1.1% to 6.2%. The net interest expense charged to the consolidated income statement for the period was HK\$2 million (2006: HK\$6 million).

The current ratio improved by 0.6 from 2.5 to 3.1 as compared to that of 28 February 2007. The Group currently has a foreign currency hedging policy on Euro for the purchase of inventories, which is to hedge 50% of anticipated total value of European inventories purchase of the following season. In addition to the internal generated cash flows, the Group also made use of short term borrowings to finance its operation during the period under review. All borrowings were secured against the securities investment, certain properties and bank deposits.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 August 2007, the Group had 534 employees (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. Sales personnel are remunerated on the basis of goal-oriented packages comprising salary and sales commission. Non-sales personnel are offered discretionary year-end bonuses based on individual merit. The Group also provides employee benefits such as subsidised medical care, staff purchase discounts and subsidised internal training.

INTERIM DIVIDEND

The Board of Directors of the Company has decided not to declare an interim dividend for the six months ended 31 August 2007.

PRINCIPAL SHAREHOLDERS

At 31 August 2007, according to the register of interests kept by the Company pursuant to the Section 336 of the Securities and Futures Ordinance (the “SFO”) and so far as is known to the directors, The Sincere Life Assurance Company Limited and The Sincere Insurance & Investment Company, Limited were interested in 183,136,032 and 75,608,064 shares of HK\$0.50 each in the Company, representing 31.89% and 13.17% of the issued share capital of the Company, respectively. Save for the above, there were no other shareholders who had registered an interest, directly or indirectly, of 5% or more of the nominal value of issued equity share capital of the Company.

DIRECTORS’ INTEREST IN SHARES

At 31 August 2007, the interests of the directors in the share capital of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”), were as follows:

(a) Long position in shares of the Company

Directors	Number of ordinary shares held, capacity and nature of interest				Total	Percentage of issued share capital
	Personal interests	Family interests	Corporate interests	Other interests		
Walter K W MA	9,925,000	–	–	–	9,925,000	1.7
Philip K H MA	2,000,000	–	–	–	2,000,000	0.3
King Wing MA	992,576	–	–	–	992,576	0.2
Eric K K LO	2,200,400	–	–	–	2,200,400	0.4
Charles M W CHAN	40,000	–	–	–	40,000	–

(b) Associated corporations

At 31 August 2007, Walter K W MA, Philip K H MA, King Wing MA and Eric K K LO held 527, 713, 575 and 216 ordinary shares, respectively, in The Sincere Life Assurance Company Limited. In addition, at 31 August 2007, Philip K H MA held 500 promoter shares in The Sincere Life Assurance Company Limited.

At 31 August 2007, Walter K W MA, Philip K H MA, King Wing MA and Eric K K LO held 4,521, 2,485, 6 and 1,019 ordinary shares, respectively, in The Sincere Insurance & Investment Company, Limited.

At 31 August 2007, Walter K W MA and Philip K H MA held 10 and 10 ordinary shares, respectively, in The Sincere Company (Perfumery Manufacturers) Limited.

In addition to the above, certain directors have non-beneficial personal equity interests in certain subsidiaries held for the benefit of the Company solely for the purpose of complying with minimum company membership requirements.

Save as disclosed herein, as at 31 August 2007, none of the directors or any of their associates had any interests or short positions in any of the shares, underlying shares or debentures of the Company or any of its associated corporations that is required to be recorded and kept in the register in accordance with Section 352 of the SFO.

At no time during the financial period was the Company or any of its subsidiaries a party to any arrangements to enable the directors of the Company or their spouses or children under the age of 18 to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

SHARE OPTION SCHEME

The Company operates a share option scheme (“Option Scheme”) for the purpose of providing incentives and rewards to eligible participants for their contribution to the Group. Eligible participants of the Option Scheme include any full-time employees and directors, excluding any non-executive directors, of the Group. The Option Scheme became effective on 1 August 2000 and, unless otherwise amended or altered, will remain in force for a period of 10 years from that date.

The maximum number of unexercised share options currently permitted to be granted under the Option Scheme is an amount equivalent, upon their exercise, of up to 10% of the shares of the Company in issue at any time. The maximum number of shares issuable under share options to each eligible participant in the Option Scheme is limited to 25% of the aggregate number of shares issuable under the Option Scheme.

The offer of the grant of a share option may be accepted within 28 days from the date of the offer, upon payment of a nominal consideration of HK\$1 in total by the grantee. The exercise period of the share options granted is determinable by the directors, and commences on a date determinable by the directors, and ends on a date which is not later than 10 years from the commencement date of the exercise period or the expiry date of the Option Scheme, if earlier.

The exercise price of the share options is determinable by the directors, but may not be less than the higher of (i) 90% of the average of the closing price of the Company’s shares on the Stock Exchange for the five trading days immediately preceding the date of offer of the option; and (ii) the nominal value of the Company’s shares.

No options had been granted or agreed to be granted under the Option Scheme up to the date of these condensed consolidated financial statements.

PURCHASE, SALE AND REDEMPTION OF OWN LISTED SECURITIES

There was no purchase, sale or redemption by the Company or any of its subsidiaries of the Company’s listed securities 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 consolidated interim financial statements for the six months ended 31 August 2007.

ADOPTION OF THE 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

The Company has complied throughout the period ended 31 August 2007 with the Code on Corporate Governance Practices as set out in Appendix 14 to the Listing Rules, except that the non-executive directors were not appointed for a specific term but are subject to retirement by rotation and re-election at the Company's annual general meetings in accordance with the Company's articles of association.

By order of the Board

Walter K W Ma

Chairman

Hong Kong, 19 November 2007