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THE SINCERE COMPANY, LIMITED

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 2008, 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 2008

	Notes	2008 HK\$'000	2007 HK\$'000
REVENUE	4	183,312	193,697
Cost of sales		(71,738)	(66,131)
Other income		9,895	23,018
Unrealised gain/(loss) on securities trading		(51,012)	6,010
Selling and distribution costs		(73,314)	(68,178)
General and administrative expenses		(63,524)	(58,659)
Other operating expenses		(2,131)	(2,881)
Finance costs		(2,723)	(2,387)
Share of profits less losses of associates		(14,877)	11,110
PROFIT/(LOSS) BEFORE TAX	5	(86,112)	35,599
Tax	6	<u>–</u>	<u>1,652</u>
PROFIT/(LOSS) FOR THE PERIOD		<u>(86,112)</u>	<u>37,251</u>
ATTRIBUTABLE TO:			
Equity holders of the Company		(85,693)	37,598
Minority interests		<u>(419)</u>	<u>(347)</u>
		<u>(86,112)</u>	<u>37,251</u>
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	7		
Basic		<u>HK\$(0.2)</u>	<u>HK\$0.1</u>
Diluted		<u>N/A</u>	<u>N/A</u>

CONDENSED CONSOLIDATED BALANCE SHEET – UNAUDITED

	Notes	31 August 2008 HK\$'000 (unaudited)	29 February 2008 HK\$'000 (audited)
NON-CURRENT ASSETS			
Property, plant and equipment		55,628	58,828
Investment properties		3,097	3,921
Interests in associates		97,670	119,166
Available-for-sale investments	8	43,896	9,170
Rental deposits		6,309	5,704
Pension scheme assets		4,999	4,981
Total non-current assets		<u>211,599</u>	<u>201,770</u>
CURRENT ASSETS			
Properties held for sale		–	3,777
Inventories		66,872	54,827
Debtors	9	2,154	1,996
Prepayments, deposits and other receivables		34,411	27,012
Financial assets at fair value through profit or loss	10	438,261	462,549
Derivative financial instruments	11	24,132	14,523
Pledged bank balances		4,346	6,523
Pledged deposits with banks		67,259	76,634
Cash and bank balances	12	54,700	53,536
Assets of a disposal group classified as held for sale		<u>240,821</u>	<u>230,904</u>
Total current assets		<u>932,956</u>	<u>932,281</u>
CURRENT LIABILITIES			
Interest-bearing borrowing and overdrafts		201,235	62,887
Creditors	13	80,524	99,995
Deposits, accrued expenses and other payables		39,746	52,143
Derivative financial instruments	11	17,325	24,278
Liabilities directly associated with the assets of a disposal group classified as held for sale		<u>4,268</u>	<u>10,392</u>
Total current liabilities		<u>343,098</u>	<u>249,695</u>
NET CURRENT ASSETS		<u>589,858</u>	<u>682,586</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>801,457</u>	<u>884,356</u>
EQUITY			
Equity attributable to equity holders of the Company			
Issued share capital		287,154	287,154
Share premium account		26	26
Reserves		532,440	613,358
Minority interests		<u>819,620</u>	<u>900,538</u>
		<u>(18,163)</u>	<u>(16,182)</u>
TOTAL EQUITY		<u>801,457</u>	<u>884,356</u>

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 2008

	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 2008	287,154	26	61,022	552,336	-	613,358	(16,182)	884,356	
Exchange differences on translation of the financial statements of foreign entities recognised directly in equity	-	-	4,775	-	-	4,775	-	4,775	
Loss for the period	-	-	-	(85,693)	-	(85,693)	(419)	(86,112)	
Movement in balances with minority interests	-	-	-	-	-	-	(1,562)	(1,562)	
At 31 August 2008	<u>287,154</u>	<u>26</u>	<u>65,797</u>	<u>466,643</u>	<u>-</u>	<u>532,440</u>	<u>(18,163)</u>	<u>801,457</u>	

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 recognised directly in equity	-	-	(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/(loss) 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	<u>287,154</u>	<u>26</u>	<u>55,862</u>	<u>609,965</u>	<u>-</u>	<u>665,827</u>	<u>(18,180)</u>	<u>934,827</u>	

CONDENSED CONSOLIDATED CASH FLOW STATEMENT – UNAUDITED

For the six months ended 31 August 2008

	2008 HK\$'000	2007 HK\$'000
Net cash inflow/(outflow) from:		
Operating activities	(116,510)	27,321
Investing activities	(16,959)	21,590
Financing activities	<u>101,767</u>	<u>(102,239)</u>
Decrease in cash and cash equivalents	(31,702)	(53,328)
Cash and cash equivalents at beginning of period	<u>38,096</u>	<u>76,520</u>
Cash and cash equivalents at end of period	<u>6,394</u>	<u>23,192</u>
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	54,700	60,935
Cash and bank balances included in a disposal group classified as held for sale	2,487	–
Bank overdrafts	<u>(50,793)</u>	<u>(37,743)</u>
	<u>6,394</u>	<u>23,192</u>

THE SINCERE

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

31 August 2008

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 29 February 2008.

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 2008. 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.

HK(IFRIC)-Int 12	Service Concession Arrangements
HK(IFRIC)-Int 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

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 1 (Revised)	Presentation of Financial Statements ¹
HKAS 23 (Revised)	Borrowing Costs ¹
HKAS 27 (Revised)	Consolidated and Separate Financial Statements ²
HKFRS 2 Amendment	Share-based Payment: Vesting Conditions and Cancellations ¹
HKFRS 3 (Revised)	Business Combinations ²
HKFRS 8	Operating Segments ¹
HK(IFRIC)-Int 13	Customer Loyalty Programmes ³
HK(IFRIC)-Int 15	Agreements for the Construction of Real Estate ¹
HK(IFRIC)-Int 16	Hedges of a Net Investment in a Foreign Operation ⁴

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

² Effective for annual periods beginning on or after 1 July 2009.

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

⁴ Effective for accounting periods beginning on or after 1 October 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	
	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
	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	172,526	161,230	4,728	4,640	-	-	854	26,434	5,204	1,393	-	-	183,312	193,697
Inter-segment sales	-	-	12,457	9,338	-	-	-	-	6,640	4,789	(19,097)	(14,127)	-	-
Other revenue	226	167	2,861	-	1,021	-	-	-	43	-	-	-	4,151	167
Total	<u>172,752</u>	<u>161,397</u>	<u>20,046</u>	<u>13,978</u>	<u>1,021</u>	<u>-</u>	<u>854</u>	<u>26,434</u>	<u>11,887</u>	<u>6,182</u>	<u>(19,097)</u>	<u>(14,127)</u>	<u>187,463</u>	<u>193,864</u>
Segment results	<u>(16,720)</u>	<u>(14,987)</u>	<u>3,211</u>	<u>(226)</u>	<u>(6,524)</u>	<u>(6,788)</u>	<u>(54,291)</u>	<u>28,069</u>	<u>468</u>	<u>(1,840)</u>	<u>-</u>	<u>-</u>	<u>(73,856)</u>	<u>4,228</u>
Interest, dividend income and unallocated revenue													5,744	22,851
Unallocated expenses													(400)	(203)
Finance costs													(2,723)	(2,387)
Share of profits less losses of associates													(14,877)	11,110
Profit/(loss) before tax													(86,112)	35,599
Tax													-	1,652
Profit/(loss) for the period													<u>(86,112)</u>	<u>37,251</u>

(b) Geographical segments

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

	Hong Kong		Mainland China		United Kingdom		Others		Consolidated	
	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
	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	<u>177,354</u>	<u>178,748</u>	<u>4,144</u>	<u>3,529</u>	<u>-</u>	<u>-</u>	<u>1,814</u>	<u>11,420</u>	<u>183,312</u>	<u>193,697</u>

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 realised gain or loss on securities trading and advertising agency fee income.

5. PROFIT/(LOSS) BEFORE TAX

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

	For the six months ended	
	31 August	
	2008	2007
	HK\$'000	HK\$'000
Depreciation	3,501	5,889
Amortisation of prepaid land premium	–	12
Impairment loss on interests in associates*	2,125	–
Loss/(gain) on disposal of items of property, plant and equipment	(1,204)	1,909
Gain on disposal of investment properties	(1,521)	–
Loss/(gain) on deregistration of subsidiaries, net#	<u>395</u>	<u>(4,028)</u>

* 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	
	2008	2007
	HK\$'000	HK\$'000
Provision for tax in the income statement represents:		
Hong Kong	–	–
Overseas		
– charge for the period	–	27
– overprovision in prior years	–	(1,679)
Total tax credit for the period	<u>–</u>	<u>(1,652)</u>

No provision for Hong Kong has been made as the Group did not generate any assessable profits arising in Hong Kong during the period (2007: Nil).

No provision for overseas tax has been made as the Group did not generate any assessable profits arising in overseas during the period. For the six months ended 31 August 2008, overseas tax has been provided on the profit of subsidiaries in accordance with the tax laws of the countries in which the subsidiaries operate.

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

The calculation of basic earnings/(loss) per share is based on the net loss attributable to ordinary equity holders of the Company for the period of HK\$85,693,000 (2007: net profit: HK\$37,598,000) and the 486,233,000 ordinary shares (2007: 486,233,000) in issue throughout the period, as adjusted to reflect the number of shares held by an associate through reciprocal shareholding.

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 2008 HK\$'000	As at 29 February 2008 HK\$'000
Unlisted investments at cost:		
Hong Kong	13,052	13,052
Elsewhere	<u>57,834</u>	<u>23,108</u>
	70,886	36,160
Less: Provision for impairment	<u>(26,990)</u>	<u>(26,990)</u>
	<u>43,896</u>	<u>9,170</u>

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 for a period of one month. The Group seeks to maintain strict control over its outstanding receivables via 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 large number of diversified customers, there is no significant concentration of credit risk. Trade receivables are non-interest-bearing.

An aged analysis of the debtors as at the balance sheet date, based on the payment due date, is as follows:

	Group	
	As at 31 August 2008 HK\$'000	As at 29 February 2008 HK\$'000
Within 3 months not past due	1,443	202
Within 3 months past due	577	1,552
Over 3 months past due	<u>134</u>	<u>242</u>
Total debtors	2,154	1,996
Impairment	<u>-</u>	<u>-</u>
Total	<u>2,154</u>	<u>1,996</u>

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

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. The Group does not hold any collateral or other credit enhancements over these balances.

10. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 31 August 2008 HK\$'000	As at 29 February 2008 HK\$'000
Listed equity investments, at market value:		
Hong Kong	115,176	92,320
Elsewhere	<u>323,085</u>	<u>370,229</u>
	<u>438,261</u>	<u>462,549</u>

The above equity investments at 31 August 2008 were classified as held for trading.

At the balance sheet date, marketable securities with an aggregate market value of approximately HK\$426,016,000 (29 February 2008: HK\$414,773,000) 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 2008:

	As at 31 August 2008	
	Assets HK\$'000	Liabilities HK\$'000
Derivatives held for trading, at market value:		
Equity contracts	23,768	14,808
Foreign exchange rate contracts	<u>364</u>	<u>2,517</u>
	<u>24,132</u>	<u>17,325</u>
	As at 29 February 2008	
	Assets HK\$'000	Liabilities HK\$'000
Derivatives held for trading, at market value:		
Equity contracts	14,519	17,533
Foreign exchange rate contracts	<u>4</u>	<u>6,745</u>
	<u>14,523</u>	<u>24,278</u>

12. CASH AND BANK BALANCES

	As at 31 August 2008 HK\$'000	As at 29 February 2008 HK\$'000
Cash on hand and at banks	25,995	53,536
Deposits with banks with original maturity of within three months	<u>28,705</u>	<u>–</u>
	<u>54,700</u>	<u>53,536</u>

13. CREDITORS

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

	As at 31 August 2008 HK\$'000	As at 29 February 2008 HK\$'000
Current – 3 months	76,995	94,714
4 – 6 months	789	2,014
7 – 12 months	492	2,491
Over 1 year	<u>2,248</u>	<u>776</u>
	<u>80,524</u>	<u>99,995</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\$79,003,000 (29 February 2008: HK\$103,194,000) as at the balance sheet date in respect of a banking facility granted to their associate.

15. OUTSTANDING COMMITMENTS

Outstanding commitments at 31 August 2008 were as follows:

	As at 31 August 2008 HK\$'000	As at 29 February 2008 HK\$'000
Irrevocable letters of credit	<u>8,164</u>	<u>11,636</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\$535,000 (2007: HK\$363,000) 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	
	2008	2007
	HK\$'000	HK\$'000
Short term employee benefits	16,017	14,062
Post-employment benefits	293	230
	<hr/>	<hr/>
Total compensation paid to key management personnel	16,310	14,292
	<hr/>	<hr/>

17. COMPARATIVE AMOUNTS

Due to the change in the presentation of revenue, certain comparative amounts have 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 13 November 2008.

THE SINCERE

INTERIM RESULTS

The Group's unaudited consolidated turnover for the six months ended 31 August 2008 was approximately HK\$183 million, representing a decrease of 5%, the loss attributable to shareholders was HK\$86 million, representing a decrease of 328%. This was mainly attributable to the adverse performance from securities investment and share of losses from associates. The turnover of the securities investment recorded a substantial decline as a result of the weak sentiment over the global equity markets as well as the increasing concerns over the US economy and credit market.

BUSINESS REVIEW AND FUTURE PROSPECTS

The turnover of the retail operation recorded a growth of 7%. This was mainly due to the Central store renovation that affected the business operation for three months in last year. Escalating rental and staff costs continued to erode the profit contribution, the direct operating profit from the department store operations recorded a decline of 3%. Nevertheless, the managements continuing efforts in promoting the brand image by the provision of premium merchandises had successfully lifted the gross profit margin by 0.8 percentage point and the dollars per transaction increased by 9% to 18% among the three stores.

Impaired by the weak consumer sentiment, the performance of the Central store after renovation has yet to meet expectations. The management was fine tuning the appropriate product mix to improve the situation. The Grand Century Place store was outperforming the other two stores; the turnover growth 6% and the direct operating profit recorded a substantial growth of 47%. This was mainly attributable to the increasing tourists from Mainland and the premium branded merchandises that have gained good acceptance from the customers. The turnover of Shamshuipo store was maintained while the direct operating profit recorded a substantial decline of 67%. This was mainly attributable to the substantial increase in rental upon the renewed term of tenancy and the drastic decline of joint promotional activities at the shopping centre atrium.

The sales and promotion events "Roadshow" was in good progress. The management strategically committed a package price in a given period of time with certain landlords to secure favorable time-slots and to maintain a stable rental expenses. With the continuing careful blending of vendors and product mix and, the vigilant scrutiny of the expenses involved, these combined efforts successfully lifted the gross profit margin by 1.7 percentage point and the direct operating profit by a substantial growth of 50%.

With the global market uncertainties, the turnover of securities investment significantly dropped and recorded a segment loss of HK\$54 million as compared to a profit for last year. The loss was mainly derived from the unrealised losses on the fair value change in the listed securities and funds.

The advertising operation had a double digit growth on the turnover. Several new clients were introduced from retailing, banking segments, to the hotel sector. The management will continue to explore new market segments.

The turnover of the furniture business "Sincere Living" recorded a growth of 10%. The Company is concentrating on the interior design and contracting to provide future growth.

The travel business "UNIGLOBE" still concentrated its operation in Mainland following the new Guangzhou franchisee that started to contribute turnover to the Group. A new senior management came on board in late October to establish a new strategy for exploring the market.

On 24 July 2008, the Group acquired 10% equity interest in TR-BIZ, L.L.C., a company engaging in the gaming and hospitality software consulting and development business under the name of Tech Results. The management believed that this segment of business would yield good investment returns to the Group.

On the property investment, three out of the six apartments in Shanghai were sold and the remaining apartments were still providing rental income to the Group. In Dalian, the completion for the disposal of the Sincere Building was in the process of clearing legal formalities, the completion shall take place by the first quarter of next year. In UK, one of the two remaining units in 19-21 Lancaster Gate project and some car parks in Jubilee Street project were sold. For the associated company project at Kangaroo Point in Brisbane Australia, a loss of HK\$6 million was recorded as the market slowed down.

Looking ahead, the management expected the retail industry will continue to be challenging in the second half year following the global market plunged as evidenced by some local retail chains going out of business. In light of the uncertainties, the management will take a prudence approach to operate the department stores by providing mass market products at lower margin, curtailing the operating expenses and enhancing the marketing efficiency.

On the securities investment, the market will remain very volatile in the foreseeable future. Our investment strategy will stay conservative. The Company has substantially cut back its position in order to preserve cash and to weather this financial tsunami. The furniture business will take advantage of this quiet market break to strengthen its production in Southern China. The advertising and travel business will concentrate further on the business development in Mainland. To conclude, in the current state of global economic turmoil, the management will remain focus on the core retail operation, strive hard on costs control and prepare to reap the economic benefits upon the return of a stabilized global financial environment.

LIQUIDITY AND FINANCIAL RESOURCES

At 31 August 2008, the Group had cash and bank balance of total HK\$126 million (29 February 2008: HK\$137 million) of which HK\$72 million were pledged. The Group's gearing increased by 18% from 7% to 25% in total debt to the shareholders' funds as compared to that of 29 February 2008. The maturity of all bank borrowings was within one year. The bank borrowings were mainly in HK dollars, US dollars, Japanese Yen, Euro and GBP with interest rates ranging from 1.3% to 6.4%. The net interest expense charged to the consolidated income statement for the period was HK\$3 million (2007: HK\$2 million).

The current ratio reduced by 1.0 from 3.7 to 2.7 as compared to that of 29 February 2008. The Group currently has a foreign currency hedging policy on Euro for the purchase of inventories, which is to hedge half of the anticipated total value of the European inventory purchase for re-sale at the department stores. In addition to the internal generated cash flows, the Group also made use of short term borrowings to finance its operation during the period. All borrowings were secured against the securities investment, certain properties and bank deposits.

EMPLOYEES AND REMUNERATION POLICIES

At 31 August 2008, the Group had 535 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. 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, subsidized 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 2008.

PRINCIPAL SHAREHOLDERS

At 31 August 2008, 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, The Sincere Insurance & Investment Company, Limited, Lau Hiu Mei and Pong Lau Kwong Cheong were interested in 183,136,032, 75,608,064, 32,756,000 and 32,756,000 shares of HK\$0.50 each in the Company, representing 31.89%, 13.17%, 5.7% and 5.7% 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 issued share capital of the Company.

DIRECTORS' INTEREST IN SHARES

At 31 August 2008, 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	0.0	

(b) Associated corporations

At 31 August 2008, 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 2008, Philip K H MA held 500 promoter shares in The Sincere Life Assurance Company Limited.

At 31 August 2008, 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 2008, 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, at 31 August 2008, 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 2008.

ADOPTION OF THE MODEL CODE

The Company has adopted the Model Code as set out in Appendix 10 to the Rules Governing the Listing 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

The Company has complied throughout the period ended 31 August 2008 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, 13 November 2008

THE SINCERE