



TM

THE SINCERE COMPANY, LIMITED

STOCK CODE: 244

INTERIM REPORT 2009

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 2009, 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 2009

	Notes	2009 HK\$'000	2008 HK\$'000
REVENUE	4	169,611	183,312
Cost of sales		(58,547)	(71,738)
Other income and gains, net		6,174	9,895
Net unrealised gain/(loss) on securities and future contracts trading		32,515	(51,012)
Selling and distribution costs		(65,026)	(73,314)
General and administrative expenses		(59,739)	(63,524)
Other operating expenses		(600)	(2,131)
Finance costs		(1,249)	(2,723)
Share of profits less losses of associates		(8,906)	(14,877)
PROFIT/(LOSS) BEFORE TAX	5	14,233	(86,112)
Tax	6	(44)	–
PROFIT/(LOSS) FOR THE PERIOD		14,189	(86,112)
ATTRIBUTABLE TO:			
Equity holders of the Company		13,992	(85,693)
Minority interests		197	(419)
		14,189	(86,112)
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	7		
Basic		HK\$0.03	HK\$(0.18)
Diluted		N/A	N/A

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME – UNAUDITED

For the six months ended 31 August 2009

	2009 HK\$'000	2008 HK\$'000
PROFIT/(LOSS) FOR THE PERIOD	14,189	(86,112)
OTHER COMPREHENSIVE INCOME/(LOSS):		
Exchange differences arising on translation of foreign operations	(1,462)	4,775
Realisation of exchange fluctuation reserve upon deregistration of a subsidiary	<u>11</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD	<u>12,738</u>	<u>(81,337)</u>
ATTRIBUTABLE TO:		
Equity holders of the Company	14,559	(80,918)
Minority interests	<u>(1,821)</u>	<u>(419)</u>
	<u>12,738</u>	<u>(81,337)</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION – UNAUDITED

	Notes	31 August 2009 HK\$'000 (unaudited)	28 February 2009 HK\$'000 (audited)
NON-CURRENT ASSETS			
Property, plant and equipment		68,324	54,346
Investment properties		100,736	2,138
Prepaid land premium		704	–
Interests in associates		53,880	64,779
Financial instruments	8	43,296	43,896
Rental deposits		6,090	6,054
Pension scheme assets		5,055	5,055
Total non-current assets		278,085	176,268
CURRENT ASSETS			
Properties under development	9	111,096	–
Inventories		51,160	48,227
Debtors	10	1,358	1,372
Prepayments, deposits and other receivables		34,817	23,854
Financial assets at fair value through profit or loss	11	224,500	198,263
Derivative financial instruments	12	1,160	11,619
Pledged bank balances		11,765	7,683
Pledged deposits with banks		21,686	19,684
Cash and bank balances	13	67,133	65,196
Assets of a disposal group classified as held for sale	14	–	375,898
Total current assets		524,675	232,717
CURRENT LIABILITIES			
Creditors	15	68,091	80,467
Deposits, accrued expenses and other payables		60,477	40,408
Derivative financial instruments	12	2,852	8,464
Interest-bearing borrowings and overdrafts		49,115	40,120
Tax payable		–	16
Liabilities directly associated with the assets of a disposal group classified as held for sale	14	–	169,475
Total current liabilities		180,535	5,977
NET CURRENT ASSETS		344,140	175,452
TOTAL ASSETS LESS CURRENT LIABILITIES		622,225	433,163
EQUITY			
Equity attributable to equity holders of the Company			
Issued share capital		287,154	287,154
Share premium account		26	26
Reserves		351,797	337,238
MINORITY INTERESTS		638,977	624,418
TOTAL EQUITY		(16,752)	(14,987)
TOTAL EQUITY		622,225	609,431

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY – UNAUDITED

For the six months ended 31 August 2009

	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	Total reserves HK\$'000			
At 1 March 2009	287,154	26	61,088	276,150	337,238	(14,987)	609,431	
Profit for the period	-	-	-	13,992	13,992	197	14,189	
Exchange differences on translation of foreign operations	-	-	556	-	556	(2,018)	(1,462)	
Realisation of exchange fluctuation reserve upon deregistration of a subsidiary	-	-	11	-	11	-	11	
Total comprehensive income/(loss) for the period	-	-	567	13,992	14,559	(1,821)	12,738	
Movement in balances with minority interests	-	-	-	-	-	56	56	
At 31 August 2009	287,154	26	61,655	290,142	351,797	(16,752)	622,225	

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	Total reserves HK\$'000			
At 1 March 2008	287,154	26	61,022	552,336	613,358	(16,182)	884,356	
Loss for the period	-	-	-	(85,693)	(85,693)	(419)	(86,112)	
Exchange differences on translation of foreign operations	-	-	4,775	-	4,775	-	4,775	
Total comprehensive income/(loss) for the period	-	-	4,775	(85,693)	(80,918)	(419)	(81,337)	
Movement in balances with minority interests	-	-	-	-	-	(1,562)	(1,562)	
At 31 August 2008	287,154	26	65,797	466,643	532,440	(18,163)	801,457	

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS – UNAUDITED

For the six months ended 31 August 2009

	2009 HK\$'000	2008 HK\$'000
Net cash inflow/(outflow) from:		
Operating activities	(6,259)	(116,510)
Investing activities	11,696	(16,959)
Financing activities	<u>(19,295)</u>	<u>101,767</u>
Decrease in cash and cash equivalents	(13,858)	(31,702)
Cash and cash equivalents at beginning of period	<u>37,142</u>	<u>38,096</u>
Cash and cash equivalents at end of period	<u>23,284</u>	<u>6,394</u>

ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS

Cash and bank balances	67,133	54,700
Cash and bank balances included in a disposal group classified as held for sale	–	2,487
Bank overdrafts	<u>(43,849)</u>	<u>(50,793)</u>
	<u>23,284</u>	<u>6,394</u>

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

31 August 2009

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 and 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 interim financial statements are the same as those used in the annual financial statements for the year ended 28 February 2009.

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

The Group has applied, for the first time, the following new and revised standards, amendments and interpretations (“new HKFRSs”) issued by HKICPA which are effective for the Group’s financial year beginning on 1 March 2009.

HKFRSs (Amendments)	Improvements to HKFRSs 2008
HKAS 1 (Revised)	Presentation of Financial Statements
HKAS 23 (Revised)	Borrowing Costs
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation
HKFRS 1 & HKAS27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
HKFRS 2 (Amendments)	Share-based Payment – Vesting Conditions and Cancellations
HKFRS 7 (Amendments)	Financial Instruments: Disclosures – Improving Disclosures about Financial Instruments
HKFRS 8	Operating Segments
HK (IFRIC) – Int 9 and HKAS 39 (Amendments)	Reassessment of Embedded Derivatives
HK (IFRIC) – Int 13	Customer Loyalty Programmes
HK (IFRIC) – Int 15	Agreements for the Construction of Real Estate
HK (IFRIC) – Int 16	Hedges of a Net Investment in a Foreign Operation

The adoption of the new HKFRSs, except for HKAS 1 (Revised), HKFRS 8 and HK (IFRIC) – Int 13 as described below, had no material effect on the results and financial position for the current or prior accounting periods which have been prepared and presented. Accordingly, no prior period adjustment has been recognised.

HKAS 1 (Revised) separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with non-owner changes in equity presented as single line. In addition, the statement of comprehensive income presents all items of recognised income and expenses, either in one single statement or in two linked statements. The Group has elected to present two statements.

HKFRS 8 replaces HKAS 14 "Segment Reporting", and specifies how an entity should report information about its operating segments, based on information about the components of the entity that is available to the chief operating decision maker for the purposes of allocating resources to the segments and assessing their performance. Due to the adoption of HKFRS 8 during the current period, certain comparative amounts have been reclassified to confirm with the current period's presentation.

HK(IFRIC) – Int 13 requires customer loyalty award credits to be accounted for as a separate component of the sales transaction in which they are granted. The consideration received in the sales transaction is allocated between the loyalty award credits and the other components of the sale. The amount allocated to the loyalty award credits is determined by reference to their fair value and is deferred until the awards are redeemed or the liability is otherwise extinguished. As the Group currently has a customer loyalty award scheme, the interpretation is applicable to the Group. The impact of this change in accounting policy is not material to the Group.

3. SEGMENT INFORMATION

Segment information is presented by way of two segment formats: (i) on a primary segment reporting basis, by operating segment; and (ii) on a secondary segment reporting basis, by geographical segment.

The Group's operating businesses are structured and managed separately, according to the nature of their operations and the products and services they provide. Each of the Group's operating segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of other operating segments. Summary details of the operating segments are as follows:

- (a) the department store operations segment consists of the operations of department stores offering a wide range of consumer products;
- (b) the property rental and development segment consists of holding of properties for investment and rental purposes and the development and sale of properties;
- (c) the securities trading segment consists of the trading of Hong Kong and overseas securities; and
- (d) others segment consists of trading of furniture and decoration works services, advertising agency services and travel agency franchising services.

In determining the Group's geographical segments, revenues are attributed to the segments based on the location of the operations.

Group financing (including finance costs and finance revenue) and income taxes are managed on a group basis and are not allocated to operating segments.

Intersegment sales are transacted based on the direct costs incurred or in case of rental income and income from the provision of warehouse services, at an agreed rate.

(a) Operating segments

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

	Department store operations		Property rental and development		Securities trading		Others		Eliminations		Consolidated	
	2009 HK\$'000	2008 HK\$'000	2009 HK\$'000	2008 HK\$'000	2009 HK\$'000	2008 HK\$'000	2009 HK\$'000	2008 HK\$'000	2009 HK\$'000	2008 HK\$'000	2009 HK\$'000	2008 HK\$'000
Segment revenue:												
Sales to external customers	137,604	166,771	4,830	4,658	19,702	854	7,475	11,029	-	-	169,611	183,312
Inter-segment sales	-	-	12,449	12,457	-	-	2,827	6,640	(15,276)	(19,097)	-	-
Other revenue	15	226	2,879	3,882	7	-	47	43	-	-	2,948	4,151
Total	137,619	166,997	20,158	20,997	19,709	854	10,349	17,712	(15,276)	(19,097)	172,559	187,463
Segment results	(19,585)	(15,783)	(3,776)	(2,990)	48,662	(54,291)	(4,139)	(1,192)	-	-	21,162	(74,256)
Interest, dividend income and unallocated revenue											3,226	5,744
Finance costs											(1,249)	(2,723)
Share of profits less losses of associates											(8,906)	(14,877)
Profit/(loss) before tax											14,233	(86,112)
Tax											(44)	-
Profit/(loss) for the period											14,189	(86,112)

(b) Geographical segments

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

	Hong Kong		Mainland China		United Kingdom		Others		Consolidated	
	2009 HK\$'000	2008 HK\$'000	2009 HK\$'000	2008 HK\$'000	2009 HK\$'000	2008 HK\$'000	2009 HK\$'000	2008 HK\$'000	2009 HK\$'000	2008 HK\$'000
Segment revenue:										
Sales to external customers	157,632	177,354	6,249	4,144	206	-	5,524	1,814	169,611	183,312

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, gross proceeds from the sales of properties, net realised gain or loss on securities trading, rental income net of outgoings 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	
	2009	2008
	HK\$'000	HK\$'000
Depreciation	5,362	3,501
Amortisation of prepaid land premium	40	–
Impairment loss on financial instruments*	600	–
Impairment loss on interests in associates*	–	2,125
Loss/(gain) on disposal of items of property, plant and equipment [#]	64	(1,204)
Gain on disposal of investment properties [#]	(1,489)	(1,521)
Loss on deregistration of subsidiaries, net [#]	11	395

[#] Amounts are included in "Other income and gains, net" on the face of the condensed consolidated income statement.

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

6. TAX

	For the six months ended	
	31 August	
	2009	2008
	HK\$'000	HK\$'000
Provision for tax in the income statement represents:		
Hong Kong	–	–
Overseas		
– charge for the period	44	–
Total tax charge for the period	44	–

No provision for Hong Kong has been made as the Group did not generate any assessable profits arising in Hong Kong during the period (2008: Nil).

Taxes on profits assessable elsewhere have been calculated at the rate of tax prevailing in the locations in which the Group operates, based on existing legislation, interpretation and practices in respect thereof.

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 profit attributable to ordinary equity holders of the Company for the period of HK\$13,992,000 (2008: net loss: HK\$85,693,000) and the 486,233,000 ordinary shares (2008: 486,233,000) in issue throughout the period, as adjusted to reflect the weighted average 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. FINANCIAL INSTRUMENTS

	31 August 2009 HK\$'000	28 February 2009 HK\$'000
Available-for-sale investments		
Unlisted investments at cost:		
Hong Kong	473	473
Taiwan	23,108	23,108
United States	<u>17,176</u>	<u>17,176</u>
	40,757	40,757
Less: Provision for impairment	<u>(14,411)</u>	<u>(14,411)</u>
	<u>26,346</u>	<u>26,346</u>
Convertible promissory note, at cost	17,550	17,550
Less: Provision for impairment	<u>(600)</u>	<u>-</u>
	<u>16,950</u>	<u>17,550</u>
	<u>43,296</u>	<u>43,896</u>

9. PROPERTIES UNDER DEVELOPMENT

As at 31 August 2009, properties under development of HK\$111,096,000 were located in Dalian, the People's Republic of China.

10. 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 from 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:

	31 August	28 February
	2009	2009
	HK\$'000	HK\$'000
Within 3 months not past due	1,149	1,110
Over 3 months past due	209	262
Total debtors	1,358	1,372
Impairment	-	-
Total	1,358	1,372

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 allowance 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.

11. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	31 August	28 February
	2009	2009
	HK\$'000	HK\$'000
Listed equity investments, at market value:		
Hong Kong	74,774	53,658
Elsewhere	149,726	144,605
	224,500	198,263

The above equity investments at 31 August 2009 were classified as held for trading.

At the balance sheet date, marketable securities with an aggregate market value of approximately HK\$165,011,000 (28 February 2009: HK\$156,469,000) were pledged to banks to secure banking facilities granted to the Group.

12. DERIVATIVE FINANCIAL INSTRUMENTS

The following is a summary of the fair values of each significant type of derivatives at 31 August 2009:

	31 August 2009		28 February 2009	
	Assets	Liabilities	Assets	Liabilities
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Derivatives held for trading, at market value:				
Equity contracts	1,160	2,852	11,586	7,377
Foreign exchange rate contracts	–	–	33	1,087
	<u>1,160</u>	<u>2,852</u>	<u>11,619</u>	<u>8,464</u>

The carrying amounts of equity contracts and foreign exchange rate contracts are the same as their fair values. The above transactions involving derivative financial instruments are with creditworthy financial institutions.

13. CASH AND BANK BALANCES

	31 August 2009 HK\$'000	28 February 2009 HK\$'000
Cash on hand and at banks	62,585	35,789
Time deposits with original maturity of less than three months	4,548	15,835
Time deposits with original maturity of more than three months	–	13,572
	<u>67,133</u>	<u>65,196</u>

14. A DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE

On 7 December 2007, The Sincere Department Store (China) Limited ("Sincere China"), a wholly-owned subsidiary of the Company, and Massive Luck Group Limited and Fine Mean Management Limited (collectively the "Buyers"), two companies established in the British Virgin Islands, entered into a sale and purchase of share agreement (the "Share Purchase Agreement"). Pursuant to the Share Purchase Agreement, Sincere China shall dispose of and the Buyers shall acquire the entire 100% issued and fully paid ordinary shares of Lark Spur Worldwide Limited (the "Disposal Group"), which is planned to be the investment holding company of Dalian Sincere Building Co., Ltd, a wholly-owned subsidiary of the Company established in the PRC with the principal business activities in property development for investment and rental purposes in Mainland China, for a cash consideration of RMB230,000,000.

During the period ended 31 August 2009, the Share Purchase Agreement expired and the Group was no longer in negotiation with the Buyers. The Group ceased to present the assets and liabilities of the Disposal Group as assets and liabilities of a disposal group classified as held for sale under current assets and current liabilities, respectively.

15. CREDITORS

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

	31 August 2009 HK\$'000	28 February 2009 HK\$'000
Current – 3 months	62,966	57,313
4 – 6 months	1,408	21,700
7 – 12 months	2,702	478
Over 1 year	1,015	976
	<u>68,091</u>	<u>80,467</u>

16. CONTINGENT LIABILITIES

The Group's share of guarantee provided by certain associates amounted to approximately HK\$57,399,000 (28 February 2009: HK\$51,081,000) as at the balance sheet date in respect of a banking facility granted to their associates.

17. OUTSTANDING COMMITMENTS

Outstanding commitments at 31 August 2009 were as follows:

	31 August 2009 HK\$'000	28 February 2009 HK\$'000
Irrevocable letters of credit	<u>6,851</u>	<u>5,848</u>

18. 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\$109,000 (2008: HK\$535,000) to an associate. The insurance premium expenses were transacted 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	
	2009 HK\$'000	2008 HK\$'000
Short term employee benefits	12,295	16,017
Post-employment benefits	<u>266</u>	<u>293</u>
Total compensation paid to key management personnel	<u>12,561</u>	<u>16,310</u>

19. 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 2009.

INTERIM RESULTS

The Group's unaudited consolidated turnover for the six months ended 31 August 2009 was HK\$170 million, representing a decrease of 7%, the profit attributable to shareholders was HK\$14 million as compared to a loss of HK\$86 million in the last period. This positive result was mainly driven by the improvements in the securities with the turnaround of leading indicators that begun in March 2009; and was followed by an upward revaluation of the fair market values of the investment portfolios.

BUSINESS REVIEW AND FUTURE PROSPECTS

Challenged by the global financial crisis and the unexpected global outbreak of swine flu, the Hong Kong consumer sentiment was weak. The turnover of the department store operation recorded a decline of 17% to HK\$138 million for the six months period. To confront the difficult operating environment, the management had extended the product sourcing to Japan and Korea for the aim of serving a wider consumer segment, offered more competitive pricing to compete with market players, launched more aggressive promotions and, continued tightening the expense control including most employees on a 5% to 10% salary pay cut (7.5% to 15% for Executive Directors) and compensated by holiday leaves.

On store performances, the turnover of all three Stores recorded a decline. In Central, the performances of the Men's division had not performed to expectation since the relocation to the upper floors. The turnover of the Grand Century Place Store was mainly affected by fewer PRC tourists visiting Hong Kong due to the swine flu, in particular to this Grand Century Place shopping centre where the same epidemic had attacked a hotel which is located in the same vicinity. The turnover of Shamshuipo Store has decreased which was mainly attributable to a double digit decline in the foot traffic to the store as well as to the shopping mall. Overall, the management had introduced more consignment counters and reduced the inventory level to minimize the risk of idle cash flow.

The turnover of the sales and promotion events Roadshow recorded a slight decline. There were more competitors followed this mode of sales format and the available sites and rentals became more competitive. To cope with this, the operation team started to explore secondary and smaller sites. During the period, thirty-six such Roadshows were held of which one-third were in such new sites; though of a smaller space, they came with lower rental costs and lower risk of operations; hence the direct operating profit increased.

The global stock market continued to improve in the past six months. The positive economic data rekindled hopes that the worst moment of global hit has gone. The rebound of global stock market, in particular the Hong Kong and China markets, drove up the stocks and other risk assets price. This resulted the securities trading turned to a small profit.

The advertising operation suffered greatly due to the recession. This was mainly attributable to the curtail of advertising and promotion expenses from retail clients.

The turnover of the furniture business Sincere Living recorded a persistent growth of over 10%. There were expansion in the China market, extending customers to regions including Shanghai, Beijing and Wuhan. To cope with the expansion, a factory production line was set up in Dongguan with major productions to be started in November 2009. This production line will enable improved product qualities and better time management.

The travel business Uniglobe continued to seize business opportunities in different regions of the PRC. In March 2009, a sales promotion was held in Shanghai and received positive responses.

On the software developing investment TR-BIZ L.L.C., the research and development team has expanded to extend business support to other new countries, including Australia and Macau. Two major hotel and gaming operators in Macau have been successfully contracted with favorable feedbacks on the CRM software.

On the property investment, the remaining apartment available for sale in Shanghai has been sold in August 2009. In Dalian, the sale and purchase agreement signed on 7 December 2007 has been expired and the deposit had been returned to the purchaser. The Company has now decided to re-develop the office/residential parts of the building, which are expected to be sold afterwards. The retail floors continue to lease to the largest department store operator in North East China. In UK, the remaining flat at Lancaster Gate and the car park in Jubilee Street were sold right after the reporting period. For the project at Kangaroo Point in Brisbane Australia of an associate company, the sluggish property market has put pressure on the selling price earlier this period.

Looking ahead, even though the Hong Kong economics were benefited by a progressive China economy, the global equity market is yet to be stable, the Group expects the market will only rebound slowly. Nevertheless, the Group will grasp this moment of recovery by enhancing the department stores merchandising mix efficiency and launching more attractive sale campaigns.

On the securities investment, the management will cautiously monitor the investment portfolios and to reduce the risk portfolios whenever necessary. On the furniture business, the Company will expand its PRC portfolios and explore overseas export opportunities. On the advertising and travel business, they will remain its concentration in the China business development. With the above business directive in place, the Group is cautiously optimistic to its future prospect.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 August 2009, the Group had cash and bank balance of total HK\$101 million (28 February 2009: HK\$93 million) of which HK\$33 million were pledged. The Group's gearing slightly increased by 2% from 6% to 8% in total debt to the shareholders' funds as compared to that of 28 February 2009. The maturity of all bank borrowings was within one year. The bank borrowings were mainly in HK dollars, US dollars and GBP with interest rates ranging from 1% to 5%. The net interest expense charged to the condensed consolidated income statement for the period was HK\$1 million (2008: HK\$3 million).

The current ratio decreased by 0.6 from 3.5 to 2.9 as compared to that of 28 February 2009. The Group currently has a foreign currency hedging policy on Euro for the purchase of inventories, which is to hedge half of 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

As at 31 August 2009, the Group had 408 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 2009.

PRINCIPAL SHAREHOLDERS

At 31 August 2009, 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 2009, 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	1,240,928	–	–	–	1,240,928	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 2009, 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 2009, Philip K H MA held 500 promoter shares in The Sincere Life Assurance Company Limited.

At 31 August 2009, 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 2009, 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 2009, 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 approval of these condensed consolidated financial statements.

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 2009.

ADOPTION OF THE 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 of Hong Kong Limited (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 2009 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, 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 2009