

The Sincere Company, Limited
STOCK CODE: 244



TM



Interim Report
2010

INTERIM RESULTS

The Board of Directors (the "Board") of The Sincere Company, Limited (the "Company") herein presents the unaudited condensed consolidated interim results of the Company and its subsidiaries (the "Group") for the six months ended 31 August 2010, 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 2010

	Notes	2010 HK\$'000	2009 HK\$'000
REVENUE	4	180,015	169,611
Cost of sales		(64,041)	(58,547)
Other income and gains, net		7,201	6,174
Net unrealised gain/(loss) on securities and future contracts trading		(4,642)	32,515
Selling and distribution costs		(70,152)	(65,026)
General and administrative expenses		(60,713)	(59,739)
Other operating expenses		–	(600)
Finance costs		(1,042)	(1,249)
Share of profits less losses of associates		(4,888)	(8,906)
PROFIT/(LOSS) BEFORE TAX	5	(18,262)	14,233
Income tax expense	6	(156)	(44)
PROFIT/(LOSS) FOR THE PERIOD		(18,418)	14,189
ATTRIBUTABLE TO:			
Ordinary equity holders of the Company		(18,348)	13,992
Non-controlling interests		(70)	197
		(18,418)	14,189
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	7		
Basic		HK\$(0.04)	HK\$0.03
Diluted		N/A	N/A

Details of the dividend are disclosed in note 8 to the interim financial statements.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME – UNAUDITED*For the six months ended 31 August 2010*

	2010	2009
	HK\$'000	HK\$'000
PROFIT/(LOSS) FOR THE PERIOD	(18,418)	14,189
OTHER COMPREHENSIVE INCOME/(LOSS):		
Exchange differences arising on translation of foreign operations	1,295	(1,462)
Realisation of exchange fluctuation reserve upon deregistration of a subsidiary	—	11
	<u> </u>	<u> </u>
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD	(17,123)	12,738
	<u> </u>	<u> </u>
ATTRIBUTABLE TO:		
Ordinary equity holders of the Company	(16,864)	14,559
Non-controlling interests	(259)	(1,821)
	<u> </u>	<u> </u>
	(17,123)	12,738
	<u> </u>	<u> </u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION – UNAUDITED

	Notes	31 August 2010 HK\$'000 (unaudited)	28 February 2010 HK\$'000 (audited)
NON-CURRENT ASSETS			
Property, plant and equipment		62,988	66,712
Investment properties		102,980	102,535
Prepaid land premium		713	722
Interests in associates		33,929	49,133
Financial instruments	9	29,992	46,017
Rental deposits		7,994	6,015
Pension scheme assets		3,604	3,604
Total non-current assets		242,200	274,738
CURRENT ASSETS			
Properties under development	10	121,234	120,705
Inventories		67,005	54,852
Debtors	11	2,031	2,621
Prepayments, deposits and other receivables		38,819	32,467
Financial instruments	9	17,550	3,900
Financial assets at fair value through profit or loss	12	241,660	250,701
Derivative financial instruments	13	1,229	5,081
Pledged bank balances		7,964	2,892
Pledged deposits with banks		17,055	17,055
Cash and bank balances	14	70,424	54,856
Total current assets		584,971	545,130
CURRENT LIABILITIES			
Creditors	15	84,611	92,292
Deposits, accrued expenses and other payables		47,221	55,116
Derivative financial instruments	13	85	–
Interest-bearing bank borrowings		48,436	24,128
Tax payable		104	359
Total current liabilities		180,457	171,895
NET CURRENT ASSETS		404,514	373,235
TOTAL ASSETS LESS CURRENT LIABILITIES		646,714	647,973
NON-CURRENT LIABILITY			
Interest-bearing bank borrowings		19,200	–
NET ASSETS		627,514	647,973
EQUITY			
Equity attributable to ordinary equity holders of the Company			
Issued share capital		287,154	287,154
Share premium account		26	26
Reserves		355,670	375,943
		642,850	663,123
Non-controlling interests		(15,336)	(15,150)
TOTAL EQUITY		627,514	647,973

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY – UNAUDITED

For the six months ended 31 August 2010

	Attributable to ordinary equity holders of the Company						
	Issued share capital HK\$'000	Share premium account HK\$'000	Reserves			Non- controlling interests HK\$'000	Total HK\$'000
			General and other reserves HK\$'000	Retained profits HK\$'000	Total reserves HK\$'000		
At 1 March 2010	287,154	26	66,627	309,316	375,943	(15,150)	647,973
Loss for the period	-	-	-	(18,348)	(18,348)	(70)	(18,418)
Exchange differences arising on translation of foreign operations	-	-	1,484	-	1,484	(189)	1,295
Total comprehensive income/(loss) for the period	-	-	1,484	(18,348)	(16,864)	(259)	(17,123)
Final 2010 dividend paid (note 8)	-	-	-	(4,595)	(4,595)	-	(4,595)
Dividends attributable to associates*	-	-	-	1,186	1,186	-	1,186
Movement in balances with non-controlling shareholders	-	-	-	-	-	73	73
At 31 August 2010	287,154	26	68,111	287,559	355,670	(15,336)	627,514

For the six months ended 31 August 2009

	Attributable to ordinary equity holders of the Company						
	Issued share capital HK\$'000	Share premium account HK\$'000	Reserves			Non- controlling 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 arising 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 non-controlling shareholders	-	-	-	-	-	56	56
At 31 August 2009	287,154	26	61,655	290,142	351,797	(16,752)	622,225

* The dividends attributable to associates represent that portion of the Group's dividends received by the associates and related to the percentage holding in each associate by the Group.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS – UNAUDITED

For the six months ended 31 August 2010

	2010 HK\$'000	2009 HK\$'000
Net cash flows from/(used in):		
Operating activities	(27,899)	(6,259)
Investing activities	4,481	11,696
Financing activities	45,137	(19,295)
Net increases/(decrease) in cash and cash equivalents	21,719	(13,858)
Cash and cash equivalents at beginning of period	37,457	37,142
Cash and cash equivalents at end of period	59,176	23,284
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash on hand and at banks	66,980	62,585
Time deposits with original maturity of less than three months	3,444	4,548
Cash and cash equivalents as stated in the condensed consolidated statement of financial position	70,424	67,133
Bank overdrafts	(11,248)	(43,849)
Cash and cash equivalents as stated in the condensed consolidated statement of cash flows	59,176	23,284

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

31 August 2010

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 2010.

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 2010.

HKFRS 1 (Revised)	<i>First-time Adoption of Hong Kong Financial Reporting Standards</i>
HKFRS 1 Amendments	<i>Amendments to HKFRS 1 First-time Adoption of Hong Kong Financial Reporting Standards – Additional Exemptions for First-time Adopters</i>
HKFRS 2 Amendments	<i>Amendments to HKFRS 2 Share-based Payment – Group Cash-settled Share-based Payment Transactions</i>
HKFRS 3 (Revised)	<i>Business Combinations</i>
HKAS 27 (Revised)	<i>Consolidated and Separate Financial Statements</i>
HKAS 32 Amendment	<i>Amendment to HKAS 32 Financial Instruments: Presentation – Classification of Rights Issues</i>
HKAS 39 Amendment	<i>Amendment to HKAS 39 Financial Instruments: Recognition and Measurement – Eligible Hedged Items</i>
HK(IFRIC)-Int 17	<i>Distributions of Non-cash Assets to Owners</i>
Amendments to HKFRS 5 included in <i>Improvements to HKFRSs</i> issued in October 2008	<i>Amendments to HKFRS 5 Non-current Assets Held for Sale and Discontinued Operations – Plan to Sell the Controlling Interest in a Subsidiary</i>
HK Interpretation 4 (Revised in December 2009)	<i>Leases – Determination of the Length of Lease Term in respect of Hong Kong Land Leases</i>
Improvements to HKFRSs 2009	<i>Amendments to a number of HKFRSs</i>

The adoption of the new HKFRSs 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.

3. SEGMENT INFORMATION

Segment information is presented by way of two segment formats: (i) operating segments; and (ii) geographical information.

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 the 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) the others segment consists of furniture design and manufacturing, advertising agency services and travel agency franchising services.

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

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/(loss), which is a measure of adjusted profit/(loss) before tax. The adjusted profit/(loss) before tax is measured consistently with the Group's profit/(loss) before tax except that interest income, dividend income, unallocated revenue, finance costs and share of profits less losses of associates, are excluded from such measurement.

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	
	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
	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	163,388	137,604	4,721	4,830	2,578	19,702	9,328	7,475	-	-	180,015	169,611
Inter-segment sales	-	-	12,483	12,449	-	-	3,431	2,827	(15,914)	(15,276)	-	-
Other revenue	73	15	499	2,879	1	7	201	47	-	-	774	2,948
Total	163,461	137,619	17,703	20,158	2,579	19,709	12,960	10,349	(15,914)	(15,276)	180,789	172,559
Segment results	(7,034)	(19,585)	(3,172)	(3,776)	(5,780)	48,662	(2,773)	(4,139)	-	-	(18,759)	21,162
Interest income, dividend income and unallocated revenue											6,427	3,226
Finance costs											(1,042)	(1,249)
Share of profits less losses of associates											(4,888)	(8,906)
Profit/(loss) before tax											(18,262)	14,233
Income tax expense											(156)	(44)
Profit/(loss) for the period											(18,418)	14,189

(b) Geographical information

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

	Hong Kong		Mainland China		United Kingdom		Others		Consolidated		
	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009	
	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	166,348	157,632	8,737	6,249	151	206	4,779	5,524	180,015	169,611	

4. REVENUE

Revenue, which is also the Group's turnover, represents the aggregate of the invoiced value of goods sold less discounts and returns, net income from counter and consignment sales, net realised gain or loss on securities trading, rental income net of outgoings, advertising and travel agency fee income and income from furniture design and manufacturing during the period.

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	
	2010 HK\$'000	2009 HK\$'000
Depreciation	4,219	5,362
Amortisation of prepaid land premium	13	40
Loss on disposal of items of property, plant and equipment [#]	30	64
Gain on disposal of investment properties [#]	–	(1,489)
Loss on deregistration of a subsidiary, net [#]	–	11
Impairment loss on financial instruments*	–	600
	<u>4,262</u>	<u>600</u>

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

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

6. INCOME TAX

	For the six months ended 31 August	
	2010 HK\$'000	2009 HK\$'000
Current – Hong Kong	–	–
Current – Elsewhere	–	–
Charge for the period	<u>156</u>	<u>44</u>
Total tax charge for the period	<u>156</u>	<u>44</u>

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the period (2009: Nil). Taxes on profits assessable elsewhere have been calculated at the rate of tax prevailing in the locations in which the Group operates.

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\$18,348,000 (2009: net profit: HK\$13,992,000) and the 486,233,000 ordinary shares (2009: 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 adjustments have been made to the basic earnings/(loss) per share for the current and prior periods, respectively, as there were no dilutive ordinary shares in existence during these periods.

8. DIVIDEND

	For the six months ended	
	31 August	
	2010	2009
	HK\$'000	HK\$'000
Dividend paid during the period		
Final in respect of the financial year ended 28 February 2010		
– HK0.8 cent per ordinary share (2009: Nil)	4,595	–

The Board of Director of the Company has decided not to declare an interim dividend for the six months ended 31 August 2010.

9. FINANCIAL INSTRUMENTS

	31 August	28 February
	2010	2010
	HK\$'000	HK\$'000
Available-for-sale investments		
Unlisted investments at cost:		
Hong Kong	473	473
PRC/Mainland China	10,446	8,921
Taiwan	23,108	23,108
United States	17,176	17,176
	51,203	49,678
Fair value through profit or loss		
Convertible promissory notes, at cost	17,550	21,450
	68,753	71,128
Less: Provision for impairment	(21,211)	(21,211)
	47,542	49,917
Portion classified as current assets	(17,550)	(3,900)
Portion classified as non-current assets	29,992	46,017

10. PROPERTIES UNDER DEVELOPMENT

As at 31 August 2010, properties under development of HK\$121,234,000 (28 February 2010: HK\$120,705,000) were located in Dalian, the People's Republic of China.

11. 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 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 end of the reporting period, based on the payment due date, is as follows:

	31 August	28 February
	2010	2010
	HK\$'000	HK\$'000
Within 3 months not past due	1,471	2,186
Within 3 months past due	–	77
Over 3 months past due	560	358
	<hr/>	<hr/>
Total debtors	2,031	2,621
Impairment	–	–
	<hr/>	<hr/>
Total	2,031	2,621
	<hr/>	<hr/>

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.

12. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	31 August	28 February
	2010	2010
	HK\$'000	HK\$'000
Listed investments, at fair value:		
Hong Kong	74,137	78,367
Elsewhere	71,619	69,454
	<hr/>	<hr/>
	145,756	147,821
Other investments, at fair value	95,904	102,880
	<hr/>	<hr/>
	241,660	250,701
	<hr/>	<hr/>

The above investments at 31 August 2010 were classified as held for trading.

At the end of the reporting period, investments held for trading with an aggregate market value of approximately HK\$221,549,000 (28 February 2010: HK\$197,101,000) were pledged to banks to secure banking facilities granted to the Group.

13. DERIVATIVE FINANCIAL INSTRUMENTS

	31 August 2010		28 February 2010	
	Assets	Liabilities	Assets	Liabilities
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Derivatives held for trading, at market value:				
Equity contracts	<u>1,229</u>	<u>85</u>	<u>5,081</u>	<u>–</u>

The carrying amount of equity contracts is the same as its fair value. The above transactions involving derivative financial instruments are with creditworthy financial institutions.

14. CASH AND BANK BALANCES

	31 August 2010 HK\$'000	28 February 2010 HK\$'000
Cash on hand and at banks	66,980	50,267
Time deposits with original maturity of less than three months	<u>3,444</u>	<u>4,589</u>
	<u>70,424</u>	<u>54,856</u>

15. CREDITORS

An aged analysis of creditors as at the end of the reporting period is as follows:

	31 August 2010 HK\$'000	28 February 2010 HK\$'000
Current – 3 months	80,509	88,344
4 – 6 months	2,763	2,452
7 – 12 months	603	760
Over 1 year	<u>736</u>	<u>736</u>
	<u>84,611</u>	<u>92,292</u>

16. CONTINGENT LIABILITIES

The Group's share of guarantee provided by certain associates amounted to approximately HK\$28,096,000 (28 February 2010: HK\$39,058,000) as at the end of the reporting period in respect of a banking facility utilised by their associates.

17. OUTSTANDING COMMITMENTS

Outstanding commitments at the end of the reporting period were as follows:

	31 August 2010 HK\$'000	28 February 2010 HK\$'000
Irrevocable letters of credit	<u>10,236</u>	<u>7,634</u>

18. RELATED PARTY TRANSACTIONS

(a) In addition to the transactions detailed elsewhere in the financial statements, the Group also had the following transactions with related parties during the period:

- (i) The Group paid insurance premium expenses of approximately HK\$108,000 (2009: HK\$109,000) to an associate. The insurance premium expenses were transacted at prices and terms similar to those offered to unrelated customers of the associate.
- (ii) Rental expenses of HK\$232,000 (2009: Nil) were paid to an associate. The rental expenses were mutually agreed between the Group and the associate.

(b) Compensation of key management personnel of the Group:

	For the six months ended 31 August	
	2010 HK\$'000	2009 HK\$'000
Short term employee benefits	12,266	12,295
Post-employment benefits, including pension costs for defined benefit schemes of HK\$295,000 (2009: HK\$266,000)	<u>301</u>	<u>266</u>
Total compensation paid to key management personnel	<u>12,567</u>	<u>12,561</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 28 October 2010.

INTERIM RESULTS

The Group's unaudited consolidated turnover for the six months ended 31 August 2010 was HK\$180 million, representing 6% increase. Given the continued economic rebound and improved consumer sentiment, the turnover of the department store recorded a double digit growth; while the turnover of the securities trading curtailed as the stock market stabilized and generating a mark to market loss. As a whole, there were marginal losses from each segment though the securities trading contributed for the major variance against last year. The Group recorded a loss of HK\$18 million as compared to a profit of HK\$14 million from the last reported period.

BUSINESS REVIEW AND FUTURE PROSPECTS

The turnover of the department store operation recorded 19% growth and the segment results substantially improved. With the improved consumer spending owing to the retail market recovery, the management focused on the higher quality European merchandises with better margin and lesser markdowns, this successfully lifted the gross profit margin over one percentage point. There were also more advertising and promotional campaigns including enhanced joint promotions with vendors to provide exclusive offers, enlarging coupon redemption programs, extending different themes of food fairs and increasing magazine print advertisements to enhance the brand awareness. The management has made substantial efforts to grasp the growth momentum and the improved results proven these strategies were effective.

The turnover of the Central store recorded a healthy growth and the gross profit margin improved. To shorten the lead time for the retrieval of merchandise for better customer service, the selling floors designs were improved. The turnover of the Grand Century Place store recorded the best growth in sales and gross profit margin. It was attributable to the increasing demand on the Ladies Italian merchandises, while the turnover of luggage bags also improved as a result of the increased PRC visiting tourists. The turnover of the Shamshuipo store recorded a modest growth and more European merchandises were put in this store and received favorable response from customers.

The turnover of Roadshow had slowed, the direct operating profit reported a decline as a result of the increased rental costs in the booming property market. To challenge the tough operating environment, the retail management will continue to explore new venues at different localities, and a new management approach to re-blend the product mix to achieve a higher gross profit margin.

The turnover of the securities trading were reduced substantially. It was attributable to lesser equities being realized during the current period as the stock market has become steady; while major disposal of equities were realized in the last reporting period when the stock market has bounced back after the financial crisis.

The advertising operation recorded a satisfactory growth and the gross profit margin increased. It was attributable to the economic rebound where retail clients from hotel and jewelry sectors in the past year has shelved their advertising campaigns has now started to be active again.

The turnover of the furniture business Sincere Living recorded a satisfactory growth predominant from the solid business growth of famous retail chain operator in the PRC. In addition, the company-operated factory at Dongguan has been running smoothly since late last year that directly supplied with furniture at a higher gross profit margin and better quality control.

The travel business Uniglobe had restructured the new franchisee agreement with more competitive terms and a branch has been established in Shanghai to expand the customer network.

In Dalian, the retail floors continued to contribute stable rental income; while the upper floors, following the agency agreement being signed in May 2010, the agent had commenced the preparatory work of the re-development and lined up with the design and marketing firms. In UK, the last flat at Lancaster Gate has been sold and recognized in July 2010. For the project at Kangaroo Point in Brisbane Australia of an associate company, two flats were sold and recognized during the period while the remaining four flats were being offered to the market.

Looking ahead, with the opening of the new department store at Tsuen Wan Citywalk 2 on 28th September 2010, the Group is confident that the core retail business will sustain a stable growth; in particular for this new store, the management will closely monitor the customer feedback and carefully blend the merchandising mix to achieve the optimum level of trading operations. The new rewrite card program has commenced to launch in September 2010 as scheduled; it is expected that the full implementation will take place at the end of November 2010 by which the VIP customers shall be able to enjoy more offers and shopping benefits.

The Group will remain cautious on the investment strategy. Since the end of the reporting period, the securities trading position has improved along with the market. On the advertising business, the Group will continue to take hold of the recovery opportunity to enlarge the business volume. On the furniture business, the management will explore opportunities to enlarge the range of factory output, including sofa and high-end residential furniture. On the travel business, two franchisees were granted subsequent to the period end and it is expected that the business will contribute revenue to the Group. In Dalian, the re-development will enter its major construction stage guided by professional contractors under the re-development plan; show-room is expected to complete by the end of the calendar year 2010 followed by public offer for selling the individual units.

In summary, the Group believed the economics will remain stable in the near term and is cautiously optimistic for the entire year.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 August 2010, the Group had cash and bank balance of total HK\$95 million (28 February 2010: HK\$75 million) of which HK\$25 million were pledged. The Group's gearing increased by 7% from 4% to 11% in total debt to the shareholders' funds as compared to that of 28 February 2010. The maturity of bank borrowings ranged from one to five years. The bank borrowings were mainly in HK dollars, US dollars, AUD, EUR and GBP with interest rates ranging from 1% to 5%. The interest expense charged to the condensed consolidated income statement for the period was HK\$1 million (2009: HK\$1 million).

The current ratio kept at 3.2 same as that of 28 February 2010. 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 2010, the Group had 541 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 2010.

PRINCIPAL SHAREHOLDERS

At 31 August 2010, 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 of 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 2010, 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 2010, 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 2010, Philip K H MA held 500 promoter shares in The Sincere Life Assurance Company Limited.

At 31 August 2010, 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 2010, 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 2010, 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.

The Option Scheme expired on 31 July 2010 and there was no share option outstanding 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 2010.

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

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

CORPORATE GOVERNANCE

The Company has complied throughout the period ended 31 August 2010 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, 28 October 2010