



TM

The Sincere Company, Limited
stock code: 244

Interim Report 2011

INTERIM RESULTS

The board of directors 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 2011, 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 2011

	Notes	2011 HK\$'000	2010 HK\$'000
REVENUE	5	219,998	180,015
Cost of sales		(79,314)	(64,041)
Other income and gains, net		16,148	7,201
Net unrealised loss on securities and future contracts trading		(16,873)	(4,642)
Selling and distribution costs		(80,706)	(70,152)
General and administrative expenses		(70,185)	(60,713)
Impairment on deposits and other receivables		(28,599)	–
Other operating expenses		(2,417)	–
Finance costs		(597)	(1,042)
Share of profits less losses of associates		(1,008)	(4,888)
LOSS BEFORE TAX	6	(43,553)	(18,262)
Income tax expense	7	(138)	(156)
LOSS FOR THE PERIOD		(43,691)	(18,418)
ATTRIBUTABLE TO:			
Equity holders of the Company		(43,582)	(18,348)
Non-controlling interests		(109)	(70)
		(43,691)	(18,418)
LOSS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY	8		
Basic		HK\$(0.09)	HK\$(0.04)
Diluted		HK\$(0.09)	HK\$(0.04)

Details of the dividend are disclosed in note 9 to the interim financial statements.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME – UNAUDITED*For the six months ended 31 August 2011*

	2011	2010
	HK\$'000	HK\$'000
LOSS FOR THE PERIOD	(43,691)	(18,418)
OTHER COMPREHENSIVE INCOME/(LOSS):		
Exchange differences arising on translation of foreign operations	(943)	1,295
Realisation of exchange fluctuation reserve upon dissolution of an associate	<u>1,149</u>	<u>–</u>
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD	<u>(43,485)</u>	<u>(17,123)</u>
ATTRIBUTABLE TO:		
Equity holders of the Company	(43,283)	(16,864)
Non-controlling interests	<u>(202)</u>	<u>(259)</u>
	<u>(43,485)</u>	<u>(17,123)</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION – UNAUDITED

	Notes	31 August 2011 HK\$'000 (unaudited)	28 February 2011 HK\$'000 (audited)
NON-CURRENT ASSETS			
Property, plant and equipment		75,638	77,179
Investment properties		117,416	113,963
Prepaid land premium		742	731
Interests in associates		18,241	20,671
Financial instruments	10	39,094	32,095
Rental deposits		7,699	7,753
Pension scheme assets		3,563	3,563
Total non-current assets		262,393	255,955
CURRENT ASSETS			
Properties under development	11	129,599	125,787
Inventories		87,024	64,436
Debtors	12	3,471	2,317
Prepayments, deposits and other receivables		36,635	55,343
Financial assets at fair value through profit or loss	13	267,550	260,645
Financial instruments	10	–	12,926
Derivative financial instruments	14	7,234	24,604
Pledged bank balances		5,647	9,073
Pledged deposits with banks		17,055	17,055
Cash and bank balances	15	33,115	72,354
Total current assets		587,330	644,540
CURRENT LIABILITIES			
Creditors	16	126,976	116,592
Deposits, accrued expenses and other payables		39,749	77,584
Interest-bearing bank borrowings		46,364	23,694
Tax payable		90	142
Total current liabilities		213,179	218,012
NET CURRENT ASSETS		374,151	426,528
TOTAL ASSETS LESS CURRENT LIABILITIES		636,544	682,483
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings		14,491	16,864
NET ASSETS		622,053	665,619
EQUITY			
Equity attributable to equity holders of the Company			
Issued share capital		287,154	287,154
Share premium account		26	26
Reserves		352,149	395,432
		639,329	682,612
Non-controlling interests		(17,276)	(16,993)
TOTAL EQUITY		622,053	665,619

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY – UNAUDITED

For the six months ended 31 August 2011

	Attributable to 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 2011	287,154	26	79,047	316,385	395,432	(16,993)	665,619
Loss for the period	-	-	-	(43,582)	(43,582)	(109)	(43,691)
Exchange differences arising on translation of foreign operations	-	-	(850)	-	(850)	(93)	(943)
Realisation of exchange fluctuation reserve upon dissolution of an associate	-	-	1,149	-	1,149	-	1,149
Total comprehensive income/(loss) for the period	-	-	299	(43,582)	(43,283)	(202)	(43,485)
Movement in balances with non-controlling interests	-	-	-	-	-	(81)	(81)
At 31 August 2011	287,154	26	79,346	272,803	352,149	(17,276)	622,053

For the six months ended 31 August 2010

	Attributable to 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 9)	-	-	-	(4,595)	(4,595)	-	(4,595)
Dividends attributable to associates*	-	-	-	1,186	1,186	-	1,186
Movement in balances with non-controlling interests	-	-	-	-	-	73	73
At 31 August 2010	287,154	26	68,111	287,559	355,670	(15,336)	627,514

* 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 2011*

	2011	2010
	HK\$'000	HK\$'000
Net cash flows from/(used in):		
Operating activities	(52,155)	(27,899)
Investing activities	(7,301)	4,481
Financing activities	19,972	45,137
	<hr/>	<hr/>
Net increase/(decrease) in cash and cash equivalents	(39,484)	21,719
Cash and cash equivalents at beginning of period	61,563	37,457
	<hr/>	<hr/>
Cash and cash equivalents at end of period	22,079	59,176
	<hr/>	<hr/>
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash on hand and at banks	33,115	66,980
Time deposits with original maturity of less than three months	–	3,444
	<hr/>	<hr/>
Cash and cash equivalents as stated in the condensed consolidated statement of financial position	33,115	70,424
Bank overdrafts	(11,036)	(11,248)
	<hr/>	<hr/>
Cash and cash equivalents as stated in the condensed consolidated statement of cash flows	22,079	59,176
	<hr/>	<hr/>

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

31 August 2011

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 2011.

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 2011.

HKFRS 1 Amendment	Amendment to HKFRS 1 <i>First-time Adoption of Hong Kong Financial Reporting Standards – Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters</i>
HKAS 24 (Revised)	<i>Related Party Disclosures</i>
HK(IFRIC)-Int 14 Amendments	Amendments to HK(IFRIC)-Int 14 <i>Prepayments of a Minimum Funding Requirement</i>
HK(IFRIC)-Int 19	<i>Extinguishing Financial Liabilities with Equity Instruments</i>
<i>Improvements to HKFRSs 2010</i>	Amendments to a number of HKFRSs

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. ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these interim financial statements.

HKFRS 1 Amendments	Amendments to HKFRS 1 <i>First-time Adoption of Hong Kong Financial Reporting Standards – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters</i> ¹
HKFRS 7 Amendments	Amendments to HKFRS 7 <i>Financial Instruments: Disclosures – Transfers of Financial Assets</i> ¹
HKFRS 9	<i>Financial Instruments</i> ⁴
HKFRS 10	<i>Consolidated Financial Statements</i> ⁴
HKFRS 11	<i>Joint Arrangements</i> ⁴
HKFRS 12	<i>Disclosure of Interests in Other Entities</i> ⁴
HKFRS 13	<i>Fair Value Measurement</i> ⁴
HKAS 1 (Revised)	HKAS 1 (Revised) <i>Presentation of Financial Statement</i> ³
HKAS 12 Amendments	Amendments to HKAS 12 <i>Income Taxes – Deferred Tax: Recovery of Underlying Assets</i> ²
HKAS 19 (2011)	<i>Employee Benefits</i> ⁴
HKAS 27 (2011)	<i>Separate Financial Statements</i> ⁴
HKAS 28 (2011)	<i>Investments in Associates and Joint Ventures</i> ⁴

¹ Effective for annual periods beginning on or after 1 July 2011

² Effective for annual periods beginning on or after 1 January 2012

³ Effective for annual periods beginning on or after 1 July 2012

⁴ Effective for annual periods beginning on or after 1 January 2013

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. However, it is not yet in a position to state whether they would have a significant impact on the Group’s results of operations and financial position.

4. SEGMENT INFORMATION

Segment information is presented by way of two segment formats: (i) operating segment; 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 loss before tax. The adjusted loss before tax is measured consistently with the Group's 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.

4. SEGMENT INFORMATION (continued)

(a) Operating segments

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

	Department		Property rental		Securities trading		Others		Eliminations		Consolidated	
	store operations		and development									
	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
	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	199,011	163,388	4,682	4,721	1,284	2,578	15,021	9,328	-	-	219,998	180,015
Inter-segment sales	-	-	14,851	12,483	-	-	4,869	3,431	(19,720)	(15,914)	-	-
Other revenue	146	73	-	499	57	1	231	201	-	-	434	774
Total	199,157	163,461	19,533	17,703	1,341	2,579	20,121	12,960	(19,720)	(15,914)	220,432	180,789
Segment results	2,951	(3,743)	(7,365)	(3,880)	(20,626)	(6,853)	(32,622)	(4,283)	-	-	(57,662)	(18,759)
Interest income, dividend income and unallocated revenue											15,714	6,427
Finance costs											(597)	(1,042)
Share of profits less losses of associates											(1,008)	(4,888)
Loss before tax											(43,553)	(18,262)
Income tax expense											(138)	(156)
Loss for the period											(43,691)	(18,418)

(b) Geographical information

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

	Hong Kong		Mainland China		United Kingdom		Others		Consolidated		
	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	
	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	207,654	166,348	11,897	8,737	129	151	318	4,779	219,998	180,015	

5. 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.

6. LOSS BEFORE TAX

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

	For the six months ended 31 August	
	2011 HK\$'000	2010 HK\$'000
Depreciation	5,038	4,219
Amortisation of prepaid land premium	14	13
Loss/(gain) on disposal of items of property, plant and equipment [#]	(9)	30
Impairment on deposits and other receivables ^Δ	28,599	–
Loss on dissolution of an associate, net*	2,050	–
Impairment on interests in associates*	367	–
	<u>367</u>	<u>–</u>

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

^Δ Impairment on deposits and other receivables included a total amount of approximately HK\$16,826,000 relating to the Group's acquisition of non-negotiable convertible promissory notes of TR-BIZ, a private limited company in the United States and the related interest receivables of approximately HK\$2,469,000.

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

7. INCOME TAX

	For the six months ended 31 August	
	2011 HK\$'000	2010 HK\$'000
Current – Hong Kong	–	–
Current – Elsewhere		
Charge for the period	138	156
	<u>138</u>	<u>156</u>
Total tax charge for the period	138	156

No provision for Hong Kong profits tax has been made during the period (2010: Nil) as the Group did not generate any assessable profits arising in Hong Kong. Taxes on profits assessable elsewhere have been calculated at the rate of tax prevailing in the locations in which the Group operates.

8. LOSS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The calculation of basic loss per share is based on the net loss attributable to equity holders of the Company for the period of HK\$43,582,000 (2010: HK\$18,348,000) and the 486,233,000 ordinary shares (2010: 486,233,000) in issue throughout the period, as adjusted to reflect the number of shares held by an associate through reciprocal shareholding.

No adjustments have been made to the basic loss per share for the current and prior periods as there were no dilutive potential ordinary shares in existence during these periods.

9. DIVIDEND

	For the six months ended 31 August	
	2011	2010
	HK\$'000	HK\$'000
Dividend paid during the period – Nil		
(2010: Final in respect of the financial year ended 28 February 2010 – HK0.8 cent per ordinary share)	–	4,595

The board of directors of the Company has decided not to declare an interim dividend for the six months ended 31 August 2011.

10. FINANCIAL INSTRUMENTS

	31 August 2011 HK\$'000	28 February 2011 HK\$'000
Available-for-sale investments		
Unlisted investments at cost:		
Hong Kong	473	473
PRC/Mainland China	29,924	22,925
Taiwan	23,108	23,108
United States	17,176	17,176
	70,681	63,682
Fair value through profit or loss:		
Convertible promissory note, at cost (Note)	–	17,550
	70,681	81,232
Less: Provision for impairment (Note)	(31,587)	(36,211)
	39,094	45,021
Portion classified as current assets (Note)	–	(12,926)
Portion classified as non-current assets	39,094	32,095

10. FINANCIAL INSTRUMENTS (continued)

Note:

During the year ended 28 February 2009, the Group acquired a non-negotiable convertible promissory note (the "First Promissory Note") of TR-BIZ, a private limited company in the United States. The principal amount of the First Promissory Note was US\$2,250,000, which bears interest at the US prime rate per annum. It consisted of an option to be converted into a 7.5% membership interest in any time during the 3-year maturity period. The maturity date was 24 July 2011 and was therefore classified as current assets as at 28 February 2011.

The First Promissory Note was designated as financial assets at fair value through profit or loss upon initial recognition as it contained embedded derivatives. The First Promissory Note was stated at cost because the range of reasonable fair value estimates is so significant that the directors are of the opinion that its fair value cannot be measured reliably. As at 28 February 2011, the carrying amount of the First Promissory Note was approximately HK\$12,926,000, after a provision for impairment of HK\$4,624,000 has been made which is considered necessary by the directors of the Company.

On 24 July 2011, the option expired and the carrying amount of the First Promissory Note approximately HK\$12,926,000 was reclassified from financial assets at fair value through profit or loss to loans and receivables and recorded under "Prepayments, deposits and other receivables". The directors considered a full impairment is necessary on the carrying amount.

11. PROPERTIES UNDER DEVELOPMENT

As at 31 August 2011, properties under development of HK\$129,599,000 (28 February 2011: HK\$125,787,000) were located in Dalian, the People's Republic of China.

12. 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 2011 HK\$'000	28 February 2011 HK\$'000
Within 3 months not past due	3,042	2,293
Within 3 months past due	27	–
Over 3 months past due	402	24
Total debtors	3,471	2,317
Impairment	–	–
Total	3,471	2,317

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.

13. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	31 August 2011 HK\$'000	28 February 2011 HK\$'000
Listed investments, at fair value:		
Hong Kong	77,588	84,047
Elsewhere	<u>76,602</u>	<u>73,822</u>
Other investments, at fair value	<u>154,190</u>	157,869
	<u>113,360</u>	<u>102,776</u>
	<u>267,550</u>	<u>260,645</u>

The above investments at 31 August 2011 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\$203,039,000 (28 February 2011: HK\$199,655,000) were pledged to banks to secure banking facilities granted to the Group.

14. DERIVATIVE FINANCIAL INSTRUMENTS

The following is a summary of the fair values of derivatives assets:

	31 August 2011 HK\$'000	28 February 2011 HK\$'000
Derivatives held for trading, at market value:		
Equity contracts	<u>7,234</u>	<u>24,604</u>

15. CASH AND BANK BALANCES

	31 August 2011 HK\$'000	28 February 2011 HK\$'000
Cash on hand and at banks	33,115	68,756
Time deposits with original maturity of less than three months	–	3,598
	33,115	72,354

16. CREDITORS

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

	31 August 2011 HK\$'000	28 February 2011 HK\$'000
Current – 3 months	119,342	110,836
4 – 6 months	4,276	3,528
7 – 12 months	1,185	1,262
Over 1 year	2,173	966
	126,976	116,592

17. OUTSTANDING COMMITMENTS

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

	31 August 2011 HK\$'000	28 February 2011 HK\$'000
Irrevocable letters of credit	17,714	10,593

In addition, the Group had contracted, but not provided for, commitments in respect of construction works relating to properties under development amounting to approximately HK\$8,914,000 (28 February 2011: HK\$9,737,000), and fitting out works and system implementation relating to property, plant and equipment amounting to approximately HK\$4,164,000 (28 February 2011: Nil) as at 31 August 2011.

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) During the period ended 31 August 2010, the Group paid insurance premium expenses of approximately HK\$108,000 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\$266,000 (2010: HK\$232,000) 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	
	2011	2010
	HK\$'000	HK\$'000
Short term employee benefits	14,818	12,266
Post-employment benefits, including pension costs for defined benefit schemes of HK\$354,000 (2010: HK\$295,000)	360	301
Total compensation paid to key management personnel	15,178	12,567

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 27 October 2011.

INTERIM RESULTS

The Group's unaudited consolidated turnover for the six months ended 31 August 2011 was HK\$220 million, representing an increase of 22%. The fourth department store at Tsuen Wan Citywalk 2 that opened in late September 2010 contributed to the increment. Due to the continuing financial crisis in several European countries, the mark to market value of the securities investment recorded a significant decline. Together with an impairment provision on an investment in a United States software developing company, the Group recorded a loss of HK\$44 million as compared to a loss of HK\$18 million from the last corresponding period.

BUSINESS REVIEW AND FUTURE PROSPECTS

Facilitated by the continuing influx of Mainland tourists that fuelled the Hong Kong retail market growth; and further supported by the opening of the new Tsuen Wan store, the turnover of the department store operation recorded a satisfactory growth of over 20%. The bottom line also delivered a good growth and recorded a profit as compared to a loss from the last corresponding period. The gross profit margin lifted by over one percentage point. In view of the retail environment remain thriving; the management continued expanding the high value product assortments while reducing the consignment counters to maximize gross profit.

The Central store recorded a double digit growth in turnover and gross profit, mainly due to favourable demand on high-end merchandises, in particular men's suit and jacket from Italy. The Grand Century Place store has the best turnover and gross profit growth out of all stores; directly benefit from successful PRC tours organized by the shopping mall that increased the traffic flow. To grasp the opportunities, more European merchandises were introduced and the gross profit margin successfully lifted by almost two percentage points. On the Shamshuipo store, the turnover and gross profit only recorded a moderate growth because the entire store was refurbished with partial trading over a three-month period; this improved the shopping ambience with a brighter and uplifted environment that was very well received by customers. The new store Citywalk 2 at Tsuen Wan has become stabilized; this store has been operated for one year and has been running on target, though there will be further fine tuning to attract more hotel patrons nearby.

The promotional short term "Roadshow" has been facing keen competition from other retailers, both revenue and the bottom line has declined. The management focus to achieve operating efficiencies by differentiating the product mix among competitors and putting in counters with higher gross profit margin.

On securities trading, the global stock market plunged due to concerns over the weakening global economic growth and the European sovereign debt. In view of the market volatility, the management has reduced the transaction volume during the reported period while the bottom line recorded a loss of HK\$21 million mainly attributable to the fair market value adjustment.

Given the robust retail market, more retail operators were seen willing to increase in the promotional campaigns. The turnover of the advertising operation posted a double digit growth and the gross profit margin lifted by over two percentage points that improved the bottom line.

On the furniture business, in view of the strong PRC domestic consumption, the management continued to expand into the second line provinces and further enhanced the production capacity to capture the growth momentum, this resulted an encouraging growth in both the revenue and bottom line.

The turnover of the travel business Uniglobe has gradually improved with more potential franchisees being approached in different PRC regions. During the reported period, one franchisee was granted.

In Dalian, the injunction to sell the upper floors of the Dalian Sincere Building has gone through certain legal proceedings and the legal counsels were still optimistic that the case would soon be resolved in favour of the Company. For the project at Kangaroo Point in Brisbane Australia, the remaining two units have been sold; of which one was recognized in the reported period while the other was completed in September 2011.

The performance of the investment in TR-BIZ, L. L. C., a software developing company in the United States, was below expectation. Even the company is undergoing reorganization and refinancing, the management was not optimistic and provided an impairment of HK\$20 million during the reported period.

Looking ahead, owing to the going concerns over the sovereign debt crisis in Europe and the American economic recovery, the global stock market will inevitably remain volatile and shall weaken the consumer spending atmosphere. To leverage the business opportunities and risks, the Group will invest in a new store concept with only a few thousand square feet and has secured the first such smaller store at Phase Two of the Olympian City to be operated by the end of the year. This store will focus at a younger clientele than the department store and more of these smaller stores would be launched as a chain concept. The first phase of the new internal operating ERP systems has been launched as scheduled in the second half year; it is expected that the new system shall provide more timely information for better strategic decision making.

On the securities trading, the stock market shall remain volatile for some time and the management will stay cautious on the investment approach. The advertising business will grasp the continuing demand from the local operators and focus more on Hong Kong. The furniture business will continue expanding the sales network into the other PRC regions to exploit the maximum production capacity of the Dongguan factory. The travel franchise business has satisfied the local government requirements to operate as a master franchisor; upon completing the registration, the management will actively extend the franchise network. As for Dalian, the Group will focus and push the legal case forward so as to launch again the sales and marketing program previously planned.

In summary, the Group is prepared to face the challenges in light of various external uncertainties, meanwhile, will continue to explore whenever there are any business opportunities.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 August 2011, the Group had cash and bank balance of HK\$56 million (28 February 2011: HK\$98 million) of which HK\$23 million (28 February 2011: HK\$26 million) were pledged. The Group's gearing increased by 4% to 10% in total debt to the shareholders' funds as compared to that of 28 February 2011. The maturity of all bank borrowings ranged from less than one year to four years. The bank borrowings were mainly in HK dollars, US dollars, AUD and Euro with interest rates ranging from 1% to 5%. The interest expense charged to the consolidated income statement for the period was HK\$0.6 million (2010: HK\$1 million).

The current ratio decreased by 0.2 from 3.0 to 2.8 as compared to that of 28 February 2011. The Group currently has a foreign currency hedging policy on Euro for the purchase of inventories, which hedges 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 2011, the Group had 544 employees (28 February 2011: 587) 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 2011.

PRINCIPAL SHAREHOLDERS

At 31 August 2011, according to the register of interests required to be kept by the Company pursuant to the Section 336 of the Securities and Futures Ordinance (the "SFO") and so far as is known to the Directors, The Sincere Life Assurance Company Limited and The Sincere Insurance & Investment Company, Limited were interested in 183,136,032 and 75,608,064 shares of HK\$0.50 each of the Company, representing 31.89% and 13.17% of the issued share capital of the Company, respectively. Save for the above, there were no other shareholders who had registered an interest, directly or indirectly, of 5% or more of the issued share capital of the Company.

DIRECTORS' INTERESTS IN SHARES

At 31 August 2011, 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 2011, Mr. Walter K W MA, Mr. Philip K H MA, Mr. King Wing MA and Mr. 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 2011, Mr. Philip K H MA held 500 promoter shares in The Sincere Life Assurance Company Limited.

At 31 August 2011, Mr. Walter K W MA, Mr. Philip K H MA, Mr. King Wing MA and Mr. 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 2011, Mr. Walter K W MA and Mr. 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 2011, 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

On 1 August 2000, the Company adopted a share option scheme (the "Old Option Scheme") for the purpose of providing incentives and rewards to eligible participants for their contribution to the Group. Eligible participants of the Old Option Scheme include any full-time employees and Directors, excluding any Non-Executive Directors, of the Group. The Old Option Scheme expired on 31 July 2010 and there was no share option outstanding up to 31 August 2011.

On 6 December 2010, the Company adopted a new share option scheme (the "New Scheme"). The following is a summary of the New Scheme:

1. Purpose

The purpose of the New Scheme is to provide incentives and/or rewards to participants thereunder for their contribution to the Group and/or to enable the Group to recruit and retain high-calibre employees and attract human resources that are valuable to the Group and any entity in which the Group holds any equity interest ("Invested Entity").

2. Participants

Any person belonging to any of the following classes of persons:

- (a) any employee(s) (whether full time or part time employee(s), including any Executive Director but not any Non-Executive Director) of the Company, its subsidiaries or any Invested Entity ("Eligible Employee(s)");
- (b) any Non-Executive Director (including Independent Non-Executive Directors) of the Company, any of its subsidiaries or any Invested Entity;
- (c) any supplier of goods or services to any member of the Group or any Invested Entity;
- (d) any customer of the Group or any Invested Entity;
- (e) any person or entity that provides research, development or other technological support to the Group or any Invested Entity; and
- (f) any shareholder of any member of the Group or any Invested Entity or any holder of any securities issued by any member of the Group or any Invested Entity.

3. Total number of shares available for issue

- (a) The total number of shares which may be issued upon exercise of all options to be granted under the New Scheme and any other share option schemes of the Company shall not in aggregate exceed 10% of the total number of shares in issue as at the date of approval of the New Scheme. Options lapsed in accordance with the terms of the New Scheme or any other share option schemes of the Company will not be counted for the purpose of calculating the 10% limit.
- (b) The Company may seek approval of the shareholders in general meeting for refreshing the 10% limit under the New Scheme save that the total number of shares which may be issued upon exercise of all options to be granted under the New Scheme and any other share option schemes of the Company under the limit as "refreshed" shall not exceed 10% of the total number of shares in issue as at the date of approval of the limit as "refreshed". Options previously granted under the New Scheme or any other share option schemes of the Company (including options outstanding, cancelled, lapsed or exercised in accordance with the terms of the New Scheme or any other share option schemes of the Company) will not be counted for the purpose of calculating the limit as "refreshed".
- (c) The maximum number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the New Scheme and any other share option schemes of the Company must not exceed 30% of the total number of shares in issue from time to time.
- (d) The total number of Company shares in issue as of 31 August 2011 was 574,308,000.

4. Maximum entitlement of each participant

The total number of shares issued and to be issued upon exercise of the options granted to each participant (including both exercised and outstanding options) in any 12-month period shall not exceed 1% of the total number of shares in issue. Where any further grant of options to a participant would result in the total number of shares issued and to be issued upon exercise of all the options granted and to be granted to such person (including exercised, cancelled and outstanding options) in the 12-month period up to and including the date of such further grant representing in aggregate over 1% of the total number of shares in issue, such further grant must be separately approved by the shareholders in general meeting.

Where any grant of options to a substantial shareholder or an Independent Non-Executive Director of the Company, or any of their respective associates, would result in the shares issued and to be issued upon exercise of all options already granted and to be granted (including options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant:

- (a) representing in aggregate over 0.1% of shares in issue; and
- (b) having an aggregate value, based on the closing price of the shares at the date of each grant, in excess of HK\$5,000,000,

such further grant of options must be approved by the shareholders in a general meeting.

5. Period within which the shares must be taken up

The Board may in its absolute discretion determine and notify to each grantee, save that such period shall not be more than ten years from the offer date subject to the provisions for early termination set out in the New Scheme and that the Board may at its discretion determine the minimum period for which the option has to be held before the exercise of the subscription right attaching thereto.

6. Basis of determining the subscription price

The subscription price in respect of any particular option shall be such price as determined by the Board in its absolute discretion at the time of the making of the offer (which shall be stated in the letter containing the offer) but in any case the subscription price shall not be lower than the highest of (i) the closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheet on the offer date, which must be a trading day; (ii) the average closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheets for the five trading days immediately preceding the offer date; and (iii) the nominal value of the Company's shares.

7. Remaining life of the New Scheme

The New Scheme will expire on 5 December 2020.

No options had been granted or agreed to be granted under the New Scheme up to the date of approval of these 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 2011.

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 2011 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, 27 October 2011