SINCERE 先施

THE SINCERE COMPANY, LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code : 0244)

ANNOUNCEMENT OF RESULTS FOR THE YEAR ENDED 29 FEBRUARY 2008

The Board of Directors (the "Board") of The Sincere Company, Limited (the "Company") announces that the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 29 February 2008 together with the comparative figures for the previous year are as follows:

CONSOLIDATED INCOME STATEMENT

	Notes	**2008** *HK$'000*	2007 *HK$'000*
REVENUE	2	**410,417**	509,785
Cost of sales		**(167,052)**	(233,191)
Other income		**30,953**	112,285
Selling and distribution costs		**(143,059)**	(136,566)
General and administrative expenses		**(128,112)**	(129,578)
Other operating expenses, net		**783**	(79,026)
Finance costs	3	**(7,961)**	(10,907)
Share of profits less losses of associates		**(19,892)**	17,395
PROFIT/(LOSS) BEFORE TAX	4	**(23,923)**	50,197
Tax	5	**1,956**	(1,514)
PROFIT/(LOSS) FOR THE YEAR		**(21,967)**	48,683
ATTRIBUTABLE TO:			
Equity holders of the Company		**(21,809)**	41,194
Minority interests		**(158)**	7,489
		(21,967)	48,683
DIVIDEND			
Proposed final		**–**	6,892
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	6		
Basic		**HK(3.8) cents**	HK7.2 cents
Diluted		**N/A**	N/A

CONSOLIDATED BALANCE SHEET

	Notes	**2008** *HK$'000*	2007 *HK$'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**58,828**	72,677
Investment properties		**3,921**	126,180
Prepaid land premium		**–**	776
Properties under development		**–**	79,100
Interests in associates		**119,166**	141,464
Available-for-sale investments		**9,170**	9,171
Rental deposits		**5,704**	5,661
Pension scheme assets		**4,981**	5,509
Total non-current assets		**201,770**	440,538
CURRENT ASSETS			
Properties held for sale		**3,777**	–
Inventories		**54,827**	47,546
Debtors	*7*	**1,996**	683
Prepayments, deposits and other receivables		**27,012**	129,587
Financial assets at fair value through profit or loss		**462,549**	381,695
Derivative financial instruments		**14,523**	1,281
Pledged bank balances		**6,523**	21,784
Pledged deposits with banks		**76,634**	110,281
Cash and bank balances		**53,536**	76,525
		701,377	769,382
Assets of a disposal group classified as held for sale		**230,904**	–
Total current assets		**932,281**	769,382
CURRENT LIABILITIES			
Interest-bearing borrowings and overdrafts		**62,887**	180,821
Creditors	*8*	**99,995**	66,523
Deposits, accrued expenses and other payables		**52,143**	47,781
Derivative financial instruments		**24,278**	5,319
Tax		**–**	3,917
Unclaimed dividends		**–**	4,605
		239,303	308,966
Liabilities directly associated with the assets of a disposal group classified as held for sale		**10,392**	–
Total current liabilities		**249,695**	308,966
NET CURRENT ASSETS		**682,586**	460,416
TOTAL ASSETS LESS CURRENT LIABILITIES		**884,356**	900,954

	Notes	2008 HK$'000	2007 HK$'000
EQUITY			
Equity attributable to equity holders of the Company			
Issued share capital		**287,154**	287,154
Share premium account		**26**	26
Reserves		**613,358**	627,934
Proposed final dividend		**–**	6,892
		900,538	922,006
MINORITY INTERESTS		**(16,182)**	(21,052)
TOTAL EQUITY		**884,356**	900,954

Notes:

1. BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties, derivative financial instruments and financial assets at fair value through profit or loss, which have been measured at fair value. The disposal group and non-current assets held for sale are stated at the lower of their carrying amounts and fair values less costs to sell. These financial statements are presented in Hong Kong dollars and all values are rounded to the nearest thousand (HK$'000) except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 29 February 2008. The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date such control ceases. All significant intercompany transactions and balances within the Group are eliminated on consolidation.

Minority interests represent the interests of outside shareholders not held by the Group in the results and net assets of the Company's subsidiaries. Acquisitions of minority interests are accounted for using the parent entity extension method whereby the difference between the consideration and the book value of the share of the net assets acquired is recognised as goodwill.

IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

The Group has adopted the following new and revised HKFRSs for the first time for the current year's financial statements.

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

Except for HKAS 1 Amendment, HKFRS 7 and HK(IFRIC)-Int 9, the adoption of HK(IFRIC)-Int 8, HK(IFRIC)-Int 10 and HK(IFRIC)-Int 11 has had no material effect on the Group's financial statements for the year ended 29 February 2008.

The principal effects of adopting these new and revised HKFRSs are as follows:

(a) HKFRS 7 *Financial Instruments: Disclosures*

This standard requires disclosures that enable users of the financial statements to evaluate the significance of the Group's financial instruments and the nature and extent of risks arising from those financial instruments. The new disclosures are included throughout the financial statements. While there has been no effect on the financial position or results of operations of the Group, comparative information has been included/ revised where appropriate.

(b) Amendment to HKAS 1 *Presentation of Financial Statements – Capital Disclosures*

This amendment requires the Group to make disclosures that enable users of the financial statements to evaluate the Group's objectives, policies and processes for managing capital.

(c) HK(IFRIC)-Int 9 *Reassessment of Embedded Derivatives*

This interpretation requires that the date to assess whether an embedded derivative is required to be separated from the host contract and accounted for as a derivative is the date that the Group first becomes a party to the contract, with reassessment only if there is a change to the contract that significantly modifies the cash flows. As the Group's existing policy of accounting for derivatives complies with the requirements of the interpretation, the interpretation has no material impact on the financial position or results of operations of the Group.

IMPACT OF 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 financial statements.

HKFRS 2 Amendment	Share-based Payment: Vesting Conditions and Cancellations [1]
HKFRS 3 (Revised)	Business Combinations [2]
HKFRS 8	Operating Segments [1]
HKAS 1 (Revised)	Presentation of Financial Statements [1]
HKAS 23 (Revised)	Borrowing Costs [1]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements [2]
HK(IFRIC)-Int 12	Service Concession Arrangements [4]
HK(IFRIC)-Int 13	Customer Loyalty Programmes [3]
HK(IFRIC)-Int 14	HKAS 19: The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction [4]

[1] Effective for annual periods beginning on or after 1 January 2009
[2] Effective for annual periods beginning on or after 1 July 2009
[3] Effective for annual periods beginning on or after 1 July 2008
[4] Effective for annual periods beginning on or after 1 January 2008

The amendment to HKFRS 2 restricts the definition of "vesting condition" to a condition that includes an explicit or implicit requirement to provide services. Any other conditions are non-vesting conditions, which have to be taken into account to determine the fair value of the equity instruments granted. In the case that the award does not vest as the result of a failure to meet a non-vesting condition that is within the control of either the entity or the counterparty, this must be accounted for as a cancellation. The Group has not entered into share-based payment schemes with non-vesting conditions attached and, therefore, does not expect significant implications on its accounting for share-based payments.

The revised HKFRS 3 introduces a number of changes in the accounting for business combinations that will impact on the amount of goodwill recognised, the reported results in the period that an acquisition occurs and future reported results. The revised HKAS 27 requires that a change in the ownership interest of a subsidiary is accounted for as an equity transaction. Therefore, such a change will have no impact on goodwill, nor will it give rise to a gain or loss. Furthermore, the amended standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary. The changes introduced by the revised HKFRS 3 and the revised HKAS 27 must be applied prospectively and will affect future acquisitions and transactions with minority interests.

HKFRS 8, which will replace HKAS 14 *Segment Reporting*, 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. The standard also requires the disclosure of information about the products and services provided by the segments, the geographical areas in which the Group operates, and revenue from the Group's major customers.

HKAS 1 has been revised to separate owner and non-owner changes in equity. The statement of changes in equity will include only details of transactions with owners, with all non-owner changes in equity presented as a single line. The standard also introduces the statement of comprehensive income: it presents all items of income and expense recognised in profit or loss, together with all other items of recognised income and expenses, either in one single statement, or in two linked statements.

HKAS 23 has been revised to require capitalisation of borrowing costs when such costs are directly attributable to the acquisition, construction or production of a qualifying asset. As the Group's current policy for borrowing costs aligns with the requirements of the revised standard, the revised standard is unlikely to have any financial impact on the Group.

HK(IFRIC)-Int 12 requires an operator under public-to-private service concession arrangements to recognise the consideration received or receivable in exchange for the construction services as a financial asset and/or an intangible asset, based on the terms of the contractual arrangements. HK(IFRIC)-Int 12 also addresses how an operator shall apply existing HKFRSs to account for the obligations and the rights arising from service concession arrangements by which a government or a public sector entity grants a contract for the construction of infrastructure used to provide public services and/or for the supply of public services. As the Group currently has no such arrangements, the interpretation is unlikely to have any financial impact on the Group.

HK(IFRIC)-Int 13 requires that loyalty award credits granted to customers as part of a sales transaction are accounted for as a separate component of the sales transaction. 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. The Group has currently introduced the customer loyalty award credits arrangement and management does not expect this arrangement would have any material financial impact on the Group.

HK(IFRIC)-Int 14 addresses how to assess the limit under HKAS 19 *Employee Benefits*, on the amount of a refund or a reduction in future contributions in relation to a defined benefit scheme that can be recognised as an asset, in particular, when a minimum funding requirement exists.

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. So far, it has concluded that while the adoption of HKFRS 8 may result in new or amended disclosures. In respect of the remaining new and revised HKFRSs, 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.

2. SEGMENT INFORMATION

(a) Business segments

The following tables present revenue, profit/(loss) and certain asset, liability and expenditure information for the Group's business segments for the years ended 29/28 February 2008 and 2007.

	Department store operations		Property rental		Property development		Securities trading		Corporate and others		Eliminations		Consolidated	
	2008	2007	**2008**	2007	**2008**	2007	**2008**	2007	**2008**	2007	**2008**	2007	**2008**	2007
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue:														
Sales to external customers	**389,902**	349,271	**8,915**	9,112	**–**	119,010	**8,883**	27,480	**2,717**	4,912	**–**	–	**410,417**	509,785
Intersegment sales	**–**	–	**18,698**	17,342	**–**	–	**–**	–	**10,173**	10,078	**(28,871)**	(27,420)	**–**	–
Other revenue	**740**	6,480	**1,784**	–	**767**	–	**–**	678	**85**	125	**–**	–	**3,376**	7,283
Total	**390,642**	355,751	**29,397**	26,454	**767**	119,010	**8,883**	28,158	**12,975**	15,115	**(28,871)**	(27,420)	**413,793**	517,068
Segment results	**(8,583)**	(4,311)	**9,295**	(74,434)	**(18,132)**	12,807	**394**	17,940	**(5,468)**	(12,140)	**–**	–	**(22,494)**	(60,138)
Interest, dividend income and unallocated revenue													**27,577**	105,002
Unallocated expenses													**(1,153)**	(1,155)
Finance costs													**(7,961)**	(10,907)
Share of profits less losses of associates													**(19,892)**	17,395
Profit/(loss) before tax													**(23,923)**	50,197
Tax													**1,956**	(1,514)
Profit/(loss) for the year													**(21,967)**	48,683
Segment assets	**156,019**	151,936	**295,485**	286,857	**12,647**	12,931	**513,237**	608,607	**18,835**	17,397	**(31,327)**	(27,692)	**964,896**	1,050,036
Unallocated assets													**34,215**	18,415
Interests in associates	**–**	–	**–**	–	**25,201**	33,041	**–**	–	**93,965**	108,423	**–**	–	**119,166**	141,464
Bank overdrafts included in segment assets	**–**	–	**–**	–	**–**	–	**15,774**	5	**–**	–	**–**	–	**15,774**	5
Total assets													**1,134,051**	1,209,920
Segment liabilities	**149,513**	110,006	**22,110**	8,987	**12,458**	17,826	**25,545**	8,726	**5,427**	5,822	**(31,327)**	(27,692)	**183,726**	123,675
Unallocated liabilities													**50,195**	185,286
Bank overdrafts included in segment assets	**–**	–	**–**	–	**–**	–	**15,774**	5	**–**	–	**–**	–	**15,774**	5
Total liabilities													**249,695**	308,966
Other segment information:														
Depreciation	**8,125**	8,184	**3,205**	2,724	**–**	–	**84**	84	**355**	646	**–**	–	**11,769**	11,638
Amortisation of prepaid land premium	**–**	–	**27**	22	**–**	–	**–**	–	**–**	–	**–**	–	**27**	22
Capital expenditure	**18,022**	2,945	**192**	840	**–**	–	**–**	–	**432**	179	**–**	–	**18,646**	3,964
Loss/(gain) on disposal/write-off of items of property, plant and equipment	**1,901**	(40)	**(786)**	39	**–**	–	**–**	–	**–**	–	**–**	–	**1,115**	(1)
Gain on disposal of an investment property	**–**	–	**(929)**	–	**–**	–	**–**	–	**–**	–	**–**	–	**(929)**	–
Write-back of provision for inventories	**(312)**	(141)	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**(312)**	(141)
Impairment on interests in associates	**–**	–	**–**	–	**6,838**	–	**–**	–	**–**	–	**–**	–	**6,838**	–
Impairment on items of property, plant and equipment in Mainland China	**–**	–	**–**	3,940	**–**	–	**–**	–	**–**	–	**–**	–	**–**	3,940
Fair value loss/(gain) on investment properties in Mainland China	**–**	–	**(9,525)**	40,200	**–**	–	**–**	–	**–**	–	**–**	–	**(9,525)**	40,200
Impairment on properties under development in Mainland China	**–**	–	**–**	29,700	**–**	–	**–**	–	**–**	–	**–**	–	**–**	29,700
Impairment on an available-for-sale investment	**1**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**1**	–

(b) **Geographical segments**

The following table presents revenue and certain asset and expenditure information for the Group's geographical segments.

	Hong Kong		Mainland China		United Kingdom		Others		Eliminations		Consolidated	
	2008	2007	**2008**	2007	**2008**	2007	**2008**	2007	**2008**	2007	**2008**	2007
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue:												
Sales to external customers	**412,569**	387,364	**6,957**	7,271	**–**	107,010	**(9,109)**	8,140	**–**	–	**410,417**	509,785
Segment assets	**524,152**	688,002	**242,690**	234,694	**37,848**	45,972	**329,361**	241,252	**–**	–	**1,134,051**	1,209,920
Capital expenditure	**18,227**	3,847	**419**	111	**–**	–	**–**	6	**–**	–	**18,646**	3,964

3. FINANCE COSTS

	2008	2007
	HK$'000	*HK$'000*
Interest on bank loans and other loans wholly repayable within five years	**7,961**	10,907

4. PROFIT/(LOSS) BEFORE TAX

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

	2008	2007
	HK$'000	*HK$'000*
Depreciation	**11,769**	11,638
Amortisation of prepaid land premium	**27**	22
Employee benefits expenses, excluding directors' remuneration		
Wages and salaries	**65,385**	62,050
Pension contributions, including pension costs of defined benefit schemes of HK$2,617,000 (2007: HK$2,661,000)	**2,893**	3,303
	68,278	65,353
Impairment on items of property, plant and equipment in Mainland China*	**–**	3,940
Fair value loss/(gain) on investment properties in Mainland China*	**(9,525)**	40,200
Impairment on properties under development in Mainland China*	**–**	29,700
Write-back of provision for inventories**	**(312)**	(141)
Impairment on an available-for-sale investment*	**1**	–
Impairment on interests in associates*	**6,838**	–
Net gain on financial assets at fair value through profit or loss	**(8,883)**	(27,480)
Operating lease rental payments in respect of land and buildings:		
Minimum lease payments	**93,581**	82,648
Contingent rent	**1,663**	1,553
Gain on disposal of an investment property	**(929)**	–
Loss/(gain) on disposal/write-off of items of property, plant and equipment*	**1,115**	(1)
Exchange losses/(gains), net***	**6,320**	(10,757)
Gross rental income	**(8,915)**	(9,112)
Less: Outgoings	**–**	–
Net rental income	**(8,915)**	(9,112)
Dividends from listed investments***	**(13,499)**	(9,417)
Interest income***	**(14,838)**	(14,830)
Dividend income received from an available-for-sale investment***	**–**	(65,849)
Gain on disposal of an available-for-sale investment***	**–**	(3,022)
Gain on deregistration of subsidiaries***	**(4,028)**	(6,420)

No dividend income (2007: HK$116,430,000) from an unlisted associate was eliminated on consolidation in the current year.

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

** Amount is included in "Cost of sales" on the face of the consolidated income statement.

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

5. TAX

No provision for Hong Kong profits tax has been made during the year (2007:Nil) as the Group did not generate any assessable profits arising in Hong Kong. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the locations in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

	Group	
	2008	2007
	HK$'000	*HK$'000*
Group:		
Current – Hong Kong	**–**	–
Curent – Elsewhere	**–**	–
Charge for the year	**27**	3,634
Overprovision in prior years	**(1,983)**	(2,120)
Total tax charge/(credit) for the year	**(1,956)**	1,514

A reconciliation of the tax expense applicable to profit/(loss) before tax using the statutory rates, ranging from 17.5% to 33%, for the locations in which the Company and the majority of its subsidiaries are domiciled to the tax expense at the effective tax rates, is as follows:

	Group	
	2008	2007
	HK$'000	*HK$'000*
Profit/(loss) before tax	**(23,923)**	50,197
Tax at the statutory tax rates	**(5,830)**	1,473
Profits less losses attributable to associates	**4,530**	(4,330)
Adjustments in respect of current tax of previous periods	**(1,983)**	(2,120)
Income not subject to tax	**(11,955)**	(22,462)
Expenses not deductible for tax	**13,830**	29,336
Deferred tax not recognised	**279**	427
Tax losses not recognised	**2,076**	727
Tax losses utilised from previous periods	**(2,903)**	(1,537)
Tax charge/(credit) at the Group's effective rate	**(1,956)**	1,514

The Group has tax losses arising in Hong Kong of approximately HK$896,385,000 (2007: HK$900,868,000) that are available indefinitely for offsetting against future taxable profits of the Group. Deferred tax asset has not been recognised in respect of these losses as the Group has been loss-making for some time.

The share of tax attributable to an associate was zero (2007: Nil) in the current year.

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

The calculation of basic earnings/(loss) per share is based on the loss for the year attributable to ordinary equity holders of the Company for the year of HK$21,809,000 (2007: profit of HK$41,194,000) and the 574,308,000 (2007: 574,308,000) shares in issue throughout the year.

No diluted earnings/(loss) per share is presented for the current and last years, respectively, as there are no dilutive potential ordinary shares in existence during these years.

7. 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:

	Group	
	2008	2007
	HK$'000	*HK$'000*
Within 3 months not past due	**202**	493
Within 3 months past due	**1,552**	180
Over 3 months past due	**242**	10
Total debtors	**1,996**	683
Impairment	**–**	–
Total	**1,996**	683

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

Debtors that were neither past due nor impaired relate to a number of customers for whom there was no recent history of default. Debtors that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, the directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral or other credit enhancements over these balances.

8. CREDITORS

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

	Group	
	2008	2007
	HK$'000	*HK$'000*
Current – 3 months	**94,714**	61,077
4 – 6 months	**2,014**	2,707
7 – 12 months	**2,491**	477
Over 1 year	**776**	2,262
	99,995	66,523

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

DIVIDENDS

The directors do not recommend the payment of a dividend for the year ended 29 February 2008 (2007: HK1.2 cents).

RESULTS

The year under review was a difficult year. Despite positive returns from the core Departmental Store Operations that delivered a satisfactory growth of 12% in turnover, the global economic downturn brought about by the sub-prime mortgage credit crisis in the United States had impaired the performance on the securities trading; aggravated by the losses from a property project in an associate company, the Group recorded a loss attributable to shareholders of HK$22 million for the entire year.

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 financial year.

CORPORATE GOVERNANCE PRACTICE

The Company has complied throughout the year ended 29 February 2008 with the Code on Corporate Governance Practices as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, 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.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules (the "Model Code") as the code governing the transactions of securities by the Directors. After making specific enquiry to all Directors, it is confirmed by the Company that the Directors of the Company had complied with the relevant standard as provided in the Model Code.

AUDIT COMMITTEE

The Audit Committee of the Company comprises three members all of whom are Independent Non-executive Directors, namely, Mr. Eric K. K. Lo, Mr. Charles M. W. Chan and Mr. King Wing Ma. Regular meetings have been held by the Audit Committee since its establishment and the Audit Committee met two times in the year under review. The primary duties of the Audit Committee are to review the Group's internal control and financial reporting process including interim and annual financial statements before recommending them to the Board of Directors for approval. The Group's audited results for the year ended 29 February 2008 have been reviewed by the Audit Committee.

LIQUIDITY AND FINANCIAL RESOURCES

As at 29 February 2008, the Group's total borrowings less cash and cash equivalents has reduced to HK$9 million (2007: HK$104 million), as a result, the Group's gearing dropped to 7%, representing an improvement of 13% in total debt to the shareholders' funds over last year. This was attributable to an effective cash management that significantly reduced the bank borrowings to HK$63 million. The net interest expense for the year also reduced to HK$8 million (2007: HK$11 million). The maturity of all bank borrowings was within one year. The bank borrowings were mainly in HK dollars, US dollars, Japanese Yen and Euro with interest rates ranging from 1.1% to 8.0%. The current ratio improved by 1.2 to 3.7 as compared to last year, the substantial decrease in bank borrowings mentioned above was one of the main contributing factors.

The Group currently has a foreign currency hedging policy on Euro for the purchase of inventories, which is to hedge half of the anticipated total value of the European inventory purchase for re-sale at the department stores. In addition to the internal generated cash flows, the Group also made use of short term borrowings to finance its operation during the year. Portion of the borrowings were secured against certain properties and bank deposits.

CONTINGENT LIABILITIES

The Group's share of guarantee provided by certain associates amounted to approximately HK$103,193,930 (2007: HK$169,361,000) as at the balance sheet date in respect of a banking facility granted to their associate.

EMPLOYEES AND REMUNERATION POLICIES

As at 29 February 2008, the Group had 548 employees (2007: 533) 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 schemes of sales commission. The Group provides employee benefits such as staff purchase discounts, subsidised medical care and training courses.

BUSINESS REVIEW

The retail department store business had a good year. Despite the Central store renovation that affected the store operation for three months, the prolonged winter season last year prompted strong spending on winter clothes and heating equipments. The steady growth in tourists from Mainland China also assisted the turnover growth among the three stores. The gross profit recorded a healthy growth and this was attributable to the successful strategies of brand elevation and enhancement in product differentiation.

The Sincere Living furniture business achieved an encouraging result with an annual turnover growth of over 80%; the main contributory segment came from the provision of project furniture.

The Group's securities trading segment recorded a decline. It was all driven by the unrealised losses triggered by the global hit on the capital markets. The investment policy remains conservative and the positive return should prevail in the medium term.

The operation of the travel franchise by Uniglobe is well on its way. An exhibition was held in Shanghai to enhance the brand awareness with positive feedback. One of the top three travel agencies in Guangdong province was signed in early 2008 and is the first major franchisee in China.

On property investment, the Group entered into the agreement to dispose of the Dalian Sincere Building (the "Disposal") in Mainland China and the Disposal was expected to be completed in this year. On the associated company level, the residential complex at Kangaroo Point in Brisbane Australia was hit by the local property market slowdown. Although the property is still highly desirable, the Company wrote down its book value.

PROSPECTS

The Group expects the global economic climate to remain volatile in the year ahead. The management will expand the product assortments on the premium merchandises of the retail department store to achieve a higher gross profit and to increase the dollars per transaction. With the uplifted image of the flagship Central store, the marketing team will continue to launch image campaigns to enhance the Sincere brand image. The merchandising team will continue to source higher gross margin products to satisfy our customer needs. With the new logistic computer system installed in the distribution centre, better inventory flow and management control would be expected in this year.

On the investment horizon, we would expect our conservative investment strategy to give the Company a positive return. On the furniture business, the management will grasp the growth momentum from the project furniture. On the advertising and travel franchise operations, with the 2008 Beijing Olympic's and the aggressive marketing programs, the management is cautiously optimistic to achieve a positive growth.

DIRECTORS

As at the date of this announcement, the Board of the Company comprises two executive directors: Mr. Walter K. W. Ma and Mr. Philip K. H. Ma and three independent non-executive directors: Mr. King Wing Ma, Mr. Eric K. K. Lo and Mr. Charles M. W. Chan.

On behalf of the Board
Walter K W MA
Chairman

Hong Kong, 19 June 2008