The Sincere Company, Limited

STOCK CODE: 244

Annual Report 2008-09

Contents

CORPORATE INFORMATION

REGISTERED OFFICE

24th Floor, Leighton Centre,
77 Leighton Road,
Hong Kong

AUDITORS

Ernst & Young

SOLICITORS

Baker & McKenzie
Gallant Y.T. Ho & Co.

PRINCIPAL BANKERS

Citibank N.A.
Hang Seng Bank Limited
The Hongkong & Shanghai Banking Corporation Limited
JP Morgan Chase Bank

SHARE REGISTRAR & TRANSFER OFFICE

Tricor Tengis Limited
26th Floor, Tesbury Centre,
28 Queen's Road East,
Wanchai,
Hong Kong

BOARD OF DIRECTORS

Walter K W MA *(Executive Chairman)*
Philip K H MA *(Group Managing Director and Executive Director)*
King Wing MA
Eric K K LO
Charles M W CHAN

MANAGEMENT

Philip K H MA
John K K MA
John Y C FU
Eileen H Y MA
David H W CHOW
Megan T L TJIA
Margarette Y ZOU

COMPANY SECRETARY

Ada S P CHEUNG

WEBSITE

Company: www.sincere.com.hk
Financial Information: www.irasia.com/listco/hk/sincere/index.htm

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Annual General Meeting of shareholders of the Company will be held at Function Room, 2/F., Hotel Jen, 508 Queen's Road West, Western District, Hong Kong on 28 August 2009 at 10:00 a.m. for the following purposes:

1. To receive and consider the audited financial statements and the reports of the Directors and auditors for the year ended 28 February 2009.

2. To re-elect Directors and to fix the Directors' fees.

3. To appoint auditors and to authorise the Directors to fix their remuneration.

4. To consider as special business and, if thought fit, pass with or without amendments, the following resolution as an ordinary resolution:

   "**THAT**:

   (a) subject to paragraph (b) below, the exercise by the Directors of the Company during the Relevant Period of all the powers of the Company to purchase shares of HK$0.50 each in the capital of the Company be and is hereby generally and unconditionally approved;

   (b) the total nominal amount of the shares to be purchased pursuant to the approval in paragraph (a) above shall not exceed 10% of the total nominal amount of the share capital of the Company in issue on the date of this Resolution; and

   (c) for the purpose of this Resolution, "Relevant Period" means the period from the passing of this Resolution until whichever is the earlier of:

      (i) the conclusion of the next Annual General Meeting of the Company;

      (ii) the expiration of the period within which the next Annual General Meeting of the Company is required by the Hong Kong Companies Ordinance to be held; or

      (iii) the revocation or variation of the authority given under this Resolution by an ordinary resolution of the shareholders of the Company in general meeting."

NOTICE OF ANNUAL GENERAL MEETING

5. To consider as special business and, if thought fit, pass with or without amendments, the following resolution as an ordinary resolution:

   "**THAT**:

   (a) subject to paragraph (c) below, the exercise by the Directors of the Company during the Relevant Period of all the powers of the Company to allot, issue and deal with additional shares in the capital of the Company pursuant to Section 57B of the Hong Kong Companies Ordinance and to make or grant offers, agreements and options which might require the exercise of such powers be and is hereby generally and unconditionally approved;

   (b) the approval in paragraph (a) above shall authorise the Directors of the Company during the Relevant Period to make or grant offers, agreements and options which might require the exercise of such powers at any time during or after the Relevant Period;

   (c) the total nominal amount of share capital allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) and issued by the Directors of the Company pursuant to paragraph (a) above, otherwise than pursuant to: (i) a Rights Issue; or (ii) any scrip dividend or similar arrangement providing for the allotment of shares in lieu of the whole part of a dividend on shares of the Company in accordance with the Memorandum and Articles of Association of the Company; or (iii) the exercise of subscription rights under the Share Option Scheme of the Company should not exceed 20% of the total nominal amount of the share capital of the Company in issue on the date of this Resolution and the said approval shall be limited accordingly; and

   (d) for the purpose of this Resolution, "Relevant Period" means the period from the passing of this Resolution until whichever is the earlier of:

      (i) the conclusion of the next Annual General Meeting of the Company;

      (ii) the expiration of the period within which the next Annual General Meeting of the Company is required by the Hong Kong Companies Ordinance to be held; or

      (iii) the revocation or variation of the authority given under this Resolution by an ordinary resolution of the shareholders of the Company in general meeting.

   "Rights Issue" means an offer of shares open for a period fixed by the Directors of the Company to holders of shares on the Register of Members on a fixed record date in proportion to their holdings of shares (subject to such exclusions or other arrangements as the Directors of the Company may deem necessary or expedient in relation to fractional entitlement or having regard to any restrictions and obligations under the laws of, or the requirements of, any recognised regulatory body or any stock exchange in any territory outside Hong Kong)."

NOTICE OF ANNUAL GENERAL MEETING

6. To consider as special business and, if thought fit, pass with or without amendments, the following resolution as an ordinary resolution:

   "**THAT** the general mandate granted to the Directors of the Company and for the time being in force to exercise the powers of the Company to allot shares and to make or grant offers, agreements and options which might require the exercise of such powers, be and is hereby extended by the addition to the total nominal amount of share capital which may be allotted or agreed conditionally or unconditionally to be allotted by the Directors of the Company pursuant to such general mandate of an amount representing the total nominal amount of shares in the capital of the Company which has been purchased by the Company since the granting of such general mandate pursuant to the exercise by the Directors of the Company of the powers of the Company to purchase such shares, provided that such amount shall not exceed 10% of the total amount of the share capital of the Company in issue on the date of this resolution."

By order of the Board
Ada S P CHEUNG
Company Secretary

Hong Kong, 30 June 2009

Notes:

1. A member entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and vote instead of him. A proxy need not be a member of the Company.

2. The instrument appointing a proxy and the power of attorney or other authority, if any, under which it is signed, or a notarially certified copy of such power or authority, must be lodged with the Company's Share Registrars, Tricor Tengis Limited, 26/F., Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, not less than 48 hours before the time fixed for holding the meeting or any adjournment thereof. Completion and return of a proxy form will not preclude a member from attending the meeting and voting in person.

3. Concerning item 4 above, the Directors will exercise the powers conferred thereby to repurchase shares of the Company in circumstances which they deem appropriate for the benefits of the shareholders.

4. Concerning item 5 above, approval is being sought from the members for a general mandate to authorise allotment of shares under Section 57B of the Hong Kong Companies Ordinance and the Listing Rules. The Directors have no immediate plan to issue any new shares of the Company other than shares to be issued pursuant to the Company's Share Option Scheme for employees.

5. Concerning item 6 above, approval is being sought to increase the number of shares which the Directors may issue under their general mandate by the number of any shares repurchased during the Relevant Period.

6. A circular containing further details in respect of the above items 2 and 4 to 6 will be sent to members together with the 2008/09 Annual Report.

7. As at the date of this notice, the Executive Directors of the Company are Mr. Walter K. W. Ma and Mr. Philip K. H. Ma, and the Independent Non-Executive Directors are Mr. King Wing Ma, Mr. Eric K. K. Lo and Mr. Charles M. W. Chan.

Mission Statement

Founded in 1900, The Sincere Company, Limited is one of the Hong Kong's oldest and most respected retail groups.

At the core of Sincere's success is its unwavering dedication to quality service and customer satisfaction. Through its chain of department stores, the Company strives to provide consumers with a competitive range of merchandise at affordable prices.

Sincere's on-going commitment to prudent expansion in Hong Kong and China demonstrates the Company's determination to sustain its position as a leading retailer into the next century and beyond.

EXECUTIVE CHAIRMAN'S STATEMENT

On behalf of the Board of Directors of The Sincere Company, Limited, I would like to present the shareholders with the Annual Report for the year ended 28 February 2009.

RESULTS

In the reporting year 2008, the turbulence in the United State's property market resulted in a sharp plunge in the stock market. This triggered a major global financial tsunami which has severely impaired the Hong Kong general economy. The financial institutions responded by tightening available credits and had dampened all local business sectors. Confronted by the above economic fallout, there were poor consumer sentiments and adding the severe drop in the global stock market, the Group recorded a considerable loss of HK$279 million. The result was mainly attributable to the losses recorded in the securities trading and the losses sharing from associates.

LIQUIDITY AND FINANCIAL RESOURCES

As at 28 February 2009, the Group held cash and bank balances of HK$65 million, representing 22% increase as compared to last year and the total borrowings reduced by 36% to HK$40 million. This was mainly attributable to the strategy of cutting back the securities investments and utilising the proceeds to settle the bank borrowings. As a result, the Group's current year gearing has further dropped to 6% (2008: 7%). The net interest expense reduced by 35% to HK$5 million (2008: HK$8 million). The maturity profile of the Group's borrowings is set out in note 25 to the financial statements. The bank borrowings were mainly in HK dollars and US dollars with interest rates ranging from approximately 1% to 7%. The current ratio slightly decreased by 0.2 to 3.5 as compared to last year.

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, bank deposits and securities.

EXECUTIVE CHAIRMAN'S STATEMENT

EMPLOYEES AND REMUNERATION POLICIES

As at 28 February 2009, the Group had 532 employees (2008: 548) 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.

DIVIDENDS

The Board of Directors does not recommend the payment of a dividend for the year ended 28 February 2009 (2008: Nil).

BUSINESS REVIEW

Given the economic downturn, the undermined consumer sentiment and the increase in rental according to the tenancy agreements, the retail operation had a very tough year. Commencing from the fourth quarter of 2008, the buying attitude of consumers has dropped drastically. To tackle the adverse situation, the department stores management implemented different strategies to sustain the business including offering deeper discount, launching extra sale promotions during the Chinese New Year and introducing more consignment counters to enlarge the merchandising mix. With these strategies, the turnover of the department store operation recorded just a slight decrease though the direct operating profit recorded a decline.

The advertising business recorded a satisfactory growth attributable to the successful expansion in the PRC region. The Sincere Living furniture business is also satisfactory where good reference has brought several major customers from the retail and residential sectors. The Uniglobe travel franchise business remained focus in the PRC region with the recruitment of a new regional president and opened an office in Beijing to propel the business. The recent investment in TR-BIZ L.L.C., a company engaged in the gaming and hospitality software consulting and development continued to look promising.

The Group's securities trading recorded a substantial loss. It was mainly attributable to the prolonged instability in the global financial markets and the rising concerns about the insolvency risks driven by financial institutions. With a wave of publicity on possible bank failures, solvency problems and the failure of the government bailouts, the global stock market plunged. As a result, the Group has trimmed down the size of the security investment portfolios, resulted an acute absorption of the realised portfolio losses.

On the property investment, our associated company which develops Brisbane Australia has experienced a serious slow down and the Group has conservatively provided for the diminished value of the unsold units.

PROSPECTS

Looking ahead, given the persistent macro uncertainties and the instability of the global stock market, the Group expects the operating environment would continue to be difficult in 2009. The Management of the department store will return to basics to sustain the store operations, improve the gross profit margin, strengthen the merchandising mix and enhance the customer services. The Management will also streamline the operation and curtail the operating and management costs to protect the bottom line. Since April 2009, the Company is on a three months 10% pay cut (15% for Executive Directors) with three days leave for compensation.

EXECUTIVE CHAIRMAN'S STATEMENT

On the advertising and travel franchise operation, the Group will remain focus in China as this is the first area likely to rebound. On the furniture business, the Group will expand its operation by establishing a factory in the PRC. With this production line, the Management is confident to achieve a better growth in the year ahead. On the securities trading investments, the Management will remain cautious to position its investment and stay liquid until the market conditions show a clear sign of improvement. To conclude, the Management team is prepared for the challenges ahead, priority would be given to sustain the core department store operation and to maintain a healthy cash position for the Group.

APPRECIATION

On behalf of the Board, I wish to take this opportunity to extend my appreciation to our shareholders, customers, business partners and suppliers for their continued support and for their confidence in the Group. I would also like to express our sincere thanks to the Management and the staff for their commitment and contribution to the Group throughout the year.

Walter K W MA
Executive Chairman

18 June 2009

GROUP MANAGING DIRECTOR'S REVIEW OF OPERATIONS

DEPARTMENT STORE OPERATION

The year under review was very tough. The global financial tsunami had affected all operations to different extents. Facing the crisis, the Management had worked hard to sustain the business volume and adjusted timely the operating strategies. When the market condition began to weaken in October 2008, the Management had taken immediate actions to reduce the inventory level by canceling imported orders and bringing more consignment counters, streamlining the workforce and consolidating work shifts to enhance the efficiency and productivity, withholding various marketing promotions but focusing more on short term promotional sales. As a result, the turnover recorded just a slight decline of 4% for the whole year while the gross profit margin recorded a persistent growth of 0.2 percentage point of sales.

The segment result recorded a decline of HK$4 million, representing over 40% decline on last year. It was mainly attributable to the substantial increase in rental of HK$13 million, representing an increase of around 14% on last year.

The short term promotional sales "Roadshow" recorded a satisfactory growth of 11% in turnover and the gross profit margin increased by 1.1 percentage point. During the year, there were sixty-eight such "Roadshows". Unlike operating stores, these short term promotions provided rental flexibilities and avoided high rentals during the adverse market condition. As a result, the operating profit recorded a satisfactory growth of 27%.

On the internal system support, affected by the adverse economic conditions, implementation of an Enterprise Resources Planning system was withheld. Nevertheless, the Management had deployed resources to develop a new Point-of-sales system for the aim of enhancing stability and controls, and reducing queuing time during peak hours which will be fully launched by the middle of 2009.

Central Store

Both turnover and gross profit dollars have recorded a decline of 3% and among the three stores, this store recorded a direct operating loss as compared to a profit of last year. It was mainly attributable to the increase in rent. To provide a higher margin to cover the increasing rental impact, the Management had cautiously reviewed the merchandising mix, replaced certain consignment counters that were not contributing and expanded the handbag section on the ground floor. With these strategies, the gross profit margin was raised.

GROUP MANAGING DIRECTOR'S REVIEW OF OPERATIONS

Shamshuipo Dragon Centre Store

The turnover and the gross profit dollar recorded a decline of 9%; while the direct operating profit recorded a substantial decline of 60%. This was the result of a total elimination of sales at the shopping centre atrium areas due to the tightening of the atrium booking schedule and the drastic increase in rental. During the year, the lease was renewed and through an independent valuation exercise, the rental has substantially increased by 60%.

Grand Century Place Store

The direct operating profit recorded a marginal growth of 4% while the turnover and gross profit dropped by 4%. It was mainly attributable to the departure of two major cosmetic brands but matched by acute operating cost-cutting. Apart from this change, this store further strengthened its services to the PRC tourists and offering premium merchandises and accessories.

OTHER OPERATIONS

Advertising

The turnover recorded a satisfactory growth. In Hong Kong, apart from providing services to the inter-group company, the Management was delighted that several major customers have repeated using the services and the turnover has grown by 40%. In the PRC, with the expansion of the operation, the customer base were successfully enlarged and the turnover growth by 51%.

Project Furniture

Despite financial crisis inflicting the property market, turnover of the furniture business still recorded double digit growth of 19%; such growth was mainly derived from interior design and contracting services in the PRC; include providing one-stop services to a famous youth brand with expansions in several PRC provinces.

Travel Business

With the new regional president on broad, the travel franchise business underwent a structural re-organization, established a Beijing office in early 2009. The Management believed that this prime location and image can provide the customer with confidence and shall be effective when inviting franchisees to join the family. The marketing team will solidify its position and develop programs to capture new franchisees with this new setting.

Securities Trading

Suffering from the continued de-leveraging of financial institutions and the United State recession, the global stock market has meltdown. Despite the Group had diversified its investment portfolios into different regions and commodities, the Group's security investments got hammered and recorded a historical loss of HK$204 million, half of which was attributable to realised losses and the other half was attributable to the fair value change of financial assets in accordance to the accounting reporting standard.

GROUP MANAGING DIRECTOR'S REVIEW OF OPERATIONS

Property Investment

In December 2007, the Group announced the disposal of the Dalian Sincere Building; though the completion date for the disposal has expired, the Management was negotiating with the purchaser for the next actions. On the investment properties of the associates, the Kangaroo Point project in relation with an associate located in Brisbane Australia has made a loss and the Group shared the losses of approximately HK$17 million. In UK, a few car parks at the Jubilee Street project were sold while one of the two remaining flats at Lancaster Gate project was also sold.

Other Investment

The investment in TR-BIZ L.L.C., a software developing company engaging in the gaming and hospitality industry, has a good year with turnover growth two times over last year. The financial tsunami brought a good opportunity for this business sector as more gaming and hospitality operators demanded analytical business information for better marketing and decision making.

LOOKING AHEAD

For 2009, the business environment will remain difficult with the global recession. The Group will focus on strengthening the existing operation in particular the core department store business. Since April 2009 for three months, the staff cost was controlled by having every employee on the 10% pay cut (15% for Executive Directors) with three days leave for compensation. In the near term, the Group will proactively develop more marketing programs to sustain the turnover, reduce the inventory risk to enhance the cash flow, achieve a higher gross profit margin and exercise severe control over the operating expense to target for a break-even result. By September 2009, the Group will enhance its services to the VIP members by implementing a re-write card; the existing VIP stamp collection card will become a magnetic stamp collection card with enhanced and up-to-date benefits to members.

As the PRC economies are relatively least impaired in a global context, the Group believes that PRC would be the region for business growth in the coming year. As such, the Group will continue to focus its advertising, furniture and travel franchise businesses in the PRC region. The advertising operation will recruit staff to cater for the enlarged customer base; the furniture business will focus on providing interior design and furniture contracting services following the production line set up in Dongguan; the travel franchise business will proactively seize opportunities in Beijing and to expand its network into Shanghai. On security investments, the Group will stay conservative with a prudent approach on keeping higher level of cash in the near term.

On property development, the Kangaroo Point project in Brisbane Australia will focus on marketing the remaining completed units and will carefully consider how to develop phase two of the project. In UK, Management is confident that the remaining properties would be sold in the short term.

With the above strategy in place, the Group is confident that the current unprecedented challenges shall be overcome.

Philip K H MA
Group Managing Director

18 June 2009

(A) CORPORATE GOVERNANCE PRACTICE

The Company has complied throughout the year ended 28 February 2009 with the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (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.

(B) 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.

(C) BOARD OF DIRECTORS

(i) The Board

The Board has five members, comprising three Independent Non-Executive Directors and two Executive Directors. The Board is responsible to ensure the Company achieves its objectives, approve the business strategic plans and review management performance. The Chief Executive Officer (i.e. Group Managing Director and Executive Director) is responsible for leading the management team to manage day-to-day operation and report to the Board the way the business is run and its performance. The Chairman is responsible for running the Board, ensuring that members of the Board receive accurate, timely and clear information to help them reach well-informed and well-considered decisions; and ensuring that enough time is allowed for discussion of complex or contentious issues.

The positions of the Executive Chairman of the Board and the Chief Executive Officer are held separately by two individuals to ensure their respective independence, accountability and responsibility.

(ii) Relationship among members of the Board

Mr. Walter K W Ma, Mr. Philip K H Ma and Mr. King Wing Ma are cousins. To the best knowledge of the Company, save as disclosed above, there is no financial, business and family relationship among members of the Board. All of them are free to exercise their independent judgment.

(iii) Independent Non-Executive Directors

The Company has complied with Rules 3.10(1) and 3.10(2) of the Listing Rules for the appointment of three Independent Non-Executive Directors.

The Company has received, from each of the Independent Non-Executive Directors, an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all of the Independent Non-Executive Directors are independent.

(C) BOARD OF DIRECTORS *(continued)*

(iv) The Board meets regularly and held six meetings in year 2008/09. The following table shows the attendance of Directors at Board meetings during the year:

	Attendance	Attendance Rate
Directors		
Executive Directors		
Walter K W MA *(Executive Chairman)*	6/6	100%
Philip K H MA *(Group Managing Director and Executive Director)*	6/6	100%
Independent Non-Executive Directors		
King Wing MA	6/6	100%
Eric K K LO	6/6	100%
Charles M W CHAN	6/6	100%

(D) COMMITTEES OF THE BOARD

The Board has established committees, namely Audit Committee, Remuneration Committee and Nomination Committee to oversee particular aspects of the Company's affairs and to assist in the execution of the Board's responsibilities.

(i) Audit Committee

The Company formulated written terms of reference for the Audit Committee in accordance with the requirements of the Listing Rules. The Audit Committee consists of three Independent Non-Executive Directors, namely Mr. King Wing Ma, Mr. Eric K K Lo and Mr. Charles M W Chan. Mr. Eric K K Lo is the Chairman of the Audit Committee. The Audit Committee held two meetings during the year with attendance rate of 100%.

The Audit Committee is mainly responsible for monitoring the integrity of the Company's financial statements, reviewing and discussing with the management the Company's internal control system including the adequacy of resources, qualifications and experience of staff of the Company's accounting and financial reporting function, and their training programmes and budget and its execution, evaluating financial information and related disclosure, and auditing major connected transactions.

The Group's audited financial statements for the year ended 28 February 2009 have been reviewed by the Audit Committee.

(D) COMMITTEES OF THE BOARD *(continued)*

(ii) Remuneration Committee

The Company has established Remuneration Committee with written terms of reference as stated in Code B.1.3 of the Appendix 14 of the Listing Rules. The Remuneration Committee consists of three Independent Non-Executive Directors and Mr. Charles M W Chan is the Chairman of the Remuneration Committee.

The Remuneration Committee is responsible for ensuring formal and transparent procedures for developing remuneration policies and overseeing the remuneration packages of the Executive Directors and senior management. The Remuneration Committee convened one meeting during the year with attendance rate of 100%. The Remuneration Committee is also responsible for determining the remuneration standards of Directors and senior management, reviewing and approving remuneration plan, deciding bonus and reward system of the Directors and senior management. It takes into account factors such as salaries paid by comparable companies with similar size and trade, education background and qualification of each Director and senior management, time commitment and responsibilities of Directors and senior management.

(iii) Nomination Committee

The Company has established Nomination Committee with written terms of reference as stated in Code A.4.5 of the Appendix 14 of the Listing Rules. The existing Nomination Committee comprises three Independent Non-Executive Directors. Mr. King Wing Ma is the Chairman of the Nomination Committee.

The Nomination Committee is responsible for reviewing the structure, size and composition (including the skills, knowledge and experience) of the Board and make recommendations to the Board regarding any proposed changes, identifying individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of, individuals nominated for Directorships with regards to their qualifications, skills, experience and knowledge, assess the independence of Independent Non-Executive Directors, and make recommendations to the Board on relevant matters relating to the appointment of Directors and succession planning for Directors in particular the Chairman and the Chief Executive Officer. Since there has not been any proposed change to the composition of the Board during the year, the Nomination Committee has not held any meetings.

(E) DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibilities for the preparation of the financial statements of the Group and ensure that the financial statements are in accordance with statutory requirements and applicable accounting standards. The Directors also ensure the timely publication of the financial statements of the Group.

The Directors confirm that, to the best of their knowledge, information and belief, having made all reasonable enquiries, they are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

CORPORATE GOVERNANCE REPORT

(F) AUDITORS' REMUNERATION

During the year, the fees payable to Ernst & Young, the Company's external auditors, for audit services totalled to HK$2,500,000 (2008: HK$2,423,000). Ernst & Young has also provided the Group with non-audit services, including review of interim financial report and provision of tax services, at fees to HK$638,000 (2008: HK$599,000).

(G) INTERNAL CONTROL

The Board has the overall responsibility for maintaining effective internal controls within the Group for the operations of its business.

The internal control system is designed to provide reasonable assurance as to the effectiveness and efficiency of operations, the achieving of business objectives and safeguarding the Group's assets, and compliance with the relevant legislation and regulations. The Audit Committee and the Board review and monitor the effectiveness of the Group's internal control system and consider the adequacy of resources, qualifications and experience of staff of the Company's accounting and financial reporting function, and their training programmes and budget twice a year.

The Board is responsible to (a) ensure the Group has complied with the Model Code and the Listing Rules; (b) monitor the performance and operation of the Group through review and approval of business strategies, budgets and plans and setting of key business performance targets; (c) formulate the business policy, systems and strategy of the Group as a whole; (d) control over capital expenditures and investments; and (e) set standards and targets for safety and health performances.

The Board has set up a Council which consists of Mr. Philip K H MA, and senior management of store operation, merchandising and finance departments to oversee the department stores operations. The Council is responsible to review the annual business plan and budget, which are subject to review and approval by the Board and monitor the performance and operation through comparison of the annual business plan and budget with the actual financial results.

Upon the annual business plan and budget being reviewed and approved by the Board, the department heads of various departments have to strictly adhere to the respective annual departmental plan and budget. The department heads of the various departments have to obtain prior approval for any unbudgeted expenses. The Council reviews the key operating statistics and the monthly financial results, and holds regular meetings with various department heads to review the business performance against budgets, forecasts, significant business risk sensitivities and strategies, and to address accounting and finance related matters.

REPORT OF THE DIRECTORS

The Directors submit their annual report and the audited financial statements of the Company and of the Group for the financial year ended 28 February 2009.

PRINCIPAL ACTIVITIES

The principal activities of the Company and its subsidiaries during the financial year consisted of the operation of department stores, holding of properties for investment and rental purposes, property development, securities trading, the provision of advertising agency services and the provision of travel agency franchising services.

RESULTS

The Group's loss for the financial year ended 28 February 2009 and the state of affairs of the Company and of the Group as at that date are set out in the audited financial statements on pages 25 to 89.

A summary of the published results and of the assets, liabilities and minority interests of the Group for the last five financial years is set out on page 92 of the annual report.

SHARE CAPITAL

As at 28 February 2009, the number of issued shares of HK$0.50 each was 574,308,000. There was no movement in the share capital of the Group in the year under review. Details of the Company's share capital are set out in note 28 to the financial statements.

CONTINGENT LIABILITIES

Details of the contingent liabilities of the Group are set out in note 37 to the financial statements.

PLEDGE OF ASSETS

Details of the pledge of assets of the Group are set out in notes 13, 22 and 25 to the financial statements.

SEGMENT INFORMATION

The principal activities of the Company and its subsidiaries have not changed during the year and mainly consisted of the operation of department stores, holding of properties for investment and rental purposes, property development, securities trading, the provision of advertising agency services and the provision of travel agency franchising services.

Details of the segment information of the Group are set out in note 4 to the financial statements.

DIVIDENDS

The Board of Directors does not recommend the payment of a dividend in respect of the year ended 28 February 2009.

PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

Changes to the property, plant and equipment, and investment properties of the Company and of the Group are disclosed in notes 13 and 14 to the financial statements, respectively. Details of the investment properties of the Group are set out on page 90 of the annual report.

REPORT OF THE DIRECTORS

PROPERTIES UNDER DEVELOPMENT

Details of the properties under development of the Group are set out in note 16 to the financial statements and on page 91 of the annual report.

PROPERTIES HELD FOR SALE

Details of the properties held for sale of the Group are set out in note 20 to the financial statements.

RESERVES

Movements in the reserves of the Company and of the Group during the financial year are set out in note 31(b) to the financial statements, and in the consolidated statement of changes in equity, respectively.

MAJOR CUSTOMERS AND SUPPLIERS

For the financial year ended 28 February 2009, the Group's sales to the five largest customers and purchases from the five largest suppliers accounted for less than 30% of the Group's turnover and purchases, respectively.

DIRECTORS

The Directors who served during the financial year were as follows:

Executive Directors:

Walter K W MA *(Chairman)*
Philip K H MA *(Group Managing Director)*

Independent Non-Executive Directors:

King Wing MA
Eric K K LO
Charles M W CHAN

In accordance with article 99 of the Company's articles of association, Mr. Walter K W Ma, Mr. Philip K H Ma and Mr. Charles M W Chan will retire and being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

No Director has a service contract with the Company which is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

Details of the biographies of the Directors and senior executives are set out on page 21 of this annual report.

PRINCIPAL SHAREHOLDERS

At 28 February 2009, according to the register of interests required to be kept by the Company pursuant to 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 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 28 February 2009, the interests of the Directors in the share capital of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, were as follows:

(a) Long position in shares of the Company

	Number of ordinary shares held, capacity and nature of interest					
Directors	Personal interests	Family interests	Corporate interests	Other interests	Total	Percentage of the issued share capital
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 28 February 2009, 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 28 February 2009, Mr. Philip K H Ma held 500 promoter shares in The Sincere Life Assurance Company Limited.

At 28 February 2009, 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 28 February 2009, 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 28 February 2009, none of the Directors or any of their associates had any interests or short position 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 year 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.

REPORT OF THE DIRECTORS

DIRECTORS' INTERESTS IN CONTRACTS

During the financial year, the Company continued to hold its investment made in 1997 of a 10% equity interest in and an interest-free shareholders' loan to Goldian Limited ("Goldian"), a company incorporated in Hong Kong, of which Mr. Walter K W Ma and Mr. Eric K K Lo are Directors, and Mr. Philip K H Ma is an alternate Director to Mr. Walter K W Ma. As at 28 February 2009, the aggregate of the investment and the loan advancement was nil (2008: HK$12,579,000). During the year, Goldian underwent a voluntary winding up.

In the opinion of the Directors, the above transactions were transacted on what they considered an arm's length basis among the Company and Goldian, and were conducted in the ordinary course of business of the relevant companies.

Apart from the above, none of the Directors had a significant beneficial interest in any contract of significance to the business of the Company or any of its subsidiaries to which the Company or any of its subsidiaries was a party during the financial year.

No contract concerning the management and administration of the whole or any substantial part of the business of the Company was entered into or existed during the financial year.

REPORT OF THE DIRECTORS

BIOGRAPHIES OF DIRECTORS AND SENIOR EXECUTIVES

Directors

Walter K W MA, aged 79, is the Executive Chairman. Mr. Walter Ma became a Director in 1966, the Chairman in 1978 and an Executive Director in 1982. He has practiced as a Certified Public Accountant in Hong Kong and, is a fellow of the Hong Kong Institute of Certified Public Accountants and an associate of the CPA Australia. Mr. Walter Ma is the cousin of Mr. Philip K H Ma and Mr. King Wing Ma who are also Directors of the Company. Save as disclosed above, Mr. Walter Ma does not have any relationship with any other Directors and senior management of the Company. He is also a Director of The Sincere Life Assurance Company Limited and The Sincere Insurance & Investment Company, Limited.

Philip K H MA, aged 53, is the Group Managing Director. Mr. Philip Ma joined the Board of Directors in 1990, became an Executive Director in 1992, has been the President since 1993 and was retitled as the Group Managing Director in 1996. He is also an Independent Non-Executive Director of North Asia Strategic Holdings Limited which is listed on the Growth Enterprise Market of the Stock Exchange. Mr. Philip Ma holds an MBA degree. He is currently in charge of all aspects of the Group's operations. Mr. Philip Ma is the cousin of Mr. Walter K W Ma and Mr. King Wing Ma who are also Directors of the Company. Save as disclosed above, Mr. Philip Ma does not have any relationship with any other Directors and senior management of the Company. He is also a Director of The Sincere Life Assurance Company Limited and The Sincere Insurance & Investment Company, Limited.

King Wing MA, aged 77, has been an Independent Non-Executive Director of the Company since 1980. Mr. King Wing Ma is a general medical practitioner with over 40 years' experience in England, the United States of America and Hong Kong. Mr. King Wing Ma is the cousin of Mr. Walter K W Ma and Mr. Philip K H Ma who are also Directors of the Company. Save as disclosed above, Mr. King Wing Ma does not have any relationship with any other Directors and senior management of the Company.

Eric K K LO, aged 60, has been an Independent Non-Executive Director of the Company since December 1993. Mr. Eric Lo is also an Independent Non-Executive Director of Joyce Boutique Holdings Limited which is listed on the Stock Exchange. Mr. Eric Lo does not have any relationship with any Directors and senior management of the Company.

Charles M W CHAN, aged 53, has been an Independent Non-Executive Director of the Company since November 1995. Mr. Charles Chan is also an Executive Director of International Hoteliers Limited. He is a member of the American Institute of Certified Public Accountants. Mr. Charles Chan does not have any relationship with any Directors and senior management of the Company.

Senior executives

John Y C FU, aged 48, joined the Company in January 2003, as the Group Director of Finance and Administration, in charge of Finance and Accounting, Administration, MIS, Logistics and Warehousing. Mr. John Fu has over 20 years of senior management experience in two leading international retail chains with regional exposures. He holds an MBA degree in General Management and an MSc degree in Finance.

Eileen H Y Ma, aged 55, joined the Company in August 2002 as the Merchandising Director and currently in charge of Merchandising, Operations and Marketing for the Hong Kong department stores. Mrs. Eileen Ma has over 30 years' experience in retailing and holds a Bachelor Degree in Marketing.

REPORT OF THE DIRECTORS

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.

DIRECTORS' INTERESTS IN A COMPETING BUSINESS

During the year, no Director is considered to have an interest in a business which competes or is likely to compete, either directly or indirectly, with the businesses of the Group pursuant to the Listing Rules, other than those businesses to which the Directors were appointed as Directors to represent the interest of the Company and/or the Group.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors, the Company's shares which are in the hands of the public exceeded 25% of the Company's total issued share capital as at the date of this report.

DONATIONS

The Group has made donations during the year approximately HK$1,053,000.

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 28 February 2009 have been reviewed by the Audit Committee.

AUDITORS

Ernst & Young retire and a resolution for their reappointment as auditors of the Company will be proposed at the forthcoming annual general meeting.

ON BEHALF OF THE BOARD

Walter K W MA
Executive Chairman

Hong Kong, 18 June 2009

INDEPENDENT AUDITORS' REPORT

ERNST & YOUNG
安永

To the shareholders of
The Sincere Company, Limited
(Incorporated in Hong Kong with limited liability)

We have audited the financial statements of The Sincere Company, Limited set out on pages 25 to 89, which comprise the consolidated and company balance sheets as at 28 February 2009, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors of the Company are responsible for the preparation and the true and fair presentation of these financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. Our report is made solely to you, as a body, in accordance with Section 141 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and true and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

INDEPENDENT AUDITORS' REPORT

OPINION

In our opinion, the financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 28 February 2009 and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

Ernst & Young
Certified Public Accountants
18/F, Two International Finance Centre
8 Finance Street
Central
Hong Kong

18 June 2009

CONSOLIDATED INCOME STATEMENT

Year ended 28 February 2009

	Notes	2009 HK$'000	2008 HK$'000
REVENUE	5	**289,494**	420,082
Cost of sales		**(156,139)**	(167,052)
Other income and gains, net	6	**6,187**	30,953
Net unrealised loss on securities and future contracts trading		**(94,941)**	(9,665)
Selling and distribution costs		**(147,415)**	(143,059)
General and administrative expenses		**(127,026)**	(128,112)
Other operating expenses, net		**(5,370)**	783
Finance costs	9	**(5,173)**	(7,961)
Share of profits less losses of associates		**(38,560)**	(19,892)
LOSS BEFORE TAX	7	**(278,943)**	(23,923)
Tax	10	**(29)**	1,956
LOSS FOR THE YEAR		**(278,972)**	(21,967)
ATTRIBUTABLE TO:			
Equity holders of the Company	11	**(276,186)**	(21,809)
Minority interests		**(2,786)**	(158)
		(278,972)	(21,967)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	12		
Basic		**HK$(0.57)**	HK$(0.04)
Diluted		**N/A**	N/A

CONSOLIDATED BALANCE SHEET

28 February 2009

	Notes	2009 HK$'000	2008 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	**54,346**	58,828
Investment properties	14	**2,138**	3,921
Interests in associates	18	**64,779**	119,166
Financial instruments	19	**43,896**	9,170
Rental deposits		**6,054**	5,704
Pension scheme assets	8	**5,055**	4,981
Total non-current assets		**176,268**	201,770
CURRENT ASSETS			
Properties held for sale	20	**–**	3,777
Inventories		**48,227**	54,827
Debtors	21	**1,372**	1,996
Prepayments, deposits and other receivables		**23,854**	27,012
Financial assets at fair value through profit or loss	22	**198,263**	462,549
Derivative financial instruments	23	**11,619**	14,523
Pledged bank balances	25	**7,683**	6,523
Pledged deposits with banks	25	**19,684**	76,634
Cash and bank balances	24	**65,196**	53,536
		375,898	701,377
Assets of a disposal group classified as held for sale	26	**232,717**	230,904
Total current assets		**608,615**	932,281
CURRENT LIABILITIES			
Creditors	27	**80,467**	99,995
Deposits, accrued expenses and other payables		**40,408**	52,143
Derivative financial instruments	23	**8,464**	24,278
Interest-bearing borrowings and overdrafts	25	**40,120**	62,887
Tax payable		**16**	–
		169,475	239,303
Liabilities directly associated with the assets of a disposal group classified as held for sale	26	**5,977**	10,392
Total current liabilities		**175,452**	249,695
NET CURRENT ASSETS		**433,163**	682,586
TOTAL ASSETS LESS CURRENT LIABILITIES		**609,431**	884,356

CONSOLIDATED BALANCE SHEET (Continued)

28 February 2009

	Notes	**2009 HK$'000**	2008 HK$'000
EQUITY			
Equity attributable to equity holders of the Company			
Issued share capital	*28*	**287,154**	287,154
Share premium account	*29*	**26**	26
Reserves	*31(a)*	**337,238**	613,358
		624,418	900,538
MINORITY INTERESTS		**(14,987)**	(16,182)
TOTAL EQUITY		**609,431**	884,356

Walter K W Ma
Director

Philip K H Ma
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 28 February 2009

	Attributable to equity holders of the Company							
			Reserves					
	Issued share capital HK$'000	Share premium account HK$'000	General and other reserves*# HK$'000	Retained profits* HK$'000	Proposed final dividend HK$'000	Total reserves HK$'000	Minority interests HK$'000	Total HK$'000
At 1 March 2007	287,154	26	60,172	567,762	6,892	634,826	(21,052)	900,954
Exchange adjustment recognised directly in equity	–	–	5,125	–	–	5,125	–	5,125
Total income and expense recognised directly in equity	–	–	5,125	–	–	5,125	–	5,125
Realisation of exchange fluctuation reserve upon deregistration of subsidiaries *(note 33)*	–	–	(4,275)	–	–	(4,275)	–	(4,275)
Loss for the year	–	–	–	(21,809)	–	(21,809)	(158)	(21,967)
Total income and expense for the year	–	–	850	(21,809)	–	(20,959)	(158)	(21,117)
Final dividend declared 2007	–	–	–	–	(6,892)	(6,892)	–	(6,892)
Write-back of unclaimed dividends	–	–	–	4,605	–	4,605	–	4,605
Dividends attributable to associates**	–	–	–	1,778	–	1,778	–	1,778
Movement in balances with minority shareholders	–	–	–	–	–	–	5,028	5,028
At 29 February 2008 and 1 March 2008	287,154	26	61,022	552,336	–	613,358	(16,182)	884,356
Exchange adjustment recognised directly in equity	–	–	(14,460)	–	–	(14,460)	5,695	(8,765)
Total income and expense recognised directly in equity	–	–	(14,460)	–	–	(14,460)	5,695	(8,765)
Realisation of exchange fluctuation reserve upon deregistration/ dissolution of subsidiaries *(note 33)*	–	–	14,526	–	–	14,526	–	14,526
Loss for the year	–	–	–	(276,186)	–	(276,186)	(2,786)	(278,972)
Total income and expense for the year	–	–	66	(276,186)	–	(276,120)	2,909	(273,211)
Movement in balances with minority shareholders	–	–	–	–	–	–	(1,714)	(1,714)
At 28 February 2009	287,154	26	61,088	276,150	–	337,238	(14,987)	609,431

* Included in the balances of retained profits and general and other reserves at 28 February 2009 were an amount of HK$35,422,000 (2008: HK$73,982,000) and a debit balance of HK$421,000 (2008: a credit balance of HK$28,840,000) respectively, attributable to associates.

** 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.

\# Included in the general and other reserves at 28 February 2009 was an amount of HK$14,476,000 (2008: HK$14,410,000) attributable to the exchange fluctuation reserve, with an aggregate amount of HK$12,285,000 (2008: HK$4,471,000) related to a disposal group classified as held for sale.

CONSOLIDATED CASH FLOW STATEMENT

Year ended 28 February 2009

	Notes	2009 HK$'000	2008 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax		**(278,943)**	(23,923)
Adjustments for:			
Interest expense	9	**5,173**	7,961
Share of profits less losses of associates		**38,560**	19,892
Interest income	6, 7	**(10,339)**	(14,838)
Depreciation	7, 13	**6,724**	11,769
Amortisation of prepaid land premium	7	**–**	27
Impairment on interests in associates	7	**1,300**	6,838
Impairment on an available-for-sale investment	7	**–**	1
Fair value loss/(gain) on investment properties in Mainland China	7	**3,873**	(9,525)
Gain on disposal of investment properties	7	**(2,851)**	(929)
Loss on disposal/write-off of items of property, plant and equipment	7	**200**	1,115
Loss/(gain) on deregistration/dissolution of subsidiaries	7, 33	**11,655**	(4,028)
Exchange realignment		**14,009**	923
		(210,639)	(4,717)
Decrease/(increase) in pension scheme assets		**(74)**	528
Increase in rental deposits		**(350)**	(43)
Decrease in properties held for sale		**3,777**	–
Decrease/(increase) in inventories		**6,600**	(7,281)
Decrease/(increase) in debtors		**624**	(1,313)
Decrease in prepayments, deposits and other receivables		**4,259**	97,144
Decrease/(increase) in financial assets at fair value through profit or loss		**264,286**	(80,854)
Net decrease/(increase) in derivative financial instruments		**(12,910)**	5,717
Increase/(decrease) in creditors		**(21,017)**	33,472
Increase/(decrease) in deposits, accrued expenses and other payables		**(11,735)**	16,183
Cash generated from operations		**22,821**	58,836
Interest received		**10,339**	14,838
Interest paid		**(5,173)**	(7,961)
Overseas tax paid		**(13)**	(1,961)
Net cash inflow from operating activities		**27,974**	63,752

CONSOLIDATED CASH FLOW STATEMENT (Continued)

Year ended 28 February 2009

	Notes	2009 HK$'000	2008 HK$'000
Net cash inflow from operating activities		**27,974**	63,752
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to items of property, plant and equipment		**(2,452)**	(18,646)
Repayments to associates, net		**(17,101)**	(150)
Acquisition of financial instruments		**(34,726)**	–
Decrease/(increase) in pledged bank balances		**(1,160)**	15,261
Decrease in pledged deposits with banks		**56,950**	33,647
Increase in time deposits with original maturity of more than three months		**(13,572)**	–
Proceeds from disposal of investment properties		**4,634**	1,449
Proceeds from disposal of items of property, plant and equipment		**–**	1,830
Dividend income received from an associate		**2,367**	–
Net cash inflow/(outflow) from investing activities		**(5,060)**	33,391
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayments of bank loans		**(1,437,664)**	(1,354,930)
New bank loans and other borrowings		**1,415,168**	1,221,227
Minority interests		**(1,372)**	5,028
Dividend paid		**–**	(6,892)
Net cash outflow from financing activities		**(23,868)**	(135,567)
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(954)**	(38,424)
Cash and cash equivalents at beginning of year		**38,096**	76,520
CASH AND CASH EQUIVALENTS AT END OF YEAR		**37,142**	38,096
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash on hand and at banks	*24*	**35,789**	53,536
Time deposits with original maturity of less than three months	*24*	**15,835**	–
Cash and bank balances included in a disposal group classified as held for sale	*26*	**1,021**	334
Bank overdrafts	*25*	**(15,503)**	(15,774)
		37,142	38,096

BALANCE SHEET

28 February 2009

	Notes	2009 HK$'000	2008 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	**15,743**	19,365
Interests in subsidiaries	17	**597,026**	709,054
Interests in associates	18	**16,032**	16,071
Financial instruments	19	**9,170**	9,170
Rental deposits		**6,054**	5,704
Pension scheme assets	8	**5,135**	4,999
Total non-current assets		**649,160**	764,363
CURRENT ASSETS			
Inventories		**48,048**	54,588
Prepayments, deposits and other receivables		**6,870**	12,274
Pledged deposits with banks	25	**17,055**	36,685
Cash and bank balances	24	**14,851**	9,537
Total current assets		**86,824**	113,084
CURRENT LIABILITIES			
Creditors	27	**74,207**	94,784
Deposits, accrued expenses and other payables		**17,534**	21,623
Interest-bearing borrowings and overdrafts	25	**13,423**	–
Total current liabilities		**105,164**	116,407
NET CURRENT LIABILITIES		**(18,340)**	(3,323)
TOTAL ASSETS LESS CURRENT LIABILITIES		**630,820**	761,040
EQUITY			
Issued share capital	28	**287,154**	287,154
Share premium account	29	**26**	26
Reserves	31(b)	**343,640**	473,860
TOTAL EQUITY		**630,820**	761,040

Walter K W Ma
Director

Philip K H Ma
Director

NOTES TO FINANCIAL STATEMENTS

28 February 2009

1. CORPORATE INFORMATION

The Sincere Company, Limited is a limited liability company incorporated in Hong Kong. The registered office of the Company is located at 24th Floor, Leighton Centre, 77 Leighton Road, Hong Kong. The principal activities of the Company and its subsidiaries during the year consisted of the operation of department stores, holding of properties for investment and rental purposes, property development, securities trading, the provision of advertising agency services and the provision of travel agency franchising services.

2.1 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 as further explained in note 2.4. 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 28 February 2009. 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. Income, expenses and unrealised gains and losses resulting from intercompany transactions and intercompany balances within the Group are eliminated on consolidation in full.

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.

2.2 IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

The Group has adopted the following new interpretations and amendments to HKFRSs for the first time for the current year's financial statements:

HKAS 39 and HKFRS 7 Amendments	Amendments to HKAS 39 *Financial Instruments: Recognition and Measurement* and HKFRS 7 *Financial Instruments: Disclosures – Reclassification of Financial Assets*
HK(IFRIC)-Int 12	*Service Concession Arrangements*
HK(IFRIC)-Int 14	*HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*

The adoption of these new interpretations and amendments has had no significant financial effect on these financial statements and there have been no significant changes to the accounting policies applied in these financial statements.

2.3 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 1 and HKAS 27 Amendments	Amendments to HKFRS 1 *First-time Adoption of HKFRSs* and HKAS 27 *Consolidated and Separate Financial Statements – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate*[1]
HKFRS 1 (Revised)	*First-time Adoption of HKFRSs*[3]
HKFRS 2 Amendments	Amendments to HKFRS 2 *Share-based Payment – Vesting Conditions and Cancellations*[1]
HKFRS 3 (Revised)	*Business Combinations*[3]
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures – Improving Disclosures about Financial Instruments*[1]
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*[3]
HKAS 32 and HKAS 1 Amendments	Amendments to HKAS 32 *Financial Instruments: Presentation* and HKAS 1 *Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation*[1]
HKAS 39 Amendment	Amendment to HKAS 39 *Financial Instruments: Recognition and Measurement – Eligible Hedged Items*[3]
HK(IFRIC)-Int 9 and HKAS 39 Amendments	Amendments to HK(IFRIC)-Int 9 *Reassessment of Embedded Derivatives* and HKAS 39 *Financial Instruments: Recognition and Measurement – Embedded Derivatives*[2]
HK(IFRIC)-Int 13	*Customer Loyalty Programmes*[4]
HK(IFRIC)-Int 15	*Agreements for the Construction of Real Estate*[1]
HK(IFRIC)-Int 16	*Hedges of a Net Investment in a Foreign Operation*[5]
HK(IFRIC)-Int 17	*Distributions of Non-cash Assets to Owners*[3]
HK(IFRIC)-Int 18	*Transfers of Assets from Customers*[3]

Apart from the above, the HKICPA has issued *Improvements to HKFRSs** which sets out amendments to a number of HKFRSs primarily with a view to removing inconsistencies and clarifying wording. Except for the amendment to HKFRS 5 which is effective for annual periods beginning on or after 1 July 2009, other amendments are effective for annual periods beginning on or after 1 January 2009 although there are separate transitional provisions for each standard.

1 Effective for annual periods beginning on or after 1 January 2009
2 Effective for annual periods ending on or after 30 June 2009
3 Effective for annual periods beginning on or after 1 July 2009
4 Effective for annual periods beginning on or after 1 July 2008
5 Effective for annual periods beginning on or after 1 October 2008
* Improvements to HKFRSs contains amendments to HKFRS 5, HKFRS 7, HKAS 1, HKAS 8, HKAS 10, HKAS 16, HKAS 18, HKAS 19, HKAS 20, HKAS 23, HKAS 27, HKAS 28, HKAS 29, HKAS 31, HKAS 34, HKAS 36, HKAS 38, HKAS 39, HKAS 40 and HKAS 41.

2.3 IMPACT OF ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS *(continued)*

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 HKAS 27 (Revised) and HK(IFRIC)-Int 13 may result in changes in accounting policies and HKFRS 8 and HKAS 1 (Revised) may result in new or amended disclosures, these new and revised HKFRSs are unlikely to have a significant impact on the Group's results of operations and financial position.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries

A subsidiary is an entity in which the Company, directly or indirectly, controls more than half of its voting power or issued share capital or controls the composition of its Board of Directors; or over which the Company has a contractual right to exercise a dominant influence with respect to that entity's financial and operating policies.

The results of subsidiaries are included in the Company's income statement to the extent of dividends received and receivable. The Company's interests in subsidiaries are stated at cost less any impairment losses.

Associates

An associate is an entity, not being a subsidiary or a jointly-controlled entity, in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence.

The Group's share of the post-acquisition results and reserves of associates is included in the consolidated income statement and consolidated reserves, respectively. Unrealised gains and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's interests in the associates, except where unrealised losses provide evidence of an impairment of the asset transferred. The Group's interests in associates are stated in the consolidated balance sheet at the Group's share of net assets under the equity method of accounting, less any impairment losses.

The results of associates are included in the Company's income statement to the extent of dividends received and receivable. The Company's interests in associates are treated as non-current assets and are stated at cost less any impairment losses.

Certain associates also hold shares in The Sincere Company, Limited and, in these cases, in computing the Group's share of results, appropriate elimination is made of any amount by which these companies' own reported results have been affected by such shareholdings. The enhancement of the Group's share of the associates' retained profits resulting from the latter's receipt of dividends from The Sincere Company, Limited is reflected as a movement in the reserves of the associates.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Goodwill

Goodwill arising on the acquisition of subsidiaries represents the excess of the cost of the business combination over the Group's interest in the net fair value of the acquiree's identifiable assets acquired, and liabilities and contingent liabilities assumed as at the date of acquisition.

Goodwill arising on acquisition is recognised in the consolidated balance sheet as an asset, initially measured at cost and subsequently at cost less any accumulated impairment losses.

The carrying amount of goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill forms part of a cash-generating unit (group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Impairment of non-financial assets other than goodwill

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, pension scheme assets, goodwill and non-current assets classified as held for sale), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs to sell, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the income statement in the period in which it arises, unless the asset is carried at a revalued amount, in which case the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Impairment of non-financial assets other than goodwill *(continued)*

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the income statement in the period in which it arises, unless the asset is carried at a revalued amount, in which case the reversal of an impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis and includes all costs of purchase, costs of conversion, and other costs incurred in bringing the inventories to their present location and condition. Net realisable value is based on estimated selling prices less any estimated costs necessary to make the sale.

Investments and other financial assets

Financial assets in the scope of HKAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables and available-for-sale investments, as appropriate. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

The Group assesses whether a contract contains an embedded derivative when the Group first becomes a party to it and assesses whether an embedded derivative is required to be separated from the host contract when the analysis shows that the economic characteristics and risks of the embedded derivative are not closely related to those of the host contract. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required under the contract.

The Group determines the classification of its financial assets after initial recognition and, where allowed and appropriate, re-evaluates this designation at the balance sheet date.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investments and other financial assets *(continued)*

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on these financial assets are recognised in the income statement. The net fair value gain or loss recognised in the income statement does not include any dividends or interest earned on these financial assets, which are recognised in accordance with the policies set out for "Revenue recognition" below.

Where a contract contains one or more embedded derivatives, the entire hybrid contract may be designated as a financial asset at fair value through profit or loss, except where the embedded derivative does not significantly modify the cash flows or it is clear that separation of the embedded derivative is prohibited.

An embedded derivative that is required to be separated from the host contract cannot be reliably measured because it will be settled by an unquoted equity instrument whose fair value cannot be reliably measured, the entire combined contract should be treated as a financial assets at fair value through profit or loss. If the fair value of the combined instrument can be reliably measured, the combined contract is measured at fair value. Where the equity component of the combined instrument may be sufficiently significant to preclude it from obtaining a reliable estimate of the entire instrument, in that case, the combined instrument is measured at cost less impairment and classified as financial assets at fair value through profit or loss.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are subsequently carried at amortised cost using the effective interest method less any allowance for impairment. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction costs. Gains and losses are recognised in the income statement when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

Available-for-sale investments

Available-for-sale investments are non-derivative financial assets in listed and unlisted equity securities that are designated as available for sale or are not classified in any of the other two categories. After initial recognition, available-for-sale investments are measured at fair value, with gains or losses recognised as a separate component of equity until the investment is derecognised or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is included in the income statement. Interest and dividends earned are reported as interest income and dividend income, respectively and are recognised in the income statement as "Other income" in accordance with the policies set out for "Revenue recognition" below. Losses arising from the impairment of such investments are recognised in the income statement as "Impairment on available-for-sale investments" and are transferred from the available-for-sale investment revaluation reserve.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investments and other financial assets *(continued)*

Available-for-sale investments *(continued)*

When the fair value of unlisted equity securities cannot be reliably measured because (a) the variability in the range of reasonable fair value estimates is significant for that investment or (b) the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value, such securities are stated at cost less any impairment losses.

Fair value

The fair value of investments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business at the balance sheet date. For investments where there is no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument which is substantially the same; a discounted cash flow analysis; and option pricing models.

Impairment of financial assets

The Group assesses at each balance sheet date whether there is any objective evidence that a financial asset or a group of financial assets is impaired.

Assets carried at amortised cost

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced either directly or through the use of an allowance account. The amount of the impairment loss is recognised in the income statement. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed by adjusting the allowance account. Any subsequent reversal of an impairment loss is recognised in the income statement, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

In relation to trade and other receivables, a provision for impairment is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor and significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor) that the Group will not be able to collect all of the amounts due under the original terms of an invoice. The carrying amount of the receivables is reduced through the use of an allowance account. Impaired debts are derecognised when they are assessed as uncollectible.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Impairment of financial assets *(continued)*

Assets carried at cost

If there is objective evidence that an impairment loss on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Impairment losses on these assets are not reversed.

Available-for-sale investments

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the income statement, is transferred from equity to the income statement. A provision for impairment is made for available-for-sale equity investments when there has been a significant or prolonged decline in the fair value below its cost or where other objective evidence of impairment exists. The determination of what is "significant" or "prolonged" requires judgement. In addition, the Group evaluates other factors, such as the share price volatility. Impairment losses on equity instruments classified as available-for-sale investments are not reversed through the income statement.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised where:

- the rights to receive cash flows from the asset have expired;
- the Group retains the rights to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; or
- the Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Where continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of the Group's continuing involvement is the amount of the transferred asset that the Group may repurchase, except in the case of a written put option (including a cash-settled option or similar provision) on an asset measured at fair value, where the extent of the Group's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial liabilities at amortised cost (including interest-bearing borrowings and overdrafts)

Financial liabilities including creditors, other payables and interest-bearing borrowings and overdrafts are initially stated at fair value less directly attributable transaction costs and are subsequently measured at amortised cost, using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost. The related interest expense is recognised within "finance costs" in the income statement.

Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the amortisation process.

Financial guarantee contracts

Financial guarantee contracts in the scope of HKAS 39 are accounted for as financial liabilities. A financial guarantee contract is recognised initially at its fair value less transaction costs that are directly attributable to the acquisition or issue of the financial guarantee contract, except when such contract is recognised at fair value through profit or loss. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount determined in accordance with HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets*; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with HKAS 18 *Revenue.*

Derivative financial instruments

Derivative financial instruments are classified as held for trading unless they are designated as effective hedging instruments. All derivatives are carried as assets when the fair values are positive and as liabilities when the fair values are negative.

Derivative financial instruments held for trading are typically entered into with the intention to settle in the near future. These instruments are initially recorded at fair value. Subsequent to initial recognition, these instruments are remeasured at fair value.

Any gains or losses arising from changes in fair value on derivatives that do not qualify for hedge accounting are taken directly to the income statement.

The fair value of forward currency contracts is calculated by reference to current forward exchange rates for contracts with similar maturity profiles. The fair value of interest rate swap and equity contracts are determined by reference to market values for similar instruments.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the income statement.

Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. When an item of property, plant and equipment is classified as held for sale or when it is part of a disposal group classified as held for sale, it is not depreciated and is accounted for in accordance with HKFRS 5, as further explained in the accounting policy for "Non-current assets and disposal groups held for sale". The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the income statement in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property, plant and equipment, and where the cost of the item can be measured reliably, the expenditure is capitalised as an additional cost of that asset or as a replacement.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Land and buildings	2% – 4%
Furniture, fixtures and equipment	10% – 20%
Motor vehicles	16 $^{2}/_{3}$% – 25%
Leasehold improvements	Shorter of lease terms and useful lives

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately.

Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at each balance sheet date.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the income statement in the year the asset is derecognised is the difference between the net sale proceeds and the carrying amount of the relevant asset.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investment properties

Investment properties are interests in land and buildings held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the balance sheet date.

Gains or losses arising from changes in the fair values of investment properties are included in the income statement in the year in which they arise.

Any gains or losses on the retirement or disposal of an investment property are recognised in the income statement in the year of the retirement or disposal.

Properties under development

Properties under development are stated at cost which includes all development expenditure, finance charges capitalised and other costs directly attributable to such properties.

Properties under development which have either been pre-sold or which are intended for sale, and are expected to be completed within one year from the balance sheet date, are classified as current assets.

Properties held for sale

Properties held for sale are stated at the lower of cost and net realisable value.

Non-current assets and disposal groups held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amounts will be recovered principally through a sales transaction rather than through continuing use. For this to be the case, the asset or disposal group must be available for immediate sale in its present condition subject only to terms that are usual and customary for the sale of such assets or disposal groups and its sale must be highly probable.

Non-current assets and disposal groups (other than investment properties and financial assets) classified as held for sale are measured at the lower of their carrying amounts and fair values less costs to sell.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to the income statement on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under the operating leases are charged to the income statement on the straight-line basis over the lease terms.

Prepaid land premiums under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms. When the lease payments cannot be allocated reliably between the land and buildings elements, the entire lease payments are included in the cost of the land and buildings as a finance lease in property, plant and equipment.

Dividends

Final dividends proposed by the Directors are classified as a separate allocation of retained profits within the equity section of the balance sheet, until they have been approved by the shareholders in a general meeting. When these dividends have been approved by the shareholders and declared, they are recognised as a liability.

Employee benefits

Retirement benefits

The Group operates a funded final salary defined benefit pension scheme (the "Scheme") for those employees who are eligible to participate in the Scheme. The expected costs of providing pensions under the Scheme are charged to the income statement over the periods during which the employees provide the related services to the Group.

An actuarial estimate is made annually by a professionally qualified independent actuary, using the projected unit credit actuarial valuation method, of the present value of the Group's future defined benefit obligation under the Scheme earned by the employees as at the balance sheet date (the "Scheme obligation"). The assets contributed by the Group to the Scheme (the "Scheme assets") are held separately from the assets of the Group in an independently administered fund, and are valued at their fair value at the balance sheet date.

The effect of actuarial gains and losses experienced in the estimation of the Scheme obligation and the valuation of the Scheme assets are initially recorded in the balance sheet and are subsequently recognised in the income statement only when the net cumulative actuarial gains or losses in the balance sheet exceed 10% of the higher of the Scheme obligation and the fair value of the Scheme assets at the beginning of the period. Such "excess" net cumulative actuarial gains or losses are recognised in the income statement over the expected average remaining working lives of the employees participating in the Scheme.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Employee benefits *(continued)*

Retirement benefits *(continued)*

The net total of the fair value of the Scheme assets, plus any actuarial losses (less any actuarial gains) not recognised, plus any past service cost not yet recognised and minus the present value of the Scheme obligation, is recognised in the balance sheets within non-current assets or non-current liabilities, as appropriate. If the net amount results in an asset, the amount of the asset is limited to the net total of any net cumulative actuarial losses remaining in the balance sheet, and the present value of any future refunds from the Scheme or reductions in future contributions to the Scheme. Movements in the net asset or liability recognised in the balance sheets during the period, other than those deferred in the balance sheets, are recorded in the income statement for the period.

The amounts of the contributions payable by the Group to the Scheme are determined by the actuary using the projected unit credit actuarial valuation method. In addition, the Group also operates a defined contribution Mandatory Provident Fund ("MPF") retirement benefit scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance. Contributions to the MPF Scheme are made based on a percentage of the employees' basic salaries and are charged to the income statement as they become payable in accordance with the rules of the MPF scheme. The Group's employer contributions are fully and immediately vested in favour of the employees when contributed to the MPF Scheme.

The employees of the subsidiaries established in Mainland China are members of the Central Pension Scheme operated by the Mainland China government. The subsidiaries are required to contribute a certain percentage of their covered payroll to the Central Pension Scheme to fund the benefits. The only obligation for the subsidiaries with respect to the Central Pension Scheme is to meet the required contributions under the Central Pension Scheme.

Income tax

Income tax comprises current and deferred tax. Income tax is recognised in the income statement, or in equity if it relates to items that are recognised in the same or a different period directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities.

Deferred tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Income tax *(continued)*

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- where the deferred tax liability arises from goodwill or the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries and associates, except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carryforward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- where the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries and associates, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Conversely, previously unrecognised deferred tax assets are reassessed at each balance sheet date and are recognised to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

(a) trading of securities, on the trade day;

(b) interest income, on an accrual basis using the effective interest method by applying the rate that discounts the estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial assets;

(c) dividend income, when the shareholders' right to receive payment is established;

(d) rental income, in the period in which the properties are let out and on the straight-line basis over the lease terms;

(e) sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;

(f) sale of properties, when the legally binding unconditional sales contracts are signed and exchanged;

(g) advertising agency fee income, on completion of the services; and

(h) income from counter and consignment sales, when the goods are sold.

Foreign currencies

These financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions are initially recorded using the functional currency rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the balance sheet date. All differences are taken to the income statement. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Foreign currencies *(continued)*

The functional currencies of certain subsidiaries and associates outside Hong Kong are currencies other than Hong Kong dollar. As at the balance sheet date, the assets and liabilities of these entities are translated into the presentation currency of the Company at the exchange rates ruling at the balance sheet date, and their income statements are translated into Hong Kong dollars at the weighted average exchange rates for the year. The resulting exchange differences are included in the exchange fluctuation reserve. On disposal of an entity outside Hong Kong, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in the income statement.

For the purpose of the consolidated cash flow statement, the cash flows of subsidiaries outside Hong Kong are translated into Hong Kong dollars at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of subsidiaries outside Hong Kong which arise throughout the year are translated into Hong Kong dollars at the weighted average exchange rates for the year.

Related parties

A party is considered to be related to the Group if:

(a) the party, directly or indirectly through one or more intermediaries, (i) controls, is controlled by, or is under common control with, the Group; (ii) has an interest in the Group that gives it significant influence over the Group; or (iii) has joint control over the Group;

(b) the party is an associate;

(c) the party is a member of the key management personnel of the Group;

(d) the party is a close member of the family of any individual referred to in (a) or (c);

(e) the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (c) or (d); or

(f) the party is a post-employment benefit plan for the benefit of the employees of the Group, or of any entity that is a related party of the Group.

Cash and cash equivalents

For the purpose of the consolidated cash flow statement, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the balance sheets, cash and bank balances comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

3. SIGNIFICANT ACCOUNTING ESTIMATES

The preparation of the Group's financial statements requires management to make estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Estimation of impairment losses of available-for-sale investments

In the absence of current prices in an active market for similar unlisted equity securities, the Group determines their fair values by using valuation techniques based on assumptions and estimates including the discount rate, volatility, dividend yield and latest financial information of the available-for-sale investments and hence they are subject to uncertainty.

The carrying amount of the available-for-sale investments at 28 February 2009 was HK$26,346,000 (2008: HK$9,170,000), further details of which are set out in note 19 to the financial statements.

4. SEGMENT INFORMATION

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

The Group's operating businesses are structured and managed separately, according to the nature of their operations and the products and services they provide. Each of the Group's business 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 business segments. Summary details of the business 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 segment consists of holding of properties for investment and rental purposes;

(c) the property development segment consists of the development and sale of properties;

(d) the securities trading segment consists of the trading of Hong Kong and overseas securities; and

(e) the corporate and others segment consists of corporate income and expense items, advertising agency services and travel agency franchising services.

In determining the Group's geographical segments, revenues and results are attributed to the segments based on the location of the businesses, and assets are attributed to the segments based on the location of the assets.

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) Business segments

The following tables present revenue, loss and certain asset, liability and expenditure information for the Group's business segments for the years ended 28/29 February 2009 and 2008.

	Department store operations		Property rental		Property development		Securities trading		Corporate and others		Eliminations		Consolidated	
	2009	2008	**2009**	2008	**2009**	2008	**2009**	2008	**2009**	2008	**2009**	2008	**2009**	2008
	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	**372,894**	389,902	**9,098**	8,915	**-**	–	**(100,845)**	18,548	**8,347**	2,717	**-**	–	**289,494**	420,082
Intersegment sales	**-**	–	**24,899**	18,698	**-**	–	**-**	–	**12,770**	10,173	**(37,669)**	(28,871)	**-**	–
Other revenue	**118**	740	**5,123**	1,784	**786**	767	**-**	–	**64**	85	**-**	–	**6,091**	3,376
Total	**373,012**	390,642	**39,120**	29,397	**786**	767	**(100,845)**	18,548	**21,181**	12,975	**(37,669)**	(28,871)	**295,585**	423,458
Segment results	**(12,358)**	(8,583)	**1,551**	9,295	**(10,819)**	(18,132)	**(203,741)**	394	**(8,971)**	(5,468)	**-**	–	**(234,338)**	(22,494)
Interest, dividend income and unallocated revenue													**96**	27,577
Unallocated expenses													**(968)**	(1,153)
Finance costs													**(5,173)**	(7,961)
Share of profits less losses of associates													**(38,560)**	(19,892)
Loss before tax													**(278,943)**	(23,923)
Tax													**(29)**	1,956
Loss for the year													**(278,972)**	(21,967)
Segment assets	**112,880**	156,019	**297,381**	295,485	**8,548**	12,647	**224,899**	513,237	**52,984**	18,835	**(38,085)**	(31,327)	**658,607**	964,896
Unallocated assets													**45,994**	34,215
Interests in associates	**-**	–	**-**	–	**36,336**	25,201	**-**	–	**28,443**	93,965	**-**	–	**64,779**	119,166
Bank overdrafts included in segment assets	**13,423**	–	**-**	–	**-**	–	**2,080**	15,774	**-**	–	**-**	–	**15,503**	15,774
Total assets													**784,883**	1,134,051
Segment liabilities	**131,738**	149,513	**16,648**	22,110	**9,028**	12,458	**33,899**	25,545	**6,562**	5,427	**(38,085)**	(31,327)	**159,790**	183,726
Unallocated liabilities													**159**	50,195
Bank overdrafts included in segment assets	**13,423**	–	**-**	–	**-**	–	**2,080**	15,774	**-**	–	**-**	–	**15,503**	15,774
Total liabilities													**175,452**	249,695

4. SEGMENT INFORMATION *(continued)*

(a) Business segments *(continued)*

	Department store operations		Property rental		Property development		Securities trading		Corporate and others		Eliminations		Consolidated	
	2009	2008	**2009**	2008	**2009**	2008	**2009**	2008	**2009**	2008	**2009**	2008	**2009**	2008
	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*
Other segment information:														
Depreciation	**4,979**	8,125	**1,104**	3,205	**-**	–	**190**	84	**451**	355	**-**	–	**6,724**	11,769
Amortisation of prepaid land premium	**-**	–	**-**	27	**-**	–	**-**	–	**-**	–	**-**	–	**-**	27
Capital expenditure	**1,060**	18,022	**746**	192	**-**	–	**428**	–	**192**	432	**-**	–	**2,426**	18,646
Loss/(gain) on disposal/write-off of items of property, plant and equipment	**52**	1,901	**133**	(786)	**-**	–	**-**	–	**15**	–	**-**	–	**200**	1,115
Gain on disposal of investment properties	**-**	–	**(2,851)**	(929)	**-**	–	**-**	–	**-**	–	**-**	–	**(2,851)**	(929)
Gain on disposal of properties held for sale	**-**	–	**(1,551)**	–	**-**	–	**-**	–	**-**	–	**-**	–	**(1,551)**	–
Impairment/(write-back of impairment) for inventories	**463**	(312)	**-**	–	**-**	–	**-**	–	**-**	–	**-**	–	**463**	(312)
Impairment on interests in associates	**-**	–	**-**	–	**1,300**	6,838	**-**	–	**-**	–	**-**	–	**1,300**	6,838
Fair value loss/(gain) on investment properties in Mainland China	**-**	–	**3,873**	(9,525)	**-**	–	**-**	–	**-**	–	**-**	–	**3,873**	(9,525)
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 ("UK")		Others		Eliminations		Consolidated	
	2009	2008	**2009**	2008	**2009**	2008	**2009**	2008	**2009**	2008	**2009**	2008
	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	**297,388**	411,861	**8,951**	6,957	**-**	–	**(16,845)**	1,264	**-**	–	**289,494**	420,082
Segment assets	**289,724**	524,152	**238,016**	242,690	**44,884**	37,848	**212,259**	329,361	**-**	–	**784,883**	1,134,051
Capital expenditure	**2,349**	18,227	**77**	419	**-**	–	**-**	–	**-**	–	**2,426**	18,646

5. REVENUE

Revenue represents the Group's turnover from the invoiced value of goods sold less discounts and returns, net income from counter and consignment sales, gross proceeds from the sale of properties, net realised gain or loss on securities trading, rental income net of outgoings, and advertising agency fee income during the year, and is analysed as follows:

	2009	2008
	HK$'000	*HK$'000*
Sale of goods – own goods	**243,575**	261,047
Net income from counter and consignment sales	**129,319**	128,855
Property rental, net of outgoings	**9,098**	8,915
Net realised gain/(loss) on securities and future contracts trading	**(100,845)**	18,548
Advertising agency fee income	**8,347**	2,717
	289,494	420,082

In the prior year, the Group's net unrealised loss on securities and future contracts trading were presented under "Revenue". During the current year, the Group has changed the presentation, as in the opinion of the Directors, it is more appropriate to disclose unrealised loss on securities and future contracts trading on the face of the consolidated income statement, instead of including it in "Revenue". To conform with the current year's presentation, the amounts of revenue were increased by HK$94.9 million and HK$9.7 million in the current and prior years, respectively.

6. OTHER INCOME AND GAINS, NET

An analysis of other income and gains is as follows:

	2009	2008
	HK$'000	*HK$'000*
Interest income	**10,339**	14,838
Dividends from listed investments	**7,522**	13,499
Foreign exchange losses, net	**(6,384)**	(6,320)
Gain on disposal of investment properties	**2,851**	929
Gain on disposal of properties held for sale	**1,551**	–
Gain/(loss) on deregistration/dissolution of subsidiaries, net	**(11,655)**	4,028
Others	**1,963**	3,979
	6,187	30,953

7. LOSS BEFORE TAX

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

	2009 HK$'000	2008 HK$'000
Depreciation	**6,724**	11,769
Amortisation of prepaid land premium	**–**	27
Auditors' remuneration	**2,500**	2,423
Employee benefits expenses, excluding Directors' remuneration *(note 32)*:		
Wages and salaries	**66,371**	65,385
Pension contributions, including pension costs for defined benefit schemes of HK$2,925,000 (2008: HK$2,617,000)	**3,612**	2,893
	69,983	68,278
Fair value loss/(gain) on investment properties in Mainland China*	**3,873**	(9,525)
Impairment/(write-back of impairment) for inventories**	**463**	(312)
Impairment on an available-for-sale investment*	**–**	1
Impairment on interests in associates*	**1,300**	6,838
Net realised loss/(gain) on securities and future contracts trading *(note 5)*	**100,845**	(18,548)
Operating lease rental payments in respect of land and buildings:		
Minimum lease payments	**113,229**	93,581
Contingent rent	**675**	1,663
Gain on disposal of investment properties***	**(2,851)**	(929)
Gain on disposal of properties held for sale***	**(1,551)**	–
Loss on disposal/write-off of items of property, plant and equipment*	**200**	1,115
Foreign exchange losses, net***	**6,384**	6,320
Gross and net rental income *(note 5)*	**(9,098)**	(8,915)
Dividends from listed investments ***	**(7,522)**	(13,499)
Interest income ***	**(10,339)**	(14,838)
Loss/(gain) on deregistration/dissolution of subsidiaries, net***	**11,655**	(4,028)

Dividend income of HK$2,367,000 (2008: Nil) 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 and gains, net" on the face of the consolidated income statement.

8. PENSION SCHEME ASSETS

The Group operates a funded final salary defined benefit pension scheme (the "Scheme") for those employees who are eligible to participate in the Scheme. Under the plan, the employees are entitled to retirement benefits at rates varying from 60% to 100% of final salary with years of service on attainment of a retirement age of 65.

The most recent actuarial valuations of the plan assets and the present value of the defined benefit obligations were carried out at 28 February 2009 by Watson Wyatt Hong Kong Limited, a member of the Actuarial Society of Hong Kong, using the projected unit credit actuarial valuation method.

(a) The amounts recognised in the balance sheets were as follows:

		Group		Company	
		2009	2008	**2009**	2008
	Notes	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Present value of defined benefit obligation	*8(c)*	**(52,991)**	(49,120)	**(52,991)**	(49,102)
Fair value of pension scheme assets	*8(d)*	**46,223**	47,773	**46,303**	47,826
		(6,768)	(1,347)	**(6,688)**	(1,276)
Net unrecognised actuarial losses		**11,823**	6,328	**11,823**	6,275
Net assets recognised at 28/29 February		**5,055**	4,981	**5,135**	4,999

NOTES TO FINANCIAL STATEMENTS (Continued)

28 February 2009

8. PENSION SCHEME ASSETS *(continued)*

(b) The components of the Group's net pension scheme cost recognised in the consolidated income statement for the year, together with the actual return on the pension scheme assets for the year were as follows:

	Group		Company	
	2009	2008	**2009**	2008
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Current service cost	**4,156**	3,459	**4,069**	3,441
Interest cost on defined benefit obligations	**1,504**	1,686	**1,504**	1,686
Expected return on pension scheme assets	**(2,665)**	(2,293)	**(2,666)**	(2,293)
Net cumulative actuarial losses recognised in the income statement	**112**	27	**108**	27
Gains on curtailment/settlement	**(3)**	–	**–**	–
	3,104	2,879	**3,015**	2,861
Actual return on pension scheme assets	**(2,700)**	5,076	**(2,700)**	5,076

The above amount of the Group's net pension scheme cost was included in the "General and administrative expenses" on the face of the consolidated income statement.

8. PENSION SCHEME ASSETS *(continued)*

(c) Movements in the present value of the Group's and the Company's defined benefit obligation were as follows:

		Group		Company	
		2009	2008	**2009**	2008
	Note	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
At beginning of year		**49,120**	40,239	**49,102**	40,239
Interest cost		**1,504**	1,686	**1,504**	1,686
Current service cost		**4,156**	3,459	**4,069**	3,441
Benefits paid		**(2,028)**	(938)	**(1,974)**	(885)
Actuarial loss		**290**	4,674	**290**	4,621
Gains on curtailment/ settlement		**(51)**	–	**–**	–
At end of year	*8(a)*	**52,991**	49,120	**52,991**	49,102

(d) Movements in the Group's and the Company's fair value of pension scheme assets were as follows:

		Group		Company	
		2009	2008	**2009**	2008
	Note	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
At beginning of year		**47,773**	41,284	**47,826**	41,284
Expected return on scheme assets		**2,665**	2,293	**2,666**	2,293
Contributions		**3,178**	2,351	**3,151**	2,351
Benefits paid		**(2,028)**	(938)	**(1,974)**	(885)
Actuarial gain/(loss) on scheme assets		**(5,365)**	2,783	**(5,366)**	2,783
At end of year	*8(a)*	**46,223**	47,773	**46,303**	47,826

8. PENSION SCHEME ASSETS *(continued)*

(e) The Group and the Company expected to pay HK$2,477,000, as contributions to the pension scheme assets during the year ending 28 February 2010.

(f) Scheme assets consist of the following:

	2009	2008
Equities	**10%**	15%
Bonds	**90%**	85%
Total	**100%**	100%

(g) The principal actuarial assumptions used in determining the Group's and the Company's net pension scheme assets as at the balance sheet date were as follows:

	2009	2008
	%	%
Discount rate	**2**	3.1
Expected rate of return on the pension scheme assets	**4.5**	5.5
Future salary increase rate	**0-4.5**	4.5

The expected rate of return on the pension scheme asset is based on market expectation, at the beginning of the period, for returns over the entire life of the related obligations.

8. PENSION SCHEME ASSETS *(continued)*

(h) Other historical information of the Group's and the Company's pension scheme assets and liabilities was as follows:

Group

	2009	2008	2007	2006	2005
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Present value of defined benefit obligations	**(52,991)**	(49,120)	(40,239)	(37,730)	(35,849)
Fair value of plan assets	**46,223**	47,773	41,284	38,252	36,989
Surplus/(deficit) in the plan	**(6,768)**	(1,347)	1,045	522	1,140
Experience gain/(loss) arising on scheme assets	**(5,365)**	2,783	320	(1,698)	(2,707)
Experience adjustment on plan liabilities	**794**	(4,674)	599	878	(201)

Company

	2009	2008	2007	2006	2005
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Present value of defined benefit obligations	**(52,991)**	(49,102)	(40,239)	(37,730)	(35,849)
Fair value of plan assets	**46,303**	47,826	41,284	38,252	36,989
Surplus/(deficit) in the plan	**(6,688)**	(1,276)	1,045	522	1,140
Experience gain/(loss) arising on scheme assets	**(5,366)**	2,783	320	(1,698)	(2,707)
Experience adjustment on plan liabilities	**794**	(4,621)	599	878	(201)

(i) In addition to the above disclosures, the following information is further provided pursuant to the requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"):

The Company has paid contribution to the Scheme at rates as recommended and calculated by the independent actuary, Mr. Aaron Wong, Fellow of the Society of Actuaries, using the Attainted Age Valuation Method. The latest on-going funding valuation was performed as at 29 February 2008, the level of funding was 123% and the market value of asset was HK$61,617,021. Based on the accrued funding status, the Scheme is fully funded. An investment return rate of 5.5% per annum and a salary increase rate of 4.5% per annum were assumed in the valuation.

NOTES TO FINANCIAL STATEMENTS (Continued)

28 February 2009

9. FINANCE COSTS

	Group	
	2009	2008
	HK$'000	*HK$'000*
Interest on bank loans and overdrafts wholly repayable within five years	**4,832**	5,416
Others	**341**	2,545
	5,173	7,961

10. TAX

No provision for Hong Kong profits tax has been made during the year (2008: 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	
	2009	2008
	HK$'000	*HK$'000*
Group:		
Current – Hong Kong	**–**	–
Current – Elsewhere		
Charge for the year	**29**	27
Overprovision in prior years	**–**	(1,983)
Total tax charge/(credit) for the year	**29**	(1,956)

10. TAX *(continued)*

A reconciliation of the tax expense applicable to loss before tax using the statutory rates, ranging from 16.5% to 25% (2008: 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	
	2009	2008
	HK$'000	*HK$'000*
Loss before tax	**(278,943)**	(23,923)
Tax at the statutory tax rates	**(48,725)**	(5,830)
Profits less losses attributable to associates	**7,110**	4,530
Adjustments in respect of current tax of previous periods	**–**	(1,983)
Income not subject to tax	**(3,077)**	(11,955)
Expenses not deductible for tax	**29,361**	13,830
Deferred tax not recognised	**(670)**	279
Tax losses not recognised	**16,157**	2,076
Tax losses utilised from previous periods	**(127)**	(2,903)
Tax charge/(credit) at the Group's effective rate	**29**	(1,956)

The Group has tax losses arising in Hong Kong of approximately HK$935,578,000 (2008: HK$896,385,000) 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 (2008: Nil) in the current year.

11. LOSS ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The consolidated loss attributable to equity holders of the Company for the year ended 28 February 2009 includes a loss of HK$130,220,000 (2008: a profit of HK$3,597,000) dealt with in the financial statements of the Company (note 31(b)).

12. LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of basic loss per share is based on the net loss attributable to ordinary equity holders of the Company for the year of HK$276,186,000 (2008: HK$21,809,000) and the 486,233,000 ordinary shares (2008: 486,233,000) in issue throughout the year, as adjusted to reflect the number of shares held by an associate through reciprocal shareholding.

No diluted loss per share is presented for the current and prior years, respectively, as there were no dilutive potential ordinary shares in existence during these years.

13. PROPERTY, PLANT AND EQUIPMENT

Group

	Land and buildings *HK$'000*	Furniture, fixtures, equipment and motor vehicles *HK$'000*	Leasehold improvements *HK$'000*	Total *HK$'000*
28 February 2009				
Cost:				
At 1 March 2008	50,770	34,206	73,682	158,658
Additions	–	1,976	450	2,426
Disposals/write-off	–	(70)	(1,826)	(1,896)
Exchange re-alignment	–	33	6	39
At 28 February 2009	50,770	36,145	72,312	159,227
Accumulated depreciation and impairment:				
At 1 March 2008	13,196	29,157	57,477	99,830
Depreciation provided during the year	1,016	2,025	3,683	6,724
Disposals/write-off	–	(51)	(1,645)	(1,696)
Exchange re-alignment	–	21	2	23
At 28 February 2009	14,212	31,152	59,517	104,881
Net book value:				
At 28 February 2009	36,558	4,993	12,795	54,346

13. PROPERTY, PLANT AND EQUIPMENT *(continued)*

Group

	Land and buildings HK$'000	Furniture, fixtures, equipment and motor vehicles HK$'000	Leasehold improvements HK$'000	Total HK$'000
29 February 2008				
Cost:				
At 1 March 2007	97,015	35,232	77,817	210,064
Additions	–	2,319	16,327	18,646
Reclassified as properties held for sale *(note 20)*	(1,844)	–	(421)	(2,265)
Reclassified as a disposal group classified as held for sale *(note 26)*	(47,340)	(1,606)	–	(48,946)
Disposals/write-off	(1,365)	(1,823)	(20,041)	(23,229)
Exchange re-alignment	4,304	84	–	4,388
At 29 February 2008	50,770	34,206	73,682	158,658
Accumulated depreciation and impairment:				
At 1 March 2007	39,044	29,923	68,420	137,387
Depreciation provided during the year	2,264	1,969	7,536	11,769
Reclassified as properties held for sale *(note 20)*	(1,032)	–	(260)	(1,292)
Reclassified as a disposal group classified as held for sale *(note 26)*	(28,965)	(1,475)	–	(30,440)
Disposals/write-off	(749)	(1,316)	(18,219)	(20,284)
Exchange re-alignment	2,634	56	–	2,690
At 29 February 2008	13,196	29,157	57,477	99,830
Net book value:				
At 29 February 2008	37,574	5,049	16,205	58,828

NOTES TO FINANCIAL STATEMENTS (Continued)

28 February 2009

13. PROPERTY, PLANT AND EQUIPMENT *(continued)*

Company

	Furniture, fixtures, equipment and motor vehicles HK$'000	Leasehold improvements HK$'000	Total HK$'000
28 February 2009			
Cost:			
At 1 March 2008	30,810	56,136	86,946
Additions	1,342	–	1,342
Disposals/write-off	(10)	(438)	(448)
At 28 February 2009	32,142	55,698	87,840
Accumulated depreciation:			
At 1 March 2008	26,856	40,725	67,581
Provided during the year	1,367	3,255	4,622
Disposals/write-off	(10)	(96)	(106)
At 28 February 2009	28,213	43,884	72,097
Net book value:			
At 28 February 2009	3,929	11,814	15,743
29 February 2008			
Cost:			
At 1 March 2007	30,708	59,656	90,364
Additions	1,718	16,266	17,984
Disposals/write-off	(1,616)	(19,786)	(21,402)
At 29 February 2008	30,810	56,136	86,946
Accumulated depreciation:			
At 1 March 2007	26,781	52,594	79,375
Provided during the year	1,380	6,194	7,574
Disposals/write-off	(1,305)	(18,063)	(19,368)
At 29 February 2008	26,856	40,725	67,581
Net book value:			
At 29 February 2008	3,954	15,411	19,365

13. PROPERTY, PLANT AND EQUIPMENT *(continued)*

The Group's buildings are situated in Hong Kong and held under medium term leases.

As at 28 February 2009, an impairment loss of HK$3,940,000 (2008: HK$3,940,000) was included in the net book value of the buildings. The impairment loss was determined by management with reference to the open market value of those buildings at the balance sheet date.

The Group's leasehold buildings situated in Hong Kong are pledged as security to a bank for a bank loan granted (note 25).

14. INVESTMENT PROPERTIES

	Group	
	2009	2008
	HK$'000	*HK$'000*
Carrying amount at beginning of year	**3,921**	126,180
Net gain from fair value adjustments	**–**	2,365
Disposals	**(1,783)**	(520)
Reclassified as properties held for sale *(note 20)*	**–**	(2,804)
Reclassified as a disposal group classified as held for sale *(note 26)*	**–**	(121,300)
Carrying amount at end of year	**2,138**	3,921

The investment properties are situated in Mainland China and are held under medium term leases.

The investment properties were revalued at 28 February 2009 by Castores Magi (Hong Kong) Limited, an independent firm of professionally qualified valuers, on an open market, existing use basis at HK$2,138,000 (2008: HK$3,921,000).

No revaluation surplus was credited to the income statement during the year. For the year ended 29 February 2008, a revaluation surplus of HK$2,365,000 was credited to the consolidated income statement. The investment properties are leased to third parties under operating leases, further summary details of which are included in note 35(a) to the financial statements.

During the year ended 29 February 2008, the Group entered into sales and purchases agreements with independent third parties to dispose of certain investment properties. At 29 February 2008, the disposal of an investment property has not yet been completed. Such investment property was revalued at HK$2,804,000, with reference to the consideration of the disposal less cost to sell, and transferred to properties held for sale.

15. PREPAID LAND PREMIUM

	Group	
	2009	2008
	HK$'000	*HK$'000*
Carrying value:		
At beginning of year	**–**	798
Amortisation during the year	**–**	(27)
Reclassified under a disposal group classified as held for sale *(note 26)*	**–**	(771)
At end of year	**–**	–

16. PROPERTIES UNDER DEVELOPMENT

	Group	
	2009	2008
	HK$'000	*HK$'000*
Carrying value:		
At beginning of year	**–**	79,100
Reclassified under a disposal group classified as held for sale *(note 26)*	**–**	(79,100)
At end of year	**–**	–

17. INTERESTS IN SUBSIDIARIES

	Company	
	2009	2008
	HK$'000	*HK$'000*
Unlisted shares, at cost	**10,924**	11,275
Due from subsidiaries	**1,508,329**	1,566,768
Due to subsidiaries	**(163,289)**	(187,625)
	1,355,964	1,390,418
Less: Provision for impairment#	**(758,938)**	(681,364)
	597,026	709,054

As at 28 February 2009, an aggregate impairment of HK$758,938,000 (2008: HK$681,364,000) was recognised for investments in and amounts due from certain unlisted investments with an aggregate gross carrying amount of HK$1,246,025,000 (2008: HK$687,075,000) (before deducting the impairment loss) because the relevant subsidiaries had suffered losses for years or ceased operation.

17. INTERESTS IN SUBSIDIARIES *(continued)*

The balances with subsidiaries are unsecured and not repayable within the next 12 months from the balance sheet date. Certain of the balances bear interest at 4.3% (2008: 4.3%) per annum. The carrying amounts of the balances due from/to subsidiaries approximate to their fair values.

Particulars of the principal subsidiaries are as follows:

Company	Place of incorporation/ registration and operations	Nominal value of issued/ registered share capital/ paid-up capital	Class of shares held	Percentage of equity attributable to the Company Directly	Indirectly	Principal activities
Citihood Developments Limited	British Virgin Islands	US$30,000	Registered	100	–	Investment holding
Dalian Sincere Building Co., Ltd.*^	People's Republic of China ("PRC")/ Mainland China	RMB72,000,000	N/A	–	100	Property development
Finsbay Investment Limited	British Virgin Islands	US$10,000	Registered	–	51	Investment holding
Jubilee Street Limited	UK	GBP967	Ordinary "A" shares	–	100	Property investment
		GBP33	Ordinary "B" shares	–	–	
Ottoway Limited	British Virgin Islands	US$1	Registered	100	–	Investment holding
Right View Limited	Hong Kong	HK$2	Ordinary	–	100	Property holding
Silveroute Limited	British Virgin Islands	US$1	Registered	100	–	Securities trading
The Sincere Department Store (China) Limited	British Virgin Islands	US$50,000	Registered	100	–	Investment holding

NOTES TO FINANCIAL STATEMENTS (Continued)

28 February 2009

17. INTERESTS IN SUBSIDIARIES *(continued)*

Company	Place of incorporation/ registration and operations	Nominal value of issued/ registered share capital/ paid-up capital	Class of shares held	Percentage of equity attributable to the Company Directly	Indirectly	Principal activities
The Sincere Finance Company, Limited	Hong Kong	HK$2	Ordinary	100	–	Provision of finance
Springview Limited	Hong Kong	HK$500,000	Ordinary	100	–	Securities trading
360 Communications Limited	Hong Kong	HK$100	Ordinary	–	70	Advertising agency
Pacific Falcon Limited	Hong Kong	HK$10,000	Ordinary	–	100	Residential project design and furniture retailing
Uniglobe Travel One (China) Limited	Hong Kong	HK$10,000	Ordinary	100	–	Travel franchising agency
Sincere (Shanghai) Commercial Management Company Limited^	PRC/ Mainland China	US$1,000,000	N/A	100	–	Provision of management services
Lark Spur Worldwide Limited*	British Virgin Islands	US$10	Registered	–	100	Investment holding
Sun Ally Investments Limited	British Virgin Islands	US$100	Registered	–	100	Investment holding

* The assets and liabilities of Dalian Sincere Building Co., Ltd. and Lark Spur Worldwide Limited were classified as a disposal group classified as held for sale since the year ended 29 February 2008. Further details are included in note 26 to the financial statements.

^ Registered as wholly-foreign-owned enterprises under the PRC law.

The above table lists the subsidiaries of the Company, which in the opinion of the Directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the Directors, result in particulars of excessive length.

18. INTERESTS IN ASSOCIATES

	Group		Company	
	2009	2008	**2009**	2008
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Unlisted shares, at cost	**–**	–	**16,611**	16,611
Share of net assets other than goodwill	**100,514**	170,702	**–**	–
	100,514	170,702	**16,611**	16,611
Due from associates	**20,406**	39,554	**–**	–
Due to associates	**(48,003)**	(84,252)	**(579)**	(540)
	72,917	126,004	**16,032**	16,071
Provision for impairment #	**(8,138)**	(6,838)	**–**	–
	64,779	119,166	**16,032**	16,071

\# As at 28 February 2009, an aggregate impairment of HK$8,138,000 (2008: HK$6,838,000) was recognised for an amount due from an associate with an aggregate gross carrying amount of HK$20,222,000 (2008: HK$39,554,000) (before deducting the impairment loss) because the relevant associate had suffered losses for years.

The Group's share of the post-acquisition accumulated reserves of associates at 28 February 2009 was HK$32,634,000 (2008: HK$102,822,000).

The balances with associates are unsecured, interest-free and not repayable within the next 12 months from the balance sheet date. The carrying amounts of the balances approximate to their fair values.

The following table illustrates the summarised financial information of the Group's associates:

	2009	2008
	HK$'000	*HK$'000*
Total assets	**502,832**	777,501
Total liabilities	**120,023**	231,731
Revenue	**11,442**	(8,091)
Loss before tax	**(78,142)**	(38,713)

NOTES TO FINANCIAL STATEMENTS (Continued)

28 February 2009

18. INTERESTS IN ASSOCIATES *(continued)*

Particulars of the principal associates are as follows:

Company	Business structure	Place of incorporation	Particulars of issued shares held	Percentage of ownership interest attributable to the Group	Principal activities
Tailbay Investments Limited	Corporate	British Virgin Islands	Ordinary shares of US$1 each	30.00	Investment holding
The Sincere Life Assurance Company Limited ("Life")	Corporate	Hong Kong	Ordinary shares of HK$10 each	48.09	Insurance and investment
The Sincere Insurance & Investment Company, Limited ("Insurance")	Corporate	Hong Kong	Ordinary shares of HK$100 each	40.67	General insurance and investment
The Sincere Company (Perfumery Manufacturers) Limited ("Perfumery")	Corporate	Hong Kong	Ordinary shares of HK$100 each	37.15	Investment holding
140 Park Lane Limited	Corporate	UK	Ordinary shares of GBP0.1 each	30.00	Property investment
Lancaster Partnership Limited	Corporate	UK	Ordinary shares of GBP0.01 each	50.00	Property investment

At 28 February 2009, Life, Insurance and Perfumery directly held 31.89%, 13.17% and 0.30% respectively, of the issued share capital of the Company.

The above table lists the associates of the Company, which in the opinion of the Directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other associates would, in the opinion of the Directors, result in particulars of excessive length.

19. FINANCIAL INSTRUMENTS

		Group		Company	
		2009	2008	**2009**	2008
	Notes	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Available-for-sale investments					
Unlisted investments at cost:					
Hong Kong	*(a)*	**473**	13,052	**473**	13,052
Taiwan	*(b)*	**23,108**	23,108	**23,108**	23,108
United States		**17,176**	–	**–**	–
		40,757	36,160	**23,581**	36,160
Less: Provision for impairment		**(14,411)**	(26,990)	**(14,411)**	(26,990)
		26,346	9,170	**9,170**	9,170
Convertible promissory note, at cost	*(c)*	**17,550**	–	**–**	–
		43,896	9,170	**9,170**	9,170

(a) During the year ended 29 February 2008, unlisted investments in Hong Kong of the Group and of the Company included interests of 10% in the issued share capital of Goldian Limited ("Goldian") with a carrying value of HK$1,000, which underwent a voluntary winding up and hence the carrying value was fully provided and was charged to the income statement.

(b) At 28 February 2009, the unlisted investments in Taiwan of the Group and of the Company represented interests of 19.9% (2008: 19.9%) in the issued share capital of The Sincere Department Store Limited, against which provisions for impairment of HK$14,411,000 (2008: HK$14,411,000) have been made as considered necessary by the Directors of the Company.

(c) During the year, the Group acquired a non-negotiable convertible promissory note (the "Promissory Note") of TR-BIZ L.L.C., a private limited company in the United States. The principal amount of the 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 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 non-current.

The Promissory Note was designated as financial assets at fair value through profit or loss upon initial recognition as it contains an embedded derivative. As at 28 February 2009, the carrying amount of the Promissory Note amounted to HK$17,550,000 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.

NOTES TO FINANCIAL STATEMENTS (Continued)

28 February 2009

20. PROPERTIES HELD FOR SALE

	Group	
	2009	2008
	HK$'000	*HK$'000*
At beginning of year	**3,777**	–
Transferred from property, plant and equipment *(note 13)*	**–**	973
Transferred from investment properties *(note 14)*	**–**	2,804
Disposals	**(3,777)**	–
At end of year	**–**	3,777

21. 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	
	2009	2008
	HK$'000	*HK$'000*
Within 3 months not past due	**1,110**	202
Within 3 months past due	**–**	1,552
Over 3 months past due	**262**	242
Total debtors	**1,372**	1,996
Impairment	**–**	–
Total	**1,372**	1,996

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.

22. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Group	
	2009	2008
	HK$'000	*HK$'000*
Listed equity investments, at market value:		
Hong Kong	**53,658**	92,320
Elsewhere	**144,605**	370,229
	198,263	462,549

The above equity investments at 28 February 2009 were classified as held for trading.

At the balance sheet date, marketable securities with an aggregate market value of approximately HK$156,469,000 (2008: HK$414,773,000) were pledged to banks to secure banking facilities granted to the Group (note 25).

23. DERIVATIVE FINANCIAL INSTRUMENTS

The following is a summary of the fair values of each significant type of derivatives at 28 February 2009:

	2009		2008	
	Assets	**Liabilities**	Assets	Liabilities
	HK$'000	***HK$'000***	*HK$'000*	*HK$'000*
Derivatives held for trading, at market value:				
Equity contracts	**11,586**	**7,377**	14,519	17,533
Foreign exchange rate contracts	**33**	**1,087**	4	6,745
	11,619	**8,464**	14,523	24,278

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

24. CASH AND BANK BALANCES

	Group		Company	
	2009	2008	**2009**	2008
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Cash on hand and at banks	**35,789**	53,536	**14,851**	9,537
Time deposits with original maturity of less than three months	**15,835**	–	**–**	–
Time deposits with original maturity of more than three months	**13,572**	–	**–**	–
	65,196	53,536	**14,851**	9,537

At the balance sheet date, the cash and bank balances of the Group denominated in Renminbi ("RMB") amounted to HK$34,636,000 (2008: HK$26,188,000). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The bank balances and time deposits are deposited with creditworthy banks with no recent history of default.

25. INTEREST-BEARING BORROWINGS AND OVERDRAFTS

	Group		Company	
	2009	2008	**2009**	2008
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Bank loans, secured	**24,617**	47,113	**–**	–
Bank overdrafts, secured	**15,503**	15,774	**13,423**	–
	40,120	62,887	**13,423**	–

All the bank loans and overdrafts are repayable within one year and bear interest at floating rates ranging from 1.0% to 7.0% per annum. The interest-bearing borrowings and overdrafts are mainly denominated in United States dollars and Hong Kong dollars respectively.

25. INTEREST-BEARING BORROWINGS AND OVERDRAFTS *(continued)*

Certain of the Group's and the Company's bank loans and facilities are secured by:

(a) the pledge of certain of the Group's cash and bank balances of HK$7,683,000 (2008: HK$6,523,000) and time deposits amounting to HK$19,684,000 (2008: HK$76,634,000).

(b) the pledge of the Company's time deposits amounting to HK$17,055,000 (2008: HK$36,685,000).

(c) the pledge of certain of the Group's marketable securities with an aggregate market value of approximately HK$156,469,000 (2008: HK$414,773,000) (note 22).

(d) mortgages over the Group's buildings which had an aggregate carrying value at the balance sheet date of approximately HK$36,558,000 (2008: HK$37,574,000) (note 13).

26. A DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE

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

As at 28 February 2009, the Share Purchase Agreement has not yet been completed. The Group was still in negotiation with the buyers. In accordance with HKFRS 5 "Non-current assets held for sale and discontinued operations", the assets and liabilities of the Disposal Group have been presented as assets and liabilities of a disposal group classified as held for sale under current assets and current liabilities, respectively.

26. A DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE *(continued)*

The major classes of the assets and liabilities of the Disposal Group classified as held for sale as at 28/29 February 2009 and 2008 are as follows:

	28 February 2009 *HK$'000*	29 February 2008 *HK$'000*
Assets		
Property, plant and equipment *(note a)*	**19,128**	18,506
Investment properties *(note b)*	**128,220**	128,460
Prepaid land premium *(note c)*	**793**	771
Properties under development *(note d)*	**81,320**	79,100
Prepayments, deposits and other receivables	**2,235**	3,733
Cash and bank balances	**1,021**	334
Assets classified as held for sale	**232,717**	230,904
Liabilities		
Deposits, accrued expenses and other payables	**(5,977)**	(10,392)
Liabilities directly associated with the assets classified as held for sale	**(5,977)**	(10,392)
Net assets directly associated with a disposal group classified as held for sale	**226,740**	220,512
Equity		
Exchange reserves recognised directly in equity associated with a disposal group classified as held for sale	**(12,285)**	(4,471)

Notes:

(a) As at 28 February 2009, based on the valuation report prepared by Castores Magi (Hong Kong) Limited, an independent firm of professionally qualified valuers ("Castores"), on an open market, existing use basis, the Directors considered that there is no impairment loss for the property, plant and equipment for the year. During the year, an addition of HK$26,000 was recognised in the property, plant and equipment and an exchange reserve movement of HK$596,000 was credited to the consolidated statement of changes in equity.

(b) The investment properties were revalued at 28 February 2009 by Castores, on an open market, existing use basis at HK$128,220,000. A revaluation loss of HK$3,873,000 resulting from the valuation was debited to the consolidated income statement and an exchange reserve movement of HK$3,633,000 was credited to the consolidated statement of changes in equity. For the year ended 29 February 2008, investment properties of HK$121,300,000 was transferred from investment properties and a revaluation surplus of HK$7,160,000 resulting from the valuation was credited to the consolidated income statement. The investment properties are leased to third parties under operating leases, further summary details of which are included in note 35(a) to the financial statements.

(c) During the year, an exchange reserve movement of HK$22,000 was credited to the consolidated statement of changes in equity. The Group's leasehold land included above is situated in Mainland China and is held under a medium term lease.

(d) As at 28 February 2009, based on the valuation report prepared by Castores on an open market, existing use basis, the Directors considered that there is no impairment loss for the properties under development for the year. During the year, an exchange reserve movement of HK$2,220,000 was credited to the consolidated statement of changes in equity.

27. CREDITORS

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

	Group		Company	
	2009	2008	**2009**	2008
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Current – 3 months	**57,313**	94,714	**54,650**	89,933
4 – 6 months	**21,700**	2,014	**18,580**	1,798
7 – 12 months	**478**	2,491	**192**	2,372
Over 1 year	**976**	776	**785**	681
	80,467	99,995	**74,207**	94,784

28. SHARE CAPITAL

	2009	2008
	HK$'000	*HK$'000*
Authorised:		
600,000,000 ordinary shares of HK$0.50 each	**300,000**	300,000
Issued and fully paid:		
574,308,000 ordinary shares of HK$0.50 each	**287,154**	287,154

29. SHARE PREMIUM ACCOUNT

	2009	2008
	HK$'000	*HK$'000*
At beginning and end of year	**26**	26

30. SHARE OPTION SCHEME

The Company operates the share option scheme (the "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.

30. SHARE OPTION SCHEME *(continued)*

The offer of the grant of a share option may be accepted within 28 days from the date of 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 of Hong Kong Limited for the five trading days immediately preceding the date of offer of the option; and (ii) the nominal value of the Company's shares.

No options had been granted or agreed to be granted under the Option Scheme up to the date of approval of these financial statements.

31. RESERVES

(a) Group

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity.

(b) Company

	General reserve *HK$'000*	Retained profits *HK$'000*	Total *HK$'000*
At 1 March 2007	46,613	419,045	465,658
Profit for the year	–	3,597	3,597
Write-back of unclaimed dividends	–	4,605	4,605
At 29 February 2008 and 1 March 2008	46,613	427,247	473,860
Loss for the year	–	(130,220)	(130,220)
At 28 February 2009	46,613	297,027	343,640

32. REMUNERATION OF THE DIRECTORS AND THE FIVE HIGHEST PAID INDIVIDUALS

Directors' remuneration for the year, disclosed pursuant to the Listing Rules and Section 161 of the Hong Kong Companies Ordinance, is as follows:

	Executive Directors				Independent Non-Executive Directors						Total	
	Walter K W Ma		Philip K H Ma		King Wing Ma		Eric K K Lo		Charles M W Chan			
	2009	2008	**2009**	2008	**2009**	2008	**2009**	2008	**2009**	2008	**2009**	2008
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Fees	**1,564**	1,564	**913**	913	**110**	160	**182**	160	**110**	160	**2,879**	2,957
Salaries, allowances and other benefits	**9,380**	9,771	**8,802**	7,922	**50**	–	**50**	72	**50**	–	**18,332**	17,765
Pension contributions including pension cost for defined benefit scheme of HK$220,000 (2008: HK$173,000)	**-**	–	**220**	173	**-**	–	**-**	–	**-**	–	**220**	173
	10,944	11,335	**9,935**	9,008	**160**	160	**232**	232	**160**	160	**21,431**	20,895

There were no other emoluments payable to the Independent Non-Executive Directors during the year (2008: Nil).

There was no arrangement under which a Director waived or agreed to waive any remuneration during the year.

Of the five highest paid individuals, two (2008: two) are Directors of the Company and their remuneration are included in the Directors' remuneration above. The remuneration of the remaining three highest paid individuals, analysed by nature thereof and designated bands, is set out below:

	Group	
	2009	2008
	HK$'000	*HK$'000*
Salaries and allowances	**4,158**	3,535
Pension contributions	**82**	73
	4,240	3,608

	Number of individuals	
	2009	2008
Nil – HK$1,000,000	**1**	1
HK$1,000,001 – HK$1,500,000	**–**	1
HK$1,500,001 – HK$2,000,000	**2**	1

33. NOTE TO THE CONSOLIDATED CASH FLOW STATEMENT

Deregistration/dissolution of subsidiaries

	Note	2009 HK$'000	2008 HK$'000
Net assets disposed of:			
Prepayments, deposits and other receivables		**397**	1,676
Other payables		**(2,926)**	(1,429)
Minority interests		**(342)**	–
Realisation of exchange reserves		**14,526**	(4,275)
		11,655	(4,028)
Gain/(loss) on deregistration/dissolution	7	**(11,655)**	4,028
		–	–

There was no net inflow/outflow of cash and cash equivalents in respect of the deregistration/dissolution of subsidiaries during the current and prior years.

34. PLEDGE OF ASSETS

Details of the Group's bank loans and overdrafts, which are secured by the assets of the Group, are included in notes 13, 22 and 25 to the financial statements.

35. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group leases its investment properties (note 14) under operating lease arrangements, with leases negotiated for terms ranging from 1 to 14 years.

At the balance sheet date, the Group and the Company had total future minimum lease receivables under non-cancellable operating leases with their tenants falling due as follows:

	Group		Company	
	2009	2008	**2009**	2008
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Within one year	**5,533**	5,542	**161**	156
In the second to fifth years, inclusive	**21,489**	20,949	**–**	–
After five years	**45,664**	49,637	**–**	–
	72,686	76,128	**161**	156

During the year, the Group and the Company did not receive any contingent rent (2008: Nil).

(b) As lessee

The Group leases certain of its land and buildings under operating lease arrangements, with leases negotiated for terms ranging from 1 to 3 years.

At the balance sheet date, the Group and the Company had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group		Company	
	2009	2008	**2009**	2008
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Within one year	**70,869**	68,832	**69,684**	66,789
In the second to fifth years, inclusive	**144,352**	209,618	**143,529**	208,555
	215,221	278,450	**213,213**	275,344

Certain non-cancellable operating leases included above were subject to contingent rent payments, which were charged at 9% to 9.25% (2008: 9% to 9.25%) of the gross sales attributable to the leased premises in excess of the base rents as determined in accordance with the lease agreements.

36. OUTSTANDING COMMITMENTS

Outstanding commitments at the balance sheet date were as follows:

	Group		Company	
	2009	2008	**2009**	2008
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Irrevocable letters of credit	**5,848**	11,636	**5,848**	11,636

37. CONTINGENT LIABILITIES

The Group's share of guarantee provided by certain associates amounted to approximately HK$51,081,000 (2008: HK$103,194,000) as at the balance sheet date in respect of a banking facility granted to their associates.

38. RELATED PARTY TRANSACTIONS

(a) In addition to the transactions detailed elsewhere in these financial statements, the Group also paid insurance premium expenses of approximately HK$1,417,000 (2008: HK$1,416,000) to an associate. The insurance premium expenses were transacted at prices and terms similar to those offered to unrelated customers of the associate.

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

	2009	2008
	HK$'000	*HK$'000*
Short term employee benefits	**25,369**	23,705
Post-employment benefits	**302**	246
Total compensation paid to key management personnel	**25,671**	23,951

Further details of Directors' emoluments are included in note 32 to the financial statements.

39. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the balance sheet date are as follows:

2009

Financial assets

	Group			
	Financial assets at fair value through profit or loss – held for trading *HK$'000*	Loans and receivables *HK$'000*	Available-for-sale financial assets *HK$'000*	Total *HK$'000*
Due from associates *(note 18)*	–	20,406	–	20,406
Financial instruments	17,550	–	26,346	43,896
Debtors	–	1,372	–	1,372
Financial assets included in prepayments, deposits and other receivables	–	22,297	–	22,297
Financial assets at fair value through profit or loss	198,263	–	–	198,263
Derivative financial instruments	11,619	–	–	11,619
Pledged bank balances	–	7,683	–	7,683
Pledged deposits with banks	–	19,684	–	19,684
Cash and bank balances	–	65,196	–	65,196
	227,432	136,638	26,346	390,416

2009

Financial liabilities

	Group		
	Financial liabilities at fair value through profit or loss – held for trading *HK$'000*	Financial liabilities at amortised cost *HK$'000*	Total *HK$'000*
Due to associates *(note 18)*	–	48,003	48,003
Creditors	–	80,467	80,467
Financial liabilities included in deposits, accrued expenses and other payables	–	25,120	25,120
Derivative financial instruments	8,464	–	8,464
Interest-bearing bank borrowings and overdrafts	–	40,120	40,120
	8,464	193,710	202,174

39. FINANCIAL INSTRUMENTS BY CATEGORY *(continued)*

The carrying amounts of each of the categories of financial instruments as at the balance sheet date are as follows: *(continued)*

2008

Financial assets

	Group			
	Financial assets at fair value through profit or loss – held for trading *HK$'000*	Loans and receivables *HK$'000*	Available-for-sale financial assets *HK$'000*	Total *HK$'000*
Due from associates *(note 18)*	–	39,544	–	39,544
Financial instruments	–	–	9,170	9,170
Debtors	–	1,996	–	1,996
Financial assets included in prepayments, deposits and other receivables	–	26,023	–	26,023
Financial assets at fair value through profit or loss	462,549	–	–	462,549
Derivative financial instruments	14,523	–	–	14,523
Pledged bank balances	–	6,523	–	6,523
Pledged deposits with banks	–	76,634	–	76,634
Cash and bank balances	–	53,536	–	53,536
	477,072	204,256	9,170	690,498

2008

Financial liabilities

	Group		
	Financial liabilities at fair value through profit or loss – held for trading *HK$'000*	Financial liabilities at amortised cost *HK$'000*	Total *HK$'000*
Due to associates *(note 18)*	–	84,252	84,252
Creditors	–	99,995	99,995
Financial liabilities included in deposits, accrued expenses and other payables	–	32,480	32,480
Derivative financial instruments	24,278	–	24,278
Interest-bearing bank borrowings and overdrafts	–	62,887	62,887
	24,278	279,614	303,892

39. FINANCIAL INSTRUMENTS BY CATEGORY *(continued)*

The carrying amounts of each of the categories of financial instruments as at the balance sheet date are as follows: *(continued)*

Company

Financial assets

	2009			2008		
	Loans and receivables	**Available-for-sale financial assets**	**Total**	Loans and receivables	Available-for-sale financial assets	Total
	HK$'000	***HK$'000***	***HK$'000***	*HK$'000*	*HK$'000*	*HK$'000*
Due from subsidiaries	**759,522**	**–**	**759,522**	885,404	–	885,404
Financial instruments	**–**	**9,170**	**9,170**	–	9,170	9,170
Financial assets included in debtors, prepayments and deposits	**5,313**	**–**	**5,313**	11,519	–	11,519
Pledged deposits with banks	**17,055**	**–**	**17,055**	36,685	–	36,685
Cash and bank balances	**14,851**	**–**	**14,851**	9,537	–	9,537
	796,741	**9,170**	**805,911**	943,145	9,170	952,315

Financial liabilities

	2009	2008
	Financial liabilities at amortised cost	Financial liabilities at amortised cost
	HK$'000	*HK$'000*
Due to subsidiaries *(note 17)*	**163,289**	187,625
Due to associates *(note 18)*	**579**	540
Financial liabilities included in deposits, accrued expenses and other payables	**2,247**	3,661
Creditors	**74,207**	94,784
	240,322	286,610

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments, other than derivatives, comprise bank loans and overdrafts, pledged time deposits, short term deposits, cash and bank balances. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has other financial assets and liabilities such as debtors and creditors, which arise directly from its operations.

The Group also enters into derivative transactions, including interest rate swaps and forward currency contracts. The purpose of such contracts is to manage the interest rate and currency risks arising from the Group's operations and its sources of finance.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. The Board of Directors reviews and agrees policies for managing each of these risks and they are summarised below. The Group's accounting policies in relation to derivatives are set out in note 2.4 to the financial statements.

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's bank borrowings and overdrafts with floating interest rates.

The Group regularly reviews and monitors the mix of fixed and floating interest rate borrowings in order to manage its interest rate risk. Floating rate interest income and expenses are credited/charged to the income statement as earned/incurred.

The Group's policy to manage its interest rate risk is to reduce or maintain its current level of interest-bearing borrowings.

At the balance sheet date, a hypothetical 100-basis point increase/decrease in interest rates on the bank borrowings, that are carried at variable rates would increase/decrease the interest expense as follows:

Group	**2009**	2008
	HK$'000	*HK$'000*
Increase/decrease in interest expense	**401**	629

Company	**2009**	2008
	HK$'000	*HK$'000*
Increase/decrease in interest expense	**134**	–

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Foreign currency risk

The Group has transactional currency exposures. Such exposures arise from sales or purchases by operating units in currencies other than the unit's functional currency. Also, the value of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group has a foreign currency hedging policy on Euro for the purchase of inventories, which is to hedge 50% of anticipated total value of European purchases of inventories of the following season. Given that the Hong Kong dollars are pegged to United States dollars ("USD"), management does not expect that the Group has significant foreign exchange exposure to USD hence the Group has no hedging policy on USD.

The following table demonstrates the sensitivity at the balance sheet date to a reasonably possible change in the Euro exchange rate, with all other variables held constant, of the Group's profit before tax and equity, in respect of the financial assets and derivative financial instruments based on their carrying amounts at the balance sheet date.

Group	**Increase/ (decrease) in exchange rate** *%*	**Decrease/ (increase) in loss before tax** *HK$'000*	**Increase/ (decrease) in equity*** *HK$'000*
2009			
Investments denominated in and investments linked to a currency denominated in:			
Euro	**5**	**174**	**–**
	(5)	**(174)**	**–**
2008			
Investments denominated in and investments linked to a currency denominated in:			
Euro	5	1,141	–
	(5)	(1,141)	–

* Excluding retained profits

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Credit risk

The Group trades only with recognised and creditworthy third parties. Receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

The credit risk of the Group's other financial assets, which comprise short term bank deposits, cash and cash equivalents, available-for-sale investments, amounts due from associates and other receivables, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral.

Liquidity risk

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial instruments and financial assets and projected cash flows from operations.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts and bank loans to ensure that the Group maintains sufficient cash to meet its liquidity requirements.

The maturity profile of the Group's financial liabilities as at the balance sheet date, based on the contractual undiscounted payments, was as follows:

2009

	Group			
		Less than	More than	
	On demand	12 months	1 year	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Creditors	–	80,467	–	80,467
Deposits and other payables	–	4,611	20,509	25,120
Derivative financial instruments	–	8,464	–	8,464
Interest-bearing borrowings and overdrafts	15,503	24,617	–	40,120
	15,503	118,159	20,509	154,171

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Liquidity risk *(continued)*

The maturity profile of the Group's financial liabilities as at the balance sheet date, based on the contractual undiscounted payments, was as follows: *(continued)*

2008

	Group			
		Less than	More than	
	On demand	12 months	1 year	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Creditors	–	99,219	776	99,995
Deposits and other payables	3,366	13,983	15,131	32,480
Derivative financial instruments	–	24,278	–	24,278
Interest-bearing borrowings and overdrafts	15,774	47,113	–	62,887
	19,140	184,593	15,907	219,640

2009

	Company			
		Less than	**More than**	
	On demand	**12 months**	**1 year**	**Total**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***
Creditors	**–**	**74,207**	**–**	**74,207**
Deposits and other payables	**–**	**1,216**	**1,031**	**2,247**
Interest-bearing borrowings and overdrafts	**13,423**	**–**	**–**	**13,423**
	13,423	**75,423**	**1,031**	**89,877**

2008

	Company			
		Less than	More than	
	On demand	12 months	1 year	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Creditors	–	94,103	681	94,784
Deposits and other payables	–	3,661	–	3,661
	–	97,764	681	98,445

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Equity price risk

Equity price risk is the risk that the fair values of equity securities decrease as a result of changes in the levels of equity indices and the value of individual securities. The Group is exposed to equity price risk arising from individual equity investments classified as trading equity investments (note 22) and available-for-sale investments (note 19) as at 28 February 2009.

The following table demonstrates the sensitivity to every 10% change in the fair values of the financial assets and derivative financial instruments, with all other variables held constant and before any impact on tax, based on their carrying amounts at the balance sheet date.

Group	**2009**	2008
	HK$'000	*HK$'000*
Investments listed or investments linked to equities listed in:		
Hong Kong	**4,692**	8,594
United States of America	**11,818**	33,414
Others	**3,632**	3,271

Capital management

The Group manages its capital to ensure that the Group will be able to continue as a going concern while maximising the return to the equity holders through the optimisation of the debt and equity balance.

The capital structure of the Group consists of cash and bank balances, interest-bearing bank borrowings and equity attributable to equity holders of the Group, comprising issued capital, reserve on consolidation, exchange fluctuation reserve and retained profits. The Group monitors capital on the basis of the gearing ratio. This ratio is calculated based on total interest-bearing bank borrowings and total equity.

During the year, the Group's strategy, which was unchanged, was to reduce the gearing ratio. The gearing ratios as at the balance sheet date were as follows:

	2009	2008
	HK$'000	*HK$'000*
Interest-bearing borrowings and overdrafts	**40,120**	62,887
Total equity attributable to equity holders of the Company	**624,418**	900,538
Gearing ratio	**6%**	7%

41. COMPARATIVE AMOUNTS

As further explained in note 5 to the financial statements, certain comparative amounts have been revised to conform with the current year's presentation.

42. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board of Directors on 18 June 2009.

SCHEDULE OF INVESTMENT PROPERTIES

28 February 2009

Location	Use	Tenure
Dalian Sincere Building 18 Jie Fang Road Zhong Shan District Dalian Mainland China	Commercial/residential	Medium term leasehold
Zhong Xin Fu Shen Building 20 Hubei Road Huangpu District Shanghai Mainland China	Residential	Medium term leasehold

SCHEDULE OF PROPERTIES UNDER DEVELOPMENT

28 February 2009

Address	Category of lease	Use	Stage of completion	Expected completion date	Percentage interest	Site area *(sq.ft.)*	Floor area *(sq.ft.)*
Dalian Sincere Building 18 Jie Fang Road Zhong Shan District Dalian Mainland China	Medium term	Commercial/ residential	85% constructed	End of 2009	100%	35,000	540,000

FIVE-YEAR FINANCIAL SUMMARY

28 February 2009

The consolidated results, assets, liabilities and minority interests of the Group for the last five financial years, as extracted from the audited financial statements, are summarised below.

	Year ended 28/29 February				
	2009	2008	2007	2006	2005
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
RESULTS					
REVENUE	**289,494**	420,082	509,785	468,440	558,633
PROFIT/(LOSS) BEFORE TAX	**(278,943)**	(23,923)	50,197	1,300	(124,991)
TAX	**(29)**	1,956	(1,514)	–	–
	(278,972)	(21,967)	48,683	1,300	(124,991)
Attributable to:					
Equity holders of the Company	**(276,186)**	(21,809)	41,194	4,128	(118,714)
Minority interests	**(2,786)**	(158)	7,489	(2,828)	(6,277)
	(278,972)	(21,967)	48,683	1,300	(124,991)

	As at 28/29 February				
	2009	2008	2007	2006	2005
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
ASSETS, LIABILITIES AND MINORITY INTERESTS					
PROPERTY, PLANT AND EQUIPMENT	**54,346**	58,828	72,677	82,635	83,813
INTERESTS IN ASSOCIATES	**64,779**	119,166	141,464	256,863	256,235
OTHER ASSETS	**57,143**	23,776	226,397	331,130	339,908
NET CURRENT ASSETS	**433,163**	682,586	460,416	249,391	245,892
NON-CURRENT LIABILITIES	**–**	–	–	–	–
MINORITY INTERESTS	**14,987**	16,182	21,052	(41,050)	(47,576)
	624,418	900,538	922,006	878,969	878,272