Annual Report 2009-10

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The Sincere Company, Limited

STOCK CODE: 244

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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 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 6 August 2010 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 2010.

2. To declare a final dividend for the year ended 28 February 2010.

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

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

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 (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."

6. 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 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)."

7. 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 nominal 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 2010

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, 26th Floor, 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 5 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 6 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 7 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 3 and 5 to 7 will be sent to members together with the 2009/10 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

Walter K W MA
Executive Chairman

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 2010.

RESULTS

The year under review was both challenging and encouraging. Dampened by the explosion of the global financial tsunami in the fourth quarter of 2008, the consumer sentiment remained weak in the first half year under review. The turnover of the department store operation only returned to positive growth in the second half year. With the continued improvement in securities trading, the Group recorded a profit attributable to shareholders of HK$33 million as compared to a loss of HK$279 million from last year.

LIQUIDITY AND FINANCIAL RESOURCES

At 28 February 2010, the Group held cash and bank balances of HK$55 million, representing 16% decrease as compared to last year, which proceeds were used to repay bank overdraft resulting a decrease of 40% of the total borrowings to HK$24 million. Hence, the Group's current year gearing has dropped to 4% (2009: 6%). The net interest expense reduced by 51% to HK$3 million (2009: HK$5 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 5%. The current ratio slightly decreased by 0.3 to 3.2 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.

EMPLOYEES AND REMUNERATION POLICIES

At 28 February 2010, the Group had 516 employees (2009: 532) 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, subsidized medical care and training courses.

DIVIDEND

The Board has resolved to recommend to shareholders the payment of a final dividend of HK0.8 cent (2009: Nil) per share for the year ended 28 February 2010. Subject to the approval of the shareholders at the forthcoming Annual General Meeting to be held on 6 August 2010, the final dividend will be payable on 13 August 2010 to shareholders whose names appear on the register of members of the Company on 6 August 2010.

BUSINESS REVIEW

In the first half year under review, the retail industry was still struggling in the aftermath of the global financial crisis where consumer sentiment has yet to recover. The management strove hard to implement strategies to yield a decent result by reducing the inventory level, broadening the promotional discount, renegotiating better suppliers' terms to increase revenue and tightening the expense control including 5% to 10% salary pay cut with compensation holiday leaves. In the second half year, the economic showed an early sign of rebound, the retail management swiftly implemented aggressive strategies to remove substandard consignment counters and replenish European merchandises with immediate shipment. With the effective strategies and full efforts of all staff members, the management overcame various difficulties and successfully finished the Chinese New Year selling season on a high note.

The advertising business recorded a negative growth due to retail clients curtailed the advertising and promotional expenses. The furniture business yielded a good result with the successful expansion in the PRC market and the establishment of the production line in Dongguan in late 2009. The travel franchise business was restructured with the new regional president on board last year where several potential franchisees in China giving positive responses. The results of the securities trading recorded a substantial rebound; this was supported by the continued growth in the China's economy and with the unemployment rate edging down in Hong Kong. The investment portfolios were performed in line with the market and recorded a satisfactory growth.

PROSPECTS

Looking ahead, coupled with the stabilized Hong Kong economy and the influx of Mainland tourists, there is a clear improvement in the consumer sentiment, the Group remains optimistic on the core retail operations. In order to grasp this growth opportunities and expand market share, the Group will open the fourth department store at Citywalk 2 in Tsuen Wan and this would be the first store in the New Territories district. The management will continue to maximize the gross profit margin, enhancing the dollar per transaction, obtaining better terms from the consignment counters and introducing more brands from Europe, Korea and Japan for a better market reach.

On the advertising operation, the management believes the business will be gradually improving with the retail industry recovery. The travel franchise operation has set up a Shanghai branch in May 2010 that will be able to enhance the brand awareness in Southern China. On the furniture business, following the factory put into production, the company will be able to expand the business volume on the project furniture and to further enhance the product qualities. As for the securities trading operation, most indicators were pointing to a gradual global economic recovery, in particular in the Asian economies, the Group remains positive on the growth of the portfolios.

With the opening of the new store and the above solid strategies to propel the business moving forward, the Group is continuously optimistic to achieve the business growth and to maximize the shareholders return.

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

24 June 2010

GROUP MANAGING DIRECTOR'S REVIEW OF OPERATIONS

Philip K H MA
Group Managing Director

DEPARTMENT STORE OPERATION

Year 2009 was an extraordinary year to the Group. Following the prolonged impact from the global financial crisis, the turnover of the department store operation decreased by 9%. The retail management faced various challenges in the first half year, the customer traffic, the hit rate and the dollars per transaction were persistently lower than last year. In this difficult period, the retail management focused to rationalize all expenses, implemented 10% pay cut with compensating time-off, reduced the inventory level and enhanced promotional sales to maintain the financial stability. With the management and staff dedicated efforts, the economy started to rebound in the second half of the year, resulting the segment loss improved by 18% from last year.

The turnover of the short term promotional sales "Roadshow" recorded a slight growth of 4% while the gross profit margin decreased slightly. It was attributable to the inclusion of electrical merchandise with lower margins. This was a new attempt and received positive response. The direct operating profit recorded a satisfactory growth of 14%.

On the internal system support, the new Point-of-sales system had been fully launched to all three stores and the warehouse; this successfully reduced the customer queuing time during peak hours, minimized cashiering errors and provided analyzed information in a timely manner for decision making. A new rewrite card system is targeted to be launched in September 2010 to provide better customer service for the loyal customers.

Central Store

The turnover decreased by 2% while the gross profit margin increased slightly. It was mainly attributable to the increase in European imports in the second half year upon the economic recovery. Apart from re-blending the merchandise mix, the family floor was rearranged by expanding the food selections; some food counters also provided training and seminar on food preparations to customers. The response was well received and successfully lifted up the foot traffic.

Shamshuipo Dragon Centre Store

The turnover decreased by 5% and the gross profit margin decreased slightly. There were increased youngsters visited the shopping mall under the name “Apple Mall” located in the middle floors of the shopping centre. To respond to this change, the sports section was expanded to capture this market segment while the ladies shoes section was refurbished to provide a better shopping environment. The number of food fairs has also increased and with different themes. These strategies had successfully helped to attract the crowd.

Grand Century Place Store

This store outperformed the other two stores. The direct operating profit recorded a favorable growth and the gross profit margin increased slightly. It was attributable to the PRC tourists influx in the second half of the year who came to Hong Kong for luxury foreign brands, which was the main reason for this store achieving a higher gross profit margin. In view of this opportunity, premium foreign brands that were famous in the PRC market were particularly focused. The turnover recorded a satisfactory growth in the second half year of 7%.

OTHER OPERATIONS

Advertising

The turnover recorded a significant decline. Facing the unexpected economic turmoil, the management had reduced the headcount and curtailed the operating expenses to sustain the business.

Project Furniture

The opening of the Dongguan factory supported a turnover growth of 24% with a healthy gross profit margin increase. The production line directly manufactured furniture for the company projects and substantially enhanced the cost effectiveness. Product qualities were better controlled and the delivery time was better managed. With the new production line, the company started to provide high-end interior design and decoration service for show flats with favorable feedbacks.

Travel Business

The turnover recorded a decline following the early termination of a franchisee. In the past year, the management strove hard to fulfill the local statutory requirements and was pleased to see a way to resolve those issues. With the decline in turnover, the management streamlined the corporate structure and consolidated resources with other subsidiaries. As a result, the operating costs were substantially reduced by 25%.

Securities Trading

With continued improvements in the economic indicators and positive liquidity conditions, the PRC and the Hong Kong equity market rose in the past year, this sector recorded a substantial increase as compared to a substantial loss in last year. It was mainly attributable to the fair value change in the financial assets resulting from the favorable appreciation on the investment portfolios. Coupled with the concerns over the Dubai debt crisis and certain government policies to dampen the property market, the Group remained conservative on the investment strategies.

Property Investment

In Dalian, in view of the robust property market, the management entered into an agreement in May 2010 to re-develop the upper floors of the building for sale. The re-development would sub-divide units into different sizes of luxury office/residential flats and offer for sale to individual buyers. An experienced agent was appointed to execute the re-development plan and the management believed this would yield a positive return to the Group. On the investment properties project of Kangaroo Point in Brisbane Australia, the property market has improved and three units were sold during the year, the remaining six units were offered to the market. In UK, following the last car park sold, the Jubilee Street project was completed. The remaining flat at Lancaster Gate project was offered to market and has been actively approached by potential buyers.

Other Investment

The investment in TR-BIZ, L.L.C. reported a negative growth. It was mainly attributable to the substantial increase in staff costs to build up better systems to prepare for future expansion. However, the timing hit the financial crisis where the capital budgets of potential customers were drying up. The management had taken immediate action to reduce costs and to explore new ways of generating sales revenue to expand the business again.

LOOKING AHEAD

Given the improving outlook for the global economy in particular the PRC region, the Group remained positive on the core retail business. With the influx of PRC tourists, the Group will expand the retail market coverage by opening a new store by the fourth quarter of 2010; this new store with approximately 40,000 sq. ft. in a single floor will be opened in a prime area of Tsuen Wan called Citywalk 2. With the nearby luxury residential property and, the Nina Tower with a sizable 1,600 rooms 5-star hotel, the management believes there will be ample foot traffic to the new store. Apart from the expansion of the retail outlets, the overall goal for year 2010 is to maximize the gross profit dollars by carefully re-blending the merchandise mix, expand the PRC market share by bringing more foreign brands with good value, sustain the brand image by deploying more resources to increase the brand awareness and, enhance customer satisfaction by implementing rewrite cards for the loyal customers.

The advertising operation will focus on the expansion in the PRC market to grasp the continued economic growth opportunity. The furniture business will sustain the business growth on project furniture and expand the production capacity of the factory. On the travel franchise business, some localized products are added to enhance the attractiveness and is confident to finalize contracts with the potential franchisees. On securities investment, driven by a combination of a tightening Chinese fiscal policy and the unstable fiscal situation of a few European countries, the Group expects the equity market will remain volatile in the near term and will remain conservative on the investment decision.

On property development, the Group will spend substantial focus on the re-development of the Dalian Sincere Building and, will closely monitor the local Brisbane Australia property market to determine the right selling approach for the project Kangaroo Point.

The Group will endeavor to achieve a better result in the year ahead.

Philip K H MA
Group Managing Director

24 June 2010

(A) CORPORATE GOVERNANCE PRACTICE

The Company has complied throughout the year ended 28 February 2010 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 of Hong Kong Limited (the "Listing Rules"), except that the Non-Executive Directors were not appointed for a specific term but are subject to retirement by rotation and re-election at the Company's Annual General Meetings in accordance with the Company's Articles of Association.

(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 to 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 2009/10. 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	5/6	83%
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% except Mr. Eric K K Lo was absent in one of the meetings.

The Audit Committee is mainly responsible for monitoring the integrity of the Company's financial statements, reviewing and discussing with the management of 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 2010 has 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 convenes 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.

(F) AUDITORS' REMUNERATION

During the year, the fees payable to Ernst & Young, the Company's external auditors, for audit services totalled to HK$2,575,000 (2009: HK$2,500,000). Ernst & Young has also provided the Group with non-audit services, including performing agreed-upon procedures of interim financial report and provision of tax services, at fees to HK$531,000 (2009: HK$638,000).

(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 expenditure 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 operation. 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 result 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.

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 2010.

PRINCIPAL ACTIVITIES

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

RESULTS

The Group's profit for the financial year ended 28 February 2010 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 100.

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 103 of the annual report.

SHARE CAPITAL

As at 28 February 2010, 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

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

DIVIDEND

The Board has resolved to recommend to shareholders the payment of a final dividend of HK0.8 cent (2009: Nil) per share for the year ended 28 February 2010. Subject to the approval of the shareholders at the forthcoming Annual General Meeting to be held on 6 August 2010, the final dividend will be payable on 13 August 2010 to shareholders whose names appear on the register of members of the Company on 6 August 2010. This recommendation has been disclosed in note 11 to the financial statements.

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 101 of the annual report.

PROPERTIES UNDER DEVELOPMENT

Details of the properties under development of the Group are set out in note 19 to the financial statements and on page 102 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 2010, 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. King Wing Ma and Mr. Eric K K Lo 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 pages 20 to 21 of the annual report.

PRINCIPAL SHAREHOLDERS

At 28 February 2010, 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 2010, the interests of the Directors in the share capital of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, 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 2010, 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 2010, Mr. Philip K H Ma held 500 promoter shares in The Sincere Life Assurance Company Limited.

At 28 February 2010, 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 2010, 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 2010, 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.

DIRECTORS' INTERESTS IN CONTRACTS

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.

BIOGRAPHIES OF DIRECTORS AND SENIOR EXECUTIVES

Directors

Walter K W MA, aged 80, is the Executive Chairman. Mr. Walter Ma became a Director in 1966, 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 54, 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 78, 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 61, 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 54, 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 49, joined the Company in January 2003, as the Group Director of Finance and Administration, in charge of Finance, Administration, IT, 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 56, 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.

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 financial 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 financial year of approximately HK$355,000.

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 system 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 2010 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, 24 June 2010

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 100, which comprise the consolidated and company statements of financial position as at 28 February 2010, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows 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 2010 and of the Group's profit 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

24 June 2010

CONSOLIDATED INCOME STATEMENT

Year ended 28 February 2010

	Notes	2010 HK$'000	2009 HK$'000
REVENUE	5	**381,010**	289,494
Cost of sales		**(132,103)**	(156,139)
Other income and gains, net	5	**13,051**	6,187
Net unrealised gain/(loss) on securities and future contracts trading		**45,127**	(94,941)
Selling and distribution costs		**(135,865)**	(147,415)
General and administrative expenses		**(119,997)**	(127,026)
Other operating expenses, net		**(4,225)**	(5,370)
Finance costs	8	**(2,534)**	(5,173)
Share of profits less losses of associates		**(10,840)**	(38,560)
PROFIT/(LOSS) BEFORE TAX	6	**33,624**	(278,943)
Income tax expense	9	**(421)**	(29)
PROFIT/(LOSS) FOR THE YEAR		**33,203**	(278,972)
ATTRIBUTABLE TO:			
Ordinary equity holders of the Company	10	**33,166**	(276,186)
Minority interests		**37**	(2,786)
		33,203	(278,972)
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	12		
Basic		**HK$0.07**	HK$(0.57)
Diluted		**N/A**	N/A

Details of the dividend are disclosed in note 11 to the financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 28 February 2010

	Note	2010 HK$'000	2009 HK$'000
PROFIT/(LOSS) FOR THE YEAR		**33,203**	(278,972)
OTHER COMPREHENSIVE INCOME/(LOSS):			
Exchange differences arising on translation of foreign operations		**4,609**	(8,765)
Realisation of exchange fluctuation reserve upon deregistration/dissolution of subsidiaries	33	**11**	14,526
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR		**37,823**	(273,211)
ATTRIBUTABLE TO:			
Ordinary equity holders of the Company		**38,705**	(276,120)
Minority interests		**(882)**	2,909
		37,823	(273,211)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

28 February 2010

	Notes	2010 HK$'000	2009 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	**66,712**	54,346
Investment properties	14	**102,535**	2,138
Prepaid land premium	15	**722**	–
Interests in associates	17	**49,133**	64,779
Financial instruments	18	**46,017**	43,896
Rental deposits		**6,015**	6,054
Pension scheme assets	7	**3,604**	5,055
Total non-current assets		**274,738**	176,268
CURRENT ASSETS			
Properties under development	19	**120,705**	–
Inventories		**54,852**	48,227
Debtors	21	**2,621**	1,372
Prepayments, deposits and other receivables		**32,467**	23,854
Financial assets at fair value through profit or loss	22	**250,701**	198,263
Financial instruments	18	**3,900**	–
Derivative financial instruments	23	**5,081**	11,619
Pledged bank balances	25	**2,892**	7,683
Pledged deposits with banks	25	**17,055**	19,684
Cash and bank balances	24	**54,856**	65,196
		545,130	375,898
Assets of a disposal group classified as held for sale	26	**–**	232,717
Total current assets		**545,130**	608,615
CURRENT LIABILITIES			
Creditors	27	**92,292**	80,467
Deposits, accrued expenses and other payables		**55,116**	40,408
Derivative financial instruments	23	**–**	8,464
Interest-bearing borrowings and overdrafts	25	**24,128**	40,120
Tax payable		**359**	16
		171,895	169,475
Liabilities directly associated with the assets of a disposal group classified as held for sale	26	**–**	5,977
Total current liabilities		**171,895**	175,452
NET CURRENT ASSETS		**373,235**	433,163
TOTAL ASSETS LESS CURRENT LIABILITIES		**647,973**	609,431

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

28 February 2010

	Notes	2010 HK$'000	2009 HK$'000
EQUITY			
Equity attributable to ordinary equity holders of the Company			
Issued share capital	*28*	**287,154**	287,154
Share premium account	*29*	**26**	26
Reserves	*31(a)*	**375,943**	337,238
		663,123	624,418
MINORITY INTERESTS		**(15,150)**	(14,987)
TOTAL EQUITY		**647,973**	609,431

Walter K W Ma
Director

Philip K H Ma
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 28 February 2010

	Attributable to ordinary equity holders of the Company						
			Reserves				
	Issued share capital	Share premium account	General and other reserves#	Retained profits	Total reserves	Minority interests	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 March 2008	287,154	26	61,022	552,336	613,358	(16,182)	884,356
Exchange differences arising on translation of foreign operations	–	–	(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 comprehensive income/(loss) 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 and 1 March 2009	287,154	26	61,088	276,150	337,238	(14,987)	609,431
Exchange differences arising on translation of foreign operations	–	–	5,528	–	5,528	(919)	4,609
Realisation of exchange fluctuation reserve upon deregistration/dissolution of subsidiaries *(note 33)*	–	–	11	–	11	–	11
Profit for the year	–	–	–	33,166	33,166	37	33,203
Total comprehensive income/(loss) for the year	–	–	5,539	33,166	38,705	(882)	37,823
Movement in balances with minority shareholders	–	–	–	–	–	719	719
At 28 February 2010	287,154	26	66,627	309,316	375,943	(15,150)	647,973

Included in the general and other reserves at 28 February 2010 was an amount of HK$20,015,000 (2009: HK$14,476,000) attributable to the exchange fluctuation reserve. Included in the exchange fluctuation reserve for the year ended 28 February 2009 was an amount of HK$12,285,000 related to a disposal group classified as held for sale.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 28 February 2010

	Notes	2010 HK$'000	2009 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/(loss) before tax		**33,624**	(278,943)
Adjustments for:			
Interest expense	8	**2,534**	5,173
Share of profits less losses of associates		**10,840**	38,560
Interest income	6	**(4,989)**	(10,339)
Depreciation	6	**9,448**	6,724
Amortisation of prepaid land premium	6	**54**	–
Impairment on interests in associates	6	**–**	1,300
Impairment on financial instruments	6	**6,800**	–
Write-back of impairment on properties under development	6	**(1,106)**	–
Fair value loss/(gain) on investment properties in Mainland China	6	**(1,534)**	3,873
Gain on disposal of investment properties	6	**(1,489)**	(2,851)
Loss on disposal/write-off of items of property, plant and equipment	6	**65**	200
Loss on deregistration/dissolution of subsidiaries, net	6	**11**	11,655
Exchange realignment		**(980)**	14,009
		53,278	(210,639)
Decrease/(increase) in pension scheme assets		**1,451**	(74)
Decrease/(increase) in rental deposits		**39**	(350)
Decrease in properties held for sale		**–**	3,777
Decrease/(increase) in inventories		**(6,625)**	6,600
Decrease/(increase) in debtors		**(1,249)**	624
Decrease/(increase) in prepayments, deposits and other receivables		**(6,351)**	4,259
Decrease/(increase) in financial assets at fair value through profit or loss		**(52,438)**	264,286
Net increase in derivative financial instruments		**(1,926)**	(12,910)
Increase/(decrease) in creditors		**11,825**	(21,017)
Increase/(decrease) in deposits, accrued expenses and other payables		**8,731**	(11,735)
Cash generated from operations		**6,735**	22,821
Interest received		**4,989**	10,339
Interest paid		**(2,534)**	(5,173)
Overseas tax paid		**(78)**	(13)
Net cash flows from operating activities		**9,112**	27,974

CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

Year ended 28 February 2010

	Notes	2010 HK$'000	2009 HK$'000
Net cash flows from operating activities		**9,112**	27,974
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to items of property, plant and equipment		**(2,578)**	(2,452)
Repayments to associates, net		**(2,666)**	(17,101)
Acquisition of financial instruments		**(12,821)**	(34,726)
Decrease/(increase) in pledged bank balances		**4,791**	(1,160)
Decrease in pledged deposits with banks		**2,629**	56,950
Decrease/(increase) in time deposits with original maturity of more than three months		**13,572**	(13,572)
Proceeds from disposal of investment properties		**2,445**	4,634
Dividend income received from an associate		**3,000**	2,367
Net cash flows from/(used in) investing activities		**8,372**	(5,060)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayments of bank loans		**(374,031)**	(1,437,664)
New bank loans and other borrowings		**356,143**	1,415,168
Minority interests		**719**	(1,372)
Net cash flows used in financing activities		**(17,169)**	(23,868)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**315**	(954)
Cash and cash equivalents at beginning of year		**37,142**	38,096
CASH AND CASH EQUIVALENTS AT END OF YEAR		**37,457**	37,142
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash on hand and at banks	24	**50,267**	35,789
Time deposits with original maturity of less than three months	24	**4,589**	15,835
Time deposits with original maturity of more than three months	24	**–**	13,572
Cash and cash equivalents as stated in the consolidated statement of financial position		**54,856**	65,196
Cash and bank balances included in a disposal group classified as held for sale	26	**–**	1,021
Bank overdrafts	25	**(17,399)**	(15,503)
Less: Time deposits with original maturity of more than three months	24	**–**	(13,572)
Cash and cash equivalents as stated in the consolidated statement of cash flows		**37,457**	37,142

STATEMENT OF FINANCIAL POSITION

28 February 2010

	Notes	2010 HK$'000	2009 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	**11,992**	15,743
Interests in subsidiaries	16	**562,895**	597,026
Interests in associates	17	**15,957**	16,032
Financial instruments	18	**9,170**	9,170
Rental deposits		**6,015**	6,054
Pension scheme assets	7	**3,684**	5,135
Total non-current assets		**609,713**	649,160
CURRENT ASSETS			
Inventories		**54,442**	48,048
Prepayments, deposits and other receivables		**13,864**	6,870
Pledged deposits with banks	25	**17,055**	17,055
Cash and bank balances	24	**4,964**	14,851
Total current assets		**90,325**	86,824
CURRENT LIABILITIES			
Creditors	27	**88,654**	74,207
Deposits, accrued expenses and other payables		**25,885**	17,534
Interest-bearing borrowings and overdrafts	25	**9,401**	13,423
Total current liabilities		**123,940**	105,164
NET CURRENT LIABILITIES		**(33,615)**	(18,340)
TOTAL ASSETS LESS CURRENT LIABILITIES		**576,098**	630,820
EQUITY			
Issued share capital	28	**287,154**	287,154
Share premium account	29	**26**	26
Reserves	31(b)	**288,918**	343,640
TOTAL EQUITY		**576,098**	630,820

Walter K W Ma
Director

Philip K H Ma
Director

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, furniture design and manufacturing, 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 classified as held for sale was 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 2010. 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 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

The Group has adopted the following new and revised HKFRSs for the first time for the current year's 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*
HKFRS 2 Amendments	Amendments to HKFRS 2 *Share-based Payment – Vesting Conditions and Cancellations*
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures – Improving Disclosures about Financial Instruments*
HKFRS 8	*Operating Segments*
HKAS 1 (Revised)	*Presentation of Financial Statements*
HKAS 18 Amendment*	Amendment to Appendix to HKAS 18 *Revenue – Determining whether an entity is acting as a principal or as an agent*
HKAS 23 (Revised)	*Borrowing Costs*
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*
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*
HK(IFRIC)-Int 13	*Customer Loyalty Programmes*
HK(IFRIC)-Int 15	*Agreements for the Construction of Real Estate*
HK(IFRIC)-Int 16	*Hedges of a Net Investment in a Foreign Operation*
HK(IFRIC)-Int 18	*Transfers of Assets from Customers (adopted from 1 July 2009)*
Improvements to HKFRSs (October 2008)	Amendments to a number of HKFRSs

* Included in *Improvements to HKFRSs 2009* (as issued in May 2009).

2.2 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES *(continued)*

Other than as further explained below regarding the impact of HKAS 1 (Revised), HKFRS 7 Amendments, HKFRS 8 and HK(IFRIC)-Int 13, the adoption of these new and revised HKFRSs 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.

HKAS 1 (Revised) introduces changes in the presentation and disclosures of financial statements. The revised standard separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with all non-owner changes in equity presented as a single line. In addition, this standard introduces the statement of comprehensive income, with all items of income and expense recognised in profit or loss, together with all other items of recognised income and expense recognised directly in equity, either in one single statement, or in two linked statements. The Group has elected to present two statements.

The HKFRS 7 Amendments require additional disclosures about fair value measurement and liquidity risk. Fair value measurements related to items recorded at fair value are to be disclosed by sources of inputs using a three-level fair value hierarchy, by class, for all financial instruments recognised at fair value. In addition, a reconciliation between the beginning and ending balances is now required for level 3 fair value measurements, as well as significant transfers between levels in the fair value hierarchy. The amendments also clarify the requirements for liquidity risk disclosures with respect to derivative transactions and assets used for liquidity management. The fair value measurement disclosures are presented in note 40 to the financial statements.

HKFRS 8, which replaces HKAS 14 *Segment Reporting*, specifies how an entity should report information about its operating segments, based on information about the components of the entity that is available to the chief operating decision maker for the purposes of allocating resources to the segments and assessing their performance. The standard also requires the disclosure of information about the products and services provided by the segments, the geographical areas in which the Group operates, and revenue from the Group's major customers. Due to the adoption of HKFRS 8 during the current year, certain comparative amounts have been revised to conform with the current year's presentation.

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

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

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

HKFRS 1 (Revised)	*First-time Adoption of Hong Kong Financial Reporting Standards*[1]
HKFRS 1 Amendments	Amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards – Additional Exemptions for First-time Adopters*[2]
HKFRS 1 Amendment	Amendment to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards – Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters*[4]
HKFRS 2 Amendments	Amendments to HKFRS 2 *Share-based Payment – Group Cash-settled Share-based Payment Transactions*[2]
HKFRS 3 (Revised)	*Business Combinations*[1]
HKFRS 9	*Financial Instruments*[6]
HKAS 24 (Revised)	*Related Party Disclosures*[5]
HKAS 27 (Revised)	*Consolidated and Separate Financial Statements*[1]
HKAS 32 Amendment	Amendment to HKAS 32 *Financial Instruments: Presentation – Classification of Rights Issues*[3]
HKAS 39 Amendment	Amendment to HKAS 39 *Financial Instruments: Recognition and Measurement – Eligible Hedged Items*[1]
HK(IFRIC)-Int 14 Amendments	Amendments to HK(IFRIC)-Int 14 *Prepayments of a Minimum Funding Requirement*[5]
HK(IFRIC)-Int 17	*Distributions of Non-cash Assets to Owners*[1]
HK(IFRIC)-Int 19	*Extinguishing Financial Liabilities with Equity Instruments*[4]
Amendments to HKFRS 5 included in *Improvements to HKFRSs* issued in October 2008	Amendments to HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations – Plan to Sell the Controlling Interest in a Subsidiary*[1]
HK Interpretation 4 (Revised in December 2009)	*Leases – Determination of the Length of Lease Term in respect of Hong Kong Land Leases*[2]

Apart from the above, the HKICPA has issued *Improvements to HKFRSs 2009 and 2010* which sets out amendments to a number of HKFRSs primarily with a view to removing inconsistencies and clarifying wording. The amendments to HKFRS 2, HKAS 38, HK(IFRIC)-Int 9 and HK(IFRIC)-Int 16 are effective for annual periods beginning on or after 1 July 2009 while the amendments to HKFRS 5, HKFRS 8, HKAS 1, HKAS 7, HKAS 17, HKAS 36 and HKAS 39 are effective for annual periods beginning on or after 1 January 2010 although there are separate transitional provisions for each standard or interpretation. The amendments to HKFRS 3 and transition requirements for amendments arising as a result of HKAS 27 are effective for annual periods beginning on or after 1 July 2010 while the amendments to HKFRS 1, HKFRS 7, HKAS 1, HKAS 34 and HK(IFRIC)-Int 13 are effective for annual periods beginning on or after 1 January 2011.

1 Effective for annual periods beginning on or after 1 July 2009
2 Effective for annual periods beginning on or after 1 January 2010
3 Effective for annual periods beginning on or after 1 February 2010
4 Effective for annual periods beginning on or after 1 July 2010
5 Effective for annual periods beginning on or after 1 January 2011
6 Effective for annual periods beginning on or after 1 January 2013

2.3 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 and is not yet in a position to conclude the impact of these new and revised HKFRSs 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 statement of financial position 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 statement of financial position 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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, financial assets, investment properties, 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.

An assessment is made at the end of each reporting period 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investments and other financial assets

Initial recognition and measurement

Financial assets within the scope of HKAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial investments and derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial assets at initial recognition. 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.

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.

The Group's financial assets include cash and bank balances, pledged deposits with banks, pledged bank balances, debtors, other receivables, financial assets at fair value through profit or loss, financial instrument and derivative financial instruments.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

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. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by HKAS 39. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with changes in fair value recognised in the income statement. These net fair value changes do 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.

The Group evaluates its financial assets at fair value through profit or loss (held for trading) to assess whether the intent to sell them in the near term is still appropriate. When the Group is unable to trade these financial assets due to inactive markets and management's intent to sell them in the foreseeable future significantly changes, the Group may elect to reclassify these financial assets in rare circumstances. The reclassification from financial assets at fair value through profit or loss to loans and receivables, available-for-sale financial assets or held-to-maturity investments depends on the nature of the assets.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investments and other financial assets *(continued)*

Financial assets at fair value through profit or loss *(continued)*

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 asset 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 a financial asset 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. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in interest income in the income statement. The loss arising from impairment is recognised in the income statement in other operating expenses.

Available-for-sale financial investments

Available-for-sale financial investments are non-derivative financial assets in listed and unlisted equity and debt securities. Equity investments classified as available for sale are those which are neither classified as held for trading nor designated at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in the market conditions.

After initial recognition, available-for-sale financial investments are subsequently measured at fair value, with unrealised gains or losses recognised as other comprehensive income in the available-for-sale investment valuation reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in the income statement in other income, or until the investment is determined to be impaired, at which time the cumulative gain or loss is recognised in the income statement and removed from the available-for-sale investment valuation reserve. 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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investments and other financial assets *(continued)*

Available-for-sale financial investments *(continued)*

The Group evaluates its available-for-sale financial assets whether the ability and intention to sell them in the near term are still appropriate. When the Group is unable to trade these financial assets due to inactive markets and management's intent to do so significantly changes in the foreseeable future, the Group may elect to reclassify these financial assets in rare circumstances. Reclassification to loans and receivables is permitted when the financial assets meet the definition of loans and receivables and the Group has the intent and ability to hold these assets for the foreseeable future or to maturity. Reclassification to the held-to-maturity category is permitted only when the entity has the ability and intent to hold until the maturity date of the financial asset.

For a financial asset reclassified out of the available-for-sale category, any previous gain or loss on that asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the effective interest rate. Any difference between the new amortised cost and the expected cash flows is also amortised over the remaining life of the asset using the effective interest rate. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to 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 when:

- the rights to receive cash flows from the asset have expired; or

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

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, 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. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Impairment of financial assets

The Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred "loss event") and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses individually whether objective evidence of impairment exists for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss 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). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

The carrying amount of the asset is reduced either directly or through the use of an allowance account and the amount of the loss is recognised in the income statement. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. 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 estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to the income statement.

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 has been incurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument, 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 financial investments

For available-for-sale financial investments, the Group assesses at the end of each reporting period whether there is objective evidence that an investment or a group of investment is impaired.

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 removed from other comprehensive income and recognised in the income statement.

In the case of equity investments classified as available for sale, objective evidence would include a significant or prolonged decline in the fair value of an investment below its cost. The determination of what is "significant" or "prolonged" requires judgement. "Significant" is evaluated against the original cost of the investment and "prolonged" against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the income statement – is removed from other comprehensive income and recognised in the income statement. Impairment losses on equity instruments classified as available for sale are not reversed through the income statement. Increases in their fair value after impairment are recognised directly in other comprehensive income.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of HKAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, as appropriate. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value and in the case of loans and borrowings, plus directly attributable transaction costs.

The Group's financial liabilities include creditors, other payables, derivative financial instruments and interest-bearing borrowing and overdrafts.

Subsequent measurement

The measurement of financial liabilities depends on their classification as follows:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss includes financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by HKAS 39. Separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in the income statement. The net fair value gain or loss recognised in the income statement does not include any interest charged on these financial liabilities.

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the effective interest rate method amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the income statement.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial liabilities *(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.

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 on the date on which a derivative contract is entered into. Subsequent to initial recognition, these instruments are remeasured at fair value.

Any gains or losses arising from changes in fair value of derivatives are taken directly to the income statement, except for the effective portion of cash flow hedges, which is recognised in other comprehensive income.

Fair value of financial instruments

The fair value of financial instruments that are traded in active markets is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs. For financial instruments where there is no active market, the fair value is determined using appropriate 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.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if, and only if, there is currently an enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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 the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciation.

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 least at each financial year end.

An item of property, plant and equipment and any significant part initially recognised 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 end of the reporting period.

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.

For a transfer from investment properties to owner-occupied properties or properties under development, the deemed cost of property for subsequent accounting is its fair value at the date of change in use.

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 end of the reporting period, are classified as current assets.

Properties held for sale

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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. Property, plant and equipment and prepaid land premium classified as held for sale are not depreciated or amortised.

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. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

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.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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 end of the reporting period (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 end of the reporting period.

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 statement of financial position and are subsequently recognised in the income statement only when the net cumulative actuarial gains or losses in the statement of financial position 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.

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 statements of financial position 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 statement of financial position, 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 statements of financial position during the period, other than those deferred in the statements of financial position, 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or 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, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

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

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 the end of each reporting period 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. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Income tax *(continued)*

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 by the end of the reporting period.

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.

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 rate 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 sale 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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 recorded by the entities in the Group are initially recorded using their respective 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 end of the reporting period. 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.

The functional currencies of certain subsidiaries and associates outside Hong Kong are currencies other than the Hong Kong dollar. As at the end of the reporting period, the assets and liabilities of these entities are translated into the presentation currency of the Company at the exchange rates ruling at the end of the reporting period and their income statements are translated into Hong Kong dollars at the weighted average exchange rates for the year. The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of an operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the income statement.

For the purpose of the consolidated statement of cash flows, 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, 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 statements of financial position, 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 end of the reporting period. 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 end of the reporting period, 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 financial instruments

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 and latest financial information of the available-for-sale investments and hence they are subject to uncertainty.

The carrying amount of the financial instruments, further details of which are set out in note 18 to the financial statements, at 28 February 2010 was HK$49,917,000 (2009: HK$43,896,000).

4. SEGMENT INFORMATION

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

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

(a) the department store operations segment consists of the operations of department stores offering a wide range of consumer products;

(b) the property rental and development segment consists of the holding of properties for investment and rental purposes and the development and sale of properties;

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

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

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

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

Segment assets exclude pledged bank balances, pledged deposits with banks and cash and bank balances as these assets are managed on a group basis.

Segment liabilities exclude interest-bearing borrowings and overdrafts as these liabilities are managed on a group basis.

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

4. SEGMENT INFORMATION *(continued)*

(a) Operating segments

The following tables present revenue, loss and certain asset, liability and expenditure information for the Group's operating segments for the years ended 28 February 2010 and 2009.

	Department store operations		Property rental and development		Securities trading		Others		Eliminations		Consolidated	
	2010	2009	**2010**	2009	**2010**	2009	**2010**	2009	**2010**	2009	**2010**	2009
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue:												
Sales to external customers	**328,343**	359,243	**9,475**	9,098	**24,191**	(100,845)	**19,001**	21,998	**–**	–	**381,010**	289,494
Intersegment sales	**–**	–	**24,973**	24,899	**–**	–	**8,089**	12,770	**(33,062)**	(37,669)	**–**	–
Other revenue	**417**	417	**1,458**	5,797	**7**	–	**166**	151	**–**	–	**2,048**	6,365
Total	**328,760**	359,660	**35,906**	39,794	**24,198**	(100,845)	**27,256**	34,919	**(33,062)**	(37,669)	**383,058**	295,859
Segment results	**(8,702)**	(10,650)	**(1,784)**	(8,925)	**61,934**	(203,741)	**(15,453)**	(11,716)	**–**	–	**35,995**	(235,032)
Interest, dividend income and unallocated revenue											**11,003**	(178)
Finance costs											**(2,534)**	(5,173)
Share of profits less losses of associates											**(10,840)**	(38,560)
Profit/(loss) before tax											**33,624**	(278,943)
Income tax expense											**(421)**	(29)
Profit/(loss) for the year											**33,203**	(278,972)
Segment assets	**99,463**	91,211	**303,869**	297,389	**267,223**	214,243	**58,904**	62,783	**(33,527)**	(38,085)	**695,932**	627,541
Unallocated assets											**74,803**	92,563
Interests in associates	**–**	–	**21,790**	36,336	**–**	–	**27,343**	28,443	**–**	–	**49,133**	64,779
Total assets											**819,868**	784,883
Segment liabilities	**147,600**	129,412	**22,780**	25,660	**1,127**	9,282	**9,787**	9,063	**(33,527)**	(38,085)	**147,767**	135,332
Unallocated liabilities											**24,128**	40,120
Total liabilities											**171,895**	175,452

4. SEGMENT INFORMATION *(continued)*

(a) Operating segments *(continued)*

	Department store operations		Property rental and development		Securities trading		Others		Eliminations		Consolidated	
	2010 HK$'000	*2009 HK$'000*	**2010 HK$'000**	*2009 HK$'000*	**2010 HK$'000**	*2009 HK$'000*	**2010 HK$'000**	*2009 HK$'000*	**2010 HK$'000**	*2009 HK$'000*	**2010 HK$'000**	*2009 HK$'000*
Other segment information:												
Depreciation	**4,778**	4,571	**4,047**	1,101	**107**	190	**516**	862	**–**	–	**9,448**	6,724
Amortisation of prepaid land premium	**–**	–	**54**	–	**–**	–	**–**	–	**–**	–	**54**	–
Capital expenditure	**1,081**	905	**102**	746	**–**	428	**1,395**	347	**–**	–	**2,578**	2,426
Loss/(gain) on disposal/write-off of items of property, plant and equipment	**–**	(96)	**65**	131	**–**	–	**–**	165	**–**	–	**65**	200
Gain on disposal of investment properties	**–**	–	**(1,489)**	(2,851)	**–**	–	**–**	–	**–**	–	**(1,489)**	(2,851)
Gain on disposal of properties held for sale	**–**	–	**–**	(1,551)	**–**	–	**–**	–	**–**	–	**–**	(1,551)
Impairment/(write-back of impairment) for inventories	**(607)**	463	**–**	–	**–**	–	**–**	–	**–**	–	**(607)**	463
Impairment on interests in associates	**–**	–	**–**	1,300	**–**	–	**–**	–	**–**	–	**–**	1,300
Fair value loss/(gain) on investment properties in Mainland China	**–**	–	**(1,534)**	3,873	**–**	–	**–**	–	**–**	–	**(1,534)**	3,873
Impairment on financial instruments	**–**	–	**–**	–	**–**	–	**6,800**	–	**–**	–	**6,800**	–
Write-back of impairment on properties under development	**–**	–	**(1,106)**	–	**–**	–	**–**	–	**–**	–	**(1,106)**	–

4. SEGMENT INFORMATION *(continued)*

(b) Geographical information

The following table presents revenue and certain non-current assets for the Group's geographical information.

	Hong Kong		Mainland China		United Kingdom ("UK")		Others		Eliminations		Consolidated	
	2010 **HK$'000**	2009 *HK$'000*	**2010** **HK$'000**	2009 *HK$'000*	**2010** **HK$'000**	2009 *HK$'000*	**2010** **HK$'000**	2009 *HK$'000*	**2010** **HK$'000**	2009 *HK$'000*	**2010** **HK$'000**	2009 *HK$'000*
Segment revenue: Sales to external customers	**354,169**	297,388	**16,348**	8,951	**331**	–	**10,162**	(16,845)	**–**	–	**381,010**	289,494
Non-current assets	**54,507**	59,857	**121,477**	2,681	**–**	–	**–**	–	**–**	–	**175,984**	62,538

The non-current asset information above is based on the location of assets and includes property, plant and equipment, investment properties, prepaid land premium and rental deposits.

(c) Information about a major customer

For the years ended 28 February 2010 and 2009, as no customer of the Group has individually accounted for over 10% of the Group's total revenue, no information about major customers is presented under HKFRS 8.

5. REVENUE, OTHER INCOME AND GAINS, NET

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

	2010	2009
	HK$'000	*HK$'000*
Sale of goods – own goods	**194,628**	229,924
Net income from counter and consignment sales	**133,715**	129,319
Property rental, net of outgoings	**9,475**	9,098
Net realised gain/(loss) on securities and future contracts trading	**24,191**	(100,845)
Advertising and travel agency fee income	**2,085**	8,347
Income from furniture design and manufacturing	**16,916**	13,651
	381,010	289,494

An analysis of other income and gains, net, is as follows:

	2010	2009
	HK$'000	*HK$'000*
Interest income	**4,989**	10,339
Dividends from listed investments	**3,376**	7,522
Dividends from an unlisted available-for-sale investment	**3,697**	–
Foreign exchange losses, net	**(1,048)**	(6,384)
Gain on disposal of investment properties	**1,489**	2,851
Gain on disposal of properties held for sale	**–**	1,551
Loss on deregistration/dissolution of subsidiaries, net	**(11)**	(11,655)
Others	**559**	1,963
	13,051	6,187

6. PROFIT/(LOSS) BEFORE TAX

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

	2010 **HK$'000**	2009 *HK$'000*
Depreciation	**9,448**	6,724
Amortisation of prepaid land premium	**54**	–
Auditors' remuneration	**2,575**	2,500
Employee benefit expenses, excluding directors' remuneration *(note 32)*:		
Wages and salaries	**55,707**	66,371
Pension contributions, including pension costs for defined benefit schemes of HK$2,158,000 (2009: HK$2,925,000)	**2,944**	3,612
	58,651	69,983
Fair value loss/(gain) on investment properties in Mainland China*	**(1,534)**	3,873
Write-back of impairment on properties under development*	**(1,106)**	–
Impairment/(write-back of impairment) for inventories**	**(607)**	463
Impairment on financial instruments*	**6,800**	–
Impairment on interests in associates*	**–**	1,300
Net realised loss/(gain) on securities and future contracts trading *(note 5)*	**(24,191)**	100,845
Operating lease rental payments in respect of land and buildings:		
Minimum lease payments	**113,338**	113,229
Contingent rent	**550**	675
Gain on disposal of investment properties***	**(1,489)**	(2,851)
Gain on disposal of properties held for sale***	**–**	(1,551)
Loss on disposal/write-off of items of property, plant and equipment*	**65**	200
Foreign exchange losses, net***	**1,048**	6,384
Property rental, net of outgoings *(note 5)*	**(9,475)**	(9,098)
Dividends from listed investments***	**(3,376)**	(7,522)
Dividends from an unlisted available-for-sale investment***	**(3,697)**	–
Interest income***	**(4,989)**	(10,339)
Loss on deregistration/dissolution of subsidiaries, net***	**11**	11,655

Dividend income of HK$3,000,000 (2009: HK$2,367,000) from an unlisted associate was eliminated on consolidation in the current year.

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

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

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

7. 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 2010 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 statements of financial position were as follows:

		Group		**Company**	
	Notes	**2010** ***HK$'000***	2009 *HK$'000*	**2010** ***HK$'000***	2009 *HK$'000*
Present value of defined benefit obligations	*7(c)*	**(46,166)**	(52,991)	**(46,166)**	(52,991)
Fair value of pension scheme assets	*7(d)*	**49,714**	46,223	**49,794**	46,303
		3,548	(6,768)	**3,628**	(6,688)
Net unrecognised actuarial losses		**56**	11,823	**56**	11,823
Net assets recognised at 28 February		**3,604**	5,055	**3,684**	5,135

7. 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 actuarial return on the pension scheme assets for the year were as follows:

	Group		Company	
	2010	2009	**2010**	2009
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Current service cost	**4,358**	4,156	**4,358**	4,069
Interest cost on defined benefit obligations	**1,047**	1,504	**1,047**	1,504
Expected return on pension scheme assets	**(2,112)**	(2,665)	**(2,112)**	(2,666)
Net cumulative actuarial losses recognised in the income statement	**522**	112	**522**	108
Gains on curtailment/settlement	**–**	(3)	**–**	–
Net pension scheme cost	**3,815**	3,104	**3,815**	3,015
Actuarial return on pension scheme assets	**5,166**	(2,700)	**5,166**	(2,700)

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.

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

		Group		Company	
		2010	2009	**2010**	2009
	Note	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
At beginning of year		**52,991**	49,120	**52,991**	49,102
Interest cost		**1,047**	1,504	**1,047**	1,504
Current service cost		**4,358**	4,156	**4,358**	4,069
Benefits paid		**(4,039)**	(2,028)	**(4,039)**	(1,974)
Actuarial loss/(gain)		**(8,191)**	290	**(8,191)**	290
Gains on curtailment/settlement		**–**	(51)	**–**	–
At end of year	*7(a)*	**46,166**	52,991	**46,166**	52,991

7. PENSION SCHEME ASSETS *(continued)*

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

		Group		Company	
		2010	2009	**2010**	2009
	Note	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
At beginning of year		**46,223**	47,773	**46,303**	47,826
Expected return on scheme assets		**2,112**	2,665	**2,112**	2,666
Contributions		**2,364**	3,178	**2,364**	3,151
Benefits paid		**(4,039)**	(2,028)	**(4,039)**	(1,974)
Actuarial gain/(loss) on scheme assets		**3,054**	(5,365)	**3,054**	(5,366)
At end of year	*7(a)*	**49,714**	46,223	**49,794**	46,303

(e) The Group and the Company expected to pay HK$2,312,000, as contributions to the pension scheme assets during the year ending 28 February 2011.

(f) Scheme assets consist of the following:

	2010	2009
Equities	**19%**	10%
Bonds	**80%**	90%
Cash	**1%**	–
Total	**100%**	100%

7. PENSION SCHEME ASSETS *(continued)*

(g) The principal actuarial assumptions used in determining the Group's and the Company's net pension scheme assets as at the end of the reporting period were as follows:

	2010	2009
	%	%
Discount rate	**2.9**	2
Expected rate of return on the pension scheme assets	**5**	4.5
Future salary increase rate	**2.5-4**	0-4.5

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.

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

Group

	2010	2009	2008	2007	2006
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Present value of defined benefit obligations	**(46,166)**	(52,991)	(49,120)	(40,239)	(37,730)
Fair value of plan assets	**49,714**	46,223	47,773	41,284	38,252
Surplus/(deficit) in the plan	**3,548**	(6,768)	(1,347)	1,045	522
Experience gain/(loss) arising on scheme assets	**3,054**	(5,365)	2,783	320	(1,698)
Experience adjustment on plan liabilities	**2,908**	794	(4,674)	599	878

7. PENSION SCHEME ASSETS *(continued)*

(h) *(continued)*

Company

	2010	2009	2008	2007	2006
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Present value of defined benefit obligations	**(46,166)**	(52,991)	(49,102)	(40,239)	(37,730)
Fair value of plan assets	**49,794**	46,303	47,826	41,284	38,252
Surplus/(deficit) in the plan	**3,628**	(6,688)	(1,276)	1,045	522
Experience gain/(loss) arising on scheme assets	**3,054**	(5,366)	2,783	320	(1,698)
Experience adjustment on plan liabilities	**2,908**	794	(4,621)	599	878

(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.

(j) As at 28 February 2010, the Group and the Company have the amount due from the Scheme of HK$1,907,000, which is included in "Prepayments, deposits and other receivables" (2009: amount due to the Scheme of HK$303,000, which is included in "Deposits, accrued expenses and other payables"), on the face of the consolidated and company statements of financial position. The balance is unsecured, interest-free and has no fixed terms of repayment.

8. FINANCE COSTS

	Group	
	2010	2009
	HK$'000	*HK$'000*
Interest on bank loans and overdrafts wholly repayable within five years	**2,414**	4,832
Others	**120**	341
	2,534	5,173

9. INCOME TAX

No provision for Hong Kong profits tax has been made during the year (2009: 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.

	Group	
	2010	2009
	HK$'000	*HK$'000*
Group:		
Current – Hong Kong	**–**	–
Current – Elsewhere		
Charge for the year	**421**	29
Total tax charge for the year	**421**	29

9. INCOME TAX *(continued)*

A reconciliation of the tax expense applicable to profit/(loss) before tax using the statutory rates 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	
	2010	2009
	HK$'000	*HK$'000*
Profit/(loss) before tax	**33,624**	(278,943)
Tax at the statutory tax rates	**4,345**	(48,725)
Profits less losses attributable to associates	**1,702**	7,110
Income not subject to tax	**(10,919)**	(3,077)
Expenses not deductible for tax	**3,885**	29,361
Deferred tax not recognised	**(200)**	(670)
Tax losses not recognised	**5,196**	16,157
Tax losses utilised from previous periods	**(3,588)**	(127)
Tax charge at the Group's effective rate	**421**	29

The Group has tax losses arising in Hong Kong of approximately HK$927,207,000 (2009: HK$935,578,000) 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 (2009: Nil) in the current year.

10. PROFIT/(LOSS) ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The consolidated profit/(loss) attributable to ordinary equity holders of the Company for the year ended 28 February 2010 includes a loss of HK$54,722,000 (2009: HK$130,220,000) dealt with in the financial statements of the Company (note 31 (b)).

11. DIVIDEND

	2010	2009
	HK$'000	*HK$'000*
Proposed final dividend - HK0.8 cent (2009: Nil) per ordinary share	**4,594**	–

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming Annual General Meeting. These financial statements do not reflect the dividend payable.

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

The calculation of basic earnings/(loss) per share is based on the net profit attributable to ordinary equity holders of the Company for the year of HK$33,166,000 (2009: net loss of HK$276,186,000) and the 486,233,000 ordinary shares (2009: 486,233,000) in issue throughout the year, as adjusted to reflect the number of shares held by an associate through reciprocal shareholding.

No adjustments have been made to the basic earnings/(loss) per share for the current and prior 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 2010				
Cost:				
At 1 March 2009	**50,770**	**36,145**	**72,312**	**159,227**
Additions	**–**	**1,328**	**1,250**	**2,578**
Transferred from the disposal group classified as held for sale *(note 26)*	**32,183**	**1,785**	**–**	**33,968**
Disposals/write-off	**–**	**–**	**(201)**	**(201)**
Exchange realignment	**87**	**1**	**7**	**95**
At 28 February 2010	**83,040**	**39,259**	**73,368**	**195,667**
Accumulated depreciation and impairment:				
At 1 March 2009	**14,212**	**31,152**	**59,517**	**104,881**
Depreciation provided during the year	**3,605**	**1,842**	**4,001**	**9,448**
Transferred from the disposal group classified as held for sale *(note 26)*	**13,099**	**1,607**	**–**	**14,706**
Disposals/write-off	**–**	**–**	**(136)**	**(136)**
Exchange realignment	**52**	**–**	**4**	**56**
At 28 February 2010	**30,968**	**34,601**	**63,386**	**128,955**
Net book value:				
At 28 February 2010	**52,072**	**4,658**	**9,982**	**66,712**

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
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 realignment	–	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 realignment	–	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)*

Company

	Furniture, fixtures, equipment and motor vehicles HK$'000	Leasehold improvements HK$'000	Total HK$'000
28 February 2010			
Cost:			
At 1 March 2009	**32,142**	**55,698**	**87,840**
Additions	**488**	**593**	**1,081**
At 28 February 2010	**32,630**	**56,291**	**88,921**
Accumulated depreciation:			
At 1 March 2009	**28,213**	**43,884**	**72,097**
Provided during the year	**1,295**	**3,537**	**4,832**
At 28 February 2010	**29,508**	**47,421**	**76,929**
Net book value:			
At 28 February 2010	**3,122**	**8,870**	**11,992**
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

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 2010, an impairment loss of HK$3,940,000 (2009: 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 end of the reporting period.

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	
	2010	2009
	HK$'000	*HK$'000*
Carrying amount at beginning of year	**2,138**	3,921
Disposals	**(956)**	(1,783)
Transfer from a disposal group classified as held for sale *(note 26)*	**128,900**	–
Transfer to properties under development	**(29,398)**	–
Fair value gain	**1,534**	–
Exchange realignment	**317**	–
Carrying amount at end of year	**102,535**	2,138

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

Upon the cessation of the disposal plan mentioned in note 26 to the financial statements, the Group commenced a redevelopment plan to redevelop and dispose of certain floors of the properties held by Dalian Sincere. Accordingly, the Group classified those floors as properties under development during the year.

The investment properties were revalued at 28 February 2010 by Castores Magi (Hong Kong) Limited, an independent firm of professionally qualified valuers ("Castores"), on an open market, existing use basis at RMB 89,941,000, which approximates to HK$102,535,000 (2009: HK$2,138,000).

During the year ended 28 February 2010, a revaluation surplus of HK$1,534,000 was credited to the consolidated income statement. No revaluation surplus was credited to the consolidated income statement during the year ended 28 February 2009. 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.

15. PREPAID LAND PREMIUM

	Group	
	2010	2009
	HK$'000	*HK$'000*
Carrying value:		
At beginning of year	**–**	–
Transfer from a disposal group classified as held for sale *(note 26)*	**797**	–
Amortisation during the year	**(54)**	–
Exchange realignment	**6**	–
At end of year	**749**	–
Current portion included in prepayments, deposits and other receivables	**(27)**	–
Non-current portion	**722**	–

The Group's leasehold land included above is situated in Mainland China and is held under a medium term lease.

16. INTERESTS IN SUBSIDIARIES

	Company	
	2010	2009
	HK$'000	*HK$'000*
Unlisted shares, at cost	**10,594**	10,924
Due from subsidiaries	**1,521,216**	1,508,329
Due to subsidiaries	**(157,945)**	(163,289)
	1,373,865	1,355,964
Provision for impairment#	**(810,970)**	(758,938)
	562,895	597,026

As at 28 February 2010, an aggregate impairment of HK$810,970,000 (2009: HK$758,938,000) was recognised for investments in and amounts due from certain unlisted investments with an aggregate gross carrying amount of HK$1,274,500,000 (2009: HK$1,246,025,000) (before deducting the impairment loss) because the relevant subsidiaries had suffered losses for years or ceased operation.

16. INTERESTS IN SUBSIDIARIES *(continued)*

The balances with subsidiaries are unsecured and not repayable within the next 12 months from the end of the reporting period. Certain of the balances bear interest at 4.3% (2009: 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

16. 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	Furniture design and manufacturing
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
上海盈施傢具有限公司**	PRC/Mainland China	RMB500,000	N/A	–	100	Project design
東莞市卓譽傢具有限公司**#	PRC/Mainland China	RMB1,000,000	N/A	–	100	Furniture manufacturing

16. INTERESTS IN SUBSIDIARIES *(continued)*

* 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. During the year, the Group ceased to present the assets and liabilities of these two companies as assets and liabilities of a disposal group classified as held for sale. Further details are included in note 26 to the financial statements.

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

** Registered as a domestic joint venture enterprise under the PRC law.

Newly incorporated during the year.

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.

17. INTERESTS IN ASSOCIATES

	Group		Company	
	2010	2009	**2010**	2009
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Unlisted shares, at cost	**–**	–	**16,611**	16,611
Share of net assets other than goodwill	**82,202**	100,514	**–**	–
	82,202	100,514	**16,611**	16,611
Due from associates	**21,676**	20,406	**–**	–
Due to associates	**(46,607)**	(48,003)	**(654)**	(579)
	57,271	72,917	**15,957**	16,032
Provision for impairment#	**(8,138)**	(8,138)	**–**	–
	49,133	64,779	**15,957**	16,032

As at 28 February 2010, an aggregate impairment of HK$8,138,000 (2009: HK$8,138,000) was recognised for an amount due from an associate with an aggregate gross carrying amount of HK$21,492,000 (2009: HK$20,222,000) (before deducting the impairment loss) because the relevant associate had suffered losses for years.

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

17. INTERESTS IN ASSOCIATES *(continued)*

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

	2010	2009
	HK$'000	*HK$'000*
Total assets	**576,476**	502,832
Total liabilities	**133,973**	120,023
Revenue	**8,085**	11,442
Loss before tax	**(8,891)**	(78,142)

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

17. INTERESTS IN ASSOCIATES *(continued)*

At 28 February 2010, 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.

18. FINANCIAL INSTRUMENTS

		Group		Company	
	Notes	**2010** **HK$'000**	2009 HK$'000	**2010** **HK$'000**	2009 HK$'000
Available-for-sale investments					
Unlisted investments at cost:					
Hong Kong		**473**	473	**473**	473
PRC/Mainland China		**8,921**	–	**–**	–
Taiwan	*(a)*	**23,108**	23,108	**23,108**	23,108
United States	*(b)*	**17,176**	17,176	**–**	–
		49,678	40,757	**23,581**	23,581
Fair value through profit or loss:					
Convertible promissory note, at cost	*(c)*	**21,450**	17,550	**–**	–
		71,128	58,307	**23,581**	23,581
Less: Provision for impairment		**(21,211)**	(14,411)	**(14,411)**	(14,411)
		49,917	43,896	**9,170**	9,170
Portion classified as current assets		**(3,900)**	–	**–**	–
Portion classified as non-current assets		**46,017**	43,896	**–**	–

(a) At 28 February 2010, the unlisted investments in Taiwan of the Group and of the Company represented interests of 18.4% in the issued share capital of The Sincere Department Store Limited, against which provisions for impairment of HK$14,411,000 (2009: HK$14,411,000) have been made as considered necessary by the Directors of the Company.

18. FINANCIAL INSTRUMENTS *(continued)*

(b) At 28 February 2010, the unlisted investments in United States of the Group represented interests of 10% (2009: 10%) in the equity interest of TR-BIZ, a private limited company in the United States, against which a provision for impairment of HK$6,800,000 (2009: Nil) has been made as considered necessary by the Directors of the Company as the carrying amount of the unlisted investments exceeds its recoverable amount.

(c) During the year ended 28 February 2009, the Group acquired a non-negotiable convertible promissory note (the "First Promissory Note") of TR-BIZ, a private limited company in the United States. The principal amount of the First Promissory Note was US$2,250,000, which bears interest at the US prime rate per annum. It consisted of an option to be converted into 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.

During the year, the Group acquired an additional non-negotiable convertible promissory note (the "Second Promissory Note") of TR-BIZ. The principal amount of the Second Promissory Note was US$500,000, which bears a fixed interest rate of 18% per annum and repayable on or before 15 February 2010. It consisted of an option to be converted into membership interest on or before 1 March 2010. The option was expired subsequent to the year end.

The First and Second Promissory Notes were designated as financial assets at fair value through profit or loss upon initial recognition as the Notes contain embedded derivatives. As at 28 February 2010, the carrying amount of the Promissory Notes amounted to HK$21,450,000 (2009: 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.

19. PROPERTIES UNDER DEVELOPMENT

	Group	
	2010	2009
	HK$'000	*HK$'000*
Properties located in Mainland China	**120,705**	–

Based on the valuation report prepared by Castores on an open market, existing use basis, as at 28 February 2010, the Directors considered that provision for impairment on properties under development amounted to HK$1,106,000 (2009: Nil) should be written back. Such write-back was recognised and credited to the income statement during the year.

20. PROPERTIES HELD FOR SALE

	Group	
	2010	2009
	HK$'000	*HK$'000*
At beginning of year	**–**	3,777
Disposals	**–**	(3,777)
At end of year	**–**	–

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 number of diversified customers, there is no significant concentration of credit risk. Trade receivables are non-interest-bearing.

An aged analysis of the debtors as at the end of the reporting period, based on the payment due date, is as follows:

	Group	
	2010	2009
	HK$'000	*HK$'000*
Within 3 months not past due	**2,186**	1,110
Within 3 months past due	**77**	–
Over 3 months past due	**358**	262
Total debtors	**2,621**	1,372
Impairment	**–**	–
Total	**2,621**	1,372

Debtors that were neither past due nor impaired relate to a number of customers for whom there was no recent history of default. Debtors that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, the Directors of the Company are of the opinion that no 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	
	2010	2009
	HK$'000	*HK$'000*
Listed investments, at fair value:		
Hong Kong	**78,367**	34,195
Elsewhere	**69,454**	46,266
	147,821	80,461
Other investments, at fair value:	**102,880**	117,802
	250,701	198,263

The above investments at 28 February 2010 were classified as held for trading.

At the end of the reporting period, investments held for trading with an aggregate market value of approximately HK$197,101,000 (2009: HK$156,469,000) 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 2010:

	2010		2009	
	Assets	**Liabilities**	Assets	Liabilities
	HK$'000	***HK$'000***	*HK$'000*	*HK$'000*
Derivatives held for trading, at market value:				
Equity contracts	**5,081**	**–**	11,586	7,377
Foreign exchange rate contracts	**–**	**–**	33	1,087
	5,081	**–**	11,619	8,464

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	
	2010	2009	**2010**	2009
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Cash on hand and at banks	**50,267**	35,789	**4,964**	14,851
Time deposits with original maturity of less than three months	**4,589**	15,835	**–**	–
Time deposits with original maturity of more than three months	**–**	13,572	**–**	–
	54,856	65,196	**4,964**	14,851

At the end of the reporting period, the cash and bank balances of the Group denominated in Renminbi ("RMB") amounted to HK$23,094,000 (2009: HK$34,636,000). 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	
	2010	2009	**2010**	2009
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Bank loans, secured	**6,729**	24,617	**–**	–
Bank overdrafts, secured	**17,399**	15,503	**9,401**	13,423
	24,128	40,120	**9,401**	13,423

All the bank loans and overdrafts are repayable within one year and bear interest at floating rates ranging from 1.0% to 5.0% 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)*

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$2,892,000 (2009: HK$7,683,000) and time deposits amounting to HK$17,055,000 (2009: HK$19,684,000).

(b) the pledge of the Company's time deposits amounting to HK$17,055,000 (2009: HK$17,055,000).

(c) the pledge of certain of the Group's marketable securities with an aggregate market value of approximately HK$197,101,000 (2009: HK$156,469,000) (note 22).

(d) mortgages over certain of the Group's buildings which had an aggregate carrying value at the end of the reporting period of approximately HK$35,541,000 (2009: HK$36,558,000) (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 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.

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

As at 28 February 2009, the Share Purchase Agreement has not yet been completed, but the disposal of the Disposal Group was still undergoing. 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.

During the year ended 28 February 2010, the disposal of the Disposal Group was ceased by the expiry of time. Accordingly, the Group ceased to present the assets and liabilities of the Disposal Group as assets and liabilities of a disposal group classified as held for sale under current assets and current liabilities, respectively.

The major classes of the assets and liabilities of the Disposal Group classified as held for sale as at 28 February 2010 and 2009 are as follows:

	Notes	**28 February 2010 *HK$'000***	28 February 2009 *HK$'000*
Assets			
Property, plant and equipment	*(a),(e)*	–	19,128
Investment properties	*(b),(e)*	–	128,220
Prepaid land premium	*(c),(e)*	–	793
Properties under development	*(d),(e)*	–	81,320
Prepayments, deposits and other receivables		–	2,235
Cash and bank balances		–	1,021
Assets classified as held for sale		–	232,717
Liabilities			
Deposits, accrued expenses and other payables		–	(5,977)
Liabilities directly associated with the assets classified as held for sale		–	(5,977)
Net assets directly associated with a disposal group classified as held for sale		–	226,740
Equity			
Exchange reserves recognised directly in equity associated with a disposal group classified as held for sale		–	(12,285)

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

Notes:

(a) During the year ended 28 February 2009, 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 a 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.

(c) During the year ended 28 February 2009, an exchange reserve movement of HK$22,000 was credited to the consolidated statement of changes in equity.

(d) During the year ended 28 February 2009, an exchange reserve movement of HK$2,220,000 was credited to the consolidated statement of changes in equity.

(e) During the year, upon the cessation of the disposal of the Disposal Group, the property, plant and equipment, investment properties, prepaid land premium and properties under development, with exchange reserve movements of HK$134,000, HK$680,000, HK$4,000 and HK$430,000, respectively, were credited to the consolidated statement of changes in equity.

27. CREDITORS

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

	Group		Company	
	2010	2009	**2010**	2009
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Current – 3 months	**88,344**	57,313	**87,582**	54,650
4 – 6 months	**2,452**	21,700	**1,019**	18,580
7 – 12 months	**760**	478	**–**	192
Over 1 year	**736**	976	**53**	785
	92,292	80,467	**88,654**	74,207

28. SHARE CAPITAL

	2010	2009
	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

	2010	2009
	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.

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 2008	46,613	427,247	473,860
Loss for the year	–	(130,220)	(130,220)
At 28 February 2009 and 1 March 2009	46,613	297,027	343,640
Loss for the year	–	(54,722)	(54,722)
At 28 February 2010	46,613	242,305	288,918

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			
	2010 HK$'000	2009 HK$'000	**2010 HK$'000**	2009 HK$'000	**2010 HK$'000**	2009 HK$'000	**2010 HK$'000**	2009 HK$'000	**2010 HK$'000**	2009 HK$'000	**2010 HK$'000**	2009 HK$'000
Fees	**1,504**	1,564	**983**	913	**80**	110	**152**	182	**80**	110	**2,799**	2,879
Salaries, allowances and other benefits	**8,832**	9,380	**8,868**	8,802	**50**	50	**50**	50	**50**	50	**17,850**	18,332
Pension contributions including pension cost for defined benefit scheme of HK$206,000 (2009: HK$220,000)	**–**	–	**206**	220	**–**	–	**–**	–	**–**	–	**206**	220
	10,336	10,944	**10,057**	9,935	**130**	160	**202**	232	**130**	160	**20,855**	21,431

There were no other emoluments payable to the Independent Non-Executive Directors during the year (2009: 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 (2009: 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	
	2010 HK$'000	2009 HK$'000
Salaries and allowances	**4,232**	4,158
Pension contributions	**92**	82
	4,324	4,240

	Number of individuals	
	2010	2009
Nil – HK$1,000,000	**1**	1
HK$1,000,001 – HK$1,500,000	**–**	–
HK$1,500,001 – HK$2,000,000	**2**	2

33. NOTE TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

Deregistration/dissolution of subsidiaries

	Note	2010 HK$'000	2009 HK$'000
Net assets disposed of:			
Prepayments, deposits and other receivables		–	397
Other payables		–	(2,926)
Minority interests		–	(342)
Realisation of exchange reserves		11	14,526
		11	11,655
Loss on deregistration/dissolution	6	(11)	(11,655)
		–	–

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 12.5 years.

At the end of the reporting period, 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	
	2010	2009	**2010**	2009
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Within one year	**7,914**	5,533	**2,451**	161
In the second to fifth years, inclusive	**21,660**	21,489	**–**	–
After five years	**40,612**	45,664	**–**	–
	70,186	72,686	**2,451**	161

During the year, the Group and the Company did not receive any contingent rent (2009: 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 5 years.

At the end of the reporting period, the Group and the Company had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group		Company	
	2010	2009	**2010**	2009
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Within one year	**91,619**	70,869	**72,269**	69,684
In the second to fifth years, inclusive	**75,027**	144,352	**73,026**	143,529
	166,646	215,221	**145,295**	213,213

Certain non-cancellable operating leases of the Group and the Company included above were subject to contingent rent payments, which were charged at 9% to 9.25% (2009: 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 end of the reporting period were as follows:

	Group		Company	
	2010	2009	**2010**	2009
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Irrevocable letters of credit	**7,634**	5,848	**7,634**	5,848

37. CONTINGENT LIABILITIES

The Group's share of guarantee provided by certain associates amounted to approximately HK$39,058,000 (2009: HK$51,081,000) as at the end of the reporting period in respect of a banking facility utilised by their associates.

38. RELATED PARTY TRANSACTIONS

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

(i) The Group paid insurance premium expenses of approximately HK$217,000 (2009: HK$1,417,000) to an associate. The insurance premium expenses were transacted at prices and terms similar to those offered to unrelated customers of the associate.

(ii) Rental expenses of HK$460,000 (2009: HK$76,000) were paid to an associate. The rental expenses were mutually agreed between the Group and the associate.

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

	2010	2009
	HK$'000	*HK$'000*
Short term employee benefits	**24,881**	25,369
Post-employment benefits, including pension costs for defined benefit schemes of HK$286,000 (2009: HK$302,000)	**298**	302
Total compensation paid to key management personnel	**25,179**	25,671

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 end of the reporting period are as follows:

2010

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 17)*	–	21,676	–	21,676
Financial instruments	21,450	–	28,467	49,917
Debtors	–	2,621	–	2,621
Financial assets included in prepayments, deposits and other receivables	–	30,140	–	30,140
Financial assets at fair value through profit or loss	250,701	–	–	250,701
Derivative financial instruments	5,081	–	–	5,081
Pledged bank balances	–	2,892	–	2,892
Pledged deposits with banks	–	17,055	–	17,055
Cash and bank balances	–	54,856	–	54,856
	277,232	129,240	28,467	434,939

2010

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 17)*	–	46,607	46,607
Creditors	–	92,292	92,292
Financial liabilities included in deposits, accrued expenses and other payables	–	31,886	31,886
Interest-bearing bank borrowings and overdrafts	–	24,128	24,128
	–	194,913	194,913

39. FINANCIAL INSTRUMENTS BY CATEGORY *(continued)*

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows: *(continued)*

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 17)*	–	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 17)*	–	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 end of the reporting period are as follows: *(continued)*

Company

Financial assets

	2010 Loans and receivables HK$'000	**2010** Available-for-sale financial assets HK$'000	**2010** Total HK$'000	2009 Loans and receivables HK$'000	2009 Available-for-sale financial assets HK$'000	2009 Total HK$'000
Due from subsidiaries *(note 16)*	**720,180**	**–**	**720,180**	759,522	–	759,522
Financial instruments	**–**	**9,170**	**9,170**	–	9,170	9,170
Financial assets included in debtors, prepayments and deposits	**12,540**	**–**	**12,540**	5,313	–	5,313
Pledged deposits with banks	**17,055**	**–**	**17,055**	17,055	–	17,055
Cash and bank balances	**4,964**	**–**	**4,964**	14,851	–	14,851
	754,739	**9,170**	**763,909**	796,741	9,170	805,911

Financial liabilities

	2010 Financial liabilities at amortised cost HK$'000	2009 Financial liabilities at amortised cost HK$'000
Due to subsidiaries *(note 16)*	**157,945**	163,289
Due to associates *(note 17)*	**654**	579
Financial liabilities included in deposits, accrued expenses and other payables	**2,655**	2,247
Creditors	**88,654**	74,207
	249,908	240,322

40. FAIR VALUE HIERARCHY

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments:

Level 1: fair values measured based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2: fair values measured based on valuation techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly

Level 3: fair values measured based on valuation techniques for which any inputs which have a significant effect on the recorded fair value are not based on observable market data (unobservable inputs)

As at 28 February 2010, the Group held the following financial instruments measured at fair value:

Assets measured at fair value as at 28 February 2010:

	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
Financial assets at fair value through profit or loss	**250,701**	–	–	**250,701**
Derivative financial instruments	**5,081**	–	–	**5,081**
	255,782	–	–	**255,782**

During the year ended 28 February 2010, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3.

41. 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 and cash and bank balances. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various 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 end of the reporting period, a hypothetical 100-basis points increase/decrease in interest rates on the bank borrowings, that are carried at variable rates would increase/decrease the interest expense as follows:

Group	**2010** ***HK$'000***	2009 *HK$'000*
Increase/decrease in interest expense	**241**	401

Company	**2010** ***HK$'000***	2009 *HK$'000*
Increase/decrease in interest expense	**94**	134

41. 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 the anticipated total value of European purchases of inventories of the following season. Given that the Hong Kong dollars are pegged to the 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 end of the reporting period 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 end of the reporting period.

Group	**Increase/ (decrease) in exchange rate**	**Increase/ (decrease) in profit before tax**	**Increase/ (decrease) in equity***
	%	***HK$'000***	***HK$'000***
2010			
Investments denominated in and investments linked to a currency denominated in:	**5**	**142**	**–**
Euro	**(5)**	**(142)**	**–**
2009			
Investments denominated in and investments linked to a currency denominated in:	5	174	–
Euro	(5)	(174)	–

* Excluding retained profits

41. 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 end of the reporting period, based on the contractual undiscounted payments, was as follows:

2010

	Group			
	On demand	**Less than 12 months**	**More than 1 year**	**Total**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***
Due to associates	**–**	**–**	**46,607**	**46,607**
Creditors	**–**	**91,556**	**736**	**92,292**
Deposits and other payables	**–**	**26,715**	**5,171**	**31,886**
Interest-bearing borrowings and overdrafts	**17,399**	**6,729**	**–**	**24,128**
Guarantees given to banks in connection with facilities utilised by associates	**39,058**	**–**	**–**	**39,058**
	56,457	**125,000**	**52,514**	**233,971**

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

Liquidity risk *(continued)*

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

2009

	Group			
	On demand *HK$'000*	Less than 12 months *HK$'000*	More than 1 year *HK$'000*	Total *HK$'000*
Due to associates	–	–	48,003	48,003
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
Guarantees given to banks in connection with facilities utilised by associates	51,081	–	–	51,081
	66,584	118,159	68,512	253,255

2010

	Company			
	On demand ***HK$'000***	**Less than 12 months** ***HK$'000***	**More than 1 year** ***HK$'000***	**Total** ***HK$'000***
Due to subsidiaries	**–**	**–**	**157,945**	**157,945**
Creditors	**–**	**88,654**	**–**	**88,654**
Deposits and other payables	**–**	**1,569**	**1,086**	**2,655**
Interest-bearing borrowings and overdrafts	**9,401**	**–**	**–**	**9,401**
	9,401	**90,223**	**159,031**	**258,655**

2009

	Company			
	On demand *HK$'000*	Less than 12 months *HK$'000*	More than 1 year *HK$'000*	Total *HK$'000*
Due to subsidiaries	–	–	163,289	163,289
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	164,320	253,166

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

Market risk

Market risk is the risk that the fair values of investments held for trading decrease as a result of changes in the levels of equity indices and the value of individual securities. The Group is exposed to market risk arising from individual investments classified as held for trading (note 22) as at 28 February 2010.

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 end of the reporting period.

Group	**2010** **HK$'000**	2009 *HK$'000*
Investments in:		
Hong Kong	**8,917**	4,692
Others	**16,661**	15,450

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 ordinary 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 ordinary 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 end of the reporting period were as follows:

	2010 **HK$'000**	2009 *HK$'000*
Interest-bearing borrowings and overdrafts	**24,128**	40,120
Total equity attributable to ordinary equity holders of the Company	**663,123**	624,418
Gearing ratio	**4%**	6%

42 COMPARATIVE AMOUNTS

Certain comparative amounts have been revised to conform with the current year's presentation.

43. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board of Directors on 24 June 2010.

28 February 2010

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 2010

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 2010	100%	35,000	540,000

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 as below.

	Years ended 28/29 February				
	2010	2009	2008	2007	2006
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
RESULTS					
REVENUE	**381,010**	289,494	420,082	509,785	468,440
PROFIT/(LOSS) BEFORE TAX	**33,624**	(278,943)	(23,923)	50,197	1,300
INCOME TAX (EXPENSE)/CREDIT	**(421)**	(29)	1,956	(1,514)	–
PROFIT/(LOSS) FOR THE YEAR	**33,203**	(278,972)	(21,967)	48,683	1,300
Attributable to:					
Ordinary equity holders of the Company	**33,166**	(276,186)	(21,809)	41,194	4,128
Minority interests	**37**	(2,786)	(158)	7,489	(2,828)
	33,203	(278,972)	(21,967)	48,683	1,300

	As at 28/29 February				
	2010	2009	2008	2007	2006
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
ASSETS, LIABILITIES AND MINORITY INTERESTS					
PROPERTY, PLANT AND EQUIPMENT	**66,712**	54,346	58,828	72,677	82,635
INTERESTS IN ASSOCIATES	**49,133**	64,779	119,166	141,464	256,863
OTHER ASSETS	**158,893**	57,143	23,776	226,397	331,130
NET CURRENT ASSETS	**373,235**	433,163	682,586	460,416	249,391
MINORITY INTERESTS	**15,150**	14,987	16,182	21,052	(41,050)
	663,123	624,418	900,538	922,006	878,969

Message from

Mr. Walter Ma, Executive Chairman

On behalf of The Sincere Company Limited, I would like to express my gratitude for your presence at the banquet celebrating the 110th Anniversary of the Company.

While advancing into the new century, we should first show our respect to the founder of Sincere Company, Mr. Ma Ying Biao. In 1900, Mr. Ma Ying Biao established the first Chinese-owned department store in Hong Kong - Sincere Company, with an initial capital of HK$25,000. Now, more than a hundred years have elapsed, Sincere has gone through the baptism of time, the changes of times. Deeply grateful for the trust and support of our consumers, business partners, shareholders and loyal employees, Sincere has been able to provide quality goods and sincere services through the past 110 years.

Up till now, Sincere has grown from a well-known department store into a group with diversified businesses covering property, insurance, advertising, furniture and travel services, with various investment projects in the PRC, Hong Kong, the UK and the US.

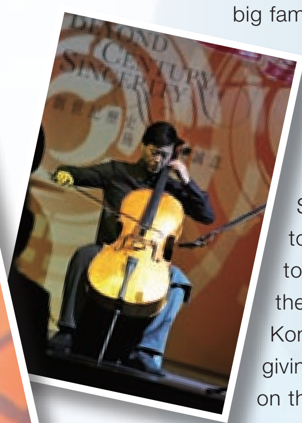
In future, Sincere will continue to grow our businesses to support the development of the PRC and Hong Kong. We will continue to adhere to the business philosophy of "Sincere Service" and provide better service in order to realise the Company's value and create another new era in the retail industry.

Executive Chairman
Walter K W Ma

Message from

Mr. Philip Ma, Group Managing Director

We are proud to be celebrating another decade of achievements since our Centennial celebration in 2000. Since the founding of The Sincere Company Limited in 1900, every staff at the Company had been upkeeping the Sincere spirit - "serve with sincerity, sell with integrity". At Sincere, people is the most important asset. We recruit people who have good interpersonal skills and a warm smile. We train people to always put customers at the first place. We reward our staff with incentives and recognition. We empower and motivate our employees to think outside the box and take part in our annual talent show and community work. Many employees who left our company often insisted on coming back because they cannot find a more nurturing company that is like one big family.



Today, we celebrate our success with our guests, our customers, our business partners and more importantly our dedicated team who had brought Sincere to what it is today. We are totally committed to bring more success to the business with the backdrop of the economic growth of China and Hong Kong. Thank you for sharing the joy of giving and the meaning of sincerity with us on this special occasion.

Group Managing Director
Philip K H Ma