Annual Report
2010-11

SINCERE 先施 TM

The Sincere Company, Limited
stock code: 244

Contents

CORPORATE INFORMATION

REGISTERED OFFICE

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

AUDITORS

Ernst & Young

SOLICITORS

Gallant Y.T. Ho & Co.

PRINCIPAL BANKERS

Citibank N.A.
DBS Bank (Hong Kong) Limited
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., Traders Hotel, 508 Queen's Road West, Western District, Hong Kong on 5 August 2011 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 2011.

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

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

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

   "**THAT:**

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

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

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

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

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

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

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

"**THAT:**

(a) subject to paragraph (c) below, the exercise by the Directors of the Company during the Relevant Period of all the powers of the Company to allot, issue and deal with additional shares in the capital of the Company pursuant to Section 57B of the 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)."

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

   "**THAT** the general mandate granted to the Directors of the Company and for the time being in force to exercise the powers of the Company to allot shares and to make or grant offers, agreements and options which might require the exercise of such powers, be and is hereby extended by the addition to the total nominal amount of share capital which may be allotted or agreed conditionally or unconditionally to be allotted by the Directors of the Company pursuant to such general mandate of an amount representing the total nominal amount of shares in the capital of the Company which has been purchased by the Company since the granting of such general mandate pursuant to the exercise by the Directors of the Company of the powers of the Company to purchase such shares, provided that such amount shall not exceed 10% of the total 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, 21 June 2011

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

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

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

6. A circular containing further details in respect of the above items 2 and 4 to 6 will be sent to members together with the 2010/11 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 2011.

RESULTS

The Group recorded a turnover of HK$458 million representing 20% growth over last year. This was brought about by a strong economic rebound and the arrival of Mainland tourists that increased favorably the turnover and profit of the departmental stores. With the share market stabilized, both the trading volume and mark to market gain have moderated as compared with last year. The full year profit attributable to shareholders amounted to HK$10 million, which has decreased by HK$23 million mainly due to the impairment loss for an associate property project in Australia and an impairment provision in the USA software company.

LIQUIDITY AND FINANCIAL RESOURCES

At 28 February 2011, the Group had cash and bank balances of HK$98 million (2010: HK$75 million) of which HK$26 million (2010: HK$20 million) were pledged. The Group's gearing increased by 2% to 6% in total debt to the shareholders' fund as compared to last year. The interest expense charged to the consolidated income statement for the year was HK$2 million (2010: HK$3 million). The maturity profile of the Group's borrowing is set out in note 24 to the financial statements. The bank borrowings were mainly in HKD and USD with interest rates ranging from 1% to 5% per annum. The current ratio was 3.0 (2010: 3.2).

The Group currently has a foreign currency hedging policy on Euro for the purchase of inventories, which hedges 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. All borrowings were secured against the securities investment, a property and various pledged bank deposits.

EMPLOYEES AND REMUNERATION POLICIES

At 28 February 2011, the Group had 587 employees (2010: 516) 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.

DIVIDENDS

The Board of Directors does not recommend the payment of a dividend for the year ended 28 February 2011 (2010: HK0.8 cent per share).

BUSINESS REVIEW

The department store operation recorded an encouraging growth as a result of the improved economy leading to an increase in the overall retail market spending. During the year, the management focused to enhance the gross profit margin and to expand the retail market share. These were achieved by importing more high quality European merchandises and in particular, commenced the fourth department store at Tsuen Wan Citywalk 2 for trading in September; which was the Group's first store at the New Territories district.

The advertising business also improved following the general economic recovery where more retail clients had resumed their advertising and promotional budget. The furniture business recorded a substantial growth attributable to the rapid development in the Mainland projects and exports to overseas. The travel franchise business recorded a satisfactory growth following the establishment of the Beijing and Shanghai branches, several franchisees were granted and contributed turnover to the Group. The securities trading recorded a profit but compared with last year became substantially less; this was due to lesser equities being realized during the year.

PROSPECTS

Looking ahead, the economy is generally improving, in particular with Mainland at nearly 10% GDP growth. The Group will grasp this opportunity to keep expanding the retail market share, strengthening the brand image and sustaining a growth in the gross profit margin. Meanwhile, the management prepares to face the challenges on the inflationary pressure predominantly from the rising cost of rental and labour. To pursue the growth momentum and to confine problems brought about by inflation, the Group will look for opportunities of opening specialty shops at prime location with smaller store area; these shops will focus on selling shoes and related accessories of foreign brands with higher gross profit margin.

On the advertising operation, the management will aggressively look for business opportunity with Hong Kong operators that also operate in the Mainland market. The furniture business will keep enhancing the product quality and developing high end furniture to expand the business volume. The travel franchise operation will continue to enhance the brand awareness and to expand into other regions of the PRC. On the securities trading, the management will continue the conservative strategy as a result of the negative sentiment over the inflationary breakout and the tightening monetary policy in the Mainland. On property development in Dalian, the management will pursue vigorously to sort out the legal matters before re-launching the sales campaign.

As a whole, the year ahead is filled with a mix of opportunities and threats, but the Group is confident to sustain the business growth with the above strategies in place.

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

26 May 2011

GROUP MANAGING DIRECTOR'S REVIEW OF OPERATIONS

Philip K H MA
Group Managing Director

DEPARTMENT STORE OPERATION

Strengthened by the economic growth of Mainland China that help lifted the general retail sales in Hong Kong, and the opening of the fourth department store at Tsuen Wan New Territories in late September 2010, the turnover of the department store operation recorded a significant increase of 28% from last year to HK$419 million and achieved a segment profit of HK$33 million as compared to last year which was a marginal loss. During the year, the management extended the range of quality European winter merchandises, with fur trims and leather jacket to reach the high end market that was well received. With a prolonged winter, last January has recorded a historical monthly sales of just over HK$100 million, which was an encouraging and remarkable result. On the gross profit margin, the management has lifted it successfully by over one percentage point, through enhanced European product mix on one hand and, obtained stronger support from consignment suppliers at a lower product costs on the other.

The turnover of the short term promotional sales "Roadshow" recorded a slight growth of 2% but the operating profit decreased by 10%. There were acute competition from other retailers, with contest in both sales and space, and hence pushed up rental costs. To tackle this escalating competition, the management had extended the number of days for each Roadshow to spread the one-off set up costs more effectively.

In response to the requests of the customers, the new rewrite card has been smoothly launched in September 2010 and was well received. The VIPs can now fully rely on the computer generated and maintained bonus points for each dollar spent and, eliminated the risk of losing their accumulated stamps as a result of losing their paper stamp card.

Central Store

The turnover recorded a growth of 16% and the gross profit margin increased by over one percentage point. It was attributable to the prolonged Winter lifted the demand for the leather coats and down jackets that carry higher margins. To grasp this opportunity, the management has enlarged the product assortment through extending the consignments with shorter lead time on product replenishment and wider varieties, including famous outdoor brands such as Columbia, North Face and Lafuma.

Shamshuipo Dragon Centre Store

The turnover recorded a growth of 15% and the gross profit margin increased by nearly one percentage point. It was attributable to the enriched product mix and an improved traffic flow. During the year, the management has reinforced the European merchandising mix and introduced a famous brand of massage chair, also, the customer counter was moved from the first floor to the third floor that successfully brought foot traffic to the higher floors.

Grand Century Place Store

This store outperformed the other two stores and recorded a substantial growth of 21% in turnover with over one percentage point improvement in gross profit margin. It was mainly attributable to the influx of Mainland tourists and the good performance on the high value winter apparels. The gradual appreciation of the Renminbi currency has directly attracted Mainland tourists to Hong Kong while this store enjoyed a location benefit. To better serve our Mainland customers, the entire shoes department has been upgraded and carried more international brands that were well known in the Mainland.

Tsuen Wan Citywalk Store

This new store was opened on 28 September 2010 with a one floor footage of approximately 40,000 sq. ft. housed in the Citywalk 2 shopping mall at Tsuen Wan right next to the Nina Tower and the L Hotel targeted at Mainland China tourists. This store still needed time to stabilize but the performance was in general better than expected.

OTHER OPERATIONS

Advertising

The advertising business recovered with the turnaround of the economy, where many clients started to invest in their marketing and promotional campaigns, hence the company recorded a satisfactory growth of 31% in turnover.

Project Furniture

The turnover of the furniture business recorded a substantial growth of 34% and the gross profit margin further increased by nearly two percentage points. This was brought by the continuing expansion in the Mainland market through the successful focus on enhancing product qualities and, developing high end products as supported by a thriving operation of the Dongguan manufacturing plant.

Travel Business

The turnover of the travel franchise business recorded a satisfactory growth where several franchisees were granted following the adoption of new commercial terms. During the year, the management enhanced the brand awareness through participating in several exhibitions at Shanghai and Beijing; the improved results proven the strategies were effective.

Securities Trading

The turnover and the segment profit have scaled down substantially when compared with the previous year. It was attributable to a substantial equity market opportunity in the previous year when the stock market bounced back, during which the management has grasped such a rare opportunity to maximize gain by disposing a fair portion of the portfolios following their appreciations; comparatively, the stock market was less robust this year and hence both the trading volume and mark to market gain were much less.

Property Investment

On the redevelopment of the upper floors of the Dalian Sincere building, the property has been named "Residence 8" which will offer different sizes of apartments from 60 – 120m^2 targeted for the middle income group. Various show flats have been completed and planned to be opened to the public. However, in early April 2011, an injunction to sell Residence 8 was being applied by a former potential buyer, and was granted by High People's Court. It ruled that Dalian Sincere Building Co., Ltd. cannot transfer certain floors of Residence 8 and the former potential buyer cannot transfer certain floors of its hotel located in Dalian until further rulings. Having consulted the PRC legal counsels, the management was confident that the case should be ruled in favor of the company. On the investment property project of Kangaroo Point in Brisbane Australia, four apartments in phase 1 were sold during the year; in view of a less buoyant property market, the management has decided on not to further develop phase 2 into apartments and has sold the phase 2 rights of land, an impairment loss of HK$8 million for this project has been provided. In UK, the last remaining flat at Lancaster Gate was sold during the year, all the UK projects were completed.

Other Investment

The investment in TR-BIZ, L.L.C. was underperformed due to a delay of product launch, the management has adopted new marketing strategies and changed the personnel of the marketing departments to improve the sales. On the expenses, the major item of staff cost has been scrutinized with a restructuring of the work force to reduce the loss. In view of the poor market condition, an impairment of HK$15 million was made for the investment.

LOOKING AHEAD

In the year ahead, Hong Kong should continue to benefit from the strong underlying economic momentum of PRC and the liquidity in-flows with political unrest in the Middle East. The management is positive on the retail market and shall closely monitor the costs and problems brought forward by the imminent inflation. To propel growth, initiatives will focus on expanding the market share, strengthening the brand awareness, capturing Mainland travelers and maximizing the gross profit margin. To cope with the inflationary pressures, the management will explore new business initiatives on the specialty shoes and accessories shops to spread out the operating costs and to develop a stronger relationship with the supply chain partners for mutual benefits. On system support, a new ERP system for the entire Group shall be implemented by different phases in the next three years to enhance reporting quality for better management and strategic decisions.

The advertising business will target to achieve a substantial sales growth and to enhance the operating efficiency for achieving a profit position. The furniture business will continue to expand in the PRC market, deploy more resources to enhance the product design and development on the high end market, and to increase the factory production output to sustain a growth in profit. The travel franchise business will focus on increasing the brand awareness in different regions of the PRC and to continue fine tuning the business model for better services to the PRC market.

On securities trading, the Group will remain conservative in response to the short to medium term volatile stock market due to international financial instability and concerns over the intensifying PRC monetary policy measures. As for the property development, the Group will continue to focus on completing the Dalian building redevelopment; obviously will also consider if there were any new property investment opportunities at any part of the world.

With the above strategies already in place, the Group is optimistic to achieve a better result in the year ahead.

Philip K H MA
Group Managing Director

26 May 2011

(A) CORPORATE GOVERNANCE PRACTICE

The Company has complied throughout the year ended 28 February 2011 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 fourteen meetings in year 2010/11. 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)*	14/14	100%
Philip K H MA *(Group Managing Director and Executive Director)*	14/14	100%
Independent Non-Executive Directors		
King Wing MA	14/14	100%
Eric K K LO	14/14	100%
Charles M W CHAN	12/14	86%

(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 Charles M W Chan was absent in the two 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 2011 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 to the Board during the year, the Nomination Committee has not held any meeting.

(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$2,824,000 (2010:HK$2,575,000). 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$629,500 (2010:HK$531,000).

(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 be 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 operations. The Council is responsible to review the annual business plan and budget, which are subject to review and approval by the Board and monitor the performance and operation through comparison of the annual business plan and budget with the actual financial results.

Upon the annual business plan and budget being reviewed and approved by the Board, the department heads of various departments have to strictly adhere to the respective annual departmental plan and budget. The department heads of the various departments have to obtain prior approval for any unbudgeted expenses. The Council reviews the key operating statistics and the monthly financial 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.

REPORT OF THE DIRECTORS

The Directors submit their annual report and the audited financial statements of the Company and of the Group for the financial year ended 28 February 2011.

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 2011 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 26 to 107.

A summary of the published results and of the assets, liabilities and non-controlling interests of the Group for the last five financial years is set out on page 110 of the annual report.

SHARE CAPITAL

As at 28 February 2011, the number of issued shares of HK$0.50 each was 574,308,000. There was no movement in the share capital of the Company in the year under review. Details of the Company's share capital are set out in note 26 to the financial statements.

CONTINGENT LIABILITIES

Details of the contingent liabilities of the Company and of the Group are set out in note 36 to the financial statements.

PLEDGE OF ASSETS

Details of the pledge of assets of the Group are set out in notes 13, 21 and 24 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 of Directors does not recommend the payment of a dividend in respect of the financial year ended 28 February 2011.

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 108 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 109 of the annual report.

RESERVES

Movements in the reserves of the Company and of the Group during the financial year are set out in note 29 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 2011, the Group's sales to the five largest customers and purchases from the five largest suppliers accounted for less than 30% of the Group's turnover and purchases, respectively.

DIRECTORS

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

Executive Directors:

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

Independent Non-Executive Directors:

King Wing MA
Eric K K LO
Charles M W CHAN

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

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

Details of the biographies of the Directors and senior executives are set out on page 23 of the annual report.

PRINCIPAL SHAREHOLDERS

At 28 February 2011, 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 and The Sincere Insurance & Investment Company, Limited were interested in 183,136,032 and 75,608,064 shares of HK$0.50 each of the Company, representing 31.89% and 13.17% of the issued share capital of the Company, respectively. Save for the above, there were no 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 2011, the interests of the Directors in the share capital of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, 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 2011, Mr Walter K W Ma, Mr Philip K H Ma, Mr King Wing Ma and Mr Eric K K Lo held 527, 713, 575 and 216 ordinary shares, respectively, in The Sincere Life Assurance Company Limited. In addition, at 28 February 2011, Mr Philip K H Ma held 500 promoter shares in The Sincere Life Assurance Company Limited.

At 28 February 2011, Mr Walter K W Ma, Mr Philip K H Ma, Mr King Wing Ma and Mr Eric K K Lo held 4,521, 2,485, 6 and 1,019 ordinary shares, respectively, in The Sincere Insurance & Investment Company, Limited.

At 28 February 2011, Mr Walter K W Ma and Mr Philip K H Ma held 10 and 10 ordinary shares, respectively, in The Sincere Company (Perfumery Manufacturers), Limited.

DIRECTORS' INTERESTS IN SHARES *(continued)*

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 2011, 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.

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$282,000.

AUDIT COMMITTEE

The Audit Committee of the Company comprises three members all of whom are Independent Non-Executive Directors, namely, Mr Eric K K Lo, Mr Charles M W Chan and Mr King Wing Ma. Regular meetings have been held by the Audit Committee since its establishment and the Audit Committee met two times in the year under review. The primary duties of the Audit Committee are to review the Group's internal control and financial reporting process including interim and annual financial statements before recommending them to the Board of Directors for approval. The Group's audited results for the year ended 28 February 2011 have been reviewed by the Audit Committee.

EVENTS AFTER THE REPORTING PERIOD

Details of the significant events after the reporting period of the Group are set out in note 41 to the financial statements.

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, 26 May 2011

BIOGRAPHIES OF DIRECTORS AND SENIOR EXECUTIVES

DIRECTORS

Walter K W MA, aged 81, 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 55, is the Group Managing Director. He 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 79, 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 62, 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 Lo does not have any relationship with any Directors and senior management of the Company.

Charles M W CHAN, aged 55, 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 50, 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 57, joined the Company in August 2002 as 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.

INDEPENDENT AUDITORS' REPORT

ERNST & YOUNG
安 永

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

We have audited the consolidated financial statements of The Sincere Company, Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 26 to 107, which comprise the consolidated and company statements of financial position as at 28 February 2011, 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 information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated 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 about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view 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 consolidated financial statements.

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 28 February 2011, 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

26 May 2011

CONSOLIDATED INCOME STATEMENT

Year ended 28 February 2011

	Notes	2011 HK$'000	2010 HK$'000
REVENUE	5	**458,410**	381,010
Cost of sales		**(163,234)**	(132,103)
Other income and gains, net	5	**22,774**	14,585
Net unrealised gain on securities and future contracts trading		**10,640**	45,127
Selling and distribution costs		**(158,784)**	(135,865)
General and administrative expenses		**(125,713)**	(119,997)
Other operating expenses, net		**(15,875)**	(5,759)
Finance costs	8	**(1,709)**	(2,534)
Share of profits less losses of associates		**(15,843)**	(10,840)
PROFIT BEFORE TAX	6	**10,666**	33,624
Income tax expense	9	**(444)**	(421)
PROFIT FOR THE YEAR		**10,222**	33,203
ATTRIBUTABLE TO:			
Equity holders of the Company	10	**10,477**	33,166
Non-controlling interests		**(255)**	37
		10,222	33,203
EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY	12		
Basic		**HK$0.02**	HK$0.07
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 2011

	Note	2011 HK$'000	2010 HK$'000
PROFIT FOR THE YEAR		**10,222**	33,203
OTHER COMPREHENSIVE INCOME:			
Exchange differences arising on translation of foreign operations		**11,228**	4,609
Realisation of exchange fluctuation reserve upon deregistration/dissolution of subsidiaries	31	**–**	11
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**21,450**	37,823
ATTRIBUTABLE TO:			
Equity holders of the Company		**22,897**	38,705
Non-controlling interests		**(1,447)**	(882)
		21,450	37,823

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

28 February 2011

	Notes	2011 HK$'000	2010 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	**77,179**	66,712
Investment properties	14	**113,963**	102,535
Prepaid land premium	15	**731**	722
Interests in associates	17	**20,671**	49,133
Financial instruments	18	**32,095**	46,017
Rental deposits		**7,753**	6,015
Pension scheme assets	7	**3,563**	3,604
Total non-current assets		**255,955**	274,738
CURRENT ASSETS			
Properties under development	19	**125,787**	120,705
Inventories		**64,436**	54,852
Debtors	20	**2,317**	2,621
Prepayments, deposits and other receivables		**55,343**	32,467
Financial assets at fair value through profit or loss	21	**260,645**	250,701
Financial instruments	18	**12,926**	3,900
Derivative financial instruments	22	**24,604**	5,081
Pledged bank balances	24	**9,073**	2,892
Pledged deposits with banks	24	**17,055**	17,055
Cash and bank balances	23	**72,354**	54,856
Total current assets		**644,540**	545,130
CURRENT LIABILITIES			
Creditors	25	**116,592**	92,292
Deposits, accrued expenses and other payables		**77,584**	55,116
Interest-bearing bank borrowings	24	**23,694**	24,128
Tax payable		**142**	359
Total current liabilities		**218,012**	171,895
NET CURRENT ASSETS		**426,528**	373,235
TOTAL ASSETS LESS CURRENT LIABILITIES		**682,483**	647,973
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings	24	**16,864**	–
NET ASSETS		**665,619**	647,973

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

28 February 2011

	Notes	**2011** **HK$'000**	2010 HK$'000
EQUITY			
Equity attributable to equity holders of the Company			
Issued share capital	26	**287,154**	287,154
Share premium account	27	**26**	26
Reserves	29(a)	**395,432**	375,943
		682,612	663,123
Non-controlling interests		**(16,993)**	(15,150)
TOTAL EQUITY		**665,619**	647,973

Walter K W Ma
Director

Philip K H Ma
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 28 February 2011

	Attributable to equity holders of the Company						
			Reserves				
	Issued share capital	**Share premium account**	**General and other reserves#**	**Retained profits**	**Total reserves**	**Non-controlling interests**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 March 2009	287,154	26	61,088	276,150	337,238	(14,987)	609,431
Profit for the year	–	–	–	33,166	33,166	37	33,203
Other comprehensive income for the year:							
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 31)*	–	–	11	–	11	–	11
Total comprehensive income/(loss) for the year	–	–	5,539	33,166	38,705	(882)	37,823
Movement in balances with non-controlling interests	–	–	–	–	–	719	719
At 28 February 2010 and 1 March 2010	**287,154**	**26**	**66,627**	**309,316**	**375,943**	**(15,150)**	**647,973**
Profit/(loss) for the year	**–**	**–**	**–**	**10,477**	**10,477**	**(255)**	**10,222**
Other comprehensive income for the year:							
Exchange differences arising on translation of foreign operations	**–**	**–**	**12,420**	**–**	**12,420**	**(1,192)**	**11,228**
Total comprehensive income/(loss) for the year	**–**	**–**	**12,420**	**10,477**	**22,897**	**(1,447)**	**21,450**
Final 2010 dividend paid *(note 11)*	**–**	**–**	**–**	**(4,594)**	**(4,594)**	**–**	**(4,594)**
Dividends attributable to associates*	**–**	**–**	**–**	**1,186**	**1,186**	**–**	**1,186**
Movement in balances with non-controlling interests	**–**	**–**	**–**	**–**	**–**	**(396)**	**(396)**
At 28 February 2011	**287,154**	**26**	**79,047**	**316,385**	**395,432**	**(16,993)**	**665,619**

Included in the general and other reserves at 28 February 2011 was an amount of HK$32,434,000 (2010: HK$20,014,000) attributable to the exchange fluctuation reserve.

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

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 28 February 2011

	Notes	**2011** **HK$'000**	2010 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**10,666**	33,624
Adjustments for:			
Interest expense	8	**1,709**	2,534
Share of profits less losses of associates		**15,843**	10,840
Interest income	6	**(6,053)**	(4,989)
Depreciation	6	**9,336**	9,448
Amortisation of prepaid land premium	6	**27**	54
Impairment on interests in associates	6	**805**	–
Impairment on financial instruments	6	**15,000**	6,800
Write-back of impairment on properties under development	6	**–**	(1,106)
Fair value gain on investment properties in Mainland China	6	**(8,145)**	(1,534)
Gain on disposal of investment properties	6	**–**	(1,489)
Loss/(gain) on disposal/write-off of items of property, plant and equipment	6	**(1)**	65
Loss/(gain) on deregistration/dissolution of subsidiaries, net	6	**(949)**	11
Exchange realignment		**(1,719)**	(980)
		36,519	53,278
Decrease/(increase) in rental deposits		**(1,738)**	39
Decrease in pension scheme assets		**41**	1,451
Increase in inventories		**(9,584)**	(6,625)
Decrease/(increase) in debtors		**304**	(1,249)
Increase in prepayments, deposits and other receivables		**(18,975)**	(6,351)
Increase in financial assets at fair value through profit or loss		**(9,944)**	(52,438)
Net increase in derivative financial instruments		**(19,523)**	(1,926)
Increase in creditors		**24,300**	11,825
Increase in deposits, accrued expenses and other payables		**22,482**	8,731
Cash generated from operations		**23,882**	6,735
Interest received		**6,053**	4,989
Interest paid		**(1,709)**	(2,534)
Overseas taxes paid		**(661)**	(78)
Net cash flows from operating activities		**27,565**	9,112

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 28 February 2011

	Notes	2011 HK$'000	2010 HK$'000
Net cash flows from operating activities		**27,565**	9,112
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to items of property, plant and equipment		**(18,013)**	(2,578)
Advances from/(repayments to) associates, net		**15,644**	(2,666)
Acquisition of financial instruments		**(14,004)**	(12,821)
Decrease/(increase) in pledged bank balances		**(6,181)**	4,791
Decrease in pledged deposits with banks		**–**	2,629
Decrease in time deposits with original maturity of more than three months		**–**	13,572
Proceeds from disposal of investment properties		**–**	2,445
Proceeds from disposal of property, plant and equipment		**112**	–
Dividend income received from an associate		**–**	3,000
Net cash flows from/(used in) investing activities		**(22,442)**	8,372
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayments of bank loans		**(187,804)**	(374,031)
New bank loans and other borrowings		**210,842**	356,143
Dividend paid		**(4,594)**	–
Non-controlling interests		**539**	719
Net cash flows from/(used in) financing activities		**18,983**	(17,169)
NET INCREASE IN CASH AND CASH EQUIVALENTS		**24,106**	315
Cash and cash equivalents at beginning of year		**37,457**	37,142
CASH AND CASH EQUIVALENTS AT END OF YEAR		**61,563**	37,457
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash on hand and at banks	23	**68,756**	50,267
Time deposits with original maturity of less than three months	23	**3,598**	4,589
Cash and cash equivalents as stated in the consolidated statement of financial position		**72,354**	54,856
Bank overdrafts	24	**(10,791)**	(17,399)
Cash and cash equivalents as stated in the consolidated statement of cash flows		**61,563**	37,457

STATEMENT OF FINANCIAL POSITION

28 February 2011

	Notes	2011 HK$'000	2010 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	**23,116**	11,992
Interests in subsidiaries	16	**531,246**	562,895
Interests in associates	17	**15,970**	15,957
Financial instruments	18	**9,170**	9,170
Rental deposits		**7,753**	6,015
Pension scheme assets	7	**3,643**	3,684
Total non-current assets		**590,898**	609,713
CURRENT ASSETS			
Inventories		**63,626**	54,442
Prepayments, deposits and other receivables		**12,662**	13,864
Pledged deposits with banks	24	**17,055**	17,055
Cash and bank balances	23	**25,142**	4,964
Total current assets		**118,485**	90,325
CURRENT LIABILITIES			
Creditors	25	**113,756**	88,654
Deposits, accrued expenses and other payables		**29,879**	25,885
Interest-bearing bank borrowings	24	**4,818**	9,401
Total current liabilities		**148,453**	123,940
NET CURRENT LIABILITIES		**(29,968)**	(33,615)
TOTAL ASSETS LESS CURRENT LIABILITIES		**560,930**	576,098
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings	24	**16,864**	–
NET ASSETS		**544,066**	576,098
EQUITY			
Issued share capital	26	**287,154**	287,154
Share premium account	27	**26**	26
Reserves	29(b)	**256,886**	288,918
TOTAL EQUITY		**544,066**	576,098

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 (the "HKICPA") 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. 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 2011. The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date such control ceases. All intra-group balances, transactions, unrealised gains and losses resulting from transactions and dividends are eliminated on consolidation in full.

2.1 BASIS OF PREPARATION *(continued)*

Basis of consolidation *(continued)*

Basis of consolidation from 1 March 2010

Losses within a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate.

Basis of consolidation prior to 1 March 2010

Certain of the above-mentioned requirements have been applied on a prospective basis. The following differences, however, are carried forward in certain instances from the previous basis of consolidation:

- Acquisitions of non-controlling interests (formerly known as minority interests), prior to 1 March 2010, were accounted for using the parent entity extension method, whereby the differences between the consideration and the book value of the share of the net assets acquired were recognised in goodwill.

- Losses incurred by the Group were attributed to the non-controlling interest until the balance was reduced to nil. Any further excess losses were attributable to the parent, unless the non-controlling interest had a binding obligation to cover these. Losses prior to 1 March 2010 were not reallocated between non-controlling interest and the parent shareholders.

- Upon loss of control, the Group accounted for the investment retained at its proportionate share of net asset value at the date control was lost. The carrying amount of such investment at 1 March 2010 has not been restated.

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 (Revised)	*First-time Adoption of Hong Kong Financial Reporting Standards*
HKFRS 1 Amendments	Amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards – Additional Exemptions for First-time Adopters*
HKFRS 2 Amendments	Amendments to HKFRS 2 *Share-based Payment – Group Cash-settled Share-based Payment Transactions*
HKFRS 3 (Revised)	*Business Combinations*
HKAS 27 (Revised)	*Consolidated and Separate Financial Statements*
HKAS 32 Amendment	Amendment to HKAS 32 *Financial Instruments: Presentation - Classification of Rights Issues*
HKAS 39 Amendment	Amendment to HKAS 39 *Financial Instruments: Recognition and Measurement – Eligible Hedged Items*
HK(IFRIC)-Int 17	*Distributions of Non-cash Assets to Owners*
HKFRS 5 Amendments 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*
Improvements to HKFRSs 2009	Amendments to a number of HKFRSs issued in May 2009
HK Interpretation 4 Amendment	Amendment to HK Interpretation 4 *Leases – Determination of the Length of Lease Term in respect of Hong Kong Land Leases*
HK Interpretation 5	*Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause*

Other than as further explained below regarding the impact of HKFRS 3 (Revised), HKAS 27 (Revised), amendments to HKAS 7 and HKAS 17 included in *Improvements to HKFRSs 2009*, HK Interpretation 4 (Revised in December 2009) and HK Interpretation 5, the adoption of the new and revised HKFRSs has had no significant financial effect on these financial statements.

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

(a) HKFRS 3 (Revised) *Business Combinations* and HKAS 27 (Revised) *Consolidated and Separate Financial Statements*

HKFRS 3 (Revised) introduces a number of changes in the accounting for business combinations that affect the initial measurement of non-controlling interests, the accounting for transaction costs, the initial recognition and subsequent measurement of a contingent consideration and business combinations achieved in stages. These changes will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs, and future reported results.

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

(a) HKFRS 3 (Revised) *Business Combinations* and HKAS 27 (Revised) *Consolidated and Separate Financial Statements (continued)*

HKAS 27 (Revised) requires that a change in the ownership interest of a subsidiary without loss of control is accounted for as an equity transaction. Therefore, such a change will have no impact on goodwill, nor will it give rise to a gain or loss. Furthermore, the revised standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary. Consequential amendments were made to various standards, including, but not limited to HKAS 7 *Statement of Cash Flows*, HKAS 12 *Income Taxes*, HKAS 21 *The Effects of Changes in Foreign Exchange Rates*, HKAS 28 *Investments in Associates* and HKAS 31 *Interests in Joint Ventures*.

The changes introduced by these revised standards are applied prospectively and affect the accounting of acquisitions, loss of control and transactions with non-controlling interests after 1 March 2010.

(b) *Improvements to HKFRSs 2009* issued in May 2009 sets out amendments to a number of HKFRSs. There are separate transitional provisions for each standard. While the adoption of some of the amendments results in changes in accounting policies, none of these amendments has had a significant financial impact on the Group. Details of the key amendments most applicable to the Group are as follows:

- HKAS 7 *Statement of Cash Flows*: Requires that only expenditures that result in a recognised asset in the statement of financial position can be classified as a cash flow from investing activities.

- HKAS 17 *Leases*: Removes the specific guidance on classifying land as a lease. As a result, leases of land should be classified as either operating or finance leases in accordance with the general guidance in HKAS 17.

  Amendment to HK Interpretation 4 Leases – *Determination of the Length of Lease Term in respect of Hong Kong Land Leases* is revised as a consequence of the amendment to HKAS 17 *Leases* included in *Improvements to HKFRSs 2009*. Following this amendment, the scope of HK Interpretation 4 has been expanded to cover all land leases, including those classified as finance leases. As a result, this interpretation is applicable to all leases of property accounted for in accordance with HKAS 16, HKAS 17 and HKAS 40.

  Upon the adoption of the amendments, the classification of leases in Mainland China remained as operating leases. As the lease in Hong Kong cannot be allocated reliably between land and building elements before the adoption of the amendments, in which case, the entire lease was generally treated as finance lease and accounted for as property, plant and equipment.

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

(c) HK Interpretation 5 *Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause*

HK Interpretation 5 requires that a loan that contains a clause that gives the lender the unconditional right to call the loan at any time shall be classified in total by the borrower as current in the statement of financial position. This is irrespective of whether a default event has occurred and notwithstanding any other terms and maturity stated in the loan agreement. This interpretation does not have a material impact on the Group's financial statements.

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 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*[1]
HKFRS 1 Amendments	Amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards – Severe Hyperinflation and Removal of Fixed Dates for First – time Adopters*[3]
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures – Transfers of Financial Assets*[3]
HKFRS 9	*Financial Instruments*[5]
HKAS 12 Amendments	Amendments to HKAS 12 *Income Taxes – Deferred Tax: Recovery of Underlying Assets*[4]
HKAS 24 (Revised)	*Related Party Disclosures*[2]
HK(IFRIC)-Int 14 Amendments	Amendments to HK(IFRIC)-Int 14 *Prepayments of a Minimum Funding Requirement*[2]
HK(IFRIC)-Int 19	*Extinguishing Financial Liabilities with Equity Instruments*[1]

Apart from the above, the HKICPA has issued *Improvements to HKFRSs 2010* which sets out amendments to a number of HKFRSs primarily with a view to removing inconsistencies and clarifying wording. The amendments to HKFRS 3 and HKAS 27 are effective for annual periods beginning on or after 1 July 2010, whereas 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 although there are separate transitional provisions for each standard.

1 Effective for annual periods beginning on or after 1 July 2010
2 Effective for annual periods beginning on or after 1 January 2011
3 Effective for annual periods beginning on or after 1 July 2011
4 Effective for annual periods beginning on or after 1 January 2012
5 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)*

Business combinations and goodwill

Business combinations from 1 March 2010

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value as at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability is recognised in accordance with HKAS 39 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it shall not be remeasured until it is finally settled within equity.

Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the net identifiable assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets of the subsidiary acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at the end of February. 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Business combinations and goodwill *(continued)*

Business combinations from 1 March 2010 (continued)

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.

Business combinations prior to 1 March 2010 but after 1 March 2005

In comparison to the above-mentioned requirements which were applied on a prospective basis, the following differences applied to business combinations prior to 1 March 2010:

Business combinations were accounted for using the purchase method. Transaction costs directly attributable to the acquisition formed part of the acquisition costs. The non-controlling interest was measured at the proportionate share of the acquiree's identifiable net assets.

Business combinations achieved in stages were accounted for as separate steps. Any additional acquired share of interest did not affect previously recognised goodwill.

When the Group acquired a business, embedded derivatives separated from the host contract by the acquiree were not reassessed on acquisition unless the business combination resulted in a change in the terms of the contract that significantly modified the cash flows that otherwise would have been required under the contract.

Contingent consideration was recognised if, and only if, the Group had a present obligation, the economic outflow was more likely than not and a reliable estimate was determinable. Subsequent adjustments to the contingent consideration were recognised as part of goodwill.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Impairment of non-financial assets

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 and goodwill), 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.

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, available-for-sale financial investments, or as 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investments and other financial assets *(continued)*

Initial recognition and measurement *(continued)*

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, amounts due from associates, financial assets at fair value through profit or loss, financial instruments 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 and financial assets designated upon initial recognition as at fair value through profit or loss. 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. This evaluation does not affect any financial assets designated at fair value though profit or loss using the fair value option at designation.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investments and other financial assets *(continued)*

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 by 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 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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investments and other financial assets *(continued)*

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

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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Impairment of financial assets *(continued)*

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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Impairment of financial assets *(continued)*

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 investments 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.

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, or as derivatives designated as hedging instruments in an effective hedge, 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, amounts due to associates and interest-bearing bank borrowings.

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial liabilities *(continued)*

Financial liabilities at fair value through profit or loss (continued)

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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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.

Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. 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 are classified as current assets.

Properties held for sale

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

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Leases

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

Prepaid land premium under operating leases is 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.

Share-based payment transactions

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payment transactions, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the income statement for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for awards that do not ultimately vest, except for equity-settled transactions where vesting is conditional upon a market or non-vesting condition, which are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee as measured at the date of modification.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Share-based payment transactions *(continued)*

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph. All cancellations of equity-settled transaction awards are treated equally.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Employee benefits *(continued)*

Retirement benefits *(continued)*

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

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

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised, 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Income tax *(continued)*

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.

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 shareholder's right to receive payment is established;

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Revenue recognition *(continued)*

(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 significant risks and rewards of ownership have been transferred to the buyer;

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

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

Foreign currencies

These financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Related parties

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

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

(b) the party is an associate;

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

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

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

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

Cash and cash equivalents

For the purpose of the consolidated 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 JUDGEMENTS AND 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.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Operating lease commitments – Group as lessor

The Group has entered into commercial property leases on its investment property portfolio. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, that it retains all the significant risks and rewards of ownership of these properties which are leased out on operating leases.

Impairment of assets

In determining whether an asset is impaired or whether the event previously causing the impairment no longer exists, the Group has to exercise judgement in the area of asset impairment, particularly in assessing: (1) whether an event has occurred that may affect the asset value, or such an event affecting the asset value has not been in existence; (2) whether the carrying value of an asset can be supported by the net present value of future cash flows, which are estimated based upon the continued use of the asset; and (3) the appropriate key assumptions to be applied in preparing cash flow projections including whether these cash flow projections are discounted using an appropriate rate. Changing the assumptions selected by management to determine the level of impairment, including the discount rates or the growth rate assumptions in the cash flow projections, could have a material effect on the net present value used in the impairment test.

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 fair value of its investment properties

As described in note 14, the investment properties of the Group were revalued at the end of the reporting period on an open market, existing state basis by independent professional qualified valuers. Such valuation was based on certain assumptions, which are subject to uncertainty and might materially differ from the actual results. In making the judgements, the Group considers information from current prices in an active market for similar properties and uses assumptions that are mainly based on market conditions existing at the end of each reporting period.

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. Further details of the financial instruments are set out in note 18 to the financial statements.

4. SEGMENT INFORMATION

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

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

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

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

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

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

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

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/(loss), which is a measure of adjusted 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 and 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, profit and certain asset, liability and expenditure information for the Group's operating segments for the years ended 28 February 2011 and 2010.

	Department store operations		Property rental and development		Securities trading		Others		Eliminations		Consolidated	
	2011 HK$'000	2010 HK$'000	**2011 HK$'000**	2010 HK$'000	**2011 HK$'000**	2010 HK$'000	**2011 HK$'000**	2010 HK$'000	**2011 HK$'000**	2010 HK$'000	**2011 HK$'000**	2010 HK$'000
Segment revenue:												
Sales to external customers	**418,942**	328,343	**9,505**	9,475	**4,099**	24,191	**25,864**	19,001	**–**	–	**458,410**	381,010
Intersegment sales	**–**	–	**25,261**	24,973	**–**	–	**9,162**	8,089	**(34,423)**	(33,062)	**–**	–
Other revenue	**170**	417	**8,225**	2,992	**1**	7	**258**	166	**–**	–	**8,654**	3,582
Total	**419,112**	328,760	**42,991**	37,440	**4,100**	24,198	**35,284**	27,256	**(34,423)**	(33,062)	**467,064**	384,592
Segment results	**32,774**	(2,297)	**(1,466)**	(3,161)	**5,009**	59,845	**(22,219)**	(18,392)	**–**	–	**14,098**	35,995
Interest income, dividend income and unallocated revenue											**14,120**	11,003
Finance costs											**(1,709)**	(2,534)
Share of profits less losses of associates											**(15,843)**	(10,840)
Profit before tax											**10,666**	33,624
Income tax expense											**(444)**	(421)
Profit for the year											**10,222**	33,203
Segment assets	**119,844**	99,463	**338,253**	303,869	**312,355**	267,223	**45,313**	58,904	**(34,423)**	(33,527)	**781,342**	695,932
Unallocated assets											**98,482**	74,803
Interests in associates	**–**	–	**12,305**	21,790	**–**	–	**8,366**	27,343	**–**	–	**20,671**	49,133
Total assets											**900,495**	819,868
Segment liabilities	**178,058**	147,600	**40,330**	22,780	**943**	1,127	**9,410**	9,787	**(34,423)**	(33,527)	**194,318**	147,767
Unallocated liabilities											**40,558**	24,128
Total liabilities											**234,876**	171,895

4. SEGMENT INFORMATION *(continued)*

(a) Operating segments *(continued)*

	Department store operations		Property rental and development		Securities trading		Others		Eliminations		Consolidated	
	2011	2010	**2011**	2010	**2011**	2010	**2011**	2010	**2011**	2010	**2011**	2010
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Other segment information:												
Depreciation	**5,765**	4,778	**2,866**	4,047	**107**	107	**598**	516	**–**	–	**9,336**	9,448
Amortisation of prepaid land premium	**–**	–	**27**	54	**–**	–	**–**	–	**–**	–	**27**	54
Capital expenditure	**16,986**	1,081	**531**	102	**–**	–	**496**	1,395	**–**	–	**18,013**	2,578
Loss/(gain) on disposal/ write-off of items of property, plant and equipment	**28**	–	**2**	65	**–**	–	**(31)**	–	**–**	–	**(1)**	65
Gain on disposal of investment properties	**–**	–	**–**	(1,489)	**–**	–	**–**	–	**–**	–	**–**	(1,489)
Write-back of impairment for inventories	**(3,291)**	(607)	**–**	–	**–**	–	**–**	–	**–**	–	**(3,291)**	(607)
Impairment on interests in associates	**–**	–	**805**	–	**–**	–	**–**	–	**–**	–	**805**	–
Fair value gain on investment properties in Mainland China	**–**	–	**(8,145)**	(1,534)	**–**	–	**–**	–	**–**	–	**(8,145)**	(1,534)
Impairment on financial instruments	**–**	–	**–**	–	**–**	–	**15,000**	6,800	**–**	–	**15,000**	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	
	2011	2010	**2011**	2010	**2011**	2010	**2011**	2010	**2011**	2010	**2011**	2010
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue:												
Sales to external customers	**432,478**	354,169	**22,525**	16,348	**261**	331	**3,146**	10,162	**–**	–	**458,410**	381,010
Non-current assets	**66,242**	54,507	**133,384**	121,477	**–**	–	**–**	–	**–**	–	**199,626**	175,984

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 2011 and 2010, 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:

	2011	2010
	HK$'000	*HK$'000*
Sale of goods – own goods	**259,221**	194,628
Net income from counter and consignment sales	**159,721**	133,715
Property rental, net of outgoings	**9,505**	9,475
Net realised gain on securities and future contracts trading	**4,099**	24,191
Income from furniture design and manufacturing	**22,729**	16,916
Advertising and travel agency fee income	**3,135**	2,085
	458,410	381,010

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

	2011	2010
	HK$'000	*HK$'000*
Interest income	**6,053**	4,989
Dividends from listed investments	**7,361**	3,376
Dividends from an unlisted available-for-sale investment	**–**	3,697
Gain on disposal of investment properties	**–**	1,489
Fair value gain on investment properties in Mainland China	**8,145**	1,534
Gain/(loss) on deregistration/dissolution of subsidiaries, net	**949**	(11)
Foreign exchange losses, net	**(243)**	(1,048)
Others	**509**	559
	22,774	14,585

6. PROFIT BEFORE TAX

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

	2011 HK$'000	2010 HK$'000
Depreciation	**9,336**	9,448
Amortisation of prepaid land premium	**27**	54
Auditors' remuneration	**2,824**	2,575
Employee benefit expenses, excluding directors' remuneration *(note 30)*:		
Wages and salaries	**67,093**	55,707
Pension contributions, including pension costs for defined benefit scheme of HK$2,151,000 (2010: HK$2,158,000)	**4,098**	2,944
	71,191	58,651
Write-back of impairment on properties under development*	**–**	(1,106)
Write-back of impairment for inventories**	**(3,291)**	(607)
Impairment on financial instruments*	**15,000**	6,800
Impairment on interests in associates*	**805**	–
Net realised gain on securities and future contracts trading *(note 5)*	**(4,099)**	(24,191)
Operating lease rental payments in respect of land and buildings:		
Minimum lease payments	**118,636**	113,338
Contingent rent	**3,318**	550
Loss/(gain) on disposal/write-off of items of property, plant and equipment*	**(1)**	65
Foreign exchange losses, net***	**243**	1,048
Property rental, net of outgoings *(note 5)*	**(9,505)**	(9,475)
Interest income***	**(6,053)**	(4,989)
Dividends from listed investments***	**(7,361)**	(3,376)
Dividends from an unlisted available-for-sale investment***	**–**	(3,697)
Gain on disposal of investment properties***	**–**	(1,489)
Fair value gain on investment properties in Mainland China***	**(8,145)**	(1,534)
Loss/(gain) on deregistration/dissolution of subsidiaries, net***	**(949)**	11

No dividend income (2010: HK$3,000,000) 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 2011 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	
		2011	2010	**2011**	2010
	Notes	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Present value of defined benefit obligation	*7(c)*	**(49,957)**	(46,166)	**(49,957)**	(46,166)
Fair value of pension scheme assets	*7(d)*	**53,703**	49,714	**53,783**	49,794
		3,746	3,548	**3,826**	3,628
Net unrecognised actuarial losses/(gains)		**(183)**	56	**(183)**	56
Net assets recognised at 28 February		**3,563**	3,604	**3,643**	3,684

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	
	2011	2010	**2011**	2010
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Current service cost	**3,608**	4,358	**3,608**	4,358
Interest cost on defined benefit obligations	**1,322**	1,047	**1,322**	1,047
Expected return on pension scheme assets	**(2,518)**	(2,112)	**(2,518)**	(2,112)
Net cumulative actuarial losses recognised in the income statement	**–**	522	**–**	522
Net pension scheme cost	**2,412**	3,815	**2,412**	3,815
Actuarial return on pension scheme assets	**2,609**	5,166	**2,609**	5,166

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	
		2011	2010	**2011**	2010
	Note	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
At beginning of year		**46,166**	52,991	**46,166**	52,991
Interest cost		**1,322**	1,047	**1,322**	1,047
Current service cost		**3,608**	4,358	**3,608**	4,358
Benefits paid		**(991)**	(4,039)	**(991)**	(4,039)
Actuarial gain		**(148)**	(8,191)	**(148)**	(8,191)
At end of year	*7(a)*	**49,957**	46,166	**49,957**	46,166

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	
		2011	2010	**2011**	2010
	Note	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
At beginning of year		**49,714**	46,223	**49,794**	46,303
Expected return on scheme assets		**2,518**	2,112	**2,518**	2,112
Contributions		**2,371**	2,364	**2,371**	2,364
Benefits paid		**(991)**	(4,039)	**(991)**	(4,039)
Actuarial gain on scheme assets		**91**	3,054	**91**	3,054
At end of year	*7(a)*	**53,703**	49,714	**53,783**	49,794

(e) The Group and the Company expected to pay HK$1,960,000, as contributions to the pension scheme assets during the year ending 28 February 2012.

(f) Scheme assets consist of the following:

	2011	2010
Equities	**20%**	19%
Bonds	**77%**	80%
Cash	**3%**	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:

	2011	2010
	%	%
Discount rate	**3.00**	2.90
Expected rate of return on the pension scheme assets	**4.75**	5.00
Future salary increase rate	**4.00**	2.50-4.00

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

	2011	2010	2009	2008	2007
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Present value of defined benefit obligations	**(49,957)**	(46,166)	(52,991)	(49,120)	(40,239)
Fair value of plan assets	**53,703**	49,714	46,223	47,773	41,284
Surplus/(deficit) in the plan	**3,746**	3,548	(6,768)	(1,347)	1,045
Experience gain/(loss) arising on scheme assets	**91**	3,054	(5,365)	2,783	320
Experience adjustment on plan liabilities	**1,017**	2,908	794	(4,674)	599

7. PENSION SCHEME ASSETS *(continued)*

(h) *(continued)*

Company

	2011	2010	2009	2008	2007
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Present value of defined benefit obligations	**(49,957)**	(46,166)	(52,991)	(49,102)	(40,239)
Fair value of plan assets	**53,783**	49,794	46,303	47,826	41,284
Surplus/(deficit) in the plan	**3,826**	3,628	(6,688)	(1,276)	1,045
Experience gain/(loss) arising on scheme assets	**91**	3,054	(5,366)	2,783	320
Experience adjustment on plan liabilities	**1,017**	2,908	794	(4,621)	599

(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 "Stock Exchange") (the "Listing Rules"):

The Company has paid contributions to the Scheme at rates as recommended and calculated by the independent actuary, Ms Wing Lui, 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 2011, the Group and the Company have an amount due from the Scheme of HK$570,000 (2010: HK$1,907,000), which is included in "Prepayments, deposits and other receivables" on the face of the statements of financial position. The balance is unsecured, interest-free and has no fixed terms of repayment.

8. FINANCE COSTS

	Group	
	2011	2010
	HK$'000	*HK$'000*
Interest on bank borrowings		
wholly repayable within five years	**1,560**	2,414
Others	**149**	120
	1,709	2,534

9. INCOME TAX

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

	Group	
	2011	2010
	HK$'000	*HK$'000*
Group:		
Current – Hong Kong	**–**	–
Current – Elsewhere		
Charge for the year	**444**	421
Total tax charge for the year	**444**	421

9. INCOME TAX *(continued)*

A reconciliation of the tax expense applicable to profit before tax at 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	
	2011	2010
	HK$'000	*HK$'000*
Profit before tax	**10,666**	33,624
Tax at the statutory tax rates	**1,900**	4,345
Profits less losses attributable to associates	**2,520**	1,702
Income not subject to tax	**(7,573)**	(10,919)
Expenses not deductible for tax	**3,950**	3,885
Deferred tax not recognised	**(671)**	(200)
Tax losses not recognised	**5,307**	5,196
Tax losses utilised from previous periods	**(4,989)**	(3,588)
Tax charge at the Group's effective rate	**444**	421

The Group has tax losses arising in Hong Kong of approximately HK$900,933,000 (2010: HK$927,207,000) 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 (2010: Nil) in the current year.

10. PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The consolidated profit attributable to equity holders of the Company for the year ended 28 February 2011 includes a loss of HK$27,438,000 (2010: HK$54,722,000) dealt with in the financial statements of the Company (note 29(b)).

11. DIVIDEND

	2011	2010
	HK$'000	*HK$'000*
Dividend paid during the year		
Final in respect of the financial year ended 28 February 2010:		
HK0.8 cent per ordinary share (2010: Nil)	**4,594**	–

The board of directors does not recommend the payment of a dividend for the year ended 28 February 2011 (2010: HK0.8 cent).

12. EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The calculation of basic earnings per share is based on the net profit attributable to equity holders of the Company for the year of HK$10,477,000 (2010: HK$33,166,000) and the 486,233,000 ordinary shares (2010: 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 per share for the current and prior years 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 2011				
Cost:				
At 1 March 2010	83,040	39,259	73,368	195,667
Additions	–	4,198	13,815	18,013
Transfer from investment properties *(note 14)*	1,182	–	–	1,182
Disposals/write-off	–	(630)	(147)	(777)
Exchange realignment	1,384	160	27	1,571
At 28 February 2011	85,606	42,987	87,063	215,656
Accumulated depreciation and impairment:				
At 1 March 2010	30,968	34,601	63,386	128,955
Depreciation provided during the year	2,381	1,857	5,098	9,336
Disposals/write-off	–	(581)	(85)	(666)
Exchange realignment	725	119	8	852
At 28 February 2011	34,074	35,996	68,407	138,477
Net book value:				
At 28 February 2011	51,532	6,991	18,656	77,179

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 2010				
Cost:				
At 1 March 2009	50,770	36,145	72,312	159,227
Additions	–	1,328	1,250	2,578
Transfer from the disposal group classified as held for sale *(note 33)*	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
Transfer from the disposal group classified as held for sale *(note 33)*	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)*

Company

	Furniture, fixtures, equipment and motor vehicles *HK$'000*	Leasehold improvements *HK$'000*	Total *HK$'000*
28 February 2011			
Cost:			
At 1 March 2010	**32,630**	**56,291**	**88,921**
Additions	**4,003**	**13,007**	**17,010**
Disposals/write-off	**(376)**	**(147)**	**(523)**
At 28 February 2011	**36,257**	**69,151**	**105,408**
Accumulated depreciation:			
At 1 March 2010	**29,508**	**47,421**	**76,929**
Provided during the year	**1,287**	**4,537**	**5,824**
Disposals/write-off	**(376)**	**(85)**	**(461)**
At 28 February 2011	**30,419**	**51,873**	**82,292**
Net book value:			
At 28 February 2011	**5,838**	**17,278**	**23,116**
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

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

The Group's buildings are situated in Hong Kong and Mainland China with medium term leases.

As at 28 February 2011, certain of the Group's leasehold buildings situated in Hong Kong with an aggregate carrying value at HK$34,526,000 (2010: HK$35,541,000) are pledged as security for a bank loan granted (note 24).

14. INVESTMENT PROPERTIES

	Group	
	2011	2010
	HK$'000	*HK$'000*
Carrying amount:		
At beginning of year	**102,535**	2,138
Disposals	**–**	(956)
Transfer from a disposal group classified as held for sale *(note 33)*	**–**	128,900
Transfer to properties under development	**–**	(29,398)
Transfer to property, plant and equipment *(note 13)*	**(1,182)**	–
Fair value gain *(note 6)*	**8,145**	1,534
Exchange realignment	**4,465**	317
At end of year	**113,963**	102,535

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

The investment properties were revalued at 28 February 2011 by Castores Magi (Hong Kong) Limited, an independent firm of professionally qualified valuers, on an open market, existing use basis at RMB95,928,000, which approximates to HK$113,963,000.

The investment properties are leased to third parties under operating leases, further summary details of which are included in note 34(a) to the financial statements.

15. PREPAID LAND PREMIUM

	Group	
	2011	2010
	HK$'000	*HK$'000*
Carrying value:		
At beginning of year	**749**	–
Transfer from a disposal group classified as held for sale *(note 33)*	**–**	797
Amortisation during the year	**(27)**	(54)
Exchange realignment	**37**	6
At end of year	**759**	749
Current portion included in prepayments, deposits and other receivables	**(28)**	(27)
Non-current portion	**731**	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	
	2011	2010
	HK$'000	*HK$'000*
Unlisted shares, at cost	**10,594**	10,594
Due from subsidiaries	**1,555,509**	1,521,216
Due to subsidiaries	**(166,431)**	(157,945)
	1,399,672	1,373,865
Provision for impairment#	**(868,426)**	(810,970)
	531,246	562,895

As at 28 February 2011, an aggregate impairment of HK$868,426,000 (2010: HK$810,970,000) was recognised for investments in and amounts due from certain unlisted investments with an aggregate gross carrying amount of HK$1,346,106,000 (2010: HK$1,274,500,000) (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% (2010: 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	Percentage of equity attributable to the Company 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

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

* Registered as domestic joint venture enterprises under the PRC law.

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

17. INTERESTS IN ASSOCIATES

	Group		Company	
	2011	2010	**2011**	2010
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Unlisted shares, at cost	**–**	–	**16,611**	16,611
Share of net assets other than goodwill	**70,189**	82,202	**–**	–
	70,189	82,202	**16,611**	16,611
Due from associates	**9,142**	21,676	**199**	184
Due to associates	**(49,717)**	(46,607)	**(840)**	(838)
	29,614	57,271	**15,970**	15,957
Provision for impairment#	**(8,943)**	(8,138)	**–**	–
	20,671	49,133	**15,970**	15,957

\# As at 28 February 2011, an aggregate impairment of HK$8,943,000 (2010: HK$8,138,000) was recognised for an amount due from an associate with an aggregate gross carrying amount of HK$8,943,000 (2010: HK$21,492,000) (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.

The following table illustrates the summarised financial information of the Group's associates extracted from their management accounts:

	2011	2010
	HK$'000	*HK$'000*
Total assets	**442,397**	576,476
Total liabilities	**97,300**	133,973
Revenue	**40,044**	8,085
Loss before tax	**(23,643)**	(8,891)

17. INTERESTS IN ASSOCIATES *(continued)*

Particulars of the principal associates are as follows:

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

At 28 February 2011, 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	
		2011	2010	**2011**	2010
	Notes	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Available-for-sale investments					
Unlisted investments, at cost:					
Hong Kong		**473**	473	**473**	473
PRC/Mainland China	*(a)*	**22,925**	8,921	**–**	–
Taiwan	*(b)*	**23,108**	23,108	**23,108**	23,108
United States	*(c)*	**17,176**	17,176	**–**	–
		63,682	49,678	**23,581**	23,581
Fair value through profit or loss:					
Convertible promissory notes, at cost	*(d)*	**17,550**	21,450	**–**	–
		81,232	71,128	**23,581**	23,581
Less: Provision for impairment		**(36,211)**	(21,211)	**(14,411)**	(14,411)
		45,021	49,917	**9,170**	9,170
Portion classified as current assets	*(d)*	**(12,926)**	(3,900)	**–**	–
Portion classified as non-current assets		**32,095**	46,017	**9,170**	9,170

(a) At 28 February 2011, the unlisted investments of the Group represented interests of 2.76% (2010: 2.65%) in the issued share capital of Oriental Finance Limited, a private limited company with major operations in Mainland China. During the year ended 28 February 2011, the Group further acquired 49,000 shares of Oriental Finance Limited at a total consideration of HK$14,004,000.

(b) At 28 February 2011, the unlisted investments in Taiwan of the Group and of the Company represented interests of 18.4% (2010: 18.4%) in the issued share capital of The Sincere Department Store Limited, against which provisions for impairment of HK$14,411,000 (2010: HK$14,411,000) have been made as considered necessary by the directors of the Company.

18. FINANCIAL INSTRUMENTS *(continued)*

(c) At 28 February 2011, the unlisted investments in United States of the Group represented interests of 10% (2010: 10%) in the equity interest of TR-BIZ, a private limited company in the United States, against which a provision for impairment of HK$17,176,000 (2010: HK$6,800,000) has been made as considered necessary by the directors of the Company as the carrying amount of the unlisted investments exceeds its recoverable amount.

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

During the year ended 28 February 2010, 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. The fixed interest rate was adjusted to 24% per annum after 15 February 2010. It consisted of an option to be converted into membership interest on or before 1 March 2010. The option expired during the year ended 28 February 2011.

The First Promissory Note was designated as financial assets at fair value through profit or loss upon initial recognition as it contained embedded derivatives. The First Promissory Note was stated at cost because the range of reasonable fair value estimates is so significant that the directors are of the opinion that its fair value cannot be measured reliably. As at 28 February 2011, the carrying amount of the First Promissory Note was amounted to HK$12,926,000 (2010: HK$17,550,000), after a provision for impairment of HK$4,624,000 (2010: Nil) has been made which is considered necessary by the directors of the Company.

The Second Promissory Note was designated as financial assets at fair value through profit or loss upon initial recognition as it contained embedded derivatives. As at 28 February 2011, the option expired and the carrying amount of the Second Promissory Note amounted to HK$3,900,000 (2010: HK$3,900,000) was reclassified from financial assets at fair value through profit or loss to loans and receivables and recorded under "Prepayments, deposits and other receivables" as current assets.

19. PROPERTIES UNDER DEVELOPMENT

The properties under development are located in Dalian, Mainland China and held under medium term leases.

20. 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	
	2011	2010
	HK$'000	*HK$'000*
Within 3 months not past due	**2,293**	2,186
Within 3 months past due	**–**	77
Over 3 months past due	**24**	358
Total debtors	**2,317**	2,621
Impairment	**–**	–
Total	**2,317**	2,621

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.

21. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Group	
	2011	2010
	HK$'000	*HK$'000*
Listed investments, at fair value:		
Hong Kong	**84,047**	78,367
Elsewhere	**73,822**	69,454
	157,869	147,821
Other investments, at fair value	**102,776**	102,880
	260,645	250,701

The above investments at 28 February 2011 were classified as held for trading.

At the end of the reporting period, investments held for trading with an aggregate market value of approximately HK$199,655,000 (2010: HK$197,101,000) were pledged to banks to secure banking facilities granted to the Group (note 24).

22. DERIVATIVE FINANCIAL INSTRUMENTS

The following is a summary of the fair values of derivatives assets at 28 February 2011:

	2011	2010
	HK$'000	*HK$'000*
Derivatives held for trading, at market value:		
Equity contracts	**24,604**	5,081

23. CASH AND BANK BALANCES

	Group		Company	
	2011	2010	**2011**	2010
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Cash on hand and at banks	**68,756**	50,267	**25,142**	4,964
Time deposits with original maturity of less than three months	**3,598**	4,589	**–**	–
	72,354	54,856	**25,142**	4,964

At the end of the reporting period, the cash and bank balances of the Group denominated in Renminbi ("RMB") amounted to HK$24,169,000 (2010: HK$23,094,000). 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.

24. INTEREST-BEARING BANK BORROWINGS

	Group		Company	
	2011	2010	**2011**	2010
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Bank loans, secured	**29,767**	6,729	**21,682**	–
Bank overdrafts, secured	**10,791**	17,399	**–**	9,401
	40,558	24,128	**21,682**	9,401
Analysed into:				
Within one year or on demand	**23,694**	24,128	**4,818**	9,401
In the second year	**4,818**	–	**4,818**	–
In the third to fifth years, inclusive	**12,046**	–	**12,046**	–
	40,558	24,128	**21,682**	9,401
Less: Amounts repayable within one year or on demand and classified as current portion	**(23,694)**	(24,128)	**(4,818)**	(9,401)
Amount classified as non-current portion	**16,864**	–	**16,864**	–

The bank loans and overdrafts 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.

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$9,073,000 (2010: HK$2,892,000) and time deposits amounting to HK$17,055,000 (2010: HK$17,055,000).

(b) the pledge of the Company's time deposits amounting to HK$17,055,000 (2010: HK$17,055,000).

(c) the pledge of certain of the Group's marketable securities with an aggregate market value of approximately HK$199,655,000 (2010: HK$197,101,000) (note 21).

(d) mortgages over certain of the Group's leasehold buildings which had an aggregate carrying value at the end of the reporting period of approximately HK$34,526,000 (2010: HK$35,541,000) (note 13).

25. CREDITORS

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

	Group		Company	
	2011	2010	**2011**	2010
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Current – 3 months	**110,836**	88,344	**109,483**	87,582
4 – 6 months	**3,528**	2,452	**2,173**	1,019
7 – 12 months	**1,262**	760	**1,200**	–
Over 1 year	**966**	736	**900**	53
	116,592	92,292	**113,756**	88,654

26. SHARE CAPITAL

	2011	2010
	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

27. SHARE PREMIUM ACCOUNT

	2011	2010
	HK$'000	*HK$'000*
At beginning and end of year	**26**	26

28. SHARE OPTION SCHEME

On 1 August 2000, the Company adopted a share option scheme (the "Old Option Scheme") for the purpose of providing incentives and rewards to eligible participants for their contribution to the Group. Eligible participants of the Old Option Scheme include any full-time employees and directors, excluding any non-executive directors, of the Group. The Old Option Scheme expired on 31 July 2010 and there was no share option outstanding up to 28 February 2011.

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

1. Purpose

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

2. Participants

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

(a) any employee(s) (whether full time or part time employee(s), including any executive director but not any non-executive director) of the Company, its subsidiaries or any Invested Entity ("Eligible Employee(s)");

(b) any non-executive director (including independent non-executive directors) of the Company, any of its subsidiaries or any Invested Entity;

(c) any supplier of goods or services to any member of the Group or any Invested Entity;

(d) any customer of the Group or any Invested Entity;

(e) any person or entity that provides research, development or other technological support to the Group or any Invested Entity; and

(f) any shareholder of any member of the Group or any Invested Entity or any holder of any securities issued by any member of the Group or any Invested Entity.

28. SHARE OPTION SCHEME *(continued)*

3. Total number of shares available for issue

(a) The total number of shares which may be issued upon exercise of all options to be granted under the New Scheme and any other share option schemes of the Company shall not in aggregate exceed 10% of the total number of shares in issue as at the date of approval of the New Scheme. Options lapsed in accordance with the terms of the New Scheme or any other share option schemes of the Company will not be counted for the purpose of calculating the 10% limit.

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

(c) The maximum number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the New Scheme and any other share option schemes of the Company must not exceed 30% of the total number of shares in issue from time to time.

(d) The total number of the Company's shares in issue as of 28 February 2011 was 574,308,000.

4. Maximum entitlement of each participant

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

28. SHARE OPTION SCHEME *(continued)*

4. Maximum entitlement of each participant *(continued)*

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

(a) representing in aggregate over 0.1% of shares in issue; and

(b) having an aggregate value, based on the closing price of the shares at the date of each grant, in excess of HK$5,000,000,

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

5. Period within which the shares must be taken up

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

6. Basis of determining the subscription price

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

7. Remaining life of the New Scheme

The New Scheme will expire on 5 December 2020.

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

29. 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 2009	46,613	297,027	343,640
Loss for the year and total comprehensive loss for the year	–	(54,722)	(54,722)
At 28 February 2010 and 1 March 2010	46,613	242,305	288,918
Loss for the year and total comprehensive loss for the year	–	(27,438)	(27,438)
Final 2010 dividend paid *(note 11)*	–	(4,594)	(4,594)
At 28 February 2011	46,613	210,273	256,886

30. 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			
	2011	2010	**2011**	2010	**2011**	2010	**2011**	2010	**2011**	2010	**2011**	2010
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Fees	**1,564**	1,504	**1,213**	983	**110**	80	**182**	152	**110**	80	**3,179**	2,799
Salaries, allowances and other benefits	**9,567**	8,832	**10,053**	8,868	**50**	50	**50**	50	**50**	50	**19,770**	17,850
Pension contributions including pension cost for defined benefit scheme of HK$220,000 (2010: HK$206,000)	**-**	–	**220**	206	**-**	–	**-**	–	**-**	–	**220**	206
	11,131	10,336	**11,486**	10,057	**160**	130	**232**	202	**160**	130	**23,169**	20,855

There were no other emoluments payable to the independent non-executive directors during the year (2010: Nil).

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

30. REMUNERATION OF THE DIRECTORS AND THE FIVE HIGHEST PAID INDIVIDUALS *(continued)*

Of the five highest paid individuals, two (2010: 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 band, is set out below:

	Group	
	2011	2010
	HK$'000	*HK$'000*
Salaries and allowances	**5,061**	4,232
Pension contributions	**143**	92
	5,204	4,324

	Number of individuals	
	2011	2010
Nil – HK$1,000,000	**–**	1
HK$1,000,001 – HK$1,500,000	**1**	–
HK$1,500,001 – HK$2,000,000	**1**	2
HK$2,000,001 – HK$2,500,000	**1**	–

31. NOTE TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

Deregistration/dissolution of subsidiaries

		Group	
		2011	2010
	Note	***HK$'000***	*HK$'000*
Net assets disposed of:			
Other payables		**(14)**	–
Non-controlling interests		**(935)**	–
Realisation of exchange fluctuation reserve		**–**	11
		(949)	11
Gain/(loss) on deregistration/dissolution	6	**949**	(11)
		–	–

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.

32. 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, 21 and 24 to the financial statements.

33. 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.

As at 28 February 2009, the Share Purchase Agreement had 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, in the consolidated statement of financial position.

34. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group leases its investment properties (note 14) and subleases certain premises under operating lease arrangements, with leases negotiated for terms ranging from 1.5 to 11.5 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	
	2011	2010	**2011**	2010
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Within one year	**5,956**	7,914	**313**	2,451
In the second to fifth years, inclusive	**22,729**	21,660	**157**	–
After five years	**36,680**	40,612	**–**	–
	65,365	70,186	**470**	2,451

During the year, the Group and the Company did not receive any contingent rent (2010: 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 8 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	
	2011	2010	**2011**	2010
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Within one year	**104,775**	91,619	**82,586**	72,269
In the second to fifth years, inclusive	**161,731**	75,027	**77,768**	73,026
After five years	**33,263**	–	**13,059**	–
	299,769	166,646	**173,413**	145,295

Certain non-cancellable operating leases of the Group and the Company included above were subject to contingent rent payments, which were charged at 7.5% to 9.25% (2010: 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.

35. OUTSTANDING COMMITMENTS

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

	Group		Company	
	2011	2010	**2011**	2010
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Irrevocable letters of credit	**10,593**	7,634	**10,593**	7,634

In addition, the Group had contracted, but not provided for, commitments in respect of construction works relating to properties under development amounting to HK$9,737,000 (2010: Nil) as at 28 February 2011.

36. CONTINGENT LIABILITIES

As at 28 February 2010, the Group's share of guarantee provided by certain associates amounted to approximately HK$39,058,000 in respect of a banking facility utilised by their associates.

37. 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) During the year ended 28 February 2010, the Group paid insurance premium expenses of approximately HK$217,000 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$476,000 (2010: HK$460,000) 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:

	2011	2010
	HK$'000	*HK$'000*
Short term employee benefits	**28,844**	24,881
Post-employment benefits, including pension costs for defined benefit scheme of HK$351,000 (2010: HK$286,000)	**363**	298
Total compensation paid to key management personnel	**29,207**	25,179

Further details of directors' emoluments are included in note 30 to the financial statements.

38. 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:

2011

Financial assets

	Group				
	Financial assets at fair value through profit or loss				
	Designated as such upon initial recognition *HK$'000*	Held for trading *HK$'000*	Loans and receivables *HK$'000*	Available-for-sale financial assets *HK$'000*	Total *HK$'000*
Due from associates	–	–	9,142	–	9,142
Financial instruments	12,926	–	–	32,095	45,021
Debtors	–	–	2,317	–	2,317
Financial assets included in prepayments, deposits and other receivables	–	–	31,424	–	31,424
Financial assets at fair value through profit or loss	–	260,645	–	–	260,645
Derivative financial instruments	–	24,604	–	–	24,604
Pledged bank balances	–	–	9,073	–	9,073
Pledged deposits with banks	–	–	17,055	–	17,055
Cash and bank balances	–	–	72,354	–	72,354
	12,926	285,249	141,365	32,095	471,635

2011

Financial liabilities

	Group
	Financial liabilities at amortised cost *HK$'000*
Due to associates	49,717
Creditors	116,592
Financial liabilities included in deposits, accrued expenses and other payables	47,629
Interest-bearing bank borrowings	40,558
	254,496

38. 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)*

2010

Financial assets

	Group				
	Financial assets at fair value through profit or loss				
	Designated as such upon initial recognition *HK$'000*	Held for trading *HK$'000*	Loans and receivables *HK$'000*	Available-for-sale financial assets *HK$'000*	Total *HK$'000*
Due from associates	–	–	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
	21,450	255,782	129,240	28,467	434,939

2010

Financial liabilities

	Group
	Financial liabilities at amortised cost *HK$'000*
Due to associates	46,607
Creditors	92,292
Financial liabilities included in deposits, accrued expenses and other payables	31,886
Interest-bearing bank borrowings	24,128
	194,913

38. 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

	2011			2010		
	Loans and receivables	**Available-for-sale financial assets**	**Total**	Loans and receivables	Available-for-sale financial assets	Total
	HK$'000	***HK$'000***	***HK$'000***	*HK$'000*	*HK$'000*	*HK$'000*
Due from subsidiaries	**697,303**	**–**	**697,303**	720,180	–	720,180
Due from associates	**199**	**–**	**199**	184	–	184
Financial instruments	**–**	**9,170**	**9,170**	–	9,170	9,170
Financial assets included in prepayments, deposits and other receivables	**9,666**	**–**	**9,666**	12,540	–	12,540
Pledged deposits with banks	**17,055**	**–**	**17,055**	17,055	–	17,055
Cash and bank balances	**25,142**	**–**	**25,142**	4,964	–	4,964
	749,365	**9,170**	**758,535**	754,923	9,170	764,093

Financial liabilities

	2011 Financial liabilities at amortised cost	2010 Financial liabilities at amortised cost
	HK$'000	*HK$'000*
Due to subsidiaries	**166,431**	157,945
Due to associates	**840**	838
Creditors	**113,756**	88,654
Financial liabilities included in deposits, accrued expenses and other payables	**19,095**	2,655
Interest-bearing bank borrowings	**21,682**	9,401
	321,804	259,493

39. FAIR VALUE AND 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)

Assets measured at fair value:

	Level 1	Level 2	Level 3	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
As at 28 February 2011				
Financial assets at fair value through profit or loss	**260,645**	**–**	**–**	**260,645**
Derivative financial instruments	**24,604**	**–**	**–**	**24,604**
	285,249	**–**	**–**	**285,249**
As at 28 February 2010				
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, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 (2010: Nil).

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments, other than derivatives, comprise interest-bearing bank borrowings, pledged time deposits, pledged bank balances, 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 equity contracts 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 point increase/decrease in interest rates on the bank borrowings, that are carried at variable rates would increase/decrease the interest expense as follows:

Group	**2011** ***HK$'000***	2010 *HK$'000*
Increase/decrease in interest expense	**406**	241

Company	**2011** ***HK$'000***	2010 *HK$'000*
Increase/decrease in interest expense	**217**	94

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

Foreign currency risk

The Group has transactional currency exposures. Such exposures arise from sales or purchases by operating units in currencies other than the unit's functional currency. Also, the value of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group has a foreign currency hedging policy on Euro for the purchase of inventories, which is to hedge 50% of 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 and Renminbi exchange rates, with all other variables held constant, of the Group's profit for the year, 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 for the year**
	%	*HK$'000*
2011		
Investments denominated in and investments linked to a currency denominated in:		
Euro	**5**	**280**
	(5)	**(280)**
Renminbi	**5**	**339**
	(5)	**(339)**
2010		
Investments denominated in and investments linked to a currency denominated in:		
Euro	5	142
	(5)	(142)
Renminbi	5	109
	(5)	(109)

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

Credit risk

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

The credit risk of the Group's other financial assets, which comprise short term bank deposits, cash and bank balances, 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.

40. 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:

2011

	Group		
	On demand or less than 12 months	**More than 1 year**	**Total**
	HK$'000	***HK$'000***	***HK$'000***
Due to associates	**–**	**49,717**	**49,717**
Creditors	**116,592**	**–**	**116,592**
Deposits and other payables	**47,629**	**–**	**47,629**
Interest-bearing bank borrowings	**23,694**	**16,864**	**40,558**
Guarantees given to banks in connection with facilities utilised by associates	**–**	**–**	**–**
	187,915	**66,581**	**254,496**

2010

	Group		
	On demand or less than 12 months	More than 1 year	Total
	HK$'000	*HK$'000*	*HK$'000*
Due to associates	–	46,607	46,607
Creditors	92,292	–	92,292
Deposits and other payables	31,886	–	31,886
Interest-bearing bank borrowings	24,128	–	24,128
Guarantees given to banks in connection with facilities utilised by associates	39,058	–	39,058
	187,364	46,607	233,971

40. 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)*

2011

	Company		
	On demand or less than 12 months *HK$'000*	**More than 1 year** *HK$'000*	**Total** *HK$'000*
Due to subsidiaries	**–**	**166,431**	**166,431**
Due to associates	**–**	**840**	**840**
Creditors	**113,756**	**–**	**113,756**
Deposits and other payables	**19,095**	**–**	**19,095**
Interest-bearing bank borrowings	**4,818**	**16,864**	**21,682**
	137,669	**184,135**	**321,804**

2010

	Company		
	On demand or less than 12 months *HK$'000*	More than 1 year *HK$'000*	Total *HK$'000*
Due to subsidiaries	–	157,945	157,945
Due to associates	–	838	838
Creditors	88,654	–	88,654
Deposits and other payables	2,655	–	2,655
Interest-bearing bank borrowings	9,401	–	9,401
	100,710	158,783	259,493

40. 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 21) as at 28 February 2011.

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	**2011** *HK$'000*	2010 *HK$'000*
Investments in:		
Hong Kong	**10,865**	8,917
Others	**17,660**	16,661

Capital management

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

The capital structure of the Group consists of cash and bank balances, interest-bearing bank borrowings and equity attributable to equity holders of the Company, 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.

The gearing ratio as at the end of the reporting period were as follows:

	2011 *HK$'000*	2010 *HK$'000*
Interest-bearing bank borrowings	**40,558**	24,128
Total equity attributable to equity holders of the Company	**682,612**	663,123
Gearing ratio	**6%**	4%

41. EVENTS AFTER THE REPORTING PERIOD

On 12 April 2011, the Liaoning Province High People's Court (遼寧省高級人民法院), (the "High People's Court") issued a notice to the Company, The Sincere Department Store (China) Limited ("Sincere China") and Dalian Sincere Building Co., Ltd, wholly-owned subsidiaries of the Company. The former potential buyer and an independent third party of the Group, Da Shang Ka Wah Group Limited ("Da Shang"), claimed that Sincere China failed to transfer all its interests and the rights in its wholly-owned subsidiary, Dalian Sincere Building Co., Ltd, in accordance with a letter of intent entered into between Sincere China and Da Shang on 17 April 2009 (the "Letter of Intent"). The major asset of Dalian Sincere Building Co., Ltd is Dalian Sincere Building. On 30 June 2009, the Letter of Intent expired.

An injunction was granted by High People's Court on the same date. It ruled that Dalian Sincere Building Co., Ltd. cannot transfer certain floors of its property, Dalian Sincere Building and Da Shang cannot transfer certain floors of its hotel located in Dalian until further rulings.

The Group is preparing to file the petition to the High People's Court in May 2011. No further development took place since then. Having consulted the PRC legal counsels, the directors are of the opinion that this case will not have an adverse effect on the Group's financial position.

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 26 May 2011.

SCHEDULE OF INVESTMENT PROPERTIES

28 February 2011

Location	Use	Tenure
Dalian Sincere Building 18 Jie Fang Road Zhong Shan District Dalian Mainland China	Commercial/residential	Medium term leasehold

SCHEDULE OF PROPERTIES UNDER DEVELOPMENT

28 February 2011

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 2011	100%	35,000	540,000

FIVE-YEAR FINANCIAL SUMMARY

28 February 2011

The consolidated results, assets, liabilities and non-controlling 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				
	2011	2010	2009	2008	2007
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
RESULTS					
REVENUE	**458,410**	381,010	289,494	420,082	509,785
PROFIT/(LOSS) BEFORE TAX	**10,666**	33,624	(278,943)	(23,923)	50,197
INCOME TAX (EXPENSE)/CREDIT	**(444)**	(421)	(29)	1,956	(1,514)
PROFIT/(LOSS) FOR THE YEAR	**10,222**	33,203	(278,972)	(21,967)	48,683
Attributable to:					
Equity holders of the Company	**10,477**	33,166	(276,186)	(21,809)	41,194
Non-controlling interests	**(255)**	37	(2,786)	(158)	7,489
	10,222	33,203	(278,972)	(21,967)	48,683

	As at 28/29 February				
	2011	2010	2009	2008	2007
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS					
PROPERTY, PLANT AND EQUIPMENT	**77,179**	66,712	54,346	58,828	72,677
INTERESTS IN ASSOCIATES	**20,671**	49,133	64,779	119,166	141,464
OTHER ASSETS	**158,105**	158,893	57,143	23,776	226,397
NET CURRENT ASSETS	**426,528**	373,235	433,163	682,586	460,416
NON-CURRENT LIABILITIES	**(16,864)**	–	–	–	–
NON-CONTROLLING INTERESTS	**16,993**	15,150	14,987	16,182	21,052
	682,612	663,123	624,418	900,538	922,006