Annual Report
2012-13

先施 SINCERE 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

Anthony Siu & 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 *(Deputy Chairman & CEO)*
John Y C FU *(Executive Director & CFO)*
King Wing MA
Eric K K LO
Charles M W CHAN
Peter TAN

MANAGEMENT

Philip K H MA
John K K MA
John Y C FU
Eileen H Y MA
David H W CHOW

COMPANY SECRETARY

Ada S P CHEUNG

WEBSITE

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

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Annual General Meeting of shareholders of the Company will be held at Hibiscus Room, 2/F., Traders Hotel, 508 Queen's Road West, Western District, Hong Kong on 26 July 2013 at 10:00 a.m. for the following purposes:

1. To receive and adopt the audited financial statements and the Reports of the Directors and Independent Auditors of the Company for the year ended 28 February 2013.

2. To declare a final dividend for the year ended 28 February 2013.

3. To re-elect Directors and to authorise the Board of Directors of the Company to fix the Directors' remuneration.

4. To re-appoint Independent Auditors and to authorise the Board of Directors of the Company to fix their remuneration.

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

   "**THAT**:

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

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

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

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

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

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

NOTICE OF ANNUAL GENERAL MEETING

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

"**THAT**:

(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 or part of a dividend on shares of the Company in accordance with the Memorandum and Articles of Association of the Company; or (iii) the exercise of subscription rights under the Share Option Scheme of the Company should not exceed 20% of the total nominal amount of the share capital of the Company in issue on the date of this Resolution and the said approval shall be limited accordingly; and

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

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

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

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

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

NOTICE OF ANNUAL GENERAL MEETING

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

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

By order of the Board
Ada S P CHEUNG
Company Secretary

Hong Kong, 20 June 2013

Notes:

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

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

3. Concerning item 5 above, the Directors will exercise the powers conferred thereby to repurchase shares of the Company in circumstances which they deem appropriate for the benefits of the shareholders.

4. Concerning item 6 above, approval is being sought from the members for a general mandate to authorise allotment of shares under Section 57B of the Hong Kong Companies Ordinance and the Listing Rules. The Directors have no immediate plan to issue any new shares of the Company other than shares to be issued pursuant to the Company's Share Option Scheme.

5. Concerning item 7 above, approval is being sought to increase the number of shares which the Directors may issue under their general mandate by the number of any shares repurchased during the Relevant Period.

6. A circular containing further details in respect of the above items 3 and 5 to 7 will be sent to members together with the 2012/13 Annual Report.

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

MISSION STATEMENT

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

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

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

EXECUTIVE CHAIRMAN'S STATEMENT

On behalf of the Board of Directors of The Sincere Company, Limited, I would like to present the shareholders with the Annual Report for the year ended 28 February 2013.

RESULTS

The year to be reported was both challenging and encouraging to the Group. The retail operation remained profitable despite a tough operating environment while the disposal of a China operation recorded a good return. Turnover of the Group was HK$498 million, a decrease of 5.4%. It was mainly attributable to static consumer demands and the Grand Century Place store being downsized since August 2012. Profit attributable to shareholders was HK$75 million as compared to a loss in previous year. The profit was primarily contributed from the disposal of Dalian Sincere Building Co. Ltd.

LIQUIDITY AND FINANCIAL RESOURCES

At 28 February 2013, the Group had cash and bank balances of HK$265 million (2012: HK$96 million) of which HK$40 million (2012: HK$43 million) were pledged. The Group's gearing increased by 0.2% to 9.4% 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$2.1 million (2012: HK$1.4 million). The interest-bearing bank borrowings of the Group as at 28 February 2013 were in a sum of HK$67 million (2012: HK$62 million) of which HK$52 million (2012: HK$43 million) was repayable within one year and the remaining balance was repayable within the second to the fifth years. The bank borrowings were mainly in HKD with interest rates ranging from 1.0% to 5.8% per annum. The current ratio was 3.6 (2012: 3.1).

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 both long and short term borrowings to finance its operation during the year. All borrowings were secured against the securities investment, a property and pledged bank deposits.

EMPLOYEES AND REMUNERATION POLICIES

At 28 February 2013, the Group had 491 employees (2012: 597) 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 employee stock option, staff purchase discounts, subsidized medical care and training courses.

EXECUTIVE CHAIRMAN'S STATEMENT

DIVIDENDS

The Board of Directors has resolved to recommend to shareholders the payment of a final dividend of HK1.5 cents per share for the year ended 28 February 2013 (2012: Nil). Subject to the approval of the shareholders at the forthcoming Annual General Meeting to be held on 26 July 2013, the final dividend will be payable on 16 August 2013 to shareholders whose names appear on the register of members of the Company on 9 August 2013.

BUSINESS REVIEW

Coupled with the soared operating costs and the downsized store at Kowloon Grand Century Place, both the turnover and direct operating profit in the department store operation recorded a decline. The management has implemented strategies to alleviate the impact, included the opening of a new store at the Yau Tong Domain shopping mall, launching of targeted promotions such as renovation and removal sales and, re-blending of the merchandises mix to maximize the gross profit margin.

The disposal of a China operation brought a profit to the Group. The Company entered into a sale and purchase agreement on 14 September 2012 to dispose the interests in Dalian Sincere Building Co. Ltd. and the debt at a consideration of RMB301 million, generated a total profit of HK$61 million. The completion was taken place and the sales proceeds have been duly received in December 2012. In order to maximize the shareholders' return, part of the proceeds was placed in banks to invest in funds to generate investment return and the remaining proceeds will be used to finance the working capital of new stores to be opened in the second half of the year 2013. On securities trading, a marginal improvement was recorded as a result of the unrealised gain from the securities investment when marked to market but offset by an impairment provision on an unlisted investment. The advertising business has under performed as several major customers have reduced their advertising budgets. The furniture business was undergoing reorganisation near the year end. The travel franchise business was undergoing management changes and was re-strategising the future direction of this business.

PROSPECTS

In the year ahead, the Group will focus on the core retail business and investing for the future. With the lease expiry of the flagship Central store and the landlord wants to do major renovation for a year and a half, this store will close by the end of August 2013. Also, the Kowloon Grand Century Place store will continue to downsize due to the landlord desire to reposition. The management has aggressively secured three new department stores sites to be opened in the second half of the year 2013 where two will be in the Hong Kong Island, Causeway Bay and Sheung Wan, and one will be in the Kowloon, Mongkok, all of which will be located in densely foot traffic areas. Though there will be the usual economic and business risks going along with the heavy investments in new locations, the management is excited with optimistic a good return in the long run.

On securities trading, the improving United States economy balanced off with an unstable Eurozone prompted the management to keep a conservative approach. The advertising operation will focus on a new image campaign to rebuild the contemporary department store brand in parallel with the opening of the new stores. The furniture business and the travel franchise will have an overall review on its future positioning.

In conclusion, with a better funding platform and the solid expansion strategies, the Group remains cautiously optimistic in the year ahead.

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

27 May 2013

DEPUTY CHAIRMAN & CEO'S REVIEW OF OPERATIONS

DEPARTMENT STORE OPERATION

In the year under review, business in general turned more cautious with price pressures characterized by food and rental inflation, all these impaired the consumer spending. Coupled with the remodeling of the Grand Century Place mall since 2010 that cut down the store space by 60% in August 2012, the turnover recorded HK$466 million which represented a decrease of 5% from last year. However, the entire merchandises mix has been re-blended to increase the effectiveness on the gross profit margin; the result was satisfactory with over two percentage points up lift. Overall the department store operation remained profit though with a decline due to factors described above.

The Roadshow operation has been declining as in the past year. Certain landlords changed the lease terms with shorter period and lesser space to cope with the increased demand from other competitors. This impacted in two ways, one was scarce and expensive venues; the other was the lack of interests to consumers with similar consignment vendors. The management has taken steps to minimize the impact by aggressively exploring new locations and differentiating the products.

Central Store

The turnover dropped by 2% mainly attributable to the warm winter season with a drop in the demand for down jackets. However, persistently benefited from the good performance in European boots and merchandises, the gross profit margin gave a substantial improvement of four percent points.

Shamshuipo Dragon Centre Store

The turnover grew by 4% was the result of the renovation with partial trading for three months in last year as compared to a full year operation this year. The gross profit margin grew by over two percentage points primarily contributed from a higher concentration of high-end European shoes and the enlarged handbag division carry higher gross profit margin.

DEPUTY CHAIRMAN & CEO'S REVIEW OF OPERATIONS

Grand Century Place Store

Continuous renovation of the mall weakened the mall traffic. The turnover for the first six months can be maintained but upon the store shrunk by two third of the area, the overall turnover for the entire year dropped by 21%. The positive side was that the gross profit lifted by three percentage points due to the careful re-blending of the merchandises following the downsizing; counters with lower commission rate were removed in order to maximize the efficiency with reduced trading area. Besides, more targeted promotional sales were launched and the response was well received.

Tsuen Wan Citywalk Store

The turnover dropped by 2% due to the drop in spending from the PRC tourists and the opening of a sizable Japanese department chain store nearby since October 2012. The management has strategically enlarged the European section which it enjoyed competitive advantage and reduced the merchandises that were similar to the new competitor. This lifted the gross profit margin by two percentage points.

Yau Tong Domain Store

The new SU-PA-DE-PA store with A. S. Watson Group was opened at the end of September 2012 at the Yau Tong Domain shopping mall, the lower floor was operated by the Company as a department store while the upper floor was operated by A. S. Watson as a supermarket. The performance for the first six months was marginal, mainly attributable to the delayed launch of the shopping mall and, the disappointed traffic flow into the mall. The management has applied localized promotional discounts and was fine tuning the product mix to improve the business.

22nd Avenue

The store has been operated for over a year and the performance was behind target. Several measures have been put in place, included refreshing regularly the window display, launching targeted promotion to the nearby residences, placing more advertisement in different types of magazines and, aligning the brand image with the department stores. The recent performance was encouraging.

SECURITIES TRADING OPERATION

In the first half of the year, the overall unstable European debt crisis shadowed the global economic climate, securities markets were volatile. The US situation started to improve in the middle of the year, in particular with the post presidential election and the US central bank launched several stimuli, including the QE3, to revive growth that successfully started to recover the housing and job market that boosted consumer confidence and spending. As a result, the securities investment mark to market losses of last year was reversed. In the year under review, an impairment of HK$21 million from an unlisted PRC investment was provided; the company was mainly engaged in the businesses of global positioning system and car rental. Having considered the carrying amount of the investment in exceed of the recoverable amount of the company, the management considered it was conservative to make an impairment provision.

OTHER OPERATIONS

The advertising operation recorded a decline mainly due to the largest client for years have changed to internal support on advertising services. The project furniture business was undergoing reorganisation at the end of the year. The travel franchise business underperformed, mainly attributable to the complex local government regulations and lack of suitable products for China, the management has intentionally slowed down the operation and re-strategising the business position.

DEPUTY CHAIRMAN & CEO'S REVIEW OF OPERATIONS

The disposal of the interests in Dalian Sincere Building Co. Ltd. and the debt assignment have finally reached a mutually agreed settlement with a PRC vendor, successfully transposed to a profit of approximately HK$61 million. The asset of this company was a property in Dalian which held for over fifteen years. This year, the management considered it was a good opportunity to realise the venture. The sales proceeds were received during the year. In addition, the Group recorded profits from associates of HK$20 million, which mainly derived from the extinguishment of aged creditors as a result of a common associate under the deregistration process held by certain associates of the Group.

LOOKING AHEAD

Benefited from the Dalian company disposal, the management shall carefully utilize the funding being generated therefrom for the future development of the Group, in particular on the expansion program of the core retail business. To cope with the lease expiry of the Central store and the downsized Grand Century Place store, the Company will open three new department stores in the second half of the year 2013, where one will be at Li Po Chun Chambers in Des Voeux Road Central with approximately 11,000 sq. ft. right next to the existing Central store; aiming to provide premium services to the existing customers. The other one will be at Percival Street in Causeway Bay with approximately 22,000 sq. ft. right next to the Lee Theatre and the Lee Gardens which are the landmarks in Causeway Bay. The other one will be at King Wah Centre in Nathan Road with approximately 31,000 sq. ft. which is right at the heart of Mongkok the busiest shopping district.

Going along with the opening of the strategic new stores, the Company will invest substantial funding to support a re-branding and up-lifting exercise for the entire retail chain. The proportion of carefully selected European and overseas merchandises shall be expanded and will be the focus for the merchandising team in the coming year. Less profitable concession counters have to be reduced; only selected fashionable products that will generate positive image and good productivity and margin will stay on. Invest in human assets would be another focus, where better selling techniques and services would be expected from the front-line sales staff; this shall be achieved through specific internal training and outside recruitments, a major upgrading of the front-line salary has thus been allowed for the coming year.

Enhancements in the internal systems support would also be continued; with the successful launch of the first and second phases of the Enterprise Resource Planning system, a third phase consolidating the Group performance shall be targeted to implement by the end of the coming year, which by then shall be able to support the most timely and accurate management decision making.

In the coming year, the advertising business shall be expected to spend much effort to support the re-branding exercise for the retail department stores, the reorganisation of the furniture business and the travel franchise business review shall both be completed. Though many major central banks decided to continue their ultra-loose monetary policy to accelerate the recovery in the advanced economies, the Eurozone debt crisis though softened but still persists with downside uncertainties, the management shall remain cautious on the securities investments.

The management believes with the above plans being on track and the strong funding position, the Group will be able to overcome the challenges ahead and provide a solid base for the future expansion of the Group.

Philip K H MA
Deputy Chairman & CEO

27 May 2013

CORPORATE GOVERNANCE REPORT

The board of directors (the "Board") of the Company has committed to maintaining good corporate governance standards.

The Company's corporate governance practices are based on the principles as set out in the Corporate Governance Code (the "CG Code") contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules").

The CG Code, issued by the Stock Exchange in October 2011, is the new edition of the Code on Corporate Governance Practices (the "Former Code"), and is applicable to financial reports covering the financial period which ends after 1 April 2012.

During the financial year ended 28 February 2013, the Company has complied with the Code Provisions set out in the CG Code during the period from 1 April 2012 to 28 February 2013 as well as the Former Code during the financial period from 1 March 2012 to 31 March 2012, save and except for code provision A.1.1, A.4.1 and A.6.7, which deviations are explained in the relevant paragraphs in this Report.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules.

Specific enquiry has been made of all the Directors and the Directors have confirmed that they have complied with the Model Code throughout the year ended 28 February 2013.

BOARD OF DIRECTORS

The Board currently comprises seven members, consisting of three Executive Directors and four Independent Non-Executive Directors. The biographical information of the Directors are set out in the section headed "Biographies of Directors and Senior Executive" on pages 27 to 28 of the annual report for the year ended 28 February 2013.

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.

Code provision A.1.1 of the CG Code stipulates that at least four regular Board meetings a year at approximately quarterly intervals with active participation of majority of directors, either in person or through other electronic means of communication.

The Company did not announce its quarterly results and hence not considered the holding of quarterly meetings as necessary. The Board met five times during the year ended 28 February 2013 for approving the final results for the year ended 29 February 2012 and interim results for the period ended 31 August 2012 and transacting other businesses.

CORPORATE GOVERNANCE REPORT

BOARD OF DIRECTORS *(continued)*

The Board held five board meetings and two general meetings in year 2012/13. The following table shows the attendance of Directors at meetings during the year:

Directors	General Meetings attended/held	Board Meetings attended/held
Executive Directors		
Mr Walter K W Ma *(Executive Chairman)*	2/2	5/5
Mr Philip K H Ma *(Deputy Chairman & CEO)*	2/2	5/5
Mr John Y C Fu* *(Executive Director & CFO)*	1/1	2/2
Independent Non-Executive Directors		
Mr King Wing Ma	2/2	4/5
Mr Charles M W Chan	1/2+	3/5
Mr Eric K K Lo	2/2	4/5
Mr Peter Tan*	0/1+	1/2

* Appointed on 20 July 2012.

\+ Pursuant to code provision A.6.7 of the CG Code that independent non-executive directors and other non-executive directors should also attend general meetings and develop a balance understanding of the views of shareholders. Mr Charles M W Chan and Mr Peter Tan, the Independent Non-Executive Directors of the Company, did not attend the extraordinary general meeting of the Company due to their business arrangement.

Apart from regular Board meetings, the Chairman also held meetings with the Independent Non-Executive Directors without the presence of Executive Directors during the year.

Chairman and Chief Executive Officer

The positions of Chairman and Chief Executive Officer are held by Mr Walter K W Ma and Mr Philip K H Ma respectively to ensure their respective independence, accountability and responsibility. 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 Chief Executive Officer 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.

Independent Non-Executive Directors

The Company has complied with Rules 3.10(1), 3.10(2) and 3.10A of the Listing Rules for the appointment of at least three Independent Non-Executive Directors representing at least one-third of the Board with one of whom possessing appropriate professional qualifications or accounting or related financial management expertise.

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.

CORPORATE GOVERNANCE REPORT

BOARD OF DIRECTORS *(continued)*

Non-Executive Directors and Directors' Re-election

Code provision A.4.1 of the CG Code stipulates that Non-executive Directors shall be appointed for a specific term, subject to re-election, whereas code provision A.4.2 states that all Directors appointed to fill a casual vacancy shall be subject to election by shareholders at the first general meeting after appointment and that every Director, including those appointed for a specific term, shall be subject to retirement by rotation at least once every three years.

The Independent 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 Meeting in accordance with the Company's Articles of Association.

Responsibilities, Accountabilities and Contributions of the Board and Management

The Board is responsible to ensure the Company achieves its objectives, approve the business strategic plans and review management performance.

All Directors, including Independent Non-Executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning.

All Directors have full and timely access to all the information of the Company as well as the services and advice from the company secretary and senior management. The Directors may, upon request, seek independent professional advice in appropriate circumstances, at the Company's expenses for discharging their duties to the Company.

The Directors shall disclose to the Company details of other offices held by them and the Board regularly reviews the contribution required from each Director to perform his responsibilities to the Company.

The Board reserves for its decision all major matters relating to policy matters, strategies and budgets, internal control and risk management, material transactions (in particular those that may involve conflict of interests), financial information, appointment of Directors and other significant operational matters of the Company. Responsibilities relating to implementing decisions of the Board, directing and co-ordinating the daily operation and management of the Company are delegated to the management.

CORPORATE GOVERNANCE REPORT

BOARD OF DIRECTORS *(continued)*

Continuous Professional Development of Directors

Directors keep abreast of responsibilities as a Director of the Company and of the conduct, business activities and development of the Company.

Every newly appointed Director will receive formal, comprehensive and tailored induction on the first occasion of his appointment to ensure appropriate understanding of the business and operations of the Company and full awareness of Director's responsibilities and obligations under the Listing Rules and relevant statutory requirements.

Directors should participate in appropriate continuous professional development to develop and refresh their knowledge and skills to ensure that their contribution to the Board remains informed and relevant.

During the year ended 28 February 2013, relevant reading materials including regulatory update and seminar handouts, etc have been provided to the Directors for their reference and studying.

A summary of training received by Directors according to the records provided by the Directors is as follows:

Director	Training on corporate governance, regulatory development and other relevant topics
Executive Directors	
Mr Walter K W Ma	✓
Mr Philip K H Ma	✓
Mr John Y C Fu	✓
Independent Non-Executive Directors	
Mr King Wing Ma	✓
Mr Charles M W Chan	✓
Mr Eric K K Lo	✓
Mr Peter Tan	✓

CORPORATE GOVERNANCE REPORT

BOARD COMMITTEES

The Board has established three committees, namely, the 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. All Board committees of the Company are established with defined written terms of reference. The terms of reference of the Board committees are posted on the Company's website and the Stock Exchange's website and are available to shareholders upon request.

Audit Committee

The Audit Committee consists of four Independent Non-Executive Directors, namely Mr King Wing Ma, Mr Eric K K Lo, Mr Charles M W Chan and Mr Peter Tan. Mr Eric K K Lo is the Chairman of the Audit Committee.

The main duties of the Audit Committee are to assist the Board in reviewing the financial information and reporting process, internal control procedures and risk management system, audit plan and relationship with external auditors, and arrangements to enable employees of the Company to raise, in confidence, concerns about possible improprieties in financial reporting, internal control or other matters of the Company.

In 2012/13, the Audit Committee held two meetings to review interim and annual financial results and reports in respect of the year ended 28 February 2013 and significant issues on the financial reporting and compliance procedures, internal control and risk management systems, scope of work and appointment of external auditors, and arrangements for employees to raise concerns about possible improprieties, and the attendance record, on a named basis is set out below:

Audit Committee Members	**Meetings attended/held**
Mr King Wing Ma	1/2
Mr Eric K K Lo	2/2
Mr Charles M W Chan	1/2
Mr Peter Tan*	1/1

* Appointed on 20 July 2012.

The Group's audited financial statements for the year ended 28 February 2013 have been reviewed by the Audit Committee.

The Audit Committee also met the external auditors twice during the year.

CORPORATE GOVERNANCE REPORT

BOARD COMMITTEES *(continued)*

Remuneration Committee

The Remuneration Committee consists of four Independent Non-Executive Directors, namely Mr King Wing Ma, Mr Charles M W Chan, Mr Eric K K Lo and Mr Peter Tan. Mr Charles M W Chan is the Chairman of the Remuneration Committee.

The primary functions of the Remuneration Committee include determining the remuneration packages of individual Executive Directors and senior management, making recommendation to the Board the remuneration policy and structure for all Directors and senior management; and establishing transparent procedures for developing such remuneration policy and structure to ensure that no director or any of his associates will participate in deciding his own remuneration.

In 2012/13, the Remuneration Committee held two meetings to review and make recommendation to the Board on the remuneration policy and structure of the Company, and the remuneration packages of the Executive Directors and senior management and other related matters, and the attendance record, on a named basis is set out below:

Remuneration Committee Members	**Meeting attended/held**
Mr Charles M W Chan	2/2
Mr Eric K K Lo	2/2
Mr King Wing Ma	1/2
Mr Peter Tan*	1/1

* Appointed on 20 July 2012.

Pursuant to code provision B.1.5 of the CG Code, details of the annual remuneration of the member of the senior management by band for the year ended 28 February 2013 is as follows:

	Number of employee(s)
HK$2,000,001 to HK$2,500,000	1

Details of the remuneration of each director for the year ended 28 February 2013 are set out in note 31 to the financial statements.

CORPORATE GOVERNANCE REPORT

BOARD COMMITTEES *(continued)*

Nomination Committee

The existing Nomination Committee comprises four Independent Non-Executive Directors, namely Mr King Wing Ma, Mr Charles M W Chan, Mr Eric K K Lo and Mr Peter Tan. Mr King Wing Ma is the Chairman of the Nomination Committee.

The principal duties of the Nomination Committee include reviewing the Board composition, developing and formulating relevant procedures for the nomination and appointment of directors, making recommendations to the Board on the appointment and succession planning of directors, and assessing the independence of Independent Non-Executive Directors.

In 2012/13, the Nomination Committee held one meeting to review the structure, size and composition of the Board and the independence of the Independent Non-Executive Directors, and to consider the qualifications of the retiring directors standing for election at the Annual General Meeting, and the attendance record, on a named basis is set out below:

Nomination Committee Members	Meeting attended/held
Mr King Wing Ma	1/1
Mr Eric K K Lo	1/1
Mr Charles M W Chan	1/1
Mr Peter Tan*	0/0

* Appointed on 20 July 2012.

Corporate Governance Functions

The Board is responsible for performing the functions set out in the code provision D.3.1 of the CG Code.

The Board reviewed the Company's corporate governance policies and practices, training and continuous professional development of Directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, the compliance of the Model Code and the Company's compliance with the CG Code and disclosure in this Corporate Governance Report.

CORPORATE GOVERNANCE REPORT

DIRECTORS' RESPONSIBILITY IN RESPECT OF 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.

The statement of the independent auditors of the Company about their reporting responsibilities on the financial statements is set out in the Independent Auditors' Report on pages 29 to 30.

AUDITORS' REMUNERATION

During the year, the fees payable to Ernst & Young, the Company's external auditors, for audit services totalled to HK$3,180,000 (2012: HK$2,972,000). Ernst & Young has also provided the Group with non-audit services, including the provision of tax services and agreed-upon procedures, at fees to HK$2,348,000 (2012: HK$683,000).

INTERNAL CONTROLS

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

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

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

The Board has set up a Council which consists of Mr Philip K H Ma and Mr John Y C Fu, 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.

CORPORATE GOVERNANCE REPORT

SHAREHOLDERS' RIGHTS

To safeguard shareholder interests and rights, a separate resolution is proposed for each substantially separate issue at shareholder meetings, including the election of individual Directors. All resolutions put forward at shareholder meetings will be voted on by poll pursuant to the Listing Rules and poll results will be posted on the websites of the Company and of the Stock Exchange after each shareholder meeting.

Convening an Extraordinary General Meeting by Shareholders

Extraordinary general meetings may be convened by the Board on requisition of shareholder(s) holding not less than one-twentieth of the paid-up capital of the Company or by such shareholder(s) who made the requisition (the "Requisitionist(s)") (as the case may be) pursuant to Section 113 of the Companies Ordinance (Chapter 32 of the laws of Hong Kong) (the "Companies Ordinance"). The objects of the meeting must be stated in the requisition which must be signed by the Requisitionist(s) and deposited at the registered office of the Company. Shareholders should follow the requirements and procedures as set out in section 113 of the Companies Ordinance for convening an extraordinary general meeting.

Putting Forward Proposals at General Meetings

Pursuant to Section 115A of the Companies Ordinance, shareholders representing not less than one-fortieth of the total voting rights of all shareholders; or not less than 50 shareholders holding shares in the Company on which there has been paid up an average sum, per shareholder, of not less than $2,000, may make requisition in writing for proposing resolution or business to be dealt with at the next general meeting. Shareholders should follow the requirements and procedures as set out in Section 115A of the Companies Ordinance for putting forward a proposal at a general meeting.

Putting Forward Enquiries to the Board

For putting forward any enquiries to the Board of the Company, shareholders may send written enquiries to the Company.

Note: The Company will not normally deal with verbal or anonymous enquiries.

Contact Details

Shareholders may send their enquiries or requests as mentioned above to the following address:

24th Floor, Leighton Centre, 77 Leighton Road, Hong Kong
(For the attention of the Company Secretary)

For the avoidance of doubt, shareholder(s) must deposit and send the original duly signed written requisition, notice or statement, or enquiry (as the case may be) to the above address and provide their full name, contact details and identification in order to give effect thereto. Shareholders' information may be disclosed as required by law.

CORPORATE GOVERNANCE REPORT

INVESTOR RELATIONS

The Company considers that effective communication with shareholders is essential for enhancing investor relations and investor understanding of the Group's business performance and strategies. The Company endeavours to maintain an on-going dialogue with shareholders and in particular, through annual general meetings and other general meetings. The Chairman of the Board, all other members of the Board including Independent Non-Executive Directors, and the chairmen of all Board committees (or their delegates) will make themselves available at the annual general meetings to meet shareholders and answer their enquiries.

During the year under review, the Company has not made any changes to its Articles of Association. An up to date version of the Company's Articles of Association is also available on the Company's website and the Stock Exchange's website.

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 2013.

PRINCIPAL ACTIVITIES

During the year, the property rental and development operation was discontinued as further detailed in note 12 to the financial statements. Other than that, there was no significant change in the principal activities of the Company and its subsidiaries during the year, which consisted of the operation of department stores, 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 2013 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 31 to 110.

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 pages 111 to 112 of the annual report.

SHARE CAPITAL AND SHARE OPTIONS

Details of movements in the Company's share capital and share options during the year are set out in notes 27 and 29 to the financial statements, respectively.

CONTINGENT LIABILITIES

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

PLEDGE OF ASSETS

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

SEGMENT INFORMATION

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

DIVIDENDS

The Board of Directors has resolved to recommend to shareholders the payment of a final dividend of HK1.5 cents per share for the year ended 28 February 2013 (2012: Nil). Subject to the approval of the shareholders at the forthcoming Annual General Meeting to be held on 26 July 2013, the final dividend will be payable on 16 August 2013 to shareholders whose names appear on the register of members of the Company on 9 August 2013.

REPORT OF THE DIRECTORS

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.

PROPERTIES UNDER DEVELOPMENT

Details of the properties under development of the Group are set out in note 20 to the financial statements.

RESERVES

Movements in the reserves of the Company and of the Group during the financial year are set out in note 30(b) to the financial statements, and in the consolidated statement of changes in equity, respectively.

MAJOR CUSTOMERS AND SUPPLIERS

For the financial year ended 28 February 2013, 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 *(Executive Chairman)*
Philip K H MA *(Deputy Chairman & CEO)*
John Y C FU *(Executive Director & CFO, appointed on 20 July 2012)*

Independent Non-Executive Directors:

King Wing MA
Eric K K LO
Charles M W CHAN
Peter TAN *(appointed on 20 July 2012)*

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.

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.

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 executive are set out on pages 27 to 28 of this annual report.

REPORT OF THE DIRECTORS

PRINCIPAL SHAREHOLDERS

At 28 February 2013, according to the register of interests required to be kept by the Company pursuant to Section 336 of 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 2013, 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

Name	Capacity and nature of interest	Shares/equity derivatives	Number of shares/equity derivatives held	Percentage of the Company's issued share capital
Walter K W MA	Personal Interest	Ordinary shares	9,925,000	1.7
	Personal Interest	Share options	5,700,000	1.0
Philip K H MA	Personal Interest	Ordinary shares	2,000,000	0.3
	Personal Interest	Share options	5,700,000	1.0
John Y C FU	Personal Interest	Ordinary shares	40,000	–
	Personal Interest	Share options	2,280,000	0.4
King Wing MA	Personal Interest	Ordinary shares	1,240,928	0.2
	Personal Interest	Share options	570,000	0.1
Eric K K LO	Personal Interest	Ordinary shares	2,200,400	0.4
	Personal Interest	Share options	570,000	0.1
Charles M W CHAN	Personal Interest	Ordinary shares	40,000	–
	Personal Interest	Share options	570,000	0.1
Peter TAN	Personal Interest	Ordinary shares	40,000	–
	Personal Interest	Share options	570,000	0.1

REPORT OF THE DIRECTORS

DIRECTORS' INTERESTS IN SHARES *(continued)*

(b) Associated corporations

At 28 February 2013, Mr Walter K W Ma, Mr Philip K H Ma, Mr King Wing Ma and Mr Eric K K Lo held 527, 713, 1,225 and 216 ordinary shares, respectively, in The Sincere Life Assurance Company Limited. In addition, at 28 February 2013, Mr Philip K H Ma held 500 promoter shares and Mr King Wing Ma held 834 promoter shares in The Sincere Life Assurance Company Limited.

At 28 February 2013, 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, 26 and 1,019 ordinary shares, respectively, in The Sincere Insurance & Investment Company, Limited.

At 28 February 2013, Mr Walter K W Ma and Mr Philip K H Ma held 10 and 10 ordinary shares, respectively, in The Sincere Company (Perfumery Manufacturers), Limited.

In addition to the above, certain Directors have non-beneficial personal equity interests in certain subsidiaries held for the benefit of the Company solely for the purpose of complying with minimum company membership requirements.

Save as disclosed herein, as at 28 February 2013, 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 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.

REPORT OF THE DIRECTORS

SUFFICIENCY OF PUBLIC FLOAT

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

DONATIONS

The Group has made donations during the year of approximately HK$360,000.

AUDIT COMMITTEE

The Audit Committee of the Company comprises four members all of whom are Independent Non-Executive Directors, namely, Mr Eric K K Lo, Mr Charles M W Chan, Mr King Wing Ma and Mr Peter Tan. 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 presenting them to the Board of Directors for approval. The Group's audited results for the year ended 28 February 2013 have been reviewed by the Audit Committee.

AUDITORS

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

ON BEHALF OF THE BOARD

Walter K W MA
Executive Chairman

Hong Kong, 27 May 2013

BIOGRAPHIES OF DIRECTORS AND SENIOR EXECUTIVE

DIRECTORS

Walter K W MA, aged 83, 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 57, is the Deputy Chairman & CEO. He joined the Board of Directors in 1990, became an Executive Director in 1992, has been President since 1993, was retitled as the Group Managing Director in 1996 and re-designated as the Deputy Chairman & CEO in 2012. He has been an Independent Non-Executive Director of North Asia Strategic Holdings Limited (stock code: 8080) which is listed on the Growth Enterprise Market of the Stock Exchange and was resigned on 19 February 2013. 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.

John Y C FU, aged 52, joined the Company in January 2003, as the Group Director of Finance and Administration and became an Executive Director & CFO in 2012. In addition to overseeing all the supporting and controlling functions for the Group, he is an executive member of the department store operations. Before joining the Company, he was the key executive of two listed international retail chains for nearly 20 years and has became a board member of one of them. Mr Fu has a MBA degree in General Management and MSc degree in Finance from two UK Universities. Mr Fu does not have any relationship with any Directors and senior management of the Company.

King Wing MA, aged 81, 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 64, 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 (stock code: 647) which is listed on the Stock Exchange. Mr Lo does not have any relationship with any Directors and senior management of the Company.

BIOGRAPHIES OF DIRECTORS AND SENIOR EXECUTIVE

DIRECTORS *(continued)*

Charles M W CHAN, aged 57, has been an Independent Non-Executive Director of the Company since November 1995. Mr. 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.

Peter TAN, aged 57, has been an Independent Non-Executive Director of the Company in July 2012. Mr Tan has more than 17 years' experience in the fast food industry. From 2005 to 2012, Mr Tan was Chief Executive Officer of Asia Pacific division of Burger King Corporation as well as a board member of Burger King Corporation. Before Mr Tan has served McDonald's Corporation for 10 years and was President of McDonald's Corporation Greater China division, a position that included Hong Kong, Taiwan and Macau, responsible for strategic growth of the business and management of all key functions in the region. Prior to that, Mr Tan was Vice President of CitiBank Singapore, Private Banking Group, focusing on corporate, investment and private banking. He holds a BA degree in Accounting and Finance from the Washington State University, and MBA degree from the Kellogg School of Management at Northwestern University and is co-chairman of the Kellogg Alumni Council (Asia). Mr Tan is also an Independent Non-Executive Director of Tristate Holdings Limited (stock code: 458) which is listed on the main board of the Stock Exchange. Mr Tan does not have any relationship with any Directors and senior management of the Company.

SENIOR EXECUTIVE

Eileen H Y MA, aged 59, 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 31 to 110, which comprise the consolidated and company statements of financial position as at 28 February 2013, 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.

INDEPENDENT AUDITORS' REPORT

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 2013, 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
22/F CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong

27 May 2013

CONSOLIDATED INCOME STATEMENT

Year ended 28 February 2013

	Notes	2013 HK$'000	2012 HK$'000
CONTINUING OPERATIONS			
REVENUE	5	498,014	526,469
Cost of sales		(171,470)	(195,448)
Other income and gains	5	16,410	22,724
Net unrealised gain/(loss) on securities trading		8,002	(13,933)
Selling and distribution expenses		(206,531)	(201,119)
General and administrative expenses		(115,530)	(106,045)
Impairment on deposits, other receivables and financial instruments, net		(20,988)	(28,833)
Other operating expenses		(927)	(2,423)
Finance costs	6	(2,087)	(1,406)
Share of profits less losses of associates		20,037	(4,223)
PROFIT/(LOSS) BEFORE TAX FROM CONTINUING OPERATIONS	7	24,930	(4,237)
Income tax expense	8	(444)	(342)
PROFIT/(LOSS) FOR THE YEAR FROM CONTINUING OPERATIONS		24,486	(4,579)
DISCONTINUED OPERATION			
Profit/(loss) for the year from the discontinued operation	12	49,849	(3,971)
PROFIT/(LOSS) FOR THE YEAR		74,335	(8,550)
ATTRIBUTABLE TO:			
Equity holders of the Company	9	74,824	(8,549)
Non-controlling interests		(489)	(1)
		74,335	(8,550)
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY	11		
Basic			
– For profit/(loss) for the year		HK$0.15	HK$(0.02)
– For profit/(loss) from continuing operations		HK$0.05	HK$(0.01)
Diluted			
– For profit/(loss) for the year		N/A	N/A
– For profit/(loss) from continuing operations		N/A	N/A

Details of the dividend are disclosed in note 10 to the financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 28 February 2013

	2013 *HK$'000*	2012 *HK$'000*
PROFIT/(LOSS) FOR THE YEAR	**74,335**	(8,550)
OTHER COMPREHENSIVE INCOME/(LOSS):		
Exchange differences arising on translation of foreign operations	**5,305**	1,413
Realisation of exchange fluctuation reserve upon disposal of a subsidiary	**(46,159)**	–
Realisation of exchange fluctuation reserve upon dissolution of an associate	**–**	1,149
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR	**33,481**	(5,988)
ATTRIBUTABLE TO:		
Equity holders of the Company	**33,227**	(6,364)
Non-controlling interests	**254**	376
	33,481	(5,988)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

28 February 2013

	Notes	2013 HK$'000	2012 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	**72,782**	81,804
Investment properties	14	**–**	127,695
Prepaid land premium	15	**–**	735
Interests in associates	17	**36,371**	14,788
Financial instruments	18	**26,326**	38,674
Rental deposits and other receivables		**26,389**	6,351
Pension scheme assets	19	**1,963**	3,286
Total non-current assets		**163,831**	273,333
CURRENT ASSETS			
Properties under development	20	**–**	130,658
Inventories		**75,400**	69,005
Debtors	21	**187**	7,333
Prepayments, deposits and other receivables		**27,012**	36,736
Financial assets at fair value through profit or loss	22	**270,657**	257,775
Financial instruments	18	**124,800**	–
Pledged bank balances	25	**22,193**	15,514
Pledged deposits with banks	25	**17,426**	27,386
Cash and bank balances	24	**225,019**	52,649
Total current assets		**762,694**	597,056
CURRENT LIABILITIES			
Creditors	26	**104,722**	97,997
Deposits, accrued expenses and other payables		**55,306**	50,376
Derivative financial instruments	23	**14**	–
Interest-bearing bank borrowings	25	**52,000**	42,966
Tax payable		**74**	106
Total current liabilities		**212,116**	191,445
NET CURRENT ASSETS		**550,578**	405,611
TOTAL ASSETS LESS CURRENT LIABILITIES		**714,409**	678,944
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings	25	**15,197**	19,308
NET ASSETS		**699,212**	659,636

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

28 February 2013

	Notes	2013 HK$'000	2012 HK$'000
EQUITY			
Equity attributable to equity holders of the Company			
Issued share capital	27	**287,154**	287,154
Share premium account	28	**26**	26
Reserves	30(a)	**428,049**	389,068
		715,229	676,248
Non-controlling interests		**(16,017)**	(16,612)
TOTAL EQUITY		**699,212**	659,636

Walter K W Ma
Director

Philip K H Ma
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 28 February 2013

	Attributable to equity holders of the Company							
			Reserves					
	Issued share capital	Share premium account	General and other reserves#	Share option reserve	Retained profits	Total reserves	Non-controlling interests	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 March 2011	287,154	26	79,047	–	316,385	395,432	(16,993)	665,619
Loss for the year	–	–	–	–	(8,549)	(8,549)	(1)	(8,550)
Other comprehensive income for the year:								
Exchange differences arising on translation of foreign operations	–	–	1,036	–	–	1,036	377	1,413
Realisation of exchange fluctuation reserve upon dissolution of an associate	–	–	1,149	–	–	1,149	–	1,149
Total comprehensive income/(loss) for the year	–	–	2,185	–	(8,549)	(6,364)	376	(5,988)
Movement in balances with non-controlling interests	–	–	–	–	–	–	5	5
At 29 February 2012 and 1 March 2012	**287,154**	**26**	**81,232**	**–**	**307,836**	**389,068**	**(16,612)**	**659,636**
Profit/(loss) for the year	**–**	**–**	**–**	**–**	**74,824**	**74,824**	**(489)**	**74,335**
Other comprehensive income/(loss) for the year:								
Exchange differences arising on translation of foreign operations	**–**	**–**	**4,562**	**–**	**–**	**4,562**	**743**	**5,305**
Realisation of exchange fluctuation reserve upon disposal of a subsidiary	**–**	**–**	**(46,159)**	**–**	**–**	**(46,159)**	**–**	**(46,159)**
Total comprehensive income/(loss) for the year	**–**	**–**	**(41,597)**	**–**	**74,824**	**33,227**	**254**	**33,481**
Equity-settled share option arrangements *(note 29)*	**–**	**–**	**–**	**5,754**	**–**	**5,754**	**–**	**5,754**
Movement in balances with non-controlling interests	**–**	**–**	**–**	**–**	**–**	**–**	**341**	**341**
At 28 February 2013	**287,154**	**26**	**39,635**	**5,754**	**382,660**	**428,049**	**(16,017)**	**699,212**

Included in the general and other reserves at 28 February 2013 was a debit amount of HK$6,978,000 (2012: credit amount of HK$34,619,000) attributable to the exchange fluctuation reserve.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 28 February 2013

	Notes	2013 HK$'000	2012 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/(loss) before tax			
From continuing operations		**24,930**	(4,237)
From the discontinued operation		**49,849**	(3,971)
Adjustments for:			
Interest expense	6	**2,087**	1,406
Share of profits less losses of associates		**(20,037)**	4,223
Interest income	5, 12	**(5,948)**	(7,019)
Depreciation	7, 12	**12,910**	11,212
Amortisation of prepaid land premium	12	**24**	29
Impairment on interests in associates	7	**220**	240
Impairment on deposits, other receivables and financial instruments, net	7	**20,988**	28,833
Impairment on debtors	7	**797**	–
Fair value gain on investment properties in Mainland China	12	**–**	(9,191)
Loss on disposal of financial instruments	7	**–**	138
Net income derived from available-for-sales investments	5	**(822)**	–
Loss on disposal/write-off of items of property, plant and equipment	7, 12	**653**	–
Gain on disposal of a subsidiary	32	**(61,000)**	–
Loss on dissolution of an associate	7	**–**	2,050
Equity-settled share option expense	29	**5,754**	–
Exchange realignment		**1,795**	(7,599)
		32,200	16,114
Decrease/(increase) in rental deposits and other receivables		**(20,038)**	1,402
Decrease in pension scheme assets		**1,323**	277
Increase in inventories		**(6,395)**	(4,569)
Decrease/(increase) in debtors		**6,349**	(5,016)
Decrease in prepayments, deposits and other receivables		**7,236**	2,700
Decrease/(increase) in financial assets at fair value through profit or loss		**(12,882)**	2,870
Net decrease in derivative financial instruments		**14**	24,604
Increase/(decrease) in creditors		**6,725**	(18,595)
Increase/(decrease) in deposits, accrued expenses and other payables		**4,930**	(27,208)
Cash generated from/(used in) operations		**19,462**	(7,421)
Interest paid		**(2,087)**	(1,406)
Interest received		**5,948**	7,019
Overseas taxes paid		**(476)**	(378)
Net cash flows from/(used in) operating activities		**22,847**	(2,186)

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 28 February 2013

	Notes	2013 HK$'000	2012 HK$'000
Net cash flows from/(used in) operating activities		**22,847**	(2,186)
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to items of property, plant and equipment		**(18,667)**	(15,255)
Repayments to associates, net		**(923)**	(558)
Acquisition of financial instruments		**(257,252)**	(6,999)
Proceeds from disposal of financial instruments		**124,322**	282
Increase in pledged bank balances		**(6,679)**	(6,441)
Decrease/(increase) in pledged deposits with banks		**9,960**	(10,331)
Proceeds from disposal of items of property, plant and equipment		**164**	62
Net proceeds from disposal of a subsidiary	32	**293,334**	–
Net cash flows from/(used) in investing activities		**144,259**	(39,240)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayments of bank loans		**(163,947)**	(172,730)
New bank loans		**171,861**	195,419
Non-controlling interests		**341**	5
Net cash flows from financing activities		**8,255**	22,694
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**175,361**	(18,732)
Cash and cash equivalents at beginning of year		**42,831**	61,563
CASH AND CASH EQUIVALENTS AT END OF YEAR		**218,192**	42,831
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash on hand and at banks	24	**167,330**	52,649
Time deposits with original maturity of less than three months	24	**57,689**	–
Cash and cash equivalents as stated in the consolidated statement of financial position		**225,019**	52,649
Bank overdrafts	25	**(6,827)**	(9,818)
Cash and cash equivalents as stated in the consolidated statement of cash flows		**218,192**	42,831

STATEMENT OF FINANCIAL POSITION

28 February 2013

	Notes	2013 HK$'000	2012 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	**36,369**	28,759
Interests in subsidiaries	16	**420,580**	504,164
Interests in associates	17	**15,941**	15,941
Financial instruments	18	**10,051**	8,750
Rental deposits		**25,161**	6,351
Pension scheme assets	19	**1,963**	3,286
Total non-current assets		**510,065**	567,251
CURRENT ASSETS			
Inventories		**75,400**	67,920
Prepayments, deposits and other receivables		**19,636**	11,412
Pledged deposits with banks	25	**17,426**	27,386
Cash and bank balances	24	**71,458**	27,349
Total current assets		**183,920**	134,067
CURRENT LIABILITIES			
Creditors	26	**103,870**	95,756
Deposits, accrued expenses and other payables		**33,952**	35,300
Interest-bearing bank borrowings	25	**45,173**	28,152
Total current liabilities		**182,995**	159,208
NET CURRENT ASSETS/(LIABILITIES)		**925**	(25,141)
TOTAL ASSETS LESS CURRENT LIABILITIES		**510,990**	542,110
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings	25	**15,197**	19,308
NET ASSETS		**495,793**	522,802
EQUITY			
Issued share capital	27	**287,154**	287,154
Share premium account	28	**26**	26
Reserves	30(b)	**208,613**	235,622
TOTAL EQUITY		**495,793**	522,802

Walter K W Ma
Director

Philip K H Ma
Director

NOTES TO FINANCIAL STATEMENTS

28 February 2013

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. During the year, the property rental and development operation was discontinued as further detailed in note 12 to the financial statements. Other than that, there was no significant change in the principal activities of the Company and its subsidiaries during the year, which consisted of the operation of department stores, 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 ("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 2013. 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.

Total comprehensive income within a subsidiary is attributed to the non-controlling interest even if it 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.

NOTES TO FINANCIAL STATEMENTS

28 February 2013

2.2 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

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

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*
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures – Transfers of Financial Assets*
HKAS 12 Amendments	Amendments to HKAS 12 *Income Taxes – Deferred Tax: Recovery of Underlying Assets*

The adoption of the revised HKFRSs has had no significant financial effect on these 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 Amendments	Amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards – Government Loans*[2]
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities*[2]
HKFRS 9	*Financial Instruments*[4]
HKFRS 10	*Consolidated Financial Statements*[2]
HKFRS 11	*Joint Arrangements*[2]
HKFRS 12	*Disclosure of Interests in Other Entities*[2]
HKFRS 10, HKFRS 11 and HKFRS 12 Amendments	Amendments to HKFRS 10, HKFRS 11 and HKFRS 12 – *Transition Guidance*[2]
HKFRS 10, HKFRS 12 and HKAS 27 (2011) Amendments	Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011) – *Investment Entities*[3]
HKFRS 13	*Fair Value Measurement*[2]
HKAS 1 Amendments	Amendments to HKAS 1 *Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income*[1]
HKAS 19 (2011)	*Employee Benefits*[2]
HKAS 27 (2011)	*Separate Financial Statements*[2]
HKAS 28 (2011)	*Investments in Associates and Joint Ventures*[2]
HKAS 32 Amendments	Amendments to HKAS 32 *Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities*[3]
HK(IFRIC)-Int 20	*Stripping Costs in the Production Phase of a Surface Mine*[2]
Annual Improvements 2009 - 2011 Cycle	Amendments to a number of HKFRSs issued in June 2012[2]

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

[1] Effective for annual periods beginning on or after 1 July 2012
[2] Effective for annual periods beginning on or after 1 January 2013
[3] Effective for annual periods beginning on or after 1 January 2014
[4] Effective for annual periods beginning on or after 1 January 2015

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

2.4 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 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. Adjustments are made to bring into any dissimilar accounting policies that may exist. 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 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.

NOTES TO FINANCIAL STATEMENTS
28 February 2013

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Business combinations and goodwill

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 Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related 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 previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of HKAS 39 is measured at fair value with changes in fair value either recognised in profit or loss or as a change to other comprehensive income. If the contingent consideration is not within the scope of HKAS 39, it is measured in accordance with the appropriate HKFRS. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for 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 identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets 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.

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.

NOTES TO FINANCIAL STATEMENTS

28 February 2013

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Business combinations and goodwill *(continued)*

Where goodwill has been allocated to a cash-generating unit (or 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 the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the disposed operation and the portion of the cash-generating unit retained.

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 an 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.

NOTES TO FINANCIAL STATEMENTS

28 February 2013

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investments and other financial assets

Initial recognition and measurement

Financial assets within the scope of HKAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, 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 transaction costs, except in the case of financial assets recorded at fair value through profit or loss.

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.

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. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments as defined by HKAS 39.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net 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.

Financial assets designated upon initial recognition as at fair value through profit or loss are designated at the date of initial recognition and only if the criteria under HKAS 39 are satisfied.

NOTES TO FINANCIAL STATEMENTS

28 February 2013

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investments and other financial assets *(continued)*

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

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, in rare circumstances, 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 them. 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 as at fair value though profit or loss using the fair value option at designation, as these instruments cannot be reclassified after initial recognition.

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

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated 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 other income and gains in the income statement. The loss arising from impairment is recognised in the income statement.

Available-for-sale financial investments

Available-for-sale financial investments are non-derivative financial assets in listed and unlisted equity investments and debt securities. Equity investments classified as available for sale are those which are neither classified as held for trading nor designated as 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 revaluation reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in the income statement, or until the investment is determined to be impaired, when the cumulative gain or loss is reclassified from the available-for-sale investment revaluation reserve to the income statement. Interest and dividends earned whilst holding the available-for-sale financial investments 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.

NOTES TO FINANCIAL STATEMENTS

28 February 2013

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investments and other financial assets *(continued)*

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

When the fair value of unlisted equity investments 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 investments are stated at cost less any impairment losses.

The Group evaluates whether the ability and intention to sell its available-for-sale financial assets in the near term are still appropriate. When, in rare circumstances, 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. 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 Group has the ability and intent to hold until the maturity date of the financial asset.

For a financial asset reclassified from the available-for-sale category, the fair value carrying amount at the date of reclassification becomes its new amortised cost and 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 maturity amount 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, it evaluates if and to what extent it has retained the risk and rewards of ownership of the assets. When it 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.

NOTES TO FINANCIAL STATEMENTS

28 February 2013

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Impairment of financial assets

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

Financial assets carried at amortised cost

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

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

The carrying amount of the asset is reduced either directly or through the use of an allowance account and the 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 write-off is later recovered, the recovery is credited to the income statement.

NOTES TO FINANCIAL STATEMENTS

28 February 2013

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Impairment of financial assets *(continued)*

Assets carried at cost

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

Available-for-sale financial investments

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

NOTES TO FINANCIAL STATEMENTS

28 February 2013

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial liabilities *(continued)*

Subsequent measurement

The subsequent 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.

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.

Financial liabilities designated upon initial recognition as at fair value through profit or loss are designated at the date of initial recognition and only if the criteria in HKAS 39 are satisfied.

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 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.

NOTES TO FINANCIAL STATEMENTS

28 February 2013

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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 and are subsequently remeasured at fair value.

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

Fair value of financial instruments

The fair value of financial instruments that are traded in active markets is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs. For financial instruments where there is no active market, the fair value is determined using appropriate valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument which is substantially the same; a discounted cash flow analysis; and option pricing models.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if 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 depreciates them accordingly.

NOTES TO FINANCIAL STATEMENTS

28 February 2013

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Property, plant and equipment and depreciation *(continued)*

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 including 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.

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.

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.

NOTES TO FINANCIAL STATEMENTS

28 February 2013

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Leases

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

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. Eligible participants (including directors, employees and persons other than employees) of the Group receive remuneration in the form of share-based payments, whereby eligible participants render services as consideration for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions for grants is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using a binomial model, further details of which are given in note 29 to the financial statements.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Share-based payments *(continued)*

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 payments, or is otherwise beneficial to the eligible participants as measured at the date of modification.

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 eligible participants 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.

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 statements 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.

NOTES TO FINANCIAL STATEMENTS

28 February 2013

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Employee benefits *(continued)*

Retirement benefits *(continued)*

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

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

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

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:

- when the deferred tax liability arises from the initial recognition of goodwill or 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, when 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.

NOTES TO FINANCIAL STATEMENTS

28 February 2013

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Income tax *(continued)*

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

- when 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 over 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;

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

NOTES TO FINANCIAL STATEMENTS

28 February 2013

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Revenue recognition *(continued)*

(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 prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in 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 gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

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 prevailing 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 prevailing 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.

NOTES TO FINANCIAL STATEMENTS

28 February 2013

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Related parties

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

(a) the party is a person or a close member of that person's family and that person

- (i) has control or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:

- (i) the entity and the Group are members of the same group;
- (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
- (iii) the entity and the Group are joint ventures of the same third party;
- (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
- (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
- (vi) the entity is controlled or jointly controlled by a person identified in (a); and
- (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

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.

NOTES TO FINANCIAL STATEMENTS

28 February 2013

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. 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 described below.

NOTES TO FINANCIAL STATEMENTS

28 February 2013

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(continued)*

Estimation uncertainty *(continued)*

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 professionally 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.

Estimation of impairment/(write-back of impairment) for inventories

The Group reviews an ageing analysis at the end of the reporting period, and determines the impairment or write-back of impairment for inventories by reference to the current market conditions and the historical ageing pattern of the inventories (note 7).

Valuation of share options

The fair value of options granted under the share option scheme is determined using the binomial model. The significant inputs into the model were the weighted average share price at the grant date, exercise price, risk-free interest rate, dividend yield, expected volatility, expected life of options, and exit rate. When the actual results of the inputs differ from the management's estimate, it will have impact on share option expense and the related share option reserve of the Company.

NOTES TO FINANCIAL STATEMENTS

28 February 2013

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 securities trading segment consists of the trading of Hong Kong and overseas securities; and

(c) the others segment consists of other rental income, furniture design and manufacturing, advertising agency services and travel agency franchising services.

The property rental and development segment was classified as a discontinued operation during the year as detailed in note 12 to the financial statements. Accordingly, certain comparative amounts have been reclassified to conform to the current year's presentation.

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 from continuing operations is measured consistently with the Group's profit/(loss) before tax from continuing operations 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 bank borrowings 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.

NOTES TO FINANCIAL STATEMENTS

28 February 2013

4. SEGMENT INFORMATION *(continued)*

(a) Operating segments

The following tables present revenue, profit/(loss) and certain asset, liability and expenditure information for the Group's operating segments for the years ended 28 February 2013 and 29 February 2012.

	Continuing operations										Discontinued operation			
	Department store operations		Securities trading		Others		Eliminations		Total		Property rental and development		Consolidated	
	2013	2012	**2013**	2012	**2013**	2012	**2013**	2012	**2013**	2012	**2013**	2012	**2013**	2012
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue:														
Sales to external customers	**466,437**	490,109	**945**	(2,670)	**30,632**	39,030	**-**	–	**498,014**	526,469	**4,881**	5,781	**502,895**	532,250
Intersegment sales	**-**	–	**-**	–	**34,744**	37,644	**(34,744)**	(37,644)	**-**	–	**-**	–	**-**	–
Other revenue	**110**	203	**107**	57	**973**	247	**-**	–	**1,190**	507	**2,913**	9,191	**4,103**	9,698
Total	**466,547**	490,312	**1,052**	(2,613)	**66,349**	76,921	**(34,744)**	(37,644)	**499,204**	526,976	**7,794**	14,972	**506,998**	541,948
Segment results	**32,140**	41,964	**(24,127)**	(27,261)	**(16,253)**	(35,528)	**-**	–	**(8,240)**	(20,825)	**(11,155)**	(3,996)	**(19,395)**	(24,821)
Interest income, dividend income and unallocated revenue									**15,220**	22,217	**61,004**	25	**76,224**	22,242
Finance costs									**(2,087)**	(1,406)	**-**	–	**(2,087)**	(1,406)
Share of profits less losses of associates									**20,037**	(4,223)	**-**	–	**20,037**	(4,223)
Profit/(loss) before tax									**24,930**	(4,237)	**49,849**	(3,971)	**74,779**	(8,208)
Income tax expense									**(444)**	(342)	**-**	–	**(444)**	(342)
Profit/(loss) for the year									**24,486**	(4,579)	**49,849**	(3,971)	**74,335**	(8,550)
Segment assets	**168,507**	126,404	**290,772**	291,035	**201,130**	102,394	**(34,893)**	(37,644)	**625,516**	482,189	**-**	277,863	**625,516**	760,052
Unallocated assets									**264,638**	95,549			**264,638**	95,549
Interests in associates	**-**	–	**-**	–	**36,371**	14,788	**-**	–	**36,371**	14,788	**-**	–	**36,371**	14,788
Total assets									**926,525**	592,526			**926,525**	870,389
Segment liabilities	**172,566**	168,699	**291**	358	**22,152**	13,471	**(34,893)**	(37,644)	**160,116**	144,884	**-**	3,595	**160,116**	148,479
Unallocated liabilities									**67,197**	62,274			**67,197**	62,274
Total liabilities									**227,313**	207,158			**227,313**	210,753

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4. SEGMENT INFORMATION *(continued)*

(a) Operating segments *(continued)*

	Continuing operations										Discontinued operation			
	Department store operations		Securities trading		Others		Eliminations		Total		Property rental and development		Consolidated	
	2013 HK$'000	2012 HK$'000	2013 HK$'000	2012 HK$'000	2013 HK$'000	2012 HK$'000	2013 HK$'000	2012 HK$'000	2013 HK$'000	2012 HK$'000	2013 HK$'000	2012 HK$'000	2013 HK$'000	2012 HK$'000
Other segment information:														
Depreciation	9,322	7,820	376	107	1,998	1,836	–	–	11,696	9,763	1,214	1,449	12,910	11,212
Amortisation of prepaid land premium	–	–	–	–	–	–	–	–	–	–	24	29	24	29
Capital expenditure	17,055	13,565	1,500	–	107	1,301	–	–	18,662	14,866	5	389	18,667	15,255
Loss/(gain) on disposal/write-off of items of property, plant and equipment	37	(12)	(34)	–	644	7	–	–	647	(5)	6	5	653	–
Loss on disposal of financial instruments	–	138	–	–	–	–	–	–	–	138	–	–	–	138
Net income derived from available-for-sales investments	–	–	–	–	(822)	–	–	–	(822)	–	–	–	(822)	–
Impairment for inventories	–	2,472	–	–	–	–	–	–	–	2,472	–	–	–	2,472
Impairment on interests in associates	–	–	–	–	220	240	–	–	220	240	–	–	220	240
Fair value gain on investment properties in Mainland China	–	–	–	–	–	–	–	–	–	–	–	(9,191)	–	(9,191)
Impairment/(write-back of impairment) on deposits, other receivables and financial instruments, net	–	–	21,300	–	(312)	28,833	–	–	20,988	28,833	–	–	20,988	28,833
Impairment on debtors	–	–	–	–	797	–	–	–	797	–	–	–	797	–

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4. SEGMENT INFORMATION *(continued)*

(b) Geographical information

The following table presents revenue and non-current asset information from continuing operations.

	Hong Kong		Mainland China		United Kingdom ("UK")		Others		Eliminations		Consolidated	
	2013 HK$'000	2012 HK$'000	**2013 HK$'000**	2012 HK$'000	**2013 HK$'000**	2012 HK$'000	**2013 HK$'000**	2012 HK$'000	**2013 HK$'000**	2012 HK$'000	**2013 HK$'000**	2012 HK$'000
Segment revenue:												
Sales to external customers	**477,687**	503,269	**19,729**	22,540	**251**	254	**347**	406	**-**	–	**498,014**	526,469
Non-current assets	**97,401**	69,864	**1,770**	2,839	**-**	–	**-**	–	**-**	–	**99,171**	72,703

The non-current asset information from continuing operations above is based on the locations of the assets and includes property, plant and equipment and rental deposits and other receivables.

(c) Information about major customers

For the years ended 28 February 2013 and 29 February 2012, as no revenue from continuing operations derived from an individual customer of the Group has 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

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, advertising and travel agency fee income and income from furniture design and manufacturing during the year.

An analysis of revenue, other income and gains, from continuing operations is as follows:

	2013 HK$'000	2012 HK$'000
Revenue:		
Sale of goods – own goods	**295,240**	311,916
Net income from counter and consignment sales	**171,197**	178,193
Net realised gain/(loss) on securities trading	**945**	(2,670)
Rental income	**3,644**	3,635
Advertising and travel agency fee income	**2,569**	5,500
Income from furniture design and manufacturing	**24,419**	29,895
	498,014	526,469
Other income and gains:		
Interest income	**5,944**	6,994
Dividends from listed investments	**8,812**	7,051
Foreign exchange gains, net	**464**	8,172
Net income derived from available-for-sales investments	**822**	–
Others	**368**	507
	16,410	22,724

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6. FINANCE COSTS

An analysis of finance costs from continuing operations is as follows:

	Group	
	2013	2012
	HK$'000	*HK$'000*
Interest on bank borrowings wholly repayable within five years	**1,896**	1,236
Others	**191**	170
	2,087	1,406

7. PROFIT/(LOSS) BEFORE TAX FROM CONTINUING OPERATIONS

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

	2013	2012
	HK$'000	*HK$'000*
Depreciation	**11,696**	9,763
Auditors' remuneration	**3,180**	2,972
Employee benefit expense, excluding directors' and chief executive's remuneration *(note 31)*:		
Wages and salaries	**61,049**	61,127
Equity-settled share option expense	**946**	–
Pension contributions, including pension costs for defined benefit scheme of HK$1,645,000 (2012: HK$1,813,000)	**4,901**	3,956
	66,896	65,083
Impairment on interests in associates *	**220**	240
Impairment for inventories **	**–**	2,472
Loss on disposal of financial instruments *	**–**	138
Net income derived from available-for-sales investments ***	**(822)**	–
Net realised loss/(gain) on securities trading	**(945)**	2,670
Operating lease rental payments in respect of land and buildings:		
Minimum lease payments	**129,688**	129,012
Contingent rent	**7,450**	4,655
Loss/(gain) on disposal/write-off of items of property, plant and equipment *	**647**	(5)
Rental income	**(3,644)**	(3,635)
Interest income ***	**(5,944)**	(6,994)
Dividends from listed investments ***	**(8,812)**	(7,051)
Foreign exchange gains, net ***	**(464)**	(8,172)
Loss on dissolution of an associate *	**–**	2,050
Impairment on debtors	**797**	–
Impairment on deposits, other receivables and financial instruments, net $^{\Delta}$	**20,988**	28,833

7. PROFIT/(LOSS) BEFORE TAX FROM CONTINUING OPERATIONS *(continued)*

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

Δ During the year ended 28 February 2013, impairment on deposits, other receivables and financial instruments, net represented by the provision of HK$21,300,000 relating to the Group's unlisted investment in Oriental Finance (HK) Limited with major operations in Mainland China, netted by the write-back of impairment on other receivables of approximately HK$312,000.

During the year ended 29 February 2012, impairment on deposits, other receivables and financial instruments represented by a total amount of approximately HK$16,826,000 relating to the Group's acquisition of non-negotiable convertible promissory notes of TR-BIZ, a private limited company in United States and the related interest receivables of approximately HK$2,469,000 and HK$9,538,000 mainly for the Group's deposit for investment in Mainland China.

8. INCOME TAX

No provision for Hong Kong profits tax has been made during the year (2012: Nil) as the Group has available tax losses brought forward from prior years to offset the assessable profits generated during the year. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the locations in which the Group operates.

	Group	
	2013	2012
	HK$'000	*HK$'000*
Group:		
Current – Hong Kong	**–**	–
Current – Elsewhere		
Charge for the year	**444**	342
Total tax charge for the year	**444**	342

NOTES TO FINANCIAL STATEMENTS

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8. INCOME TAX *(continued)*

A reconciliation of the tax expense/(credit) applicable to profit/(loss) 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	
	2013	2012
	HK$'000	*HK$'000*
Profit/(loss) before tax from continuing operations	**24,930**	(4,237)
Tax at the statutory tax rates	**3,514**	(118)
Profits less losses attributable to associates	**(3,291)**	771
Income not subject to tax	**(6,022)**	(4,085)
Expenses not deductible for tax	**12,393**	4,708
Deferred tax not recognised	**169**	(479)
Tax losses not recognised	**4,610**	6,322
Tax losses utilised from previous periods	**(10,929)**	(6,777)
Tax charge at the Group's effective rate	**444**	342

The Group has tax losses arising in Hong Kong of approximately HK$822,616,000 (2012: HK$888,696,000) that are available indefinitely for offsetting against future taxable profits of the Group. No deferred tax asset has 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 nil (2012: Nil) in the current year.

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

The consolidated profit/(loss) attributable to equity holders of the Company for the year ended 28 February 2013 includes a profit of HK$11,476,000 (2012: profit of HK$24,792,000) dealt with in the financial statements of the Company (note 30(b)).

10. DIVIDEND

	2013	2012
	HK$'000	*HK$'000*
Proposed final dividend – HK1.5 cents (2012: Nil) per ordinary share	**8,615**	–

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

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

The calculation of basic earnings/(loss) per share is based on the profit for the year and profit for the year from continuing operations of HK$74,824,000 (2012: loss of HK$8,549,000) and HK$24,975,000 (2012: loss of HK$4,578,000), respectively, attributable to equity holders of the Company and the 486,233,000 ordinary shares (2012: 486,233,000) in issue throughout the year, as adjusted to reflect the number of shares held by an associate through reciprocal shareholding.

No adjustments have been made to the basic earnings/(loss) per share for the current and prior years as the share options in issue during the year ended 28 February 2013 has no dilutive effect and there were no dilutive potential ordinary shares in existence in prior year.

12. DISCONTINUED OPERATION

On 14 September 2012, The Sincere Department Store (China) Limited, a wholly-owned subsidiary of the Company, Dalian Sincere Building Co. Ltd. ("Dalian Sincere"), an indirect wholly-owned subsidiary of the Company and the Company entered into an agreement with Dashang Jiahua Group Limited ("Dashang Jiahua") to sell the entire registered capital of Dalian Sincere at a consideration of RMB72,000,000 and to sell all amounts owned by Dalian Sincere to the Group to Dashang Jiahua at a consideration of RMB229,000,000. The aggregate consideration was RMB301,000,000 (equivalent to HK$374,926,000). Dalian Sincere's principal asset is Dalian Sincere Building located at 18 Jie Fang Road, Zhong Shan District, Dalian, the PRC. Given the stalemate property market conditions in the PRC and the deteriorating physical condition of the property, the Group considered it was a good opportunity to realise the property by disposing of the entire registered capital and the debt of Dalian Sincere so that the Group need not inject further funding for the property but also obtaining the sales proceed from the disposal. The transaction was completed in December 2012 and, accordingly, the Group's property rental and development operation was discontinued.

The results of the discontinued operation for the year are presented below:

	Notes	**2013** **HK$'000**	2012 HK$'000
Revenue		**4,881**	5,781
Cost of sales		**(276)**	(327)
Other income and gains	*(i)*	**2,917**	9,216
Selling and distribution expenses		**(1,761)**	(847)
General and administrative expenses	*(ii)*	**(16,267)**	(17,789)
Other operating expenses	*(iii)*	**(645)**	(5)
Loss before tax		**(11,151)**	(3,971)
Income tax expense		**–**	–
Loss for the year		**(11,151)**	(3,971)
Gain on disposal of a subsidiary	*32*	**61,000**	–
Profit/(loss) for the year from the discontinued operation		**49,849**	(3,971)

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12. DISCONTINUED OPERATION *(continued)*

Notes:

(i) Amount included interest income of HK$4,000 (2012: HK$25,000) and a fair value gain on investment properties in Mainland China of nil (2012: HK$9,191,000).

(ii) Amount included depreciation of HK$1,214,000 (2012: HK$1,449,000) and amortisation of prepaid land premium of HK$24,000 (2012: HK$29,000).

(iii) Amount included loss on disposal/write-off of items of property, plant and equipment of HK$6,000 (2012: HK$5,000).

The net cash flows incurred by the discontinued operation are as follows:

	2013	2012
	HK$'000	*HK$'000*
Operating activities	**(1,478)**	(10,868)
Investing activities	**258**	(383)
Net cash outflow	**(1,220)**	(11,251)
Earnings/(loss) per share:		
Basic, from the discontinued operation	**HK$0.10**	HK$(0.01)
Diluted, from the discontinued operation	**N/A**	N/A

The calculation of basic earnings/(loss) per share from the discontinued operation is based on the profit from the discontinued operation attributable to equity holders of the Company for the year of HK$49,849,000 (2012: loss of HK$3,971,000) and the 486,233,000 ordinary shares (2012: 486,233,000) in issue throughout the year, as adjusted to reflect the number of shares held by an associate through reciprocal shareholding.

No adjustments have been made to the basic earnings/(loss) per share for the current and prior years as the share options in issue during the year ended 28 February 2013 has no dilutive effect and there were no dilutive potential ordinary shares in existence in prior year.

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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 2013				
Cost:				
At 1 March 2012	86,903	46,273	98,301	231,477
Additions	–	3,572	15,095	18,667
Disposals/write-off	–	(2,880)	(32,088)	(34,968)
Disposal of a subsidiary *(note 32)*	(35,290)	(1,892)	–	(37,182)
Exchange realignment	339	40	16	395
At 28 February 2013	51,952	45,113	81,324	178,389
Accumulated depreciation and impairment:				
At 1 March 2012	37,229	37,883	74,561	149,673
Depreciation provided during the year	2,230	2,737	7,943	12,910
Disposals/write-off	–	(2,571)	(31,580)	(34,151)
Disposal of a subsidiary *(note 32)*	(21,247)	(1,827)	–	(23,074)
Exchange realignment	203	36	10	249
At 28 February 2013	18,415	36,258	50,934	105,607
Net book value:				
At 28 February 2013	33,537	8,855	30,390	72,782

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

Group

	Land and buildings *HK$'000*	Furniture, fixtures, equipment and motor vehicles *HK$'000*	Leasehold improvements *HK$'000*	Total *HK$'000*
29 February 2012				
Cost:				
At 1 March 2011	85,606	42,987	87,063	215,656
Additions	–	3,805	11,450	15,255
Disposals/write-off	–	(657)	(255)	(912)
Exchange realignment	1,297	138	43	1,478
At 29 February 2012	86,903	46,273	98,301	231,477
Accumulated depreciation and impairment:				
At 1 March 2011	34,074	35,996	68,407	138,477
Depreciation provided during the year	2,445	2,411	6,356	11,212
Disposals/write-off	–	(632)	(218)	(850)
Exchange realignment	710	108	16	834
At 29 February 2012	37,229	37,883	74,561	149,673
Net book value:				
At 29 February 2012	49,674	8,390	23,740	81,804

NOTES TO FINANCIAL STATEMENTS

28 February 2013

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

Company

	Furniture, fixtures, equipment and motor vehicles *HK$'000*	Leasehold improvements *HK$'000*	Total *HK$'000*
28 February 2013			
Cost:			
At 1 March 2012	38,892	79,525	118,417
Additions	1,964	15,091	17,055
Disposals/write-off	(556)	(30,900)	(31,456)
At 28 February 2013	40,300	63,716	104,016
Accumulated depreciation:			
At 1 March 2012	31,786	57,872	89,658
Provided during the year	1,977	7,345	9,322
Disposals/write-off	(513)	(30,820)	(31,333)
At 28 February 2013	33,250	34,397	67,647
Net book value:			
At 28 February 2013	7,050	29,319	36,369
29 February 2012			
Cost:			
At 1 March 2011	36,257	69,151	105,408
Additions	3,151	10,414	13,565
Disposals/write-off	(516)	(40)	(556)
At 29 February 2012	38,892	79,525	118,417
Accumulated depreciation:			
At 1 March 2011	30,419	51,873	82,292
Provided during the year	1,870	6,002	7,872
Disposals/write-off	(503)	(3)	(506)
At 29 February 2012	31,786	57,872	89,658
Net book value:			
At 29 February 2012	7,106	21,653	28,759

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

The Group's land and buildings are with medium term leases and the locations are as follows:

	Group					
	Hong Kong		Mainland China		Total	
	2013	2012	**2013**	2012	**2013**	2012
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Land and buildings	**32,497**	33,513	**–**	–	**32,497**	33,513
Buildings	**–**	–	**1,040**	16,161	**1,040**	16,161
	32,497	33,513	**1,040**	16,161	**33,537**	49,674

As at 28 February 2013, certain of the Group's land and buildings situated in Hong Kong with an aggregate carrying value at HK$32,497,000 (2012: HK$33,513,000) are pledged as security for bank loans granted (note 25).

14. INVESTMENT PROPERTIES

	Group	
	2013	2012
	HK$'000	*HK$'000*
Carrying amount:		
At beginning of year	**127,695**	113,963
Fair value gain	**–**	9,191
Disposal of a subsidiary *(note 32)*	**(128,936)**	–
Exchange realignment	**1,241**	4,541
At end of year	**–**	127,695

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

The investment properties were revalued at 29 February 2012 by Castores Magi (Hong Kong) Limited, an independent firm of professionally qualified valuers, on an open market, existing use basis at RMB103,480,000, which approximated to HK$127,695,000.

The investment properties were leased to third parties under operating leases, further summary details of which were included in note 35 to the financial statements.

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15. PREPAID LAND PREMIUM

	Group	
	2013	2012
	HK$'000	*HK$'000*
Carrying value:		
At beginning of year	**763**	759
Amortisation during the year	**(24)**	(29)
Disposal of a subsidiary *(note 32)*	**(749)**	–
Exchange realignment	**10**	33
At end of year	**–**	763
Current portion included in prepayments, deposits and other receivables	**–**	(28)
Non-current portion	**–**	735

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

16. INTERESTS IN SUBSIDIARIES

	Company	
	2013	2012
	HK$'000	*HK$'000*
Unlisted shares, at cost	**10,594**	10,594
Due from subsidiaries	**1,555,791**	1,583,892
Due to subsidiaries	**(128,329)**	(159,715)
	1,438,056	1,434,771
Provision for impairment #	**(1,017,476)**	(930,607)
	420,580	504,164

As at 28 February 2013, an aggregate impairment of HK$1,017,476,000 (2012: HK$930,607,000) was recognised of which HK$10,220,000 (2012: HK$10,220,000) and HK$1,007,256,000 (2012: HK$920,387,000) for investments in and amounts due from certain unlisted subsidiaries with gross carrying amounts of HK$10,220,000 (2012: HK$10,220,000) and HK$1,333,324,000 (2012: HK$1,363,163,000) (before deducting the impairment losses), respectively because the relevant subsidiaries had suffered losses for years or ceased operation.

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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% (2012: 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		Principal activities
				Directly	Indirectly	
Citihood Developments Limited	British Virgin Islands	US$30,000	Registered	100	–	Investment holding
Finsbay Investment Limited	British Virgin Islands	US$10,000	Registered	–	51	Investment holding
Jubilee Street Limited	UK	GBP967 GBP33	Ordinary "A" shares Ordinary "B" shares	– –	100 –	Property investment
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
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
上海盈施家具有限公司 *	PRC/Mainland China	RMB3,000,000	N/A	–	100	Project design
東莞市卓譽家具有限公司 *	PRC/Mainland China	RMB1,000,000	N/A	–	100	Furniture manufacturing

^ Registered as a wholly-foreign-owned enterprise under PRC law.

* Registered as domestic joint venture enterprises under PRC law.

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16. INTERESTS IN SUBSIDIARIES *(continued)*

During the year, Latchmore Limited, a wholly-owned subsidiary of the Group, was dissoluted and no gain or loss on dissolution was resulted to the Group.

During the year, the Group disposed of its entire equity interests in Dalian Sincere and the debt owned by Dalian Sincere to the Group at a total consideration of RMB301,000,000 (equivalent to HK$374,926,000) (the "Disposal"). The Disposal was completed in December 2012 and a gain of HK$61,000,000 was resulted. For details of the Disposal, please refer to note 32 to the financial statements.

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	
	2013	2012	**2013**	2012
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Unlisted shares, at cost	**–**	–	**16,611**	16,611
Share of net assets other than goodwill	**52,960**	32,080	**–**	–
	52,960	32,080	**16,611**	16,611
Due from associates	**9,615**	9,382	**213**	199
Due to associates	**(16,801)**	(17,491)	**(883)**	(869)
	45,774	23,971	**15,941**	15,941
Provision for impairment #	**(9,403)**	(9,183)	**–**	–
	36,371	14,788	**15,941**	15,941

As at 28 February 2013, an aggregate impairment of HK$9,403,000 (2012: HK$9,183,000) was recognised for an amount due from an associate with an aggregate gross carrying amount of HK$9,403,000 (2012: HK$9,183,000) (before deducting the impairment losses) 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:

	2013	2012
	HK$'000	*HK$'000*
Total assets	**261,274**	216,995
Total liabilities	**105,691**	105,087
Revenue	**2,258**	59,958
Gain/(loss) before tax	**37,508**	(7,393)

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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
Lancaster Partnership Limited	Corporate	UK	Ordinary shares of GBP0.01 each	50.00	Property investment

During the year ended 29 February 2012, 140 Park Lane Limited ceased to be an associate of the Group upon its dissolution on 12 July 2011 and loss on the dissolution of HK$2,050,000 was charged to the income statement (notes 7 and 33).

At 28 February 2013, 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.

NOTES TO FINANCIAL STATEMENTS
28 February 2013

18. FINANCIAL INSTRUMENTS

		Group		Company	
		2013	2012	**2013**	2012
	Notes	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Available-for-sale investments					
Unlisted investments, at cost:					
Hong Kong		**53**	53	**53**	53
PRC/Mainland China	*(a)*	**37,575**	29,924	**–**	–
Taiwan	*(b)*	**24,409**	23,108	**24,409**	23,108
United States	*(c)*	**17,176**	17,176	**–**	–
		79,213	70,261	**24,462**	23,161
Unlisted investment fund, at cost:					
PRC/Mainland China	*(d)*	**124,800**	–	**–**	–
		204,013	70,261	**24,462**	23,161
Less: Provision for impairment		**(52,887)**	(31,587)	**(14,411)**	(14,411)
		151,126	38,674	**10,051**	8,750
Portion classified as current assets	*(d)*	**(124,800)**	–	**–**	–
Portion classified as non-current assets		**26,326**	38,674	**10,051**	8,750

(a) At 28 February 2013, the unlisted investment of the Group represented interests of 3.45% (2012: 3.2%) in the issued share capital of Oriental Finance (HK) Limited, a private limited company with major operations in Mainland China. During the year ended 28 February 2013, the Group further acquired 21,912 shares of Oriental Finance (HK) Limited at a total consideration of HK$7,651,000.

During the year ended 28 February 2013, a provision for impairment of HK$21,300,000 was recognised as the directors of the Company considered the carrying amount of Oriental Finance (HK) Limited exceeded its recoverable amount.

(b) At 28 February 2013, the unlisted investment in Taiwan of the Group and of the Company represented interests of 18.4% (2012: 18.4%) in the issued share capital of The Sincere Department Store Limited, against which provisions for impairment of HK$14,411,000 (2012: HK$14,411,000) have been made as considered necessary by the directors of the Company.

NOTES TO FINANCIAL STATEMENTS

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18. FINANCIAL INSTRUMENTS *(continued)*

(c) At 28 February 2013, the unlisted investment in United States of the Group represented an equity interest of 10% (2012: 10%) in TR-BIZ, a private limited company in the United States and an aggregate impairment of HK$17,176,000 (2012: HK$17,176,000) was recognised as the directors of the Company considered the carrying amount of TR-BIZ exceeded its recoverable amount.

First Promissory Note

During the year ended 28 February 2009, the Group acquired a non-negotiable convertible promissory note (the "First Promissory Note") of TR-BIZ, a private limited company in the United States. The principal amount of the First Promissory Note was US$2,250,000, equivalent to approximately HK$17,550,000, bore interest at the United States 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 First Promissory Note was designated as financial asset 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 was so significant that the directors were of the opinion that its fair value could not be measured reliably. As at 28 February 2011, the carrying amount of the First Promissory Note was approximately HK$12,926,000, after a provision for impairment of HK$4,624,000 had been made which was considered necessary by the directors of the Company.

On 24 July 2011, the option expired and the carrying amount of the First Promissory Note approximately HK$12,926,000 was reclassified from financial assets at fair value through profit or loss to loans and receivables and recorded under "Prepayments, deposits and other receivables". In view of the default in both interest and principal payments for the First Promissory Note and the financial difficulties of TR-BIZ, a provision for impairment of HK$12,926,000 was made during the year ended 29 February 2012 which was considered necessary by the directors of the Company.

Second Promissory Note

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 bore 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 Second Promissory Note was designated as financial assets at fair value through profit or loss upon initial recognition as it contained embedded derivatives. On 1 March 2010, the option expired and the carrying amount of the Second Promissory Note amounted to 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. In view of the default in both interest and principal payments for the Second Promissory Note and the financial difficulties of TR-BIZ, a provision for impairment of HK$3,900,000 was made during the year ended 29 February 2012 which was considered necessary by the directors of the Company.

(d) As at 28 February 2013, the Group invested in an unlisted investment fund with bank with a carrying amount of HK$124,800,000 (2012: Nil), which was stated at cost less impairment because the directors of the Company considered that the unlisted investment fund does not have quoted market price in an active market and the fair value cannot be reliably measured.

NOTES TO FINANCIAL STATEMENTS

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19. 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 Scheme, 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 as at 28 February 2013 by Towers Watson 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	
		2013	2012	**2013**	2012
	Notes	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Present value of defined benefit obligation	*19(c)*	**(72,621)**	(68,180)	**(72,621)**	(68,180)
Fair value of pension scheme assets	*19(d)*	**58,468**	55,348	**58,468**	55,348
		(14,153)	(12,832)	**(14,153)**	(12,832)
Net unrecognised actuarial losses		**16,116**	16,118	**16,116**	16,118
Net assets recognised at end of year		**1,963**	3,286	**1,963**	3,286

NOTES TO FINANCIAL STATEMENTS

28 February 2013

19. 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	
	2013	2012	**2013**	2012
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Current service cost	**4,207**	3,439	**4,207**	3,439
Interest cost on defined benefit obligations	**944**	1,481	**944**	1,481
Expected return on pension scheme assets	**(2,640)**	(2,573)	**(2,640)**	(2,573)
Actuarial loss	**756**	–	**756**	–
Net pension scheme cost	**3,267**	2,347	**3,267**	2,347
Actual return on pension scheme assets	**3,006**	1,080	**3,006**	1,080

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	
		2013	2012	**2013**	2012
	Note	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
At beginning of year		**68,180**	49,957	**68,180**	49,957
Interest cost		**944**	1,481	**944**	1,481
Current service cost		**4,207**	3,439	**4,207**	3,439
Benefits paid		**(1,830)**	(1,505)	**(1,830)**	(1,505)
Actuarial loss		**1,120**	14,808	**1,120**	14,808
At end of year	*19(a)*	**72,621**	68,180	**72,621**	68,180

NOTES TO FINANCIAL STATEMENTS

28 February 2013

19. 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	
		2013	2012	**2013**	2012
	Note	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
At beginning of year		**55,348**	53,703	**55,348**	53,783
Expected return on scheme assets		**2,640**	2,573	**2,640**	2,573
Contributions		**1,944**	2,070	**1,944**	2,070
Benefits paid		**(1,830)**	(1,505)	**(1,830)**	(1,505)
Actuarial gain/(loss) on scheme assets		**366**	(1,493)	**366**	(1,493)
Inter-scheme asset transferred		**–**	–	**–**	(80)
At end of year	*19(a)*	**58,468**	55,348	**58,468**	55,348

(e) The Group and the Company expected to pay HK$1,869,000 as contributions to the pension scheme during the year ending 28 February 2014.

(f) Scheme assets consist of the following:

	2013	2012
	%	%
Equities	**24**	18
Bonds	**76**	80
Cash	**–**	2
Total	**100**	100

NOTES TO FINANCIAL STATEMENTS

28 February 2013

19. PENSION SCHEME ASSETS *(continued)*

(g) The principal actuarial assumptions used for the purpose of the actuarial valuation were as follows:

	2013	2012
	%	%
Discount rate	**1.30**	1.40
Expected rate of return on the pension scheme assets	**4.75**	4.75
Future salary increase rate	**4.00**	4.00

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

Group

	2013	2012	2011	2010	2009
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Present value of defined benefit obligations	**(72,621)**	(68,180)	(49,957)	(46,166)	(52,991)
Fair value of plan assets	**58,468**	55,348	53,703	49,714	46,223
Surplus/(deficit) in the plan	**(14,153)**	(12,832)	3,746	3,548	(6,768)
Experience gain/(loss) arising on scheme assets	**366**	(1,493)	91	3,054	(5,365)
Experience adjustment on plan liabilities	**(25)**	(5,510)	1,017	2,908	794

NOTES TO FINANCIAL STATEMENTS

28 February 2013

19. PENSION SCHEME ASSETS *(continued)*

(h) *(continued)*

Company

	2013	2012	2011	2010	2009
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Present value of defined benefit obligations	**(72,621)**	(68,180)	(49,957)	(46,166)	(52,991)
Fair value of plan assets	**58,468**	55,348	53,783	49,794	46,303
Surplus/(deficit) in the plan	**(14,153)**	(12,832)	3,826	3,628	(6,688)
Experience gain/(loss) arising on scheme assets	**366**	(1,493)	91	3,054	(5,366)
Experience adjustment on plan liabilities	**(25)**	(5,510)	1,017	2,908	794

(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 Group and the Company have 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 ongoing funding valuation was performed as at 28 February 2011, the level of funding was 121% and the market value of asset was HK$67,673,000. Based on the accrued funding status, the Scheme is fully funded. An investment return rate of 4.75% per annum and a salary increase rate of 4.00% per annum were assumed in the valuation.

(j) As at 28 February 2013, the Group and the Company have an amount due from the Scheme of HK$184,000 (2012: HK$199,000), 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.

20. PROPERTIES UNDER DEVELOPMENT

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

During the year, the Group disposed of the properties under development through the disposal of a subsidiary (note 32).

NOTES TO FINANCIAL STATEMENTS

28 February 2013

21. DEBTORS

The Group's trading terms with its customers are mainly on credit, except for department store operations, where payment is normally made on a cash basis. The credit period is generally one month. The Group seeks to maintain strict control over its outstanding receivables by 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. The Group does not hold any collateral or other credit enhancements over its debtor balances. 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	
	2013	2012
	HK$'000	*HK$'000*
Within 3 months not past due	**136**	612
Within 3 months past due	**51**	4,870
Over 3 months past due	**797**	1,851
Total debtors	**984**	7,333
Impairment	**(797)**	–
Total	**187**	7,333

The movements in provision for impairment of debtors are as follows:

	Group	
	2013	2012
	HK$'000	*HK$'000*
At beginning of year	**–**	–
Impairment losses recognised *(note 7)*	**797**	–
At end of year	**797**	–

Included in the above provision for impairment of debtors is a provision for individually impaired debtors of HK$797,000 (2012: Nil) which were past due and not recoverable. The impairment recognised represented the carrying amount of these debtors.

NOTES TO FINANCIAL STATEMENTS

28 February 2013

21. DEBTORS *(continued)*

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

	Group	
	2013	2012
	HK$'000	*HK$'000*
Within 3 months not past due	**136**	612
Within 3 months past due	**51**	4,870
Over 3 months past due	**–**	1,851
	187	7,333

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.

22. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Group	
	2013	2012
	HK$'000	*HK$'000*
Listed investments, at fair value:		
Hong Kong	**85,588**	78,767
Elsewhere	**69,282**	74,706
	154,870	153,473
Other investments, at fair value	**115,787**	104,302
	270,657	257,775

The above investments at 28 February 2013 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$201,802,000 (2012: HK$191,432,000) were pledged to banks to secure certain banking facilities granted to the Group (note 25).

NOTES TO FINANCIAL STATEMENTS
28 February 2013

23. DERIVATIVE FINANCIAL INSTRUMENTS

	Group	
	2013	2012
	HK$'000	*HK$'000*
Derivative liabilities held for trading, at market value:		
Equity contracts	**14**	–

24. CASH AND BANK BALANCES

	Group		Company	
	2013	2012	**2013**	2012
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Cash on hand and at banks	**167,330**	52,649	**13,769**	27,349
Time deposits with original maturity of less than three months	**57,689**	–	**57,689**	–
	225,019	52,649	**71,458**	27,349

At the end of the reporting period, the cash and bank balances of the Group denominated in Renminbi ("RMB") amounted to HK$194,995,000 (2012: HK$8,044,000). 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.

NOTES TO FINANCIAL STATEMENTS

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25. INTEREST-BEARING BANK BORROWINGS

	Group		Company	
	2013	2012	**2013**	2012
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Bank loans, secured	**60,370**	52,456	**60,370**	47,460
Bank overdrafts, secured	**6,827**	9,818	**–**	–
	67,197	62,274	**60,370**	47,460
Analysed into:				
Within one year or on demand	**52,000**	42,966	**45,173**	28,152
In the second year	**15,197**	7,321	**15,197**	7,321
In the third to fifth years, inclusive	**–**	11,987	**–**	11,987
	67,197	62,274	**60,370**	47,460
Less: Amounts repayable within one year or on demand and classified as current portion	**(52,000)**	(42,966)	**(45,173)**	(28,152)
Amount classified as non-current portion	**15,197**	19,308	**15,197**	19,308

The bank loans and overdrafts bear interest at floating rates ranging from 1.0% to 5.8% (2012: 1.0% to 5.0%) per annum. The interest-bearing borrowings and overdrafts are mainly denominated in 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 bank balances of HK$22,193,000 (2012: HK$15,514,000) and time deposits amounting to HK$17,426,000 (2012: HK$27,386,000);

(b) the pledge of the Company's time deposits amounting to HK$17,426,000 (2012: HK$27,386,000);

(c) the pledge of certain of the Group's marketable securities with an aggregate market value of approximately HK$201,802,000 (2012: HK$191,432,000) (note 22); and

(d) mortgages over certain of the Group's land and buildings which had an aggregate carrying value at the end of the reporting period of approximately HK$32,497,000 (2012: HK$33,513,000) (note 13).

NOTES TO FINANCIAL STATEMENTS

28 February 2013

26. CREDITORS

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

	Group		Company	
	2013	2012	**2013**	2012
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Current – 3 months	**103,270**	94,159	**102,447**	93,840
4 – 6 months	**275**	2,220	**275**	1,218
7 – 12 months	**1,162**	1,579	**1,148**	698
Over 1 year	**15**	39	**–**	–
	104,722	97,997	**103,870**	95,756

27. SHARE CAPITAL

	2013	2012
	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

28. SHARE PREMIUM ACCOUNT

	2013	2012
	HK$'000	*HK$'000*
At beginning and end of year	**26**	26

NOTES TO FINANCIAL STATEMENTS

28 February 2013

29. SHARE OPTION SCHEME

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

1. Purpose

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

2. Participants

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

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

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

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

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

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

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

3. Total number of shares available for issue

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

NOTES TO FINANCIAL STATEMENTS

28 February 2013

29. SHARE OPTION SCHEME *(continued)*

3. Total number of shares available for issue *(continued)*

(b) The Company may seek approval of the shareholders in a general meeting for refreshing the 10% limit under the Option Scheme save that the total number of shares which may be issued upon exercise of all options to be granted under the Option 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 Option Scheme or any other share option schemes of the Company (including options outstanding, cancelled, lapsed or exercised in accordance with the terms of the Option 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 Option 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 2013 and 29 February 2012 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.

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.

29. SHARE OPTION SCHEME *(continued)*

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 Option 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 Option Scheme

The Option Scheme will expire on 5 December 2020.

8. Acceptance of the option

The offer of a grant of share options may be accepted within 28 days from the date of offer, upon payment of a nominal consideration of HK$1 in total by the grantee.

NOTES TO FINANCIAL STATEMENTS

28 February 2013

29. SHARE OPTION SCHEME *(continued)*

Set out below are the outstanding share options under the Option Scheme as at 28 February 2013:

	Number of share options							
Name or category of participant	At 1 March 2012	Granted during the year	Cancelled or lapsed during the year	Exercised during the year	At 28 February 2013	Date of grant of share options	Exercise period of share options	Exercise price of share options HK$ per share
Executive directors								
Walter K W Ma	–	5,700,000	–	–	5,700,000	28 February 2013	28 February 2013 to 27 February 2018	0.82
Philip K H Ma	–	5,700,000	–	–	5,700,000	28 February 2013	28 February 2013 to 27 February 2018	0.82
John Y C Fu	–	2,280,000	–	–	2,280,000	28 February 2013	28 February 2013 to 27 February 2018	0.82
Independent non-executive directors								
King Wing Ma	–	570,000	–	–	570,000	28 February 2013	28 February 2013 to 27 February 2018	0.82
Eric K K Lo	–	570,000	–	–	570,000	28 February 2013	28 February 2013 to 27 February 2018	0.82
Charles M W Chan	–	570,000	–	–	570,000	28 February 2013	28 February 2013 to 27 February 2018	0.82
Peter Tan	–	570,000	–	–	570,000	28 February 2013	28 February 2013 to 27 February 2018	0.82
Other grantees								
Employees in aggregate	–	3,700,000	–	–	3,700,000	28 February 2013	28 February 2013 to 27 February 2018	0.82
Non-employees in aggregate	–	2,850,000	–	–	2,850,000	28 February 2013	28 February 2013 to 27 February 2018	0.82
	–	22,510,000	–	–	22,510,000			

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29. SHARE OPTION SCHEME *(continued)*

For the reporting period ended 28 February 2013, 22,510,000 (2012: Nil) share options were granted and their fair value was estimated at HK$5,754,000 (HK$0.2556 each) (2012: Nil). The Company recognised a share option expense of HK$5,754,000 (2012: Nil) during the year.

The fair value of equity-settled share options granted during the year was estimated as at the date of grant, using a binomial model, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used:

Dividend yield (%)	0
Expected volatility (%)	75
Risk-free interest rate (%)	0.524
Expected life of options (years)	5
Exit rate (%)	0
Weighted average share price (HK$ per share)	0.82

The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome. The exit rate is based on the historical data on staff/director turnover rates.

No other feature of the options granted was incorporated into the measurement of fair value. Share option expense for the share options granted to non-employees were stated at the fair value of equity-settled share options granted during the year as the directors of the Company considered that the fair value of services received from non-employees cannot be reliably measured.

The following share options were outstanding under the Option Scheme during the year:

	2013		2012	
	Weighted average exercise price HK$ per share	**Number of options**	Weighted average exercise price HK$ per share	Number of options
At 1 March	**–**	**–**	–	–
Granted during the year	**0.82**	**22,510,000**	–	–
At 28/29 February	**0.82**	**22,510,000**	–	–

No share options were exercised during the year.

NOTES TO FINANCIAL STATEMENTS

28 February 2013

29. SHARE OPTION SCHEME *(continued)*

At the end of the reporting period, the Company had 22,510,000 share options outstanding under the Option Scheme. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 22,510,000 additional ordinary shares of the Company and additional share capital of HK$11,255,000 and share premium of HK$7,203,000 (before issue expenses).

Subsequent to the end of the reporting period and at the date of approval of these financial statements, the Company had 22,510,000 share options outstanding under the Option Scheme, which represented approximately 3.9% of the Company's shares in issue as at that date.

30. 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	Share option reserve	Retained profits	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At 1 March 2011	46,613	–	210,273	256,886
Loss for the year and total comprehensive loss for the year	–	–	(21,264)	(21,264)
At 29 February 2012 and 1 March 2012	46,613	–	189,009	235,622
Loss for the year and total comprehensive loss for the year	–	–	(32,763)	(32,763)
Equity-settled share option arrangements *(note 29)*	–	5,754	–	5,754
At 28 February 2013	46,613	5,754	156,246	208,613

The loss of HK$32,763,000 (2012: HK$21,264,000) for the year ended 28 February 2013 included loan interest income and other income of HK$16,463,000 (2012: HK$16,125,000) received from subsidiaries of the Company, waiver of an amount of HK$26,167,000 (2012: Nil) due to the dissolution of a subsidiary and impairment of interests in subsidiaries of HK$86,869,000 (2012: HK$62,181,000).

NOTES TO FINANCIAL STATEMENTS

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31. REMUNERATION OF THE DIRECTORS AND CHIEF EXECUTIVE AND THE FIVE HIGHEST PAID INDIVIDUALS

Directors' and chief executive's 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#		John Y C Fu^		King Wing Ma		Eric K K Lo		Charles M W Chan		Peter Tan^			
	2013	2012	**2013**	2012	**2013**	2012	**2013**	2012	**2013**	2012	**2013**	2012	**2013**	2012	**2013**	2012
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Fees	**1,864**	1,864	**1,400**	1,400	**110**	–	**110**	110	**182**	182	**110**	110	**110**	–	**3,886**	3,666
Salaries, allowances and other benefits	**11,410**	10,481	**11,904**	11,530	**1,481**	–	**50**	50	**50**	50	**50**	50	**50**	–	**24,995**	22,161
Pension contributions including pension cost for a defined benefit scheme of HK$299,000 (2012: HK$257,000)	**–**	–	**241**	257	**58**	–	**–**	–	**–**	–	**–**	–	**–**	–	**299**	257
Equity-settled share option expense	**1,457**	–	**1,457**	–	**583**	–	**146**	–	**146**	–	**146**	–	**146**	–	**4,081**	–
	14,731	12,345	**15,002**	13,187	**2,232**	–	**306**	160	**378**	232	**306**	160	**306**	–	**33,261**	26,084

There were no other emoluments payable to the independent non-executive directors during the year (2012: Nil).

\# Mr. Philip K H Ma is also the chief executive of the Company.

^ Appointed on 20 July 2012.

The fair value of these share options, which has been recognised in the income statement, was determined as at the date of grant and the amount included in the financial statements for the current year is included in the directors' and chief executive's remuneration disclosures above.

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

NOTES TO FINANCIAL STATEMENTS

28 February 2013

31. REMUNERATION OF THE DIRECTORS AND CHIEF EXECUTIVE AND THE FIVE HIGHEST PAID INDIVIDUALS *(continued)*

The five highest paid individuals included three (2012: two) directors of the Company and their remuneration are included in the directors' and chief executive's remuneration above. The remuneration of the remaining two (2012: three) highest paid individuals, analysed by nature thereof and designated band, is set out below:

	Group	
	2013	2012
	HK$'000	*HK$'000*
Salaries and allowances	**2,818**	5,337
Pension contributions	**14**	148
Equity-settled share option expense	**728**	–
	3,560	5,485

	Number of individuals	
	2013	2012
Nil – HK$1,000,000	**–**	–
HK$1,000,001 – HK$1,500,000	**1**	1
HK$1,500,001 – HK$2,000,000	**–**	1
HK$2,000,001 – HK$2,500,000	**1**	–
HK$2,500,001 – HK$3,000,000	**–**	1

During the year, share options were granted to two non-director and non-chief executive highest paid employees in respect of their services to the Group, further details of which are included in the disclosures in note 29 to the financial statements. The fair value of such options, which has been recognised in the income statement, was determined as at the date of grant and the amount included in the financial statements for the current year is included in the above non-director and non-chief executive highest paid employees' remuneration disclosures.

NOTES TO FINANCIAL STATEMENTS

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32. DISPOSAL OF A SUBSIDIARY

		Group	
	Notes	**2013** **HK$'000**	2012 HK$'000
Net liabilities disposed of:			
Property, plant and equipment	13	**14,108**	–
Investment properties	14	**128,936**	–
Prepaid land premium	15	**749**	–
Properties under development		**131,928**	–
Prepayments, deposits and other receivables		**2,772**	–
Due to the Group		**(669,081)**	–
Realisation of exchange fluctuation reserve		**(46,159)**	–
		(436,747)	–
Due to the Group		**669,081**	–
Gain on disposal	12	**61,000**	–
		293,334	–
Satisfied by:			
Cash		**374,926**	–

An analysis of the net inflow of cash and cash equivalents in respect of the disposal of a subsidiary is as follows:

	2013 **HK$'000**	2012 HK$'000
Cash consideration	**374,926**	–
Less: Transaction cost	**(81,592)**	–
Net inflow of cash and cash equivalents in respect of the disposal of a subsidiary	**293,334**	–

NOTES TO FINANCIAL STATEMENTS

28 February 2013

33. NOTE TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

Dissolution of an associate

		Group	
	Note	**2013**	2012
		HK$'000	*HK$'000*
Waiver of amount due to an associate		**–**	(31,908)
Release of interest in an associate		**–**	35,107
Realisation of exchange fluctuation reserve		**–**	(1,149)
		–	2,050
Loss on dissolution	*7*	**–**	(2,050)
		–	–

There was no net inflow/outflow of cash and cash equivalents in respect of the dissolution of an associate.

34. PLEDGE OF ASSETS

Details of the Group's and the Company's interest-bearing bank borrowings, which are secured by the assets of the Group and the Company, are included in notes 13, 22 and 25 to the financial statements.

35. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group leased its investment properties (note 14) and subleases certain premises under operating lease arrangements, with leases negotiated for terms ranging from one to six 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	
	2013	2012	**2013**	2012
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Within one year	**2,557**	8,418	**2,557**	2,557
In the second to fifth years, inclusive	**8,028**	33,874	**8,028**	10,428
After five years	**–**	32,238	**–**	–
	10,585	74,530	**10,585**	12,985

During the year, the Group and the Company did not receive any contingent rent (2012: Nil).

NOTES TO FINANCIAL STATEMENTS

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35. OPERATING LEASE ARRANGEMENTS *(continued)*

(b) As lessee

The Group leases certain of its land and buildings under operating lease arrangements, with leases negotiated for terms ranging from one to nine 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	
	2013	2012	**2013**	2012
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Within one year	**104,480**	84,064	**82,372**	61,525
In the second to fifth years, inclusive	**335,770**	114,794	**273,871**	30,783
After five years	**319,793**	7,462	**319,793**	7,462
	760,043	206,320	**676,036**	99,770

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 13% (2012: 7.5% to 11%) of the gross sales attributable to the leased premises in excess of the base rents as determined in accordance with the lease agreements.

36. OUTSTANDING COMMITMENTS

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

	Group		Company	
	2013	2012	**2013**	2012
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Irrevocable letters of credit	**10,641**	7,762	**10,641**	7,762

In addition, the Group had contracted, but not provided for, commitments in respect of construction works relating to properties under development amounting to approximately HK$4,473,000 as at 29 February 2012.

NOTES TO FINANCIAL STATEMENTS

28 February 2013

37. CONTINGENT LIABILITIES

As at 28 February 2013, the Company provided guarantees to banks in connection with banking facilities of HK$35,444,000 (2012: HK$28,640,000) granted to its subsidiaries, of which approximately HK$6,842,000 (2012: HK$6,842,000) was utilised.

38. RELATED PARTY TRANSACTIONS

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

(i) Rental expenses of HK$532,000 (2012: HK$532,000) to an associate were mutually agreed between the Group and the associate.

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

	2013 ***HK$'000***	2012 *HK$'000*
Short term employee benefits	**33,318**	32,154
Post-employment benefits, including pension costs for a defined benefit scheme of HK$377,000 (2012: HK$393,000)	**391**	405
Equity-settled share option expense	**4,954**	–
Total compensation paid to key management personnel	**38,663**	32,559

Further details of directors' and the chief executive's emoluments are included in note 31 to the financial statements.

NOTES TO FINANCIAL STATEMENTS

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39. FINANCIAL INSTRUMENTS BY CATEGORY

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

2013

Financial assets

	Group			
	Financial assets at fair value through profit or loss held for trading *HK$'000*	Loans and receivables *HK$'000*	Available-for-sale financial assets *HK$'000*	Total *HK$'000*
Due from associates	–	9,615	–	9,615
Financial instruments	–	–	151,126	151,126
Debtors	–	187	–	187
Financial assets included in prepayments, deposits and other receivables	–	10,102	–	10,102
Financial assets at fair value through profit or loss	270,657	–	–	270,657
Pledged bank balances	–	22,193	–	22,193
Pledged deposits with banks	–	17,426	–	17,426
Cash and bank balances	–	225,019	–	225,019
	270,657	284,542	151,126	706,325

2013

Financial liabilities

	Group		
	Financial liabilities at fair value through profit or loss held for trading *HK$'000*	Financial liabilities at amortised cost *HK$'000*	Total *HK$'000*
Due to associates	–	16,801	16,801
Creditors	–	104,722	104,722
Financial liabilities included in deposits, accrued expenses and other payables	–	39,957	39,957
Derivative financial instruments	14	–	14
Interest-bearing bank borrowings	–	67,197	67,197
	14	228,677	228,691

NOTES TO FINANCIAL STATEMENTS

28 February 2013

39. FINANCIAL INSTRUMENTS BY CATEGORY *(continued)*

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

2012

Financial assets

	Group			
	Financial assets at fair value through profit or loss held for trading *HK$'000*	Loans and receivables *HK$'000*	Available-for-sale financial assets *HK$'000*	Total *HK$'000*
Due from associates	–	9,382	–	9,382
Financial instruments	–	–	38,674	38,674
Debtors	–	7,333	–	7,333
Financial assets included in prepayments, deposits and other receivables	–	21,904	–	21,904
Financial assets at fair value through profit or loss	257,775	–	–	257,775
Pledged bank balances	–	15,514	–	15,514
Pledged deposits with banks	–	27,386	–	27,386
Cash and bank balances	–	52,649	–	52,649
	257,775	134,168	38,674	430,617

2012

Financial liabilities

	Group
	Financial liabilities at amortised cost *HK$'000*
Due to associates	17,491
Creditors	97,997
Financial liabilities included in deposits, accrued expenses and other payables	35,275
Interest-bearing bank borrowings	62,274
	213,037

NOTES TO FINANCIAL STATEMENTS

28 February 2013

39. FINANCIAL INSTRUMENTS BY CATEGORY *(continued)*

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

Company

Financial assets

	2013			2012		
	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	**548,535**	**–**	**548,535**	663,504	–	663,504
Due from associates	**213**	**–**	**213**	199	–	199
Financial instruments	**–**	**10,051**	**10,051**	–	8,750	8,750
Financial assets included in prepayments, deposits and other receivables	**4,248**	**–**	**4,248**	4,173	–	4,173
Pledged deposits with banks	**17,426**	**–**	**17,426**	27,386	–	27,386
Cash and bank balances	**71,458**	**–**	**71,458**	27,349	–	27,349
	641,880	**10,051**	**651,931**	722,611	8,750	731,361

Financial liabilities

	2013	2012
	Financial liabilities at amortised cost	Financial liabilities at amortised cost
	HK$'000	*HK$'000*
Due to subsidiaries	**128,329**	159,715
Due to associates	**883**	869
Creditors	**103,870**	95,756
Financial liabilities included in deposits, accrued expenses and other payables	**21,681**	21,456
Interest-bearing bank borrowings	**60,370**	47,460
	315,133	325,256

NOTES TO FINANCIAL STATEMENTS

28 February 2013

40. FAIR VALUE AND FAIR VALUE HIERARCHY

The Group uses the following hierarchy for determining and disclosing the fair values 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/(liabilities) measured at fair value:

	Level 1 *HK$'000*	**Level 2** *HK$'000*	**Level 3** *HK$'000*	**Total** *HK$'000*
As at 28 February 2013				
Financial assets at fair value through profit or loss	**154,870**	**115,787**	**–**	**270,657**
Derivative financial instruments	**–**	**(14)**	**–**	**(14)**
	154,870	**115,773**	**–**	**270,643**
As at 29 February 2012				
Financial assets at fair value through profit or loss	153,473	104,302	–	257,775
Derivative financial instruments	–	–	–	–
	153,473	104,302	–	257,775

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 (2012: Nil).

NOTES TO FINANCIAL STATEMENTS
28 February 2013

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments, other than derivatives, comprise interest-bearing bank borrowings, pledged deposits with banks, pledged bank balances, short term bank 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, liquidity risk and market 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	**2013** ***HK$'000***	2012 *HK$'000*
Increase/decrease in interest expense	**672**	623

Company	**2013** ***HK$'000***	2012 *HK$'000*
Increase/decrease in interest expense	**604**	475

NOTES TO FINANCIAL STATEMENTS

28 February 2013

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

Foreign currency risk

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

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the Euro and Renminbi exchange rates, with all other variables held constant, of the Group's profit/(loss) for the year, in respect of the financial assets at fair value through profit or loss 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***
2013		
Investments denominated in and investments linked to a currency denominated in:		
Euro	**5**	**402**
	(5)	**(402)**
Renminbi	**5**	**439**
	(5)	**(439)**

Group	Increase/ (decrease) in exchange rate	Increase/ (decrease) in loss for the year
	%	*HK$'000*
2012		
Investments denominated in and investments linked to a currency denominated in:		
Euro	5	(290)
	(5)	290
Renminbi	5	(388)
	(5)	388

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

Credit risk

The credit risk of the Group's financial assets, which comprise short term bank deposits, cash and bank balances, available-for-sale investments, debtors, 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. 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.

Liquidity risk

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

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

The maturity profile of the financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, was as follows:

2013

	Group		
	On demand or less than 12 months *HK$'000*	More than 1 year *HK$'000*	Total *HK$'000*
Due to associates	–	16,801	16,801
Creditors	104,722	–	104,722
Deposits, accrued expenses and other payables	39,957	–	39,957
Derivative financial instruments	14	–	14
Interest-bearing bank borrowings	52,000	15,197	67,197
	196,693	31,998	228,691

NOTES TO FINANCIAL STATEMENTS

28 February 2013

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

Liquidity risk *(continued)*

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

2012

	Group		
	On demand or less than 12 months *HK$'000*	More than 1 year *HK$'000*	Total *HK$'000*
Due to associates	–	17,491	17,491
Creditors	97,997	–	97,997
Deposits, accrued expenses and other payables	35,275	–	35,275
Interest-bearing bank borrowings	42,966	19,308	62,274
	176,238	36,799	213,037

2013

	Company		
	On demand or less than 12 months ***HK$'000***	**More than 1 year** ***HK$'000***	**Total** ***HK$'000***
Due to subsidiaries	**–**	**128,329**	**128,329**
Due to associates	**–**	**883**	**883**
Creditors	**103,870**	**–**	**103,870**
Deposits, accrued expenses and other payables	**21,681**	**–**	**21,681**
Interest-bearing bank borrowings	**45,173**	**15,197**	**60,370**
Financial guarantees to banks in connection with banking facilities utilised by its subsidiaries	**6,842**	**–**	**6,842**
	177,566	**144,409**	**321,975**

NOTES TO FINANCIAL STATEMENTS
28 February 2013

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

Liquidity risk *(continued)*

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

2012

	Company		
	On demand or less than 12 months *HK$'000*	More than 1 year *HK$'000*	Total *HK$'000*
Due to subsidiaries	–	159,715	159,715
Due to associates	–	869	869
Creditors	95,756	–	95,756
Deposits, accrued expenses and other payables	21,456	–	21,456
Interest-bearing bank borrowings	28,152	19,308	47,460
Financial guarantees to banks in connection with banking facilities utilised by its subsidiaries	6,842	–	6,842
	152,206	179,892	332,098

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 was exposed to market risk arising from individual investments classified as held for trading (note 22) as at 28 February 2013.

The following table demonstrates the sensitivity to every 10% change in the fair values of the financial assets 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	**2013** *HK$'000*	2012 *HK$'000*
Investments in:		
Hong Kong	**8,559**	7,877
Others	**18,507**	17,901

NOTES TO FINANCIAL STATEMENTS

28 February 2013

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

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, share premium account, reserves 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 attributable to equity holders of the Company.

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

	2013 ***HK$'000***	2012 *HK$'000*
Interest-bearing bank borrowings	**67,197**	62,274
Total equity attributable to equity holders of the Company	**715,229**	676,248
Gearing ratio	**9%**	9%

42. COMPARATIVE AMOUNTS

The comparative income statement has been re-presented as if the operation discontinued during the current year had been discontinued at the beginning of the comparative period (note 12). Certain comparative amounts have been revised to conform with the current year's presentation. The directors are in the opinion that such presentation would present more fairly the operations of the Group.

43. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 27 May 2013.

FIVE-YEAR FINANCIAL SUMMARY

28 February 2013

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 and restated/reclassified as appropriate, are summarised below.

	Years ended 28/29 February				
	2013	2012	2011	2010	2009
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
RESULTS					
CONTINUING OPERATIONS					
REVENUE	**498,014**	526,469	452,553	375,082	283,275
PROFIT/(LOSS) BEFORE TAX	**24,930**	(4,237)	13,937	41,812	(262,360)
INCOME TAX EXPENSE	**(444)**	(342)	(444)	(421)	(29)
PROFIT/(LOSS) FOR THE YEAR FROM CONTINUING OPERATIONS	**24,486**	(4,579)	13,493	41,391	(262,389)
DISCONTINUED OPERATION					
Profit/(loss) for the year from the discontinued operation	**49,849**	(3,971)	(3,271)	(8,188)	(16,583)
PROFIT/(LOSS) FOR THE YEAR	**74,335**	(8,550)	10,222	33,203	(278,972)
Attributable to:					
Equity holders of the Company	**74,824**	(8,549)	10,477	33,166	(276,186)
Non-controlling interests	**(489)**	(1)	(255)	37	(2,786)
	74,335	(8,550)	10,222	33,203	(278,972)

FIVE-YEAR FINANCIAL SUMMARY

28 February 2013

	As at 28/29 February				
	2013	2012	2011	2010	2009
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS					
PROPERTY, PLANT AND EQUIPMENT	**72,782**	81,804	77,179	66,712	54,346
INTERESTS IN ASSOCIATES	**36,371**	14,788	20,671	49,133	64,779
OTHER ASSETS	**54,678**	176,741	158,105	158,893	57,143
NET CURRENT ASSETS	**550,578**	405,611	426,528	373,235	433,163
NON-CURRENT LIABILITIES	**(15,197)**	(19,308)	(16,864)	–	–
NON-CONTROLLING INTERESTS	**16,017**	16,612	16,993	15,150	14,987
	715,229	676,248	682,612	663,123	624,418