sincere 先施

The Sincere Company, Limited

Stock code: 244

Annual Report
2013-14

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
Industrial and Commercial Bank of China (Asia) Limited
JP Morgan Chase Bank
The Hongkong & Shanghai Banking Corporation Limited

SHARE REGISTRAR & TRANSFER OFFICE

Tricor Tengis Limited
Level 22, Hopewell Centre,
183 Queen's Road East,
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

THE SINCERE GRAND OPENING

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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 1 August 2014 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 2014.

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

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

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

   "**THAT**:

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

   (b) the total number of shares of the Company to be purchased pursuant to the approval in paragraph (a) above shall not exceed 10% of the issued share capital 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 Company's Articles of Association or any applicable laws to be held; or

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

NOTICE OF ANNUAL GENERAL MEETING

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

   "**THAT**:

   (a) subject to paragraph (c) below, the exercise by the Directors of the Company during the Relevant Period of all the powers of the Company to allot, issue and deal with additional shares of the Company 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 number of shares 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 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 issued share capital 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 Company's Articles of Association or any applicable laws to be held; or

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

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

NOTICE OF ANNUAL GENERAL MEETING

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

   "**THAT** the general mandate granted to the Directors of the Company and for the time being in force to exercise the powers of the Company to allot shares and to make or grant offers, agreements and options which might require the exercise of such powers, be and is hereby extended by the addition thereto of such number of shares which may be allotted or agreed conditionally or unconditionally to be allotted by the Directors of the Company pursuant to such general mandate of such number of shares 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 number of shares shall not exceed 10% of the issued share capital on the date of this resolution."

By order of the Board
Ada S P CHEUNG
Company Secretary

Hong Kong, 25 June 2014

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, Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, not less than 48 hours before the time fixed for holding the meeting or any adjournment thereof. Completion and return of a proxy form will not preclude a member from attending the meeting and voting in person.

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

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

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

6. A circular containing further details in respect of the above items 2 and 4 to 6 will be sent to members together with the 2013/14 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

Walter K W MA
Executive Chairman

On behalf of the Board of Directors of The Sincere Company, Limited, I would like to present the shareholders with the Annual Report for the year ended 28 February 2014.

RESULTS

This year was a year of change and investing for the future of our department store operations. Following the request of the landlord, the Grand Century Place store was shrunk by two thirds in October 2012 and eventually exited in April 2014. The Central store was returned to the landlord upon lease expiry in August 2013.

To keep the business momentum, the Group has opened by phases three new strategic stores during the year under review. In October 2013, the Group opened the Sincere MK store on Nathan Road, Mongkok, in January 2014 the Central store at Li Po Chun Chambers on Des Voeux Road, Central, and in April 2014 the Sincere CWB store on Percival Street, Causeway Bay.

Revenue previously contributed by the Grand Century Place store and the Central store has yet to be matched by the three new stores. The reasons for this are increases in both operating and occupancy costs. Operating costs increased drastically to comply with relevant accounting standards, which required the Group to recognise the effective cost of rent of the new stores during their rent-free period. Occupancy cost increased by 50% per month for essentially the same amount of space.

Also, the last financial year recognized a substantial gain from an operation that has since been discontinued. The Group recorded a loss attributable to equity holders of HK$85 million as compared to a profit from last year. Revenue was HK$444 million, representing a decline of 11%.

EXECUTIVE CHAIRMAN'S STATEMENT

LIQUIDITY AND FINANCIAL RESOURCES

At 28 February 2014, the Group had cash and bank balances of HK$444 million (2013 restated: HK$302 million) of which HK$211 million (2013 restated: HK$74 million) was pledged. The Group's gearing increased by 37% to 48% in total debt to the shareholders' fund as compared to last year. The substantial increase mainly arose from the capital expenditures and the provision of working capital for the three new stores. The interest expense charged to the consolidated income statement for the year was HK$4 million (2013 restated: HK$2 million). The interest-bearing bank borrowings of the Group as of 28 February 2014 were in the sum of HK$259 million (2013: HK$67 million) of which HK$238 million (2013: HK$52 million) was repayable within one year and the remaining balance was repayable within the second and fifth years. The bank borrowings were mainly in HKD with interest rates ranging from 0.9% to 5.0% per annum. The current ratio was 2.3 (2013 restated: 3.6).

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, certain properties and bank deposits.

EMPLOYEES AND REMUNERATION POLICIES

At 28 February 2014, the Group had 571 employees (2013 restated: 498) 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 options, staff purchase discounts, subsidized medical care and training courses.

DIVIDENDS

The Board of Directors does not recommend the payment of a dividend in respect of the financial year ended 28 February 2014.

EXECUTIVE CHAIRMAN'S STATEMENT

BUSINESS REVIEW

The revenue of the retail operation declined 9% as a result of the respective down-size and closure of the Grand Century Place and Central stores, while the new stores that opened in the third and fourth quarter of the financial year were not able to compensate for the revenue drop. During the year, management focused on the opening of the three new stores and the repositioning of the brand as a contemporary department store. We adopted a more fashionable logo for the Group, used a more modern store design, upgraded the merchandise including bringing in ladies Korean fashion for the first time, and undertook an aggressive advertising and public relations campaign to promote the change and the new stores.

Regarding other business segments, the revenue recorded a decline. In the last financial year, there was a material disposal gain from an available-for-sale investment. This gain did not exist in the current year. The advertising business has been focused on the Group's brand re-building exercise while the operation in the PRC was maintained. The travel franchise business remains inactive and management is reviewing its future direction.

PROSPECTS

The year ahead will be challenge to the Group. Numerous challenges await management, including how to get old and new customers to the new stores and tackling the surging operating and rental costs. In addition, it is expected that in 2014 there will be a weaker consumer sentiment plus a slowdown of Chinese tourists' spending. Though the operating environment is difficult, management will strive to improve the retail business and further strengthen the new image by continuing the expansion to a slightly younger customer segment. The Group will endeavor to drive the loyal customers to visit the new stores, launch more innovative marketing campaigns, enrich the merchandising mix, implement digital shopping and enhance customer services.

As for securities trading, the investment strategy will remain conservative and may lean towards structured products with a more stable return. The advertising operation will increase its PRC focus signing up to revamp an in-flight magazine airline. In the UK, the Group will continue to look for suitable real estate project in London.

Management believes that this new, improved direction is correct. Given time to execute properly, management is optimistic that results will improve in the long run and return to profitability.

EXECUTIVE CHAIRMAN'S STATEMENT

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

29 May 2014

DEPUTY CHAIRMAN & CEO'S REVIEW OF OPERATIONS

DEPARTMENT STORE OPERATION

The turnover for the retail operation recorded a decline of 9% and the segment results recorded a substantial loss of HK$70 million as compared to a profit from last year. The results were affected in two capacities. Revenue declined due to the closure of the number one store in Central and the downsize of the number two store Grand Century Place, as well as the start-up costs involved with the launch of the three new stores. Regarding expenditures, the operating costs substantially increased by HK$59 million or 13%. The increase in rent was largely attributable to our compliance with relevant accounting standards to recognise the effective rent of approximately HK$27 million. The increase in advertising costs was attributable to a new contemporary corporate image and commitment to driving traffic to the new stores.

The Roadshow operation has persistently suffered from shortage of venues, increase in rent and weak consumer sentiment, with the direct operating profit recording a decline of 21%. Management has undertaken strategies to minimize operating costs by consolidating the advertising promotions between stores, shortening the lease periods and controlling the costs for setting up booths.

Central Store

This historic site served the Group well for over 90 years. The store only operated for six months of the financial year and was returned to the landlord on 31 August 2013 upon the lease expiry. The removal sales that the store held over the final few weeks recorded good results. On the last trading day, the official close time was extended for a few hours to accommodate our loyal customers, who were not only shopping but taking pictures outside the store and chatting about the good old days – a very memorable scene.

DEPUTY CHAIRMAN & CEO'S REVIEW OF OPERATIONS

Shamshuipo Dragon Centre Store

The revenue decreased by 8% as a result of a 6% reduction in foot traffic, while the gross profit margin was similar to last year. The window display was upgraded and more imported merchandises were brought in to improve the selection.

Grand Century Place Store

The revenue dropped by 36% and the gross profit margin was down by 4%. The decline in revenue was mainly attributable to the downsized trading area being carried forward to the current year. The renovation of the mall blocked major passageways, causing many of the operators on the affected floors to move out. The decrease in gross profit margin was diluted by the removal sale over the final trading weeks.

Tsuen Wan Citywalk Store

Benefitting from the opening of the bridge connecting Citywalk One and Tsuen Wan MTR station, the traffic of the mall Citywalk Two improved, with turnover increasing by 5%. Management continued to focus on a strategy of enlarging the range of quality European merchandises and the result was satisfactory. In particular, the turnover of high value ladies' winter coats recorded decent growth.

Yau Tong Domain Store

This was the first complete year of operation for the Yau Tong Domain store. Following various exercises in fine-tuning the product mix, the store has shown an improvement in revenue. Management has strategically strengthened the men's wear and the outdoor assortments with a positive response. Aside from the upgrades to the product mix, the customer traffic of the mall has also improved following most of the nearby retailers opening for full operation.

22nd Avenue

The revenue was similar to last year despite management trying different strategies to improve. The product mix was updated to target customers aligned with our department stores. The lease will expire in November 2014.

Sincere MK Store

The store was opened at King Wah Centre on Nathan Road in Mongkok in two phases. The first phase opened on 24 September 2013 with approximately 31,000 sq. ft. over four floors. The upper ground floor provided ladies' apparels and handbags, the first floor provided men's apparels, the second floor provided shoes and the third floor provided household goods. The second phase was opened on 21 October 2013 with approximately 8,000 sq. ft. in the basement, mainly featuring household goods and luggage. The entire store of approximately 39,000 sq. ft. targets a slightly younger segment. Management chose this store to launch Korean ladies fashion for the first time at Sincere. As of the reporting date, turnover is steady and management is fine-tuning the product mix. Management anticipates that revenue generated by the Mongkok store will compensate for the closure of the Grand Century Place store.

DEPUTY CHAIRMAN & CEO'S REVIEW OF OPERATIONS

Central Li Po Chun Store

The store was opened at Li Po Chun Chambers on Des Voeux Road in Central in two phases. The first phase opened on 4 September 2013 with approximately 5,700 sq. ft. providing men and ladies' apparels; the second phase opened on 26 January 2014 with approximately 5,300 sq. ft. providing shoes and massages products. The entire store of approximately 11,000 sq. ft. providing high quality European merchandise and is readily patronized by loyal customers of the old Central store. The response is satisfactory and customer feedback has been positive.

Sincere CWB Store

The store was soft opened on 19 November 2013 on Percival Street in Causeway Bay with approximately 22,000 sq. ft. over two floors. The first floor provided ladies' apparel and household goods while the second floor provided shoes and men's apparels. A grand opening ceremony was held on 10 April 2014 to assist in promoting the contemporary image. This signaled Sincere's return to Causeway Bay, the mecca of shopping for over 10 years and the home of other flagship name brands. Management is confident that this Percival Street and Leighton Road corner store will be a popular shopping destination.

SECURITIES TRADING OPERATION

Regarding securities investment, a marginal profit was recorded as compared to a loss from last year. The profit consisted of a dividend and interest income of HK$22 million and a realized gain of HK$1 million. The profit was offset by the relevant costs and a mark to market unrealized loss of HK$13 million when compared to the fair value at the end of the last financial year.

OTHER OPERATIONS

The substantial gain from the disposal of the interests in Dalian Sincere Building Co. Ltd. last year was of a non-recurring nature. The advertising business recorded a decline as a result of the slowdown of the PRC economy and the fact that many operators have curtailed their advertising expenditure. Regarding the furniture business, the operation has been reorganised and the factory at Dongguan closed down in July 2013. The travel franchise business remains inactive in view of the complex and difficult operating environment in the PRC. The insurance group business recorded a loss as compared to a profit from last year, in which there were gains from the extinguishment of aged creditors and the disposal of an available-for-sale investment. In London, United Kingdom, the Group has a joint investment project with a local partner, who is finding and refurbishing suitable properties for resale. A three storey up-market apartment at Lancaster Gate was purchased and, as of the reporting date, the refurbishment is complete and the apartment is for sale.

DEPUTY CHAIRMAN & CEO'S REVIEW OF OPERATIONS

LOOKING AHEAD

The retail environment will be difficult with consumer demand from the PRC and local customers continuing to soften, coupled with recent depreciation of RMB and aggressive discounting among apparel retailers.

Though faced with disconcerting economic headwinds, management will continue to focus on the core retail business, putting a strong emphasis on steering the three new stores to profitability. A number of innovative promotional campaigns are on the road map. In April 2014, a student competition program named "Sincere Fashion Seoul 大激戰" was broadcast on Now TV from early May for six weeks. This program was jointly organised by the Group and the Institute of Textiles and Clothing at Hong Kong Polytechnic University. This campaign was part of the Group's corporate social responsibility program to provide opportunities for young students to travel to Korea and compliment their studies with practical experience. The students selected merchandises to be displayed at the Sincere CWB store, where the best performing team will be awarded with prizes. All costs and expenses were paid by the Group. The famous artist Ms Fiona Sit was invited to be a judge for the competition.

The Group also introduced a new concept, QR code shopping, in May 2014. Management established a QR code wall at the Sincere CWB and the Central Li Po Chun store, where customers can choose the products they want and pay at the cashier counters, and then have their chosen products delivered to their door step. The Group will investigate the possibility to extend this service to all other stores and include a larger variety of products. Apart from the above new initiatives, improving traffic, enhancing the hit rate, increasing the ticket sales per transaction, and expanding the customer base are all the key objectives for the Group in the year ahead.

As for other operations, the advertising business will soon embark on a new venture in China. The Group has committed to revamping an in-flight magazine for a major airline. Given the current volatile global equity markets, fixed income investments that generate positive absolute returns will become more dominant. On the UK property projects, the management will continue to explore further joint venture proposals.

There are challenges to be faced, and the Group realises that the road ahead may be uncertain. However, we strongly believe that our strategic direction and long-term vision is sound. With a stable economy and prudent leadership, we fully expect a return to profitability in the foreseeable future.

Philip K H MA
Deputy Chairman & CEO

29 May 2014

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").

During the financial year ended 28 February 2014, the Company has complied with the Code Provisions set out in the CG Code, save and except for code provision A.4.1, A.6.7 and E.1.2 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 2014.

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 Executives" on pages 32 to 33 of the annual report for the year ended 28 February 2014.

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 judgement.

The Board met four times during the year ended 28 February 2014 for approving the final results for the year ended 28 February 2013 and interim results for the period ended 31 August 2013 and transacting other businesses.

CORPORATE GOVERNANCE REPORT

BOARD OF DIRECTORS *(continued)*

The Board held four board meetings and a general meeting in year 2013/14. 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)*	0/1+	4/4
Mr Philip K H Ma *(Deputy Chairman & CEO)*	1/1	4/4
Mr John Y C Fu *(Executive Director & CFO)*	1/1	4/4
Independent Non-Executive Directors		
Mr King Wing Ma	1/1	4/4
Mr Charles M W Chan	0/1+	4/4
Mr Eric K K Lo	1/1	4/4
Mr Peter Tan	0/1+	3/4

\+ Pursuant to code provision A.6.7 and E.1.2 of the CG Code that independent non-executive directors and chairman of the board should also attend general meetings. Mr Charles M W Chan, Mr Peter Tan, the Independent Non-Executive Directors of the Company, and Mr Walter K W Ma, the Executive Chairman of the Company, did not attend the 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 2014, relevant reading materials including regulatory update and seminar handouts 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 2013/14, the Audit Committee held two meetings to review interim and annual financial results and reports in respect of the year ended 28 February 2014 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	2/2
Mr Eric K K Lo	2/2
Mr Charles M W Chan	1/2
Mr Peter Tan	1/2

The Group's audited financial statements for the year ended 28 February 2014 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 2013/14, the Remuneration Committee held one meeting 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	0/1
Mr Eric K K Lo	1/1
Mr King Wing Ma	1/1
Mr Peter Tan	1/1

Pursuant to code provision B.1.5 of the CG Code, details of the annual remuneration of the member of the senior management by brand for the year ended 28 February 2014 is as follows:

	Number of employee(s)
HK$1,500,001 to HK$2,000,000	1
HK$2,500,001 to HK$3,000,000	1

Details of the remuneration of each director for the year ended 28 February 2014 are set out in note 36 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 2013/14, 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	0/1

Board Diversity Policy

The Company recognizes and embraces the benefits of having a diverse Board to enhance the quality of its performance. In this connection, the Company has adopted a board diversity policy which sets out the approach to achieve diversity on the Board (the "Board Diversity Policy").

In designing the Board Diversity Policy, the Company has been considered from a number of aspects, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. All Board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board.

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 34 to 35.

AUDITORS' REMUNERATION

During the year, the fees payable to Ernst & Young, the Company's external auditors, for the Group's audit services totalled to HK$3,856,000 (2013 restated: HK$3,830,000). Ernst & Young has also provided the Group with non-audit service, including the provision of tax services and agreed-upon procedures, at fees to HK$1,186,000 (2013: HK$2,348,000).

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 policies, systems and strategies 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 the Companies Ordinance (Chapter 622 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 the Companies Ordinance for convening an extraordinary general meeting.

Putting Forward Proposals at General Meetings

Pursuant to 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 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 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 present their annual report and the audited financial statements of the Company and of the Group for the financial year ended 28 February 2014.

PRINCIPAL ACTIVITIES

The principal activities of the Company and its subsidiaries have not changed during the financial year and mainly consisted of the operation of department stores, securities trading, furniture design and manufacturing, the provision of advertising agency services, the provision of travel agency franchising services and the provision of general and life insurances.

RESULTS

The Group's loss for the financial year ended 28 February 2014 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 36 to 148.

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 149 to 150 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 32 and 34 to the financial statements, respectively.

CONTINGENT LIABILITIES

Details of the contingent liabilities of the Company are set out in note 41 to the financial statements.

PLEDGE OF ASSETS

Details of the pledge of assets of the Group are set out in notes 13, 22 and 26 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 does not recommend the payment of any dividend in respect of the financial year ended 28 February 2014.

REPORT OF THE DIRECTORS

PROPERTY, PLANT AND EQUIPMENT

Changes to the property, plant and equipment of the Company and of the Group are disclosed in note 13 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 35 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 2014, 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)*

Independent Non-Executive Directors:

King Wing MA
Eric K K LO
Charles M W CHAN
Peter TAN

In accordance with article 99 of the Company's articles of association, Mr John Y C Fu, Mr King Wing Ma, Mr Eric K K Lo and Mr Peter Tan 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 executives are set out on pages 32 to 33 of this annual report.

REPORT OF THE DIRECTORS

PRINCIPAL SHAREHOLDERS

At 28 February 2014, 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 the Company, representing 31.89% and 13.17% of the total number of shares of the Company in issue, respectively. Save for the above, there were no shareholders who had registered an interest, directly or indirectly, of 5% or more of the total number of shares of the Company in issue.

DIRECTORS' INTERESTS IN SHARES

At 28 February 2014, 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 2014, 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 2014, 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 2014, 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 2014, 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 2014, none of the Directors or any of their associates had any interest 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.

Due to change in the definition of "control" and related guidance set out in HKFRS 10, as stated in the section headed "Changes in Accounting Policies and Disclosures" of "Notes to Financial Statements", after taking into account of all relevant facts and circumstances, the following companies are regarded as subsidiaries of the Company:

The Sincere Life Assurance Company Limited
The Sincere Insurance and Investment Company, Limited
The Sincere Company (Perfumery Manufacturers), Limited

The said companies are also regarded as "associated corporations" of The Sincere Company, Limited pursuant to section 308 of the Securities and Future Ordinance (Cap 571 Laws of Hong Kong). An "associated corporation" is defined in section 308 of the Securities and Futures Ordinance as a subsidiary or holding company of the listed corporation or a subsidiary of the listed corporation's holding company.

REPORT OF THE DIRECTORS

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.

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 of approximately HK$634,000 during the year.

REPORT OF THE DIRECTORS

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 recommending them to the Board of Directors for approval. The Group's audited results for the year ended 28 February 2014 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, 29 May 2014

BIOGRAPHIES OF DIRECTORS AND SENIOR EXECUTIVES

DIRECTORS

Walter K W MA, aged 84, is the Executive Chairman. Mr Walter Ma became a Director of the Company 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. Mr Ma also holds directorship of The Sincere Life Assurance Company Limited ("Sincere Life"), The Sincere Insurance & Investment Company, Limited ("Sincere Insurance") and various subsidiaries of the Group. Save as disclosed above, Mr Ma does not have any relationship with any other Directors and senior management of the Company.

Philip K H MA, aged 58, 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 re-titled as Group Managing Director in 1996 and re-designated as Deputy Chairman & CEO in 2012. 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. Mr Philip Ma also holds directorship of Sincere Life, Sincere Insurance and various subsidiaries of the Group. Save as disclosed above, Mr Philip Ma does not have any relationship with any other Directors and senior management of the Company.

John Y C FU, aged 53, 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 become a board member of one of them. Mr Fu has an 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 82, 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 65, 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 main board of the Stock Exchange. Mr. Lo also holds directorship in various subsidiaries of the Group. Save as disclosed above, Mr Lo does not have any relationship with any Directors and senior management of the Company.

Charles M W CHAN, aged 58, 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.

BIOGRAPHIES OF DIRECTORS AND SENIOR EXECUTIVES

DIRECTORS *(continued)*

Peter TAN, aged 58, has been an Independent Non-Executive Director of the Company in July 2012. Mr Tan is the Chief Executive Officer of Knowledge Universe Private Limited. Knowledge Universe Private Limited is a global education leader and is based out of Singapore (established in 2007). Born in Singapore in 1955, Mr Tan completed his pre-tertiary education in Singapore before leaving for the United States to pursue both his graduate and post-graduate degrees in the United States. After graduating from Northwestern University's Kellogg School of Management MBA class in 1983, he began his career in the banking sector. After 11 years in banking, he formed a joint-venture with McDonald's Corporation to enter into the central region of China. In 1997, he was invited by the Chief Executive to assume the leadership role for the Greater China region. He subsequently left McDonald's to assume the CEO role for Burger King Asia Pacific, and also sits on the main board. Mr Tan left Burger King in 2012 to set up his own consulting firm working closely with private equity companies on pre, post-, due diligence work as well as consulting on existing portfolio companies. In early 2013, he was approached by Knowledge Universe to assume the Chief Executive Officer role. In 2003, Mr Tan was invited to the Inaugural Reunion keynote Speaker. He was also awarded the Schaffner Award for most distinguished alumni in 2004. He is a member of YPO-WOP and CEO organizations. 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. Save as disclosed above, Mr Tan does not have any relationship with any Directors and senior management of the Company.

SENIOR EXECUTIVES

John K K MA, aged 85, has served the Group for over 50 years and currently act as a Director of Corporate Development and Treasurer. He is a Fellow of the Hong Kong Institute of Certified Public Accountants. In addition to overseeing all the supporting and controlling function of the insurances business group, he is the Chief Manager of both Sincere Life and Sincere Insurance and has over 30 years' experience in retailing and insurance business.

Eileen H Y MA, aged 60, 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

EY 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 36 to 148, which comprise the consolidated and company statements of financial position as at 28 February 2014, 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 2014, and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

Ernst & Young
Certified Public Accountants

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

29 May 2014

CONSOLIDATED INCOME STATEMENT

Year ended 28 February 2014

	Notes	2014 HK$'000	2013 HK$'000 (restated)
CONTINUING OPERATIONS			
REVENUE	5	**444,113**	498,066
Cost of sales		**(165,426)**	(171,508)
Other income and gains, net	5	**45,986**	43,258
Net unrealised gain/(loss) on securities trading		**(12,700)**	9,434
Selling and distribution expenses		**(258,400)**	(206,531)
General and administrative expenses		**(134,309)**	(124,840)
Impairment on other receivables and financial instruments, net		**–**	(20,988)
Other operating expenses		**(928)**	(935)
Finance costs	6	**(4,077)**	(2,171)
PROFIT/(LOSS) BEFORE TAX FROM CONTINUING OPERATIONS	7	**(85,741)**	23,785
Income tax expense	8	**(325)**	(447)
PROFIT/(LOSS) FOR THE YEAR FROM CONTINUING OPERATIONS		**(86,066)**	23,338
DISCONTINUED OPERATION			
Profit for the year from the discontinued operation	12	**–**	49,849
PROFIT/(LOSS) FOR THE YEAR		**(86,066)**	73,187
ATTRIBUTABLE TO:			
Equity holders of the Company	9	**(85,068)**	64,344
Non-controlling interests		**(998)**	8,843
		(86,066)	73,187
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY	11		
Basic			
– For profit/(loss) for the year		**HK$(0.27)**	HK$0.21
– For profit/(loss) from continuing operations		**HK$(0.27)**	HK$0.05
Diluted			
– For profit/(loss) for the year		**HK$(0.27)**	HK$0.21
– For profit/(loss) from continuing operations		**HK$(0.27)**	HK$0.05

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 28 February 2014

	2014 **HK$'000**	2013 HK$'000 (restated)
PROFIT/(LOSS) FOR THE YEAR	**(86,066)**	73,187
OTHER COMPREHENSIVE INCOME/(LOSS)		
Other comprehensive income/(loss) to be reclassified to the income statement in subsequent periods:		
Exchange differences arising on translation of foreign operations	**3,840**	5,502
Realisation of exchange fluctuation reserve upon disposal of a subsidiary	**325**	(46,159)
Net other comprehensive income/(loss) to be reclassified to the income statement in subsequent periods	**4,165**	(40,657)
Other comprehensive income not to be reclassified to the income statement in subsequent periods:		
Actuarial gains on defined benefit plan	**7,613**	2,652
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR	**(74,288)**	35,182
ATTRIBUTABLE TO:		
Equity holders of the Company	**(72,442)**	24,782
Non-controlling interests	**(1,846)**	10,400
	(74,288)	35,182

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

28 February 2014

	Notes	**28 February 2014 HK$'000**	28 February 2013 HK$'000 (restated)	1 March 2012 HK$'000 (restated)
NON-CURRENT ASSETS				
Property, plant and equipment	13	**116,471**	72,783	81,806
Investment properties	14	**–**	–	138,045
Prepaid land premium	15	**–**	–	735
Interests in associates	17	**–**	–	–
Interest in a joint venture	18	**–**	–	–
Financial instruments	19	**26,326**	26,326	38,825
Deposits and other receivables		**35,932**	26,389	6,351
Total non-current assets		**178,729**	125,498	265,762
CURRENT ASSETS				
Properties under development	20	**–**	–	130,658
Inventories		**62,890**	75,400	69,005
Loan to a joint venture	18	**23,119**	–	–
Due from a joint venture	18	**1,053**	–	–
Debtors	21	**312**	187	7,333
Reinsurance assets	25	**16**	16	29
Prepayments, deposits and other receivables		**25,169**	31,136	41,070
Financial assets at fair value through profit or loss	22	**312,044**	277,241	262,925
Financial instruments	19	**–**	124,800	–
Tax recoverable		**–**	–	17
Pledged bank balances	26(a)	**30,571**	22,193	15,514
Pledged deposits with banks	26(a)	**180,002**	52,278	32,659
Cash and bank balances	24	**233,857**	227,580	75,744
Total current assets		**869,033**	810,831	634,954
CURRENT LIABILITIES				
Creditors	27	**73,023**	104,722	97,997
Insurance contracts liabilities	28	**1,224**	1,228	1,241
Deposits, accrued expenses and other payables		**60,204**	65,610	80,258
Derivative financial instruments	23	**439**	14	–
Interest-bearing bank borrowings	26(a)	**237,874**	52,000	42,966
Other loans	26(b)	**1,916**	–	–
Tax payable		**35**	82	106
Total current liabilities		**374,715**	223,656	222,568
NET CURRENT ASSETS		**494,318**	587,175	412,386
TOTAL ASSETS LESS CURRENT LIABILITIES		**673,047**	712,673	678,148
NON-CURRENT LIABILITIES				
Deferred tax liabilities	30	**–**	–	22
Accrued expenses and other payables		**37,828**	–	115
Interest-bearing bank borrowings	26(a)	**21,036**	15,197	19,308
Other loans	26(b)	**986**	966	3,627
Pension scheme liabilities	31	**8,820**	13,547	13,390
Total non-current liabilities		**68,670**	29,710	36,462
NET ASSETS		**604,377**	682,963	641,686

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

28 February 2014

	Notes	**28 February 2014 *HK$'000***	28 February 2013 *HK$'000* (restated)	1 March 2012 *HK$'000* (restated)
EQUITY				
Equity attributable to equity holders of the Company				
Issued share capital	*32*	**287,154**	287,154	287,154
Share premium account	*33*	**26**	26	26
Reserves	*35(a)*	**254,767**	333,585	303,049
		541,947	620,765	590,229
Non-controlling interests		**62,430**	62,198	51,457
TOTAL EQUITY		**604,377**	682,963	641,686

Walter K W Ma
Director

Philip K H Ma
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 28 February 2014

	Attributable to equity holders of the Company								
			Reserves						
	Issued share capital HK$'000	Share premium account HK$'000	Treasury shares HK$'000 (restated) *(note 32)*	General and other reserves# HK$'000 (restated)	Share option reserve HK$'000	Retained profits HK$'000 (restated)	Total reserves HK$'000 (restated)	Non-controlling interests HK$'000 (restated)	Total HK$'000 (restated)
At 1 March 2012									
As previously reported	287,154	26	–	81,232	–	307,836	389,068	(16,612)	659,636
Prior year adjustments *(note 2.2)*	–	–	(130,221)	194,146	–	(149,944)	(86,019)	68,069	(17,950)
As restated	287,154	26	(130,221)	275,378	–	157,892	303,049	51,457	641,686
Profit for the year	–	–	–	–	–	64,344	64,344	8,843	73,187
Other comprehensive income/(loss) for the year:									
Exchange differences arising on translation of foreign operations	–	–	–	4,562	–	–	4,562	940	5,502
Realisation of exchange fluctuation reserve upon disposal of a subsidiary	–	–	–	(46,159)	–	–	(46,159)	–	(46,159)
Actuarial gains on defined benefit plan	–	–	–	–	–	2,035	2,035	617	2,652
Total comprehensive income/(loss) for the year	–	–	–	(41,597)	–	66,379	24,782	10,400	35,182
Equity-settled share option arrangements *(note 34)*	–	–	–	–	5,754	–	5,754	–	5,754
Movement in balances with non-controlling interests	–	–	–	–	–	–	–	341	341
At 28 February 2013 (restated)	287,154	26	(130,221)	233,781	5,754	224,271	333,585	62,198	682,963
As at 1 March 2013									
As previously reported	**287,154**	**26**	**-**	**39,635**	**5,754**	**382,660**	**428,049**	**(16,017)**	**699,212**
Prior year adjustments *(note 2.2)*	**-**	**-**	**(130,221)**	**194,146**	**-**	**(158,389)**	**(94,464)**	**78,215**	**(16,249)**
As restated	**287,154**	**26**	**(130,221)**	**233,781**	**5,754**	**224,271**	**333,585**	**62,198**	**682,963**
Loss for the year	**-**	**-**	**-**	**-**	**-**	**(85,068)**	**(85,068)**	**(998)**	**(86,066)**
Other comprehensive income/(loss) for the year:									
Exchange differences arising on translation of foreign operations	**-**	**-**	**-**	**4,842**	**-**	**-**	**4,842**	**(1,002)**	**3,840**
Realisation of exchange fluctuation reserve upon disposal of a subsidiary	**-**	**-**	**-**	**325**	**-**	**-**	**325**	**-**	**325**
Actuarial gains on defined benefit plan	**-**	**-**	**-**	**-**	**-**	**7,459**	**7,459**	**154**	**7,613**
Total comprehensive income/(loss) for the year	**-**	**-**	**-**	**5,167**	**-**	**(77,609)**	**(72,442)**	**(1,846)**	**(74,288)**
Final 2013 dividend paid *(note 10)*	**-**	**-**	**-**	**-**	**-**	**(8,615)**	**(8,615)**	**-**	**(8,615)**
Dividend attributable to subsidiaries*	**-**	**-**	**-**	**-**	**-**	**2,239**	**2,239**	**1,668**	**3,907**
Movement in balances with non-controlling interests	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**410**	**410**
At 28 February 2014	**287,154**	**26**	**(130,221)**	**238,948**	**5,754**	**140,286**	**254,767**	**62,430**	**604,377**

Included in the general and other reserves at 28 February 2014 was a credit amount of HK$137,000 (2013: debit amount of HK$5,030,000 (restated)) attributable to the exchange fluctuation reserve.

* The dividend attributable to subsidiaries represents that portion of the Company's dividend received by subsidiaries in relation to treasury shares of 260,443,200 held by these subsidiaries.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 28 February 2014

	Notes	2014 HK$'000	2013 HK$'000 (restated)
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/(loss) before tax			
From continuing operations		**(85,741)**	23,785
From the discontinued operation		**–**	49,849
Adjustments for:			
Interest expenses	6	**4,077**	2,171
Interest income	7,12	**(11,592)**	(5,964)
Depreciation	7,12	**18,019**	12,911
Amortisation of prepaid land premium	12	**–**	24
Impairment on interests in associates	7	**326**	220
Provision for inventories	7	**99**	–
Impairment on other receivables and financial instruments, net	7	**–**	20,988
Impairment/(write-back of impairment) on debtors	7	**(644)**	797
Gain on disposal of investment properties	7	**–**	(1,107)
Net income derived from available-for-sale investments	7	**(5,146)**	(8,230)
Loss on disposal/write-off of items of property, plant and equipment	7,12	**539**	653
Loss/(gain) on disposal of a subsidiary	7,37	**423**	(61,000)
Write-back of other payables	7	**(5,004)**	(18,190)
Equity-settled share option expense	34	**–**	5,754
Exchange realignment		**3,828**	2,835
		(80,816)	25,496
Increase in deposits and other receivables		**(9,543)**	(20,038)
Decrease/(increase) in inventories		**12,411**	(6,395)
Decrease in debtors		**519**	6,349
Decrease in reinsurance assets		**–**	13
Decrease in prepayments, deposits and other receivables		**5,869**	7,446
Increase in financial assets at fair value through profit or loss		**(34,803)**	(14,316)
Net increase in derivative financial instruments		**425**	14
Increase/(decrease) in creditors		**(31,699)**	6,725
Decrease in insurance contracts liabilities		**(4)**	(13)
Increase in deposits, accrued expenses and other payables		**28,506**	3,427
Increase in pension scheme liabilities		**2,886**	2,809
Cash generated from/(used in) operations		**(106,249)**	11,517
Interest paid		**(4,077)**	(2,171)
Interest received		**11,592**	5,964
Hong Kong profits tax refunded/(paid)		**(9)**	17
Overseas taxes paid		**(363)**	(493)
Net cash flows from/(used in) operating activities		**(99,106)**	14,834

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 28 February 2014

	Notes	2014 HK$'000	2013 HK$'000 (restated)
Net cash flows from/(used in) operating activities		**(99,106)**	14,834
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to items of property, plant and equipment		**(53,333)**	(18,667)
Proceeds from disposal of items of property, plant and equipment		**19**	164
Proceeds from disposal of investment properties		**–**	11,457
Acquisition of financial instruments		**(994,923)**	(257,252)
Proceeds from disposal of financial instruments		**1,124,869**	131,881
Increase in pledged bank balances		**(8,378)**	(6,679)
Increase in pledged deposits with banks		**(127,724)**	(19,619)
Advance to an associate		**(326)**	(220)
Advance to a joint venture		**(23,119)**	–
Increase in an amount due from a joint venture		**(1,053)**	–
Net proceeds from disposal of a subsidiary	37	**–**	293,334
Net cash flows from/(used in) investing activities		**(83,968)**	134,399
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayments of bank loans		**(588,133)**	(163,947)
New bank loans		**779,315**	171,861
Increase/(decrease) in other loans		**1,936**	(2,661)
Non-controlling interests		**410**	341
Dividend paid		**(4,708)**	–
Net cash flows from financing activities		**188,820**	5,594
NET INCREASE IN CASH AND CASH EQUIVALENTS		**5,746**	154,827
Cash and cash equivalents at beginning of year		**220,753**	65,926
CASH AND CASH EQUIVALENTS AT END OF YEAR		**226,499**	220,753
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash on hand and at banks	24	**41,508**	169,891
Time deposits with original maturity of less than three months	24	**192,349**	57,689
Cash and cash equivalents as stated in the consolidated statement of financial position		**233,857**	227,580
Bank overdrafts	26(a)	**(7,358)**	(6,827)
Cash and cash equivalents as stated in the consolidated statement of cash flows		**226,499**	220,753

STATEMENT OF FINANCIAL POSITION

28 February 2014

	Notes	**28 February 2014 HK$'000**	28 February 2013 HK$'000 (restated)	1 March 2012 HK$'000 (restated)
NON-CURRENT ASSETS				
Property, plant and equipment	13	**81,712**	36,369	28,759
Interests in subsidiaries	16	**448,144**	436,521	520,105
Financial instruments	19	**10,051**	10,051	8,750
Deposits		**34,904**	25,161	6,351
Total non-current assets		**574,811**	508,102	563,965
CURRENT ASSETS				
Inventories		**62,890**	75,400	67,920
Prepayments, deposits and other receivables		**12,790**	19,636	11,412
Pledged deposits with banks	26(a)	**63,200**	17,426	27,386
Cash and bank balances	24	**27,669**	71,458	27,349
Total current assets		**166,549**	183,920	134,067
CURRENT LIABILITIES				
Creditors	27	**73,012**	103,870	95,756
Deposits, accrued expenses and other payables		**39,434**	33,952	35,300
Interest-bearing bank borrowings	26(a)	**202,108**	45,173	28,152
Total current liabilities		**314,554**	182,995	159,208
NET CURRENT ASSETS/(LIABILITIES)		**(148,005)**	925	(25,141)
TOTAL ASSETS LESS CURRENT LIABILITIES		**426,806**	509,027	538,824
NON-CURRENT LIABILITIES				
Accrued expenses		**37,828**	–	–
Interest-bearing bank borrowings	26(a)	**21,036**	15,197	19,308
Pension scheme liabilities	31	**9,608**	14,153	12,832
Total non-current liabilities		**68,472**	29,350	32,140
NET ASSETS		**358,334**	479,677	506,684
EQUITY				
Issued share capital	32	**287,154**	287,154	287,154
Share premium account	33	**26**	26	26
Reserves	35(b)	**71,154**	192,497	219,504
TOTAL EQUITY		**358,334**	479,677	506,684

Walter K W Ma
Director

Philip K H Ma
Director

NOTES TO FINANCIAL STATEMENTS

28 February 2014

1. CORPORATE INFORMATION

The Sincere Company, Limited is a limited liability company incorporated in Hong Kong. The registered office of the Company is located at 24th Floor, Leighton Centre, 77 Leighton Road, Hong Kong. The principal activities of the Company and its subsidiaries have not changed during the financial year and mainly consisted of the operation of department stores, securities trading, furniture design and manufacturing, the provision of advertising agency services, the provision of travel agency franchising services and the provision of general and life insurances.

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 2014. 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 on which the Group obtains control, and continue to be consolidated until the date such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described in the accounting policy for subsidiaries below. 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 the income statement. The Group's share of components previously recognised in other comprehensive income is reclassified to the income statement or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

NOTES TO FINANCIAL STATEMENTS

28 February 2014

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

HKFRS 1 Amendments	Amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards – Government Loans*
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities*
HKFRS 10	*Consolidated Financial Statements*
HKFRS 11	*Joint Arrangements*
HKFRS 12	*Disclosure of Interests in Other Entities*
HKFRS 10, HKFRS 11 and HKFRS 12 Amendments	Amendments to HKFRS 10, HKFRS 11 and HKFRS 12 – *Transition Guidance*
HKFRS 13	*Fair Value Measurement*
HKAS 1 Amendments	Amendments to HKAS 1 *Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income*
HKAS 19 (2011)	*Employee Benefits*
HKAS 27 (2011)	*Separate Financial Statements*
HKAS 28 (2011)	*Investments in Associates and Joint Ventures*
HKAS 36 Amendments	Amendments to HKAS 36 *Impairment of Assets – Recoverable Amount Disclosures for Non-Financial Assets* (early adopted)
HK(IFRIC)-Int 20	*Stripping Costs in the Production Phase of a Surface Mine*
Annual Improvements 2009-2011 Cycle	Amendments to a number of HKFRSs issued in June 2012

Other than as further explained below regarding the impact of HKFRS 10, HKFRS 11, HKFRS 12, HKFRS 13, HKAS 19 (2011), Amendments to HKAS 1, HKFRS 10, HKFRS 11, HKFRS 12 and HKAS 36 and certain amendments included in *Annual Improvements 2009-2011 Cycle,* the adoption of the new and revised HKFRSs has had no significant financial effect on these financial statements.

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

(a) HKFRS 10 replaces the portion of HKAS 27 *Consolidated and Separate Financial Statements* that addresses the accounting for consolidated financial statements and addresses the issues in HK(SIC)-Int 12 *Consolidation – Special Purpose Entities*. It establishes a single control model used for determining which entities are consolidated. To meet the definition of control in HKFRS 10, an investor must have (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor's returns. The changes introduced by HKFRS 10 require management of the Group to exercise significant judgement to determine which entities are controlled.

As a result of the application of HKFRS 10, the Group has changed the accounting policy with respect to determining which investees are controlled by the Group.

NOTES TO FINANCIAL STATEMENTS

28 February 2014

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

(a) *(continued)*

The adoption of HKFRS 10 has affected the accounting for the Company's 48.09%, 40.67% and 37.15% direct equity interests in The Sincere Life Assurance Company Limited and its subsidiaries ("Sincere Life Group"), The Sincere Insurance & Investment Company, Limited and its subsidiaries ("Sincere I&I Group") and The Sincere Company (Perfumery Manufacturers), Limited ("Sincere Perfumery"), respectively.

The directors assessed whether or not the Group has control over Sincere Life Group, Sincere I&I Group and Sincere Perfumery in accordance with the new definition of control and the related guidance set out in HKFRS 10. After the reassessment based on the accounting judgement which included the Company's absolute size of holding in Sincere Life Group, Sincere I&I Group and Sincere Perfumery, the relative size and dispersion of the shareholdings owned by the other shareholders who acted as principal of their investments in Sincere Life Group, Sincere I&I Group and Sincere Perfumery and the past history of voting patterns in the shareholders' meetings of Sincere Life Group, Sincere I&I Group and Sincere Perfumery, the directors concluded that the Group has had control over Sincere Life Group, Sincere I&I Group and Sincere Perfumery since the dates on which the Group obtained control. Therefore, in accordance with the requirements of HKFRS 10, Sincere Life Group, Sincere I&I Group and Sincere Perfumery have been the subsidiaries of the Company since the dates on which the Group obtained control. Before the adoption of HKFRS 10, Sincere Life Group, Sincere I&I Group and Sincere Perfumery were treated as associates of the Company and accounted for using the equity method of accounting.

The Group has consolidated the financial statements of Sincere Life Group, Sincere I&I Group and Sincere Perfumery since the dates on which the Group obtained control. For the year ended 28 February 2014, the Group has consolidated the financial statements of Sincere Life Group, Sincere I&I Group and Sincere Perfumery based on its 56.96%, 57.98% and 62.37% effective equity interests and accounted for the remaining equity interests of 43.04%, 42.02% and 37.63%, as non-controlling interests, respectively. Non-controlling interests have been recognised at a proportionate share of the net assets of the subsidiaries. The opening balances as at 1 March 2012 and comparative information for the year ended 28 February 2013 have been restated in the consolidated financial statements. The quantitative impact on the financial statements is summarised below:

NOTES TO FINANCIAL STATEMENTS

28 February 2014

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

(a) *(continued)*

Impact on the consolidated income statement:

For the year ended 28 February 2013

	HK$'000
Increase in revenue	52
Increase in cost of sales	(38)
Increase in other income and gains, net	26,848
Increase in net unrealised gain on securities trading	1,432
Increase in general and administrative expenses	(7,824)
Increase in other operating expenses	(8)
Increase in finance costs	(84)
Decrease in share of profits and losses of associates	(20,037)
Increase in profit before tax	341
Increase in income tax expense	(3)
Increase in profit for the year	338
Increase/(decrease) in profit attributable to:	
Equity holders of the Company	(9,118)
Non-controlling interests	9,456
	338
Increase in earnings per share attributable to equity holders of the Company#	
Basic	
– For profit for the year	HK$0.06
– For profit for the year from continuing operations	–
Diluted	
– For profit for the year	HK$0.06
– For profit for the year from continuing operations	–

\# The number of ordinary shares in issue throughout the year used for the calculation of earnings per share was restated to reflect the number of treasury shares held by the Company's subsidiaries.

NOTES TO FINANCIAL STATEMENTS

28 February 2014

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

(a) *(continued)*

Impact on the consolidated statement of comprehensive income:

For the year ended 28 February 2013

	HK$'000
Increase in profit for the year	338
Increase in exchange differences arising on translation of foreign operations	197
Increase in total comprehensive income for the year	535
Increase/(decrease) in total comprehensive income attributable to:	
Equity holders of the Company	(9,118)
Non-controlling interests	9,653
	535

NOTES TO FINANCIAL STATEMENTS

28 February 2014

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

(a) *(continued)*

Impact on the consolidated statement of financial position:

	As at 28 February 2013 *HK$'000*	As at 1 March 2012 *HK$'000*
Increase in property, plant and equipment	1	2
Increase in investment properties	–	10,350
Decrease in interests in associates	(36,371)	(14,788)
Increase in financial instruments	–	151
Increase in pension scheme assets	1,384	1,384
Increase in reinsurance assets	16	29
Increase in prepayments, deposits and other receivables	4,124	4,334
Increase in financial assets at fair value through profit or loss	6,584	5,150
Increase in tax recoverable	–	17
Increase in pledged deposits with banks	34,852	5,273
Increase in cash and bank balances	2,561	23,095
Increase in insurance contracts liabilities	(1,228)	(1,241)
Increase in deposits, accrued expenses and other payables	(10,304)	(29,997)
Increase in tax payable	(8)	–
Increase in deferred tax liabilities	–	(22)
Increase in other loans	(966)	(3,627)
Increase in net assets or total equity	645	110
Increase in non-controlling interests	(78,549)	(68,896)
Impact on equity attributable to equity holders of the Company	(77,904)	(68,786)

NOTES TO FINANCIAL STATEMENTS

28 February 2014

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

(a) *(continued)*

Impact on the consolidated statement of cash flows:

For the year ended 28 February 2013

	HK$'000
Decrease in net cash flows from operating activities	(8,013)
Decrease in net cash flows from investing activities	(9,860)
Decrease in net cash flows from financing activities	(2,661)
Net decrease in cash and cash equivalents	(20,534)

(b) HKFRS 11 replaces HKAS 31 *Interests in Joint Ventures and* HK(SIC)-Int 13 *Jointly Controlled Entities – Non-Monetary Contributions by Venturers.* It describes the accounting for joint arrangements with joint control. It addresses only two forms of joint arrangements, i.e., joint operations and joint ventures, and removes the option to account for joint ventures using proportionate consolidation. The classification of joint arrangements under HKFRS 11 depends on the parties' rights and obligations arising from the arrangements. A joint operation is a joint arrangement whereby the joint operators have rights to the assets and obligations for the liabilities of the arrangement and is accounted for on a line-by-line basis to the extent of the joint operators' rights and obligations in the joint operation. A joint venture is a joint arrangement whereby the joint ventures have rights to the net assets of the arrangement and is required to be accounted for using the equity method in accordance with HKAS 28 (2011). Since the Group had no investment in joint arrangements prior to the adoption of HKFRS 11, HKFRS 11 had no retrospective effects on the results and financial position to the Group.

(c) HKFRS 12 sets out the disclosure requirements for subsidiaries, joint arrangements, associates and structured entities previously included in HKAS 27 *Consolidated and Separate Financial Statements,* HKAS 31 *Interests in Joint Ventures* and HKAS 28 *Investments in Associates.* It also introduces a number of new disclosure requirements for these entities. Details of the disclosures for subsidiaries, associates and a joint venture are included in notes 16, 17 and 18 to the financial statements.

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

(d) The HKFRS 10, HKFRS 11 and HKFRS 12 Amendments clarify the transition guidance in HKFRS 10 and provide further relief from full retrospective application of these standards, limiting the requirement to provide adjusted comparative information to only the preceding comparative period. The amendments clarify that retrospective adjustments are only required if the consolidation conclusion as to which entities are controlled by the Group is different between HKFRS 10 and HKAS 27 or HK(SIC)-Int 12 at the beginning of the annual period in which HKFRS 10 is applied for the first time.

(e) HKFRS 13 provides a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across HKFRSs. The standard does not change the circumstances in which the Group is required to use fair value, but rather provides guidance on how fair value should be applied where its use is already required or permitted under other HKFRSs. HKFRS 13 is applied prospectively and the adoption has had no material impact on the Group's fair value measurements. As a result of the guidance in HKFRS 13, the policies for measuring fair value have been amended. Additional disclosures required by HKFRS 13 for the fair value measurements of financial instruments are included in note 45 to the financial statements.

(f) HKAS 19 (2011) changes the accounting for defined benefit plans. The revised standard removes the choice to defer the recognition of actuarial gains and losses. All actuarial gains and losses are required to be recognised immediately in other comprehensive income ("OCI"). The interest cost and expected return on plan assets used in the previous version of HKAS 19 are replaced with a net interest amount under HKAS 19 (2011), which is calculated by applying the discount rate to the net defined benefit liability or asset at the start of each annual reporting period. Prior to the adoption of HKAS 19 (2011), the Group elected to recognise actuarial gains or losses as income or expense over the expected average remaining service periods of the employees participating in the defined benefit plan when the net cumulative unrecognised actuarial gains or losses for the plan at the end of the previous period exceeded 10% of the higher of the present value of the defined benefit obligation and the fair value of plan assets at that date. Upon the adoption of HKAS 19 (2011), all actuarial gains and losses are recognised in OCI immediately. As a result, all deferred actuarial gains and losses as at 1 March 2012 and 28 February 2013 were recognised in OCI and the actuarial losses recognised in the income statement for the year ended 28 February 2013 were adjusted to OCI. In addition, the interest cost and expected return on plan assets recorded in 2013 have been replaced by a net interest amount.

Furthermore, upon the adoption of HKAS 19 (2011), all past service costs are recognised at the earlier of when an amendment/curtailment occurs and when the related restructuring or termination costs are recognised. As a result, unvested past service costs can no longer be deferred and recognised over the future vesting period. Since the Group did not have unrecognised service costs as at 1 March 2012 and 28 February 2013, the adoption of HKAS 19 (2011) has had no financial impact on the past services costs. HKAS 19 (2011) also requires more extensive disclosures which are included in note 31 to the financial statements.

NOTES TO FINANCIAL STATEMENTS

28 February 2014

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

(f) *(continued)*

Other than the changes to the accounting for defined benefit plan, HKAS 19 (2011) also changes the timing of recognition for termination benefits and the classification of short term employee benefits. The revised standard requires termination benefits outside of a wider restructuring to be recognised only when the offer becomes legally binding and cannot be withdrawn. Under the revised standard, the distinction between short term and other long term employee benefits is now based on the expected timing of settlement rather than employee entitlement. As the Group does not have any significant employee benefits that are expected to be settled for more than twelve months after the reporting period or had no events giving rise to termination benefits, the changes to the accounting for these benefits have had no effect on the financial position or performance of the Group.

The effects of the changes to the accounting for the Group's defined benefit plan are summarised below:

Impact on the consolidated income statement:

For the year ended 28 February 2014

	HK$'000
Increase in general and administrative expenses	**(4,766)**
Increase in loss before tax and loss for the year	**(4,766)**
Increase in loss attributable to:	
Equity holders of the Company	**(4,653)**
Non-controlling interests	**(113)**
	(4,766)
Increase in loss per share attributable to equity holders of the Company#	
Basic	
– For loss for the year	**(HK$0.01)**
– For loss for the year from continuing operations	**(HK$0.01)**
Diluted	
– For loss for the year	**(HK$0.01)**
– For loss for the year from continuing operations	**(HK$0.01)**

\# The number of ordinary shares in issue throughout the year used for the calculation of loss per share was restated to reflect the number of treasury shares held by the Company's subsidiaries.

NOTES TO FINANCIAL STATEMENTS

28 February 2014

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

(f) *(continued)*

Impact on the consolidated income statement: (continued)

For the year ended 28 February 2013

	HK$'000
Increase in general and administrative expenses	(1,486)
Decrease in profit before tax and profit for the year	(1,486)
Decrease in profit attributable to:	
Equity holders of the Company	(1,362)
Non-controlling interests	(124)
	(1,486)
Decrease in earnings per share attributable to equity holders of the Company#	
Basic	
– For profit for the year	(HK0.4 cent)
– For profit for the year from continuing operations	(HK0.4 cent)
Diluted	
– For profit for the year	(HK0.4 cent)
– For profit for the year from continuing operations	(HK0.4 cent)

The number of ordinary shares in issue throughout the year used for the calculation of earnings per share was restated to reflect the number of treasury shares held by the Company's subsidiaries.

NOTES TO FINANCIAL STATEMENTS

28 February 2014

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

(f) *(continued)*

Impact on the consolidated statement of comprehensive income:

For the year ended 28 February 2014

	HK$'000
Increase in loss for the year	**(4,766)**
Increase in actuarial gains on defined benefit plan	**7,613**
Decrease in total comprehensive loss for the year	**2,847**
Decrease in total comprehensive loss attributable to:	
Equity holders of the Company	**2,806**
Non-controlling interests	**41**
	2,847

For the year ended 28 February 2013

	HK$'000
Decrease in profit for the year	(1,486)
Increase in actuarial gains on defined benefit plan	2,652
Increase in total comprehensive income for the year	1,166
Increase in total comprehensive income attributable to:	
Equity holders of the Company	673
Non-controlling interests	493
	1,166

NOTES TO FINANCIAL STATEMENTS

28 February 2014

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

(f) *(continued)*

Impact on the consolidated statement of financial position:

	As at 28 February 2014 HK$'000	As at 28 February 2013 HK$'000	As at 1 March 2012 HK$'000
Decrease in pension scheme assets	**(3,347)**	(3,347)	(4,670)
Increase in pension scheme liabilities	**(10,700)**	(13,547)	(13,390)
Decrease in net assets and total equity	**(14,047)**	(16,894)	(18,060)
Decrease in non-controlling interests	**293**	334	827
Impact on equity attributable to equity holders of the Company	**(13,754)**	(16,560)	(17,233)

Impact on the statement of financial position of the Company:

	As at 28 February 2014 HK$'000	As at 28 February 2013 HK$'000	As at 1 March 2012 HK$'000
Decrease in pension scheme assets	**(1,963)**	(1,963)	(3,286)
Increase in pension scheme liabilities	**(11,401)**	(14,153)	(12,832)
Decrease in net assets and total equity of the Company	**(13,364)**	(16,116)	(16,118)

NOTES TO FINANCIAL STATEMENTS

28 February 2014

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

(g) The HKAS 1 Amendments change the grouping of items presented in OCI. Items that could be reclassified (or recycled) to the income statement at a future point in time (for example, exchange differences on translation of foreign operations) are presented separately from items which will never be reclassified (for example, actuarial gains and losses on defined benefits plan). The amendments have affected the presentation only and have had no impact on the financial position or performance of the Group. The consolidated statement of comprehensive income has been revised to reflect the changes.

(h) The HKAS 36 Amendments remove the unintended disclosure requirement made by HKFRS 13 on the recoverable amount of a cash-generating unit which is not impaired. In addition, the amendments require the disclosure of the recoverable amounts for the assets or cash-generating units for which an impairment loss has been recognised or reversed during the reporting period, and expand the disclosure requirements regarding the fair value measurement for these assets or units if their recoverable amounts are based on fair value less costs of disposal. The amendments are effectively retrospectively for annual periods beginning on or after 1 March 2014 with earlier application permitted, provided HKFRS 13 is also applied. The Group has early adopted the amendments in these financial statements. The amendments have had no impact on the financial position or performance of the Group.

(i) *Annual Improvements 2009-2011 Cycle* issued in June 2012 sets out amendments to a number of standards. There are separate transitional provisions for each standard. While the adoption of some of the amendments may result in changes in accounting policies, none of these amendments have had a significant financial impact on the Group. Details of the key amendments most applicable to the Group are as follows:

HKAS 1 *Presentation of Financial Statements:* Clarifies the difference between voluntary additional comparative information and the minimum required comparative information. Generally, the minimum required comparative period is the previous period. An entity must include comparative information in the related notes to the financial statements when it voluntarily provides comparative information beyond the previous period. The additional comparative information does not need to contain a complete set of financial statements.

In addition, the amendment clarifies that the opening statement of financial position as at the beginning of the preceding period must be presented when an entity changes its accounting policies; make retrospective restatements or makes reclassifications, and that change has a material effect on the statement of financial position. However, the related notes to the opening statement of financial position as at the beginning of the preceding period are not required to be presented.

NOTES TO FINANCIAL STATEMENTS

28 February 2014

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 9	*Financial Instruments*[4]
HKFRS 9, HKFRS 7 and HKAS 39 Amendments	*Hedge Accounting and amendments to HKFRS 9, HKFRS 7 and HKAS 39*[4]
HKFRS 10, HKFRS 12 and HKAS 27 (2011) Amendments	Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011) – *Investment Entities*[1]
HKFRS 14	*Regulatory Deferral Accounts*[3]
HKAS 19 Amendments	Amendments to HKAS 19 *Employee Benefits - Defined Benefit Plans: Employee Contributions*[2]
HKAS 32 Amendments	Amendments to HKAS 32 *Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities*[1]
HKAS 39 Amendments	Amendments to HKAS 39 *Financial Instruments: Recognition and Measurement – Novation of Derivatives and Continuation of Hedge Accounting*[1]
HK(IFRIC)-Int 21	*Levies*[1]
Annual Improvements 2010-2012 Cycle	Amendments to a number of HKFRSs issued in January 2014[2]
Annual Improvements 2011-2013 Cycle	Amendments to a number of HKFRSs issued in January 2014[2]

1 Effective for annual periods beginning on or after 1 January 2014
2 Effective for annual periods beginning on or after 1 July 2014
3 Effective for annual periods beginning on or after 1 January 2016
4 No mandatory effective date yet determined but is available for adoption

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.

NOTES TO FINANCIAL STATEMENTS

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries

A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

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.

Investments in associates and a joint venture

An associate is an 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. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The Group's interests in associates and a joint venture 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.

NOTES TO FINANCIAL STATEMENTS

28 February 2014

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investments in associates and a joint venture *(continued)*

The Group's share of the post-acquisition results and other comprehensive income of associates and the joint venture is included in the consolidated income statement and consolidated other comprehensive income, respectively. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associates or joint venture are eliminated to the extent of the Group's interests in the associates or joint venture, except where unrealised losses provide evidence of an impairment of the asset transferred. Goodwill arising from the acquisition of associates or joint venture is included as part of the Group's interests in associates or joint venture.

If an investment in an associate becomes an investment in a joint venture or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method. In all other cases, upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in the income statement.

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

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 the income statement.

NOTES TO FINANCIAL STATEMENTS

28 February 2014

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Business combinations and goodwill *(continued)*

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 the income statement 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 the income statement 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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Fair value measurement

The Group measures its investment properties, derivative financial instruments and equity investments at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities
Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly
Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

NOTES TO FINANCIAL STATEMENTS

28 February 2014

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, pension scheme assets, financial assets, investment properties and goodwill), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, 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.

Treasury shares

Own equity instruments (treasury shares) are recognised at cost and deducted from equity. No gain or loss is recognised in the income statement on the purchase, sale, issue or cancellation of the Group's own equity instruments. Any difference between the carrying amount and the consideration is recognised in equity.

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 to be incurred to completion and disposal.

NOTES TO FINANCIAL STATEMENTS

28 February 2014

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, 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. When financial assets are recognised initially, they are measured at fair value plus transaction costs that are attributable to the acquisition of the financial assets, 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 in HKAS 39 are satisfied.

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.

NOTES TO FINANCIAL STATEMENTS

28 February 2014

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investments and other financial assets *(continued)*

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in other income and gains, net 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.

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, the Group may elect to reclassify theses financial assets if management has the ability and intention to hold the assets for the foreseeable future or until maturity.

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 the income statement 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.

NOTES TO FINANCIAL STATEMENTS

28 February 2014

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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 primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) 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 Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. 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.

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. An impairment exist if one or more events that occurred after the initial recognition of the asset have 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 whether impairment exists individually 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.

NOTES TO FINANCIAL STATEMENTS

28 February 2014

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Impairment of financial assets *(continued)*

Financial assets carried at amortised cost *(continued)*

The amount of any impairment loss identified 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).

The carrying amount of the asset is reduced 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.

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.

NOTES TO FINANCIAL STATEMENTS

28 February 2014

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Impairment of financial assets *(continued)*

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

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. "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 are classified, at initial recognition, 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.

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

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 repurchasing 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 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.

NOTES TO FINANCIAL STATEMENTS

28 February 2014

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial liabilities *(continued)*

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.

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.

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.

NOTES TO FINANCIAL STATEMENTS

28 February 2014

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Property, plant and equipment and depreciation

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

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.

NOTES TO FINANCIAL STATEMENTS

28 February 2014

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investment properties *(continued)*

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

Properties under development

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

Properties under development which have either been pre-sold or which are intended for sale are classified as current assets.

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.

NOTES TO FINANCIAL STATEMENTS

28 February 2014

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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. Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions 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 34 to the financial statements.

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 in employee benefit expense. 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 employee 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 employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

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

NOTES TO FINANCIAL STATEMENTS

28 February 2014

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Employee benefits

Retirement benefits

The Group operates a funded final salary defined benefit pension scheme (the "Scheme") for those employees who are eligible to participate in the Scheme.

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.

Remeasurements arising from the defined benefit pension plan, comprising actuarial gains and losses, the effect of the asset ceiling (excluding net interest) and the return on plan assets (excluding net interest), are recognised immediately in the consolidated statement of financial position with a corresponding debit or credit to retained profits through other comprehensive income in the period in which they occur. Remeasurements are not reclassified to the income statement in subsequent periods.

Past service costs are recognised in the income statement at the earlier of

- the date of the plan amendment or curtailment; and

- the date that the Group recognises restructuring-related costs

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset. The Group recognises the following changes in the net defined benefit obligation under "General and administrative expenses" in the consolidated income statement by function.

- Services costs comprising current service costs, past-service costs, gain and losses on curtailments and non-routine settlements

- Net interest expense or income

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Employee benefits *(continued)*

Retirement benefits *(continued)*

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.

Product classification – Insurance contracts

Insurance contracts as defined by HKFRS 4 are those contracts when the Group (the insurer) has accepted significant insurance risk from another party (the policyholders) by agreeing to compensate the policyholders if a specified uncertain future event (the insured event) adversely affects the policyholders. As a general guideline, the Group determines whether it has significant insurance risk, by comparing benefits paid with benefits payable if the insured event did not occur. Insurance contracts can also transfer financial risk.

Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its lifetime, even if the insurance risk reduces significantly during this period, unless all rights and obligations are extinguished or expire.

Insurance contracts liabilities

General insurance contracts liabilities

General insurance contracts liabilities are recognised when contracts are entered into and premiums are charged. These liabilities are known as the outstanding claims provision, which are based on the estimated ultimate cost of all claims incurred but not settled at the reporting date, whether reported or not, together with handling costs. Delays can be experienced in the notification and settlement of certain types of general insurance claims, therefore, the ultimate cost of which cannot be known with certainty at the end of the reporting period.

Outstanding claims

Full provision has been made for outstanding claims, including those incurred but not reported until after the end of the reporting period, and also for the related claims handling expenses estimated to be necessarily and directly incurred in the claims settlement process. This provision, although not a precise assessment, has been made in light of available information and after taking into account the direct claims handling expenses and possible recoveries from other parties. Claims provisions are not discounted for the time value of money and no estimate of inflationary adjustment are admitted until confirmed as necessary. The provisions are derecognised when they are discharged or settled.

NOTES TO FINANCIAL STATEMENTS

28 February 2014

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Insurance contracts liabilities *(continued)*

Unearned premiums

Unearned premiums are computed at the rate of 40% of the premiums earned during the year, net of premiums ceded in respect of risks reinsured.

Liability adequacy test

At each reporting date, the Group reviews its unexpired risk and a liability adequacy test is performed in accordance with HKFRSs to determine whether there is any overall excess of expected claims over unearned premiums. This calculation uses current estimates of future contractual cash flows after taking account of the investment return expected to arise on assets relating to the relevant non-life insurance technical provisions. If these estimates show that the carrying amount of the unearned premiums is inadequate, the deficiency is recognised in the income statement by setting up a provision for premium deficiency.

Life insurance contracts liabilities

Life insurance contracts liabilities are recognised when contracts are entered into and premiums are charged. The provision for life insurance contracts consists of outstanding claims and the life reserve.

Life reserve

Life reserve represents a reserve to cover unexpired risk of life insurance policies and is valued by an independent actuary. The resultant surplus or deficit is transferred to or from the income statement.

Reinsurance

The Group cedes insurance risk in the normal course of business for all of its businesses. Reinsurance assets represent balances due from reinsurance companies. Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision or settled claims associated with the reinsurer’s policies and are in accordance with the related reinsurance contract.

Reinsurance assets are reviewed for impairment at each reporting date, or more frequently, when an indication of impairment arises during the reporting year. Impairment occurs when there is objective evidence that occurred after initial recognition of the reinsurance asset that the Group may not receive all outstanding amounts due under the terms of the contract and the event has a reliably measurable impact on the amounts that the Group will receive from the reinsurer. The impairment loss is recorded in the income statement.

Ceded reinsurance arrangements do not relieve the Group from its obligations to policyholders.

Premiums and claims are presented on a gross basis for ceded reinsurance.

Reinsurance assets are derecognised when the contractual rights are extinguished or expire.

NOTES TO FINANCIAL STATEMENTS

28 February 2014

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside the income statement 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, associates and a joint venture, 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.

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, associates and a joint venture, 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.

NOTES TO FINANCIAL STATEMENTS

28 February 2014

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Income tax *(continued)*

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

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

Revenue recognition

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

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

(b) interest income, on an accrual basis using the effective interest rate method by applying the rate that discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, 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, on a time proportion basis over the lease terms;

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

(f) sale of properties, when the significant risks and rewards of ownership have been transferred to the buyer;

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

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

(i) premium income, on the basis of policies issued; and

(j) revenue arising from the trading of investments, on the trade date basis.

NOTES TO FINANCIAL STATEMENTS

28 February 2014

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Foreign currencies

These financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates 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 measured. 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 income statement is also recognised in other comprehensive income or income statement, respectively).

The functional currencies of certain overseas subsidiaries, joint venture and associates 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 overseas subsidiaries are translated into Hong Kong dollars at the exchange rates prevailing at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries 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 2014

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).

NOTES TO FINANCIAL STATEMENTS

28 February 2014

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Cash and cash equivalents

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

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

3. SIGNIFICANT ACCOUNTING 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 non-financial 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.

NOTES TO FINANCIAL STATEMENTS

28 February 2014

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

Judgements *(continued)*

Consolidation of entities in which the Group holds less than a majority of voting rights

The Company considers that it controls Sincere Life Group, Sincere I&I Group and Sincere Perfumery even though it owns less than 50% of the voting rights. This is because the Company is the single largest shareholder of Sincere Life Group, Sincere I&I Group and Sincere Perfumery with 48.09%, 40.67% and 37.15% direct equity interests, respectively. Based on the Company's absolute size of holding in Sincere Life Group, Sincere I&I Group and Sincere Perfumery, the relative size and dispersion of the shareholdings owned by the other shareholders who acted as principal of their investments in Sincere Life Group, Sincere I&I Group and Sincere Perfumery, and the past history of voting patterns in the shareholders' meetings of Sincere Life Group, Sincere I&I Group and Sincere Perfumery, the directors concluded that the Group has had control over Sincere Life Group, Sincere I&I Group and Sincere Perfumery since the dates on which the Group obtained control. The Group has consolidated the financial statements of Sincere Life Group, Sincere I&I Group and Sincere Perfumery based on its 56.96%, 57.98% and 62.37% effective equity interests and accounted for the remaining equity interests of 43.04%, 42.02% and 37.63%, as non-controlling interests, respectively.

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.

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 19 to the financial statements.

Estimation of provision for inventories

The Group reviews an ageing analysis at the end of the reporting period, and determines the provision for inventories by reference to the current market conditions and the historical ageing pattern of the inventories.

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 of directors and staff. When the actual results of the inputs differ from the management's estimate, it will have impact on share option expenses and the related share option reserve of the Company.

NOTES TO FINANCIAL STATEMENTS

28 February 2014

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

Estimation uncertainty *(continued)*

Estimation of insurance contracts liabilities

It can take a significant period of time before the ultimate claims cost can be established with certainty. The primary technique adopted by management in estimating the cost of ultimate claims is using past claim settlement trends to predict future claims settlement trends. Further details of the claims estimation process are described in note 29 to the financial statements. At each reporting date, prior year claims estimates are reassessed for adequacy and any changes from the previous assessment are made to the provision.

Pension and other retirement benefits

The determination of the Group's obligation, fair value of plan assets and cost for defined benefits is performed by independent actuaries engaged by the Group and dependent on the selection of certain assumptions used by them in calculating such amounts. Those assumptions include among others, discount rates, expected returns on plan assets, rates of salary and pension increase and the average remaining working life of employees. In accordance with the Group's accounting policy for pension obligations, actual results that differ from the Group's assumptions are recognised immediately in the other comprehensive income as and when they occur. While the Group believes that the actuaries' assumptions are reasonable and appropriate, significant differences in the Group's actual experience or significant changes in the Group's assumptions may materially affect its pension and other retirement obligations.

4. SEGMENT INFORMATION

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

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

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

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

(c) the others segment consists of sublease of properties, furniture design and manufacturing, advertising agency services, travel agency franchising services and general and life insurances.

NOTES TO FINANCIAL STATEMENTS

28 February 2014

4. SEGMENT INFORMATION *(continued)*

The property rental and development segment was classified as a discontinued operation during the year ended 28 February 2013 as detailed in note 12 to the financial statements.

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 certain interest income, unallocated revenue and finance costs 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 2014

4. SEGMENT INFORMATION *(continued)*

(a) Operating segments

The following tables present revenue, profit/(loss) and certain assets, liabilities and expenditure information for the Group's operating segments for the years ended 28 February 2014 and 28 February 2013.

	Continuing operations										Discontinued operation			
	Department store operations		Securities trading		Others		Eliminations		Total		Property rental and development		Consolidated	
	2014	2013	**2014**	2013	**2014**	2013	**2014**	2013	**2014**	2013	**2014**	2013	**2014**	2013
	HK$'000	*HK$'000* (restated)	***HK$'000***	*HK$'000* (restated)	***HK$'000***	*HK$'000* (restated)	***HK$'000***	*HK$'000* (restated)	***HK$'000***	*HK$'000* (restated)	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000* (restated)
Segment revenue:														
Sales to external customers	**423,519**	466,437	**1,420**	945	**19,174**	30,684	**–**	–	**444,113**	498,066	**–**	4,881	**444,113**	502,947
Intersegment sales	**–**	–	**–**	–	**38,212**	34,744	**(38,212)**	(34,744)	**–**	–	**–**	–	**–**	–
Other revenue	**467**	110	**23,544**	14,638	**11,521**	27,780	**–**	–	**35,532**	42,528	**–**	2,913	**35,532**	45,441
Total	**423,986**	466,547	**24,964**	15,583	**68,907**	93,208	**(38,212)**	(34,744)	**479,645**	540,594	**–**	7,794	**479,645**	548,388
Segment results	**(70,374)**	30,943	**181**	(8,164)	**(21,925)**	2,447			**(92,118)**	25,226	**–**	(11,155)	**(92,118)**	14,071
Interest income and unallocated revenue									**10,454**	730	**–**	61,004	**10,454**	61,734
Finance costs									**(4,077)**	(2,171)	**–**	–	**(4,077)**	(2,171)
Profit/(loss) before tax									**(85,741)**	23,785	**–**	49,849	**(85,741)**	73,634
Income tax expense									**(325)**	(447)	**–**	–	**(325)**	(447)
Profit/(loss) for the year									**(86,066)**	23,338	**–**	49,849	**(86,066)**	73,187
Segment assets	**202,280**	166,544	**332,597**	297,356	**106,667**	205,270	**(38,212)**	(34,892)	**603,332**	634,278	**–**	–	**603,332**	634,278
Unallocated assets									**444,430**	302,051	**–**	–	**444,430**	302,051
Total assets									**1,047,762**	936,329	**–**	–	**1,047,762**	936,329
Segment liabilities	**198,094**	186,719	**739**	291	**23,854**	34,051	**(38,212)**	(34,892)	**184,475**	186,169	**–**	–	**184,475**	186,169
Unallocated liabilities									**258,910**	67,197	**–**	–	**258,910**	67,197
Total liabilities									**443,385**	253,366	**–**	–	**443,385**	253,366

NOTES TO FINANCIAL STATEMENTS

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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	
	2014	2013	**2014**	2013	**2014**	2013	**2014**	2013	**2014**	2013	**2014**	2013	**2014**	2013
	HK$'000	*HK$'000* (restated)	***HK$'000***	*HK$'000* (restated)	***HK$'000***	*HK$'000* (restated)	***HK$'000***	*HK$'000* (restated)	***HK$'000***	*HK$'000* (restated)	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000* (restated)
Other segment information:														
Depreciation	**16,065**	9,322	**375**	376	**1,579**	1,999	**–**	–	**18,019**	11,697	**–**	1,214	**18,019**	12,911
Amortisation of prepaid land premium	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	24	**–**	24
Capital expenditure	**61,844**	17,055	**–**	1,500	**409**	107	**–**	–	**62,253**	18,662	**–**	5	**62,253**	18,667
Gain on disposal of investment properties	**–**	–	**–**	–	**–**	(1,107)	**–**	–	**–**	(1,107)	**–**	–	**–**	(1,107)
Loss/(gain) on disposal/write-off of items of property, plant and equipment	**418**	37	**–**	(34)	**121**	644	**–**	–	**539**	647	**–**	6	**539**	653
Net income derived from available-for-sale investments	**–**	–	**–**	–	**(5,146)**	(8,230)	**–**	–	**(5,146)**	(8,230)	**–**	–	**(5,146)**	(8,230)
Provision for inventories	**99**	–	**–**	–	**–**	–	**–**	–	**99**	–	**–**	–	**99**	–
Impairment on interests in associates	**–**	–	**–**	–	**326**	220	**–**	–	**326**	220	**–**	–	**326**	220
Impairment/(write-back of impairment) on debtors	**–**	–	**–**	–	**(644)**	797	**–**	–	**(644)**	797	**–**	–	**(644)**	797
Write-back of other payables	**–**	–	**–**	–	**(5,004)**	(18,190)	**–**	–	**(5,004)**	(18,190)	**–**	–	**(5,004)**	(18,190)
Impairment/(write-back of impairment) on other receivables and financial instruments, net	**–**	–	**–**	21,300	**–**	(312)	**–**	–	**–**	20,988	**–**	–	**–**	20,988
Loss/(gain) on disposal of a subsidiary	**–**	–	**–**	–	**423**	–	**–**	–	**423**	–	**–**	(61,000)	**423**	(61,000)

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4. SEGMENT INFORMATION *(continued)*

(b) Geographical information

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

	Hong Kong		Mainland China		United Kingdom ("UK")		Others		Eliminations		Consolidated	
	2014	2013	**2014**	2013	**2014**	2013	**2014**	2013	**2014**	2013	**2014**	2013
	HK$'000	*HK$'000* (restated)	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000* (restated)
Segment revenue:												
Sales to external customers	**428,640**	477,739	**14,696**	19,729	**334**	251	**443**	347	**–**	–	**444,113**	498,066
Non-current assets	**150,929**	97,402	**1,474**	1,770	**–**	–	**–**	–	**–**	–	**152,403**	99,172

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

(c) Information about major customers

For the years ended 28 February 2014 and 28 February 2013, 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.

NOTES TO FINANCIAL STATEMENTS

28 February 2014

5. REVENUE, OTHER INCOME AND GAINS, NET

Revenue, which is also the Group's turnover, represents the aggregate of the invoiced value of goods sold less discounts and returns, net income from counter and consignment sales, net realised gain on securities trading, rental income, advertising and travel agency fee income, income from furniture design and manufacturing and gross insurance contracts premium revenue during the year.

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

	2014 ***HK$'000***	2013 *HK$'000* (restated)
Revenue:		
Sale of goods – own goods	**274,501**	295,240
Net income from counter and consignment sales	**149,018**	171,197
Net realised gain on securities trading	**1,420**	945
Rental income	**3,572**	3,644
Advertising and travel agency fee income	**863**	2,569
Income from furniture design and manufacturing	**14,686**	24,419
Gross insurance contracts premium revenue	**53**	52
	444,113	498,066

	2014 ***HK$'000***	2013 *HK$'000* (restated)
Other income and gains, net:		
Interest income	**11,592**	5,960
Dividends from listed investments	**2,726**	2,617
Dividends from unlisted investments	**13,564**	6,863
Net income derived from available-for-sale investments	**5,146**	8,230
Write-back of other payables	**5,004**	18,190
Gain on disposal of investment properties	**–**	1,107
Foreign exchange gain/(loss), net	**4,057**	(182)
Loss on disposal of a subsidiary *(note 37(a))*	**(423)**	–
Others	**4,320**	473
	45,986	43,258

NOTES TO FINANCIAL STATEMENTS
28 February 2014

6. FINANCE COSTS

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

	Group	
	2014	2013
	HK$'000	*HK$'000*
		(restated)
Interest on bank borrowings wholly repayable within five years	**3,820**	1,896
Others	**257**	275
	4,077	2,171

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

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

	2014	2013
	HK$'000	*HK$'000*
		(restated)
Depreciation	**18,019**	11,697
Auditors' remuneration	**3,856**	3,830
Employee benefit expense, excluding directors' and chief executive's remuneration *(note 36)*:		
Wages and salaries	**68,812**	64,054
Equity-settled share option expense	**–**	946
Pension contributions, including a pension cost for defined benefit plan of HK$4,766,000 *(note 31(c))* (2013: HK$4,869,000 (restated))	**7,019**	6,821
	75,831	71,821

NOTES TO FINANCIAL STATEMENTS

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

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

	2014	2013
	HK$'000	*HK$'000*
		(restated)
Impairment on interests in associates *	**326**	220
Provision for inventories **	**99**	–
Operating lease rental payments in respect of land and buildings:		
Minimum lease payments	**165,104**	130,480
Contingent rent	**7,846**	7,450
Loss on disposal/write-off of items of property, plant and equipment *	**539**	647
Loss on disposal of a subsidiary *(note 37(a))* ***	**423**	–
Impairment/(write-back of impairment) on debtors	**(644)**	797
Gain on disposal of investment properties ***	**–**	(1,107)
Net income derived from available-for-sale investments ***	**(5,146)**	(8,230)
Net realised gain on securities trading	**(1,420)**	(945)
Underwriting profit	**(11)**	(14)
Rental income	**(3,572)**	(3,644)
Interest income ***	**(11,592)**	(5,960)
Dividends from listed investments ***	**(2,726)**	(2,617)
Dividends from unlisted investments ***	**(13,564)**	(6,863)
Foreign exchange loss/(gain), net ***	**(4,057)**	182
Write-back of other payables ***	**(5,004)**	(18,190)
Impairment on other receivables and financial instruments, net $^{\Delta}$	**–**	20,988

* 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, net" on the face of the consolidated income statement.

$^{\Delta}$ During the year ended 28 February 2013, impairment on other receivables and financial instruments, net, represented 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 off by the write-back of impairment on other receivables of approximately HK$312,000.

NOTES TO FINANCIAL STATEMENTS

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8. INCOME TAX

No provision for Hong Kong profits tax has been made as there were no assessable profits arising in Hong Kong during the year. In prior year, Hong Kong profits tax had been provided at the rate of 16.5% on the estimated assessable profits arising in Hong Kong during that year. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the locations in which the Group operates.

	Group	
	2014	2013
	HK$'000	*HK$'000*
		(restated)
Group:		
Current – Hong Kong		
Charge for the year	**–**	16
Underprovision/(overprovision) in prior years	**(16)**	9
Current – Elsewhere		
Charge for the year	**341**	444
Deferred tax *(note 30)*	**–**	(22)
Total tax charge for the year	**325**	447

NOTES TO FINANCIAL STATEMENTS

28 February 2014

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	
	2014	2013
	HK$'000	*HK$'000*
		(restated)
Profit/(loss) before tax from continuing operations	**(85,741)**	23,785
Tax at the statutory tax rates	**(13,630)**	5,707
Adjustment in respect of current tax of prior years	**(16)**	9
Income not subject to tax	**(5,880)**	(11,994)
Expenses not deductible for tax	**5,879**	12,751
Deferred tax not recognised	**1,098**	293
Tax losses not recognised	**14,954**	5,008
Tax losses from prior years utilised	**(2,080)**	(11,327)
Tax charge at the Group's effective rate	**325**	447

The Group has tax losses arising in Hong Kong of approximately HK$1,115,896,000 (2013: HK$1,031,518,000 (restated)) 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 Company and certain of its subsidiaries have been loss-making for some time.

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 2014 includes a loss of HK$84,703,000 (2013: profit of HK$10,277,000 (restated)) dealt with in the financial statements of the Company (note 35(b)).

NOTES TO FINANCIAL STATEMENTS

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10. DIVIDENDS

	2014	2013
	HK$'000	*HK$'000*
Dividend paid during the year		
Final dividend in respect of the financial year ended 28 February 2013		
– HK1.5 cents per ordinary share (2013: final dividend in respect of the financial year ended 28 February 2012 – Nil)	**8,615**	–
Proposed final dividend		
– Nil (2013: HK1.5 cents) per ordinary share	**–**	8,615

The board of directors does not recommend the payment of a dividend for the year ended 28 February 2014. In prior year, the proposed final dividend for the year ended 28 February 2013 was subject to the approval of the Company's shareholders at the Annual General Meeting. These financial statements did not reflect the dividend payable as at 28 February 2013.

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

The calculation of basic earnings/(loss) per share is based on the loss for the year and loss for the year from continuing operations of HK$85,068,000 (2013: profit of HK$64,344,000 (restated)) and HK$85,068,000 (2013: profit of HK$14,495,000 (restated)), respectively, attributable to equity holders of the Company and the 313,864,800 ordinary shares (2013: 313,864,800 (restated)) in issue throughout the year, as adjusted to reflect the number of treasury shares of 260,443,200 (2013: 260,443,200) held by the Company's subsidiaries.

No adjustments had been made to the basic earnings/(loss) per share for the current and prior years as the share options in issue had no dilutive effect during the years ended 28 February 2014 and 28 February 2013.

NOTES TO FINANCIAL STATEMENTS
28 February 2014

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 owed 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 People's Republic of China (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	**2014** ***HK$'000***	2013 *HK$'000*
Revenue		**–**	4,881
Cost of sales		**–**	(276)
Other income and gains	*(i)*	**–**	2,917
Selling and distribution expenses		**–**	(1,761)
General and administrative expenses	*(ii)*	**–**	(16,267)
Other operating expenses	*(iii)*	**–**	(645)
Loss before tax		**–**	(11,151)
Income tax expense		**–**	–
Loss for the year		**–**	(11,151)
Gain on disposal of a subsidiary	*37(b)*	**–**	61,000
Profit for the year from the discontinued operation		**–**	49,849

NOTES TO FINANCIAL STATEMENTS

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12. DISCONTINUED OPERATION *(continued)*

Notes:

(i) Amount included interest income of HK$4,000.

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

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

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

	2014 *HK$'000*	2013 *HK$'000*
Operating activities	–	(1,478)
Investing activities	–	258
Net cash outflow	–	(1,220)
Earnings per share:		
Basic, from the discontinued operation (restated)	–	HK$0.16
Diluted, from the discontinued operation (restated)	–	HK$0.16

The calculation of basic earnings per share from the discontinued operation was based on the profit from the discontinued operation attributable to equity holders of the Company for the year ended 28 February 2013 of HK$49,849,000 and the 313,864,800 (restated) ordinary shares in issue throughout the prior year, as adjusted to reflect the number of treasury shares of 260,443,200 held by the Company's subsidiaries.

No adjustment had been made to the basic earnings per share for the prior year as the share options in issue had no dilutive effect during the year ended 28 February 2013.

NOTES TO FINANCIAL STATEMENTS

28 February 2014

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 2014				
Cost:				
At 1 March 2013 (restated)	51,952	46,692	82,214	180,858
Additions	–	3,044	59,209	62,253
Disposals/write-off	–	(3,513)	(17,290)	(20,803)
Exchange realignment	–	19	4	23
At 28 February 2014	51,952	46,242	124,137	222,331
Accumulated depreciation and impairment:				
At 1 March 2013 (restated)	18,415	37,836	51,824	108,075
Depreciation provided during the year	1,062	2,617	14,340	18,019
Disposals/write-off	–	(3,038)	(17,207)	(20,245)
Exchange realignment	–	10	1	11
At 28 February 2014	19,477	37,425	48,958	105,860
Net book value:				
At 28 February 2014	32,475	8,817	75,179	116,471

NOTES TO FINANCIAL STATEMENTS

28 February 2014

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

Group

	Land and buildings *HK$'000*	Furniture, fixtures, equipment and motor vehicles *HK$'000* (restated)	Leasehold improvements *HK$'000* (restated)	Total *HK$'000* (restated)
28 February 2013				
Cost:				
At 1 March 2012	86,903	47,852	99,191	233,946
Additions	–	3,572	15,095	18,667
Disposals/write-off	–	(2,880)	(32,088)	(34,968)
Disposal of a subsidiary *(note 37(b))*	(35,290)	(1,892)	–	(37,182)
Exchange realignment	339	40	16	395
At 28 February 2013	51,952	46,692	82,214	180,858
Accumulated depreciation and impairment:				
At 1 March 2012	37,229	39,460	75,451	152,140
Depreciation provided during the year	2,230	2,738	7,943	12,911
Disposals/write-off	–	(2,571)	(31,580)	(34,151)
Disposal of a subsidiary *(note 37(b))*	(21,247)	(1,827)	–	(23,074)
Exchange realignment	203	36	10	249
At 28 February 2013	18,415	37,836	51,824	108,075
Net book value:				
At 28 February 2013	33,537	8,856	30,390	72,783

NOTES TO FINANCIAL STATEMENTS

28 February 2014

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

Company

	Furniture, fixtures, equipment and motor vehicles *HK$'000*	Leasehold improvements *HK$'000*	Total *HK$'000*
28 February 2014			
Cost:			
At 1 March 2013	**40,300**	**63,716**	**104,016**
Additions	**2,878**	**58,966**	**61,844**
Disposals/write-off	**(1,836)**	**(16,035)**	**(17,871)**
At 28 February 2014	**41,342**	**106,647**	**147,989**
Accumulated depreciation:			
At 1 March 2013	**33,250**	**34,397**	**67,647**
Provided during the year	**2,009**	**14,056**	**16,065**
Disposals/write-off	**(1,400)**	**(16,035)**	**(17,435)**
At 28 February 2014	**33,859**	**32,418**	**66,277**
Net book value:			
At 28 February 2014	**7,483**	**74,229**	**81,712**
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

NOTES TO FINANCIAL STATEMENTS

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

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

	Group					
	Hong Kong		Mainland China		Total	
	2014	2013	**2014**	2013	**2014**	2013
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Land and buildings	**31,481**	32,497	**–**	–	**31,481**	32,497
Buildings	**–**	–	**994**	1,040	**994**	1,040
	31,481	32,497	**994**	1,040	**32,475**	33,537

As at 28 February 2014, certain of the Group's leasehold land and buildings situated in Hong Kong with an aggregate carrying value of HK$31,481,000 (2013: HK$32,497,000) are pledged as security for bank loans granted (note 26(a)).

14. INVESTMENT PROPERTIES

	Group	
	2014	2013
	HK$'000	*HK$'000*
		(restated)
Carrying amount:		
At beginning of year	**–**	138,045
Disposal of a subsidiary *(note 37(b))*	**–**	(128,936)
Disposals	**–**	(10,350)
Exchange realignment	**–**	1,241
At end of year	**–**	–

The investment properties were situated in Mainland China and Hong Kong and held under medium term and long term leases, respectively.

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15. PREPAID LAND PREMIUM

	Group	
	2014	2013
	HK$'000	*HK$'000*
Carrying value:		
At beginning of year	**–**	763
Amortisation during the year	**–**	(24)
Disposal of a subsidiary *(note 37(b))*	**–**	(749)
Exchange realignment	**–**	10
At end of year	**–**	–

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	
	2014	2013
	HK$'000	*HK$'000*
		(restated)
Unlisted shares, at cost	**27,091**	27,205
Due from subsidiaries	**1,622,507**	1,556,004
Due to subsidiaries	**(131,148)**	(129,212)
	1,518,450	1,453,997
Provision for impairment #	**(1,070,306)**	(1,017,476)
	448,144	436,521

As at 28 February 2014, an aggregate impairment of HK$1,070,306,000 (2013: HK$1,017,476,000) was recognised of which HK$10,318,000 (2013: HK$10,220,000) and HK$1,059,988,000 (2013: HK$1,007,256,000) for investments in and amounts due from certain unlisted subsidiaries with gross carrying amounts of HK$10,394,000 (2013: HK$10,220,000) and HK$1,375,394,000 (2013: HK$1,333,324,000) (before deducting the impairment losses), respectively because the relevant subsidiaries had suffered losses for years or ceased operation.

NOTES TO FINANCIAL STATEMENTS

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16. INTERESTS IN SUBSIDIARIES *(continued)*

The balances with subsidiaries are unsecured, interest-free and not repayable within the next 12 months from the end of the reporting period, except for certain amounts due from subsidiaries, which bear interest at 4.3% (2013: 4.3%) per annum. The carrying amounts of the balances with subsidiaries approximate to their fair values.

Particulars of the principal subsidiaries are as follows:

Company	Place of incorporation/ registration and operations	Nominal value of issued/ registered share capital/ paid-up capital	Class of shares held	Percentage of equity attributable to the Company Directly	Percentage of equity attributable to the Company Indirectly	Principal activities
Citihood Developments Limited	British Virgin Islands	US$30,000	Registered	100	–	Investment holding
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
The Sincere Life Assurance Company Limited ("Sincere Life")	Hong Kong	HK$10,000,000	Ordinary	48.09#	8.87#	Life insurance and investment

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16. INTERESTS IN SUBSIDIARIES *(continued)*

Particulars of the principal subsidiaries are as follows: *(continued)*

Company	Place of incorporation/ registration and operations	Nominal value of issued/ registered share capital/ paid-up capital	Class of shares held	Percentage of equity attributable to the Company Directly	Indirectly	Principal activities
The Sincere Insurance & Investment Company, Limited ("Sincere I&I")	Hong Kong	HK$20,000,000	Ordinary	40.67#	17.31#	General insurance and investment
The Sincere Company (Perfumery Manufacturers), Limited ("Sincere Perfumery")	Hong Kong	HK$1,300,000	Ordinary	37.15#	25.22#	Investment holding
Huge Smooth Limited	Hong Kong	HK$100	Ordinary	100	–	Provision of finance

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

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

Sincere Life, Sincere I&I and Sincere Perfumery are accounted for as subsidiaries of the Group based on the factors as explained in note 3 to the financial statements.

During the year ended 28 February 2014, the Group disposed of its entire equity interests in 東莞市卓譽家具有限公司（"東莞卓譽"）at a consideration of RMB2 (equivalent to HK$3). The disposal was completed in July 2013 and a loss of HK$423,000 was resulted.

During the year ended 28 February 2013, the Group disposed of its entire equity interests in Dalian Sincere and the debt owed by Dalian Sincere to the Group at a total consideration of RMB301,000,000 (equivalent to HK$374,926,000). The disposal was completed in December 2012 and a gain of HK$61,000,000 was resulted.

Details of the disposals of 東莞卓譽 and Dalian Sincere are disclosed in note 37 to the financial statements.

During the year ended 28 February 2013, Latchmore Limited, a wholly-owned subsidiary of the Group, was dissolved and no gain or loss on dissolution was resulted to the Group.

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.

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16. INTERESTS IN SUBSIDIARIES *(continued)*

Details of the Group's subsidiaries that have material non-controlling interests are set out below:

Sincere Life and its subsidiaries

	2014	2013
Percentage of effective equity interest held by non-controlling interests	**56.96**	56.96

	2014 **HK$'000**	2013 HK$'000
Profit for the year allocated to non-controlling interests	**605**	2,044
Dividend paid to non-controlling interests	**1,182**	–
Accumulated balances of non-controlling interests at the reporting dates	**88,281**	86,009

The following tables illustrate the summarised financial information of the above subsidiaries. The amounts disclosed are before any inter-company eliminations:

	2014 **HK$'000**	2013 HK$'000
Profit/(loss) for the year	**(26,163)**	46,279
Total comprehensive income/(loss) for the year	**(31,968)**	42,376
Current assets	**28,559**	31,709
Non-current assets	**114,068**	147,918
Current liabilities	**(2,106)**	(7,138)
Net cash flows used in operating activities	**(4,411)**	(4,541)
Net cash flows from/(used in) investing activities	**4,404**	(13,130)
Net cash flows used in financing activities	**–**	(1,314)
Net decrease in cash and cash equivalents	**(7)**	(18,985)

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17. INTERESTS IN ASSOCIATES

	Group		Company	
	2014	2013	**2014**	2013
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
		(restated)		(restated)
Share of net assets other than goodwill	**–**	–	**–**	–
Due from an associate	**9,729**	9,403	**–**	–
Provision for impairment #	**(9,729)**	(9,403)	**–**	–
	–	–	**–**	–

As at 28 February 2014, an aggregate impairment of HK$9,729,000 (2013: HK$9,403,000) was recognised for an amount due from an associate with an aggregate gross carrying amount of HK$9,729,000 (2013: HK$9,403,000) (before deducting the impairment losses) because the relevant associate had suffered losses for years.

The balance with an associate is unsecured, interest-free and not repayable within the next 12 months from the end of the reporting period. The carrying amount of the balance approximates to its fair value.

Particulars of the 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
Lancaster Partnership Limited	Corporate	UK	Ordinary shares of GBP0.01 each	50.00	Property investment
CPE Investments Limited	Corporate	British Virgin Islands	Ordinary shares of US$1 each	50.00	Investment holding

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17. INTERESTS IN ASSOCIATES *(continued)*

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

	2014	2013
	HK$'000	*HK$'000*
		(restated)
Total assets	**99,645**	82,528
Total liabilities	**(114,242)**	(95,177)
Loss before tax	**(621)**	(417)

The Group has discontinued the recognition of its share of loss of associates because the share of loss of the associates exceeded the Group's interests in the associates and the Group has no obligation to take up further losses. The amounts of the Group's unrecognised share of loss of the associates for the current year and cumulatively were HK$311,000 (2013: HK$209,000 (restated)) and HK$10,237,000 (2013: HK$9,926,000 (restated)), respectively.

18. INTEREST IN A JOINT VENTURE

	Group	
	2014	2013
	HK$'000	*HK$'000*
Share of net assets	**–**	–

Balances with the joint venture are unsecured, interest-free and have no fixed terms of repayments, except for the loan to the joint venture bearing interest at 8% per annum.

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18. INTEREST IN A JOINT VENTURE *(continued)*

Particulars of the joint venture are as follows:

Name	Particulars of issued shares held	Place of registration	Percentage of Ownership interest	Percentage of Voting power	Percentage of Profit sharing	Principal activity
109A Lancaster Gate Limited	Registered capital of GBP0.01 each	UK	75	50	43	Property investment

The above joint venture is indirectly held by the Company.

The following table illustrates the summarised financial information of the Group's joint venture extracted from its management account:

	2014 **HK$'000**	2013 HK$'000
Total assets	**60,164**	–
Total liabilities	**(60,979)**	–
Loss before tax	**(771)**	–

The Group has discontinued the recognition of its share of loss of the joint venture because the share of loss of the joint venture exceeded the Group's interest in the joint venture and the Group has no obligation to take up further losses. The amounts of the Group's unrecognised share of loss of the joint venture for the current year and cumulatively were HK$332,000 (2013: Nil) and HK$332,000 (2013: Nil), respectively.

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19. FINANCIAL INSTRUMENTS

		Group		Company	
	Notes	**2014 HK$'000**	2013 HK$'000	**2014 HK$'000**	2013 HK$'000
Available-for-sale investments					
Unlisted investments, at cost:					
Hong Kong		**53**	53	**53**	53
PRC/Mainland China	*(a)*	**37,575**	37,575	**–**	–
Taiwan	*(b)*	**24,409**	24,409	**24,409**	24,409
United States	*(c)*	**17,176**	17,176	**–**	–
		79,213	79,213	**24,462**	24,462
Unlisted investment fund, at cost:					
PRC/Mainland China	*(d)*	**–**	124,800	**–**	–
		79,213	204,013	**24,462**	24,462
Less: Provision for impairment		**(52,887)**	(52,887)	**(14,411)**	(14,411)
		26,326	151,126	**10,051**	10,051
Portion classified as current assets	*(d)*	**–**	(124,800)	**–**	–
Portion classified as non-current assets		**26,326**	26,326	**10,051**	10,051

(a) At 28 February 2014, the unlisted investment of the Group represented interests of 3.45% (2013: 3.45%) 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, 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 2014, the unlisted investment in Taiwan of the Group and of the Company represented interests of 18.4% (2013: 18.4%) in the issued share capital of The Sincere Department Store Limited, against which provisions for impairment of HK$14,411,000 (2013: HK$14,411,000) have been made as considered necessary by the directors of the Company.

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19. FINANCIAL INSTRUMENTS *(continued)*

(c) At 28 February 2014, the unlisted investment in the United States of the Group represented an equity interest of 10% (2013: 10%) in TR-BIZ, a private limited company in the United States and an aggregate impairment of HK$17,176,000 (2013: HK$17,176,000) was recognised as the directors of the Company considered the carrying amount of TR-BIZ exceeded its recoverable amount.

(d) As at 28 February 2013, the Group invested in an unlisted investment fund with a bank with a carrying amount of HK$124,800,000, 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.

20. PROPERTIES UNDER DEVELOPMENT

The properties under development were located in Dalian, Mainland China and held under medium term leases. During the year ended 28 February 2013, the Group disposed of the properties under development through the disposal of a subsidiary (note 37(b)).

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	
	2014	2013
	HK$'000	*HK$'000*
Within 3 months not past due	**305**	136
Within 3 months past due	**–**	51
Over 3 months past due	**52**	797
Total debtors	**357**	984
Impairment	**(45)**	(797)
Total	**312**	187

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21. DEBTORS *(continued)*

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

	Group	
	2014	2013
	HK$'000	*HK$'000*
At beginning of year	**797**	–
Impairment losses recognised *(note 7)*	**–**	797
Write-back of impairment on debtors *(note 7)*	**(644)**	–
Amount written off as uncollectible	**(108)**	–
At end of year	**45**	797

Included in the above provision for impairment of debtors is a provision for individually impaired debtors of HK$45,000 (2013: HK$797,000) which were past due and not recoverable. The impairment recognised represented the carrying amount of these debtors.

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	
	2014	2013
	HK$'000	*HK$'000*
Within 3 months not past due	**305**	136
Within 3 months past due	**–**	51
Over 3 months past due	**7**	–
	312	187

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.

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22. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Group	
	2014	2013
	HK$'000	*HK$'000*
		(restated)
Listed investments, at market value:		
Hong Kong	**105,947**	85,588
Elsewhere	**96,945**	69,282
	202,892	154,870
Other investments, at quoted price	**109,152**	122,371
	312,044	277,241

The above investments at 28 February 2014 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$236,973,000 (2013: HK$205,832,000 (restated)) were pledged to banks to secure certain banking facilities granted to the Group (note 26(a)).

23. DERIVATIVE FINANCIAL INSTRUMENTS

	Group	
	2014	2013
	HK$'000	*HK$'000*
Derivative liabilities held for trading, at market value:		
Interest rate swap contract	**439**	–
Equity contract	**–**	14
	439	14

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24. CASH AND BANK BALANCES

	Group		Company	
	2014	2013	**2014**	2013
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
		(restated)		
Cash on hand and at banks	**41,508**	169,891	**12,419**	13,769
Time deposits with original maturity of less than three months	**192,349**	57,689	**15,250**	57,689
	233,857	227,580	**27,669**	71,458

At the end of the reporting period, the cash and bank balances of the Group denominated in Renminbi ("RMB") amounted to HK$201,659,000 (2013: HK$194,995,000). RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

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

25. REINSURANCE ASSETS

	Group	
	2014	2013
	HK$'000	*HK$'000*
		(restated)
Reinsurers' share of insurance contracts liabilities *(note 28)*	**16**	16

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26. INTEREST-BEARING BANK BORROWINGS AND OTHER LOANS

(a) Interest-bearing bank borrowings

	Group		Company	
	2014	2013	**2014**	2013
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Bank loans, secured	**251,552**	60,370	**223,144**	60,370
Bank overdrafts, secured	**7,358**	6,827	**–**	–
	258,910	67,197	**223,144**	60,370
Analysed into:				
Within one year or on demand	**237,874**	52,000	**202,108**	45,173
In the second to fifth years	**21,036**	15,197	**21,036**	15,197
	258,910	67,197	**223,144**	60,370
Less: Amounts repayable within one year or on demand and classified as current portion	**(237,874)**	(52,000)	**(202,108)**	(45,173)
Amount classified as non-current portion	**21,036**	15,197	**21,036**	15,197

The bank loans and overdrafts bear interest at rates ranging from 0.9% to 5.0% (2013: 1.0% to 5.8%) per annum. The interest-bearing borrowings and overdrafts are mainly denominated in Hong Kong dollars.

The Group's and the Company's bank borrowings and facilities are secured by:

(i) the pledge of certain of the Group's bank balances of HK$30,571,000 (2013: HK$22,193,000) and time deposits amounting to HK$180,002,000 (2013: HK$52,278,000 (restated));

(ii) the pledge of the Company's time deposits amounting to HK$63,200,000 (2013: HK$17,426,000);

(iii) the pledge of certain of the Group's marketable securities with an aggregate market value of approximately HK$236,973,000 (2013: HK$205,832,000 (restated)) (note 22); and

(iv) mortgages over certain of the Group's leasehold land and buildings with an aggregate carrying value at the end of the reporting period of approximately HK$31,481,000 (2013: HK$32,497,000) (note 13).

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26. INTEREST-BEARING BANK BORROWINGS AND OTHER LOANS *(continued)*

(b) Other loans

	Group	
	2014	2013
	HK$'000	*HK$'000*
		(restated)
Other loans	**2,902**	966
Less: Amount repayable within one year or on demand and classified as current portion	**(1,916)**	–
Amount classified as non-current portion	**986**	966

The other loans were unsecured, bore interest at 2% (2013: 2%) per annum and had no fixed terms of repayment, except for an amount of HK$986,000 (2013: HK$966,000 (restated)), which was not repayable in the next twelve months after the end of the reporting period. The balances were denominated in Hong Kong dollars.

27. CREDITORS

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

	Group		Company	
	2014	2013	**2014**	2013
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Current – 3 months	**68,830**	103,270	**68,819**	102,447
4 – 6 months	**1,556**	275	**1,556**	275
7 – 12 months	**1,723**	1,162	**1,723**	1,148
Over 1 year	**914**	15	**914**	–
	73,023	104,722	**73,012**	103,870

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28. INSURANCE CONTRACTS LIABILITIES

	Notes	2014 Insurance contracts liabilities HK$'000	2014 Reinsurers' share of liabilities HK$'000	2014 Net HK$'000	2013 Insurance contracts liabilities HK$'000 (restated)	2013 Reinsurers' share of liabilities HK$'000 (restated)	2013 Net HK$'000 (restated)
Life insurance contracts	*(a)*	**1,206**	**–**	**1,206**	1,206	–	1,206
General insurance contracts	*(b)*	**18**	**(16)**	**2**	22	(16)	6
Total insurance contracts liabilities		**1,224**	**(16)**	**1,208**	1,228	(16)	1,212
			(Note 25)			*(Note 25)*	

(a) Life insurance contracts liabilities are analysed as follows:

	Notes	2014 Insurance contracts liabilities HK$'000	2014 Reinsurers' share of liabilities HK$'000	2014 Net HK$'000	2013 Insurance contracts liabilities HK$'000 (restated)	2013 Reinsurers' share of liabilities HK$'000 (restated)	2013 Net HK$'000 (restated)
Life reserve	*(i)*	**1,078**	**–**	**1,078**	1,078	–	1,078
Provision for claims	*(ii)*	**128**	**–**	**128**	128	–	128
		1,206	**–**	**1,206**	1,206	–	1,206

(i) Life reserve is analysed as follows:

	2014 HK$'000	2013 HK$'000 (restated)
At beginning of year	**1,078**	1,078
Increase in the year	**–**	–
At 28 February	**1,078**	1,078

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28. INSURANCE CONTRACTS LIABILITIES *(continued)*

(a) Life insurance contracts liabilities are analysed as follows: *(continued)*

(ii) The provision for claims of life insurance contracts is analysed as follows:

	2014 Insurance contracts liabilities *HK$'000*	**2014** Reinsurers' share of liabilities *HK$'000*	**2014** Net *HK$'000*	2013 Insurance contracts liabilities *HK$'000* (restated)	2013 Reinsurers' share of liabilities *HK$'000* (restated)	2013 Net *HK$'000* (restated)
At beginning of year	**128**	**–**	**128**	128	–	128
Claims incurred during the year	**2**	**–**	**2**	–	–	–
Claims paid during the year	**(2)**	**–**	**(2)**	–	–	–
At 28 February	**128**	**–**	**128**	128	–	128

(b) General insurance contracts liabilities are analysed as follows:

	Notes	**2014** Insurance contracts liabilities *HK$'000*	**2014** Reinsurers' share of liabilities *HK$'000*	**2014** Net *HK$'000*	2013 Insurance contracts liabilities *HK$'000* (restated)	2013 Reinsurers' share of liabilities *HK$'000* (restated)	2013 Net *HK$'000* (restated)
Provision for claims reported by policyholders and claims incurred but not reported ("IBNR")	*29(d)*	**–**	**–**	**–**	–	–	–
Provision for unearned premiums	*(i)*	**18**	**(16)**	**2**	22	(16)	6
Total insurance contracts liabilities		**18**	**(16)**	**2**	22	(16)	6

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28. INSURANCE CONTRACTS LIABILITIES *(continued)*

(b) General insurance contracts liabilities are analysed as follows: *(continued)*

(i) The provision for unearned premiums is analysed as follows:

	2014			2013		
	Insurance contracts liabilities *HK$'000*	**Reinsurers' share of liabilities** *HK$'000*	**Net** *HK$'000*	Insurance contracts liabilities *HK$'000* (restated)	Reinsurers' share of liabilities *HK$'000* (restated)	Net *HK$'000* (restated)
At beginning of year	**22**	**(16)**	**6**	36	(29)	7
Premiums written in the year	**53**	**(50)**	**3**	52	(40)	12
Premiums earned during the year	**(57)**	**50**	**(7)**	(66)	53	(13)
At 28 February	**18**	**(16)**	**2**	22	(16)	6

29. INSURANCE CONTRACTS LIABILITIES – TERMS, ASSUMPTIONS AND SENSITIVITIES

Life insurance

(a) Terms and conditions

The principal risk the Group faces under insurance contracts is that the actual claims and benefit payments or the timing thereof, differ from expectations. This is influenced by the frequency of claims, severity of claims, actual benefits paid and subsequent development of long term claims. Therefore, the objective of the Group is to ensure that sufficient reserves are available to cover these liabilities.

Life insurance contracts offered by the Group are whole life contracts. Whole life contracts are conventional regular premium products when lump sum benefits are payable on death or permanent disability.

The main risk that the Group is exposed to is mortality risk – risk of loss arising due to policy holder death experience being different than expected. This risk does not vary significantly in relation to the location of the risk insured by the Group, type of risk insured or by industry.

For contracts for which death or disability is the insured risk, the significant factors that could increase the overall frequency of claims are epidemics, widespread changes in lifestyle and natural disasters, resulting in earlier or more claims than expected.

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29. INSURANCE CONTRACTS LIABILITIES – TERMS, ASSUMPTIONS AND SENSITIVITIES *(continued)*

Life insurance *(continued)*

(b) Assumptions

Material judgement is required in determining the liabilities and in the choice of assumptions. Assumptions in use are based on past experience, current internal data, external market indices and benchmarks which reflect current observable market prices and other published information. Assumptions and prudent estimates are determined at the date of valuation and no credit is taken for possible beneficial effects of voluntary withdrawals. Assumptions are further evaluated on a continuous basis in order to ensure realistic and reasonable valuations.

The key assumption to which the estimation of liabilities is particularly sensitive are as follows:

Mortality rates

Assumptions are based on standard industry and national tables, according to the type of contract written and the territory in which the insured person resides. They reflect recent historical experience and are adjusted when appropriate to reflect the Group's own experiences. An appropriate, but not excessive, prudent allowance is made for expected future improvements. Assumptions are differentiated by sex, underwriting class and contract type.

An increase in rates will lead to a larger number of claims (and claims could occur sooner than anticipated), which will increase the expenditure and reduce profits for the shareholders.

Discount rate

Life insurance liabilities are determined as the sum of the discounted value of the expected benefits and future administration expenses directly related to the contract, less the discounted value of the expected theoretical premiums that would be required to meet these future cash outflows. Discount rates are based on current industry risk rates, adjusted for the Group's own risk exposure.

A decrease in the discount rate will increase the value of the insurance liability and therefore reduce profits for the shareholders.

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29. INSURANCE CONTRACTS LIABILITIES – TERMS, ASSUMPTIONS AND SENSITIVITIES *(continued)*

General Insurance

(a) Terms and conditions

The major class of general insurance written by the Group was property damage. Risks under these policies usually covered a 12-month duration.

For general insurance contracts, the most significant risks arise from natural disasters. For longer tail claims that take some years to settle, there is also inflation risk.

These risks do not vary significantly in relation to the location of the risk insured by the Group, type of risk insured and by industry.

Claims provisions (comprising provisions for claims reported by policyholders and IBNR) are established to cover the ultimate cost of settling the liabilities in respect of claims that have occurred and are estimated based on known facts at the end of the reporting period.

The provisions are refined regularly as part of an ongoing process as claims experience develops, certain claims are settled and further claims are reported. Outstanding claims provisions are not discounted for the time value of money.

The measurement process primarily includes projection of future claims costs through a combination of actuarial and statistical projection techniques. In certain cases, where there is a lack of reliable historical data on which to estimate claims development, relevant benchmarks of similar business are used in developing claims estimates. Claims provisions are separately analysed by class of business. In addition, larger claims are usually separately assessed by loss adjusters. The claims projection assumptions are generally intended to provide the best estimate of the most likely or expected outcome.

29. INSURANCE CONTRACTS LIABILITIES – TERMS, ASSUMPTIONS AND SENSITIVITIES *(continued)*

General Insurance *(continued)*

(b) Assumptions

The principal assumption underlying the estimates is the Group's past claims development experience. This includes assumptions in respect of average claim costs, claims handling costs and number of claims numbers for each accident year. Additional qualitative judgements are used to assess the extent to which past trends may not apply in the future, for example: one-off occurrence, changes in market factors such as public attitude to claiming, economic conditions, as well as internal factors such as portfolio mix, policy conditions and claims handling procedures. Judgement is used to assess the extent to which external factors such as judicial decisions and government legislation affect the estimates.

(c) Sensitivities

The insurance claims provision is sensitive to the above key assumptions. The sensitivity of certain assumptions, e.g., legislative change and uncertainty in the estimation process, is not possible to quantify. Furthermore, because of the delays that arise between occurrence of a claim and its subsequent notification and eventual settlement, the outstanding claim provision is not known with certainty at the end of the reporting period.

Consequently, the ultimate liabilities will vary as a result of subsequent developments. Differences resulting from reassessment of the ultimate liabilities are recognised in subsequent financial statements.

(d) Loss development triangle

Reproduced below is an exhibit that shows the development of claims over a period of time on a gross and net basis.

The tables show the estimate of cumulative incurred claims, including both notified and IBNR claims, for each successive accident year at the end of each reporting period, together with cumulative claims as at the end of the reporting period.

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29. INSURANCE CONTRACTS LIABILITIES – TERMS, ASSUMPTIONS AND SENSITIVITIES *(continued)*

General Insurance *(continued)*

(d) ***Loss development triangle*** *(continued)*

Gross insurance claims

	2005 and before *HK$'000*	2006 *HK$'000*	2007 *HK$'000*	2008 *HK$'000*	2009 *HK$'000*	2010 *HK$'000*	2011 *HK$'000*	2012 *HK$'000*	2013 *HK$'000*	2014 *HK$'000*	Total *HK$'000*
Accident year	3,664	–	–	–	–	–	–	–	–	–	
One year later	3,677	–	–	–	–	–	–	–	–	–	
Two years later	3,952	–	–	–	–	–	–	–	–	–	
Three years later	3,915	–	–	–	–	–	–	–	–	–	
Four years later	3,915	–	–	–	–	–	–	–	–	–	
Five years later	3,915	–	–	–	–	–	–	–	–	–	
Six years later	3,915	–	–	–	–	–	–	–	–	–	
Seven years later	3,915	–	–	–	–	–	–	–	–	–	
Eight years later	3,915	–	–	–	–	–	–	–	–	–	
Nine years later	3,915	–	–	–	–	–	–	–	–	–	
Current estimate of cumulative gross claims	3,915	–	–	–	–	–	–	–	–	–	3,915
Cumulative gross payments to date	(3,915)	–	–	–	–	–	–	–	–	–	(3,915)
Total gross general insurance claims liability as per the consolidated statement of financial position	–	–	–	–	–	–	–	–	–	–	–

(Note 28(b))

NOTES TO FINANCIAL STATEMENTS

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29. INSURANCE CONTRACTS LIABILITIES – TERMS, ASSUMPTIONS AND SENSITIVITIES *(continued)*

General Insurance *(continued)*

(d) Loss development triangle *(continued)*

Net insurance claims

	2005 and before HK$'000	2006 HK$'000	2007 HK$'000	2008 HK$'000	2009 HK$'000	2010 HK$'000	2011 HK$'000	2012 HK$'000	2013 HK$'000	2014 HK$'000	Total HK$'000
Accident year	2,717	–	–	–	–	–	–	–	–	–	
One year later	2,694	–	–	–	–	–	–	–	–	–	
Two years later	2,969	–	–	–	–	–	–	–	–	–	
Three years later	2,983	–	–	–	–	–	–	–	–	–	
Four years later	2,983	–	–	–	–	–	–	–	–	–	
Five years later	2,983	–	–	–	–	–	–	–	–	–	
Six years later	2,983	–	–	–	–	–	–	–	–	–	
Seven years later	2,983	–	–	–	–	–	–	–	–	–	
Eight years later	2,983	–	–	–	–	–	–	–	–	–	
Nine years later	2,983	–	–	–	–	–	–	–	–	–	
Current estimate of cumulative gross claims	2,983	–	–	–	–	–	–	–	–	–	2,983
Cumulative gross payments to date	(2,983)	–	–	–	–	–	–	–	–	–	(2,983)
Total net general insurance claims liability as per the consolidated statement of financial position	–	–	–	–	–	–	–	–	–	–	–

(Note 28(b))

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30. DEFERRED TAX

The movements in deferred tax liabilities during the year are as follows:

Group

Deferred tax liabilities

	Accelerated depreciation allowance ***HK$'000*** *(restated)*
At 1 March 2012	22
Deferred tax credited to the income statement during the year *(note 8)*	(22)
Gross deferred tax liabilities at 28 February 2013, 1 March 2013 and 28 February 2014	–

31. PENSION SCHEME LIABILITIES

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 multiplied with years of service on attainment of a retirement age of 65.

The Group's defined benefit plan is a final salary plan, which requires contributions to be made to a separately administered fund. The plan has the legal form of a foundation and it is administrated by four trustees and one of them is independent with the assets held separately from those of the Group. The trustees are responsible for the determination of the investment strategy of the plan.

The trustees review the level of funding in the plan by the end of each reporting period. Such a review includes the asset-liability matching strategy and investment risk management policy. The trustees decide the contribution based on the results of the annual review. The investment portfolio targets a mix of 24% in equity, 75% in debt instruments and 1% in cash.

The plan is exposed to interest rate risk, investment risk and salary risk.

The most recent actuarial valuations of the plan liabilities and the present value of the defined benefit obligations were carried out as at 28 February 2014 by Towers Watson Hong Kong Limited, a member of the Actuarial Society of Hong Kong, using the projected unit credit actuarial valuation method.

NOTES TO FINANCIAL STATEMENTS

28 February 2014

31. PENSION SCHEME LIABILITIES *(continued)*

(a) The principal actuarial assumptions used as at the end of the reporting period are as follows:

	2014	2013
	%	%
Discount rate	**1.9**	1.3
Expected rate of salary increase	**4.0**	4.0

(b) A quantitative sensitivity analysis for significant assumptions as at 28 February 2014 is shown below:

Group

	Increase in rate	**Increase/ (decrease) in net defined benefit obligation**	**Decrease in rate**	**Increase/ (decrease) in net defined benefit obligation**
	%	***HK$'000***	**%**	***HK$'000***
Discount rate	**0.25**	**(1,442)**	**0.25**	**1,496**
Future salary increase rate	**0.25**	**1,450**	**0.25**	**(1,407)**

Company

	Increase in rate	**Increase/ (decrease) in net defined benefit obligation**	**Decrease in rate**	**Increase/ (decrease) in net defined benefit obligation**
	%	***HK$'000***	**%**	***HK$'000***
Discount rate	**0.25**	**(1,372)**	**0.25**	**1,424**
Future salary increase rate	**0.25**	**1,398**	**0.25**	**(1,356)**

The sensitivity analyses above have been determined based on a method that extrapolates the impact on net defined benefit obligation as a result of reasonable changes in key assumptions occurring at the end of the reporting period.

NOTES TO FINANCIAL STATEMENTS

28 February 2014

31. PENSION SCHEME LIABILITIES *(continued)*

(c) The total expenses recognised in the consolidated income statement in respect of the plan are as follows:

	Group		Company	
	2014	2013	**2014**	2013
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
		(restated)		(restated)
Current service cost	**4,431**	4,603	**4,164**	4,207
Interest cost	**164**	172	**172**	166
Administrative expenses paid from the scheme assets	**171**	94	**165**	91
Net benefit expenses	**4,766**	4,869	**4,501**	4,464

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.

(d) The movements in the present value of the defined benefit obligations are as follows:

	Group		Company	
	2014	2013	**2014**	2013
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
		(restated)		(restated)
At beginning of year	**83,845**	83,087	**72,621**	68,180
Current service cost	**4,431**	4,603	**4,164**	4,207
Interest cost	**1,078**	1,148	**935**	944
Actuarial losses/(gains)	**(7,559)**	163	**(7,211)**	1,120
Benefits paid	**(2,899)**	(5,156)	**(2,551)**	(1,830)
At end of year	**78,896**	83,845	**67,958**	72,621

NOTES TO FINANCIAL STATEMENTS

28 February 2014

31. PENSION SCHEME LIABILITIES *(continued)*

(e) The movements in the defined benefit obligations and the fair value of plan assets are as follows:

2014

		Pension cost charged to the income statement				Remeasurement gains in other comprehensive income						
	At 1 March 2013 HK$'000 (restated)	Service cost HK$'000	Net interest HK$'000	Sub-total included in the income statement HK$'000	Benefit paid HK$'000	Return on plan assets (excluding amounts included in net interest expense) HK$'000	Actuarial changes arising from changes in demographic assumptions HK$'000	Actuarial changes arising from changes in financial assumptions HK$'000	Experience adjustments HK$'000	Sub-total included in other comprehensive income HK$'000	Contribution by employer HK$'000	At 28 February 2014 HK$'000
Group												
Defined benefit obligations	(83,845)	(4,431)	(1,078)	(5,509)	2,899	–	–	3,684	3,875	7,559	–	(78,896)
Fair value of plan assets	70,298	–	743*	743	(2,899)	54	–	–	–	54	1,880	70,076
Benefit liability	(13,547)	(4,431)	(335)	(4,766)	–	54	–	3,684	3,875	7,613	1,880	(8,820)
Company												
Defined benefit obligations	(72,621)	(4,164)	(935)	(5,099)	2,551	–	–	3,508	3,703	7,211	–	(67,958)
Fair value of plan assets	58,468	–	598*	598	(2,551)	42	–	–	–	42	1,793	58,350
Benefit liability	(14,153)	(4,164)	(337)	(4,501)	–	42	–	3,508	3,703	7,253	1,793	(9,608)

* Balance included administrative expenses for the Group and the Company of HK$171,000 and HK$165,000, respectively, and the actual return in plan assets for the year ended 28 February 2014 for the Group and the Company amounted to HK$914,000 and HK$763,000, respectively.

NOTES TO FINANCIAL STATEMENTS

28 February 2014

31. PENSION SCHEME LIABILITIES *(continued)*

(e) The movements in the defined benefit obligations and the fair value of plan assets are as follows: *(continued)*

2013

		Pension cost charged to the income statement				Remeasurement gains/(losses) in other comprehensive income						
	At 1 March 2012	Service cost	Net interest	Sub-total included in the income statement	Benefit paid	Return on plan assets (excluding amounts included in net interest expense)	Actuarial changes arising from changes in demographic assumptions	Actuarial changes arising from changes in financial assumptions	Experience adjustments	Sub-total included in other comprehensive income	Contribution by employer	At 28 February 2013
	HK$'000 (restated)	*HK$'000* (restated)	*HK$'000* (restated)	*HK$'000* (restated)	*HK$'000* (restated)	*HK$'000* (restated)	*HK$'000* (restated)	*HK$'000* (restated)	*HK$'000* (restated)	*HK$'000* (restated)	*HK$'000* (restated)	*HK$'000* (restated)
Group												
Defined benefit obligations	(83,087)	(4,603)	(1,148)	(5,751)	5,156	–	(461)	(714)	1,012	(163)	–	(83,845)
Fair value of plan assets	69,697	–	882*	882	(5,156)	2,815	–	–	–	2,815	2,060	70,298
Benefit liability	(13,390)	(4,603)	(266)	(4,869)	–	2,815	(461)	(714)	1,012	2,652	2,060	(13,547)
Company												
Defined benefit obligations	(68,180)	(4,207)	(944)	(5,151)	1,830	–	(422)	(673)	(25)	(1,120)	–	(72,621)
Fair value of plan assets	55,348	–	687*	687	(1,830)	2,319	–	–	–	2,319	1,944	58,468
Benefit liability	(12,832)	(4,207)	(257)	(4,464)	–	2,319	(422)	(673)	(25)	1,199	1,944	(14,153)

* Balance included administrative expenses for the Group and the Company of HK$94,000 and HK$91,000, respectively, and the actual return in plan assets for the year ended 28 February 2013 for the Group and the Company amounted to HK$976,000 and HK$778,000, respectively.

NOTES TO FINANCIAL STATEMENTS

28 February 2014

31. PENSION SCHEME LIABILITIES *(continued)*

(f) The major categories of the fair value of the total plan assets are as follows:

	2014	2013
Equities	**24%**	24%
Bonds	**75%**	76%
Cash	**1%**	–
Total	**100%**	100%

(g) Expected contributions to be made in the future years out of the defined benefit obligations are as follows:

	Group		**Company**	
	2014 *HK$'000*	2013 *HK$'000*	**2014** *HK$'000*	2013 *HK$'000*
Within the next 12 months	**2,930**	1,970	**2,926**	1,869

The average duration of the defined benefit obligations at the end of the reporting period was 7.4 years (2013: 8 years).

(h) 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 attained age valuation method. The latest ongoing funding valuation and solvency funding valuation were performed as at 1 March 2011, the market value of asset was HK$67,673,000 while the level of funding were 121% and 154%, respectively. 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.

(i) As at 28 February 2014, the Group and the Company have amounts due from the Scheme of HK$3,018,000 (2013: HK$1,862,000 (restated)) and HK$1,079,000 (2013: HK$184,000), respectively, which were included in "Prepayments, deposits and other receivables" on the face of the statements of financial position. The balances are unsecured, interest-free and have no fixed terms of repayment.

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32. SHARE CAPITAL

	2014	2013
	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

As at 28 February 2014 and 2013, Sincere Life, Sincere I&I and Sincere Perfumery, subsidiaries of the Company, held 183,136,032, 75,608,064 and 1,699,104 ordinary shares in the Company, respectively. Accordingly, 260,443,200 ordinary shares of the Company held by the Company's subsidiaries was recognised in the Group's consolidated financial statements as treasury shares through deduction from equity by HK$130,221,000.

33. SHARE PREMIUM ACCOUNT

	2014	2013
	HK$'000	*HK$'000*
At beginning and end of year	**26**	26

34. 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)");

NOTES TO FINANCIAL STATEMENTS

28 February 2014

34. SHARE OPTION SCHEME *(continued)*

2. Participants *(continued)*

(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.

(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 2014 and 28 February 2013 was 574,308,000.

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28 February 2014

34. SHARE OPTION SCHEME *(continued)*

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.

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 2014

34. SHARE OPTION SCHEME *(continued)*

Set out below are the outstanding share options under the Option Scheme as at 28 February 2014:

Name or category of participant	At 1 March 2013	Granted during the year	Cancelled or lapsed during the year	Exercised during the year	At 28 February 2014	Date of grant of share options	Exercise period of share options	Exercise price of share options HK$ per share
	Number of share options							
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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28 February 2014

34. SHARE OPTION SCHEME *(continued)*

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

The fair value of equity-settled share options granted 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 expenses for the share options granted to non-employees were stated at the fair value of equity-settled share options granted as the directors of the Company considered that the fair value of services received from non-employees cannot be reliably measured.

NOTES TO FINANCIAL STATEMENTS

28 February 2014

34. SHARE OPTION SCHEME *(continued)*

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

	2014 Weighted average exercise price HK$ per share	**2014** Number of options	2013 Weighted average exercise price HK$ per share	2013 Number of options
At 1 March	**0.82**	**22,510,000**	–	–
Granted during the year	**–**	**–**	0.82	22,510,000
At 28 February	**0.82**	**22,510,000**	0.82	22,510,000

No share options were exercised during the year.

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.

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35. RESERVES

(a) Group

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

(b) Company

	General reserve HK$'000	Share option reserve HK$'000	Retained profits HK$'000 (restated)	Total HK$'000 (restated)
At 1 March 2012				
As previously reported	46,613	–	189,009	235,622
Prior year adjustments *(note 2.2)*	–	–	(16,118)	(16,118)
As restated	46,613	–	172,891	219,504
Loss for the year	–	–	(33,960)	(33,960)
Other comprehensive income for the year:				
Actuarial gains on defined benefit plan	–	–	1,199	1,199
Total comprehensive loss for the year	–	–	(32,761)	(32,761)
Equity-settled share option arrangements *(note 34)*	–	5,754	–	5,754
At 28 February 2013 (restated)	46,613	5,754	140,130	192,497
At 1 March 2013				
As previously reported	**46,613**	**5,754**	**156,246**	**208,613**
Prior year adjustments *(noted 2.2)*	**–**	**–**	**(16,116)**	**(16,116)**
As restated	**46,613**	**5,754**	**140,130**	**192,497**
Loss for the year	**–**	**–**	**(119,981)**	**(119,981)**
Other comprehensive income for the year:				
Actuarial gains on defined benefit plan	**–**	**–**	**7,253**	**7,253**
Total comprehensive loss for the year	**–**	**–**	**(112,728)**	**(112,728)**
Final 2013 dividend paid *(note 10)*	**–**	**–**	**(8,615)**	**(8,615)**
At 28 February 2014	**46,613**	**5,754**	**18,787**	**71,154**

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35. RESERVES *(continued)*

(b) Company *(continued)*

The loss of HK$119,981,000 (2013: HK$33,960,000 (restated)) for the year ended 28 February 2014 included loan interest income and other income of HK$17,666,000 (2013: HK$16,465,000 (restated)) from subsidiaries of the Company, waiver of an amount of nil (2013: HK$26,167,000) due to the dissolution of a subsidiary and impairment of interests in subsidiaries of HK$52,944,000 (2013: HK$86,869,000).

36. 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^			
	2014	2013	**2014**	2013	**2014**	2013	**2014**	2013	**2014**	2013	**2014**	2013	**2014**	2013	**2014**	2013
	HK$'000	*HK$'000* (restated)	***HK$'000***	*HK$'000* (restated)	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000* (restated)
Fees	**1,876**	1,876	**1,519**	1,406	**110**	110	**110**	110	**182**	182	**110**	110	**110**	110	**4,017**	3,904
Salaries, allowances and other benefits	**9,756**	11,410	**9,320**	11,904	**2,028**	1,481	**50**	50	**50**	50	**50**	50	**50**	50	**21,304**	24,995
Pension contributions including pension cost for a defined benefit plan of HK$337,000 (2013: HK$299,000)	**–**	–	**241**	241	**96**	58	**–**	–	**–**	–	**–**	–	**–**	–	**337**	299
Equity-settled share option expense	**–**	1,457	**–**	1,457	**–**	583	**–**	146	**–**	146	**–**	146	**–**	146	**–**	4,081
	11,632	14,743	**11,080**	15,008	**2,234**	2,232	**160**	306	**232**	378	**160**	306	**160**	306	**25,658**	33,279

There were no other emoluments payable to the independent non-executive directors during the year (2013: Nil).

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

^ Appointed on 20 July 2012.

The fair value of share options issued in prior year, which had been recognised in the income statement, was determined as at the date of grant and the amount included in the financial statements for the year ended 28 February 2013 was 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

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

The five highest paid individuals included three (2013: three) directors of the Company and their remuneration are included in the directors' and chief executive's remuneration above. The remuneration of the remaining two (2013: two) highest paid individuals, analysed by nature thereof and designated band, is set out below:

	Group	
	2014	2013
	HK$'000	*HK$'000*
		(restated)
Salaries and allowances	**4,423**	4,536
Pension contributions	**15**	14
Equity-settled share option expense	**–**	728
	4,438	5,278

	Number of individuals	
	2014	2013
		(restated)
Nil – HK$1,000,000	**–**	–
HK$1,000,001 – HK$1,500,000	**–**	–
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**	–
HK$3,000,001 – HK$3,500,000	**–**	1

The fair value of options issued in prior year, which had been recognised in the income statement, was determined as at the date of grant and the amount included in the financial statements for the year ended 28 February 2013 was included in the above non-director and non-chief executive highest paid employees' remuneration disclosures.

NOTES TO FINANCIAL STATEMENTS

28 February 2014

37. DISPOSAL OF SUBSIDIARIES

(a) Disposal of 東莞卓譽

	Note	Group 2014 HK$'000	Group 2013 HK$'000
Net assets disposed of:			
Prepayments, deposits and other receivables		**98**	–
Realisation of exchange fluctuation reserve		**325**	–
		423	–
Loss on disposal	5	**(423)**	–
Satisfied by:			
Cash – consideration of RMB2 (equivalent to HK$3)		**–**	–

(b) Disposal of Dalian Sincere

	Notes	Group 2014 HK$'000	Group 2013 HK$'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	20	**–**	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

NOTES TO FINANCIAL STATEMENTS

28 February 2014

37. DISPOSAL OF SUBSIDIARIES *(continued)*

(b) Disposal of Dalian Sincere *(continued)*

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

	2014	2013
	HK$'000	*HK$'000*
Cash consideration	–	374,926
Less: Transaction costs	–	(81,592)
Net inflow of cash and cash equivalents in respect of the disposal of a subsidiary	–	293,334

38. 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 26 to the financial statements.

39. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group and the Company sublease 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**	
	2014	2013	**2014**	2013
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Within one year	**2,676**	2,557	**2,676**	2,557
In the second to fifth years, inclusive	**5,352**	8,028	**5,352**	8,028
	8,028	10,585	**8,028**	10,585

During the year, the Group and the Company did not receive any contingent rent (2013: Nil).

NOTES TO FINANCIAL STATEMENTS

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39. OPERATING LEASE ARRANGEMENTS *(continued)*

(b) As lessee

The Group and the Company lease 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	
	2014	2013	**2014**	2013
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
		(restated)		
Within one year	**139,576**	105,323	**117,723**	82,372
In the second to fifth years, inclusive	**421,277**	335,770	**379,855**	273,871
After five years	**274,764**	319,793	**274,764**	319,793
	835,617	760,886	**772,342**	676,036

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 11% (2013: 7.5% to 13%) of the gross sales attributable to the leased premises in excess of the base rents as determined in accordance with the lease agreements.

40. OUTSTANDING COMMITMENTS

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

	Group		Company	
	2014	2013	**2014**	2013
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Irrevocable letters of credit	**14,003**	10,641	**14,003**	10,641
Capital commitments in respect of its investments in the PRC:				
Authorised but not contracted for	**37,950**	–	**37,950**	–
Contracted for	**1,165**	–	**–**	–
	39,115	–	**37,950**	–

NOTES TO FINANCIAL STATEMENTS

28 February 2014

41. CONTINGENT LIABILITIES

As at 28 February 2014, the Company provided guarantees to banks in connection with banking facilities of HK$39,991,000 (2013: HK$35,444,000) granted to its subsidiaries, of which approximately HK$6,842,000 (2013: HK$6,842,000) was utilised.

42. RELATED PARTY TRANSACTIONS

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

	2014 **HK$'000**	2013 HK$'000
Interest income from a joint venture	**981**	–

Balance represented interest income arising from the loan to a joint venture, which bore interest at 8% per annum.

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

	2014 **HK$'000**	2013 HK$'000 (restated)
Short term employee benefits	**30,725**	35,056
Post-employment benefits, including a pension cost for defined benefit plan of HK$384,000 (2013: HK$377,000)	**399**	391
Equity-settled share option expense	**–**	4,954
Total compensation paid to key management personnel	**31,124**	40,401

Further details of directors' and the chief executive's emoluments are included in note 36 to the financial statements.

43. NOTE TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

Major non-cash transaction

Reinstatement cost of HK$8,920,000 (2013: Nil) for the premises under lease arrangements, which was capitalised as items of property, plant and equipment during the year, was included in "Deposits, accrued expenses and other payables" as at 28 February 2014.

NOTES TO FINANCIAL STATEMENTS

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44. 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:

2014

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*
Financial instruments	–	–	26,326	26,326
Loan to a joint venture	–	23,119	–	23,119
Due from a joint venture	–	1,053	–	1,053
Debtors	–	312	–	312
Financial assets included in prepayments, deposits and other receivables	–	47,823	–	47,823
Financial assets at fair value through profit or loss	312,044	–	–	312,044
Pledged bank balances	–	30,571	–	30,571
Pledged deposits with banks	–	180,002	–	180,002
Cash and bank balances	–	233,857	–	233,857
	312,044	516,737	26,326	855,107

2014

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*
Creditors	–	73,023	73,023
Provision for claims of life insurance	–	128	128
Financial liabilities included in deposits, accrued expenses and other payables	–	89,138	89,138
Derivative financial instruments	439	–	439
Interest-bearing bank borrowings	–	258,910	258,910
Other loans	–	2,902	2,902
	439	424,101	424,540

NOTES TO FINANCIAL STATEMENTS

28 February 2014

44. 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)*

2013

Financial assets

	Group			
	Financial assets at fair value through profit or loss held for trading *HK$'000* (restated)	Loans and receivables *HK$'000* (restated)	Available-for-sale financial assets *HK$'000*	Total *HK$'000* (restated)
Financial instruments	–	–	151,126	151,126
Debtors	–	187	–	187
Financial assets included in prepayments, deposits and other receivables	–	39,698	–	39,698
Financial assets at fair value through profit or loss	277,241	–	–	277,241
Pledged bank balances	–	22,193	–	22,193
Pledged deposits with banks	–	52,278	–	52,278
Cash and bank balances	–	227,580	–	227,580
	277,241	341,936	151,126	770,303

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* (restated)	Total *HK$'000* (restated)
Creditors	–	104,722	104,722
Provision for claims of life insurance	–	128	128
Financial liabilities included in deposits, accrued expenses and other payables	–	52,372	52,372
Derivative financial instruments	14	–	14
Interest-bearing bank borrowings	–	67,197	67,197
Other loans	–	966	966
	14	225,385	225,399

NOTES TO FINANCIAL STATEMENTS

28 February 2014

44. 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

	2014 Loans and receivables HK$'000	**2014** Available-for-sale financial assets HK$'000	**2014** Total HK$'000	2013 Loans and receivables HK$'000 (restated)	2013 Available-for-sale financial assets HK$'000	2013 Total HK$'000 (restated)
Due from subsidiaries	**562,519**	**–**	**562,519**	548,748	–	548,748
Financial instruments	**–**	**10,051**	**10,051**	–	10,051	10,051
Financial assets included in prepayments, deposits and other receivables	**39,466**	**–**	**39,466**	33,240	–	33,240
Pledged deposits with banks	**63,200**	**–**	**63,200**	17,426	–	17,426
Cash and bank balances	**27,669**	**–**	**27,669**	71,458	–	71,458
	692,854	**10,051**	**702,905**	670,872	10,051	680,923

Financial liabilities

	2014 Financial liabilities at amortised cost HK$'000	2013 Financial liabilities at amortised cost HK$'000 (restated)
Creditors	**73,012**	103,870
Financial liabilities included in deposits, accrued expenses and other payables	**72,105**	28,758
Due to subsidiaries	**131,148**	129,212
Interest-bearing bank borrowings	**223,144**	60,370
	499,409	322,210

NOTES TO FINANCIAL STATEMENTS

28 February 2014

45. FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets/(liabilities) measured at fair value:

2014

	Fair value measurement using		
	Quoted prices in active markets (Level 1)	**Significant observable inputs (Level 2)**	**Total**
	HK$'000	***HK$'000***	***HK$'000***
Financial assets at fair value through profit or loss	**202,892**	**109,152**	**312,044**
Derivative financial instruments	**–**	**(439)**	**(439)**
	202,892	**108,713**	**311,605**

2013

	Fair value measurement using		
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Total
	HK$'000	*HK$'000*	*HK$'000*
		(restated)	(restated)
Financial assets at fair value through profit or loss	154,870	122,371	277,241
Derivative financial instruments	–	(14)	(14)
	154,870	122,357	277,227

As at 28 February 2014 and 28 February 2013, the Group had no financial instruments measured at fair value under Level 3 for both financial assets and financial liabilities.

During the years ended 28 February 2014 and 28 February 2013, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities.

NOTES TO FINANCIAL STATEMENTS

28 February 2014

46. 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, creditors and other loans, which arise directly from its operations.

The Group also enters into derivative transactions, including equity contracts, forward currency contracts and interest rate swap contract. 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	**2014** ***HK$'000***	2013 *HK$'000*
Increase/decrease in interest expense	**2,589**	672

Company	**2014** ***HK$'000***	2013 *HK$'000*
Increase/decrease in interest expense	**2,231**	604

NOTES TO FINANCIAL STATEMENTS

28 February 2014

46. 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) before tax, 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 loss before tax** ***HK$'000***
2014		
Investments denominated in and investments linked to a currency denominated in:		
Euro	**5**	**(684)**
	(5)	**684**
Renminbi	**5**	**(404)**
	(5)	**404**

	Increase/ (decrease) in exchange rate %	Increase/ (decrease) in profit before tax *HK$'000* (restated)
2013		
Investments denominated in and investments linked to a currency denominated in:		
Euro	5	604
	(5)	(604)
Renminbi	5	(439)
	(5)	439

NOTES TO FINANCIAL STATEMENTS

28 February 2014

46. 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, financial assets at fair value through profit or loss, available-for-sale investments 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, there is no requirement for collateral. 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:

2014

	Group		
	On demand or within 1 year *HK$'000*	**More than 1 year** *HK$'000*	**Total** *HK$'000*
Creditors	73,023	–	73,023
Provision for claims of life insurance	128	–	128
Deposits, accrued expenses and other payables	51,310	37,828	89,138
Derivative financial instruments	439	–	439
Interest-bearing bank borrowings	237,874	21,036	258,910
Other loans	1,916	986	2,902
	364,690	59,850	424,540

NOTES TO FINANCIAL STATEMENTS

28 February 2014

46. 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)*

2013

	Group		
	On demand or within 1 year *HK$'000* (restated)	More than 1 year *HK$'000* (restated)	Total *HK$'000* (restated)
Creditors	104,722	–	104,722
Provision for claims of life insurance	128	–	128
Deposits, accrued expenses and other payables	52,372	–	52,372
Derivative financial instruments	14	–	14
Interest-bearing bank borrowings	52,000	15,197	67,197
Other loans	–	966	966
	209,236	16,163	225,399

2014

	Company		
	On demand or within 1 year ***HK$'000***	**More than 1 year** ***HK$'000***	**Total** ***HK$'000***
Creditors	**73,012**	**–**	**73,012**
Deposits, accrued expenses and other payables	**34,277**	**37,828**	**72,105**
Due to subsidiaries	**–**	**131,148**	**131,148**
Interest-bearing bank borrowings	**202,108**	**21,036**	**223,144**
Financial guarantees to banks in connection with banking facilities utilised by its subsidiaries	**6,842**	**–**	**6,842**
	316,239	**190,012**	**506,251**

NOTES TO FINANCIAL STATEMENTS

28 February 2014

46. 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)*

2013

	Company		
	On demand or within 1 year *HK$'000* (restated)	More than 1 year *HK$'000* (restated)	Total *HK$'000* (restated)
Creditors	103,870	–	103,870
Deposits, accrued expenses and other payables	28,758	–	28,758
Due to subsidiaries	–	129,212	129,212
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
	184,643	144,409	329,052

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 2014.

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	**2014** ***HK$'000***	2013 *HK$'000* (restated)
Investments in:		
Hong Kong	**10,595**	8,559
Others	**20,609**	19,165

NOTES TO FINANCIAL STATEMENTS

28 February 2014

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

Insurance risk management

The risk under an insurance contract is the risk that an insured event will occur including the uncertainty of the amount and timing of any resulting claim. The principal risk the Group faces under such contracts is that the actual claims and benefit payments may exceed the carrying amount of insurance liabilities. This is influenced by the frequency of claims, severity of claims, actual benefits paid which are greater than originally estimated and subsequent development of long tail claims. As at the end of the reporting period, except for the provision for claims of life insurance of HK$128,000, no other claims and benefit payments of life and general insurances were unsettled.

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 share 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:

	2014 ***HK$'000***	2013 *HK$'000* (restated)
Total interest-bearing bank borrowings	**258,910**	67,197
Total equity attributable to equity holders of the Company	**541,947**	620,765
Gearing ratio	**48%**	11%

47. COMPARATIVE AMOUNTS

As further explained in note 2.2 to the financial statements, due to the adoption of the new and revised HKFRSs during the current year, the accounting treatment and presentation of certain items and balances in the financial statements have been revised or added to comply with the new requirements. Accordingly, certain prior year adjustments have been made, certain comparative amounts have been reclassified and restated to conform with the current year's presentation and accounting treatments.

48. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 29 May 2014.

FIVE-YEAR FINANCIAL SUMMARY

28 February 2014

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				
	2014	2013	2012	2011	2010
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
		(restated)	(restated)	(restated)#	(restated)#
RESULTS					
CONTINUING OPERATIONS					
REVENUE	**444,113**	498,066	580,716	522,495	407,710
PROFIT/(LOSS) BEFORE TAX	**(85,741)**	23,785	(4,908)	15,338	32,984
INCOME TAX EXPENSE	**(325)**	(447)	(338)	(890)	(611)
PROFIT/(LOSS) FOR THE YEAR FROM CONTINUING OPERATIONS	**(86,066)**	23,338	(5,246)	14,448	32,373
DISCONTINUED OPERATION					
Profit/(loss) for the year from the discontinued operation	**–**	49,849	(3,971)	(3,271)	(8,188)
PROFIT/(LOSS) FOR THE YEAR	**(86,066)**	73,187	(9,217)	11,177	24,185
Attributable to:					
Equity holders of the Company	**(85,068)**	64,344	(7,218)	18,264	33,166
Non-controlling interests	**(998)**	8,843	(1,999)	(7,087)	(8,981)
	(86,066)	73,187	(9,217)	11,177	24,185

\# Comparative figures of the results for the years ended 28 February 2011 and 28 February 2010 have not been restated to reflect the adoption of HKAS 19 (2011) as the directors are of the opinion that it is impracticable to do so.

FIVE-YEAR FINANCIAL SUMMARY

28 February 2014

	As at 28/29 February				
	2014	2013	2012	2011	2010
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
		(restated)	(restated)	(restated)#	(restated)#
ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS					
PROPERTY, PLANT AND EQUIPMENT	**116,471**	72,783	81,806	77,182	66,760
INTERESTS IN ASSOCIATES	**–**	–	–	974	17,361
OTHER ASSETS	**62,258**	52,715	183,956	170,896	195,548
NET CURRENT ASSETS	**494,318**	587,175	412,386	440,757	374,430
NON-CURRENT LIABILITIES	**(68,670)**	(29,710)	(36,462)	(23,310)	(293)
NON-CONTROLLING INTERESTS	**(62,430)**	(62,198)	(51,457)	(54,006)	(68,590)
	541,947	620,765	590,229	612,493	585,216

\# Comparative figures of assets, liabilities and non-controlling interests for the years ended 28 February 2011 and 28 February 2010 have not been restated to reflect the adoption of HKAS 19 (2011) as the directors are of the opinion that it is impracticable to do so.