

NOTES TO FINANCIAL STATEMENTS

28 February 2001

1. CORPORATE INFORMATION

The principal activities of the Company and its subsidiaries have not changed during the year and consisted of the operation of department stores, the rental of properties, property development, securities trading and the operation of restaurants.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

These financial statements have been prepared in accordance with the Statements of Standard Accounting Practice, accounting principles generally accepted in Hong Kong and the Companies Ordinance. They have been prepared under the historical cost convention, except for the remeasurement of investment properties and investments in securities, as further explained below.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year together with the Group's share of the results for the year and post-acquisition reserves of its associates as set out below. The results of subsidiaries and associates acquired or disposed of during the year are consolidated with reference to their effective dates of acquisition or disposal, respectively. All significant intercompany transactions and balances within the Group are eliminated on consolidation.

Goodwill

Goodwill arising on consolidation of subsidiaries represents the excess of the purchase consideration paid for subsidiaries over the fair values ascribed to the net assets acquired and is eliminated against reserves in the year in which it arises.

Goodwill arising on acquisition of associates represents the excess of the purchase consideration paid for associates over the Group's share of the fair value ascribed to the net assets at the date of acquisition and is eliminated against reserves in the year in which it arises.

Upon the disposal of such subsidiaries and associates, the relevant portion of attributable goodwill previously eliminated against reserves is accounted for in arriving at the gain or loss on disposal of the investment.

NOTES TO FINANCIAL STATEMENTS (Continued)

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Subsidiaries

A subsidiary is a company in which the Company, directly or indirectly, controls more than half of its voting power or issued share capital or controls the composition of its board of directors.

Interests in subsidiaries are stated at cost unless, in the opinion of the directors, there have been permanent diminutions in values, when they are written down to values determined by the directors.

Associates

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

The Group's share of the post-acquisition results of associates is included in the consolidated profit and loss account and is calculated from the latest financial statements of the associates which are made up to 28 February 2001, with the exception of Lee Theatre Realty Limited for which financial statements made up to 31 December 2000 are used. The Group's investments in associates are stated in the consolidated balance sheet at the Group's share of the net assets other than goodwill recorded in the associates' own financial statements.

The results of associates are included in the Company's profit and loss account to the extent of dividends received. The Company's investments in associates are stated at directors' valuation.

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

NOTES TO FINANCIAL STATEMENTS (Continued)

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments in securities

- (i) Long term investments in unlisted equity securities, which are intended to be held on a continuing basis, and which are held for identified long term purpose documented at the time of acquisition or change of purpose and are clearly identifiable for the documented purpose, are stated at cost less any provisions for diminutions in values considered to be other than temporary in nature as deemed necessary by the directors, on an individual investment basis. Any reductions in carrying amounts is charged to the profit and loss account.

When the circumstances and events that led to the write-downs or write-offs of long term investments cease to exist and there is persuasive evidence that the new circumstances and events will persist for the foreseeable future, the appreciation in fair value is credited to profit and loss account, on an individual investment basis, to the extent of the amount previously charged.

- (ii) Investments in marketable securities are stated at their fair values on the basis of their quoted market prices at the balance sheet date on an individual investment basis. The gains or losses arising from changes in their respective fair values are credited or charged to the profit and loss account for the period in which they arise.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on a 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 the estimated selling prices less any estimated costs necessary to make the sale.

Debtors

Debtors, which generally have credit terms of one to three months, are recognised and carried at the original invoiced amount. An estimate for doubtful debts is made and deducted when collection of the full amount is no longer probable. Bad debts are written off as incurred.

NOTES TO FINANCIAL STATEMENTS (Continued)

28 February 2001

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fixed assets and depreciation

Fixed assets, other than investment properties, are stated at cost less accumulated depreciation. The cost of an asset 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 the fixed assets have been put into operation, such as repairs and maintenance costs, are normally charged to the profit and loss account in the period in which they are incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the fixed asset, the expenditure is capitalised as an additional cost of the fixed asset.

Depreciation is calculated on the straight-line basis to write off the cost of each asset over its estimated useful life. The principal annual rates used for this purpose are as follows:

Land	Over the remaining lease terms
Buildings	2% - 4%
Furniture, fixtures and equipment	10% - 20%
Motor vehicles	16 $\frac{2}{3}$ % - 25%
Leasehold improvements	Shorter of lease terms and useful life

The gain or loss on disposal or retirement of a fixed asset recognised in the profit and loss account is the difference between the sales proceeds and the carrying amount of the relevant asset.

Where, in the opinion of the directors, the recoverable amounts of fixed assets have declined below their carrying amounts, provisions are made to write down the carrying amounts of such their recoverable amounts. Reductions in recoverable amounts are charged directly to the profit and loss account.

NOTES TO FINANCIAL STATEMENTS (Continued)

28 February 2001

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investment properties

Investment properties are interests in land and buildings in respect of which construction work and development have been completed and which are intended to be held on a long term basis for their investment potential. Such properties are not depreciated and are stated at their open market values on the basis of annual professional valuations performed at the end of each financial year. Changes in the values of investment properties are dealt with as movements in the investment property revaluation reserve. If the total of this reserve is insufficient to cover a deficit, on a portfolio basis, the excess of the deficit is charged to the profit and loss account. Any subsequent revaluation surplus is credited to the profit and loss account to the extent of the deficit previously charged.

Upon disposal of an investment property, the relevant portion of the investment property revaluation reserve realised in respect of the previous valuations is released to the profit and loss account.

Properties under development

Properties under development are stated at cost plus attributable profits less foreseeable losses and sums received or receivable from buyers. Cost includes all costs attributable to such development, including finance charges capitalised until the earlier of the date of sales of the development or the date of the completion of the development.

When a property under development is pre-sold, the attributable profit recognised on the pre-sold portion of the property under development is determined by the apportionment of the estimated profit over the entire period of construction to reflect the progress of the development and is calculated by reference to the proportion of construction costs incurred up to the balance sheet date to the estimated total construction costs to completion, with due allowance for contingencies.

No depreciation is provided on properties under development.

NOTES TO FINANCIAL STATEMENTS (Continued)

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Properties held for sale

Properties held for sale are stated at the lower of their carrying amount and net realisable value. Carrying amount represents the cost or valuation, net of accumulated depreciation, transferred from land and buildings or investment properties in prior years. Income on property sales is recognised when the legally binding sales contracts are signed.

Borrowing costs

Borrowing costs directly attributable to the acquisition or construction of an asset which takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the costs of the asset. The capitalisation rate for the year is based on the attributable cost of the specific borrowings. All other borrowing costs are charged to the profit and loss account in the period in which they are incurred.

Operating leases

Leases where substantially all the rewards and risks of ownership of assets remain with the leasing company are accounted for as operating leases. Rentals applicable to such operating leases are credited or charged to the profit and loss account as incurred.

Retirement benefits

The Group and its associates operate a retirement benefit scheme (the "Scheme") for their Hong Kong permanent employees which is of a non-contributory defined benefit nature. The Scheme is actuarially valued on a regular basis using the prospective actuarial valuation method. The Group's profit and loss account is charged each year with actuarially determined contributions based on such valuations.

In addition, the Group also operates a defined contribution Mandatory Provident Fund ("MPF") retirement benefit 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 profit and loss account 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.

NOTES TO FINANCIAL STATEMENTS (Continued)

28 February 2001

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred tax

Deferred tax is provided, using the liability method, on all significant timing differences in the recognition of revenue and expenses for tax and financial reporting purposes to the extent it is probable that the liability will crystallise in the foreseeable future. A deferred tax asset is not recognised until its realisation is assured beyond reasonable doubt.

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, on a time proportion basis taking into account the principal outstanding and the effective rate of interest applicable;
- (c) dividends, when the shareholders' rights to receive payment is established;
- (d) rental income, in the period in which the properties are let out and on the straight-line basis over the lease terms;
- (e) sales of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;
- (f) sale of properties, when the legally binding unconditional sales contracts are signed and exchanged;
- (g) pre-sale of properties under development, when the construction work has progressed to a stage where the ultimate realisation of profit can be reasonably determined and on the basis set out under the paragraph, "Properties under development" above; and
- (h) receipts from restaurant operations, upon the delivery of food and beverages to customers.

NOTES TO FINANCIAL STATEMENTS (Continued)

28 February 2001

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Research and development costs

All research costs are charged to the profit and loss account as incurred.

Expenditure incurred on projects to develop new products is capitalised and deferred only when the projects are clearly defined; the expenditure is separately identifiable and can be measured reliably; there is reasonable certainty that the projects are technically feasible; and the products have commercial value. Product development expenditure which does not meet these criteria is expensed when incurred.

Deferred development costs are amortised using the straight-line basis over the commercial lives of the underlying products from three to five years, commencing from the date when the products are put into commercial production.

Foreign currencies

Foreign currency transactions are recorded at the rates of exchange ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the rates of exchange ruling at that date. Exchange differences are dealt with in the profit and loss account.

Forward exchange contracts are valued at the rate of exchange ruling at the balance sheet date and exchange differences are dealt with in the profit and loss account.

On consolidation, the financial statements of overseas subsidiaries and associates are translated to Hong Kong dollars at the applicable rates of exchange ruling at the balance sheet date. The resulting translation differences are included in the general reserve.

Related parties

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party, or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities.

Cash equivalents

For the purpose of the consolidated cash flow statement, cash equivalents represent short term highly liquid investments which are readily convertible into known amounts of cash and which were within three months of maturity when acquired, less advances from banks repayable within three months from the date of the advance. For the purpose of balance sheet classification, cash and bank balances represent assets which are not restricted to use.

NOTES TO FINANCIAL STATEMENTS (Continued)

28 February 2001

3. TURNOVER

Turnover represents the invoiced value of goods sold less discounts and returns, rental income net of outgoings, gross proceeds from the sales of properties, net gain or loss on securities trading and the receipts from restaurant operations.

An analysis of the Group's turnover is as follows:

	2001			2000		
	Hong Kong	Other	Total	Hong Kong	Other	Total
	HK\$'000	territories	HK\$'000	HK\$'000	territories	HK\$'000
By activity:						
Department store operations	381,735	1,504	383,239	419,867	28,309	448,176
Restaurant operations	30,059	-	30,059	31,297	-	31,297
Property rental, net of outgoings	42,602	4,296	46,898	53,428	11,415	64,843
Gross proceeds from sales of properties	-	-	-	-	285,382	285,382
Securities trading	(50,855)	(32,225)	(83,080)	37,116	51,436	88,552
	<u>403,541</u>	<u>(26,425)</u>	<u>377,116</u>	<u>541,708</u>	<u>376,542</u>	<u>918,250</u>
By geographical location:						
Hong Kong	403,541	-	403,541	541,708	-	541,708
The People's Republic of China ("PRC"), excluding Hong Kong	-	5,225	5,225	-	31,817	31,817
United Kingdom	-	575	575	-	293,289	293,289
Others	-	(32,225)	(32,225)	-	51,436	51,436
	<u>403,541</u>	<u>(26,425)</u>	<u>377,116</u>	<u>541,708</u>	<u>376,542</u>	<u>918,250</u>

NOTES TO FINANCIAL STATEMENTS (Continued)

28 February 2001

4. PROFIT/(LOSS) FROM OPERATING ACTIVITIES – SEGMENTAL INFORMATION

Group

	2001			2000		
	Hong Kong	Other	Total	Hong Kong	Other	Total
	HK\$'000	territories HK\$'000	HK\$'000	HK\$'000	territories HK\$'000	HK\$'000
By activity:						
Department store operations	147,584	(3,408)	144,176	156,352	(3,517)	152,835
Restaurant operations	21,031	-	21,031	22,541	-	22,541
Property rental, net of outgoings	42,602	4,296	46,898	53,428	11,415	64,843
Sales of properties	-	-	-	-	23,650	23,650
Securities trading	(50,855)	(32,225)	(83,080)	37,116	51,436	88,552
Interest income	27,458	8,862	36,320	31,782	11,437	43,219
Income from counter and consignment sales	48,695	12,441	61,136	39,805	26,597	66,402
Others	12,882	50,884	63,766	27,520	5,381	32,901
Operating expenses	(379,271)	(87,766)	(467,037)	(356,859)	(123,216)	(480,075)
	<u>(129,874)</u>	<u>(46,916)</u>	<u>(176,790)</u>	<u>11,685</u>	<u>3,183</u>	<u>14,868</u>
By geographical location:						
Hong Kong	(129,874)	-	(129,874)	11,685	-	11,685
PRC, excluding Hong Kong	-	(53,853)	(53,853)	-	(68,299)	(68,299)
United Kingdom	-	38,970	38,970	-	10,578	10,578
Others	-	(32,033)	(32,033)	-	60,904	60,904
	<u>(129,874)</u>	<u>(46,916)</u>	<u>(176,790)</u>	<u>11,685</u>	<u>3,183</u>	<u>14,868</u>

NOTES TO FINANCIAL STATEMENTS (Continued)

28 February 2001

5. PROFIT/(LOSS) FROM OPERATING ACTIVITIES

The Group's profit/(loss) from operating activities is arrived at after charging/(crediting):

	2001 HK\$'000	2000 HK\$'000
Depreciation	32,367	41,557
Auditors' remuneration	2,088	2,320
Staff costs, including directors' remuneration (Note 28)		
Wages and salaries	105,574	122,059
Pension contributions	7,560	7,214
	<u>113,134</u>	<u>129,273</u>
Provision/(write-back of provision) for doubtful debts	(1,304)	3,709
Provision for diminution in value of long term investments	12,602	–
Operating lease rentals on land and buildings	133,215	155,458
Write-off of fixed assets	40,428	27,382
Loss on disposal of fixed assets	94	1,626
Research and development costs	11,497	–
Exchange losses/(gains) – net	9,273	(4,656)
Gross rental income	(50,554)	(69,453)
Less: Outgoings	<u>3,656</u>	<u>4,610</u>
Net rental income	<u>(46,898)</u>	<u>(64,843)</u>
Dividends from listed investments	(6,493)	(2,894)
Net loss/(gain) on securities trading	83,080	(88,552)
Interest income	(36,320)	(43,219)
Revaluation surplus of investment properties in the PRC	<u>–</u>	<u>(12,135)</u>

NOTES TO FINANCIAL STATEMENTS (Continued)

28 February 2001

6. GAIN ON DISPOSAL OF A SUBSIDIARY

The amount represented the gain on disposal of a 61% equity interest in a subsidiary which principally engaged in property development in the United Kingdom. Upon the completion of the disposal, the Company's remaining 30% equity interest has been reclassified as interest in an associate.

7. RETIREMENT SCHEME

During the year, the Group operated a mandatory provident fund ("MPF") scheme and a non-contributory defined benefit retirement scheme (the "Scheme") covering Hong Kong permanent employees. The assets of both schemes are held separately from those of the Group in funds under the control of the trustees.

The MPF scheme became effective from 1 December 2000. According to the terms of the MPF scheme, the Group and each of the eligible employees make monthly contributions at 5% of the eligible employee's basic monthly salary, limited to a maximum of HK\$1,000 per month.

The Scheme was registered in March 1996 under The Occupational Retirement Schemes Ordinance (the "Ordinance"). The benefits accruing to a retiring employee are based on the employee's final remuneration and length of service. Contributions to the Scheme are made in accordance with the recommendations of independent qualified actuaries who value the Scheme at regular intervals of not less than three years.

The Scheme was fully funded on a wind-up basis in October 1998. The Ordinance requires any deficits on an ongoing basis to be eliminated over a period of time in accordance with the funding recommendations of a qualified actuary. The latest valuation of the Scheme was made on 28 February 2001 and was performed by Aaron Wong, Fellow of The Society of Actuaries, of Watson Wyatt Hong Kong Limited. At that date, the market value of the Scheme's assets was HK\$50,415,000. On an ongoing basis, the actuarial value of the assets represented 113% of the benefits accrued to members, after allowing for expected future increases in salaries, and the resulting surplus amounted to HK\$5,877,000. On a wind-up basis, the actuarial value of the assets represented 158% of the benefits accrued to members, based on current salaries, and the resulting surplus amounted to HK\$18,557,000. The current funding rate is that recommended by the actuary in order to ensure that the Scheme will be able to meet its future liabilities.

NOTES TO FINANCIAL STATEMENTS (Continued)

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7. RETIREMENT SCHEME (Continued)

The actuarial method used is the attained age method and the main assumptions used in this valuation were a long term investment return of 9% per annum and salary increases of 8% per annum. The minimum level of funding by the Company commencing 1 March 2001 as recommended by the actuary was a contribution rate of 6.9% of members' salaries.

The employees in the subsidiaries located in the PRC are members of the Central Pension Scheme operated by the Chinese 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.

8. FINANCE COSTS

	2001 HK\$'000	2000 HK\$'000
Interest on bank loans and other loans wholly repayable within five years	65,360	80,078
Less: Interest capitalised (Notes 13 and 18)	(3,603)	(16,882)
Net interest expense	<u>61,757</u>	<u>63,196</u>

9. TAX

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the year (2000: Nil).

Overseas tax has been provided on the profits of the overseas subsidiaries in accordance with the tax laws of the countries in which these subsidiaries operate.

NOTES TO FINANCIAL STATEMENTS (Continued)

28 February 2001

9. TAX (Continued)

Tax in the consolidated profit and loss account represents:

	2001 HK\$'000	2000 HK\$'000
Provision for tax in respect of profit for the year:		
Hong Kong	-	-
Overseas	2,319	1,414
	<u>2,319</u>	<u>1,414</u>
Associates	773	6,725
	<u>773</u>	<u>6,725</u>
Tax charge for the year	<u>3,092</u>	<u>8,139</u>

Tax in the balance sheet represents:

	Group		Company	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Estimated liability for profits tax	-	1,414	-	-
Estimated profits tax brought forward from prior years	150	2,538	-	-
Provisional profits tax paid	(76)	(229)	-	-
	<u>74</u>	<u>3,723</u>	<u>-</u>	<u>-</u>

NOTES TO FINANCIAL STATEMENTS (Continued)

28 February 2001

9. TAX (Continued)

An unrecognised deferred tax asset/(liability) calculated at the rate of 16% (2000: 16%) on the accumulated timing differences at the balance sheet date is analysed as follows:

	Group		Company	
	2001	2000	2001	2000
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Accelerated depreciation allowances	3,198	2,067	1,865	686
Tax losses	89,889	68,293	79,132	62,125
	93,087	70,360	80,997	62,811

There are no significant potential deferred tax liabilities for which a provision has not been made.

10. NET LOSS FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS

The net loss from ordinary activities attributable to shareholders dealt with in the financial statements of the Company amounted to HK\$216,106,000 (2000: HK\$101,054,000).

11. LOSS PER SHARE

The calculation of loss per share is based on the net loss from ordinary activities attributable to shareholders for the year of HK\$268,810,000 (2000: HK\$26,477,000) and the 574,308,000 (2000: 574,308,000) shares in issue throughout the year.

No diluted loss per share is presented for both current and last year as there are no dilutive potential ordinary shares.

NOTES TO FINANCIAL STATEMENTS (Continued)

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12. FIXED ASSETS

Group

	Investment properties HK\$'000	Land and buildings HK\$'000	Furniture, fixtures, equipment and motor vehicles HK\$'000	Leasehold improvements HK\$'000	Total HK\$'000
Cost or valuation:					
At beginning of year	98,759	250,327	44,252	147,541	540,879
Additions	6,300	5,586	1,802	2,685	16,373
Disposals	-	-	(454)	-	(454)
Written off	-	-	-	(49,405)	(49,405)
Transfers	19,159	(20,177)	-	-	(1,018)
At 28 February 2001	124,218	235,736	45,600	100,821	506,375
Accumulated depreciation:					
At beginning of year	-	23,157	16,404	53,020	92,581
Provided during the year	-	7,929	7,922	16,516	32,367
Disposals	-	-	(327)	-	(327)
Written back	-	-	-	(8,977)	(8,977)
Transfers	-	(1,018)	-	-	(1,018)
At 28 February 2001	-	30,068	23,999	60,559	114,626
Net book value:					
At 28 February 2001	124,218	205,668	21,601	40,262	391,749
At 29 February 2000	98,759	227,170	27,848	94,521	448,298
Analysis of cost or valuation:					
At cost	-	205,668	21,601	40,262	267,531
At valuation	124,218	-	-	-	124,218
	124,218	205,668	21,601	40,262	391,749

NOTES TO FINANCIAL STATEMENTS (Continued)

28 February 2001

12. FIXED ASSETS (Continued)

Company

	Land and buildings HK\$'000	Furniture, fixtures, equipment and motor vehicles HK\$'000	Leasehold improvements HK\$'000	Total HK\$'000
Cost:				
At beginning of year	434	31,074	71,780	103,288
Additions	-	1,060	1,059	2,119
Disposals	-	(427)	-	(427)
Written off	-	-	(16,011)	(16,011)
At 28 February 2001	434	31,707	56,828	88,969
Accumulated depreciation:				
At beginning of year	191	10,880	27,595	38,666
Provided during the year	9	5,696	8,650	14,355
Disposals	-	(328)	-	(328)
Written back	-	-	(5,310)	(5,310)
At 28 February 2001	200	16,248	30,935	47,383
Net book value:				
At 28 February 2001	234	15,459	25,893	41,586
At 29 February 2000	243	20,194	44,185	64,622

NOTES TO FINANCIAL STATEMENTS (Continued)

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12. FIXED ASSETS (Continued)

The tenures and locations of the Group's land and buildings are as follows:

	Hong Kong HK\$'000	Overseas HK\$'000	Total HK\$'000
Land and buildings:			
Medium term leasehold	<u>88,442</u>	<u>117,226</u>	<u>205,668</u>

The investment properties are situated in the PRC and held under medium term leases.

The investment properties were revalued on 28 February 2001 by DTZ Debenham Tie Leung Limited, an independent firm of professional valuers, on an open market basis based on existing use. There is no revaluation difference arising from the valuation.

The investment properties and certain of the land and buildings which are situated in the PRC are pledged as security to a bank for a bank loan granted (Note 23).

13. PROPERTIES UNDER DEVELOPMENT

	Group	
	2001 HK\$'000	2000 HK\$'000
At beginning of year	592,451	410,651
Additions	69,495	166,378
Disposal of a subsidiary (Note 29 (c))	(535,757)	–
Interest capitalised (Note 8)	3,603	15,422
Transferred from properties under development for sale (Note 18)	<u>279,147</u>	<u>–</u>
	<u>408,939</u>	<u>592,451</u>

As at 28 February 2001, the properties under development represented costs incurred in relation to property development projects in London, the United Kingdom and in Dalian, PRC, and are pledged as security to banks for bank loans granted (Note 23).

NOTES TO FINANCIAL STATEMENTS (Continued)

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14. LONG TERM RECEIVABLES

Long term receivables represent amounts due from purchasers of units in the Sincere House and are secured by those units and bear interest at 2.25% or 2.75% over the best annual lending rate in Hong Kong as quoted from time to time by The Hongkong and Shanghai Banking Corporation Limited.

Last year, the long term receivables also included the amount of approximately HK\$48,993,000 due from a wholly-owned subsidiary of Marylebone Warwick Balfour Group PLC, the holding company of a major shareholder of an associate of the Group and the development manager of certain of the Group's property development projects in London, the United Kingdom, for the purchase of the Mount Vernon properties. The amounts due from Marylebone Warwick Balfour Group PLC were secured by the Mount Vernon properties and were interest-free. The amount has been reclassified as an other receivable within current assets in the current year and has been fully settled on 26 April 2001.

	Group	
	2001	2000
	HK\$'000	HK\$'000
Total amounts receivable	13,336	82,800
Amounts receivable within one year classified as current assets	(2,318)	(7,420)
Long term portion	<u>11,018</u>	<u>75,380</u>

15. INTERESTS IN SUBSIDIARIES

	Company	
	2001	2000
	HK\$'000	HK\$'000
Unlisted shares, at cost	41,742	41,752
Due from subsidiaries	1,135,318	1,320,352
Due to subsidiaries	(65,979)	(67,666)
	<u>1,111,081</u>	<u>1,294,438</u>
Less: Provisions for diminutions in values	(235,140)	(168,908)
	<u>875,941</u>	<u>1,125,530</u>

NOTES TO FINANCIAL STATEMENTS (Continued)

28 February 2001

15. INTERESTS IN SUBSIDIARIES (Continued)

The balances with subsidiaries are unsecured and are not repayable within the next twelve months. Certain of the balances bear interest at 7.3% (2000: 9.54%) per annum.

Particulars of the subsidiaries are as follows:

Company	Place of incorporation/ registration and principal operations	Issued/ registered share capital/paid-up capital	Class of shares held	Percentage held		Nature of business
				Directly	Indirectly	
Citihood Developments Limited	British Virgin Islands	US\$30,000	Registered	100	–	Investment holding
Dalian Sincere (Qiu Lin) Building Co., Ltd.	People's Republic of China	RMB72,000,000	N/A	–	70	Property development and operation of a department store
etailPacific Inc. *	Cayman Islands	US\$30,000	Preferred	–	70	Investment holding
etailPacific Limited*	Hong Kong	HK\$1,000	Ordinary	–	70	E-commerce
Finsbay Investment Limited	British Virgin Islands	US\$10,000	Registered	–	51	Investment holding
Grandrest Projects Limited	United Kingdom	GBP2	Ordinary	–	100	Dormant

NOTES TO FINANCIAL STATEMENTS (Continued)

28 February 2001

15. INTERESTS IN SUBSIDIARIES (Continued)

Company	Place of incorporation/ registration and principal operations	Issued/ registered share capital/paid-up capital	Class of shares held	Percentage held		Nature of business
				Directly	Indirectly	
Guangzhou Sincere Co., Ltd.	People's Republic of China	US\$700,000	N/A	-	100	Dormant
Jubilee Street**	United Kingdom	GBP967	Ordinary "A" shares	-	100	Property investment
		GBP33	Ordinary "B" shares	-	-	
Kittany Limited	Hong Kong	HK\$20	Ordinary	100	-	Property holding
Latchmore Limited	British Virgin Islands	US\$2	Registered	100	-	Dormant
Orangeplume Limited	United Kingdom	GBP2	Ordinary	-	100	Dormant
Ottoway Limited	British Virgin Islands	US\$1	Registered	100	-	Investment holding
Palatial Estates Holding Inc.	British Virgin Islands	US\$50,000	Registered	100	-	Investment holding
140 Park Lane Limited***	United Kingdom	GBP751	Ordinary	-	91	Property development

NOTES TO FINANCIAL STATEMENTS (Continued)

28 February 2001

15. INTERESTS IN SUBSIDIARIES (Continued)

Company	Place of incorporation/ registration and principal operations	Issued/ registered share capital/paid-up capital	Class of shares held	Percentage held		Nature of business
				Directly	Indirectly	
Peak Restaurants Limited	Hong Kong	HK\$22,500,000	Ordinary	–	70	Operation of restaurants
Prizeport Limited	United Kingdom	GBP2,200,000	Ordinary	–	95	Property development
Right View Limited	Hong Kong	HK\$2	Ordinary	–	100	Property holding
Shanghai Sincere Company Limited	People's Republic of China	US\$10,000,000	N/A	–	100	Dormant
The Shanghai Sincere Department Store Co., Ltd.	People's Republic of China	RMB5,000,000	Registered	–	100	Dormant
The Shanghai Sincere Trading and Development Co., Ltd.	People's Republic of China	RMB1,000,000	Registered	–	100	Dormant
The Signature Company Limited****	Hong Kong	HK\$10,000	Ordinary	100	–	Dormant
Silveroute Limited	British Virgin Islands	US\$1	Registered	100	–	Securities trading

NOTES TO FINANCIAL STATEMENTS (Continued)

28 February 2001

15. INTERESTS IN SUBSIDIARIES (Continued)

Company	Place of incorporation/ registration and principal operations	Issued/ registered share capital/paid-up capital	Class of shares held	Percentage held		Nature of business
				Directly	Indirectly	
Sincere B.V.I. Limited	British Virgin Islands	US\$100	Registered	100	–	Investment holding
The Sincere Company Taiwan Limited	Taiwan	NT\$1,000,000	Ordinary	70	–	Dormant
The Sincere Department Store (China) Limited	British Virgin Islands	US\$50,000	Registered	100	–	Investment holding
The Sincere Department Store Company Limited	Hong Kong	HK\$2	Ordinary	100	–	Dormant
The Sincere Finance Company, Limited	Hong Kong	HK\$2	Ordinary	100	–	Finance
The Sincere Industrial (China) Limited	British Virgin Islands	US\$50,000	Registered	100	–	Dormant

NOTES TO FINANCIAL STATEMENTS (Continued)

28 February 2001

15. INTERESTS IN SUBSIDIARIES (Continued)

Company	Place of incorporation/ registration and principal operations	Issued/ registered share capital/paid-up capital	Class of shares held	Percentage held		Nature of business
				Directly	Indirectly	
Sincere Investment Company Limited	Canada	C\$5,000	Common	100	–	Dormant
The Sincere Properties Company (Australia) Pty Limited	Australia	A\$3,997,000	Ordinary	100	–	Dormant
		A\$3,000,000	Redeemable preference	100	–	
		A\$3,000	6% Redeemable preference	100	–	
Sincere Worldwide Limited	British Virgin Islands	US\$2	Registered	100	–	Investment holding
Springview Limited	Hong Kong	HK\$500,000	Ordinary	100	–	Securities trading
Talefine Limited	United Kingdom	GBP1,000	Ordinary	–	50	Dormant
Taunton Investments Limited	British Virgin Islands	US\$100	Registered	100	–	Dormant
Trustcorp Limited	United Kingdom	GBP1,000	Ordinary	–	50	Dormant

NOTES TO FINANCIAL STATEMENTS (Continued)

28 February 2001

15. INTERESTS IN SUBSIDIARIES (Continued)

* Subsequent to the balance sheet date, on 28 March 2001, the Group's effective interest in etailPacific Inc. and etailPacific Limited has reduced to 50%.

** Incorporated during the year.

*** During the year, on 27 March 2000, the Group disposed of its 61% interest in 140 Park Lane Limited, and the Group's remaining 30% equity interest has been reclassified as interest in an associate. Please refer to note 6 for details of the transaction.

**** Liquidated during the year.

16. INTERESTS IN ASSOCIATES

	Group		Company	
	2001	2000	2001	2000
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Unlisted shares, at directors' valuation	-	-	144,356	144,356
Share of net assets other than goodwill	692,977	602,059	-	-
	692,977	602,059	144,356	144,356
Due from associates	266,412	269,000	267,507	269,000
	959,389	871,059	411,863	413,356

The Group's share of the post-acquisition accumulated reserves of associates at 28 February 2001 was HK\$497,792,000 (2000: HK\$457,703,000).

The balances with associates are unsecured and not repayable within the next twelve months. Except for the amount of HK\$263,754,000 (2000: HK\$263,754,000) due from an associate which bears interest at HIBOR plus 1.5% per annum, all the balances with the associates are interest-free.

NOTES TO FINANCIAL STATEMENTS (Continued)

28 February 2001

16. INTERESTS IN ASSOCIATES (Continued)

Included in the above are the results of Lee Theatre Realty Limited which, in the opinion of the directors, is material to the Group's financial results. Details of the financial position and the results for the year ended 31 December 2000 of Lee Theatre Realty Limited are as follows:

	2001 HK\$'000	2000 HK\$'000
Current assets	10,696	9,123
Current liabilities	36,296	33,382
Non-current assets	1,870,057	1,700,000
Non-current liabilities	879,181	879,181
Turnover	121,471	128,242
Profit before tax	28,751	39,734
Profit attributable to the Group	<u>7,987</u>	<u>10,906</u>

Particulars of the associates are as follows:

Company	Business Structure	Place of incorporation	Class of shares held	Percentage of issued shares held	Nature of business
Arcadeland Limited *	Corporate	United Kingdom	Ordinary	27.00	Property investment
Brandlord Limited *	Corporate	United Kingdom	Ordinary	27.00	Property investment
Tailbay Investments Limited *	Corporate	British Virgin Islands	Ordinary	30.00	Investment holding
The Sincere Life Assurance Company Limited ("Life")	Corporate	Hong Kong	Ordinary	48.09	Insurance and investment

NOTES TO FINANCIAL STATEMENTS (Continued)

28 February 2001

16. INTERESTS IN ASSOCIATES (Continued)

Company	Business Structure	Place of incorporation	Class of shares held	Percentage of issued shares held	Nature of business
The Sincere Insurance and Investment Company Limited ("Insurance")	Corporate	Hong Kong	Ordinary	40.67	General insurance and investment
The Sincere Company (Perfumery Manufacturers) Limited ("Perfumery")	Corporate	Hong Kong	Ordinary	37.15	Investment
Lee Theatre Realty Limited	Corporate	Hong Kong	Ordinary	30.00	Property investment
140 Park Lane Ltd**	Corporate	United Kingdom	Ordinary	30.00	Property investment

* Acquired during the year

** 140 Park Lane Limited ("140 Park Lane") became an associate of the Group on 27 March 2000. Please refer to note 6 for details of the transaction.

All the issued shares of Lee Theatre Realty Limited were pledged as security to a bank for banking facilities granted to the Group (Note 23).

At 28 February 2001, Life, Insurance and Perfumery directly held 31.89%, 13.17% and 0.30%, respectively, of the issued share capital of the Company.

NOTES TO FINANCIAL STATEMENTS (Continued)

28 February 2001

17. LONG TERM INVESTMENTS

	Group		Company	
	2001	2000	2001	2000
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Unlisted investments at cost,				
less provision:				
Hong Kong	9,623	7,076	9,623	7,076
Taiwan	10,506	23,108	10,506	23,108
	<u>20,129</u>	<u>30,184</u>	<u>20,129</u>	<u>30,184</u>

At 28 February 2001, the unlisted investment in Taiwan of the Group and the Company represented an interest of 19.5% (2000: 19.5%) in the issued share capital of The Sincere Department Store Limited and a provision of HK\$12,602,000 (2000: Nil) has been made during the year for diminution in value as considered necessary by the directors of the Company.

18. PROPERTIES UNDER DEVELOPMENT FOR SALE

	Group	
	2001	2000
	HK\$'000	HK\$'000
Carrying value at beginning of year	269,570	274,505
Additions	9,577	9,996
Interest capitalised (Note 8)	-	1,460
Transferred to investment properties	-	(7,606)
Transferred to land and buildings	-	(8,785)
Transferred to property under development (Note 13)	<u>(279,147)</u>	<u>-</u>
At the balance sheet date	<u>-</u>	<u>269,570</u>

NOTES TO FINANCIAL STATEMENTS (Continued)

28 February 2001

19. PROPERTIES HELD FOR SALE

	Group	
	2001	2000
	HK\$'000	HK\$'000
Carrying value at beginning of year	-	301,945
Additions/(disposals)	860	(301,945)
	<u>860</u>	<u>-</u>
At the balance sheet date	<u>860</u>	<u>-</u>

20. DEBTORS

The maturity profile of current portion of the amounts due from purchasers of units in the Sincere House at 28 February 2001 was as follows:

	Group	
	2001	2000
	HK\$'000	HK\$'000
Current - 3 months	556	4,152
4 - 6 months	571	1,069
7 - 12 months	1,191	2,199
	<u>2,318</u>	<u>7,420</u>

21. MARKETABLE SECURITIES

	Group	
	2001	2000
	HK\$'000	HK\$'000
Listed investments, at market value:		
Hong Kong	68,940	91,090
Elsewhere	401,946	446,410
	<u>470,886</u>	<u>537,500</u>

As at the balance sheet date, marketable securities with an aggregate market value of approximately HK\$435,700,000 (2000: HK\$414,142,000) were pledged to banks to secure banking facilities granted to the Group (Note 23).

NOTES TO FINANCIAL STATEMENTS (Continued)

28 February 2001

22. CASH AND BANK BALANCES

	Group		Company	
	2001	2000	2001	2000
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Cash on hand and in banks	27,152	68,093	8,658	9,791
Deposits with banks	973	209	-	-
	<u>28,125</u>	<u>68,302</u>	<u>8,658</u>	<u>9,791</u>

23. INTEREST-BEARING BANK LOANS AND OVERDRAFTS, SECURED

	Group		Company	
	2001	2000	2001	2000
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Bank loans and overdrafts, secured	779,809	1,149,928	327,300	377,440
Portion due within one year included under current liabilities	(448,863)	(759,132)	(27,300)	(77,440)
Long term portion	<u>330,946</u>	<u>390,796</u>	<u>300,000</u>	<u>300,000</u>
The bank loans and overdrafts are repayable in various instalments within a period of:				
Less than 1 year or on demand	448,863	759,132	27,300	77,440
More than 1 year but less than 2 years	330,946	90,796	300,000	-
More than 2 years but less than 5 years	-	300,000	-	300,000
	<u>779,809</u>	<u>1,149,928</u>	<u>327,300</u>	<u>377,440</u>

NOTES TO FINANCIAL STATEMENTS (Continued)

28 February 2001

24. CREDITORS

The age analysis of trade creditors at 28 February 2001 was as follows:

	Group		Company	
	2001	2000	2001	2000
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Current - 3 months	19,534	12,537	18,999	11,655
4 - 6 months	216	168	216	168
7 - 12 months	173	209	140	209
Over 1 year	531	609	531	609
	<u>20,454</u>	<u>13,523</u>	<u>19,886</u>	<u>12,641</u>

25. SHARE CAPITAL

	2001	2000
	HK\$'000	HK\$'000
Authorised:		
600,000,000 ordinary shares of HK\$0.50 each	<u>300,000</u>	<u>300,000</u>
Issued and fully paid:		
574,308,000 ordinary shares of HK\$0.50 each	<u>287,154</u>	<u>287,154</u>

26. SHARE PREMIUM ACCOUNT

	2001	2000
	HK\$'000	HK\$'000
At beginning and end of year	<u>26</u>	<u>26</u>

NOTES TO FINANCIAL STATEMENTS (Continued)

28 February 2001

27. RESERVES

	Group		Company	
	2001	2000	2001	2000
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Retained profits:				
At beginning of year	1,294,159	1,320,636	972,381	1,073,435
Loss for the year	(268,810)	(26,477)	(216,106)	(101,054)
At the balance sheet date	1,025,349	1,294,159	756,275	972,381
General reserve:				
At beginning of year	35,973	41,313	46,613	46,613
Exchange adjustment	(1,885)	(5,340)	-	-
At the balance sheet date	34,088	35,973	46,613	46,613
Investment property revaluation reserve:				
At beginning of year	202,352	215,351	-	-
Share of revaluation surplus/ (deficit) of associates	85,235	(6,000)	-	-
Realisation on disposal	-	(6,999)	-	-
At the balance sheet date	287,587	202,352	-	-
Total reserves	1,347,024	1,532,484	802,888	1,018,994

NOTES TO FINANCIAL STATEMENTS (Continued)

28 February 2001

27. RESERVES (Continued)

Retained as follows:

	Group		Company	
	2001	2000	2001	2000
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Company	802,888	1,018,994	802,888	1,018,994
Subsidiaries	46,344	55,787	-	-
Associates	497,792	457,703	-	-
	<u>1,347,024</u>	<u>1,532,484</u>	<u>802,888</u>	<u>1,018,994</u>

Note:

At 28 February 2001, the Company's reserves available for distribution, calculated in accordance with the provisions of Section 79B of the Companies Ordinance, amounted to HK\$802,888,000 (2000: HK\$1,018,994,000).

28. DIRECTORS' REMUNERATION AND OF THE FIVE HIGHEST PAID INDIVIDUALS

Directors' remuneration consists of:

	Executive Directors		Other Directors		Total	
	2001	2000	2001	2000	2001	2000
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Fees	3,157	3,055	402	402	3,559	3,457
Salaries and allowances	19,632	18,491	-	-	19,632	18,491
Bonuses	-	608	-	-	-	608
Pension contributions	405	412	-	-	405	412
	<u>23,194</u>	<u>22,566</u>	<u>402</u>	<u>402</u>	<u>23,596</u>	<u>22,968</u>

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

NOTES TO FINANCIAL STATEMENTS (Continued)

28 February 2001

28. DIRECTORS' REMUNERATION AND OF THE FIVE HIGHEST PAID INDIVIDUALS (Continued)

The remuneration of the directors fell within the following bands:

	Number of directors	
	2001	2000
HK\$Nil - HK\$1,000,000	3	3
HK\$2,500,001 - HK\$3,000,000	1	1
HK\$8,000,001 - HK\$8,500,000	1	1
HK\$11,000,001 - HK\$11,500,000	1	1
	<u>1</u>	<u>1</u>

Of the five highest paid individuals, three are directors of the Company and their remuneration has been included in the directors' remuneration. The remuneration of the remaining two highest paid individuals, analysed by the nature thereof and designated bands, is as set out below:

	Group	
	2001	2000
	HK\$'000	HK\$'000
Salaries and allowances	4,242	4,070
Pension contributions	411	411
	<u>4,653</u>	<u>4,481</u>

	Number of individuals	
	2001	2000
HK\$1,500,001 - HK\$2,000,000	1	1
HK\$2,000,001 - HK\$2,500,000	-	1
HK\$2,500,001 - HK\$3,000,000	1	-
	<u>1</u>	<u>-</u>

NOTES TO FINANCIAL STATEMENTS (Continued)

28 February 2001

29. NOTES TO CONSOLIDATED CASH FLOW STATEMENT

(a) Reconciliation of profit/(loss) from operating activities to net cash inflow/(outflow) from operating activities

	2001 HK\$'000	2000 HK\$'000
Profit /(Loss) from operating activities	(176,790)	14,868
Interest income	(36,320)	(43,219)
Depreciation	32,367	41,557
Loss on write-off of fixed assets	40,428	27,382
Loss on disposal of fixed assets	94	1,626
Gain on disposal of a subsidiary	(44,260)	-
Provision for permanent diminution in value of long term investments	12,602	-
Revaluation surplus of investment properties in the PRC	-	(12,135)
Increase in properties under development	(69,495)	(166,378)
Decrease/(increase) in long term receivables	64,362	(32,045)
Increase in properties under development for sale	(9,577)	(9,996)
Decrease/(increase) in properties held for sale	(860)	301,945
Decrease in inventories	2,814	46,942
Decrease/(increase) in debtors	5,102	(985)
Decrease/(increase) in prepayments, deposits and other receivables	(51,853)	29,809
Decrease/(increase) in marketable securities	66,614	(104,416)
Increase in creditors, deposits and accrued expenses	24,058	17,593
Net cash inflow/(outflow) from operating activities	<u>(140,714)</u>	<u>112,548</u>

NOTES TO FINANCIAL STATEMENTS (Continued)

28 February 2001

29. NOTES TO CONSOLIDATED CASH FLOW STATEMENT (Continued)

(b) Analysis of changes in financing during the years

	Interest-bearing bank loans HK\$'000	Minority interests HK\$'000
Balance at 1 March 1999	1,198,183	28,728
Share of loss for the year	–	(6,370)
Interest payable to minority interests	–	790
Cash inflows/(outflows) from financing	(118,442)	1,406
Balance at 29 February 2000 and 1 March 2000	1,079,741	24,554
Share of loss for the year	–	(8,802)
Disposal of a subsidiary	(241,719)	(18,236)
Interest payable to minority interests	–	356
Cash inflows/(outflows) from financing	(63,320)	12,796
Balance at 28 February 2001	774,702	10,668

NOTES TO FINANCIAL STATEMENTS (Continued)

28 February 2001

29. NOTES TO CONSOLIDATED CASH FLOW STATEMENT (Continued)

(c) Disposal of a subsidiary

	2001 HK\$'000	2000 HK\$'000
Net assets disposed of:		
Properties under development	535,757	–
Prepayments, deposits and other receivables	3,714	–
Creditors, deposits and accrued expenses	(71,976)	–
Tax	(3,573)	–
Interest-bearing bank loans and overdrafts	(241,719)	–
Minority interests	(18,236)	–
Reclassification to interests in associates	(50,829)	–
	<u>153,138</u>	–
Gain on disposal	<u>44,260</u>	–
Satisfied by cash consideration	<u>197,398</u>	–

In respect of the cash flows for the year ended 28 February 2001, the subsidiary disposed of in the current year made no significant contribution to the Group.

The subsidiary disposed of in the current year made no significant contribution to the Group's turnover and net loss attributable to shareholders.

NOTES TO FINANCIAL STATEMENTS (Continued)

28 February 2001

30. LEASE COMMITMENTS

The annual rental commitments under non-cancellable operating leases at the balance sheet date were as follows:

	Group		Company	
	2001	2000	2001	2000
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Land and buildings expiring:				
Within one year	4,945	10,757	4,925	4,048
In the second to fifth years, inclusive	68,787	62,493	53,639	48,584
After five years	14,232	55,053	14,232	55,053
	<u>87,964</u>	<u>128,303</u>	<u>72,796</u>	<u>107,685</u>

31. OUTSTANDING COMMITMENTS

Outstanding commitments at the balance sheet date were as follows:

	Group		Company	
	2001	2000	2001	2000
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Irrevocable letters of credit	13,707	11,775	13,707	11,775
Capital commitments contracted, but not provided for	78,108	30,502	379	905
Commitments to purchase foreign currencies	89,626	125,713	-	1,934
Commitments to sell foreign currencies	<u>88,531</u>	<u>129,472</u>	<u>-</u>	<u>2,048</u>

In addition to the above, certain associates of the Group had outstanding capital commitments in aggregate of approximately HK\$316,000,000 as at the balance sheet date in respect of the property development projects in London, the United Kingdom. In the opinion of the management, these property development projects will be financed by bank borrowings instead of internal financial resources.

NOTES TO FINANCIAL STATEMENTS (Continued)

28 February 2001

32. CONTINGENT LIABILITIES

Contingent liabilities at the balance sheet date were as follows:

	Group		Company	
	2001	2000	2001	2000
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Guarantees executed by the Company in favour of banks to secure a loan granted to a subsidiary	-	-	288,508	269,673
Guarantees executed by the Company in favour of banks to secure a loan granted to an investee company	14,950	8,900	14,950	8,900
Guarantees executed by the Company in favour of banks to secure a loan granted to an associate	753,616	-	753,616	-

33. RELATED PARTY TRANSACTIONS

During the year, the Group received interest income of HK\$20,277,000 (2000: HK\$11,987,000) from an associate in respect of the amount due from the associate of HK\$263,754,000 (2000: HK\$263,754,000), which is interest bearing at HIBOR plus 1.5% per annum (Note 16).

During the year, rental income amounting to approximately HK\$14,748,310 (2000: HK\$23,238,000) was received by the Company from Joyce Boutique Limited, a company incorporated in Hong Kong, of which the directors of the Company, Walter K W MA and Eric K K LO are also directors, for the sub-leasing of certain areas of Lee Theatre Plaza. The rental was based on estimated open market rental.

34. SUBSEQUENT EVENT

On 9 April 2001, one of the Company's subsidiaries, Sincere Department Store (China) Limited, entered into a sale and purchase agreement with the Chinese minority interest in that Company for the purchase of a further 29% equity interest in Dalian Sincere (Qui Lin) Building Company Limited, which was a 70% owned subsidiary of the Group as at the balance sheet date, at a consideration of approximately HK\$21,963,000 (RMB23,500,000).

35. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved by the board of directors on 21 June 2001.