

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. IMPACT OF NEW/REVISED STATEMENTS OF STANDARD ACCOUNTING PRACTICE

The following recently-issued and revised Statements of Standard Accounting Practice ("SSAPs") and related Interpretations are effective for the first time in the preparation of the current year's financial statements.

- SSAP 9 (Revised): "Events after the balance sheet date"
- SSAP 14 (Revised): "Leases"
- SSAP 18 (Revised): "Revenue"
- SSAP 26: "Segment reporting"
- SSAP 28: "Provisions, contingent liabilities and contingent assets"
- SSAP 29: "Intangible assets"
- SSAP 30: "Business combinations"
- SSAP 31: "Impairment of assets"
- SSAP 32: "Consolidated financial statements and accounting for investments in subsidiaries"
- Interpretation 12: "Business combinations – subsequent adjustment of fair values and goodwill initially reported"
- Interpretation 13: "Goodwill – continuing requirements for goodwill and negative goodwill previously eliminated against/credited to reserves"

These SSAPs prescribe new accounting measurement and disclosure practices. Except for the SSAP 14 (Revised), SSAP 26 and SSAP 30, these SSAPs and Interpretations have no major impact on these financial statements. The major effects on the Group's accounting policies and on the amounts disclosed in these financial statements of SSAP 14 (Revised), SSAP 26 and SSAP 30 are summarised as follows:

SSAP 14 (Revised) prescribes the basis for lessor and lessee accounting for finance and operating leases, and the required disclosures in respect thereof. The principal impact of this SSAP on the preparation of these financial statements is that total future minimum lease receivables and payments under non-cancellable operating leases are disclosed in note 31 to the financial statements.

SSAP 26 prescribes the principles to be applied for reporting financial information by segment. It requires that management assesses whether the Group's predominant risks or returns are based on business segments or geographical segments and determines one of these bases to be the primary segment information reporting format, with the other as the secondary segment information reporting format. The impact of this SSAP is the inclusion of significant additional segment reporting disclosures which are set out in note 4 to the financial statements.

2. IMPACT OF NEW/REVISED STATEMENTS OF STANDARD ACCOUNTING PRACTICE *(continued)*

SSAP 30 prescribes the accounting treatment for business combinations, including the determination of the date of acquisition, the method for determining the fair values of the assets and liabilities acquired, and the treatment of goodwill or negative goodwill arising on acquisition. The SSAP requires the disclosure of goodwill and negative goodwill in the non-current assets section of the consolidated balance sheet. It requires that goodwill is amortised to the consolidated profit and loss account over its estimated useful life. Interpretation 13 prescribes the application of SSAP 30 to goodwill arising from acquisitions in previous years which remains eliminated against consolidated reserves. The adoption of the SSAP and Interpretation has not resulted in a prior year adjustment for the reason detailed in the goodwill accounting policy in note 3 to the financial statements.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

These financial statements have been prepared in accordance with SSAPs, 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 the acquisition of subsidiaries and associates represents the excess of the cost of the acquisition over the Group's share of the fair values of the identifiable assets and liabilities acquired as at the date of acquisition.

Goodwill arising on acquisition is recognised in the consolidated balance sheet as an asset and amortised on the straight-line basis over its estimated useful life. In the case of associates, any unamortised goodwill is included in the carrying amount thereof, rather than as a separately identified asset on the consolidated balance sheet.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)***Goodwill** *(continued)*

In prior years, goodwill arising on acquisitions was eliminated against consolidated reserves in the year of acquisition. The adoption of SSAP 30 represents a change in accounting policies. As the Group has not incurred any purchased goodwill since 1980 and the management is of the view that even if any goodwill has arisen prior to 1980, all of it would have been fully amortised prior to 1997. Accordingly, the change in the accounting policy would not affect the Group's financial position for the current year nor the results for the past five financial years.

On disposal of subsidiaries or associates, the gain or loss on disposal is calculated by reference to the net assets at the date of disposal, including the attributable amount of goodwill which remains unamortised and any relevant reserves, as appropriate.

Impairment of assets

An assessment is made at each balance sheet date of whether there is any indication of impairment of any asset, or whether there is any indication that an impairment loss previously recognised for an asset in prior years may no longer exist or may have decreased. If any such indication exists, the asset's recoverable amount is estimated. An asset's recoverable amount is calculated as the higher of the asset's value in use or its net selling price.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. An impairment loss is charged to the profit and loss account in the period in which it arises, unless the asset is carried at a revalued amount, when the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the recoverable amount of an asset, however not to an amount higher than the carrying amount that would have been determined (net of any depreciation), had no impairment loss been recognised for the asset in prior years.

A reversal of an impairment loss is credited to the profit and loss account in the period in which it arises, unless the asset is carried at a revalued amount, when the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

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 less any impairment losses.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 and reserves of associates is included in the consolidated profit and loss account and consolidated reserves, respectively. The Group's interests in associates are stated in the consolidated balance sheet at the Group's share of the net assets other than goodwill under the equity method of accounting, less any impairment losses.

The results of associates are included in the Company's profit and loss account to the extent of dividends received and receivable. The Company's investments in associates are treated as long term assets and are stated at cost less any impairment losses.

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

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 an 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 impairment losses, on an individual investment basis.

When impairments in values have occurred, the carrying amounts of the securities are reduced to their fair values, as estimated by the directors, and the amounts of the impairments are charged to the profit and loss account for the period in which they arise.

When the circumstances and events that led to the impairment 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)***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.

Fixed assets and depreciation

Fixed assets, other than investment properties, are stated at cost less any impairment losses. 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 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.

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Properties under development

Properties under development are stated at cost less any impairment losses 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 sale 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.

Properties under development which have been pre-sold and in respect of which occupation permits are expected to be granted within one year from the balance sheet date are classified under current assets.

No depreciation is provided on properties under development.

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. 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 profit and loss account on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under the operating leases are charged to the profit and loss account on the straight-line basis over the lease terms.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)****Retirement benefits***

The Group and its associates operate a retirement benefits scheme (the “Scheme”) for their Hong Kong permanent employees which is of a non-contributory defined benefits 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 benefits 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.

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;

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Revenue recognition *(continued)*

- (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.

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 rates 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)****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.

4. SEGMENT INFORMATION

SSAP 26 was adopted during the year as detailed in note 2 to the financial statements. The Group has determined that business segments are its primary reporting format and geographical segments are its secondary reporting format.

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 business 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 business segments. Summary details of the business segments are as follows:

- (a) the department store operations segment consisted of the operation of department stores offering a wide range of consumer products;
- (b) the restaurant operations segment consisted of the operation of restaurants and food courts at department stores;
- (c) the property rental segment consisted of the leasing of premises to generate rental income;
- (d) the property development segment consisted of the development and sale of properties;
- (e) the securities trading segment consisted of the trading of Hong Kong and overseas securities; and
- (f) the corporate and others segment consisted of the corporate income and expenses items.

In determining the Group's geographical segments, revenues and results are attributed to the segments based on the location of the businesses, and assets are attributed to the segments based on the location of the assets.

Inter-segment sales are transacted based on the direct costs incurred or an agreed rate for rental income and income from the provision of warehouse services, respectively.

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4. SEGMENT INFORMATION (continued)

(a) Business segments

The following tables present revenue, profit/(loss) and certain asset, liability and expenditure information for the Group's business segments.

	Department store operations		Restaurant operations		Property rental		Property development		Securities trading		Corporate and others		Eliminations		Consolidated	
	2002	2001	2002	2001	2002	2001	2002	2001	2002	2001	2002	2001	2002	2001	2002	2001
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue:																
Sales to external customers	333,455	383,239	24,864	30,059	16,898	46,898	41,430	-	(46,670)	(83,080)	-	-	-	-	369,977	377,116
Inter-segment sales	-	-	-	-	20,375	30,199	-	-	-	-	-	-	(20,375)	(30,199)	-	-
Other revenue	72,045	64,735	-	-	-	839	822	-	287	-	-	-	(1,238)	(1,801)	71,916	63,773
Gain on disposal of a subsidiary	-	-	-	-	-	-	-	-	-	-	-	44,260	-	-	-	44,260
Gain on disposal of an associate	-	-	-	-	-	-	-	-	-	-	76,418	-	-	-	76,418	-
Total	405,500	447,974	24,864	30,059	37,273	77,936	42,252	-	(46,383)	(83,080)	76,418	44,260	(21,613)	(32,000)	518,311	485,149
Segment results	(57,327)	(124,375)	(12,196)	(10,862)	20,278	51,229	593	(2,081)	(53,748)	(90,077)	75,925	43,675	-	-	(26,475)	(132,491)
Interest, dividend income and unallocated revenue															28,444	53,189
Unallocated expenses															(18,587)	(97,488)
Loss from operating activities															(16,618)	(176,790)
Finance costs															(29,669)	(61,757)
Share of profits less losses of associates															(11,316)	(35,973)
Loss before tax															(57,603)	(274,520)
Tax															(3,189)	(3,092)
Loss before minority interests															(60,792)	(277,612)
Minority interests															2,738	8,802
Net loss from ordinary activities attributable to shareholders															(58,054)	(268,810)

4. SEGMENT INFORMATION (continued)

(a) Business segments (continued)

	Department store operations		Restaurant operations		Property rental		Property development		Securities trading		Corporate and others		Eliminations		Consolidated	
	2002	2001	2002	2001	2002	2001	2002	2001	2002	2001	2002	2001	2002	2001	2002	2001
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment assets	720,468	684,242	7,133	13,930	112,429	177,933	190,263	143,474	520,992	525,957	473	473	(21,613)	(32,000)	1,530,145	1,514,009
Unallocated assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	30,501	44,823
Interests in associates	-	-	-	-	-	771,435	82,459	11,819	-	-	176,965	176,135	-	-	259,424	959,389
Bank overdrafts included in segment assets	1,794	-	-	-	-	-	-	146	7,212	4,961	-	-	-	-	9,006	5,107
Total assets															1,829,076	2,523,328
Segment liabilities	65,432	95,974	4,239	4,685	2,271	7,619	5,724	9,684	(5,825)	(1,941)	-	-	(21,613)	(32,000)	50,228	84,021
Unallocated liabilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	453,485	789,328
Bank overdrafts included in segment assets	1,794	-	-	-	-	-	-	146	7,212	4,961	-	-	-	-	9,006	5,107
Total liabilities															512,719	878,456
Other segment information:																
Depreciation	18,306	21,680	5,623	5,635	4,327	4,212	-	-	-	-	860	840	-	-	29,116	32,367
Capital expenditure	1,443	14,086	46	117	35	1,556	-	-	-	-	286	614	-	-	1,810	16,373
Write-off of fixed assets	3	40,428	-	-	-	-	-	-	-	-	216	-	-	-	219	40,428
Provision/(write-back of provision) for doubtful debts	-	-	-	-	756	-	-	-	-	-	(4,019)	1,304	-	-	(3,263)	1,304
Provision/(write-back of provision) for obsolete inventories	(4,664)	6,804	-	-	-	-	-	-	-	-	-	-	-	-	(4,664)	6,804
Provision/(write-back of provision) for impairment of long term investments	(2,191)	12,602	-	-	-	-	-	-	-	-	-	-	-	-	(2,191)	12,602
Gain on disposal of a subsidiary	-	-	-	-	-	-	-	-	-	-	-	(44,260)	-	-	-	(44,260)
Gain on disposal of an associate	-	-	-	-	-	-	-	-	-	-	(76,418)	-	-	-	(76,418)	-

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4. SEGMENT INFORMATION (continued)

(b) Geographical segments

The following tables present revenue, results and certain asset and expenditure information for the Group's geographical segments.

	Hong Kong		People's Republic of China		United Kingdom		Others		Eliminations		Consolidated	
	2002	2001	2002	2001	2002	2001	2002	2001	2002	2001	2002	2001
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue:												
Sales to external customers	345,194	403,541	5,123	5,225	41,430	575	(21,770)	(32,225)	-	-	369,977	377,116
Segment results	(55,633)	(115,788)	(13,669)	(32,010)	593	8,040	42,234	7,267	-	-	(26,475)	(132,491)
Segment assets	658,441	1,314,194	513,299	514,916	259,572	284,765	397,764	409,453	-	-	1,829,076	2,523,328
Capital expenditure	1,460	3,792	64	11,967	-	-	286	614	-	-	1,810	16,373

5. 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.

6. LOSS FROM OPERATING ACTIVITIES

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

	2002 HK\$'000	2001 HK\$'000
Depreciation	29,116	32,367
Auditors' remuneration	1,900	2,088
Staff costs, excluding directors' remuneration (Note 29)		
Wages and salaries	71,578	82,383
Pension contributions	4,102	7,155
	<u>75,680</u>	<u>89,538</u>
Write-back of provision for doubtful debts	(3,263)	(1,304)
Provision/(write-back of provision) for impairment of long term investments *	(2,191)	12,602
Provision/(write-back of provision) for obsolete inventories	(4,664)	6,804
Minimum lease payments under operating leases on land and buildings**	93,224	133,215
Write-off of fixed assets	219	40,428
Loss on disposal of fixed assets	525	94
Research and development costs	844	11,497
Exchange losses – net	747	9,273
Gross rental income	(19,413)	(50,554)
Less: Outgoings	<u>2,515</u>	<u>3,656</u>
Net rental income	<u>(16,898)</u>	<u>(46,898)</u>
Dividends from listed investments	(5,723)	(6,493)
Net loss on securities trading	46,670	83,080
Interest income	<u>(16,685)</u>	<u>(36,320)</u>

* The provision/(write-back of provision) for impairment of long term investments for the year is included in "Other operating expenses" on the face of the consolidated profit and loss account.

** No contingent rental was paid in the current and last year.

7. GAIN ON DISPOSAL OF AN ASSOCIATE

The amount represents the gain on disposal during the year of a 30% equity interest in an associate, Lee Theatre Realty Limited, which principally engaged in property investment in Hong Kong.

8. 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 its 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 2002 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\$46,379,000. On an ongoing basis, the actuarial value of the assets represented 117% of the benefits accrued to members, after allowing for expected future increases in salaries, and the resulting surplus amounted to HK\$6,690,000. On a wind-up basis, the actuarial value of the assets represented 153% of the benefits accrued to members, based on current salaries, and the resulting surplus amounted to HK\$15,972,000. 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.

The actuarial method used is the attained age method and the main assumptions used in this valuation were a long term investment return of 6.5% per annum and salary increases of 4.5% per annum. The minimum level of funding by the Company commencing 1 March 2002 as recommended by the actuary was a contribution rate of 5.5% of members' salaries.

The employees in the subsidiaries located in People's Republic of China ("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.

9. FINANCE COSTS

	2002 HK\$'000	2001 HK\$'000
Interest on bank loans and other loans wholly repayable within five years	35,724	65,360
Less: Interest capitalised (Note 14)	(6,055)	(3,603)
Net interest expense	<u>29,669</u>	<u>61,757</u>

10. 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 (2001: 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.

Tax in the consolidated profit and loss account represents:

	2002 HK\$'000	2001 HK\$'000
Provision for tax in respect of profit for the year:		
Hong Kong	—	—
Overseas	2,861	2,319
	<u>2,861</u>	<u>2,319</u>
Associates	328	773
	<u>328</u>	<u>773</u>
Tax charge for the year	<u>3,189</u>	<u>3,092</u>

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10. TAX (continued)

Tax in the balance sheet represents:

	Group		Company	
	2002	2001	2002	2001
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Estimated liability for profits tax	2,861	–	–	–
Estimated profits tax brought forward from prior years	74	150	–	–
Provisional profits tax paid	–	(76)	–	–
Profits tax paid	(1,430)	–	–	–
	<u>1,505</u>	<u>74</u>	<u>–</u>	<u>–</u>

An unrecognised deferred tax asset calculated at the rate of 16% (2001: 16%) on the accumulated timing differences at the balance sheet date is analysed as follows:

	Group		Company	
	2002	2001	2002	2001
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Accelerated depreciation allowances	5,667	3,198	3,980	1,865
Tax losses	100,157	89,889	88,104	79,132
	<u>105,824</u>	<u>93,087</u>	<u>92,084</u>	<u>80,997</u>

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

11. NET LOSS FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS

The net profit from ordinary activities attributable to shareholders dealt with in the financial statements of the Company amounted to HK\$14,417,000 (2001: net loss of HK\$216,106,000).

12. 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\$58,054,000 (2001: HK\$268,810,000) and the 574,308,000 (2001: 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.

13. 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	124,218	235,736	45,600	100,821	506,375
Additions	–	–	959	851	1,810
Disposals	–	–	(1,972)	–	(1,972)
Written off	–	–	(285)	–	(285)
At 28 February 2002	124,218	235,736	44,302	101,672	505,928
Accumulated depreciation:					
At beginning of year	–	30,068	23,999	60,559	114,626
Provided during the year	–	7,556	8,121	13,439	29,116
Disposals	–	–	(1,234)	–	(1,234)
Written back	–	–	(66)	–	(66)
At 28 February 2002	–	37,624	30,820	73,998	142,442
Net book value:					
At 28 February 2002	124,218	198,112	13,482	27,674	363,486
At 28 February 2001	124,218	205,668	21,601	40,262	391,749
Analysis of cost or valuation:					
At cost	–	235,736	44,302	101,672	381,710
At valuation	124,218	–	–	–	124,218
	124,218	235,736	44,302	101,672	505,928

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13. 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	31,707	56,828	88,969
Additions	–	593	786	1,379
Disposals	–	(1,339)	–	(1,339)
At 28 February 2002	434	30,961	57,614	89,009
Accumulated depreciation:				
At beginning of year	200	16,248	30,935	47,383
Provided during the year	8	5,543	6,799	12,350
Disposals	–	(980)	–	(980)
At 28 February 2002	208	20,811	37,734	58,753
Net book value:				
At 28 February 2002	226	10,150	19,880	30,256
At 28 February 2001	234	15,459	25,893	41,586

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

	Hong Kong HK\$'000	Overseas HK\$'000	Total HK\$'000
Medium term leasehold	86,427	111,685	198,112

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

The investment properties were revalued on 28 February 2002 by Castores Magi Surveyors Limited, an independent firm of professional valuers, on an open market basis based on existing use. There was no revaluation difference arising from the valuation.

The investment properties and certain of the land and buildings which are situated in PRC are pledged as security to a bank for a bank loan granted (Note 24).

14. PROPERTIES UNDER DEVELOPMENT

	Group	
	2002	2001
	HK\$'000	HK\$'000
At beginning of year	408,939	592,451
Additions	31,247	69,495
Disposal of a subsidiary	—	(535,757)
Interest capitalised (Note 9)	6,055	3,603
Transferred from/(to) properties under development for sales (Note 19)	(79,504)	279,147
Transferred to properties held for sale (Note 20)	(87,520)	—
	<u>279,217</u>	<u>408,939</u>

As at 28 February 2002, 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 to the Group (Note 24).

15. 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.

	Group	
	2002	2001
	HK\$'000	HK\$'000
Total amounts receivable	12,612	13,336
Amounts receivable within one year classified as current assets (Note 21)	(2,108)	(2,318)
	<u>10,504</u>	<u>11,018</u>

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16. INTERESTS IN SUBSIDIARIES

	Company	
	2002 HK\$'000	2001 HK\$'000
Unlisted shares, at cost	41,742	41,742
Due from subsidiaries	1,381,988	1,135,318
Due to subsidiaries	(65,960)	(65,979)
	<u>1,357,770</u>	<u>1,111,081</u>
Less: Provisions for impairment	(447,674)	(235,140)
	<u><u>910,096</u></u>	<u><u>875,941</u></u>

The balances with subsidiaries are unsecured and are not repayable within the next twelve months from the balance sheet date. Certain of the balances bear interest at 5.3% (2001: 7.3%) per annum.

Particulars of the principal 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.	PRC	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

16. 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	
Finsbay Investment Limited	British Virgin Islands	US\$10,000	Registered	–	51	Investment holding
Jubilee Street Limited	United Kingdom	GBP967	Ordinary "A" shares	–	100	Property investment
		GBP33	Ordinary "B" shares	–	–	
Kittany Limited	Hong Kong	HK\$20	Ordinary	100	–	Property holding
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
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
Silveroute Limited	British Virgin Islands	US\$1	Registered	100	–	Securities trading
Sincere B.V.I. Limited	British Virgin Islands	US\$100	Registered	100	–	Investment holding

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16. 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	
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	–	Finance
Sincere Worldwide Limited	British Virgin Islands	US\$2	Registered	100	–	Investment holding
Springview Limited	Hong Kong	HK\$500,000	Ordinary	100	–	Securities trading

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

17. INTERESTS IN ASSOCIATES

	Group		Company	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Unlisted shares, at cost	–	–	16,611	144,356
Share of net assets other than goodwill	241,131	692,977	–	–
	241,131	692,977	16,611	144,356
Due from associates	18,293	266,412	16,289	267,507
	259,424	959,389	32,900	411,863

The Group's share of the post-acquisition accumulated reserves of associates at 28 February 2002 was HK\$173,251,000 (2001: HK\$497,792,000).

The balances with associates are unsecured, interest-free and not repayable within the next twelve months from the balance sheet date.

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

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17. 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
140 Park Lane Limited	Corporate	United Kingdom	Ordinary	30.00	Property investment
CPE Investment Limited *	Corporate	United Kingdom	Ordinary	50.00	Investment holding
Lancaster Partnership Limited *	Corporate	United Kingdom	Ordinary	50.00	Property investment

* Acquired during the year.

At 28 February 2002, Life, Insurance and Perfumery directly held 31.89%, 13.17% and 0.30%, respectively, of the issued share capital of the Company.

18. LONG TERM INVESTMENTS

	Group		Company	
	2002	2001	2002	2001
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Unlisted investments at cost:				
Hong Kong	21,824	21,824	21,824	21,824
Taiwan	23,108	23,108	23,108	23,108
Others	34,533	—	—	—
	79,465	44,932	44,932	44,932
Less: Provisions for impairment	(22,612)	(24,803)	(22,612)	(24,803)
	56,853	20,129	22,320	20,129

At 28 February 2002, the unlisted investment in Taiwan of the Group and of the Company represented an interest of 19.5% (2001: 19.5%) in the issued share capital of The Sincere Department Store Limited against which a total provision of HK\$14,411,000 (2001: HK\$12,602,000) has been made for impairment as considered necessary by the directors of the Company.

19. PROPERTIES UNDER DEVELOPMENT FOR SALE

	Group	
	2002	2001
	HK\$'000	HK\$'000
Carrying value at beginning of year	—	269,570
Additions	—	9,577
Transferred from/(to) property under development (Note 14)	79,504	(279,147)
At the balance sheet date	79,504	—

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20. PROPERTIES HELD FOR SALE

	Group	
	2002 HK\$'000	2001 HK\$'000
At beginning of year	860	–
Additions (Note 14)	87,520	860
Sales during the year	(30,470)	–
	<hr/>	<hr/>
At the balance sheet date	<u>57,910</u>	<u>860</u>

21. DEBTORS

The maturity profile of the current portion of the amounts due from purchasers of units in the Sincere House at 28 February 2002 was as follows:

	Group	
	2002 HK\$'000	2001 HK\$'000
Current – 3 months	520	556
4 – 6 months	519	571
7 – 12 months	1,069	1,191
	<hr/>	<hr/>
	<u>2,108</u>	<u>2,318</u>

22. MARKETABLE SECURITIES

	Group	
	2002	2001
	HK\$'000	HK\$'000
Listed investments, at market value:		
Hong Kong	33,900	68,940
Elsewhere	416,518	401,946
	<u>450,418</u>	<u>470,886</u>

As at the balance sheet date, marketable securities with an aggregate market value of approximately HK\$400,280,000 (2001: HK\$435,700,000) were pledged to banks to secure banking facilities granted to the Group (Note 24).

23. CASH AND BANK BALANCES

	Group		Company	
	2002	2001	2002	2001
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Cash on hand and in banks	28,803	27,152	5,679	8,658
Deposits with banks	49,264	973	46,275	—
	<u>78,067</u>	<u>28,125</u>	<u>51,954</u>	<u>8,658</u>

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24. INTEREST-BEARING BANK LOANS AND OVERDRAFTS, SECURED

	Group		Company	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Bank loans and overdrafts, secured	441,948	779,809	17,396	327,300
Portion due within one year included under current liabilities	(441,948)	(448,863)	(17,396)	(27,300)
Long term portion	–	330,946	–	300,000
The bank loans and overdrafts are repayable in various instalments within a period of:				
Less than 1 year or on demand	441,948	448,863	17,396	27,300
More than 1 year but less than 2 years	–	330,946	–	300,000
	441,948	779,809	17,396	327,300

25. CREDITORS

The age analysis of trade creditors at 28 February 2002 included in the total creditors balance was as follows:

	Group		Company	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Current – 3 months	24,620	19,534	24,131	18,999
4 – 6 months	1,346	216	1,346	216
7 – 12 months	783	173	783	140
Over 1 year	451	531	418	531
	27,200	20,454	26,678	19,886

26. SHARE CAPITAL

	2002 HK\$'000	2001 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>

Share options

The Company operates a share option scheme (the "Option Scheme"), further details of which are set out under the heading "SHARE OPTION SCHEME" in the report of the directors.

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

27. SHARE PREMIUM ACCOUNT

	2002 HK\$'000	2001 HK\$'000
At beginning and end of year	<u>26</u>	<u>26</u>

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28. RESERVES

	Group		Company	
	2002	2001	2002	2001
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Retained profits:				
At beginning of year	1,025,349	1,294,159	756,275	972,381
Profit/(loss) for the year	(58,054)	(268,810)	14,417	(216,106)
At the balance sheet date	967,295	1,025,349	770,692	756,275
General reserve:				
At beginning of year	34,088	35,973	46,613	46,613
Realisation on dissolution of a subsidiary	235	—	—	—
Exchange adjustment	1,873	(1,885)	—	—
At the balance sheet date	36,196	34,088	46,613	46,613
Investment property revaluation reserve:				
At beginning of year	287,587	202,352	—	—
Share of revaluation surplus/(deficit) of investment properties of associates	(63,233)	85,235	—	—
Realisation on disposal of an associate	(204,182)	—	—	—
At the balance sheet date	20,172	287,587	—	—
Total reserves	1,023,663	1,347,024	817,305	802,888

Retained as follows:

	Group		Company	
	2002	2001	2002	2001
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Company	817,305	802,888	817,305	802,888
Subsidiaries	33,107	46,344	—	—
Associates	173,251	497,792	—	—
	1,023,663	1,347,024	817,305	802,888

Note:

At 28 February 2002, the Company's reserves available for distribution, calculated in accordance with the provisions of Section 79B of the Companies Ordinance, amounted to HK\$817,305,000 (2001: HK\$802,888,000).

29. REMUNERATION OF THE DIRECTORS AND OF THE FIVE HIGHEST PAID INDIVIDUALS

Directors' remuneration consisted of:

	Executive Directors		Other Directors		Total	
	2002	2001	2002	2001	2002	2001
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Fees	3,548	3,157	402	402	3,950	3,559
Salaries and allowances	17,049	19,632	–	–	17,049	19,632
Pension contributions	266	405	–	–	266	405
	<u>20,863</u>	<u>23,194</u>	<u>402</u>	<u>402</u>	<u>21,265</u>	<u>23,596</u>

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

The remuneration of the directors fell within the following bands:

	Number of directors	
	2002	2001
Nil – HK\$1,000,000	3	3
HK\$2,000,001 – HK\$2,500,000	1	–
HK\$2,500,001 – HK\$3,000,000	–	1
HK\$8,000,001 – HK\$8,500,000	1	1
HK\$10,000,001 – HK\$10,500,000	1	–
HK\$11,000,001 – HK\$11,500,000	–	1
	<u>–</u>	<u>1</u>

29. REMUNERATION OF THE DIRECTORS AND OF THE FIVE HIGHEST PAID INDIVIDUALS

(continued)

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

	Group	
	2002 HK\$'000	2001 HK\$'000
Salaries and allowances	2,753	4,242
Pension contributions	190	411
	<u>2,943</u>	<u>4,653</u>
	Number of individuals	
	2002	2001
HK\$1,000,001 – HK\$1,500,000	1	–
HK\$1,500,001 – HK\$2,000,000	1	1
HK\$2,500,001 – HK\$3,000,000	–	1
	<u>–</u>	<u>1</u>

30. NOTES TO CONSOLIDATED CASH FLOW STATEMENT

(a) *Reconciliation of loss from operating activities to net cash outflow from operating activities*

	2002 HK\$'000	2001 HK\$'000
Loss from operating activities	(16,618)	(176,790)
Interest income	(16,685)	(36,320)
Depreciation	29,116	32,367
Loss on write-off of fixed assets	219	40,428
Loss on disposal of fixed assets	525	94
Exchange loss on dissolution of a subsidiary	235	–
Gain on disposal of a subsidiary	–	(44,260)
Gain on disposal of an associate	(76,418)	–
Provision/(write-back of provision) for impairment of long term investments	(2,191)	12,602
Decrease/(increase) in properties under development	135,777	(69,495)
Decrease in long term receivables	514	64,362
Increase in properties under development for sale	(79,504)	(9,577)
Increase in properties held for sale	(57,050)	(860)
Decrease/(increase) in inventories	(12,039)	2,814
Decrease in debtors	210	5,102
Decrease/(increase) in prepayments, deposits and other receivables	64,805	(51,853)
Decrease in marketable securities	20,468	66,614
Increase/(decrease) in creditors, deposits and accrued expenses	(29,306)	24,058
Net cash outflow from operating activities	(37,942)	(140,714)

30. 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 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
Net cash inflows/(outflows) from financing	(63,320)	12,796
Balance at 28 February 2001 and 1 March 2001	774,702	10,668
Share of loss for the year	–	(2,738)
Interest payable to minority interests	–	844
Net cash outflows from financing	(341,760)	(3,260)
Balance at 28 February 2002	432,942	5,514

31. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group leases its land and buildings under operating lease arrangements, with leases negotiated for terms ranging from 1 to 3 years.

As at the balance sheet date, the Group and the Company had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	Group		Company	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Within one year	9,281	11,040	7,359	10,070
In the second to fifth years, inclusive	956	7,195	140	6,745
	10,237	18,235	7,499	16,815

31. OPERATING LEASE ARRANGEMENTS (continued)**(b) As lessee**

The Group leases its land and buildings under operating lease arrangements, with leases negotiated for terms ranging from 1 to 5 years.

As at the balance sheet date, the Group and the Company had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group		Company	
	2002	2001	2002	2001
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Within one year	74,608	84,292	63,806	71,398
In the second to fifth years, inclusive	57,485	132,535	43,130	106,936
	132,093	216,827	106,936	178,334

Certain non-cancellable operating leases included in above were subject to contingent rent payments, which were charged at the higher of the amount of 12% to 20% of the gross sales attributable to the leased premises or the base rents as determined in the respective lease agreements.

32. OUTSTANDING COMMITMENTS

Outstanding commitments at the balance sheet date were as follows:

	Group		Company	
	2002	2001	2002	2001
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Irrevocable letters of credit	18,767	13,707	18,767	13,707
Capital commitments contracted, but not provided for	110,284	78,108	—	379
Commitments to purchase foreign currencies	40,069	89,626	—	—
Commitments to sell foreign currencies	40,778	88,531	—	—

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32. OUTSTANDING COMMITMENTS *(continued)*

In addition to the above, certain associates of the Group had outstanding capital commitments in aggregate of approximately HK\$109,864,000 (2001: 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.

33. CONTINGENT LIABILITIES

Contingent liabilities at the balance sheet date were as follows:

	Group		Company	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Guarantees executed by the Company in favour of banks to secure a loan granted to a subsidiary	<u>—</u>	<u>—</u>	<u>265,084</u>	<u>288,508</u>
Guarantees executed by the Company in favour of banks to secure a loan granted to an investee company	<u>10,950</u>	<u>14,950</u>	<u>10,950</u>	<u>14,950</u>
Guarantees executed by the Company in favour of banks to secure a loan granted to an associate	<u>255,209</u>	<u>753,616</u>	<u>255,209</u>	<u>753,616</u>

34. SUBSEQUENT EVENTS

- (a) On 2 April 2002, Sincere Department Store (China) Limited, a wholly-owned subsidiary of the Group as at the balance sheet date, entered into a sale and purchase agreement with the minority shareholder of Dalian Sincere (Qiu Lin) Building Company Limited for the purchase of the remaining 30% interest in Dalian Sincere (Qui Lin) Building Company Limited, at a consideration of approximately HK\$23,832,000 (RMB25,500,000).
- (b) On the same day, Dalian Sincere (Qiu Lin) Building Company Limited also entered into a lease agreement with the then minority shareholder to lease out certain properties, with a carrying amount of approximately HK\$104 million, for a period of 20 years at the higher of the amount of 5% of the tenant's annual gross sales or the base rents. In addition, the Group is also subject to contingent rental income at 50% of the tenant's annual net income should the annual net income exceed a certain amount as determined by the lease agreement. On the commencement of the lease period, these properties will be transferred from land and buildings to investment properties.

35. COMPARATIVE AMOUNTS

As further explained in note 2 to the financial statements, due to the adoption of revised SSAP 14 during the current year, the supporting notes for operating lease arrangements have been revised to comply with the new requirement. Accordingly, the comparative amounts of the corresponding supporting notes have been revised to conform with the current year's presentation.

36. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 13 June 2002.