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.

During the year, the Group also engaged in operating convenience chain stores and an advertising agency.

2. IMPACT OF NEW AND REVISED STATEMENTS OF STANDARD ACCOUNTING PRACTICE

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

- SSAP 1 (Revised) : "Presentation of financial statements"
- SSAP 11 (Revised) : "Foreign currency translation"
- SSAP 15 (Revised) : "Cash flow statements"
- SSAP 34 : "Employee benefits"

These SSAPs prescribe new accounting measurement and disclosure practices. The major effects on the Group's accounting policies and on the amounts disclosed in these financial statements of those SSAPs which have had a significant effect on the financial statements, are summarised as follows:

SSAP 1 prescribes the basis for the presentation of financial statements and sets out guidelines for their structure and minimum requirements for the content thereof. The principal impact of the revision of this SSAP is that a consolidated statement of changes in equity is now presented in the financial statements in place of the consolidated statement of recognised gains and losses that was previously required and in place of the Group's reserves note.

SSAP 11 prescribes the basis for the translation of foreign currency transactions and financial statements. The principal impact of the revision of this SSAP on the consolidated financial statements is that the profit and loss accounts of overseas subsidiaries and associates are now translated into Hong Kong dollars at the weighted average exchange rates for the year, whereas previously they were translated at the exchange rates ruling at the balance sheet date. The adoption of the revised SSAP 11 has had no material effect on the financial statements.

SSAP 15 prescribes the revised format for the cash flow statement. The principal impact of the revision of this SSAP is that the consolidated cash flow statement now presents cash flows under three headings, cash flows from operating, investing and financing activities, rather than the five headings previously required. In addition, cash flows from overseas subsidiaries arising during the year are now translated to Hong Kong dollars at the exchange rates at the dates of the transactions, or at an approximation thereto, whereas previously they were translated at the exchange rates at the balance sheet date, and the definition of cash equivalents for the purpose of the consolidated cash flow statement has been revised.

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

SSAP 34 prescribes the recognition and measurement criteria to apply to employee benefits, together with the required disclosures in respect thereof. The adoption of this SSAP has resulted in a change in the method of accounting for the Group's defined benefit pension scheme. Previously, accounting for the pension scheme consisted of recording the contributions payable under the scheme as an expense in the profit and loss account. Under SSAP 34, however, an actuarial estimate is made of the present value of the Group's future obligations under the scheme, with the net of this obligation and the fair value of the assets set aside under the scheme being recognised in the balance sheet in non-current assets. Movements in the resulting net asset are mainly recorded in the profit and loss account. The recognition of the net asset has resulted in a prior year adjustment, further details of which are included under the heading "Employee benefits" in notes 3 and 7 to the financial statements. In addition, disclosures are now required in respect of the Company's share option scheme, as detailed in note 28 to the financial statements. These share option scheme disclosures are similar to the Listing Rules of The Stock Exchange of Hong Kong Limited (the "Listing Rules") disclosures previously included in the Report of the Directors, and which are now required to be included in the notes to the financial statements as a consequence of the SSAP.

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.

Minority interests represent the interests of outside shareholders in the results and net assets of the Company's subsidiaries.

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.

The interests of subsidiaries are included in the Company's profit and loss account to the extent of dividends received and receivable. The Company's 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 latters' receipt of dividends from The Sincere Company, Limited is reflected as a movement in the reserves of associates.

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.

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.

The carrying amount of goodwill is reviewed annually and written down for impairment when it is considered necessary. A previously recognised impairment loss for goodwill is not reversed unless the impairment loss was caused by a specific external event of an exceptional nature that was not expected to recur, and subsequent external events have occurred which have reversed the effect of that event.

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.

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

Impairment of assets *(continued)*

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/amortisation), 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.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis and includes all costs of purchase, costs of conversion, and other costs incurred in bringing the inventories to their present location and condition. Net realisable value is based on estimated selling prices less any estimated costs necessary to make the sale.

Investments 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 amount of 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 accumulated depreciation and 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 lives

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)*

Employee benefits

Paid leave carried forward

The Group provides paid annual leave to its employees under their employment contracts on a calendar year basis. Under certain circumstances, such leave which remains untaken as at the balance sheet date is permitted to be carried forward and utilised by the respective employees in the following year. An accrual is made at the balance sheet date for the expected future cost of such paid leave earned during the year by the employees and carried forward.

Prior to the adoption of SSAP 34, the Group did not provide for the liabilities in respect of its employees' vested annual leave entitlement. SSAP 34 requires that obligations in respect of such entitlement should be accrued as soon as services are rendered. The adoption of the SSAP, however, has not had a material effect on the financial statements.

Retirement benefits

The Group operates a funded final salary defined benefit pension scheme (the "Scheme") for those employees who are eligible to participate in the Scheme. The expected costs of providing pensions under the Scheme are charged to the profit and loss account over the periods during which the employees provide the related services to the Group.

An actuarial estimate is made annually by a professionally qualified independent actuary, using the projected unit credit actuarial valuation method, of the present value of the Group's future defined benefit obligation under the Scheme earned by the employees as at the balance sheet date (the "Scheme obligation"). The assets contributed by the Group to the scheme (the "Scheme assets") are held separately from the assets of the Group in an independently administered fund, and are valued at their fair value at the balance sheet date.

The effect of actuarial gains and losses experienced in the estimation of the Scheme obligation and the valuation of the Scheme assets is initially recorded in the balance sheet and is subsequently recognised in the profit and loss account only when the net cumulative actuarial gains or losses in the balance sheet exceed 10% of the higher of the Scheme obligation and the fair value of Scheme assets at the beginning of the period. Such "excess" net cumulative actuarial gains or losses are recognised in the profit and loss account over the expected average remaining working lives of the employees participating in the Scheme.

The net of the Scheme obligation and the fair value of the Scheme assets at the balance sheet date, together with the actuarial gains and losses remaining in the balance sheet at that date, is recognised in the balance sheet within non-current assets or non-current liabilities, as appropriate. If the net amount results in an asset, the amount of the asset is limited to the net total of any net cumulative actuarial losses remaining in the balance sheet, and the present value of any future refunds from the Scheme or reductions in future contributions to the Scheme. Movements in the net asset or liability recognised in the balance sheet during the period, other than those deferred in the balance sheet, are recorded in the profit and loss account for the period.

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

Employee benefits *(continued)*

Retirement benefits (continued)

The amounts of the contributions payable by the Group to the Scheme are determined by the actuary using the projected unit credit actuarial valuation method.

Prior to the adoption of SSAP 34, the accounting for the Scheme consisted of recording the contributions payable by the Group to the Scheme for the period as an expense in the profit and loss account for the period, with no amounts being recorded in the balance sheet. The initial recognition of the transitional net asset under SSAP 34 has resulted in a prior year adjustment as at 1 March 2002 in accordance with the transitional provisions of SSAP 34, with the corresponding entry being to retained profits at that date. Further details of the transitional effects of adopting SSAP 34 are included in the consolidated statement of changes in equity and in note 7 to the financial statements.

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 when contributed to the MPF scheme.

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.

Share option scheme

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. The financial impact of share options granted under the share option scheme is not recorded in the Company's or the Group's balance sheet until such time as the options are exercised, and no charge is recorded in the profit and loss account or balance sheet for their cost. Upon the exercise of share options, the resulting shares issued are recorded by the Company as additional share capital at the nominal value of the shares, and the excess of the exercise price per share over the nominal value of the shares is recorded by the Company in the share premium account. Options which are cancelled prior to their exercise date, or which lapse, are deleted from the register of outstanding options.

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.

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

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;

(h) receipts from restaurant operations and the operation of convenience chain stores, upon the delivery of food, beverages and other consumer goods to customers; and

(i) advertising agency fee income, on completion of the services.

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 stated at cost less any impairment losses and 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.

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

Foreign currencies

Foreign currency transactions are recorded at the applicable exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the applicable 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 into Hong Kong dollars using the net investment method. The profit and loss accounts of overseas subsidiaries and associates are translated into Hong Kong dollars at the weighted average exchange rates for the year, and their balance sheets are translated into Hong Kong dollars at the exchange rates ruling at the balance sheet date. The resulting translation differences are included in the exchange fluctuation reserve.

For the purpose of the consolidated cash flow statement, the cash flows of overseas subsidiaries are translated into Hong Kong dollars at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into Hong Kong dollars at the weighted average exchange rates for the year.

Prior to the adoption of the revised SSAPs 11 and 15 during the year, as explained in note 2 to the financial statements, the profit and loss accounts of overseas subsidiaries and associates and the cash flows of overseas subsidiaries were translated into Hong Kong dollars at the exchange rates ruling at the balance sheet date. The adoption of the revised SSAP 11 has had no material effect on the financial statements, and the adoption of the revised SSAP 15 has had no material effect on the amounts of the previously-reported cash flows of the prior year.

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 and cash equivalents

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

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

4. SEGMENT INFORMATION

In accordance with the requirements of SSAP 26 "Segment reporting", 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 consists of the operations of department stores and convenience chain stores offering a wide range of consumer products;

(b) the restaurant operations segment consists of the operation of restaurants;

(c) the property rental segment consists of the leasing of premises to generate rental income;

(d) the property development segment consists of the development and sale of properties;

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

(f) the corporate and others segment consists of corporate income and expenses items and advertising agency services.

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 from the provision of warehouse services, respectively.

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	
	2003	2002	**2003**	2002	**2003**	2002	**2003**	2002	**2003**	2002	**2003**	2002	**2003**	2002	**2003**	2002
	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	**277,451**	333,455	**23,099**	24,864	**19,339**	16,898	**11,821**	41,430	**(19,656)**	(46,670)	**3,097**	–	**(1,104)**	–	**314,047**	369,977
Inter-segment sales	**–**	–	**–**	–	**18,941**	20,375	**–**	–	**–**	–	**1,596**	–	**(20,537)**	(20,375)	**–**	–
Other revenue	**54,183**	72,045	**128**	–	**422**	–	**850**	822	**2,230**	287	**3**	–	**(1,193)**	(1,238)	**56,623**	71,916
Gain on disposal of an associate	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	76,418	**–**	–	**–**	76,418
Total	**331,634**	405,500	**23,227**	24,864	**38,702**	37,273	**12,671**	42,252	**(17,426)**	(46,383)	**4,696**	76,418	**(22,834)**	(21,613)	**370,670**	518,311
Segment results	**(67,221)**	(57,327)	**(7,108)**	(12,196)	**10,669**	20,278	**(9,518)**	593	**(24,034)**	(53,748)	**(1,936)**	75,925	**–**	–	**(99,148)**	(26,475)
Interest, dividend income and unallocated revenue															**14,788**	28,444
Unallocated expenses															**(39,968)**	(18,587)
Revaluation deficit on investment properties in PRC	**–**	–	**–**	–	**(44,790)**	–	**–**	–	**–**	–	**–**	–	**–**	–	**(44,790)**	–
Impairment on properties under development in PRC	**–**	–	**–**	–	**(53,704)**	–	**–**	–	**–**	–	**–**	–	**–**	–	**(53,704)**	–
Loss from operating activities															**(222,822)**	(16,618)
Finance costs															**(13,999)**	(29,669)
Share of profits less losses of associates															**(11,278)**	(11,316)
Loss before tax															**(248,099)**	(57,603)
Tax															**(5,880)**	(3,189)
Loss before minority interests															**(253,979)**	(60,792)
Minority interests															**5,223**	2,738
Net loss from ordinary activities attributable to shareholders															**(248,756)**	(58,054)

4. SEGMENT INFORMATION *(continued)*

(a) ***Business segments*** *(continued)*

	Department store operations		Restaurant operations		Property rental		Property development		Securities trading		Corporate and others		Eliminations		Consolidated	
	2003	2002	**2003**	2002	**2003**	2002	**2003**	2002	**2003**	2002	**2003**	2002	**2003**	2002	**2003**	2002
	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	**158,588**	720,468	**3,739**	7,133	**515,398**	112,429	**257,702**	190,263	**408,486**	520,992	**515**	473	**(20,134)**	(21,613)	**1,324,294**	1,530,145
Unallocated assets	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**21,674**	30,501
Interests in associates	**–**	–	**–**	–	**–**	–	**85,805**	82,459	**–**	–	**137,798**	176,965	**–**	–	**223,603**	259,424
Bank overdrafts included in segment assets	**16,824**	1,794	**–**	–	**–**	–	**623**	–	**1,426**	7,212	**805**	–	**–**	–	**19,678**	9,006
Total assets															**1,589,249**	1,829,076
Segment liabilities	**36,301**	65,432	**3,983**	4,239	**10,510**	2,271	**17,176**	5,724	**(1,023)**	(5,825)	**(733)**	–	**(20,134)**	(21,613)	**46,080**	50,228
Unallocated liabilities	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**453,026**	453,485
Bank overdrafts included in segment assets	**16,824**	1,794	**–**	–	**–**	–	**623**	–	**1,426**	7,212	**805**	–	**–**	–	**19,678**	9,006
Total liabilities															**518,784**	512,719
Other segment information:																
Depreciation	**12,920**	18,306	**3,415**	5,623	**6,830**	4,327	**–**	–	**–**	–	**900**	860	**–**	–	**24,065**	29,116
Capital expenditure	**7,122**	1,443	**203**	46	**1,050**	35	**–**	–	**–**	–	**733**	286	**–**	–	**9,108**	1,810
Write-off of fixed assets	**–**	3	**–**	–	**–**	–	**–**	–	**–**	–	**–**	216	**–**	–	**–**	219
Provision/(write-back of provision) for doubtful debts	**655**	–	**–**	–	**–**	756	**–**	–	**–**	–	**(97)**	(4,019)	**–**	–	**558**	(3,263)
Provision/(write-back of provision) for obsolete inventories	**8,900**	(4,664)	**–**	–	**(22)**	–	**–**	–	**–**	–	**–**	–	**–**	–	**8,878**	(4,664)
Provision/(write-back of provision) for impairment of long term investments	**6,700**	(2,191)	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**6,700**	(2,191)
Revaluation deficit on investment properties in PRC	**–**	–	**–**	–	**44,790**	–	**–**	–	**–**	–	**–**	–	**–**	–	**44,790**	–
Impairment on properties under development in PRC	**–**	–	**–**	–	**53,704**	–	**–**	–	**–**	–	**–**	–	**–**	–	**53,704**	–
Gain on disposal of an associate	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	(76,418)	**–**	–	**–**	(76,418)

4. SEGMENT INFORMATION *(continued)*

(b) Geographical segments

The following table presents revenue and certain assets and expenditure information for the Group's geographical segments.

	Hong Kong		PRC		United Kingdom		Others		Eliminations		Consolidated	
	2003	2002	**2003**	2002	**2003**	2002	**2003**	2002	**2003**	2002	**2003**	2002
	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	**306,269**	345,194	**6,388**	5,123	**11,821**	41,430	**(10,431)**	(21,770)	**–**	–	**314,047**	369,977
Segment assets	**538,696**	658,441	**412,644**	513,299	**337,650**	259,572	**300,259**	397,764	**–**	–	**1,589,249**	1,829,076
Capital expenditure	**6,524**	1,460	**1,851**	64	**–**	–	**733**	286	**–**	–	**9,108**	1,810

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, the receipts from restaurant operations and operations of convenience stores and advertising agency fee income.

6. LOSS FROM OPERATING ACTIVITIES

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

	2003 HK$'000	2002 HK$'000
Depreciation	**24,065**	29,116
Auditors' remuneration	**1,615**	1,900
Staff costs, excluding directors' remuneration *(Note 30)*		
Wages and salaries	**56,464**	71,578
Pension contributions, including pension costs for defined benefit scheme of HK$2,258,000*	**3,043**	4,102
	59,507	75,680
Deficit on revaluation of investment properties in PRC**	**44,790**	–
Impairment on properties under development in PRC**	**53,704**	–
Provision/(write-back of provision) for doubtful debts	**558**	(3,263)
Provision/(write-back of provision) for impairment of long term investments**	**6,700**	(2,191)
Provision/(write-back of provision) for obsolete inventories***	**8,878**	(4,664)
Amortisation and impairment of goodwill**	**7,105**	–
Operating lease rentals payments in respect of land and buildings:		
Minimum lease payments	**89,081**	93,224
Contingent rent	**361**	–
Write-off of fixed assets	**–**	219
Loss on disposal of fixed assets	**–**	525
Loss on disposal of properties held for sales	**411**	–
Research and development costs	**–**	844
Exchange losses/(gains) – net	**(3,028)**	747
Gross rental income	**(19,129)**	(19,413)
Less: Outgoings	**894**	2,515
Net rental income	**(18,235)**	(16,898)
Dividends from listed investments	**(3,235)**	(5,723)
Net loss on securities trading	**19,656**	46,670
Interest income	**(10,998)**	(16,685)

6. LOSS FROM OPERATING ACTIVITIES *(continued)*

* The costs for the defined benefit pension scheme for the year ended 28 February 2002 were calculated using the previous accounting policy applied before SSAP 34 was adopted during the current year, and so are not directly comparable with the amount for the current year. The current and previous accounting policies are explained under the heading "Employee benefits: Retirement benefits" in note 3 to the financial statements.

** Amounts are included in "Other operating expenses" on the face of the consolidated profit and loss account.

*** Amount is included in "Cost of sales" on the face of the consolidated profit and loss account.

7. PENSION SCHEME ASSETS

(a) SSAP 34 was adopted during the current year, as further explained in note 2 and under the heading "Employee benefits: Retirement benefits" in note 3 to the financial statements. In accordance with the transitional provisions of SSAP 34, the Group's and the Company's net pension assets of HK$5,132,000 and HK$5,015,000, respectively, under SSAP 34, was recognised in the balance sheet as at 1 March 2002 (note (b) below), with the corresponding entry being an equivalent credit to retained profits at that date, as detailed in the consolidated statement of changes in equity and in note 29 to the financial statements. Under the Group's previous accounting policy for the pension scheme, no amounts were recognised in the consolidated balance sheet.

The net pension scheme costs charged to the consolidated profit and loss account for the year under SSAP 34 amounted to HK$2,442,000 (notes (b) and (d) below). Under the previous accounting policy, the profit and loss account charge for the pension scheme comprised the contributions payable to the scheme for the year (note 6).

SSAP 34 does not require the 2002 comparative balance sheet or profit and loss account to be restated under the new accounting policy, therefore there are no comparative amounts for the information disclosed below.

7. PENSION SCHEME ASSETS *(continued)*

(b) The movements in the net pension scheme assets in the balance sheets during the year were as follows:

	Notes	Group 2003 HK$'000	Company 2003 HK$'000
At beginning of period:			
As previously reported		–	–
Prior year adjustment		5,132	5,015
As restated		5,132	5,015
Contributions paid to the pension scheme		2,816	2,535
Net pension scheme cost recognised in the profit and loss account	*6, 7(d)*	(2,442)	(2,229)
At 28 February	*7(c)*	5,506	5,321

(c) The components of the pension scheme net assets as at the balance sheet date, were as follows:

	Note	Group 2003 HK$'000	Company 2003 HK$'000
Present value of defined benefit obligation		(31,242)	(30,476)
Fair value of scheme assets		34,486	33,704
		3,244	3,228
Net cumulative actuarial gains remaining in the balance sheet		2,262	2,093
Net asset recognised at 28 February	*7(b)*	5,506	5,321

7. PENSION SCHEME ASSETS *(continued)*

(d) The components of the Group's net pension scheme cost recognised in the consolidated profit and loss account for the year, together with the actual return on the scheme assets for the year, were as follows:

	2003 HK$'000
Current service cost	2,877
Interest cost on defined benefit obligation	1,902
Expected return on pension scheme assets	(2,337)
	2,442
Actual return on scheme assets	747

The above amount of the Group's net pension scheme cost was included in the administrative expenses on the face of the consolidated profit and loss account.

(e) The principal actuarial assumptions used in determining the Group's and Company's net pension scheme assets as at the balance sheet date, were as follows:

	2003 %
Discount rate	5.0
Long term average expected return on scheme assets	6.5
Long term salary increase rate	4.5

(f) In addition to the above disclosures, the following further information is provided pursuant to the requirements of the Listing Rules. The actuarial valuation of the Group's pension scheme as at 28 February 2003 was performed by Mr. Aaron Wong, Fellow of the Society of Actuarial, of Watson Wyatt Hong Kong Limited, using the valuation method detailed under the heading "Employee benefits: Retirement benefits" in note 3 to the financial statements.

As at 28 February 2003, the level of funding of the pension scheme was 109%, as calculated under the projected unit credit actuarial valuation method.

8. FINANCE COSTS

	2003	2002
	HK$'000	HK$'000
Interest on bank loans and other loans wholly repayable within five years	**20,919**	35,724
Less: Interest capitalised *(Notes 14, 19, 20)*	**(6,920)**	(6,055)
Net interest expense	**13,999**	29,669

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 (2002: 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:

	2003	2002
	HK$'000	HK$'000
Provision for tax in respect of profit for the year:		
Hong Kong	**–**	–
Overseas	**–**	2,861
	–	2,861
Associates	**5,880**	328
Tax charge for the year	**5,880**	3,189

9. TAX *(continued)*

Tax in the balance sheet represents:

	Group		Company	
	2003	2002	**2003**	2002
	HK$'000	HK$'000	**HK$'000**	HK$'000
Estimated current year liability for profits tax	**–**	2,861	**–**	–
Estimated profits tax brought forward from prior years	**1,505**	74	**–**	–
Profits tax paid	**–**	(1,430)	**–**	–
	1,505	1,505	**–**	–

An unrecognised deferred tax asset calculated at the rate of 16% (2002: 16%) on the accumulated timing differences at the balance sheet date is analysed as follows:

	Group		Company	
	2003	2002	**2003**	2002
	HK$'000	HK$'000	**HK$'000**	HK$'000
Accelerated depreciation allowances	**6,539**	5,667	**4,485**	3,980
Tax losses	**109,003**	100,157	**96,895**	88,104
	115,542	105,824	**101,380**	92,084

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$68,746,000 (2002: net profit of HK$14,417,000).

11. LOSS PER SHARE

The calculation of basic loss per share is based on the net loss from ordinary activities attributable to shareholders for the year of HK$248,756,000 (2002: HK$58,054,000) and the 574,308,000 (2002: 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 in existence during these years.

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	124,218	235,736	44,302	101,672	505,928
Transfers	119,172	(76,247)	–	–	42,925
Additions	–	–	3,469	5,639	9,108
Disposals	–	–	(1,332)	–	(1,332)
Deficit on revaluation	(44,790)	–	–	–	(44,790)
At 28 February 2003	**198,600**	**159,489**	**46,439**	**107,311**	**511,839**
Accumulated depreciation:					
At beginning of year	–	37,624	30,820	73,998	142,442
Provided during the year	–	5,176	6,766	12,123	24,065
Transfers	–	(16,287)	–	–	(16,287)
Disposals	–	–	(1,110)	–	(1,110)
At 28 February 2003	**–**	**26,513**	**36,476**	**86,121**	**149,110**
Net book value:					
At 28 February 2003	**198,600**	**132,976**	**9,963**	**21,190**	**362,729**
At 28 February 2002	124,218	198,112	13,482	27,674	363,486
Analysis of cost or valuation:					
At cost	–	159,489	46,439	107,311	313,239
At valuation	198,600	–	–	–	198,600
	198,600	159,489	46,439	107,311	511,839

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	30,961	57,614	89,009
Additions	–	350	2,432	2,782
At 28 February 2003	**434**	**31,311**	**60,046**	**91,791**
Accumulated depreciation:				
At beginning of year	208	20,811	37,734	58,753
Provided during the year	9	4,937	7,529	12,475
At 28 February 2003	**217**	**25,748**	**45,263**	**71,228**
Net book value:				
At 28 February 2003	**217**	**5,563**	**14,783**	**20,563**
At 28 February 2002	226	10,150	19,880	30,256

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

	Hong Kong HK$'000	PRC HK$'000	Total HK$'000
Medium term leasehold	85,502	47,474	132,976

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

The investment properties were valued on 28 February 2003 by Castores Magi Surveyors Limited, an independent firm of professional valuers, on an open market value basis based on their existing use at HK$198,600,000. A revaluation deficit of HK$44,790,000 resulting from the valuation was charged to the profit and loss account.

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).

13. GOODWILL

The amounts of the goodwill capitalised as an asset in the balance sheet, arising from the acquisition of subsidiaries, are as follows:

	HK$'000
Cost:	
At beginning of year	–
Acquisition of additional shares of a subsidiary *(Note 16)*	24,206
Acquisition of a subsidiary *(Note 31)*	1,664
At 28 February 2003	**25,870**
Accumulated amortisation and impairment:	
At beginning of year	–
Amortisation provided during the year	1,210
Impairment provided during the year	5,895
At 28 February 2003	**7,105**
Net book value:	
At 28 February 2003	**18,765**
At 28 February 2002	–

14. PROPERTIES UNDER DEVELOPMENT

	Group	
	2003	2002
	HK$'000	HK$'000
At beginning of year	**279,217**	408,939
Additions	**–**	31,247
Transferred to fixed assets	**(59,212)**	–
Interest capitalised *(Note 8)*	**–**	6,055
Transferred to properties under development for sale	**–**	(79,504)
Transferred to properties held for sale	**–**	(87,520)
Provision for impairment	**(53,704)**	–
	166,301	279,217

14. PROPERTIES UNDER DEVELOPMENT *(continued)*

The remaining properties under development are located in Dalian, PRC and were valued on 28 February 2003 by Castores Magi Surveyors Limited on an open market value basis based on their existing use at HK$166,301,000. An impairment loss of HK$53,704,000 resulting from the valuation was charged to profit and loss account.

At the balance sheet date, the properties under development 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	
	2003	2002
	HK$'000	HK$'000
Total amounts receivable	**7,816**	12,612
Amounts receivable within one year classified as current assets *(Note 21)*	**(1,735)**	(2,108)
Long term portion	**6,081**	10,504

16. INTERESTS IN SUBSIDIARIES

	Company	
	2003	2002
	HK$'000	HK$'000
Unlisted shares, at cost	**41,815**	41,742
Due from subsidiaries	**1,407,474**	1,381,988
Due to subsidiaries	**(65,731)**	(65,960)
	1,383,558	1,357,770
Less: Provisions for impairment	**(454,515)**	(447,674)
	929,043	910,096

The balances with subsidiaries are unsecured and are not repayable within the next 12 months from the balance sheet date. Certain of the balances bear interest at 5.3% (2002: 5.3%) per annum.

16. INTERESTS IN SUBSIDIARIES *(continued)*

Particulars of the principal subsidiaries are as follows:

Company	Place of incorporation/ registration and principal operations	Nominal value of issued/ registered share capital/ paid-up capital	Class of shares held	Percentage held Directly	Percentage held Indirectly	Nature of business
Citihood Developments Limited	British Virgin Islands	US$30,000	Registered	100	–	Investment holding
Dalian Sincere Building Co., Ltd. ("Dalian Sincere") (formerly known as "Dalian Sincere (Qiu Lin) Building Co., Ltd")	PRC	RMB72,000,000	N/A	–	100*	Property development
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

16. INTERESTS IN SUBSIDIARIES *(continued)*

Company	Place of incorporation/ registration and principal operations	Nominal value of issued/ registered share capital/ paid-up capital	Class of shares held	Percentage held Directly	Percentage held Indirectly	Nature of business
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
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
Sino State Development Limited#	Hong Kong	HK$100	Ordinary	–	81	Investment holding
Shanghai Sincere Daily Stop Chain Corporation# ("Sincere Daily Stop")	PRC	RMB5,000,000	Registered	–	66	Operating and franchising of convenience chain stores
Matchgain Limited#	Hong Kong	HK$100,000	Ordinary	74	–	Furniture retailing
360 Communications Limited#	Hong Kong	HK$100	Ordinary	–	60	Advertising agency

* During the year, the Group's shareholdings in Dalian Sincere increased from 70% to 100%.

\# Acquired/incorporated during the year

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	
	2003	2002	**2003**	2002
	HK$'000	HK$'000	**HK$'000**	HK$'000
Unlisted shares, at cost	**–**	–	**16,611**	16,611
Share of net assets other than goodwill	**223,682**	241,131	**–**	–
	223,682	241,131	**16,611**	16,611
Due from/(to) associates	**(79)**	18,293	**15,454**	16,289
	223,603	259,424	**32,065**	32,900

The Group's share of the post-acquisition accumulated reserves of associates at 28 February 2003 was HK$155,802,000 (2002: HK$173,251,000).

The balances with associates are unsecured, interest-free and not repayable within the next 12 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**
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
The Sincere Insurance & 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 holding
140 Park Lane Limited	Corporate	United Kingdom	Ordinary	30.00	Property investment

17. INTERESTS IN ASSOCIATES *(continued)*

Company	Business structure	Place of incorporation	Class of shares held	Percentage of issued shares held	Nature of business
CPE Investment Limited	Corporate	United Kingdom	Ordinary	50.00	Investment holding
Lancaster Partnership Limited	Corporate	United Kingdom	Ordinary	50.00	Property investment

At 28 February 2003, 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	
	2003	2002	**2003**	2002
	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	**34,538**	34,533	**–**	–
	79,470	79,465	**44,932**	44,932
Less: Provisions for impairment	**(29,312)**	(22,612)	**(29,312)**	(22,612)
	50,158	56,853	**15,620**	22,320

At 28 February 2003, the unlisted investment in Hong Kong of the Group and of the Company represented an interest of 10% (2002: 10%) in the issued share capital of Goldian Limited against which a total provision of HK$14,901,000 (2002: HK$8,201,000) has been made for impairment as considered necessary by the directors of the Company.

19. PROPERTIES UNDER DEVELOPMENT FOR SALE

	Group	
	2003	2002
	HK$'000	HK$'000
Carrying value at beginning of year	**79,504**	–
Additions	**73,183**	–
Interest capitalised *(Note 8)*	**3,965**	–
Transferred from properties under development	**–**	79,504
	156,652	79,504

At the balance sheet date, the properties under development for sale are pledged to banks to secure bank loans granted to the Group (Note 24).

20. PROPERTIES HELD FOR SALE

	Group	
	2003	2002
	HK$'000	HK$'000
At beginning of year	**57,910**	860
Additions	**835**	87,520
Interest capitalised *(Note 8)*	**2,955**	–
Sales during the year	**(16,682)**	(30,470)
	45,018	57,910

At the balance sheet date, the properties held for sale are pledged to banks to secure bank loans granted to the Group (Note 24).

21. DEBTORS

The maturity profile of the current portion of the amounts due from purchasers of units in the Sincere House at the balance sheet date was as follows:

	Group	
	2003	2002
	HK$'000	HK$'000
Current – 3 months	**421**	520
4 – 6 months	**430**	519
7 – 12 months	**884**	1,069
	1,735	2,108

22. MARKETABLE SECURITIES

	Group	
	2003	2002
	HK$'000	HK$'000
Listed investments, at market value:		
Hong Kong	**30,633**	33,900
Elsewhere	**360,596**	416,518
	391,229	450,418

At the balance sheet date, marketable securities with an aggregate market value of approximately HK$378,743,000 (2002: HK$400,280,000) were pledged to banks to secure banking facilities granted to the Group (Note 24).

23. CASH AND BANK BALANCES

	Group		Company	
	2003	2002	**2003**	2002
	HK$'000	HK$'000	**HK$'000**	HK$'000
Cash on hand and in banks	**24,652**	28,803	**6,155**	5,679
Deposits with banks	**1,176**	49,264	**1,176**	46,275
	25,828	78,067	**7,331**	51,954

24. INTEREST-BEARING BANK LOANS AND OVERDRAFTS, SECURED

	Group		Company	
	2003	2002	**2003**	2002
	HK$'000	HK$'000	**HK$'000**	HK$'000
Bank loans and overdrafts, secured	**438,444**	441,948	**32,418**	17,396
Portion due within one year included under current liabilities	**(438,444)**	(441,948)	**(32,418)**	(17,396)
Long term portion	**–**	–	**–**	–

25. CREDITORS

The age analysis of trade creditors at the balance sheet date included in the total creditors balance was as follows:

	Group		Company	
	2003	2002	**2003**	2002
	HK$'000	HK$'000	**HK$'000**	HK$'000
Current – 3 months	**17,404**	24,620	**14,427**	24,131
4 – 6 months	**909**	1,346	**368**	1,346
7 – 12 months	**827**	783	**827**	783
Over 1 year	**558**	451	**558**	418
	19,698	27,200	**16,180**	26,678

26. SHARE CAPITAL

	2003	2002
	HK$'000	HK$'000
Authorised:		
600,000,000 ordinary shares of HK$0.50 each	**300,000**	300,000
Issued and fully paid:		
574,308,000 ordinary shares of HK$0.50 each	**287,154**	287,154

Share options

Details of the Company's share option scheme (the "Option Scheme") are set out in note 28 to the financial statements.

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

	2003	2002
	HK$'000	HK$'000
At beginning and end of year	**26**	26

28. SHARE OPTION SCHEME

SSAP 34 was adopted during the year, as explained in note 2 and under the heading "Employee benefits" in note 3 to the financial statements. As a result, the following detailed disclosures relating to the Company's share option scheme are now included in the notes to the financial statements. In the prior year, these disclosures were included in the Report of the Directors, as their disclosure is also a requirement of the Listing Rules.

The Company operates the Option Scheme for the purpose of providing incentives and rewards to eligible participants for their contribution to the Group. Eligible participants of the Option Scheme include any full-time employees and directors, excluding any non-executive directors, of the Group. The Option Scheme became effective on 1 August 2000 and, unless otherwise amended or altered, will remain in force for a period of 10 years from that date.

The maximum number of unexercised share options currently permitted to be granted under the Option Scheme is an amount equivalent, upon their exercise, of up to 10% of the shares of the Company in issue at any time. The maximum number of shares issuable under share options to each eligible participant in the Option Scheme is limited to 25% of the aggregate number of shares issuable under the Option Scheme.

The offer of the grant of a share option may be accepted within 28 days from the date of the offer, upon payment of a nominal consideration of HK$1 in total by the grantee. The exercise period of the share options granted is determinable by the directors, and commences on a date determinable by the directors, and ends on a date which is not later than 10 years from the commencement date of the exercise period or the expiry date of the Option Scheme, if earlier.

The exercise price of the share options is determinable by the directors, but may not be less than the higher of (i) 90% of the average of the closing price of the Company's shares on The Stock Exchange of Hong Kong Limited for the five trading days immediately preceding the date of offer of the option; and (ii) the nominal value of the Company's shares.

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

29. RESERVES

(a) Group

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

(b) Company

	General reserve HK$'000	Retained profits HK$'000	Total HK$'000
At 1 March 2001	46,613	756,275	802,888
Profit for the year	–	14,417	14,417
At 28 February 2002 and 1 March 2002:			
As previously reported	46,613	770,692	817,305
Prior year adjustment *(Note 7)*	–	5,015	5,015
As restated	46,613	775,707	822,320
Loss for the year	–	(68,746)	(68,746)
At 28 February 2003	46,613	706,961	753,574

At 28 February 2003, the Company's reserves available for distribution, calculated in accordance with the provisions of Section 79B of the Companies Ordinance, amounted to HK$753,574,000 (2002: HK$817,305,000).

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

Directors' remuneration consisted of:

	Executive Directors		Other Directors		Total	
	2003	2002	**2003**	2002	**2003**	2002
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Fees	**3,592**	3,548	**402**	402	**3,994**	3,950
Salaries and allowances	**16,769**	17,049	**–**	–	**16,769**	17,049
Pension contributions, including pension cost for defined benefits scheme of HK$184,000*	**212**	266	**–**	–	**212**	266
	20,573	20,863	**402**	402	**20,975**	21,265

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

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

* The costs for the defined benefit pension scheme for the year ended 28 February 2002 were calculated using the previous accounting policy applied before SSAP 34 was adopted during the current year, and so are not directly comparable with the amount for the current year. The current and previous accounting policies are explained under the heading "Employee benefits: Retirement benefits" in note 3 to the financial statements.

The remuneration of the directors fell within the following bands:

	Number of directors	
	2003	2002
Nil – HK$1,000,000	**3**	3
HK$2,000,001 – HK$2,500,000	**1**	1
HK$8,000,001 – HK$8,500,000	**1**	1
HK$10,000,001 – HK$10,500,000	**1**	1

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	
	2003	2002
	HK$'000	HK$'000
Salaries and allowances	**2,267**	2,753
Pension contributions	**68**	190
	2,335	2,943

	Number of individuals	
	2003	2002
HK$1,000,001 – HK$1,500,000	**2**	1
HK$1,500,001 – HK$2,000,000	**–**	1

31. NOTES TO CONSOLIDATED CASH FLOW STATEMENT

Acquisition of a subsidiary

	2003	2002
	HK$'000	HK$'000
Net assets acquired:		
Fixed assets	402	–
Prepayments, deposits and other receivables	3,168	–
Cash and bank balances	39	–
Inventories	18	–
Creditors, deposits and accrued expenses	(2,187)	–
	1,440	–
Goodwill on acquisition *(Note 13)*	1,664	–
	3,104	–
Satisfied by:		
Cash	3,104	–

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

	2003	2002
	HK$'000	HK$'000
Cash consideration	(3,104)	–
Cash and bank balances acquired	39	–
Net outflow of cash and cash equivalents in respect of the acquisition of a subsidiary	(3,065)	–

On 30 September 2002, the Group acquired a 66% interest in Sincere Daily Stop from an independent third party. The purchase consideration for the acquisition was in the form of cash, with HK$3,104,000 being paid at the acquisition date.

Since its acquisition, Sincere Daily Stop has contributed HK$1,073,000 to the Group's turnover and a net loss HK$1,837,000 to the consolidated loss after tax and before minority interests for the year ended 28 February 2003.

32. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group leases its investment properties under operating lease arrangements, with leases negotiated for terms ranging from 1 to 20 years.

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

	Group		Company	
	2003	2002	**2003**	2002
	HK$'000	HK$'000	**HK$'000**	HK$'000
Within one year	**17,643**	9,281	**11,976**	7,359
In the second to fifth years, inclusive	**20,227**	956	**2,470**	140
After five years	**64,369**	–	**–**	–
	102,239	10,237	**14,446**	7,499

During the year, the Group did not receive any contingent rent.

(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	
	2003	2002	**2003**	2002
	HK$'000	HK$'000	**HK$'000**	HK$'000
Within one year	**64,916**	74,608	**53,929**	63,806
In the second to fifth years, inclusive	**67,494**	57,485	**56,597**	43,130
	132,410	132,093	**110,526**	106,936

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 16% of the gross sales attributable to the leased premises or the base rents as determined in the respective lease agreements. In additions, a lease for restaurant operations was charged at 15% of the restaurant's monthly gross turnover as determined in the respective lease agreement, and the corresponding contingent rent was not included in above.

33. OUTSTANDING COMMITMENTS

Outstanding commitments at the balance sheet date were as follows:

	Group		Company	
	2003	2002	**2003**	2002
	HK$'000	HK$'000	**HK$'000**	HK$'000
Irrevocable letters of credit	**7,957**	18,767	**7,957**	18,767
Capital commitments				
– contracted, but not provided for	**55,312**	110,284	**–**	–
Commitments to purchase foreign currencies	**17,000**	40,069	**–**	–
Commitments to sell foreign currencies	**17,000**	40,778	**–**	–
Commitments to pay for delivery services	**1,261**	–	**–**	–
Commitments to pay for consultancy fee	**3,100**	–	**–**	–

In addition to the above, certain associates of the Group had outstanding capital commitments in aggregate of approximately HK$34,478,000 (2002: HK$109,864,000) 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.

34. CONTINGENT LIABILITIES

Contingent liabilities at the balance sheet date were as follows:

	Group		Company	
	2003	2002	**2003**	2002
	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	**–**	–	**265,084**	265,084
Guarantees executed by the Company in favour of banks to secure a loan granted to an investee company	**4,539**	10,950	**4,539**	10,950
Guarantees executed by the Company in favour of banks to secure a loan granted to an associate	**284,442**	255,209	**284,442**	255,209

35. RELATED PARTY TRANSACTIONS

During the year, the Group had the following transactions with related parties. The directors confirm that all of these transactions were carried out in the ordinary and usual course of business of the Group.

	Notes	2003 HK$'000	2002 HK$'000
Acquisition of additional shares in a subsidiary	(a)	**24,000**	–
Provision of advertising services to a related company	(b)	**792**	–

Notes:

(a) Pursuant to a share transfer agreement dated 2 April 2002, the Group acquired the remaining 30% equity interests of Dalian Sincere at the consideration of RMB25.5 million (approximately HK$24 million) from the former minority shareholder of Dalian Sincere.

(b) The advertising services provided to and services fees charged to this related company of which Charles M W CHAN, an independent non-executive director of the Company, is an executive director of this related company, were carried out in the ordinary course of business of the Group and were effected on prices and terms similar to other customers.

The related party transactions set out above constituted connected transactions as defined in the Listing Rules.

36. COMPARATIVE AMOUNTS

As further explained in note 2 to the financial statements, due to the adoption of certain new and revised SSAPs during the current year, the accounting treatment and presentation of certain items in the financial statements have been revised to comply with the new requirements. Accordingly, certain prior year adjustments have been made and comparative amounts have been restated to conform with the current year's presentation.

37. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 19 June 2003.