Notes to Financial Statements (28 February 2005)

1. CORPORATE INFORMATION

The principal activities of the Company and its subsidiaries during the year consisted of the operation of department stores, the rental of properties, property development, securities trading, the operation of restaurants and the provision of advertising agency services. The operation of convenience chain stores ceased during the year. Furthermore, the operation of a restaurant was temporarily closed in January 2005 following the expiry of the lease term of the premise where the restaurant was operating. The management is seeking for another prime location to reopen the restaurant.

2. IMPACT OF RECENTLY ISSUED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRS")

The Hong Kong Institute of Certified Public Accountants has issued a number of new Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards, hereinafter collectively referred to as the new HKFRSs, which are generally effective for accounting periods beginning on or after 1 January 2005. The Group has not early adopted these new HKFRSs in the financial statements for the year ended 28 February 2005. The Group has already commenced an assessment of the impact of these new HKFRSs but is not yet in a position to state whether these new HKFRSs would have a significant impact on its results of operations and financial position.

Hong Kong Interpretation 3 "Revenue – Pre-completion Contracts for the Sale of Development Properties" applies to pre-completion contracts for the sale of development properties entered into on or after 1 January 2005. The Group did not elect to retrospectively apply this interpretation to pre-completion contracts for sale of development properties entered into before 1 January 2005, and the Group did not have any pre-completion contracts entered into on or after 1 January 2005. Accordingly, this interpretation has had no impact on these financial statements.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

These financial statements have been prepared in accordance with HKFRSs (which also include Statements of Standard Accounting Practice ("SSAPs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants, 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.

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

Subsidiaries

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

The results 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.

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.

Notes to Financial Statements (Continued) (28 February 2005)

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

Goodwill *(continued)*

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 and 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/ 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.

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

Investments in securities

(i) Long term investments in unlisted equity securities, which are intended to be held on a continuing basis, and which are held for 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 impairment in value has occurred, the carrying amounts of the securities are reduced to their fair values, as estimated by the directors, and the amount of impairment is charged to the profit and loss account for the period in which they arise.

When the circumstances and events that led to 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.

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, is normally charged to the profit and loss account in the period in which it is 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.

Notes to Financial Statements (Continued) (28 February 2005)

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

Fixed assets and depreciation *(continued)*

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 valuation is released to the profit and loss account.

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 for which the pre-completion contract was entered into before 1 January 2005, 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.

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

Properties under development *(continued)*

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 for 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 sale 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.

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.

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.

Notes to Financial Statements (Continued) (28 February 2005)

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

Employee benefits *(continued)*

Retirement benefits (continued)

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.

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

In addition, the Group also operates a defined contribution Mandatory Provident Fund ("MPF") retirement 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 established in Mainland China are members of the Central Pension Scheme operated by the Mainland China government. The subsidiaries are required to contribute a certain percentage of their covered payroll to the Central Pension Scheme to fund the benefits. The only obligation for the subsidiaries with respect to the Central Pension Scheme is to meet the required contributions under the Central Pension Scheme.

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

Employee benefits *(continued)*

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.

Income tax

Income tax comprises current and deferred tax. Income tax is recognised in the profit and loss account or in equity if it relates to items that are recognised in the same or a different period directly in equity.

Deferred tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences:

- except where the deferred tax liability arises from the initial recognition of an asset or liability and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries and associates, except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

- except where the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries and associates, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

Notes to Financial Statements (Continued) (28 February 2005)

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

Income tax *(continued)*

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Conversely, previously unrecognised deferred tax assets are recognised to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

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

Revenue recognition

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

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

(b) interest income, on 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;

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

(j) income from counter and consignment sales, when goods are sold by the relevant parties.

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

Research and development costs

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

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

Deferred development costs are 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.

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 exchange rates 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.

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.

Notes to Financial Statements (Continued) (28 February 2005)

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

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 and 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	
	2005	2004	**2005**	2004	**2005**	2004	**2005**	2004	**2005**	2004	**2005**	2004	**2005**	2004	**2005**	2004
	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	**309,671**	281,305	**23,936**	22,180	**12,895**	15,530	**196,773**	30,084	**10,119**	44,716	**5,239**	4,918	**–**	–	**558,633**	398,733
Inter– segment sales	**–**	–	**–**	–	**15,532**	17,607	**–**	–	**–**	–	**7,217**	6,296	**(22,749)**	(23,903)	**–**	–
Other revenue	**731**	3,002	**–**	137	**204**	(470)	**–**	1,145	**554**	–	**–**	–	**–**	(1,165)	**1,489**	2,649
Total	**310,402**	284,307	**23,936**	22,317	**28,631**	32,667	**196,773**	31,229	**10,673**	44,716	**12,456**	11,214	**(22,749)**	(25,068)	**560,122**	401,382
Segment results	**(30,245)**	(56,001)	**(49)**	(1,781)	**5,187**	7,988	**(26,479)**	(8,433)	**5,153**	39,556	**(3,058)**	(3,935)	**–**	–	**(49,491)**	(22,606)
Interest, dividend income and unallocated revenue															**6,621**	12,476
Unallocated expenses															**(5,293)**	(18,445)
Impairment on fixed assets in Mainland China	**–**	–	**–**	–	**(331)**	(7,036)	**–**	–	**–**	–	**–**	–	**–**	–	**(331)**	(7,036)
Impairment on fixed assets in Hong Kong	**–**	–	**–**	–	**(13,575)**	–	**–**	–	**–**	–	**–**	–	**–**	–	**(13,575)**	–
Revaluation deficit on investment properties in Mainland China	**–**	–	**–**	–	**(6,700)**	(31,816)	**–**	–	**–**	–	**–**	–	**–**	–	**(6,700)**	(31,816)
Impairment on properties under development in Mainland China	**–**	–	**–**	–	**(12,400)**	(42,401)	**–**	–	**–**	–	**–**	–	**–**	–	**(12,400)**	(42,401)
Impairment on properties under development for sale in the UK	**–**	–	**–**	–	**–**	–	**(14,127)**	(40,453)	**–**	–	**–**	–	**–**	–	**(14,127)**	(40,453)
Loss from operating activities															**(95,296)**	(150,281)
Finance costs															**(10,390)**	(8,328)
Share of profits less losses of associates															**(19,305)**	(25,420)
Loss before tax															**(124,991)**	(184,029)
Tax															**–**	843
Loss before minority interests															**(124,991)**	(183,186)
Minority interests															**6,277**	13,492
Net loss from ordinary activities attributable to shareholders															**(118,714)**	(169,694)

Notes to Financial Statements (Continued) (28 February 2005)

4. SEGMENT INFORMATION *(continued)*

(a) Business segments *(continued)*

	Department store operations		Restaurant operations		Property rental		Property development		Securities trading		Corporate and others		Eliminations		Consolidated	
	2005	2004	**2005**	2004	**2005**	2004	**2005**	2004	**2005**	2004	**2005**	2004	**2005**	2004	**2005**	2004
	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	**108,346**	115,103	**2,958**	3,727	**374,971**	434,223	**206,664**	316,193	**316,076**	357,309	**8,746**	9,431	**(24,031)**	(23,556)	**993,730**	1,212,430
Unallocated assets															**21,165**	42,025
Interests in associates	**–**	–	**–**	–	**–**	–	**157,554**	77,958	**–**	–	**98,681**	127,117	**–**	–	**256,235**	205,075
Bank overdrafts included in segment assets	**22,413**	28,151	**–**	–	**–**	–	**5,751**	360	**6,660**	–	**261**	–	**–**	–	**35,085**	28,511
Total assets															**1,306,215**	1,488,041
Segment liabilities	**78,040**	75,686	**6,698**	4,388	**7,394**	10,695	**10,579**	22,424	**1,114**	939	**2,037**	4,299	**(24,031)**	(23,556)	**81,831**	94,875
Unallocated liabilities															**263,451**	444,337
Bank overdrafts included in segment assets	**22,413**	28,151	**–**	–	**–**	–	**5,751**	360	**6,660**	–	**261**	–	**–**	–	**35,085**	28,511
Total liabilities															**380,367**	567,723
Other segment information:																
Depreciation	**9,121**	9,794	**229**	242	**5,033**	5,670	**–**	–	**–**	–	**431**	989	**–**	–	**14,814**	16,695
Capital expenditure	**7,653**	6,469	**57**	57	**76**	838	**–**	–	**–**	–	**152**	1,174	**–**	–	**7,938**	8,538
Provision for doubtful debts	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**579**	189	**–**	–	**579**	189
Write– back of provision for obsolete inventories	**(2,608)**	(5,949)	**–**	–	**–**	–	**–**	–	**–**	–	**(5)**	–	**–**	–	**(2,613)**	(5,949)
Impairment on fixed assets in HK	**–**	–	**–**	–	**13,575**	–	**–**	–	**–**	–	**–**	–	**–**	–	**13,575**	–
Impairment on fixed assets in Mainland China	**–**	–	**–**	–	**331**	7,036	**–**	–	**–**	–	**–**	–	**–**	–	**331**	7,036
Revaluation deficit on investment properties in Mainland China	**–**	–	**–**	–	**6,700**	31,816	**–**	–	**–**	–	**–**	–	**–**	–	**6,700**	31,816
Impairment on properties under development in Mainland China	**–**	–	**–**	–	**12,400**	42,401	**–**	–	**–**	–	**–**	–	**–**	–	**12,400**	42,401
Impairment on properties under development for sale in the UK	**–**	–	**–**	–	**–**	–	**14,127**	40,453	**–**	–	**–**	–	**–**	–	**14,127**	40,453
Amortisation and impairment on goodwill	**–**	–	**–**	–	**6,710**	5,988	**–**	–	**–**	–	**–**	–	**–**	–	**6,710**	5,988

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		Mainland China		UK		Others		Eliminations		Consolidated	
	2005	2004	**2005**	2004	**2005**	2004	**2005**	2004	**2005**	2004	**2005**	2004
	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	**342,788**	339,240	**14,110**	11,296	**197,206**	30,084	**4,529**	18,113	**–**	–	**558,633**	398,733
Segment assets	**402,135**	503,021	**320,375**	340,474	**369,969**	389,162	**213,736**	255,384	**–**	–	**1,306,215**	1,488,041
Capital expenditure	**7,115**	4,527	**823**	3,000	**–**	–	**–**	1,011	**–**	–	**7,938**	8,538

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. Current year balance of turnover included net income from counter and consignment sales of HK$105,419,000 since the management of the Group anticipates that the counter and consignment sales will be continued in the future as part of the principal activities of the Group. The prior year balance of net income from counter and consignment sales of HK$85,352,000 is now reclassified into turnover in order to be consistent with current year's presentation.

Notes to Financial Statements (Continued) (28 February 2005)

6. LOSS FROM OPERATING ACTIVITIES

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

	2005 HK$'000	2004 HK$'000
Depreciation	**14,814**	16,695
Auditors' remuneration	**1,888**	1,780
Staff costs, excluding directors' remuneration *(Note 30)*		
Wages and salaries	**57,805**	41,535
Pension contributions, including pension costs for defined benefit scheme of HK$2,403,000 (2004: HK$2,220,000)	**2,869**	2,359
	60,674	43,894
Impairment on fixed assets in Mainland China*	**331**	7,036
Impairment on fixed assets in Hong Kong*	**13,575**	–
Deficit on revaluation of investment properties in Mainland China*	**6,700**	31,816
Impairment on properties under development in Mainland China*	**12,400**	42,401
Provision for impairment on properties under development for sale in the UK*	**14,127**	40,453
Provision for doubtful debts	**579**	189
Write-back of provision for impairment of a long term investment*	**(2,323)**	–
Write-back of provision for obsolete inventories**	**(2,613)**	(5,949)
Amortisation and impairment of goodwill*	**6,710**	5,988
Operating lease rental payments in respect of land and buildings:		
Minimum lease payments	**64,107**	71,557
Contingent rent	**9,030**	6,204
Loss/(gain) on disposal of fixed assets	**1,758**	(147)
Exchange losses/(gains) – net	**(109)**	2,153
Gross rental income	**(11,352)**	(15,810)
Less: Outgoings	**69**	102
Net rental income	**(11,283)**	(15,708)
Gain on liquidation of a subsidiary	**–**	(1,763)
Dividends from listed investments	**(2,853)**	(3,590)
Gain on securities trading	**(10,119)**	(44,716)
Interest income	**(3,721)**	(5,023)

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

Group

	Notes	2005 HK$'000	2004 HK$'000
At beginning of year		**5,774**	5,506
Contribution paid to the pension scheme		**2,752**	2,672
Net pension scheme cost recognised in the profit and loss account	*6, 7(c), 30*	**(2,604)**	(2,404)
At 28 February/29 February	*7(b)*	**5,922**	5,774

Company

	Note	2005 HK$'000	2004 HK$'000
At beginning of year		**5,598**	5,321
Contribution paid to the pension scheme		**2,539**	2,415
Net pension scheme cost recognised in the profit and loss account		**(2,215)**	(2,138)
At 28 February/29 February	*7(b)*	**5,922**	5,598

Notes to Financial Statements (Continued) (28 February 2005)

7. PENSION SCHEME ASSETS *(continued)*

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

Group

	Note	2005 HK$'000	2004 HK$'000
Present value of defined benefit obligation		**(35,849)**	(34,333)
Fair value of scheme assets		**36,989**	38,065
		1,140	3,732
Net cumulative actuarial losses remaining in the balance sheet		**4,782**	2,042
Net asset recognised at 28 February/29 February	*7(a)*	**5,922**	5,774

Company

	Note	2005 HK$'000	2004 HK$'000
Present value of defined benefit obligation		**(35,849)**	(33,421)
Fair value of scheme assets		**36,989**	37,145
		1,140	3,724
Net cumulative actuarial losses remaining in the balance sheet		**4,782**	1,874
Net asset recognised at 28 February/29 February	*7(a)*	**5,922**	5,598

7. PENSION SCHEME ASSETS *(continued)*

(c) 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:

	2005	2004
	HK$'000	HK$'000
Current service cost	**3,241**	3,142
Interest cost on defined benefit obligation	**1,681**	1,531
Expected return on pension scheme assets	**(2,501)**	(2,278)
Net actuarial losses recognised	**6**	9
Loss on curtailment and settlement	**177**	–
	2,604	2,404
Actual return/(loss) on scheme assets	**(2,757)**	407

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

(d) 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:

	2005	2004
	%	%
Discount rate	**4.0**	4.5
Long term average expected return on scheme assets	**6.5**	6.5
Long term salary increase rate	**4.5**	4.5

(e) In addition to the above disclosures, the following further information is provided pursuant to the requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). The actuarial valuation of the Group's pension scheme as at 28 February 2005 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 2005, the level of funding of the pension scheme was 102% (2004: 111%), as calculated under the projected unit credit actuarial valuation method.

Notes to Financial Statements (Continued) (28 February 2005)

8. FINANCE COSTS

	2005 **HK$'000**	2004 HK$'000
Interest on bank loans and other loans wholly repayable within five years	**18,217**	17,916
Less: Interest capitalised *(Notes 19, 20)*	**(7,827)**	(9,588)
Net interest expense	**10,390**	8,328

9. TAX

No provision for Hong Kong profits tax has been made during the year (2004: Nil) as the Group did not generate any assessable profits arising in Hong Kong.

No overseas tax has been made during the year as the subsidiaries did not generate any assessable profits arising in the countries in which these subsidiaries operate. Last year's tax credit represented overprovision in prior years for certain subsidiaries operating overseas. Overseas taxes have been provided on the profits of the subsidiaries in accordance with the tax laws of the countries in which these subsidiaries operated for the year ended 29 February 2004.

	2005 **HK$'000**	2004 HK$'000
Group:		
Current – Hong Kong		
Charge for the year	**–**	–
Current – Overseas		
Charge for the year	**–**	–
Overprovision in prior years	**–**	(878)
	–	(878)
Share of tax attributable to associates	**–**	35
Total tax credit for the year	**–**	(843)

9. TAX *(continued)*

A reconciliation of the tax expense applicable to loss before tax using the statutory rates, ranging from 17.5% to 33%, for the countries in which the Company and its subsidiaries and associates are domiciled to the tax expense at the effective tax rates, are as follows:

	Group	
	2005	2004
	HK$'000	HK$'000
Loss before tax	**(124,991)**	(184,029)
Tax at the statutory tax rate	**(42,220)**	(68,848)
Adjustments in respect of current tax of previous periods	**–**	(910)
Income not subject to tax	**(4,246)**	(6,611)
Expenses not deductible for tax	**31,419**	39,508
Deferred tax not recognised	**(539)**	(910)
Estimated tax losses not recognised	**15,586**	36,928
Tax credit at the Group's effective rate	**–**	(843)

The Group has tax losses arising in Hong Kong of approximately HK$921,881,000 (2004: HK$876,052,000) that are available indefinitely for offsetting against future taxable profits of the Group. Deferred tax asset has not been recognised in respect of these losses as the Group has been loss-making for some time.

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$68,116,000 (2004: HK$143,722,000).

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$118,714,000 (2004: HK$169,694,000) and the 574,308,000 (2004: 574,308,000) shares in issue throughout the year.

No diluted loss per share is presented for both current and last years as there are no dilutive potential ordinary shares in existence during these years.

Notes to Financial Statements (Continued) (28 February 2005)

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	174,500	146,005	46,137	92,119	458,761
Additions	–	–	2,848	5,090	7,938
Disposals	–	(50,769)	(11,206)	(23,300)	(85,275)
Deficit on revaluation	(6,700)	–	–	–	(6,700)
At 28 February 2005	**167,800**	**95,236**	**37,779**	**73,909**	**374,724**
Accumulated depreciation and impairment:					
At beginning of year	–	32,423	39,009	77,567	148,999
Depreciation provided during the year	–	2,956	3,621	8,237	14,814
Impairment provided during the year	–	13,906	–	–	13,906
Disposals	–	(23,269)	(8,881)	(23,300)	(55,450)
At 28 February 2005	**–**	**26,016**	**33,749**	**62,504**	**122,269**
Net book value:					
At 28 February 2005	**167,800**	**69,220**	**4,030**	**11,405**	**252,455**
At 29 February 2004	174,500	113,582	7,128	14,552	309,762
Analysis of cost or valuation:					
At cost	–	95,236	37,779	73,909	206,924
At valuation	167,800	–	–	–	167,800
	167,800	95,236	37,779	73,909	374,724

12. FIXED ASSETS *(continued)*

Company

	Furniture, fixtures, equipment and motor vehicles HK$'000	Leasehold improvements HK$'000	Total HK$'000
Cost:			
At beginning of year	31,058	46,952	78,010
Additions	1,663	4,676	6,339
Disposals	(335)	–	(335)
At 28 February 2005	**32,386**	**51,628**	**84,014**
Accumulated depreciation:			
At beginning of year	28,529	35,568	64,097
Provided during the year	1,276	5,540	6,816
Disposals	(327)	–	(327)
At 28 February 2005	**29,478**	**41,108**	**70,586**
Net book value:			
At 28 February 2005	**2,908**	**10,520**	**13,428**
At 29 February 2004	2,529	11,384	13,913

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

	Hong Kong HK$'000	Mainland China HK$'000	Total HK$'000
Net book value:			
Medium term leasehold	40,618	28,602	69,220

The net book value of land and buildings included impairment losses of HK$13,906,000 (2004: HK$7,036,000), which was charged to the profit and loss account for the year. The impairment loss was determined by management with reference to the open market value as at the balance sheet date.

Notes to Financial Statements (Continued) (28 February 2005)

12. FIXED ASSETS *(continued)*

Company *(continued)*

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

The investment properties were valued on 28 February 2005 by Castores Magi Surveyors Limited, an independent firm of professional valuers, on an open market value basis based on their existing use at HK$167,800,000. A revaluation deficit of HK$6,700,000 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 Mainland China and Hong Kong are pledged as security to banks for bank loans granted (Note 24).

13. GOODWILL

The amounts of 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 and at 28 February 2005	25,870
Accumulated amortisation and impairment:	
At beginning of year	13,093
Amortisation and impairment provided during the year	6,710
At 28 February 2005	**19,803**
Net book value:	
At 28 February 2005	**6,067**
At 29 February 2004	12,777

14. PROPERTIES UNDER DEVELOPMENT

	Group	
	2005	2004
	HK$'000	HK$'000
Carrying value:		
At beginning of year	**123,900**	166,301
Provision for impairment	**(12,400)**	(42,401)
	111,500	123,900

The properties under development are located in Dalian, Mainland China and were valued on 28 February 2005 by Castores Magi Surveyors Limited on an open market value basis based on their existing use at HK$111,500,000. An impairment loss of HK$12,400,000 resulting from the valuation was charged to the 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	
	2005	2004
	HK$'000	HK$'000
Total amounts receivable	**196**	4,886
Amounts receivable within one year classified as current assets *(Note 21)*	**(196)**	(1,295)
Long term portion	**–**	3,591

Notes to Financial Statements (Continued) (28 February 2005)

16. INTERESTS IN SUBSIDIARIES

	Company 2005 HK$'000	2004 HK$'000
Unlisted shares, at cost	**42,024**	42,024
Due from subsidiaries	**1,423,552**	1,415,704
Due to subsidiaries	**(62,548)**	(64,682)
	1,403,028	1,393,046
Less: Provision for impairment	**(617,679)**	(557,804)
	785,349	835,242

The balances with subsidiaries are unsecured and not repayable within the next 12 months from the balance sheet date. Certain of the balances bear interest at 4.3% (2004: 4.3%) per annum.

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.*	Mainland China	RMB72,000,000	N/A	–	100	Property development
Finsbay Investment Limited	British Virgin Islands	US$10,000	Registered	–	51	Investment holding
Jubilee Street Limited	UK	GBP967	Ordinary "A" shares	–	100	Property investment
		GBP33	Ordinary "B" shares	–	–	

16. INTERESTS IN SUBSIDIARIES *(continued)*

Particulars of the principal subsidiaries are as follows: *(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
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	UK	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
The Sincere Department Store (China) Limited	British Virgin Islands	US$50,000	Registered	100	–	Investment holding
The Sincere Finance Company, Limited	Hong Kong	HK$2	Ordinary	100	–	Provision of finance

Notes to Financial Statements (Continued) (28 February 2005)

16. INTERESTS IN SUBSIDIARIES *(continued)*

Particulars of the principal subsidiaries are as follows: *(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
Springview Limited	Hong Kong	HK$500,000	Ordinary	100	–	Securities trading
360 Communications Limited	Hong Kong	HK$100	Ordinary	–	60	Advertising agency
Pacific Falcon Limited	Hong Kong	HK$10,000	Ordinary	–	80	Project design and furniture retailing
CPC No. 4 Limited#	Guernsey	GBP100	Ordinary	–	90	Property development

* *Dalian Sincere Building Co., Ltd. is registered as a wholly-foreign owned enterprise under the Mainland China law.*

\# *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	
	2005	2004	**2005**	2004
	HK$'000	HK$'000	**HK$'000**	HK$'000
Unlisted shares, at cost	**–**	–	**16,611**	16,611
Share of net assets other than goodwill	**271,725**	219,427	**–**	–
	271,725	219,427	**16,611**	16,611
Due to associates	**(15,490)**	(14,352)	**(415)**	–
	256,235	205,075	**16,196**	16,611

The Group's share of the post-acquisition accumulated reserves of associates at 28 February 2005 was HK$203,845,000 (2004: HK$151,547,000).

The balances with associates are unsecured, interest-free and not repayable within the next 12 months from the balance sheet date.

Included in the above is the results of 140 Park Lane Limited which, in the opinion of the directors, is material to the Group's financial results. Details of the financial position as at 28 February 2005 and the results for the year then ended of the respective associate are as follows:

	2005	2004
	HK$'000	HK$'000
Total assets	**1,495,735**	1,319,935
Total liabilities	**961,269**	1,015,860
Turnover	**188,565**	163,087
Loss before tax	**(18,574)**	(45,160)
Loss after tax attributable to the Group	**(5,572)**	(13,548)

Notes to Financial Statements (Continued) (28 February 2005)

17. INTERESTS IN ASSOCIATES *(continued)*

Particulars of the associates are as follows:

Company	Business structure	Place of incorporation and principal operations	Class of shares held	Percentage of issued shares held	Nature of business
Brandlord Limited	Corporate	UK	Ordinary	27.00	Property investment
Tailbay Investments Limited	Corporate	British Virgin Islands/UK	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	UK	Ordinary	30.00	Property investment
Lancaster Partnership Limited	Corporate	UK	Ordinary	50.00	Property investment

At 28 February 2005, 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	
	2005	2004	**2005**	2004
	HK$'000	HK$'000	**HK$'000**	HK$'000
Unlisted investments at cost:				
Hong Kong	**13,052**	20,724	**13,052**	20,724
Taiwan	**23,108**	23,108	**23,108**	23,108
Others	**34,538**	34,538	**–**	–
	70,698	78,370	**36,160**	43,832
Less: Provision for impairment	**(26,989)**	(29,312)	**(26,989)**	(29,312)
	43,709	49,058	**9,171**	14,520

At 28 February 2005, the unlisted investment in Hong Kong and Taiwan of the Group and of the Company represented interests of 10% (2004: 10%) and 19.9% (2004: 19.9%) in the issued share capital of Goldian Limited and The Sincere Department Store Limited, respectively, against which provisions of HK$12,578,000 (2004: HK$14,901,000) and HK$14,411,000 (2004: HK$14,411,000) have been made for impairment as considered necessary by the directors of the Company.

19. PROPERTIES UNDER DEVELOPMENT FOR SALE

	Group	
	2005	2004
	HK$'000	HK$'000
Carrying value at beginning of year	**235,722**	156,652
Additions	**48,135**	81,067
Interest capitalised *(Note 8)*	**6,119**	9,588
Sale during the year	**(190,785)**	–
Exchange realignment	**–**	28,868
	99,191	276,175
Less: Provision for impairment	**(14,127)**	(40,453)
	85,064	235,722
Transferred to properties held for sale *(Note 20)*	**(85,064)**	–
	–	235,722

Last year balance of the properties under development for sale are pledged to banks to secure bank loans granted to the Group *(Note 24)*.

Notes to Financial Statements (Continued) (28 February 2005)

20. PROPERTIES HELD FOR SALE

	Group	
	2005	2004
	HK$'000	HK$'000
At beginning of year	**19,745**	45,018
Additions	**81,219**	817
Transferred from properties under development for sale *(Note 19, 31(b))*	**85,064**	–
Interest capitalised *(Note 8)*	**1,708**	–
Sale during the year	**(19,745)**	(30,791)
Exchange realignment	**(3,578)**	4,701
	164,413	19,745

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 and debtors from other services at the balance sheet date was as follows:

	Group	
	2005	2004
	HK$'000	HK$'000
Current - 3 months	**640**	1,454
4 - 6 months	**176**	326
7 - 12 months	**96**	660
	912	2,440

22. MARKETABLE SECURITIES

	Group	
	2005	2004
	HK$'000	HK$'000
Listed investments, at market value:		
Hong Kong	**26,197**	31,800
Elsewhere	**225,034**	280,867
	251,231	312,667

At the balance sheet date, marketable securities with an aggregate market value of approximately HK$243,364,000 (2004: HK$299,143,000) were pledged to banks to secure banking facilities granted to the Group (Note 24).

23. CASH AND BANK BALANCES

	Group		Company	
	2005	2004	**2005**	2004
	HK$'000	HK$'000	**HK$'000**	HK$'000
Cash on hand and in banks	**29,288**	44,738	**4,978**	6,930
Deposits with banks	**6,156**	2,357	**–**	–
	35,444	47,095	**4,978**	6,930

24. INTEREST-BEARING BANK LOANS AND OVERDRAFTS, SECURED

	Group		Company	
	2005	2004	**2005**	2004
	HK$'000	HK$'000	**HK$'000**	HK$'000
Bank loans and overdrafts, secured	**289,327**	463,577	**41,396**	43,709
Portion due within one year included under current liabilities	**(289,327)**	(267,727)	**(41,396)**	(43,709)
Long term portion	**–**	195,850	**–**	–
The bank loans and overdrafts are repayable in various instalments within a period of:				
Less than 1 year or on demand	**289,327**	267,727	**41,396**	43,709
More than 1 year but less than 2 years	**–**	195,850	**–**	–
	289,327	463,577	**41,396**	43,709

Notes to Financial Statements (Continued) (28 February 2005)

25. CREDITORS

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

	Group		Company	
	2005	2004	**2005**	2004
	HK$'000	HK$'000	**HK$'000**	HK$'000
Current - 3 months	**42,414**	37,599	**42,046**	34,563
4 - 6 months	**139**	921	**139**	921
7 - 12 months	**265**	596	**265**	596
Over 1 year	**939**	427	**900**	427
	43,757	39,543	**43,350**	36,507

26. SHARE CAPITAL

	2005	2004
	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

27. SHARE PREMIUM ACCOUNT

	2005	2004
	HK$'000	HK$'000
At beginning and end of year	**26**	26

28. SHARE OPTION SCHEME

The Company operates the share option scheme (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.

Notes to Financial Statements (Continued) (28 February 2005)

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 reserves HK$'000	Retained profits HK$'000	Total HK$'000
At 1 March 2003	46,613	706,961	753,574
Loss for the year	–	(143,722)	(143,722)
At 29 February 2004 and 1 March 2004	46,613	563,239	609,852
Loss for the year	–	(68,116)	(68,116)
At 28 February 2005	**46,613**	**495,123**	**541,736**

At 28 February 2005, the Company's reserves available for distribution, calculated in accordance with the provisions of Section 79B of the Companies Ordinance, amounted to HK$541,736,000 (2004: HK$609,852,000).

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

Directors' remuneration consisted of:

	Executive Directors		Other Directors		Total	
	2005 HK$'000	2004 HK$'000	**2005 HK$'000**	2004 HK$'000	**2005 HK$'000**	2004 HK$'000
Fees	**3,537**	3,592	**402**	402	**3,939**	3,994
Salaries and allowances	**17,319**	16,762	**–**	–	**17,319**	16,762
Pension contributions, including pension cost for defined benefit scheme of HK$201,000 (2004: HK$184,000)	**213**	204	**–**	–	**213**	204
	21,069	20,558	**402**	402	**21,471**	20,960

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 remuneration of the directors fell within the following bands:

	Number of directors	
	2005	2004
Nil – HK$1,000,000	**3**	3
HK$2,500,001 – HK$3,000,000	**1**	1
HK$8,500,001 – HK$9,000,000	**1**	1
HK$10,500,001 – HK$11,000,000	**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	
	2005	2004
	HK$'000	HK$'000
Salaries and allowances	**3,125**	3,011
Pension contributions	**24**	24
	3,149	3,035

	Number of individuals	
	2005	2004
HK$1,000,001 – HK$1,500,000	**–**	1
HK$1,500,001 – HK$2,000,000	**2**	–
HK$2,000,001 – HK$2,500,000	**–**	1

Notes to Financial Statements (Continued) (28 February 2005)

31. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

(a) Liquidation of a subsidiary

	2005 HK$'000	2004 HK$'000
Net liabilities disposed of:		
Fixed assets	–	3,001
Cash and bank balances	–	74
Inventories	–	2,333
Prepayments, deposits and other receivables	–	674
Creditors, deposits and accrued expenses	–	(5,369)
Minority interests	–	(2,476)
	–	(1,763)
Gain on liquidation of a subsidiary	–	1,763
	–	–
Satisfied by:		
Cash	–	–

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

	2005 HK$'000	2004 HK$'000
Cash consideration	–	–
Cash and bank balances on liquidation	–	(74)
Net outflow of cash and cash equivalents in respect of the liquidation of a subsidiary	–	(74)

The results of the subsidiary liquidated for the year ended 29 February 2004 had no significant impact on the Group's consolidated turnover or consolidated loss after tax and before minority interests for that year.

(b) Major non-cash transaction

During the year, the properties under development for sale held by a subsidiary amounting to HK$85,064,000 were transferred at net book value to properties held for sale on completion of the redevelopment project, which were still unsold at 28 February 2005.

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.

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	
	2005	2004	**2005**	2004
	HK$'000	HK$'000	**HK$'000**	HK$'000
Within one year	**7,027**	7,684	**2,534**	2,328
In the second to fifth years, inclusive	**22,269**	17,802	**4,512**	45
After five years	**55,491**	59,930	**–**	–
	84,787	85,416	**7,046**	2,373

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 7 years.

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	
	2005	2004	**2005**	2004
	HK$'000	HK$'000	**HK$'000**	HK$'000
Within one year	**57,723**	47,013	**47,262**	36,483
In the second to fifth years, inclusive	**116,957**	54,068	**96,003**	48,416
After five years	**21,603**	–	**21,603**	–
	196,283	101,081	**164,868**	84,899

A non-cancellable operating lease included above was subject to contingent rent payments, which were charged at the higher of 12% of the gross sales attributable to the leased premises or the base rents as determined in the related lease agreement.

Notes to Financial Statements (Continued) (28 February 2005)

33. OUTSTANDING COMMITMENTS

Outstanding commitments at the balance sheet date were as follows:

	Group		Company	
	2005	2004	**2005**	2004
	HK$'000	HK$'000	**HK$'000**	HK$'000
Irrevocable letters of credit	**12,883**	9,885	**12,883**	9,885
Capital commitments				
– contracted, but not provided for	**–**	2,000	**–**	–
– authorised, but not contracted	**–**	26,555	**–**	–
Commitments to purchase foreign currencies	**100,969**	177,453	**6,193**	20,508
Commitments to sell foreign currencies	**100,772**	177,097	**6,098**	20,549

None of the associates of the Group had outstanding capital commitments as at the balance sheet date, while as at 29 February 2004, certain associates of the Group had capital commitments in aggregate of approximately HK$14,075,000 in respect of the property development projects in London, the United Kingdom. In the opinion of the management, these property development projects were financed by bank borrowings instead of internal financial resources.

34. CONTINGENT LIABILITIES

Contingent liabilities at the balance sheet date were as follows:

	Group		Company	
	2005	2004	**2005**	2004
	HK$'000	HK$'000	**HK$'000**	HK$'000
Guarantees executed by the Company in favour of banks to secure loans granted to subsidiaries	**–**	–	**43,401**	167,334
Guarantees executed by the Company in favour of a bank to secure a loan granted to an associate	**356,387**	336,856	**356,387**	336,856

In addition to the above, the Group's share of guarantee provided by certain associates amounted to approximately HK$47,575,000 (2004: HK$25,474,000) and HK$219,532,000 as at the balance sheet date and subsequent to the balance sheet date, respectively, in respect of one banking facility granted to their associate.

35. RELATED PARTY TRANSACTIONS

Save for the related party transactions disclosed elsewhere in the financial statements, the Group also provided advertising services and charged service fees of approximately HK$519,000 (2004: HK$1,023,000) thereof to a related company, of which Charles M W Chan, an independent non-executive director of the Company, is an executive director. The directors confirm that the related party transaction was 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 transaction set out above constituted connected transactions as defined in the Listing Rules.

36. COMPARATIVE AMOUNTS

As further explained in note 5 to the financial statements, the income from counter and consignment sales in the prior year had been reclassified as turnover to conform with the current year's presentation. The directors are in the opinion that such presentation would present more fairly the operations of the Group.

37. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 28 June 2005.