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1. CORPORATE INFORMATION

The Sincere Company, Limited is a limited liability company incorporated in Hong Kong. The principal activities of the Company and its subsidiaries during the year consisted of the operation of department stores, holding of properties for investment and rental purposes, property development, securities trading, the provision of advertising agency services and the provision of travel agency franchising services.

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which also include Hong Kong Accounting Standards ("HKASs") 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 investment properties and investments at fair value through profit or loss, which have been measured at fair value. These financial statements are presented in Hong Kong Dollars and all values are rounded to the nearest thousand (HK$'000) except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 28 February 2006. The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date such control ceases. 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.

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2.2 IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

The following new and revised HKFRSs affect the Group and are adopted for the first time for the current year's financial statements:

HKAS 1	Presentation of Financial Statements
HKAS 2	Inventories
HKAS 7	Cash Flow Statements
HKAS 8	Accounting Policies, Changes in Accounting Estimates and Errors
HKAS 10	Events after Balance Sheet Date
HKAS 12	Income Taxes
HKAS 14	Segment Reporting
HKAS 16	Property, Plant and Equipment
HKAS 17	Leases
HKAS 18	Revenue
HKAS 19	Employee Benefits
HKAS 21	The Effects of Changes in Foreign Exchange Rates
HKAS 23	Borrowing Costs
HKAS 24	Related Party Disclosures
HKAS 27	Consolidated and Separate Financial Statements
HKAS 28	Investments in Associates
HKAS 32	Financial Instruments: Disclosure and Presentation
HKAS 33	Earnings per Share
HKAS 36	Impairment of Assets
HKAS 37	Provisions, Contingent Liabilities and Contingent Assets
HKAS 38	Intangible Assets
HKAS 39	Financial Instruments: Recognition and Measurement
HKAS 39 Amendment	Transition and Initial Recognition of Financial Assets and Financial Liabilities
HKAS 40	Investment Property
HKFRS 3	Business Combinations
HK(SIC)-Int 21	Income Taxes – Recovery of Revalued Non-depreciable Assets
HK-Int 4	Leases – Determination of the Length of Lease Term in respect of Hong Kong Land Leases

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2.2 IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS *(continued)*

The adoption of HKASs 2, 7, 8, 10, 12, 14, 16, 18, 19, 21, 23, 24, 27, 28, 33, 37, 38, HK-Int 4 and HK(SIC)-Int 21 has had no material impact on the accounting policies of the Group and the methods of computation in the Group's and the Company's financial statements. The impact of adopting other HKFRSs is summarised as follows:

(a) HKAS 1 – Presentation of Financial Statements

HKAS 1 has affected the presentation of minority interests on the face of the consolidated balance sheet, consolidated income statement, consolidated statement of changes in equity and other disclosures. In addition, in prior years, the Group's share of tax attributable to associates was presented as a component of the Group's total tax charge in the consolidated income statement. Upon the adoption of HKAS 1, the Group's share of the post-acquisition results of associates is presented net of the Group's share of tax attributable to associates.

(b) HKAS 17 – Leases

In prior years, leasehold land and buildings held for own use were stated at cost less accumulated depreciation and any impairment losses.

Upon the adoption of HKAS 17, the Group's leasehold interest in land and buildings is separated into leasehold land and leasehold buildings. The Group's leasehold land is classified as an operating lease, because the title of the land is not expected to pass to the Group by the end of the lease term, and is classified as prepaid land premium for land, while leasehold buildings will be classified as part of property, plant and equipment. Prepaid land premium for land under operating leases are initially stated at cost and subsequently amortised on the straight-line basis over the lease term. When the lease payments cannot be allocated reliably between the land and buildings elements, the entire lease payments are included in the cost of the land and buildings as a finance lease in property, plant and equipment.

The directors consider that no reliable source of such allocation of lease payments could be obtained except for certain leasehold land and building located in the People's Republic of China (the "PRC") and accordingly, the other land and buildings have not been separated.

This change in accounting policy has had no effect on the consolidated income statement and retained profits. The comparative amounts for the year ended 28 February 2005 in the consolidated balance sheet have been restated to reflect the reclassification of leasehold land in the PRC.

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2.2 IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS *(continued)*

(c) HKAS 32 and HKAS 39 – Financial Instruments

In prior years, the Group classified its investments other than the investments in subsidiaries and associates (the "Investments") into long term investments and marketable securities, which were stated at cost less impairment and fair values, respectively.

Upon the adoption of HKASs 32 and 39, all long term investments and marketable securities held as at 1 March 2005 were redesignated into available-for-sale investments and investments at fair value through profit or loss, respectively.

There is no effect on the adoption of HKASs 32 and 39, as the accounting policies on measurement of the Investments are the same as those for the available-for-sale investments and investments at fair value through profit or loss.

(d) HKAS 40 – Investment Property

In prior years, changes in the fair values of investment properties were dealt with as movements in the investment property revaluation reserve. If the total of this reserve was insufficient to cover a deficit, on a portfolio basis, the excess of the deficit was charged to the income statement. Any subsequent revaluation surplus was credited to the income statement to the extent of the deficit previously charged.

Upon the adoption of HKAS 40, gains or losses arising from changes in the fair values of investment properties are included in the income statement in the period in which they arise. Any gains or losses on the retirement or disposal of an investment property are recognised in the income statement in the period of the retirement or disposal.

The Group has taken advantage of the transitional provisions of HKAS 40 to adjust the effect of adopting HKAS 40 to the opening balance of retained profits rather than restating the comparative amounts to reflect the changes retrospectively for the earliest year presented in the consolidated financial statements.

The effect of the above changes are summarised in notes 2.4 (a), (b) and (c) to the consolidated financial statements.

(e) HKFRS 3 – Business Combinations and HKAS 36 – Impairment of Assets

In prior years, goodwill arising on acquisitions on or after 1 March 2001 was capitalised and amortised on a straight-line basis over its estimated useful life and was subject to impairment testing when there was any indication of impairment.

The adoption of HKFRS 3 and HKAS 36 has resulted in the Group ceasing annual goodwill amortisation and commencing testing for impairment at the cash-generating unit level annually (or more frequently if events or changes in circumstances indicate that the carrying value may be impaired).

2.2 IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS *(continued)*

(e) HKFRS 3 – Business Combinations and HKAS 36 – Impairment of Assets *(continued)*

The transitional provisions of HKFRS 3 have required the Group to eliminate at 1 March 2005 the carrying amount of accumulated amortisation with a corresponding entry to the cost of goodwill.

The effects of the above changes are summarised in note 2.4 (c) and note 15 to the consolidated financial statements. In accordance with the transitional provisions of HKFRS 3, comparative amounts have not been restated.

2.3 IMPACT OF ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements. Unless otherwise stated, these HKFRSs are effective for periods beginning on or after 1 March 2006:

HKAS 1 Amendment	Capital Disclosures
HKAS 19 Amendment	Actuarial Gains and Losses, Group Plans and Disclosures
HKAS 21 Amendment	Net Investment in a Foreign Operation
HKAS 39 Amendment	Cash Flow Hedge Accounting of Forecast Intragroup Transactions
HKAS 39 & HKFRS 4 Amendments	Financial Guarantee Contracts
HKFRS 7	Financial Instruments: Disclosures
HK(IFRIC)-Int 4	Determining whether an Arrangement contains a Lease

The HKAS 1 Amendment shall be applied for annual periods beginning on or after 1 March 2007. The revised standard will affect the disclosures about qualitative information about the Group's objective, policies and processes for managing capital; quantitative data about what the Company regards as capital; and compliance with any capital requirements and the consequences of any non-compliance.

HKFRS 7 incorporates and further extends the disclosure requirements of HKAS 32 and modifies the disclosure requirements of HKAS 32 relating to financial instruments. This HKFRS shall be applied for annual periods beginning on or after 1 March 2007.

In accordance with the amendments to HKAS 39 regarding financial guarantee contracts, financial guarantee contracts are initially recognised at fair value and are subsequently measured at the higher of (i) the amount determined in accordance with HKAS 37 and (ii) the amount initially recognised, less, when appropriate, cumulative amortisation recognised in accordance with HKAS 18.

Except as stated above, the Group expects that the adoption of the pronouncements listed above will not have any significant impact on the Group's financial statements in the period of initial application.

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2.4 SUMMARY OF THE IMPACT OF CHANGES IN ACCOUNTING POLICIES

(a) Effect on the consolidated balance sheet

	Effect of adopting		
At 28 February 2005	HKAS 1#	HKAS 17#	
Effect of new policies		Prepaid land	
(Increase/(decrease))	Presentation	premium	Total
	HK$'000	*HK$'000*	*HK$'000*
Assets			
Property, plant and equipment	(167,800)	(842)	(168,642)
Investment properties	167,800	–	167,800
Prepaid land premium	–	820	820
Prepayments, deposits and other receivables	–	22	22
Total	–	–	–

Adjustments/presentation taken effect retrospectively

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2.4 SUMMARY OF THE IMPACT OF CHANGES IN ACCOUNTING POLICIES *(continued)*

(a) Effect on the consolidated balance sheet *(continued)*

	Effect of adopting				
At 1 March 2005	HKAS 1#	HKAS 17#	HKASs 32 and 39*	HKAS 40*	
Effect of new policies (Increase/(decrease))	Presentation	Prepaid land premium	Change in classification of investments	Surplus on revaluation of investment properties	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Assets					
Property, plant and equipment	(167,800)	(842)	–	–	(168,642)
Investment properties	167,800	–	–	–	167,800
Prepaid land premium	–	820	–	–	820
Available-for-sale investments	–	–	43,709	–	43,709
Long term investments	–	–	(43,709)	–	(43,709)
Marketable securities	–	–	(251,231)	–	(251,231)
Investments at fair value through profit or loss	–	–	251,231	–	251,231
Prepayments, deposits and other receivables	–	22	–	–	22
Total	–	–	–	–	–
Equity					
Investment properties revaluation reserve	–	–	–	(94,069)	(94,069)
Retained profits	–	–	–	94,069	94,069
Total	–	–	–	–	–

* *Adjustments taken effect prospectively from 1 March 2005*

Adjustments/presentation taken effect retrospectively

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2.4 SUMMARY OF THE IMPACT OF CHANGES IN ACCOUNTING POLICIES *(continued)*

(a) Effect on the consolidated balance sheet *(continued)*

	Effect of adopting				
At 28 February 2006	HKAS 1#	HKAS 17#	HKASs 32 and 39*	HKAS 40*	
Effect of new policies (Increase/(decrease))	Presentation	Prepaid land premium	Change in classification of investments	Surplus on revaluation of investment properties	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Assets					
Property, plant and equipment	(166,380)	(820)	–	–	(167,200)
Investment properties	166,380	–	–	–	166,380
Prepaid land premium	–	798	–	–	798
Available-for-sale investments	–	–	43,709	–	43,709
Long term investments	–	–	(43,709)	–	(43,709)
Marketable security	–	–	(263,377)	–	(263,377)
Investments at fair value through profit or loss	–	–	263,377	–	263,377
Prepayments, deposits and other receivables	–	22	–	–	22
Total	–	–	–	–	–
Equity					
Investment properties revaluation reserve	–	–	–	(113,751)	(113,751)
Retained profits	–	–	–	113,751	113,751
Total	–	–	–	–	–

* *Adjustments taken effect prospectively from 1 March 2005.*

\# *Adjustments/presentation taken effect retrospectively.*

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2.4 SUMMARY OF THE IMPACT OF CHANGES IN ACCOUNTING POLICIES *(continued)*

(b) Effect on the opening balance of equity at 1 March 2005

Effect of new policy (Increase/(decrease))	Investment properties revaluation reserve *HK$'000*	Retained profits *HK$'000*	Total *HK$'000*
HKAS 40			
Surplus on revaluation of investment properties	(94,069)	94,069	–
Total effect at 1 March 2005	(94,069)	94,069	–

(c) Effect on the consolidated income statements for the years ended 28 February 2006 and 2005

		For the year ended 28 February			
		2006		2005	
Effect of new policies (Increase/(decrease))	*Note*	**Equity holders of the Company** ***HK$'000***	**Total** ***HK$'000***	Equity holders of the Company *HK$'000*	Total *HK$'000*
Effect on profit/(loss) for the year:					
HKAS 40					
Increase in gain on revaluation of investment properties of associates		**19,682**	**19,682**	–	–
HKFRS 3					
Decrease in amortisation of goodwill	*15*	**710**	**710**	–	–
HKAS 17					
Increase in amortisation of prepaid land premium		**(22)**	**(22)**	(22)	(22)
Decrease in depreciation		**22**	**22**	22	22
Total effect for the year		**20,392**	**20,392**	–	–
Increase in basic earnings per share			**HK3.6 cents**		–
Increase in diluted earnings per share			**N/A**		N/A

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2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 directors.

The results of subsidiaries are included in the Company's income statement to the extent of dividends received and receivable. The Company's interests in subsidiaries are stated at cost less any impairment losses.

Associates

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

The Group's share of the post-acquisition results and reserves of associates is included in the consolidated income statement and consolidated reserves, respectively. The Group's interests in associates are stated in the consolidated balance sheet at the Group's share of net assets under the equity method of accounting, less any impairment losses.

The results of associates are included in the Company's income statement to the extent of dividends received and receivable. The Company's investments in associates are treated as non-current 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 represents the excess of the cost of the business combination over the Group's interest in the net fair value of the acquirer's identifiable assets acquired and liabilities and contingent liabilities assumed as at the date of acquisition.

Goodwill on acquisitions for which the agreement date is on or after 1 January 2005

Goodwill arising on acquisition is recognised in the consolidated balance sheet as an asset, initially measured at cost and subsequently at cost less any accumulated impairment losses.

The carrying amount of goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

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2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Goodwill *(continued)*

Goodwill on acquisitions for which the agreement date is on or after 1 January 2005 *(continued)*

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units. Each unit or group of units to which the goodwill is so allocated:

- represents the lowest level within the Group at which the goodwill is monitored for internal management purposes; and

- is not larger than a segment based on either the Group's primary or the Group's secondary reporting format determined in accordance with HKAS 14 "Segment Reporting".

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised.

Where goodwill forms part of a cash-generating unit (group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

An impairment loss recognised for goodwill is not reversed in a subsequent period.

Applicable to the year ended 28 February 2005:

Goodwill arising on acquisition on or after 1 January 2001 was recognised in the consolidated balance sheet and amortised on the straight-line basis over its estimated useful life of 20 years.

Impairment of assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, pension scheme assets, financial assets, investment properties and goodwill), the asset's recoverable amount is estimated. An asset's recoverable amount is calculated as the higher of the asset's or cash-generating unit's value in use and its fair value less costs to sell, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

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2.5 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. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the income statement in the period in which it arises, unless the asset is carried at a revalued amount, in which case the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, 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 such impairment loss is credited to the income statement in the period in which it arises.

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 and other financial assets

Applicable to the year ended 28 February 2005:

Long term investments

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 income statement 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 income statement, on an individual investment basis, to the extent of the amount previously charged.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investments and other financial assets *(continued)*

Applicable to the year ended 28 February 2005: *(continued)*

Marketable securities

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 income statement 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.

Applicable to the year ended 28 February 2006:

Financial assets in the scope of HKAS 39 are classified as investments at fair value through profit or loss, loans and receivables and available-for-sale investments, as appropriate. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs. The Group determines the classification of its financial assets after initial recognition and, where allowed and appropriate, re-evaluates this designation at the balance sheet date.

All regular way purchases and sales of financial assets are recognised on the trade date, i.e., the date that the Group commits to purchase the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Investment at fair value through profit or loss

Financial assets classified as held for trading are included in the category "Investments at fair value through profit or loss". Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. Gains or losses on investments held for trading are recognised in the income statement.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortised cost using the effective interest method. Gains and losses are recognised in the income statement when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investments and other financial assets *(continued)*

Applicable to the year ended 28 February 2006: *(continued)*

Available-for-sale investments

Available-for-sale investments are non-derivative financial assets in listed and unlisted equity securities that are designated as available for sale or are not classified in any of the other two categories. After initial recognition, available-for-sale investments are measured at fair value, with gains or losses recognised as a separate component of equity until the investment is derecognised or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is included in the income statement.

When the fair value of unlisted equity securities cannot be reliably measured because (a) the variability in the range of reasonable fair value estimates is significant for that investment or (b) the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value, such investments are stated at cost less any impairment losses.

Fair value

The fair value of investments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business at the balance sheet date. For investments where there is no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument which is substantially the same; a discounted cash flow analysis; and option pricing models.

Impairment of financial assets (applicable to the year ended 28 February 2006)

The Group assesses at each balance sheet date whether there is any objective evidence that a financial asset or group of financial assets is impaired.

Assets carried at amortised cost

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced either directly or through the use of an allowance account. The amount of the impairment loss is recognised in the income statement.

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

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2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Impairment of financial assets (applicable to the year ended 28 February 2006) *(continued)*

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised in the income statement, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

Assets carried at cost

If there is objective evidence that an impairment loss on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Impairment losses on these assets are not reversed.

Derecognition of financial assets (applicable to the year ended 28 February 2006)

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised where:

- the rights to receive cash flows from the asset have expired;

- the Group retains the rights to receive cash flows from the asset, but has assumed an obligation to pay in full without material delay to a third party under a "pass-through" arrangement; or

- the Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Where continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of the Group's continuing involvement is the amount of the transferred asset that the Group may repurchase, except in the case of a written put option (including a cash-settled option or similar provision) on an asset measured at fair value, where the extent of the Group's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Interest-bearing loans and borrowings

All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.

Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the amortisation process.

Derecognition of financial liabilities (applicable to the year ended 28 February 2006)

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the income statement.

Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the income statement in the period in which it is incurred. In situations where 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 an item of property, plant and equipment, and where the cost of the item can be measured reliably, the expenditure is capitalised as an additional cost of that asset or as a replacement.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Land	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

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately.

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2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Property, plant and equipment and depreciation *(continued)*

Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at each balance sheet date.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the income statement in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Investment properties

Investment properties are interests in land and buildings held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the balance sheet date.

Gains or losses arising from changes in the fair values of investment properties are included in the income statement in the year in which they arise.

Any gains or losses on the retirement or disposal of an investment property are recognised in the income statement in the year of the retirement or disposal.

Properties under development

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

Properties under development with pre-completion sale contracts entered into on or before 31 December 2004 are stated at cost plus attributable profits less any foreseeable losses, and deposits and installments received.

For properties under development with pre-completion sale contracts for sale of those properties entered into on or before 31 December 2004, the total estimated profit is apportioned over the entire period of construction to reflect the progress of the development. On this basis, profit recognised on the pre-sold portion of the properties 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, but is limited to the amount of sales deposits and instalments received and with due allowance for contingencies.

Properties under development which have either been pre-sold or which are intended for sale, and are expected to be completed within one year from the balance sheet date, are classified as current assets.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Properties held for sale

Properties held for sale are stated at the lower of cost and net realisable value. Income on property sale is recognised when the legally binding sale contracts are signed.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised.

Leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to the income statement on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under the operating leases are charged to the income statement on the straight-line basis over the lease terms.

Prepaid land premium under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms. When the lease payments cannot be allocated reliably between the land and buildings elements, the entire lease payments are included in the cost of the land and buildings as a finance lease in property, plant and equipment.

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 income statement over the periods during which the employees provide the related services to the Group.

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2.5 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 income statement 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 income statement 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 sheets 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 sheets during the period, other than those deferred in the balance sheets, are recorded in the income statement 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 income statement as they become payable in accordance with the rules of the MPF scheme. The Group's employer contributions are fully and immediately vested in favour of the employees when contributed to the MPF scheme.

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.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Income tax

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

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities.

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 credits 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 credits 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.

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 reassessed at each balance sheet date and 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.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Income tax *(continued)*

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

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

Revenue recognition

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

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

(b) interest income, on an accrual basis using the effective interest method by applying the rate that discounts the estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial assets;

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

(f) sale of properties, when the legally binding unconditional sales contracts are signed and exchanged;

(g) pre-sale of properties under development, as set out under the paragraph "Properties under development" above;

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

(i) income from counter and consignment sales, when goods are sold.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Foreign currencies

These financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions are initially recorded using the functional currency rates ruling at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the balance sheet date. All differences are taken to the income statement. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

The functional currencies of certain subsidiaries and associates outside Hong Kong are currencies other than the Hong Kong dollar. As at the balance sheet date, the assets and liabilities of these entities are translated into the presentation currency of the Company at the exchange rates ruling at the balance sheet date and, their income statements are translated into Hong Kong dollars at the weighted average exchange rates for the year. The resulting exchange differences are included in the exchange fluctuation reserve. On disposal of an entity outside Hong Kong, the deferred cumulative amount recognised in equity relating to that particular foreign operation outside Hong Kong is recognised in the income statement.

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

Related parties

A party is considered to be related to the Group if:

(a) the party, directly or indirectly through one or more intermediaries, (i) controls, is controlled by, or is under common control with, the Group; (ii) has an interest in the Group that gives it significant influence over the Group; or (iii) has joint control over the Group;

(b) the party is an associate;

(c) the party is a member of the key management personnel of the Group;

(d) the party is a close member of the family of any individual referred to in (a) or (c);

(e) the party is an entity that is controlled, jointly-controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (c) or (d); or

(f) the party is a post-employment benefit plan for the benefit of the employees of the Group, or of any entity that is a related party of the Group.

2.5 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.

3. SIGNIFICANT ACCOUNTING ESTIMATES

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Estimation of impairment losses of available-for-sale investments

In the absence of current prices in an active market for similar unlisted equity securities, the Group determines the fair values by using valuation techniques based on information from a variety of sources, including the latest financial information of the available-for-sale investments.

The carrying amount of the available-for-sale investments at 28 February 2006 was HK$43,709,000 (2005: HK$43,709,000), further details of which are set out in note 19 to the financial statements.

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated.

Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

The carrying amount of goodwill of the Group at 1 March 2005 of HK$6,067,000 was fully impaired during the year, further details of which are set out in note 15 to the financial statements.

4. SEGMENT INFORMATION

Segment information is presented by way of two segment formats: (i) on a primary segment reporting basis, by business segment; and (ii) on a secondary segment reporting basis, by geographical segment.

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 offering a wide range of consumer products;

(b) the property rental segment consists of holding of properties for investment and rental purposes;

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

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

(e) the corporate and others segment consists of corporate income and expenses items, advertising agency services and travel agency franchising 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.

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4. SEGMENT INFORMATION *(continued)*

(a) Business segments

The following tables present revenue, profit/(loss) and certain asset, liability and expenditure information for the Group's business segments for the years ended 28 February 2006 and 2005.

	Department store operations		Property rental		Property development		Securities trading		Corporate and others		Eliminations		Consolidated	
	2006	2005	**2006**	2005	**2006**	2005	**2006**	2005	**2006**	2005	**2006**	2005	**2006**	2005
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000* (restated) *(Note)*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue:														
Sales to external customers	**355,042**	309,671	**10,744**	12,895	**78,476**	196,773	**18,439**	10,119	**5,739**	29,175	**–**	–	**468,440**	558,633
Inter-segment sales	**–**	–	**18,116**	15,532	**–**	–	**–**	–	**7,749**	7,217	**(25,865)**	(22,749)	**–**	–
Other revenue	**1,309**	731	**11,154**	204	**–**	–	**703**	554	**–**	–	**–**	–	**13,166**	1,489
Total	**356,351**	310,402	**40,014**	28,631	**78,476**	196,773	**19,142**	10,673	**13,488**	36,392	**(25,865)**	(22,749)	**481,606**	560,122
Segment results	**(4,375)**	(30,245)	**9,207**	(27,819)	**(13,256)**	(40,606)	**12,263**	5,153	**(8,793)**	(3,107)	**–**	–	**(4,954)**	(96,624)
Interest, dividend income and unallocated revenue													**22,519**	6,621
Unallocated expenses													**(7,863)**	(5,293)
Finance costs													**(14,148)**	(10,390)
Share of profits less losses of associates													**5,746**	(19,305)
Profit/(loss) before tax and for the year													**1,300**	(124,991)
Segment assets	**126,248**	108,346	**365,837**	374,971	**126,501**	206,664	**450,781**	316,076	**22,184**	11,704	**(26,303)**	(24,031)	**1,065,248**	993,730
Unallocated assets													**18,849**	21,165
Interests in associates	**–**	–	**–**	–	**153,203**	157,554	**–**	–	**103,660**	98,681	**–**	–	**256,863**	256,235
Bank overdrafts included in segment assets	**15,881**	22,413	**–**	–	**–**	5,751	**–**	6,660	**–**	261	**–**	–	**15,881**	35,085
Total assets													**1,356,841**	1,306,215
Segment liabilities	**131,312**	78,040	**8,502**	7,394	**6,858**	10,579	**701**	1,114	**4,877**	8,735	**(26,303)**	(24,031)	**125,947**	81,831
Unallocated liabilities													**294,994**	263,451
Bank overdrafts included in segment assets	**15,881**	22,413	**–**	–	**–**	5,751	**–**	6,660	**–**	261	**–**	–	**15,881**	35,085
Total liabilities													**436,822**	380,367

Note: Due to the decreasing significance of restaurant operation segment to the Group, it has not been disclosed as a separate segment in the current year. Accordingly, certain comparative amounts have been reclassified to conform with the current year's presentation.

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4. SEGMENT INFORMATION *(continued)*

(a) Business segments *(continued)*

	Department store operations		Property rental		Property development		Securities trading		Corporate and others		Eliminations		Consolidated	
	2006	2005	**2006**	2005	**2006**	2005	**2006**	2005	**2006**	2005	**2006**	2005	**2006**	2005
	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*
Other segment information:														
Depreciation	**8,819**	9,121	**2,579**	5,033	**–**	–	**84**	–	**653**	660	**–**	–	**12,135**	14,814
Amortisation of prepaid land premium	**–**	–	**22**	22	**–**	–	**–**	–	**–**	–	**–**	–	**22**	22
Capital expenditure	**12,740**	7,653	**561**	76	**–**	–	**336**	–	**1,070**	209	**–**	–	**14,707**	7,938
Loss/(gain) on disposal of property, plant and equipment	**516**	1,758	**12**	–	**–**	–	**–**	–	**(43)**	–	**–**	–	**485**	1,758
Provision for doubtful debts	**–**	–	**–**	–	**–**	–	**–**	–	**–**	579	**–**	–	**–**	579
Write-back of provision for obsolete inventories	**827**	2,608	**–**	–	**–**	–	**–**	–	**–**	5	**–**	–	**827**	2,613
Impairment on items of property, plant and equipment in Mainland China	**–**	–	**3,205**	331	**–**	–	**–**	–	**–**	–	**–**	–	**3,205**	331
Impairment on items of property, plant and equipment in HK	**–**	–	**–**	13,575	**–**	–	**–**	–	**–**	–	**–**	–	**–**	13,575
Fair value loss on investment properties in Mainland China	**–**	–	**1,420**	6,700	**–**	–	**–**	–	**–**	–	**–**	–	**1,420**	6,700
Impairment on properties under development in Mainland China	**–**	–	**2,700**	12,400	**–**	–	**–**	–	**–**	–	**–**	–	**2,700**	12,400
Impairment on properties under development for sale in the UK	**–**	–	**–**	–	**–**	14,127	**–**	–	**–**	–	**–**	–	**–**	14,127
Amortisation and impairment on goodwill	**–**	–	**6,067**	6,710	**–**	–	**–**	–	**–**	–	**–**	–	**6,067**	6,710

(b) Geographical segments

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

	HK		Mainland China		UK		Others		Eliminations		Consolidated	
	2006	2005	**2006**	2005	**2006**	2005	**2006**	2005	**2006**	2005	**2006**	2005
	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	**373,889**	342,788	**8,990**	14,110	**78,476**	197,206	**7,085**	4,529	**–**	–	**468,440**	558,633
Segment assets	**525,585**	402,135	**314,401**	320,375	**279,704**	369,969	**237,151**	213,736	**–**	–	**1,356,841**	1,306,215
Capital expenditure	**14,120**	7,115	**587**	823	**–**	–	**–**	–	**–**	–	**14,707**	7,938

5. REVENUE

Revenue represents the Group's turnover from the invoiced value of goods sold less discounts and returns, net income from counter and consignment sales, rental income net of outgoings, gross proceeds from the sale of properties, net gain or loss on securities trading and advertising agency fee income.

6. PROFIT/(LOSS) BEFORE TAX

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

	2006	2005
	HK$'000	*HK$'000*
		(restated)
Depreciation	**12,135**	14,792
Amortisation of prepaid land premium	**22**	22
Auditors' remuneration	**2,288**	1,888
Employee benefits expenses, excluding directors' remuneration *(Note 31)*		
Wages and salaries	**55,822**	57,805
Pension contributions, including pension costs for defined benefit scheme of HK$1,878,000 (2005: HK$2,403,000)	**2,068**	2,869
	57,890	60,674
Impairment on items of property, plant and equipment in Mainland China*	**3,205**	331
Impairment on items of property, plant and equipment in HK*	**–**	13,575
Fair value loss on investment properties in Mainland China*	**1,420**	6,700
Impairment on properties under development in Mainland China*	**2,700**	12,400
Provision for impairment on properties under development for sale in UK*	**–**	14,127
Provision for doubtful debts	**–**	579
Write-back of provision for impairment of available-for-sale investment*	**–**	(2,323)
Write-back of provision for obsolete inventories**	**(827)**	(2,613)
Amortisation and impairment of goodwill*	**6,067**	6,710
Net fair value gain on investments at fair value through profit or loss/gain on securities trading	**(18,439)**	(10,119)
Operating lease rental payments in respect of land and buildings:		
Minimum lease payments	**74,615**	64,107
Contingent rent	**936**	9,030
Loss on disposal of items of property, plant and equipment	**485**	1,758
Exchange losses/(gains), net	**144**	(109)
Gross rental income	**(9,965)**	(11,352)
Less: Outgoings	**–**	69
Net rental income	**(9,965)**	(11,283)
Dividends from listed investments	**(11,794)**	(2,853)
Interest income	**(6,408)**	(3,721)

* *Amounts are included in "Other operating expenses" on the face of the consolidated income statement.*

** *Amount is included in "Cost of sales" on the face of the consolidated income statement.*

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7. PENSION SCHEME ASSETS

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

		Group	
		2006	2005
	Notes	***HK$'000***	*HK$'000*
At beginning of year		**5,922**	5,774
Contribution paid to the pension scheme		**2,159**	2,752
Net pension scheme cost recognised in the income statement	*6, 7(c)*	**(2,042)**	(2,604)
At 28 February	*7(b)*	**6,039**	5,922

		Company	
		2006	2005
	Note	***HK$'000***	*HK$'000*
At beginning of year		**5,922**	5,598
Contribution paid to the pension scheme		**2,159**	2,539
Net pension scheme cost recognised in the income statement		**(2,042)**	(2,215)
At 28 February	*7(b)*	**6,039**	5,922

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7. PENSION SCHEME ASSETS *(continued)*

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

		Group	
		2006	2005
	Note	***HK$'000***	*HK$'000*
Present value of defined benefit obligation		**(37,730)**	(35,849)
Fair value of scheme assets		**38,252**	36,989
		522	1,140
Net cumulative actuarial losses remaining in the balance sheet		**5,517**	4,782
Net asset recognised at 28 February	*7(a)*	**6,039**	5,922

		Company	
		2006	2005
	Note	***HK$'000***	*HK$'000*
Present value of defined benefit obligation		**(37,730)**	(35,849)
Fair value of scheme assets		**38,252**	36,989
		522	1,140
Net cumulative actuarial losses remaining in the balance sheet		**5,517**	4,782
Net asset recognised at 28 February	*7(a)*	**6,039**	5,922

7. PENSION SCHEME ASSETS *(continued)*

(c) The components of the Group's net pension scheme cost recognised in the consolidated income statement for the year, together with the actual return on the scheme assets for the year, were as follows:

	2006	2005
	HK$'000	*HK$'000*
Current service cost	**2,972**	3,241
Interest cost on defined benefit obligation	**1,403**	1,681
Expected return on pension scheme assets	**(2,418)**	(2,501)
Net actuarial losses recognised	**85**	6
Loss on curtailment and settlement	**–**	177
	2,042	2,604
Actual loss on scheme assets	**(1,698)**	(2,757)

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

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

	2006	2005
	%	%
Discount rate	**4.25**	4.0
Long term average expected return on scheme assets	**5.5**	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 2006 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 2.5 to the financial statements.

As at 28 February 2006, the level of funding of the pension scheme was 101% (2005: 102%), as calculated under the projected unit credit actuarial valuation method.

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8. FINANCE COSTS

	2006	2005
	HK$'000	*HK$'000*
Interest on bank loans and other loans wholly repayable within five years	**14,148**	18,217
Less: Interest capitalised	**–**	(7,827)
Net interest expense	**14,148**	10,390

9. TAX

No provision for Hong Kong profits tax has been made during the year (2005: 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.

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

	Group	
	2006	2005
	HK$'000	*HK$'000*
Profit/(loss) before tax	**1,300**	(124,991)
Tax at the statutory tax rate	**3,999**	(47,271)
Profits and losses attributable to associates	**(1,932)**	5,051
Income not subject to tax	**(12,829)**	(4,246)
Expenses not deductible for tax	**6,508**	31,419
Deferred tax not recognised	**280**	(539)
Estimated tax losses not recognised	**4,516**	15,586
Tax losses utilised from previous periods	**(542)**	–
Tax charge at the Group's effective rate	**–**	–

9. TAX *(continued)*

The Group has tax losses arising in Hong Kong of approximately HK$931,842,000 (2005: HK$921,881,000) 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.

The share of tax attributable to an associate amounting to HK$33,000 (2005: Nil) is included in "Share of profits less losses of associates" on the face of the consolidated income statement.

10. NET PROFIT/(LOSS) ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The net loss attributable to equity holders of the Company for the year ended 28 February 2006 dealt with in the financial statements of the Company amounted to HK$18,732,000 (2005: HK$68,116,000) (note 30(b)).

11. EARNINGS/(LOSS) PER SHARE

The calculation of basic earnings/(loss) per share is based on the net profit for the year attributable to equity holders of the Company for the year of HK$4,128,000 (2005: net loss of HK$118,714,000) and the 574,308,000 (2005: 574,308,000) shares in issue throughout the year.

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

12. PROPERTY, PLANT AND EQUIPMENT

Group

	Land and buildings *HK$'000*	Furniture, fixtures, equipment and motor vehicles *HK$'000*	Leasehold improvements *HK$'000*	Total *HK$'000*
28 February 2006				
Cost:				
At 28 February 2005 and 1 March 2005 (restated)	**94,128**	**37,779**	**73,909**	**205,816**
Additions	**–**	**3,026**	**11,681**	**14,707**
Write-off	**–**	**(627)**	**(6,657)**	**(7,284)**
Disposals	**–**	**(5,020)**	**(3,136)**	**(8,156)**
At 28 February 2006	**94,128**	**35,158**	**75,797**	**205,083**
Accumulated depreciation and impairment:				
At 28 February 2005 and 1 March 2005 (restated)	**25,750**	**33,749**	**62,504**	**122,003**
Depreciation provided during the year	**2,494**	**1,769**	**7,872**	**12,135**
Impairment provided during the year	**3,205**	**–**	**–**	**3,205**
Write-off	**–**	**(627)**	**(6,644)**	**(7,271)**
Disposals	**–**	**(4,956)**	**(2,668)**	**(7,624)**
At 28 February 2006	**31,449**	**29,935**	**61,064**	**122,448**
Net book value:				
At 28 February 2006	**62,679**	**5,223**	**14,733**	**82,635**
28 February 2005				
Cost:				
At 1 March 2004 (restated)	144,897	46,137	92,119	283,153
Additions	–	2,848	5,090	7,938
Disposals	(50,769)	(11,206)	(23,300)	(85,275)
At 28 February 2005 (restated)	94,128	37,779	73,909	205,816
Accumulated depreciation and impairment:				
At 1 March 2004 (restated)	32,179	39,009	77,567	148,755
Depreciation provided during the year	2,934	3,621	8,237	14,792
Impairment provided during the year	13,906	–	–	13,906
Disposals	(23,269)	(8,881)	(23,300)	(55,450)
At 28 February 2005 (restated)	25,750	33,749	62,504	122,003
Net book value:				
At 28 February 2005 (restated)	68,378	4,030	11,405	83,813

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

Company

	Furniture, fixtures, equipment and motor vehicles *HK$'000*	Leasehold improvements *HK$'000*	Total *HK$'000*
28 February 2006			
Cost:			
At 1 March 2005	**32,386**	**51,628**	**84,014**
Additions	**1,604**	**9,921**	**11,525**
Disposals	**(4,736)**	**(2,870)**	**(7,606)**
At 28 February 2006	**29,254**	**58,679**	**87,933**
Accumulated depreciation:			
At 1 March 2005	**29,478**	**41,108**	**70,586**
Provided during the year	**1,037**	**7,478**	**8,515**
Disposals	**(4,693)**	**(2,401)**	**(7,094)**
At 28 February 2006	**25,822**	**46,185**	**72,007**
Net book value:			
At 28 February 2006	**3,432**	**12,494**	**15,926**
28 February 2005			
Cost:			
At 1 March 2004	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 1 March 2004	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

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

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

	Hong Kong	Mainland China	Total
	HK$'000	*HK$'000*	*HK$'000*
Net book value:			
Medium term leasehold	39,604	23,075	62,679

The net book value of the buildings included an impairment loss of HK$3,205,000 (2005: HK$13,906,000), which was charged to the income statement for the year. The impairment loss was determined by management with reference to the open market value at the balance sheet date.

The Group's building situated in Hong Kong is pledged as security to bank for a bank loan granted (Note 25).

13. INVESTMENT PROPERTIES

	2006	2005
	HK$'000	*HK$'000*
Carrying amount at 1 March:	**167,800**	174,500
Net loss from fair value adjustments	**(1,420)**	(6,700)
Carrying amount at 28 February	**166,380**	167,800

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

The investment properties were revalued on 28 February 2006 by Castores Magi Surveyors Limited, an independent firm of professionally qualified valuers, on an open market, existing use basis at HK$166,380,000. Revaluation deficits of HK$1,420,000 resulting from the valuation was charged to the income statement. The investment properties are leased to third parties under operating leases, further summary details of which are included in Note 32(a) to the financial statements.

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14. PREPAID LAND PREMIUM

	2006	2005
	HK$'000	*HK$'000*
Carrying amount at 1 March:		
As previously reported	**–**	–
Effect of adopting HKAS 17 *(note 2.2(b))*	**842**	864
As restated	**842**	864
Amortisation during the year	**(22)**	(22)
Carrying amount at 28 February	**820**	842
Current portion included in prepayments, deposits and other receivables	**(22)**	(22)
Non-current portion	**798**	820

The Group's leasehold land included above is situated in Mainland China and is held under a medium term lease.

15. GOODWILL

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

	HK$'000
28 February 2006	
At 1 March 2005	
Cost:	
As previously reported	**25,870**
Effect of adopting HKFRS 3 *(note 2.2(e))*	**(2,908)**
As restated	**22,962**
Accumulated amortisation and impairment:	
As previously reported	**19,803**
Effect of adopting HKFRS 3 *(note 2.2(e))*	**(2,908)**
As restated	**16,895**
Net carrying amount at 1 March 2005	**6,067**
Impairment during the year	**(6,067)**
Carrying amount at 28 February 2006	**–**
At 28 February 2006	
Cost	**22,962**
Accumulated amortisation and impairment	**(22,962)**
Net carrying amount	**–**

28 February 2005	
At 1 March 2004	
Cost	25,870
Accumulated amortisation and impairment	(13,093)
Net carrying amount	12,777
Amortisation and impairment provided during the year	(6,710)
Cost and carrying amount at 28 February 2005	6,067
At 28 February 2005	
Cost	25,870
Accumulated amortisation and impairment	(19,803)
Net carrying amount	6,067

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15. GOODWILL *(continued)*

In 2005, goodwill was amortised on the straight-line basis over its estimated useful life of 20 years.

Due to the consecutive losses incurred by the property rental business in Mainland China in recent years, the directors considered that the carrying amount of goodwill attributable to the property rental business in Mainland China of HK$6,067,000 at 1 March 2005 was fully impaired during the year. Accordingly, an impairment of goodwill of HK$6,067,000 was charged to the consolidated income statement in the current year.

16. PROPERTIES UNDER DEVELOPMENT

	Group	
	2006	2005
	HK$'000	*HK$'000*
Carrying value:		
At beginning of year	**111,500**	123,900
Provision for impairment	**(2,700)**	(12,400)
	108,800	111,500

The properties under development are located in Dalian, Mainland China and were valued on 28 February 2006 by Castores Magi Surveyors Limited on an open market value, existing use basis at HK$108,800,000. An impairment loss of HK$2,700,000 resulting from the valuation was charged to the income statement.

17. INTERESTS IN SUBSIDIARIES

	Company	
	2006	2005
	HK$'000	*HK$'000*
Unlisted shares, at cost	**49,913**	42,024
Due from subsidiaries	**1,436,267**	1,423,552
Due to subsidiaries	**(64,690)**	(62,548)
	1,421,490	1,403,028
Less: Provision for impairment	**(630,945)**	(617,679)
	790,545	785,349

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% (2005: 4.3%) per annum. The carrying amounts of the balances due from/to subsidiaries approximate to their fair values.

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17. INTERESTS IN SUBSIDIARIES *(continued)*

Particulars of the principal subsidiaries are as follows:

Company	Place of incorporation/ registration and operations	Nominal value of issued/ registered share capital/ paid-up capital	Class of shares held	Percentage of equity attributable to the Company Directly	Indirectly	Principal activities
Citihood Developments Limited	British Virgin Islands	US$30,000	Registered	100	–	Investment holding
Dalian Sincere Building Co., Ltd.*	PRC/ 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	–	–	
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

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17. INTERESTS IN SUBSIDIARIES *(continued)*

Company	Place of incorporation/ registration and operations	Nominal value of issued/ registered share capital/ paid-up capital	Class of shares held	Percentage of equity attributable to the Company Directly	Percentage of equity attributable to the Company Indirectly	Principal activities
The Sincere Finance Company, Limited	Hong Kong	HK$2	Ordinary	100	–	Provision of finance
Springview Limited	Hong Kong	HK$500,000	Ordinary	100	–	Securities trading
360 Communications Limited	Hong Kong	HK$100	Ordinary	–	60	Advertising agency
Pacific Falcon Limited	Hong Kong	HK$10,000	Ordinary	–	80	Residential project design and furniture retailing
CPC No. 4 Limited	Guernsey	GBP100	Ordinary	–	90	Property development
Uniglobe Travel One (China) Limited#	Hong Kong	HK$10,000	Ordinary	100	–	Travel agency franchising
Sincere (Shanghai) Commercial Company Limited# *	PRC/ Mainland China	US$1,000,000	N/A	100	–	Provision of management services

Incorporated during the year.

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

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

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18. INTERESTS IN ASSOCIATES

	Group		Company	
	2006	2005	**2006**	2005
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Unlisted shares, at cost	**–**	–	**16,611**	16,611
Share of net assets other than goodwill	**274,310**	271,725	**–**	–
	274,310	271,725	**16,611**	16,611
Due to associates	**(17,447)**	(15,490)	**(499)**	(415)
	256,863	256,235	**16,112**	16,196

The Group's share of the post-acquisition accumulated reserves of associates at 28 February 2006 was HK$206,430,000 (2005: HK$203,845,000).

The balances with associates are unsecured, interest-free and not repayable within the next 12 months from the balance sheet date. The carrying amounts of the balances approximate to their fair values.

The following table illustrates the summarised financial information of the Group's associates:

	2006	2005
	HK$'000	*HK$'000*
		(restated)
Total assets	**1,954,918**	2,140,405
Total liabilities	**1,107,319**	1,341,905
Revenue	**333,194**	192,091
Profit/(loss) before tax	**32,627**	(28,698)

18. INTERESTS IN ASSOCIATES *(continued)*

Particulars of the associates are as follows:

Company	Business structure	Place of incorporation/ registration	Particulars of issued shares held	Percentage of ownership interest attirbutable to the Group	Principal activities
Brandlord Limited	Corporate	UK	Ordinary shares of GBP1 each	27.00	Property investment
Tailbay Investments Limited	Corporate	British Virgin Islands/UK	Ordinary shares of USD1 each	30.00	Investment holding
The Sincere Life Assurance Company Limited ("Life")	Corporate	Hong Kong	Ordinary shares of HK$10 each	48.09	Insurance and investment
The Sincere Insurance & Investment Company, Limited ("Insurance")	Corporate	Hong Kong	Ordinary shares of HK$100 each	40.67	General insurance and investment
The Sincere Company (Perfumery Manufacturers) Limited ("Perfumery")	Corporate	Hong Kong	Ordinary shares of HK$100 each	37.15	Investment holding
140 Park Lane Limited	Corporate	UK	Ordinary shares of GBP0.1 each	30.00	Property investment
Lancaster Partnership Limited	Corporate	UK	Ordinary shares of GBP0.01 each	50.00	Property investment

At 28 February 2006, Life, Insurance and Perfumery directly held 31.89%, 13.17% and 0.30%, respectively, of the issued share capital of the Company.

The above table lists the associates 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 associates would, in the opinion of the directors, result in particulars of excessive length.

19. AVAILABLE-FOR-SALE INVESTMENTS/LONG TERM INVESTMENTS

	Group		Company	
	2006	2005	**2006**	2005
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Unlisted investments at cost:				
Hong Kong	**13,052**	13,052	**13,052**	13,052
Taiwan	**23,108**	23,108	**23,108**	23,108
Others	**34,538**	34,538	**–**	–
	70,698	70,698	**36,160**	36,160
Less: Provision for impairment	**(26,989)**	(26,989)	**(26,989)**	(26,989)
	43,709	43,709	**9,171**	9,171

At 28 February 2006, the unlisted investments in Hong Kong and Taiwan of the Group and of the Company represented interests of 10% (2005: 10%) and 19.9% (2005: 19.9%) in the issued share capital of Goldian Limited and The Sincere Department Store Limited, respectively, against which provisions for impairment of HK$12,578,000 (2005: HK$12,578,000) and HK$14,411,000 (2005: HK$14,411,000) have been made for impairment as considered necessary by the directors of the Company.

20. PROPERTIES HELD FOR SALE

	Group	
	2006	2005
	HK$'000	*HK$'000*
At beginning of year	**164,413**	19,745
Additions	**3,950**	81,219
Transferred from properties under development for sale	**–**	85,064
Interest capitalised	**–**	1,708
Sold during the year	**(77,851)**	(19,745)
Exchange realignment	**(15,252)**	(3,578)
	75,260	164,413

At the balance sheet date, the properties held for sale are pledged to banks to secure bank loans granted to the Group (Note 25).

21. DEBTORS

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

	Group	
	2006	2005
	HK$'000	*HK$'000*
Current – 3 months	**689**	640
4 – 6 months	**–**	176
7 – 12 months	**–**	96
	689	912

The carrying amounts of the debtors approximate to their fair values.

22. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

At the balance sheet date, prepayments, deposits and other receivables included a deposit of HK$103,030,000 (the "Deposit") for application of new shares under initial public offerings. The carrying amounts of prepayments, deposits and other receivables approximate to their fair values. Subsequent to the balance sheet date, HK$102,460,000 of the Deposit was refunded and applied to repay the loan borrowed for application of the said new shares (Note 25).

23. INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS/ MARKETABLE SECURITIES

	Group	
	2006	2005
	HK$'000	*HK$'000*
Listed equity investments, at market value:		
Hong Kong	**26,253**	26,197
Elsewhere	**237,124**	225,034
	263,377	251,231

The above equity investments at 28 February 2005 were classified as held for trading.

At the balance sheet date, marketable securities with an aggregate market value of approximately HK$252,863,000 (2005: HK$243,364,000) were pledged to banks to secure banking facilities granted to the Group (Note 25).

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24. CASH AND BANK BALANCES

	Group		Company	
	2006	2005	**2006**	2005
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Cash on hand and at banks	**43,614**	29,288	**18,120**	4,978
Deposits with banks	**13,521**	6,156	**–**	–
	57,135	35,444	**18,120**	4,978

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The carrying amounts of the cash and bank balances and the deposits approximate to their fair values.

25. INTEREST-BEARING BORROWINGS AND OVERDRAFTS

	Group		Company	
	2006	2005	**2006**	2005
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Bank loans, secured	**199,343**	254,242	**21,652**	18,983
Bank overdrafts, secured	**15,881**	35,085	**15,881**	22,413
Other borrowings, unsecured *(Note 22)*	**91,355**	–	**–**	–
	306,579	289,327	**37,533**	41,396
Portion due within one year included under current liabilities	**(306,579)**	(289,327)	**(37,533)**	(41,396)
Non-current portion	**–**	–	**–**	–
The borrowings and overdrafts are repayable in various instalments within one year or on demand	**306,579**	289,327	**37,533**	41,396

The bank loans and overdrafts bear interest rates ranging from 0.685% to 7.750% per annum. The carrying amounts of the bank loans, other borrowings and overdrafts approximate to their fair values.

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26. CREDITORS

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

	Group		**Company**	
	2006	2005	**2006**	2005
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Current – 3 months	**84,501**	42,414	**82,853**	42,046
4 – 6 months	**1,988**	139	**516**	139
7 – 12 months	**277**	265	**277**	265
Over 1 year	**1,814**	939	**1,058**	900
	88,580	43,757	**84,704**	43,350

The carrying amounts of the creditors approximate to their fair values.

27. SHARE CAPITAL

	2006	2005
	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

28. SHARE PREMIUM ACCOUNT

	2006	2005
	HK$'000	*HK$'000*
At beginning and end of year	**26**	26

29. 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.

30. 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 2004	46,613	563,239	609,852
Loss for the year	–	(68,116)	(68,116)
At 28 February 2005 and 1 March 2005	46,613	495,123	541,736
Loss for the year	–	(18,732)	(18,732)
At 28 February 2006	**46,613**	**476,391**	**523,004**

At 28 February 2006, the Company's reserves available for distribution, calculated in accordance with the provisions of Section 79B of the Companies Ordinance, amounted to HK$523,004,000 (2005: HK$541,736,000).

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

Directors' remuneration for the year, disclosed pursuant to the Listing Rules and Section 161 of the Companies Ordinance, is as follows:

	Executive directors						Independent non-executive directors						Total	
	Walter K W Ma		Philip K H Ma		John K K Ma*		King Wing Ma		Eric K K Lo		Charles M W Chan			
	2006 **HK$'000**	2005 *HK$'000*	**2006** **HK$'000**	2005 *HK$'000*	**2006** **HK$'000**	2005 *HK$'000*	**2006** **HK$'000**	2005 *HK$'000*	**2006** **HK$'000**	2005 *HK$'000*	**2006** **HK$'000**	2005 *HK$'000*	**2006** **HK$'000**	2005 *HK$'000*
Fees	**1,748**	1,748	**1,028**	1,028	**–**	761	**110**	110	**182**	182	**110**	110	**3,178**	3,939
Salaries, allowance and other benefits	**8,959**	9,008	**7,830**	7,577	**–**	734	**–**	–	**–**	–	**–**	–	**16,789**	17,319
Pension contributions including pension cost for defined benefit scheme of HK$164,000 (2005: HK$201,000)	**–**	–	**173**	213	**–**	–	**–**	–	**–**	–	**–**	–	**173**	213
	10,707	10,756	**9,031**	8,818	**–**	1,495	**110**	110	**182**	182	**110**	110	**20,140**	21,471

* *Resigned on 24 August 2004.*

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

There was no other emoluments payable to the independent non-executive directors during the year (2005: Nil).

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

Of the five highest paid individuals, two (2005: three) are directors of the Company and their remuneration are included in the directors' remuneration above. The remuneration of the remaining three highest paid individuals, analysed by the nature thereof and designated bands, is set out below:

	Group	
	2006	2005
	HK$'000	*HK$'000*
Salaries and allowances	**4,563**	3,125
Pension contributions	**73**	24
	4,636	3,149

	Number of individuals	
	2006	2005
HK$1,000,001 – HK$1,500,000	**2**	1
HK$1,500,001 – HK$2,000,000	**–**	1
HK$2,000,001 – HK$2,500,000	**1**	–

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32. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group leases its investment properties (Note 13) under operating lease arrangements, with leases negotiated for terms ranging from 1 to 16 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	
	2006	2005	**2006**	2005
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Within one year	**7,128**	7,027	**2,412**	2,534
In the second to fifth years, inclusive	**20,525**	22,269	**2,256**	4,512
After five years	**52,524**	55,491	**–**	–
	80,177	84,787	**4,668**	7,046

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

(b) As lessee

The Group leases certain of its land and buildings under operating lease arrangements, with leases negotiated for terms ranging from 1 to 5 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	
	2006	2005	**2006**	2005
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Within one year	**50,081**	57,723	**38,409**	47,262
In the second to fifth years, inclusive	**101,246**	116,957	**87,150**	96,003
After five years	**–**	21,603	**–**	21,603
	151,327	196,283	**125,559**	164,868

A non-cancellable operating lease included above was subject to contingent rent payments, which were charged at the highest of 9.25% of the gross sales attributable to the leased premises or the base rents as determined in the related lease agreement.

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33. OUTSTANDING COMMITMENTS

Outstanding commitments at the balance sheet date were as follows:

	Group		Company	
	2006	2005	**2006**	2005
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Irrevocable letters of credit	**7,928**	12,883	**7,928**	12,883
Commitments to purchase foreign currencies	**37,731**	100,969	**6,466**	6,193
Commitments to sell foreign currencies	**37,809**	100,772	**6,524**	6,098

Certain associates of the Group had capital commitments in aggregate of approximately HK$251,149,000 (2005: Nil) in respect of the property development projects in Australia. 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	
	2006	2005	**2006**	2005
	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
Guarantees executed by the Company in favour of a bank to secure a loan granted to an associate	**313,698**	356,387	**313,698**	356,387

In addition to the above, the Group's share of guarantee provided by certain associates amounted to approximately HK$212,257,000 (2005: HK$47,575,000) as at the balance sheet date in respect of one banking facility granted to their associate.

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35. RELATED PARTY TRANSACTIONS

(a) In addition to the transactions detailed elsewhere in these financial statements, the Group had the following transactions with related parties during the year:

		Group	
	Notes	**2006** **HK$'000**	2005 *HK$'000*
Transactions with a company in which an independent non-executive director of the Company has an indirect interest:			
Provision of advertising services	*(i)*	**42**	519
Transaction with an associate:			
Insurance premium expenses	*(ii)*	**955**	1,176

Notes:

(i) The advertising services provided to and services fees charged 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 was effected on prices and terms similar to other customers.

(ii) The insurance premium expenses were at prices and terms similar to those offered to other unrelated customers of the associate.

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

	2006 **HK$'000**	2005 *HK$'000*
Short term employee benefits	**24,780**	22,486
Post-employment benefits	**246**	237
Total compensation paid to key management personnel	**25,026**	22,723

Further details of directors' emoluments are included in note 31 to the financial statements.

Certain transactions amounted to HK$42,000 (2005: HK$519,000) included in note (i) above constituted connected transactions as defined in the Listing Rules.

None of the other related party transactions set out above constituted connected transactions as defined in the Listing Rules.

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36. POST BALANCE SHEET EVENT

On 9 May 2006, 140 Parklane Limited, an associate of the Group with 30% equity interests, entered into a sale and purchase agreement to dispose of its entire interest in its wholly-owned subsidiary, namely MWB Park Lane Hotel Limited, of which the principal activity was ownership of a hotel, to Fornax Limited, an independent third party at a total consideration of approximately HK$1,522 million (GBP104,980,000).

37. FINANCIAL RISK MANAGEMENT OBJECTIVE AND POLICIES

The Group's principal financial instruments comprise bank loans, other borrowings and overdrafts, short term deposits and cash. The Group has various other financial assets and liabilities, such as debtors and creditors, which arise directly from its operations.

The main risks arising from the Group's financial instruments are credit risk, foreign currency risk, liquidity risk and interest rate risk. The board reviews and agrees policies for managing each of these risks and they are summarised below.

(a) Credit risk

Financial instruments that are subject to credit risk are mainly related to cash and cash equivalents consisting of short-term bank deposits and cash and bank balances. They are placed with licensed banks having high credit ratings and in short terms. The management foresees minimal credit risks.

The Group has no significant concentration of credit risk, with exposure spread over a number of counterparties and customers.

(b) Foreign currency risk

The Group has transactional currency exposures. Such exposures arise from sales or purchases by operating units in currencies other than the units' functional currency. Also, the value of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group currently has a foreign currency hedging policy on Euro for the purchase of stock, which is to hedge 50% of anticipated total value of European stock purchases of the following season.

(c) Liquidity risk

The Group maintains a balance between continuity of funding and the flexibility through the use of bank overdrafts, interest-bearing bank loans and other borrowings. The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash and available banking facilities to meet its liquidity requirements in short and longer terms.

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37. FINANCIAL RISK MANAGEMENT OBJECTIVE AND POLICIES *(continued)*

(d) Interest rate risk

The Group is exposed to fair value interest rate risk through the impact of rate changes on interest-bearing bank borrowings and overdrafts. The fair value interest rate risk relates primarily to floating-rate borrowings (see note 25). The Group will continue to maintain a reasonable mix of floating rate and fixed rate borrowings or obtain the most favourable interest rates available.

38. COMPARATIVE AMOUNTS

As further explained in notes 2.2 and 2.4 to the financial statements, due to the adoption of new and revised HKFRSs during the current year, the accounting treatment and presentation of certain items and balances in the financial statements have been revised to comply with the new requirements. Accordingly, certain opening balance adjustments have been made and certain comparative amounts have been reclassified and restated to conform with the current year's presentation and accounting treatment.

39. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 21 June 2006.