sincere 先施

The Sincere Company, Limited

Stock code: 244

2014-15

Annual Report

Contents

CORPORATE INFORMATION

REGISTERED OFFICE

24th Floor, Leighton Centre,
77 Leighton Road, Hong Kong

AUDITORS

Ernst & Young

SOLICITORS

Anthony Siu & Co

PRINCIPAL BANKERS

Citibank N.A.
DBS Bank (Hong Kong) Limited
Hang Seng Bank Limited
Industrial and Commercial Bank of China (Asia) Limited
JP Morgan Chase Bank
The Hongkong & Shanghai Banking Corporation Limited

SHARE REGISTRAR & TRANSFER OFFICE

Tricor Tengis Limited
Level 22, Hopewell Centre,
183 Queen's Road East,
Wanchai,
Hong Kong

BOARD OF DIRECTORS

Walter K W MA *(Former Executive Chairman, passed away on 14 September 2014)*
Philip K H MA *(Chairman & CEO, former Deputy Chairman & CEO and appointed as Chairman & CEO on 16 September 2014)*
John Y C FU *(Executive Director & CFO)*
King Wing MA
Eric K K LO
Charles M W CHAN
Peter TAN

MANAGEMENT

Philip K H MA
John K K MA
John Y C FU
Wilson B CHU
Eileen H Y MA

COMPANY SECRETARY

Ada S P CHEUNG

WEBSITE

Company: www.sincere.com.hk
Financial information: www.irasia.com/listco/hk/sincere/index.htm

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Annual General Meeting of shareholders of the Company will be held at Hibiscus Room, 2/F., Hotel Jen Hong Kong, 508 Queen's Road West, Western District, Hong Kong on 7 August 2015 at 10:00 a.m. for the following purposes:

1. To receive and adopt the audited financial statements and the Reports of the Directors and Independent Auditors for the year ended 28 February 2015.

2. To re-elect Directors and to authorise the Board of Directors of the Company to fix the Directors' remuneration.

3. To re-appoint Independent Auditors and to authorise the Board of Directors of the Company to fix their remuneration.

4. To consider as special business and, if thought fit, pass with or without amendments, the following resolution as an ordinary resolution:

   "**THAT**:

   (a) subject to paragraph (b) below, the exercise by the Directors of the Company during the Relevant Period of all the powers of the Company to purchase its shares be and is hereby generally and unconditionally approved;

   (b) the total number of shares of the Company to be purchased pursuant to the approval in paragraph (a) above shall not exceed 10% of the total number of shares of the Company in issue on the date of this Resolution; and

   (c) for the purpose of this Resolution, "Relevant Period" means the period from the passing of this Resolution until whichever is the earlier of:

      (i) the conclusion of the next Annual General Meeting of the Company;

      (ii) the expiration of the period within which the next Annual General Meeting of the Company is required by the Company's Articles of Association or any applicable laws to be held; or

      (iii) the revocation or variation of the authority given under this Resolution by an ordinary resolution of the shareholders of the Company in general meeting."

NOTICE OF ANNUAL GENERAL MEETING

5. To consider as special business and, if thought fit, pass with or without amendments, the following resolution as an ordinary resolution:

   "**THAT**:

   (a) subject to paragraph (c) below, the exercise by the Directors of the Company during the Relevant Period of all the powers of the Company to allot, issue and deal with additional shares of the Company and to make or grant offers, agreements and options which might require the exercise of such powers be and is hereby generally and unconditionally approved;

   (b) the approval in paragraph (a) above shall authorise the Directors of the Company during the Relevant Period to make or grant offers, agreements and options which might require the exercise of such powers at any time during or after the Relevant Period;

   (c) the total number of shares allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) and issued by the Directors of the Company pursuant to paragraph (a) above, otherwise than pursuant to: (i) a Rights Issue; or (ii) any scrip dividend or similar arrangement providing for the allotment of shares in lieu of the whole or part of a dividend on shares of the Company in accordance with the Articles of Association of the Company; or (iii) the exercise of subscription rights under the Share Option Scheme of the Company should not exceed 20% of the number of shares of the Company in issue on the date of this Resolution and the said approval shall be limited accordingly; and

   (d) for the purpose of this Resolution, "Relevant Period" means the period from the passing of this Resolution until whichever is the earlier of:

      (i) the conclusion of the next Annual General Meeting of the Company;

      (ii) the expiration of the period within which the next Annual General Meeting of the Company is required by the Company's Articles of Association or any applicable laws to be held; or

      (iii) the revocation or variation of the authority given under this Resolution by an ordinary resolution of the shareholders of the Company in general meeting.

   "Rights Issue" means an offer of shares open for a period fixed by the Directors of the Company to holders of shares on the Register of Members on a fixed record date in proportion to their holdings of shares (subject to such exclusions or other arrangements as the directors of the Company may deem necessary or expedient in relation to fractional entitlement or having regard to any restrictions and obligations under the laws of, or the requirements of, any recognised regulatory body or any stock exchange in any territory outside Hong Kong)."

NOTICE OF ANNUAL GENERAL MEETING

6. To consider as special business and, if thought fit, pass with or without amendments, the following resolution as an ordinary resolution:

"**THAT** the general mandate granted to the Directors of the Company and for the time being in force to exercise the powers of the Company to allot shares and to make or grant offers, agreements and options which might require the exercise of such powers, be and is hereby extended by the addition thereto of such number of shares which may be allotted or agreed conditionally or unconditionally to be allotted by the Directors of the Company pursuant to such general mandate of such number of shares of the Company which has been purchased by the Company since the granting of such general mandate pursuant to the exercise by the Directors of the Company of the powers of the Company to purchase such shares, provided that such number of shares shall not exceed 10% of the total number of shares of the Company in issue on the date of this resolution."

By order of the Board
Ada S P CHEUNG
Company Secretary

Hong Kong, 25 June 2015

Notes:

1. A member entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and vote instead of him. A proxy need not be a member of the Company.

2. The instrument appointing a proxy and the power of attorney or other authority, if any, under which it is signed, or a notarially certified copy of such power or authority, must be lodged with the Company's Share Registrars, Tricor Tengis Limited, Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, not less than 48 hours before the time fixed for holding the meeting or any adjournment thereof. Completion and return of a proxy form will not preclude a member from attending the meeting and voting in person.

3. Concerning item 4 above, the Directors will exercise the powers conferred thereby to repurchase shares of the Company in circumstances which they deem appropriate for the benefits of the shareholders.

4. Concerning item 5 above, approval is being sought from the members for a general mandate to authorise allotment of shares under the Companies Ordinance and the Listing Rules. The directors have no immediate plan to issue any new shares of the Company other than shares to be issued pursuant to the Company's Share Option Scheme.

5. Concerning item 6 above, approval is being sought to increase the number of shares which the Directors may issue under their general mandate by the number of any shares repurchased during the Relevant Period.

6. A circular containing further details in respect of the above items 2 and 4 to 6 will be sent to members together with the 2014/15 Annual Report.

7. As at the date of this notice, the Executive Directors of the Company are Mr Philip K H Ma and Mr John Y C Fu, and the Independent Non-Executive Directors are Mr King Wing Ma, Mr Eric K K Lo, Mr Charles M W Chan and Mr Peter Tan.

MISSION STATEMENT

Founded in 1900, The Sincere Company, Limited is one of the Hong Kong's oldest and most respected retail groups.

At the core of Sincere's success is its unwavering dedication to quality service and customer satisfaction. Through its chain of department stores, the Company strives to provide consumers with a competitive range of merchandise at affordable prices.

Sincere's on-going commitment to prudent expansion in Hong Kong and China demonstrates the Company's determination to sustain its position as a leading retailer into the next century and beyond.

CHAIRMAN & CEO'S REVIEW OF OPERATIONS

On behalf of the Board of Directors of The Sincere Company, Limited, I would like to present the shareholders with the Annual Report for the year ended 28 February 2015.

Philip K H MA
Chairman & CEO

RESULTS

The Group has had a challenging year, with sales declining along with high operating costs for prime stores. Following the closures of the two major stores at Central and Grand Century Place in August 2013 and April 2014, respectively, the Group opened three new stores in the prime locations of Central, Mongkok and Causeway Bay. Management made great efforts during the year to build a new contemporary retail image: directly importing varieties of well-known European merchandise; renovating and uplifting store ambience; and launching PR events and programs for the "New Sincere". The three new stores have been operating for more than a year and are still in their growth stages. However, the Mongkok and Causeway Bay stores, in particular, were hurt by less-than-expected traffic flow and business suffered as a result. This was compounded by high rentals. Impaired by the retail performances mentioned above, the Group recorded a loss attributable to equity holders of HK$123 million, representing an increase of 44% from last year. Revenue was HK$370 million, representing a decline of 17%.

CHAIRMAN & CEO'S REVIEW OF OPERATIONS

LIQUIDITY AND FINANCIAL RESOURCES

At 28 February 2015, the Group had cash and bank balances of HK$524 million (2014: HK$444 million), of which HK$442 million (2014: HK$211 million) were pledged. The Group's gearing increased by 42% to 90% in total debt to the shareholders' fund as compared with last year. The substantial increase was a result of the arrangement of cross-border loans, where cash deposits were pledged to banks in the People's Republic of China to secure certain bank loans in Hong Kong. The interest expense charged to the consolidated income statement for the year was HK$8 million (2014: HK$4 million). The interest-bearing bank borrowings of the Group as of 28 February 2015 were HK$379 million (2014: HK$259 million), of which HK$368 million (2014: HK$238 million) was repayable within one year, while the remaining balance was repayable within the second and fifth years. The bank borrowings were mainly in Hong Kong Dollars, with interest rates ranging from 0.9% to 5.0% per annum. The current ratio was 1.8 (2014: 2.3).

The Group currently has a foreign currency hedging policy on the Euro for the purchase of inventories, which hedges approximately fifty percent of the anticipated total value of the European inventory purchases for resale at the department stores. In addition to internally generated cash flows, the Group also made use of both long- and short-term borrowings to finance its operation during the year. All borrowings were secured against the securities investment, a property and bank deposits.

EMPLOYEES AND REMUNERATION POLICIES

At 28 February 2015, the Group had 453 employees (2014: 571) including part-time staff. The Group operates different remuneration schemes for sales and non-sales employees to motivate front-line and back-office staff towards achieving higher sales and operating efficiencies. Apart from basic salary and discretionary year-end bonuses based on individual merit, sales personnel are further remunerated on the basis of goal-oriented package, comprising several schemes of sales commission. The Group provides employee benefits such as employee stock option, staff purchase discounts, subsidised medical care and training courses.

DIVIDENDS

The Board of Directors does not recommend the payment of a dividend in respect of the financial year ended 28 February 2015.

CHAIRMAN & CEO'S REVIEW OF OPERATIONS

BUSINESS REVIEW
DEPARTMENT STORE OPERATION

The revenue for the retail operation declined 14% and segment results recorded a loss of HK$116 million, representing a significant increase of 65% from last year. Driven by depressed local retail demand and soaring operating costs, the core retail operation is experiencing difficult trading conditions; various attempts were implemented to rectify the situation. During the year, we imported famous European-branded apparel to enlarge the customer base and increase dollars per transaction; introduced branded skincare products and children's wear to enrich product varieties; launched various marketing campaigns to drive local traffic to the stores; and refined pricing strategies to enhance competitiveness.

The revenue from our Roadshow operations has been declining for the past few years. Some landlords have changed retail mall requirements, which have resulted in lesser venues being available, while those that are available have seen substantial increases in rent. There were sixty-six Roadshows during the year compared with seventy-six in the previous year.

Shamshuipo Dragon Centre Store

Revenue and gross profit dollar increased slightly by 2% from last year. Compared with other stores, this store was relatively stable as more concession counters were well-positioned to serve the customers.

Tsuen Wan Citywalk Store

Revenue and gross profit dollar increased slightly by around 3% from the previous year. During the year, this store enhanced ambience with brighter lighting, which has lead to improved traffic flow. On the product assortment, more Korean fashions were introduced and were well received.

Yau Tong Domain Store

The revenue was marginally up on last year while the gross profit dollar was down by 3%. This was attributable to the introduction of more concession counters with lower commission rate. Additionally, children's wear was introduced and received a good response.

Sincere MK Store

This store in Mongkok was most challenging among the six stores, with the highest rent and underperforming sales. Customer traffic flow to the store was way below initial expectations. As a result, this store recorded a substantial loss for the year. We have implemented strong promotional campaigns, rearranged product assortments, and expanded the household goods department to improve traffic flow.

CHAIRMAN & CEO'S REVIEW OF OPERATIONS

Central Li Po Chun Store

Of the three new stores opened in late 2013, this was the most satisfactory. Built next to our closed Central store, loyal customers returned to this store, in additional to new VIPs. The store has correctly positioned for the targeted market segment, mainly offering branded European apparel, shoes and several imported brands of selected handbags. The response was encouraging.

Sincere CWB Store

This store in Causeway Bay has been operating for a year but sales performance has been disappointing. Similar to Sincere MK, it persistently suffered from low traffic flow. Due to the low awareness of the store location, several measures were implemented, including a light-box advertisement at Causeway Bay MTR station and the distribution of flyers and coupons to attract customers. To improve sales performance, there was a comprehensive review on product assortment with a major remix on branded European apparel and shoes, and the introduction of children's wear and imported skincare.

SECURITIES TRADING OPERATION

The market for securities investments for the year, compared with the end of February 2014, has improved. With one-third of our investment portfolio Hong Kong-listed, there was a gain of $20 million, which included an unrealised gain of $8 million compared with break-even last year.

OTHER OPERATIONS

As the Group is focusing on its core department store operations, other business segments have been scaled down substantially and the advertising business ceased operations in March 2015. The travel franchise remains dormant and the insurance business focused on investment with limited operation. In UK, a joint venture property project at Lancaster Gate was sold and recorded a marginal profit.

PROSPECTS

In the year ahead, the Group expects the retail operating environment to be tough with the appreciation of the Hong Kong dollar, aggressive discounting among competitors, weak consumer sentiment, lower tourists arrivals, and high operating costs. Management is well aware that improving the gross profit margin and department-store traffic flow are the key objectives. Strategies include focusing on brands and manufacturing our own private label products; implementing innovative promotional campaigns; and improving customer services.

By the end of this year, stores will be classified into two lines based on product categories: namely "Sincere Wear 先施時尚館" and "Sincere Living 先施生活館". The Sincere CWB and Central Li Po Chun stores will be classified under Sincere Wear, offering apparel, shoes, handbags and accessories. Shamshuipo Dragon Centre, Yau Tong Domain, Tsuen Wan Citywalk and Sincere MK stores will be classified under Sincere Living, offering "wear" products along with other product lines, including sports, household, bedding and bath, to fulfill the needs of general living. This store segmentation will enhance the utilisation of space, better allocate marketing resources, better position high-ended apparel and shoes, and provide a clearer message to our customers on which store has what focus.

CHAIRMAN & CEO'S REVIEW OF OPERATIONS

On marketing, we will work with NOW TV to produce the program "Sincere Fashion Seoul大激戰" for the second year. Jointly working with the Hong Kong Polytechnic University, the competition will be broadcast for six weeks from June to August 2015. This matches our strategy to stock more Korean ladies fashion products. Another new program highlighting products from Italy will also work with NOW TV and to be broadcast, also for six weeks, from November to December 2015, aiming at promoting and further strengthen the awareness of the strong positioning of Sincere branded European apparels and shoes.

To foster a better shopping experience, we will enhance our customer loyalty program by classifying our VIPs into different classes, with each class being rewarded with different shopping privileges. We will continue investigating the possibility of online shopping and implementing a digital Customers Relationship Management system to better understand our customers' shopping behaviors to achieve a better target and improve social marketing.

There will be investments in renovations in selected stores to go with an expanded range of European apparel. There will also be investments in talent. An experienced general manager has been recruited to oversee the entire retail operation and to monitor the execution and effectiveness of those strategies being implemented. A consultant has been engaged to strengthen the marketing functions and be in charge of the entire brand re-building exercise. A new individual-commission scheme has been implemented for front-line staff in order to increase productivity. As usual, straight costs control measures have been implemented.

Securities trading will remain conservative, and we are cautiously optimistic about returns in the year ahead, with the recent favorable growth momentum in the global stock market.

Although the current situation for the Group is tough, management believes this is a period of adjustment for transformation to a new brand image with a new mode of operations. We are determined to rework the "New Sincere" to a contemporary and profitable brand for years to come.

APPRECIATION

On behalf of the Board, I wish to take this opportunity to extend my appreciation to our shareholders, customers, business partners and suppliers for their continued support, and for their confidence in the Group. I would also like to express our sincere thanks to the management and the staff for their commitment and contribution to the Group throughout the year. All of us at Sincere remember Mr Walter Ma, our past Chairman, who passed away in September 2014, for his enormous contribution.

Philip K H MA
Chairman & CEO

28 May 2015

CORPORATE GOVERNANCE REPORT

The board of directors (the “Board”) of the Company has committed to maintaining good corporate governance standards.

The Company’s corporate governance practices are based on the principles as set out in the Corporate Governance Code (the “CG Code”) contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) (the “Listing Rules”).

During the financial year ended 28 February 2015, the Company has complied with the Code Provisions set out in the CG Code, save and except for code provision A.2.1, A.4.1, A.6.7 and E.1.2 which deviations are explained in the relevant paragraphs in this Report.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix 10 to the Listing Rules.

Specific enquiry has been made of all the Directors and the Directors have confirmed that they have complied with the Model Code throughout the year ended 28 February 2015.

BOARD OF DIRECTORS

The Board currently comprises six members, consisting of two Executive Directors and four Independent Non-Executive Directors. The biographical information of the Directors are set out in the section headed “Biographies of Directors and Senior Executives” on pages 26 to 27 of the annual report for the year ended 28 February 2015.

Mr Philip K H Ma and Mr King Wing Ma are cousins. To the best knowledge of the Company, save as disclosed above, there is no financial, business and family relationship among members of the Board. All of them are free to exercise their independent judgement.

The Board met four times during the year ended 28 February 2015 for approving the final results for the year ended 28 February 2014 and interim results for the period ended 31 August 2014 and transacting other businesses.

CORPORATE GOVERNANCE REPORT

BOARD OF DIRECTORS *(continued)*

The Board held four board meetings and a general meeting in year 2014/15. The following table shows the attendance of Directors at meetings during the year:

Directors	General Meetings attended/held	Board Meetings attended/held
Executive Directors		
Mr Walter K W Ma *(Former Executive Chairman, passed away on 14 September 2014)*	0/1+	1/4
Mr Philip K H Ma *(Chairman & CEO, former Deputy Chairman & CEO, appointed as Chairman & CEO on 16 September 2014)*	1/1	4/4
Mr John Y C Fu *(Executive Director & CFO)*	1/1	4/4
Independent Non-Executive Directors		
Mr King Wing Ma	1/1	4/4
Mr Charles M W Chan	0/1+	4/4
Mr Eric K K Lo	1/1	4/4
Mr Peter Tan	1/1	3/4

\+ Pursuant to code provision A.6.7 and E.1.2 of the CG Code that independent non-executive director and chairman of the board should also attend general meeting. Mr Walter K W Ma, the former Executive Chairman, and Mr Charles M W Chan, the Independent Non-Executive Director of the Company did not attend the general meeting of the Company due to health condition and business arrangement, respectively.

Apart from regular Board meetings, the Chairman also held meetings with the Independent Non-Executive Directors without the presence of Executive Directors during the year.

Chairman and Chief Executive Officer

Code provision A.2.1 stipulates that the roles of Chairman and Chief Executive should be separate and should not be performed by the same individual. Mr Philip K H Ma, the former Deputy Chairman and Chief Executive Officer of the Company, was appointed as Chairman and Chief Executive Officer of the Company with effect from 16 September 2014 after Mr Walter K W Ma, the former Executive Chairman of the Company, passed away on 14 September 2014. Mr Philip K H Ma provides leadership to the Board ensuring that members of the Board receive accurate, timely and clear information to help them reach well-informed and well-considered decisions. He is also responsible for leading the management team to manage day-to-day operation and report to the Board the way the business is run. The Board believes that vesting the roles of both Chairman and Chief Executive Officer in the same individual can provide the Company with strong and consistent leadership and allows for effective and efficient planning and implementation of business decisions and strategies.

CORPORATE GOVERNANCE REPORT

BOARD OF DIRECTORS *(continued)*

Independent Non-Executive Directors

The Company has complied with Rules 3.10(1), 3.10(2) and 3.10A of the Listing Rules for the appointment of at least three Independent Non-Executive Directors representing at least one-third of the Board with one of whom possessing appropriate professional qualifications or accounting or related financial management expertise.

The Company has received, from each of the Independent Non-Executive Directors, an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all of the Independent Non-Executive Directors are independent.

Non-Executive Directors and Directors' Re-election

Code provision A.4.1 of the CG Code stipulates that Non-Executive Directors shall be appointed for a specific term, subject to re-election, whereas code provision A.4.2 states that all Directors appointed to fill a casual vacancy shall be subject to election by shareholders at the first general meeting after appointment and that every Director, including those appointed for a specific term, shall be subject to retirement by rotation at least once every three years.

The Independent Non-Executive Directors were not appointed for a specific term but are subject to retirement by rotation and re-election at the Company's Annual General Meeting in accordance with the Company's Articles of Association.

Responsibilities, Accountabilities and Contributions of the Board and Management

The Board is responsible to ensure the Company achieves its objectives, approve the business strategic plans and review management performance.

All Directors, including Independent Non-Executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning.

All Directors have full and timely access to all the information of the Company as well as the services and advice from the company secretary and senior management. The Directors may, upon request, seek independent professional advice in appropriate circumstances, at the Company's expenses for discharging their duties to the Company.

The Directors shall disclose to the Company details of other offices held by them and the Board regularly reviews the contribution required from each Director to perform his responsibilities to the Company.

The Board reserves for its decision all major matters relating to policy matters, strategies and budgets, internal control and risk management, material transactions (in particular those that may involve conflict of interests), financial information, appointment of Directors and other significant operational matters of the Company. Responsibilities relating to implementing decisions of the Board, directing and co-ordinating the daily operation and management of the Company are delegated to the management.

CORPORATE GOVERNANCE REPORT

BOARD OF DIRECTORS *(continued)*

Continuous Professional Development of Directors

Directors keep abreast of responsibilities as a Director of the Company and of the conduct, business activities and development of the Company.

Every newly appointed Director will receive formal, comprehensive and tailored induction on the first occasion of his appointment to ensure appropriate understanding of the business and operations of the Company and full awareness of Director's responsibilities and obligations under the Listing Rules and relevant statutory requirements.

Directors should participate in appropriate continuous professional development to develop and refresh their knowledge and skills to ensure that their contribution to the Board remains informed and relevant.

During the year ended 28 February 2015, relevant reading materials including regulatory update and seminar handouts have been provided to the Directors for their reference and studying.

A summary of training received by Directors according to the records provided by the Directors is as follows:

Director	Training on corporate governance, regulatory development and other relevant topics
Executive Directors	
Mr Walter K W Ma *(passed away on 14 September 2014)*	✗
Mr Philip K H Ma	✓
Mr John Y C Fu	✓
Independent Non-Executive Directors	
Mr King Wing Ma	✓
Mr Charles M W Chan	✓
Mr Eric K K Lo	✓
Mr Peter Tan	✓

BOARD COMMITTEES

The Board has established three committees, namely, the Audit Committee, Remuneration Committee and Nomination Committee to oversee particular aspects of the Company's affairs and to assist in the execution of the Board's responsibilities. All Board committees of the Company are established with defined written terms of reference. The terms of reference of the Board committees are posted on the Company's website and the Stock Exchange's website and are available to shareholders upon request.

CORPORATE GOVERNANCE REPORT

BOARD COMMITTEES *(continued)*

Audit Committee

The Audit Committee consists of four Independent Non-Executive Directors, namely Mr King Wing Ma, Mr Eric K K Lo, Mr Charles M W Chan and Mr Peter Tan. Mr Eric K K Lo is the Chairman of the Audit Committee.

The main duties of the Audit Committee are to assist the Board in reviewing the financial information and reporting process, internal control procedures and risk management system, audit plan and relationship with external auditors, and arrangements to enable employees of the Company to raise, in confidence, concerns about possible improprieties in financial reporting, internal control or other matters of the Company.

In 2014/15, the Audit Committee held two meetings to review interim and annual financial results and reports in respect of the year ended 28 February 2014 and significant issues on the financial reporting and compliance procedures, internal control and risk management systems, scope of work and appointment of external auditors, and arrangements for employees to raise concerns about possible improprieties, and the attendance record, on a named basis is set out below:

Audit Committee Members	Meetings attended/held
Mr King Wing Ma	2/2
Mr Eric K K Lo	2/2
Mr Charles M W Chan	2/2
Mr Peter Tan	1/2

The Group's audited financial statements for the year ended 28 February 2015 have been reviewed by the Audit Committee.

The Audit Committee also met the external auditors twice during the year.

Remuneration Committee

The Remuneration Committee consists of four Independent Non-Executive Directors, namely Mr King Wing Ma, Mr Charles M W Chan, Mr Eric K K Lo and Mr Peter Tan. Mr Charles M W Chan is the Chairman of the Remuneration Committee.

The primary functions of the Remuneration Committee include determining the remuneration packages of individual Executive Directors and senior management, making recommendation to the Board the remuneration policy and structure for all Directors and senior management; and establishing transparent procedures for developing such remuneration policy and structure to ensure that no Director or any of his associates will participate in deciding his own remuneration.

CORPORATE GOVERNANCE REPORT

BOARD COMMITTEES *(continued)*

Remuneration Committee *(continued)*

In 2014/15, the Remuneration Committee held two meetings to review and make recommendation to the Board on the remuneration policy and structure of the Company, and the remuneration packages of the Executive Directors and senior management and other related matters, and the attendance record, on a named basis is set out below:

Remuneration Committee Members	Meeting attended/held
Mr Charles M W Chan	2/2
Mr Eric K K Lo	2/2
Mr King Wing Ma	2/2
Mr Peter Tan	2/2

Pursuant to code provision B.1.5 of the CG Code, details of the annual remuneration of the member of the senior management by brand for the year ended 28 February 2015 is as follows:

	Number of employee(s)
HK$1,500,001 to HK$2,000,000	1
HK$2,500,001 to HK$3,000,000	1

Details of the remuneration of each director for the year ended 28 February 2015 are set out in note 30 to the financial statements.

Nomination Committee

The existing Nomination Committee comprises four Independent Non-Executive Directors, namely Mr King Wing Ma, Mr Charles M W Chan, Mr Eric K K Lo and Mr Peter Tan. Mr King Wing Ma is the Chairman of the Nomination Committee.

The principal duties of the Nomination Committee include reviewing the Board composition, developing and formulating relevant procedures for the nomination and appointment of directors, making recommendations to the Board on the appointment and succession planning of directors, and assessing the independence of Independent Non-executive Directors.

CORPORATE GOVERNANCE REPORT

BOARD COMMITTEES *(continued)*

Nomination Committee *(continued)*

In 2014/15, the Nomination Committee held one meeting to review the structure, size and composition of the Board and the independence of the Independent Non-Executive Directors, and to consider the qualifications of the retiring directors standing for election at the Annual General Meeting, and the attendance record, on a named basis is set out below:

Nomination Committee Members	Meeting attended/held
Mr King Wing Ma	1/1
Mr Eric K K Lo	1/1
Mr Charles M W Chan	1/1
Mr Peter Tan	0/1

Board Diversity Policy

The Company recognizes and embraces the benefits of having a diverse Board to enhance the quality of its performance. In this connection, the Company has adopted a board diversity policy which sets out the approach to achieve diversity on the Board (the "Board Diversity Policy").

In designing the Board Diversity Policy, the Company has been considered from a number of aspects, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. All Board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board.

Corporate Governance Functions

The Board is responsible for performing the functions set out in the code provision D.3.1 of the CG Code.

The Board reviewed the Company's corporate governance policies and practices, training and continuous professional development of Directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, the compliance of the Model Code and the Company's compliance with the CG Code and disclosure in this Corporate Governance Report.

DIRECTORS' RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibilities for the preparation of the financial statements of the Group and ensure that the financial statements are in accordance with statutory requirements and applicable accounting standards. The Directors also ensure the timely publication of the financial statements of the Group.

The Directors confirm that, to the best of their knowledge, information and belief, having made all reasonable enquiries, they are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

CORPORATE GOVERNANCE REPORT

DIRECTORS' RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS *(continued)*

The statement of the independent auditors of the Company about their reporting responsibilities on the financial statements is set out in the Independent Auditors' Report on pages 28 to 29.

AUDITORS' REMUNERATION

During the year, the fees payable to Ernst & Young, the Company's external auditors, for audit services totalled to HK$3,544,000 (2014: HK$3,856,000). Ernst & Young has also provided the Group with non-audit service, including the provision of tax services and agreed-upon procedures, at fees to HK$834,000 (2014: HK$1,186,000).

INTERNAL CONTROLS

The Board has the overall responsibility for maintaining effective internal controls within the Group for the operations of its business.

The internal control system is designed to provide reasonable assurance as to the effectiveness and efficiency of operations, the achieving of business objectives and safeguarding the Group's assets, and compliance with the relevant legislation and regulations. The Audit Committee and the Board review and monitor the effectiveness of the Group's internal control system and consider the adequacy of resources, qualifications and experience of staff of the Company's accounting and financial reporting function, and their training programmes and budget twice a year.

The Board is responsible to (a) ensure the Group has complied with the Model Code and the Listing Rules; (b) monitor the performance and operation of the Group through review and approval of business strategies, budgets and plans and setting of key business performance targets; (c) formulate the business policy, systems and strategies of the Group as a whole; (d) control over capital expenditure and investments; and (e) set standards and targets for safety and health performances.

The Board has set up a Council which consists of Mr Philip K H Ma and Mr John Y C Fu, and senior management of store operation, merchandising and finance departments to oversee the department stores operations. The Council is responsible to review the annual business plan and budget, and monitor the performance and operation through comparison of the annual business plan and budget with the actual financial results.

Upon the annual business plan and budget being reviewed and approved by Council, the department heads of various departments have to strictly adhere to the respective annual departmental plan and budget. The department heads of the various departments have to obtain prior approval for any unbudgeted expenses. The Council reviews the key operating statistics and the monthly financial result and holds regular meetings with various department heads to review the business performance against budgets, forecasts, significant business risk sensitivities and strategies and to address accounting and finance related matters.

SHAREHOLDERS' RIGHTS

To safeguard shareholder interests and rights, a separate resolution is proposed for each substantially separate issue at shareholder meetings, including the election of individual Directors. All resolutions put forward at shareholder meetings will be voted on by poll pursuant to the Listing Rules and poll results will be posted on the websites of the Company and of the Stock Exchange after each shareholder meeting.

CORPORATE GOVERNANCE REPORT

SHAREHOLDERS' RIGHTS *(continued)*

Convening a General Meeting by Shareholders

General meetings may be convened by the Board on requisition of shareholder(s) holding not less than one-twentieth of the paid-up capital of the Company or by such shareholder(s) who made the requisition (the "Requisitionist(s)") (as the case may be) pursuant to Companies Ordinance (Chapter 622 of the laws of Hong Kong) (the "Companies Ordinance"). The objects of the meeting must be stated in the requisition which must be signed by the Requisitionist(s) and deposited at the registered office of the Company. Shareholders should follow the requirements and procedures as set out in Companies Ordinance for convening a general meeting.

Putting Forward Proposals at General Meetings

Pursuant to the Companies Ordinance, shareholders representing not less than one-fortieth of the total voting rights of all shareholders; or not less than 50 shareholders holding shares in the Company may make requisition in writing for proposing resolution or business to be dealt with at the next general meeting. Shareholders should follow the requirements and procedures as set out in the Companies Ordinance for putting forward a proposal at a general meeting.

Putting Forward Enquiries to the Board

For putting forward any enquiries to the Board of the Company, shareholders may send written enquiries to the Company.

Note: The Company will not normally deal with verbal or anonymous enquiries.

Contact Details

Shareholders may send their enquiries or requests as mentioned above to the following address:

24th Floor, Leighton Centre, 77 Leighton Road, Hong Kong
(For the attention of the Company Secretary)

For the avoidance of doubt, shareholder(s) must deposit and send the original duly signed written requisition, notice or statement, or enquiry (as the case may be) to the above address and provide their full name, contact details and identification in order to give effect thereto. Shareholders' information may be disclosed as required by law.

INVESTOR RELATIONS

The Company considers that effective communication with shareholders is essential for enhancing investor relations and investor understanding of the Group's business performance and strategies. The Company endeavours to maintain an on-going dialogue with shareholders and in particular, through annual general meetings and other general meetings. The Chairman of the Board, all other members of the Board including Independent Non-Executive Directors, and the chairmen of all Board committees (or their delegates) will make themselves available at the annual general meetings to meet shareholders and answer their enquiries.

During the year under review, the Company has not made any changes to its Articles of Association. An up to date version of the Company's Articles of Association is also available on the Company's website and the Stock Exchange's website.

REPORT OF THE DIRECTORS

The Directors present their annual report and the audited financial statements of the Company and of the Group for the financial year ended 28 February 2015.

PRINCIPAL ACTIVITIES

The principal activities of the Company and its subsidiaries have not changed during the financial year and mainly consisted of the operation of department stores, securities trading, the provision of advertising agency services and the provision of general and life insurances.

RESULTS

The Group's profit for the financial year ended 28 February 2015 and the state of affairs of the Company and of the Group as at that date are set out in the audited financial statements on pages 30 to 126.

A summary of the published results and of the assets, liabilities and non-controlling interests of the Group for the last five financial years is set out on pages 127 to 128 of the annual report.

SHARE CAPITAL AND SHARE OPTIONS

Details of movements in the Company's share capital and share options during the year are set out in notes 27 and 28 to the financial statements, respectively.

CONTINGENT LIABILITIES

Details of the contingent liabilities of the Company are set out in note 35 to the financial statements.

PLEDGE OF ASSETS

Details of the pledge of assets of the Group are set out in note 32 to the financial statements.

SEGMENT INFORMATION

Details of the segment information of the Group are set out in note 4 to the financial statements.

DIVIDENDS

The Board of Directors does not recommend the payment of any dividend in respect of the financial year ended 28 February 2015.

PROPERTY, PLANT AND EQUIPMENT

Changes to the property, plant and equipment of the Company and of the Group are disclosed in note 12 to the financial statements.

RESERVES

Movements in the reserves of the Company and of the Group during the financial year are set out in note 29 to the financial statements, and in the consolidated statement of changes in equity, respectively.

REPORT OF THE DIRECTORS

MAJOR CUSTOMERS AND SUPPLIERS

For the financial year ended 28 February 2015, the Group's sales to the five largest customers and purchases from the five largest suppliers accounted for less than 30% of the Group's turnover and purchases, respectively.

DIRECTORS

The directors who served during the financial year were as follows:

Executive Directors:

Walter K W MA *(Former Executive Chairman, passed away on 14 September 2014)*
Philip K H MA *(Chairman & CEO, former Deputy Chairman & CEO, appointed as Chairman & CEO on 16 September 2014)*
John Y C FU *(Executive Director & CFO)*

Independent Non-Executive Directors:

King Wing MA
Eric K K LO
Charles M W CHAN
Peter TAN

In accordance with article 99 of the Company's articles of association, Mr Philip K H Ma and Mr Charles M W Chan will retire and being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

The Company has received, from each of the Independent Non-Executive Directors, an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all of the Independent Non-Executive Directors are independent.

No director has a service contract with the Company which is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

Details of the biographies of the Directors and senior executives are set out on pages 26 to 27 of this annual report.

PRINCIPAL SHAREHOLDERS

At 28 February 2015, according to the register of interests required to be kept by the Company pursuant to Section 336 of Securities and Futures Ordinance (the "SFO") and so far as is known to the Directors, The Sincere Life Assurance Company Limited and The Sincere Insurance & Investment Company, Limited were interested in 183,136,032 and 75,608,064 shares of the Company, representing 31.89% and 13.17% of the total number of shares of the Company in issue, respectively. Save for the above, there were no shareholders who had registered an interest, directly or indirectly, of 5% or more of the total number of shares of the Company in issue.

REPORT OF THE DIRECTORS

DIRECTORS' INTERESTS IN SHARES

At 28 February 2015, the interests of the Directors in the share capital of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, were as follows:

(a) Long position in shares of the Company

Name	Capacity and nature of interest	Shares/equity derivatives	Number of Shares/equity derivatives held	Percentage of The Company's issued share capital
Philip K H MA	Personal Interest	Ordinary shares	2,000,000	0.3
	Personal Interest	Share options	5,700,000	1.0
John Y C FU	Personal Interest	Ordinary shares	40,000	–
	Personal Interest	Share options	2,280,000	0.4
King Wing MA	Personal Interest	Ordinary shares	1,240,928	0.2
	Personal Interest	Share options	570,000	0.1
Eric K K LO	Personal Interest	Ordinary shares	2,200,400	0.4
	Personal Interest	Share options	570,000	0.1
Charles M W CHAN	Personal Interest	Ordinary shares	40,000	–
	Personal Interest	Share options	570,000	0.1
Peter TAN	Personal Interest	Ordinary shares	40,000	–
	Personal Interest	Share options	570,000	0.1

(b) Associated corporations

At 28 February 2015, Mr Philip K H Ma, Mr King Wing Ma and Mr Eric K K Lo held 713, 1,225 and 216 ordinary shares, respectively, in The Sincere Life Assurance Company Limited. In addition, at 28 February 2015, Mr Philip K H Ma held 500 promoter shares and Mr King Wing Ma held 834 promoter shares in The Sincere Life Assurance Company Limited.

At 28 February 2015, Mr Philip K H Ma, Mr King Wing Ma and Mr Eric K K Lo held 2,485, 26 and 1,019 ordinary shares, respectively, in The Sincere Insurance & Investment Company, Limited.

At 28 February 2015, Mr Philip K H Ma and Mr King Wing Ma held 10 and 10 ordinary shares, respectively, in The Sincere Company (Perfumery Manufacturers), Limited.

In addition to the above, certain Directors have non-beneficial personal equity interests in certain subsidiaries held for the benefit of the Company solely for the purpose of complying with minimum company membership requirements.

REPORT OF THE DIRECTORS

DIRECTORS' INTERESTS IN SHARES *(continued)*

(b) Associated corporations *(continued)*

Save as disclosed herein, as at 28 February 2015, none of the Directors or any of their associates had any interests or short position in any of the shares, underlying shares or debentures of the Company or any of its associated corporations that is required to be recorded and kept in the register in accordance with Section 352 of the SFO.

At no time during the financial year was the Company or any of its subsidiaries a party to any arrangements to enable the Directors of the Company or their spouses or children under the age of 18 to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

DIRECTORS' INTERESTS IN CONTRACTS

No contract concerning the management and administration of the whole or any substantial part of the business of the Company was entered into or existed during the financial year.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SHARES

There was no purchase, sale or redemption by the Company or any of its subsidiaries of the Company's listed shares during the financial year.

DIRECTORS' INTERESTS IN A COMPETING BUSINESS

During the year, no Director is considered to have an interest in a business which competes or is likely to compete, either directly or indirectly, with the businesses of the Group pursuant to the Listing Rules, other than those businesses to which the Directors were appointed as Directors to represent the interest of the Company and/or the Group.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors, the Company's shares which are in the hands of the public exceeded 25% of the Company's total issued share capital as at the date of this report.

DONATIONS

The Group has made donations of approximately HK$214,000 during the year.

REPORT OF THE DIRECTORS

AUDIT COMMITTEE

The Audit Committee of the Company comprises four members all of whom are Independent Non-Executive Directors, namely, Mr Eric K K Lo, Mr Charles M W Chan, Mr King Wing Ma and Mr Peter Tan. Regular meetings have been held by the Audit Committee since its establishment and the Audit Committee met two times in the year under review. The primary duties of the Audit Committee are to review the Group's internal control and financial reporting process including interim and annual financial statements before recommending them to the Board of Directors for approval. The Group's audited results for the year ended 28 February 2015 have been reviewed by the Audit Committee.

AUDITORS

Ernst & Young retire and a resolution for their reappointment as auditors of the Company will be proposed at the forthcoming annual general meeting.

ON BEHALF OF THE BOARD

Philip K H MA
Chairman & CEO

Hong Kong, 28 May 2015

BIOGRAPHIES OF DIRECTORS AND SENIOR EXECUTIVES

DIRECTORS

Philip K H MA, aged 59, is the Chairman & CEO. He joined the Board of Directors in 1990, became an Executive Director in 1992, has been President since 1993, was re-titled as Group Managing Director in 1996, re-designated as Deputy Chairman & CEO in 2012 and appointed as Chairman & CEO in 2014. Mr Ma holds an MBA degree. He is currently in charge of all aspects of the Group's operations. Mr Ma is the cousin of Mr King Wing Ma who is also the Director of the Company. Mr Ma also holds directorship of The Sincere Life Assurance Company Limited ("Sincere Life") and The Sincere Insurance & Investment Company, Limited ("Sincere Insurance & Investment"), The Sincere Company (Perfumery Manufacturers), Limited and various subsidiaries of the Group. Sincere Life and Sincere Insurance & Investment are the principal shareholders of the Company. Save as disclosed above, Mr Ma does not have any relationship with any other Directors and senior management of the Company.

John Y C FU, aged 54, joined the Company in January 2003, as the Group Director of Finance and Administration and became an Executive Director & CFO in 2012. In addition to overseeing all the supporting and controlling functions for the Group, he is an executive member of the department store operations. Before joining the Company, he was the key executive of two listed international retail chains for nearly 20 years and has became a board member of one of them. Mr Fu has an MBA degree in General Management and MSc degree in Finance from two UK Universities. Mr Fu also holds directorship in various subsidiaries of the Group. Save as disclosed above, Mr Fu does not have any relationship with any Directors and senior management of the Company.

King Wing MA, aged 83, has been an Independent Non-Executive Director of the Company since 1980. Mr King Wing Ma is a general medical practitioner with over 40 years' experience in England, the United States of America and Hong Kong. Mr King Wing Ma is the cousin of Mr Philip K H Ma who is also the Director of the Company. Save as disclosed above, Mr King Wing Ma does not have any relationship with any other Directors and senior management of the Company.

Eric K K LO, aged 66, has been an Independent Non-Executive Director of the Company since December 1993. Mr Lo is also an Independent Non-Executive Director of Joyce Boutique Holdings Limited (stock code: 647) which is listed on the main board of the Stock Exchange. Mr Lo also holds directorship in certain subsidiaries of the Group. Save as disclosed above, Mr Lo does not have any relationship with any Directors and senior management of the Company.

Charles M W CHAN, aged 59, has been an Independent Non-Executive Director of the Company since November 1995. Mr Chan is also an Executive Director of International Hoteliers Limited. He is a member of the American Institute of Certified Public Accountants. Mr Chan does not have any relationship with any Directors and senior management of the Company.

BIOGRAPHIES OF DIRECTORS AND SENIOR EXECUTIVES

DIRECTORS *(continued)*

Peter TAN, aged 59, has been an Independent Non-Executive Director of the Company in July 2012. Mr Tan is the Chief Executive Officer of Knowledge Universe Private Limited. Knowledge Universe Private Limited is a global education leader and is based out of Singapore (established in 2007). Born in Singapore in 1955, Mr Tan completed his pre-tertiary education in Singapore before leaving for the United States to pursue both his graduate and post-graduate degrees in the United States. After graduating from Northwestern University's Kellogg School of Management MBA class in 1983, he began his career in the banking sector. After 11 years in banking, he formed a joint-venture with McDonald's Corporation to enter into the central region of China. In 1997, he was invited by the Chief Executive to assume the leadership role for the Greater China region. He subsequently left McDonald's to assume the CEO role for Burger King Asia Pacific, and also sits on the main board. Mr Tan left Burger King in 2012 to set up his own consulting firm working closely with private equity companies on pre, post-, due diligence work as well as consulting on existing portfolio companies. In early 2013, he was approached by Knowledge Universe to assume the Chief Executive Officer role. In 2003, Mr Tan was invited to the Inaugural Reunion keynote Speaker. He was also awarded the Schaffner Award for most distinguished alumni in 2004. He is a member of YPO-WOP and CEO organizations. Mr Tan is also an Independent Non-Executive Director of Tristate Holdings Limited (stock code: 458) which is listed on the main board of the Stock Exchange. Save as disclosed above, Mr Tan does not have any relationship with any Directors and senior management of the Company.

SENIOR EXECUTIVES

John K K MA, aged 86, has served the Group for over 50 years and currently act as a Director of Corporate Development and Treasurer. He is a Fellow of the Hong Kong Institute of Certified Public Accountants. In addition to overseeing all the supporting and controlling function of the insurances business group, he is the Chief Manager of both Sincere Life and Sincere Insurance and has over 30 years' experience in retailing and insurance business.

Eileen H Y MA, aged 61, joined the Company in August 2002 as Merchandising Director and currently in charge of Merchandising for the Hong Kong department stores. Mrs Ma has over 30 years' experience in retailing and holds a Bachelor degree in Marketing.

Wilson B CHU, aged 59, joined the Company in December 2014 as General Manager and currently in charge of Merchandising and Operations for the Hong Kong department stores. Mr Chu has over 25 years of senior management experience in retailing of fashion, cosmetics, telecommunications and ecommerce in the Greater China regions. Mr Chu holds a Bachelor degree in Economics from the University of Western Ontario, Canada and an MBA from York University, Canada. He is a member of the Canadian Institute of Chartered Accountants.

INDEPENDENT AUDITORS' REPORT

To the shareholders of
The Sincere Company, Limited
(Incorporated in Hong Kong with limited liability)

We have audited the consolidated financial statements of The Sincere Company, Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 30 to 126, which comprise the consolidated and company statements of financial position as at 28 February 2015, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. Our report is made solely to you, as a body, in accordance with section 80 of Schedule 11 to the Hong Kong Companies Ordinance (Cap. 622), and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

INDEPENDENT AUDITORS' REPORT

AUDITORS' RESPONSIBILITY *(continued)*

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 28 February 2015, and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

Ernst & Young
Certified Public Accountants

22/F CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong

28 May 2015

CONSOLIDATED INCOME STATEMENT

Year ended 28 February 2015

	Notes	2015 HK$'000	2014 HK$'000
REVENUE	5	**370,333**	444,113
Cost of sales		**(146,218)**	(165,426)
Other income and gains, net	5	**34,634**	45,986
Net unrealised gain/(loss) on securities trading		**7,538**	(12,700)
Selling and distribution expenses		**(257,596)**	(258,400)
General and administrative expenses		**(126,029)**	(134,309)
Other operating expenses		**(759)**	(928)
Finance costs	6	**(8,109)**	(4,077)
LOSS BEFORE TAX	7	**(126,206)**	(85,741)
Income tax expense	8	**(37)**	(325)
LOSS FOR THE YEAR		**(126,243)**	(86,066)
ATTRIBUTABLE TO:			
Equity holders of the Company	9	**(122,567)**	(85,068)
Non-controlling interests		**(3,676)**	(998)
		(126,243)	(86,066)
LOSS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY	11		
Basic		**HK$(0.39)**	HK$(0.27)
Diluted		**HK$(0.39)**	HK$(0.27)

Details of the dividends are disclosed in note 10 to the financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 28 February 2015

	2015	2014
	HK$'000	*HK$'000*
LOSS FOR THE YEAR	**(126,243)**	(86,066)
OTHER COMPREHENSIVE INCOME/(LOSS)		
Other comprehensive income/(loss) to be reclassified to the income statement in subsequent periods:		
Exchange differences arising on translation of foreign operations	**(6,967)**	3,840
Realisation of exchange fluctuation reserve upon deregistration/disposal of a subsidiary	**(1,067)**	325
Net other comprehensive income/(loss) to be reclassified to the income statement in subsequent periods	**(8,034)**	4,165
Other comprehensive income not to be reclassified to the income statement in subsequent periods:		
Actuarial gains on a defined benefit plan	**9,642**	7,613
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	**(124,635)**	(74,288)
ATTRIBUTABLE TO:		
Equity holders of the Company	**(122,340)**	(72,442)
Non-controlling interests	**(2,295)**	(1,846)
	(124,635)	(74,288)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

28 February 2015

	Notes	2015 HK$'000	2014 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	12	**97,205**	116,471
Interests in associates	14	**–**	–
Interest in a joint venture	15	**–**	–
Financial instruments	16	**26,326**	26,326
Deposits and other receivables		**35,891**	35,932
Total non-current assets		**159,422**	178,729
CURRENT ASSETS			
Inventories		**53,250**	62,890
Loan to a joint venture	15	**–**	23,119
Due from a joint venture	15	**–**	1,053
Debtors	17	**49**	312
Reinsurance assets	21	**16**	16
Prepayments, deposits and other receivables		**34,131**	25,169
Financial assets at fair value through profit or loss	18	**255,118**	312,044
Derivative financial instruments	19	**461**	–
Pledged bank balances	22(a)	**58,523**	30,571
Pledged deposits with banks	22(a)	**383,000**	180,002
Cash and bank balances	20	**82,029**	233,857
Total current assets		**866,577**	869,033
CURRENT LIABILITIES			
Creditors	23	**68,922**	73,023
Insurance contracts liabilities	24	**1,224**	1,224
Deposits, accrued expenses and other payables		**50,156**	60,204
Derivative financial instruments	19	**–**	439
Interest-bearing bank borrowings	22(a)	**368,229**	237,874
Other loans	22(b)	**1,954**	1,916
Tax payable		**2**	35
Total current liabilities		**490,487**	374,715
NET CURRENT ASSETS		**376,090**	494,318
TOTAL ASSETS LESS CURRENT LIABILITIES		**535,512**	673,047

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

28 February 2015

	Notes	2015 HK$'000	2014 HK$'000
NON-CURRENT LIABILITIES			
Accrued expenses and other payables		**43,280**	37,828
Interest-bearing bank borrowings	22(a)	**11,009**	21,036
Other loans	22(b)	**1,005**	986
Pension scheme liabilities	26	**825**	8,820
Total non-current liabilities		**56,119**	68,670
NET ASSETS		**479,393**	604,377
EQUITY			
Equity attributable to equity holders of the Company			
Share capital	27	**287,180**	287,154
Share premium account	27	**–**	26
Reserves	29(a)	**132,427**	254,767
		419,607	541,947
Non-controlling interests		**59,786**	62,430
TOTAL EQUITY		**479,393**	604,377

Philip K H Ma
Director

John Y C Fu
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 28 February 2015

	Attributable to equity holders of the Company								
			Reserves						
	Share capital	Share premium account	Treasury shares	General and other reserves#	Share option reserve	Retained profits	Total reserves	Non-controlling interests	Total
	HK$'000	*HK$'000*	*HK$'000 (note 27)*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
As at 1 March 2013	287,154	26	(130,221)	233,781	5,754	224,271	333,585	62,198	682,963
Loss for the year	–	–	–	–	–	(85,068)	(85,068)	(998)	(86,066)
Other comprehensive income/(loss) for the year:									
Exchange differences arising on translation of foreign operations	–	–	–	4,842	–	–	4,842	(1,002)	3,840
Realisation of exchange fluctuation reserve upon disposal of a subsidiary	–	–	–	325	–	–	325	–	325
Actuarial gains on a defined benefit plan	–	–	–	–	–	7,459	7,459	154	7,613
Total comprehensive income/(loss) for the year	–	–	–	5,167	–	(77,609)	(72,442)	(1,846)	(74,288)
Final 2013 dividend paid *(note 10)*	–	–	–	–	–	(8,615)	(8,615)	–	(8,615)
Dividend attributable to subsidiaries*	–	–	–	–	–	2,239	2,239	1,668	3,907
Movement in balances with non-controlling interests	–	–	–	–	–	–	–	410	410
At 28 February 2014	287,154	26	(130,221)	238,948	5,754	140,286	254,767	62,430	604,377
As at 1 March 2014	**287,154**	**26**	**(130,221)**	**238,948**	**5,754**	**140,286**	**254,767**	**62,430**	**604,377**
Loss for the year	**–**	**–**	**–**	**–**	**–**	**(122,567)**	**(122,567)**	**(3,676)**	**(126,243)**
Other comprehensive income/(loss) for the year:									
Exchange differences arising on translation of foreign operations	**–**	**–**	**–**	**(7,857)**	**–**	**–**	**(7,857)**	**890**	**(6,967)**
Realisation of exchange fluctuation reserve upon deregistration of a subsidiary	**–**	**–**	**–**	**(1,067)**	**–**	**–**	**(1,067)**	**–**	**(1,067)**
Actuarial gains on a defined benefit plan	**–**	**–**	**–**	**–**	**–**	**9,151**	**9,151**	**491**	**9,642**
Total comprehensive loss for the year	**–**	**–**	**–**	**(8,924)**	**–**	**(113,416)**	**(122,340)**	**(2,295)**	**(124,635)**
Transfer of share option reserve upon the lapse of share options	**–**	**–**	**–**	**–**	**(146)**	**146**	**–**	**–**	**–**
Transition to no-par value regime *(note 27)*	**26**	**(26)**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Movement in balances with non-controlling interests	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(349)**	**(349)**
At 28 February 2015	**287,180**	**–**	**(130,221)**	**230,024**	**5,608**	**27,016**	**132,427**	**59,786**	**479,393**

\# Included in the general and other reserves at 28 February 2015 was a debit amount of HK$8,787,000 (2014: credit amount of HK$137,000) attributable to the exchange fluctuation reserve.

* The dividend attributable to subsidiaries represented that portion of the Company's dividend received by subsidiaries in relation to treasury shares of 260,443,200 held by these subsidiaries.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 28 February 2015

	Notes	2015 HK$'000	2014 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax		**(126,206)**	(85,741)
Adjustments for:			
Interest expense	6	**8,109**	4,077
Interest income	7	**(17,393)**	(11,592)
Depreciation	7	**23,526**	18,019
Impairment on interest in an associate	7	**55**	326
Provision for inventories	7	**12,760**	99
Write-back of impairment on debtors	7	**–**	(644)
Net income derived from available-for-sales investments	7	**(697)**	(5,146)
Loss on disposal/write-off of items of property, plant and equipment	7	**704**	539
Gain on deregistration of a subsidiary	7, 13	**(1,067)**	–
Loss on disposal of a subsidiary	7, 31	**–**	423
Write-back of other payables	7	**(974)**	(5,004)
Exchange realignment		**(6,953)**	3,828
		(108,136)	(80,816)
Decrease/(increase) in deposits and other receivables		**41**	(9,543)
Decrease/(increase) in inventories		**(3,120)**	12,411
Decrease in debtors		**263**	519
Decrease/(increase) in prepayments, deposits and other receivables		**(8,962)**	5,869
Decrease/(increase) in financial assets at fair value through profit or loss		**56,926**	(34,803)
Net increase/(decrease) in derivative financial instruments		**(900)**	425
Decrease in creditors		**(4,101)**	(31,699)
Decrease in insurance contracts liabilities		**–**	(4)
Increase/(decrease) in deposits, accrued expenses and other payables		**(3,622)**	28,506
Increase in pension scheme liabilities		**1,647**	2,886
Cash used in operations		**(69,964)**	(106,249)
Interest paid		**(8,109)**	(4,077)
Interest received		**17,393**	11,592
Hong Kong profits tax paid		**–**	(9)
Overseas taxes paid		**(70)**	(363)
Net cash flows used in operating activities		**(60,750)**	(99,106)

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 28 February 2015

	Notes	2015 HK$'000	2014 HK$'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to items of property, plant and equipment		**(5,110)**	(53,333)
Proceeds from disposal of items of property, plant and equipment		**132**	19
Acquisition of financial instruments		**(80,000)**	(994,923)
Proceeds from disposal of financial instruments		**80,697**	1,124,869
Increase in pledged bank balances		**(27,952)**	(8,378)
Increase in pledged deposits with banks		**(202,998)**	(127,724)
Advance to an associate		**(55)**	(326)
Repayment from/(advance to) a joint venture		**23,119**	(23,119)
Decrease/(increase) in an amount due from a joint venture		**1,053**	(1,053)
Net cash flows used in investing activities		**(211,114)**	(83,968)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayments of bank loans		**(372,271)**	(588,133)
New bank loans		**498,504**	779,315
Increase in other loans		**57**	1,936
Non-controlling interests		**(349)**	410
Dividend paid		**–**	(4,708)
Net cash flows from financing activities		**125,941**	188,820
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**(145,923)**	5,746
Cash and cash equivalents at beginning of year		**226,499**	220,753
CASH AND CASH EQUIVALENTS AT END OF YEAR		**80,576**	226,499
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash on hand and at banks	20	**45,039**	41,508
Time deposits with original maturity of less than three months	20	**36,990**	192,349
Cash and cash equivalents as stated in the consolidated statement of financial position		**82,029**	233,857
Bank overdrafts	22(a)	**(1,453)**	(7,358)
Cash and cash equivalents as stated in the consolidated statement of cash flows		**80,576**	226,499

STATEMENT OF FINANCIAL POSITION

28 February 2015

	Notes	2015 HK$'000	2014 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	12	**63,354**	81,712
Interests in subsidiaries	13	**417,609**	448,144
Financial instruments	16	**10,051**	10,051
Deposits		**34,943**	34,904
Total non-current assets		**525,957**	574,811
CURRENT ASSETS			
Inventories		**53,250**	62,890
Prepayments, deposits and other receivables		**18,219**	12,790
Pledged deposits with banks	22(a)	**63,019**	63,200
Cash and bank balances	20	**25,646**	27,669
Total current assets		**160,134**	166,549
CURRENT LIABILITIES			
Creditors	23	**68,897**	73,012
Deposits, accrued expenses and other payables		**31,241**	39,434
Interest-bearing bank borrowings	22(a)	**297,742**	202,108
Total current liabilities		**397,880**	314,554
NET CURRENT LIABILITIES		**(237,746)**	(148,005)
TOTAL ASSETS LESS CURRENT LIABILITIES		**288,211**	426,806
NON-CURRENT LIABILITIES			
Accrued expenses and other payables		**43,280**	37,828
Interest-bearing bank borrowings	22(a)	**11,009**	21,036
Pension scheme liabilities	26	**2,516**	9,608
Total non-current liabilities		**56,805**	68,472
NET ASSETS		**231,406**	358,334

STATEMENT OF FINANCIAL POSITION

28 February 2015

	Notes	2015 HK$'000	2014 HK$'000
EQUITY			
Share capital	27	**287,180**	287,154
Share premium account	27	**–**	26
Reserves	29(b)	**(55,774)**	71,154
TOTAL EQUITY		**231,406**	358,334

Philip K H Ma
Director

John C Y Fu
Director

NOTES TO FINANCIAL STATEMENTS

28 February 2015

1. CORPORATE INFORMATION

The Sincere Company, Limited is a limited liability company incorporated in Hong Kong. The registered office of the Company is located at 24th Floor, Leighton Centre, 77 Leighton Road, Hong Kong. The principal activities of the Company and its subsidiaries have not changed during the financial year and mainly consisted of the operation of department stores, securities trading, the provision of advertising agency services and the provision of general and life insurances.

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants and accounting principles generally accepted in Hong Kong. These financial statements also comply with the applicable requirements of the Hong Kong Companies Ordinance relating to the preparation of financial statements, which for this financial year and the comparative period continue to be those of the predecessor Hong Kong Companies Ordinance (Cap. 32), in accordance with transitional and saving arrangements for Part 9 of the Hong Kong Companies Ordinance (Cap. 622), "Accounts and Audit", which are set out in sections 76 to 87 of Schedule 11 to that Ordinance. The financial statements have been prepared under the historical cost convention, except for derivative financial instruments and financial assets 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 (collectively referred to as the "Group") for the year ended 28 February 2015. The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described in the accounting policy for subsidiaries below. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

NOTES TO FINANCIAL STATEMENTS

28 February 2015

2.1 BASIS OF PREPARATION *(continued)*

Basis of consolidation *(continued)*

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in the income statement. The Group's share of components previously recognised in other comprehensive income is reclassified to the income statement or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following revised standards and new interpretation for the first time for the current year's financial statements.

Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011)	*Investment Entities*
Amendments to HKAS 32	*Offsetting Financial Assets and Financial Liabilities*
Amendments to HKAS 39	*Novation of Derivatives and Continuation of Hedge Accounting*
HK(IFRIC) – Int 21	*Levies*
Amendment to HKFRS 2 included in *Annual Improvements 2010-2012 Cycle*	*Definition of Vesting Condition*[1]
Amendment to HKFRS 3 included in *Annual Improvements 2010-2012 Cycle*	*Accounting for Contingent Consideration in a Business Combination*[1]
Amendment to HKFRS 13 included in *Annual Improvements 2010-2012 Cycle*	*Short-term Receivables and Payables*
Amendment to HKFRS 1 included in *Annual Improvements 2011-2013 Cycle*	*Meaning of Effective HKFRSs*

[1] Effective from 1 July 2014

Other than explained below regarding the impact of amendments to HKFRS 2 and HKFRS 13, the adoption of the above revised standards and new interpretation has had no significant financial effect on these financial statements.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES *(continued)*

(a) The HKFRS 2 Amendment clarifies various issues relating to the definitions of performance and service conditions which are vesting conditions, including (i) a performance condition must contain a service condition; (ii) a performance target must be met while the counterparty is rendering service; (iii) a performance target may relate to the operations or activities of an entity, or to those of another entity in the same group; (iv) a performance condition may be a market or non-market condition; and (v) if the counterparty, regardless of the reason, ceases to provide service during the vesting period, the service condition is not satisfied. The amendment has had no impact on the Group.

(b) The HKFRS 13 Amendment clarifies that short-term receivables and payables with no stated interest rates can be measured at invoice amounts when the effect of discounting is immaterial. The amendment has had no impact on the Group.

NOTES TO FINANCIAL STATEMENTS

28 February 2015

2.3 NEW AND REVISED HKFRSs AND NEW DISCLOSURE REQUIREMENTS UNDER THE HONG KONG COMPANIES ORDINANCE NOT YET ADOPTED

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

HKFRS 9	*Financial Instruments*[4]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[2]
Amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011)	*Investment Entities: Applying the Consolidation Exception*[2]
Amendments to HKFRS 11	*Accounting for Acquisitions of Interests in Joint Operations*[2]
HKFRS 14	*Regulatory Deferral Accounts*[5]
HKFRS 15	*Revenue from Contracts with Customers*[3]
Amendments to HKAS 1	*Disclosure Initiative*[2]
Amendments to HKAS 16 and HKAS 38	*Clarification of Acceptable Methods of Depreciation and Amortisation*[2]
Amendments to HKAS 16 and HKAS 41	*Agriculture: Bearer Plants*[2]
Amendments to HKAS 19	*Defined Benefit Plans: Employee Contributions*[1]
Amendments to HKAS 27 (2011)	*Equity Method in Separate Financial Statements*[2]
Annual Improvements 2010-2012 Cycle	Amendments to a number of HKFRSs[1]
Annual Improvements 2011-2013 Cycle	Amendments to a number of HKFRSs[1]
Annual Improvements 2012-2014 Cycle	Amendments to a number of HKFRSs[2]

1 Effective for annual periods beginning on or after 1 July 2014
2 Effective for annual periods beginning on or after 1 January 2016
3 Effective for annual periods beginning on or after 1 January 2017
4 Effective for annual periods beginning on or after 1 January 2018
5 Effective for an entity that first adopts HKFRSs for its annual financial statements beginning on or after 1 January 2016 and therefore is not applicable to the Group

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. The Group is not yet in a position to state whether they would have a significant impact on the Group's results of operations and financial position.

In addition, the requirements of Part 9 "Accounts and Audit" of the Hong Kong Companies Ordinance (Cap. 622) will come into operation as from the Company's first financial year commencing after 3 March 2014 in accordance with section 358 of that Ordinance, which will be the year ending 29 February 2016. The Group is in the process of making an assessment of the expected impact of the changes in the period of initial application of Part 9 of the Ordinance. So far it has concluded that the impact is unlikely to be significant and will primarily affect the presentation and disclosure of information in the consolidated financial statements.

NOTES TO FINANCIAL STATEMENTS

28 February 2015

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries

A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

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.

Investments in associates and a joint venture

An associate is an 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. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The Group's interests in associates and a joint venture are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses.

The Group's share of the post-acquisition results and other comprehensive income of associates and a joint venture is included in the consolidated income statement and consolidated other comprehensive income, respectively. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associates or joint venture are eliminated to the extent of the Group's interests in the associates or joint venture, except where unrealised losses provide evidence of an impairment of the assets transferred. Goodwill arising from the acquisition of associates or a joint venture is included as part of the Group's interests in associates or a joint venture.

NOTES TO FINANCIAL STATEMENTS

28 February 2015

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investments in associates and a joint venture *(continued)*

If an investment in an associate becomes an investment in a joint venture or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method. In all other cases, upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in consolidated income statement.

Fair value measurement

The Group measures its derivative financial instruments and equity investments at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Fair value measurement *(continued)*

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities
Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly
Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, pension scheme assets and financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, 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.

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 the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an 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, but 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 an impairment loss is credited to the income statement in the period in which it arises, unless the asset is carried at a revalued amount, in which case the reversal of an impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

NOTES TO FINANCIAL STATEMENTS

28 February 2015

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Treasury shares

Own equity instruments (treasury shares) are recognised at cost and deducted from equity. No gain or loss is recognised in the income statement on the purchase, sale, issue or cancellation of the Group's own equity instruments. Any difference between the carrying amount and the consideration is recognised in equity.

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 to be incurred to completion and disposal.

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables, available-for-sale financial investments, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. When financial assets are recognised initially, they are measured at fair value plus transaction costs that are attributable to the acquisition of the financial assets, except in the case of financial assets recorded at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell 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.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition as 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. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments as defined by HKAS 39.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the income statement. These net fair value changes do not include any dividends or interest earned on these financial assets, which are recognised in accordance with the policies set out for "Revenue recognition" below.

Financial assets designated upon initial recognition as at fair value through profit or loss are designated at the date of initial recognition and only if the criteria in HKAS 39 are satisfied.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investments and other financial assets *(continued)*

Financial assets at fair value through profit or loss *(continued)*

An embedded derivative that is required to be separated from the host contract cannot be reliably measured because it will be settled by an unquoted equity instrument whose fair value cannot be reliably measured, the entire combined contract should be treated as a financial asset at fair value through profit or loss. If the fair value of the combined instrument can be reliably measured, the combined contract is measured at fair value. Where the equity component of the combined instrument may be sufficiently significant to preclude it from obtaining a reliable estimate of the entire instrument. In that case, the combined instrument is measured at cost less impairment and classified as a financial asset at fair value through profit or loss.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in other income and gains, net in the income statement. The loss arising from impairment is recognised in the income statement.

Available-for-sale financial investments

Available-for-sale financial investments are non-derivative financial assets in listed and unlisted equity investments and debt securities. Equity investments classified as available for sale are those which are neither classified as held for trading nor designated as at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in market conditions.

After initial recognition, available-for-sale financial investments are subsequently measured at fair value, with unrealised gains or losses recognised as other comprehensive income in the available-for-sale investment revaluation reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in the income statement, or until the investment is determined to be impaired, when the cumulative gain or loss is reclassified from the available-for-sale investment revaluation reserve to the income statement. Interest and dividends earned whilst holding the available-for-sale financial investments are reported as interest income and dividend income, respectively and are recognised in the income statement as other income in accordance with the policies set out for "Revenue recognition" below.

When the fair value of unlisted equity investments 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.

NOTES TO FINANCIAL STATEMENTS

28 February 2015

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investments and other financial assets *(continued)*

Available-for-sale financial investments *(continued)*

The Group evaluates whether the ability and intention to sell its available-for-sale financial assets in the near term are still appropriate. When, in rare circumstances, the Group is unable to trade these financial assets due to inactive markets, the Group may elect to reclassify theses financial assets if management has the ability and intention to hold the assets for the foreseeable future or until maturity.

For a financial asset reclassified from the available-for-sale category, the fair value carrying amount at the date of reclassification becomes its new amortised cost and any previous gain or loss on that asset that has been recognised in equity is amortised to the income statement over the remaining life of the investment using the effective interest rate. Any difference between the new amortised cost and the maturity amount is also amortised over the remaining life of the asset using the effective interest rate. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the income statement.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

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

- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership of the assets. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

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.

NOTES TO FINANCIAL STATEMENTS

28 February 2015

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Impairment of financial assets

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exist if one or more events that occurred after the initial recognition of the asset have an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them 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.

The amount of any impairment loss identified 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). The present value of the estimated future cash flows is 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 through the use of an allowance account and the loss is recognised in the income statement. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to the income statement.

NOTES TO FINANCIAL STATEMENTS

28 February 2015

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Impairment of financial assets *(continued)*

Assets carried at cost

If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument, 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.

Available-for-sale financial investments

For available-for-sale financial investments, the Group assesses at the end of each reporting period whether there is objective evidence that an investment or a group of investments is impaired.

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the income statement, is removed from other comprehensive income and recognised in the income statement.

In the case of equity investments classified as available for sale, objective evidence would include a significant or prolonged decline in the fair value of an investment below its cost. "Significant" is evaluated against the original cost of the investment and "prolonged" against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the income statement – is removed from other comprehensive income and recognised in the income statement. Impairment losses on equity instruments classified as available for sale are not reversed through the income statement. Increases in their fair value after impairment are recognised directly in other comprehensive income.

The determination of what is "significant" or "prolonged" requires judgement. In making this judgement, the Group evaluates, among other factors, the duration or extent to which the fair value of an investment is less than its cost.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial liabilities *(continued)*

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are acquired for the purpose of repurchasing in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by HKAS 39. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in the income statement. The net fair value gain or loss recognised in the income statement does not include any interest charged on these financial liabilities.

Financial liabilities designated upon initial recognition as at fair value through profit or loss are designated at the date of initial recognition and only if the criteria in HKAS 39 are satisfied.

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the income statement.

Derecognition of financial liabilities

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.

NOTES TO FINANCIAL STATEMENTS

28 February 2015

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Derivative financial instruments

Derivative financial instruments are classified as held for trading unless they are designated as effective hedging instruments. All derivatives are carried as assets when the fair values are positive and as liabilities when the fair values are negative.

Derivative financial instruments held for trading are typically entered into with the intention to settle in the near future. These instruments are initially recorded at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value.

Any gains or losses arising from changes in fair value of derivatives are taken directly to the income statement, except for the effective portion of cash flow hedges, which is recognised in other comprehensive income.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is currently an enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

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 the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

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 and buildings	2% – 4%
Furniture, fixtures and equipment	10% – 20%
Motor vehicles	$16^2/_3$% – 25%
Leasehold improvements	Shorter of lease terms and useful lives

NOTES TO FINANCIAL STATEMENTS

28 February 2015

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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

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. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised 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 sale proceeds and the carrying amount of the relevant asset.

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. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

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 operating leases are charged to the income statement on the straight-line basis over the lease terms.

Prepaid land premium under operating leases is 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.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

NOTES TO FINANCIAL STATEMENTS

28 February 2015

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Share-based payments

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments ("Equity-settled transactions").

The cost of Equity-settled transactions is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using a binomial model, further details of which are given in note 28 to the financial statements.

The cost of Equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled in employee benefit expense. The cumulative expense recognised for Equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the income statement for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for awards that do not ultimately vest, except for Equity-settled transactions where vesting is conditional upon a market or non-vesting condition, which are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Employee benefits

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.

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 end of the reporting period (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 end of the reporting period.

Remeasurements arising from defined benefit pension plans, comprising actuarial gains and losses, the effect of the asset ceiling (excluding amounts included in net interest on the net defined benefit liability) and the return on plan assets (excluding amounts included in net interest on the net defined benefit liability), are recognised immediately in the statement of financial position with a corresponding debit or credit to retained profits through other comprehensive income in the period in which they occur. Remeasurements are not reclassified to the income statement in subsequent periods.

Past service costs are recognised in the income statement at the earlier of

- the date of the plan amendment or curtailment; and
- the date that the Group recognises restructuring-related costs

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset. The Group recognises the following changes in the net defined benefit obligation under "General and administrative expenses" in the income statement by function.

- Services costs comprising current service costs, past-service costs, gains and losses on curtailments and non-routine settlements
- Net interest expense or income

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

NOTES TO FINANCIAL STATEMENTS

28 February 2015

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Employee benefits *(continued)*

Retirement benefits *(continued)*

The employees of 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.

Product classification – Insurance contracts

Insurance contracts as defined by HKFRS 4 are those contracts when the Group (the insurer) has accepted significant insurance risk from another party (the policyholders) by agreeing to compensate the policyholders if a specified uncertain future event (the insured event) adversely affects the policyholders. As a general guideline, the Group determines whether it has significant insurance risk, by comparing benefits paid with benefits payable if the insured event did not occur. Insurance contracts can also transfer financial risk.

Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its lifetime, even if the insurance risk reduces significantly during this period, unless all rights and obligations are extinguished or expire.

Insurance contracts liabilities

General insurance contracts liabilities

General insurance contracts liabilities are recognised when contracts are entered into and premiums are charged. These liabilities are known as the outstanding claims provision, which are based on the estimated ultimate cost of all claims incurred but not settled at the reporting date, whether reported or not, together with handling costs. Delays can be experienced in the notification and settlement of certain types of general insurance claims, therefore, the ultimate cost of which cannot be known with certainty at the end of the reporting period.

Outstanding claims

Full provision has been made for outstanding claims, including those incurred but not reported until after the end of the reporting period, and also for the related claims handling expenses estimated to be necessarily and directly incurred in the claims settlement process. This provision, although not a precise assessment, has been made in light of available information and after taking into account the direct claims handling expenses and possible recoveries from other parties. Claims provisions are not discounted for the time value of money and no estimate of inflationary adjustment are admitted until confirmed as necessary. The provisions are derecognised when they are discharged or settled.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Insurance contracts liabilities *(continued)*

Unearned premiums

Unearned premiums are computed at the rate of 40% of the premiums earned during the year, net of premiums ceded in respect of risks reinsured.

Liability adequacy test

At each reporting date, the Group reviews its unexpired risk and a liability adequacy test is performed in accordance with HKFRSs to determine whether there is any overall excess of expected claims over unearned premiums. This calculation uses current estimates of future contractual cash flows after taking account of the investment return expected to arise on assets relating to the relevant non-life insurance technical provisions. If these estimates show that the carrying amount of the unearned premiums is inadequate, the deficiency is recognised in the income statement by setting up a provision for premium deficiency.

Life insurance contracts liabilities

Life insurance contracts liabilities are recognised when contracts are entered into and premiums are charged. The provision for life insurance contracts consists of outstanding claims and the life reserve.

Life reserve

Life reserve represents a reserve to cover unexpired risk of life insurance policies and is valued by an independent actuary. The resultant surplus or deficit is transferred to or from the income statement.

Reinsurance

The Group cedes insurance risk in the normal course of business for all of its businesses. Reinsurance assets represent balances due from reinsurance companies. Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision or settled claims associated with the reinsurer’s policies and are in accordance with the related reinsurance contract.

Reinsurance assets are reviewed for impairment at each reporting date, or more frequently, when an indication of impairment arises during the reporting year. Impairment occurs when there is objective evidence that occurred after initial recognition of the reinsurance asset that the Group may not receive all outstanding amounts due under the terms of the contract and the event has a reliably measurable impact on the amounts that the Group will receive from the reinsurer. The impairment loss is recorded in the income statement.

Ceded reinsurance arrangements do not relieve the Group from its obligations to policyholders.

Premiums and claims are presented on a gross basis for ceded reinsurance.

Reinsurance assets are derecognised when the contractual rights are extinguished or expire.

NOTES TO FINANCIAL STATEMENTS

28 February 2015

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside the income statement is recognised, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period 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:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination 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, associates and a joint venture, when 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, the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination 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, associates and a joint venture, 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 the end of each reporting period 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. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

NOTES TO FINANCIAL STATEMENTS

28 February 2015

2.4 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 by the end of the reporting period.

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 rate method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial assets;

(c) dividend income, when the shareholder's right to receive payment is established;

(d) rental income, on a time proportion 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 significant risks and rewards of ownership have been transferred to the buyer;

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

(h) income from counter and consignment sales, when the goods are sold;

(i) premium income, on the basis of policies issued; and

(j) revenue arising from the trading of investments, on the trade date basis.

NOTES TO FINANCIAL STATEMENTS

28 February 2015

2.4 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 recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in 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 measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or income statement is also recognised in other comprehensive income or income statement, respectively).

The functional currencies of certain overseas subsidiaries, the joint venture and associates are currencies other than the Hong Kong dollar. As at the end of the reporting period, the assets and liabilities of these entities are translated into the presentation currency of the Company at the exchange rates prevailing at the end of the reporting period and their income statements are translated into Hong Kong dollars at the weighted average exchange rates for the year. The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of an operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the income statement.

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Related parties

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

(a) the party is a person or a close member of that person's family and that person

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(vi) the entity is controlled or jointly controlled by a person identified in (a); and

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

NOTES TO FINANCIAL STATEMENTS

28 February 2015

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, 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 statements of financial position, cash and bank balances comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Impairment of non-financial assets

In determining whether an asset is impaired or whether the event previously causing the impairment no longer exists, the Group has to exercise judgement in the area of asset impairment, particularly in assessing: (1) whether an event has occurred that may affect the asset value, or such an event affecting the asset value has not been in existence; (2) whether the carrying value of an asset can be supported by the net present value of future cash flows, which are estimated based upon the continued use of the asset; and (3) the appropriate key assumptions to be applied in preparing cash flow projections including whether these cash flow projections are discounted using an appropriate rate. Changing the assumptions selected by management to determine the level of impairment, including the discount rates or the growth rate assumptions in the cash flow projections, could have a material effect on the net present value used in the impairment test.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(continued)*

Judgements *(continued)*

Consolidation of entities in which the Group holds less than a majority of voting rights

The Company considers that it controls The Sincere Life Assurance Company Limited and its subsidiaries ("Sincere Life Group"), The Sincere Insurance & Investment Company, Limited and its subsidiaries ("Sincere I&I Group") and The Sincere Company (Perfumery Manufacturers), Limited ("Sincere Perfumery") even though it owns less than 50% of the voting rights. This is because the Company is the single largest shareholder of Sincere Life Group, Sincere I&I Group and Sincere Perfumery with 48.09%, 40.67% and 37.15% direct equity interests, respectively. Based on the Company's absolute size of holding in Sincere Life Group, Sincere I&I Group and Sincere Perfumery, the relative size and dispersion of the shareholdings owned by the other shareholders who acted as principal of their investments in Sincere Life Group, Sincere I&I Group and Sincere Perfumery, and past history of voting patterns in the shareholders' meetings of Sincere Life Group, Sincere I&I Group and Sincere Perfumery, the directors concluded that the Group has had control over Sincere Life Group, Sincere I&I Group and Sincere Perfumery since the dates on which the Group obtained control. The Group has consolidated the financial statements of Sincere Life Group, Sincere I&I Group and Sincere Perfumery based on its 56.96%, 57.98% and 62.37% effective equity interests and accounted for the remaining equity interests of 43.04%, 42.02% and 37.63%, as non-controlling interests, respectively.

Estimation uncertainty

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

Estimation of impairment losses of financial instruments

In the absence of current prices in an active market for similar unlisted equity securities, the Group determines their fair values by using valuation techniques based on assumptions and estimates including the discount rate and latest financial information of the available-for-sale investments and hence they are subject to uncertainty. Further details of the financial instruments are set out in note 16 to the financial statements.

Estimation of provision for inventories

The Group reviews an ageing analysis at the end of the reporting period, and determines the provision for inventories by reference to the current market conditions and the historical ageing pattern of the inventories.

NOTES TO FINANCIAL STATEMENTS

28 February 2015

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(continued)*

Estimation uncertainty *(continued)*

Estimation of insurance contracts liabilities

It can take a significant period of time before the ultimate claims cost can be established with certainty. The primary technique adopted by management in estimating the cost of ultimate claims is using past claim settlement trends to predict future claims settlement trends. Further details of the claims estimation process are described in note 25 to the financial statements. At each reporting date, prior year claims estimates are reassessed for adequacy and any changes from the previous assessment are made to the provision.

Pension and other retirement benefits

The determination of the Group's obligation, fair value of plan assets and cost for defined benefits is performed by independent actuaries engaged by the Group and dependent on the selection of certain assumptions used by them in calculating such amounts. Those assumptions include, among others, discount rates, expected returns on plan assets, rates of salary and pension increase and the average remaining working life of employees. In accordance with the Group's accounting policy for pension obligations, actual results that differ from the Group's assumptions are recognised immediately in the other comprehensive income as and when they occur. While the Group believes that the actuaries' assumptions are reasonable and appropriate, significant differences in the Group's actual experience or significant changes in the Group's assumptions may materially affect its pension and other retirement obligations.

4. SEGMENT INFORMATION

Segment information is presented by way of two segment formats: (i) operating segments; and (ii) geographical information.

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 operating 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 operating segments. Summary details of the operating 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 securities trading segment consists of the trading of Hong Kong and overseas securities; and

(c) the others segment mainly consists of sublease of properties, furniture design and manufacturing, advertising agency services and general and life insurances.

NOTES TO FINANCIAL STATEMENTS

28 February 2015

4. SEGMENT INFORMATION *(continued)*

In determining the Group's geographical information, revenues are attributed to the segments based on the location of the operations.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/(loss), which is a measure of adjusted profit/(loss) before tax. The adjusted profit/(loss) before tax is measured consistently with the Group's loss before tax except that certain interest income, unallocated revenue and finance costs are excluded from such measurement.

Segment assets exclude pledged bank balances, pledged deposits with banks and cash and bank balances as these assets are managed on a group basis.

Segment liabilities exclude interest-bearing bank borrowings as these liabilities are managed on a group basis.

Intersegment sales are transacted based on the direct costs incurred or in case of rental income and income from the provision of warehouse services, at an agreed rate.

NOTES TO FINANCIAL STATEMENTS

28 February 2015

4. SEGMENT INFORMATION *(continued)*

(a) Operating segments

The following tables present revenue, loss and certain assets, liabilities and expenditure information for the Group's operating segments for the years ended 28 February 2015 and 28 February 2014.

	Department store operations		Securities trading		Others		Eliminations		Total	
	2015	2014	**2015**	2014	**2015**	2014	**2015**	2014	**2015**	2014
	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	**362,745**	423,519	**1,708**	1,420	**5,880**	19,174	**–**	–	**370,333**	444,113
Intersegment sales	**–**	–	**–**	–	**34,374**	38,212	**(34,374)**	(38,212)	**–**	–
Other revenue	**500**	467	**25,699**	23,544	**2,153**	11,521	**–**	–	**28,352**	35,532
Total	**363,245**	423,986	**27,407**	24,964	**42,407**	68,907	**(34,374)**	(38,212)	**398,685**	479,645
Segment results	**(116,158)**	(70,374)	**20,483**	181	**(28,704)**	(21,925)			**(124,379)**	(92,118)
Interest income and unallocated revenue									**6,282**	10,454
Finance costs									**(8,109)**	(4,077)
Loss before tax									**(126,206)**	(85,741)
Income tax expense									**(37)**	(325)
Loss for the year									**(126,243)**	(86,066)
Segment assets	**179,750**	202,280	**277,478**	332,597	**79,593**	106,667	**(34,374)**	(38,212)	**502,447**	603,332
Unallocated assets									**523,552**	444,430
Total assets									**1,025,999**	1,047,762
Segment liabilities	**180,308**	198,094	**1,065**	739	**20,369**	23,854	**(34,374)**	(38,212)	**167,368**	184,475
Unallocated liabilities									**379,238**	258,910
Total liabilities									**546,606**	443,385

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4. SEGMENT INFORMATION *(continued)*

(a) Operating segments *(continued)*

	Department store operations		Securities trading		Others		Eliminations		Total	
	2015	2014	**2015**	2014	**2015**	2014	**2015**	2014	**2015**	2014
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Other segment information:										
Depreciation	**21,481**	16,065	**408**	375	**1,637**	1,579	**–**	–	**23,526**	18,019
Capital expenditure	**3,501**	61,844	**796**	–	**813**	409	**–**	–	**5,110**	62,253
Loss on disposal/write-off of items of property, plant and equipment	**368**	418	**–**	–	**336**	121	**–**	–	**704**	539
Net income derived from available-for-sale investments	**–**	–	**–**	–	**(697)**	(5,146)	**–**	–	**(697)**	(5,146)
Provision for inventories	**12,760**	99	**–**	–	**–**	–	**–**	–	**12,760**	99
Impairment on interest in an associate	**–**	–	**–**	–	**55**	326	**–**	–	**55**	326
Write-back of impairment on debtors	**–**	–	**–**	–	**–**	(644)	**–**	–	**–**	(644)
Write-back of other payables	**(777)**	–	**–**	–	**(197)**	(5,004)	**–**	–	**(974)**	(5,004)
Gain on deregistration of a subsidiary	**–**	–	**–**	–	**(1,067)**	–	**–**	–	**(1,067)**	–
Loss on disposal of a subsidiary	**–**	–	**–**	–	**–**	423	**–**	–	**–**	423

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4. SEGMENT INFORMATION *(continued)*

(b) Geographical information

The following table presents revenue and non-current assets information.

	Hong Kong		Mainland China		United Kingdom ("UK")		Others		Eliminations		Consolidated	
	2015	2014	**2015**	2014	**2015**	2014	**2015**	2014	**2015**	2014	**2015**	2014
	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	**368,984**	428,640	**119**	14,696	**257**	334	**973**	443	**–**	–	**370,333**	444,113
Non-current assets	**131,528**	150,929	**1,568**	1,474	**–**	–	**–**	–	**–**	–	**133,096**	152,403

The non-current assets information above is based on the locations of the assets and includes property, plant and equipment and deposits and other receivables.

(c) Information about major customers

For the years ended 28 February 2015 and 28 February 2014, as no revenue derived from an individual customer of the Group has accounted for over 10% of the Group's total revenue, no information about major customers is presented under HKFRS 8.

5. REVENUE, OTHER INCOME AND GAINS, NET

Revenue, which is also the Group's turnover, represents the aggregate of the invoiced value of goods sold less discounts and returns, net income from counter and consignment sales, net realised gain on securities trading, rental income, advertising agency fee income, income from furniture design and manufacturing and gross insurance contracts premium revenue during the year.

NOTES TO FINANCIAL STATEMENTS

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5. REVENUE, OTHER INCOME AND GAINS, NET *(continued)*

An analysis of revenue, other income and gains, net, is as follows:

	2015	2014
	HK$'000	*HK$'000*
Revenue:		
Sale of goods – own goods	**239,495**	274,501
Net income from counter and consignment sales	**123,250**	149,018
Net realised gain on securities trading	**1,708**	1,420
Rental income	**3,668**	3,572
Advertising agency fee income	**2,164**	863
Income from furniture design and manufacturing	**–**	14,686
Gross insurance contracts premium revenue	**48**	53
	370,333	444,113
Other income and gains, net:		
Interest income	**17,393**	11,592
Dividends from listed investments	**3,446**	2,726
Dividends from unlisted investments	**14,716**	13,564
Net income derived from available-for-sale investments	**697**	5,146
Write-back of other payables	**974**	5,004
Foreign exchange gain/(loss), net	**(4,348)**	4,057
Gain on deregistration of a subsidiary *(note 13)*	**1,067**	–
Loss on disposal of a subsidiary *(note 31)*	**–**	(423)
Others	**689**	4,320
	34,634	45,986

6. FINANCE COSTS

An analysis of finance costs is as follows:

	Group	
	2015	2014
	HK$'000	*HK$'000*
Interest on bank borrowings wholly repayable within five years	**7,157**	3,820
Others	**952**	257
	8,109	4,077

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7. LOSS BEFORE TAX

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

	2015	2014
	HK$'000	*HK$'000*
Depreciation	**23,526**	18,019
Auditors' remuneration	**3,544**	3,856
Employee benefit expense, excluding directors' and chief executive's remuneration *(note 30)*:		
Wages and salaries	**81,573**	85,342
Pension contributions, including a pension cost for a defined benefit plan of HK$4,027,000 *(note 26(c))* (2014: HK$4,766,000)	**6,229**	7,019
	87,802	92,361
Impairment on interest in an associate *	**55**	326
Provision for inventories **	**12,760**	99
Operating lease rental payments in respect of land and buildings:		
Minimum lease payments	**178,033**	171,016
Contingent rent	**2,620**	7,846
Loss on disposal/write-off of items of property, plant and equipment *	**704**	539
Gain on deregistration of a subsidiary *(note 13)* ***	**(1,067)**	–
Loss on disposal of a subsidiary *(note 31)* ***	**–**	423
Write-back of impairment on debtors	**–**	(644)
Net income derived from available-for-sale investments ***	**(697)**	(5,146)
Net realised gain on securities trading	**(1,708)**	(1,420)
Underwriting profit	**(5)**	(11)
Rental income	**(3,668)**	(3,572)
Interest income ***	**(17,393)**	(11,592)
Dividends from listed investments ***	**(3,446)**	(2,726)
Dividends from unlisted investments ***	**(14,716)**	(13,564)
Foreign exchange loss/(gain), net ***	**4,348**	(4,057)
Write-back of other payables ***	**(974)**	(5,004)

* 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.

*** Amounts are included in "Other income and gains, net" on the face of the consolidated income statement.

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8. INCOME TAX

No provision for Hong Kong profits tax has been made as there were no assessable profits arising in Hong Kong for both years. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the locations in which the Group operates.

	Group	
	2015	2014
	HK$'000	*HK$'000*
Current – Hong Kong		
Overprovision in prior years	**–**	(16)
Current – Elsewhere		
Charge for the year	**37**	341
Total tax charge for the year	**37**	325

A reconciliation of the tax expense applicable to loss before tax at the statutory rates for the locations in which the Company and the majority of its subsidiaries are domiciled to the tax expense at the effective tax rates is as follows:

	Group	
	2015	2014
	HK$'000	*HK$'000*
Loss before tax	**(126,206)**	(85,741)
Tax at the statutory tax rates	**(21,334)**	(13,630)
Adjustment in respect of current tax of prior years	**–**	(16)
Income not subject to tax	**(6,219)**	(5,880)
Expenses not deductible for tax	**6,962**	5,879
Deferred tax not recognised	**1,748**	1,098
Tax losses not recognised	**19,244**	14,954
Tax losses from prior years utilised	**(364)**	(2,080)
Tax charge at the Group's effective rate	**37**	325

The Group has tax losses arising in Hong Kong of approximately HK$1,213,060,000 (2014: HK$1,115,896,000) that are available indefinitely for offsetting against future taxable profits of the Group. No deferred tax assets have been recognised in respect of these losses as the Company and certain of its subsidiaries have been loss-making for some time.

NOTES TO FINANCIAL STATEMENTS

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9. LOSS ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The consolidated loss attributable to equity holders of the Company for the year ended 28 February 2015 includes a loss of HK$145,064,000 (2014: HK$84,703,000) dealt with in the financial statements of the Company (note 29(b)).

10. DIVIDENDS

	2015 **HK$'000**	2014 HK$'000
Dividend paid during the year		
Final dividend in respect of the financial year ended 28 February 2014 – Nil (2014: final dividend in respect of the financial year ended 28 February 2013 – HK1.5 cents per ordinary share)	**–**	8,615

The board of directors does not recommend the payment of any dividend for the year ended 28 February 2015.

11. LOSS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The calculation of the basic loss per share is based on the loss for the year of HK$122,567,000 (2014: HK$85,068,000) attributable to equity holders of the Company and the 313,864,800 (2014: 313,864,800) ordinary shares in issue throughout the year, as adjusted to reflect the number of treasury shares of 260,443,200 (2014: 260,443,200) held by the Company's subsidiaries.

No adjustments have been made to the basic loss per share for the current and prior years as the share options in issue had no dilutive effect during the years ended 28 February 2015 and 28 February 2014.

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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 2015				
Cost:				
At 1 March 2014	51,952	46,242	124,137	222,331
Additions	–	1,727	3,383	5,110
Disposals/write-off	–	(4,223)	(4,884)	(9,107)
Exchange realignment	–	(35)	(3)	(38)
At 28 February 2015	51,952	43,711	122,633	218,296
Accumulated depreciation:				
At 1 March 2014	19,477	37,425	48,958	105,860
Depreciation provided during the year	1,063	2,676	19,787	23,526
Disposals/write-off	–	(3,669)	(4,602)	(8,271)
Exchange realignment	–	(24)	–	(24)
At 28 February 2015	20,540	36,408	64,143	121,091
Net book value:				
At 28 February 2015	31,412	7,303	58,490	97,205

NOTES TO FINANCIAL STATEMENTS

28 February 2015

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

Group

	Land and buildings *HK$'000*	Furniture, fixtures, equipment and motor vehicles *HK$'000*	Leasehold improvements *HK$'000*	Total *HK$'000*
28 February 2014				
Cost:				
At 1 March 2013	51,952	46,692	82,214	180,858
Additions	–	3,044	59,209	62,253
Disposals/write-off	–	(3,513)	(17,290)	(20,803)
Exchange realignment	–	19	4	23
At 28 February 2014	51,952	46,242	124,137	222,331
Accumulated depreciation:				
At 1 March 2013	18,415	37,836	51,824	108,075
Depreciation provided during the year	1,062	2,617	14,340	18,019
Disposals/write-off	–	(3,038)	(17,207)	(20,245)
Exchange realignment	–	10	1	11
At 28 February 2014	19,477	37,425	48,958	105,860
Net book value:				
At 28 February 2014	32,475	8,817	75,179	116,471

NOTES TO FINANCIAL STATEMENTS

28 February 2015

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

Company

	Furniture, fixtures, equipment and motor vehicles HK$'000	Leasehold improvements HK$'000	Total HK$'000
28 February 2015			
Cost:			
At 1 March 2014	**41,342**	**106,647**	**147,989**
Additions	**763**	**2,738**	**3,501**
Disposals/write-off	**(2,476)**	**(4,372)**	**(6,848)**
At 28 February 2015	**39,629**	**105,013**	**144,642**
Accumulated depreciation:			
At 1 March 2014	**33,859**	**32,418**	**66,277**
Depreciation provided during the year	**2,057**	**19,424**	**21,481**
Disposals/write-off	**(2,098)**	**(4,372)**	**(6,470)**
At 28 February 2015	**33,818**	**47,470**	**81,288**
Net book value:			
At 28 February 2015	**5,811**	**57,543**	**63,354**
28 February 2014			
Cost:			
At 1 March 2013	40,300	63,716	104,016
Additions	2,878	58,966	61,844
Disposals/write-off	(1,836)	(16,035)	(17,871)
At 28 February 2014	41,342	106,647	147,989
Accumulated depreciation:			
At 1 March 2013	33,250	34,397	67,647
Depreciation provided during the year	2,009	14,056	16,065
Disposals/write-off	(1,400)	(16,035)	(17,435)
At 28 February 2014	33,859	32,418	66,277
Net book value:			
At 28 February 2014	7,483	74,229	81,712

NOTES TO FINANCIAL STATEMENTS

28 February 2015

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

The Group's land and buildings are held under medium term leases and the locations are as follows:

	Group					
	Hong Kong		Mainland China		Total	
	2015	2014	**2015**	2014	**2015**	2014
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Land and buildings	**30,466**	31,481	**–**	–	**30,466**	31,481
Buildings	**–**	–	**946**	994	**946**	994
	30,466	31,481	**946**	994	**31,412**	32,475

As at 28 February 2015, the Group's leasehold land and buildings situated in Hong Kong with an aggregate carrying value of HK$30,466,000 (2014: HK$31,481,000) are pledged as security for bank loans granted (note 22(a)).

13. INTERESTS IN SUBSIDIARIES

	Company	
	2015	2014
	HK$'000	*HK$'000*
Unlisted shares, at cost	**27,091**	27,091
Due from subsidiaries	**1,600,216**	1,622,507
Due to subsidiaries	**(136,510)**	(131,148)
	1,490,797	1,518,450
Provision for impairment #	**(1,073,188)**	(1,070,306)
	417,609	448,144

\# As at 28 February 2015, an aggregate impairment of HK$1,073,188,000 (2014: HK$1,070,306,000) was recognised, of which HK$10,318,000 (2014: HK$10,318,000) and HK$1,062,870,000 (2014: HK$1,059,988,000) were for investments in and amounts due from certain unlisted subsidiaries with gross carrying amounts of HK$10,394,000 (2014: HK$10,394,000) and HK$1,375,362,000 (2014: HK$1,375,394,000) (before deducting the impairment losses), respectively, because the relevant subsidiaries had suffered losses for years or ceased operation.

NOTES TO FINANCIAL STATEMENTS

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13. INTERESTS IN SUBSIDIARIES *(continued)*

The movements in provision for impairment are as follows:

	Company	
	2015	2014
	HK$'000	*HK$'000*
At beginning of year	**1,070,306**	1,017,476
Impairment losses recognised	**7,984**	52,944
Amount written off	**(5,102)**	(114)
At end of year	**1,073,188**	1,070,306

The balances with subsidiaries are unsecured, interest-free and not repayable within the next twelve months from the end of the reporting period, except for certain amounts due from subsidiaries, which bear interest at 4.3% (2014: 4.3%) per annum. The carrying amounts of the balances with subsidiaries approximate to their fair values.

Particulars of the principal subsidiaries are as follows:

Company	Place of incorporation/ registration and business	Issued/ registered share capital/ paid-up capital	Class of shares held	Percentage of equity attributable to the Company Directly	Indirectly	Principal activities
Ottoway Limited	British Virgin Islands	US$1	Registered	100	–	Investment holding
Right View Limited	Hong Kong	HK$2	Ordinary	–	100	Property holding
Silveroute Limited	British Virgin Islands	US$1	Registered	100	–	Securities trading
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	–	70	Advertising agency
Sincere (Shanghai) Commercial Management Company Limited ^	PRC/Mainland China	US$1,000,000	N/A	100	–	Provision of management services
Sun Ally Investments Limited	British Virgin Islands	US$100	Registered	100	–	Investment holding

NOTES TO FINANCIAL STATEMENTS

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13. INTERESTS IN SUBSIDIARIES *(continued)*

Particulars of the principal subsidiaries are as follows: *(continued)*

Company	Place of incorporation/ registration and business	Issued/ registered share capital/ paid-up capital	Class of shares held	Percentage of equity attributable to the Company Directly	Indirectly	Principal activities
The Sincere Life Assurance Company Limited ("Sincere Life")	Hong Kong	HK$10,000,000	Ordinary	48.09#	8.87#	Life insurance and investment
The Sincere Insurance & Investment Company, Limited ("Sincere I&I")	Hong Kong	HK$20,000,000	Ordinary	40.67#	17.31#	General insurance and investment
The Sincere Company (Perfumery Manufacturers), Limited ("Sincere Perfumery")	Hong Kong	HK$1,300,000	Ordinary	37.15#	25.22#	Investment holding

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

Sincere Life, Sincere I&I and Sincere Perfumery are accounted for as subsidiaries of the Group based on the factors as explained in note 3 to the financial statements.

During the year ended 28 February 2015, 上海盈施家具有限公司, a wholly-owned subsidiary of the Group, was deregistered. The respective exchange fluctuation reserve of HK$1,067,000 was credited to the income statement.

During the year ended 28 February 2014, the Group disposed of its entire equity interests in 東莞市卓譽家具有限公司("東莞卓譽") at a consideration of RMB2 (equivalent to HK$3). The disposal was completed in July 2013 and a loss of HK$423,000 was resulted (note 31).

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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13. INTERESTS IN SUBSIDIARIES *(continued)*

Details of the Group's subsidiaries that have material non-controlling interests are set out below:

Sincere Life and its subsidiaries

	2015	2014
Percentage of effective equity interest held by non-controlling interests	**43.04**	43.04

	2015 *HK$'000*	2014 *HK$'000*
Profit/(loss) for the year allocated to non-controlling interests	**(1,957)**	605
Dividend paid to non-controlling interests	**–**	1,182
Accumulated balances of non-controlling interests at the reporting dates	**86,509**	88,281

The following tables illustrate the summarised financial information of Sincere Life and its subsidiaries. The amounts disclosed are before any inter-company eliminations:

	2015 *HK$'000*	2014 *HK$'000*
Loss for the year	**(43,665)**	(26,163)
Total comprehensive expense for the year	**(42,854)**	(31,968)
Current assets	**23,364**	28,559
Non-current assets	**76,488**	114,068
Current liabilities	**(2,185)**	(2,106)
Net cash flows used in operating activities	**(4,535)**	(4,411)
Net cash flows from investing activities	**4,036**	4,404
Net decrease in cash and cash equivalents	**(499)**	(7)

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14. INTERESTS IN ASSOCIATES

	Group		Company	
	2015	2014	**2015**	2014
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Share of net assets other than goodwill	**–**	–	**–**	–
Due from an associate	**9,784**	9,729	**–**	–
Provision for impairment #	**(9,784)**	(9,729)	**–**	–
	–	–	**–**	–

As at 28 February 2015, an aggregate impairment of HK$9,784,000 (2014: HK$9,729,000) was recognised for an amount due from an associate with a gross carrying amount of HK$9,784,000 (2014: HK$9,729,000) (before deducting the impairment losses) because the relevant associate had suffered losses for years.

The balance with an associate is unsecured, interest-free and not repayable within the next twelve months from the end of the reporting period. The carrying amount of the balance approximates to its fair value.

Particulars of the associates are as follows:

Company	**Business structure**	**Place of incorporation**	**Particulars of issued shares held**	**Percentage of ownership interest attributable to the Group**	**Principal activities**
Lancaster Partnership Limited	Corporate	UK	Ordinary shares of GBP0.01 each	50.00	Property investment
CPE Investments Limited	Corporate	British Virgin Islands	Ordinary shares of US$1 each	50.00	Investment holding

NOTES TO FINANCIAL STATEMENTS
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14. INTERESTS IN ASSOCIATES *(continued)*

The following table illustrates the summarised financial information of the Group's associates extracted from their management accounts:

	2015	2014
	HK$'000	*HK$'000*
Total assets	**98,939**	99,645
Total liabilities	**(112,539)**	(114,242)
Loss before tax	**(169)**	(621)

The Group has discontinued the recognition of its share of loss of associates because the share of loss of the associates exceeded the Group's interests in the associates and the Group has no obligation to take up further losses. The amounts of the Group's unrecognised share of losses of the associates for the current year and cumulatively were HK$85,000 (2014: HK$311,000) and HK$10,322,000 (2014: HK$10,237,000), respectively.

15. INTEREST IN A JOINT VENTURE

	Group	
	2015	2014
	HK$'000	*HK$'000*
Share of net assets	**–**	–

At 28 February 2014, balances with the joint venture were unsecured, interest-free and have no fixed terms of repayments, except for the loan to the joint venture, which bore interest at 8% per annum.

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15. INTEREST IN A JOINT VENTURE *(continued)*

Particulars of the joint venture are as follows:

Name	Particulars of issued shares held	Place of registration	Percentage of Ownership interest	Percentage of Voting power	Percentage of Profit sharing	Principal activity
109A Lancaster Gate Limited	Registered capital of GBP0.01 each	UK	75	50	43	Property investment

The above joint venture is indirectly held by the Company.

The following table illustrates the summarised financial information of the Group's joint venture extracted from its management account:

	2015	2014
	HK$'000	*HK$'000*
Total assets	**107**	60,164
Total liabilities	**(3,395)**	(60,979)
Loss before tax	**(2,667)**	(771)

The Group has discontinued the recognition of its share of loss of the joint venture because the share of loss of the joint venture exceeded the Group's interest in the joint venture and the Group has no obligation to take up further losses. The amounts of the Group's unrecognised share of loss of the joint venture for the current year and cumulatively were HK$1,147,000 (2014: HK$332,000) and HK$1,479,000 (2014: HK$332,000), respectively.

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16. FINANCIAL INSTRUMENTS

		Group		Company	
		2015	2014	**2015**	2014
	Notes	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Available-for-sale investments					
Unlisted investments, at cost:					
Hong Kong		**53**	53	**53**	53
PRC/Mainland China	*(a)*	**37,575**	37,575	**–**	–
Taiwan	*(b)*	**24,409**	24,409	**24,409**	24,409
United States	*(c)*	**17,176**	17,176	**–**	–
		79,213	79,213	**24,462**	24,462
Less: Provision for impairment		**(52,887)**	(52,887)	**(14,411)**	(14,411)
Portion classified as non-current assets		**26,326**	26,326	**10,051**	10,051

(a) At 28 February 2015, the unlisted investment of the Group represented equity interests of 3.45% (2014: 3.45%) in Oriental Finance (HK) Limited, a private limited company with major operations in Mainland China. Provision for impairment of HK$21,300,000 (2014: HK$21,300,000) has been made as the directors of the Company considered that the carrying amount of Oriental Finance (HK) Limited exceeded its recoverable amount.

(b) At 28 February 2015, the unlisted investment in Taiwan of the Group and of the Company represented equity interests of 18.4% (2014: 18.4%) in The Sincere Department Store Limited, against which provisions for impairment of HK$14,411,000 (2014: HK$14,411,000) have been made as considered necessary by the directors of the Company.

(c) At 28 February 2015, the unlisted investment in the United States of the Group represented an equity interest of 10% (2014: 10%) in TR-BIZ, a private limited company in the United States and an aggregate impairment of HK$17,176,000 (2014: HK$17,176,000) was recognised as the directors of the Company considered that the carrying amount of TR-BIZ exceeded its recoverable amount.

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17. DEBTORS

The Group's trading terms with its customers are mainly on credit, except for department store operations, where payment is normally made on a cash basis. The credit period is generally one month. The Group seeks to maintain strict control over its outstanding receivables by the sales department to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its debtor balances. Trade receivables are non-interest-bearing.

An aged analysis of the debtors as at the end of the reporting period, based on the payment due date, is as follows:

	Group	
	2015	2014
	HK$'000	*HK$'000*
Within 3 months not past due	**49**	305
Over 3 months past due	**–**	52
Total debtors	**49**	357
Impairment	**–**	(45)
Total	**49**	312

The movements in provision for impairment of debtors are as follows:

	Group	
	2015	2014
	HK$'000	*HK$'000*
At beginning of year	**45**	797
Write-back of impairment on debtors *(note 7)*	**–**	(644)
Amount written off as uncollectible	**(45)**	(108)
At end of year	**–**	45

As at 28 February 2014, included in the above provision for impairment of debtors was a provision for individually impaired debtors of HK$45,000 which were past due and not recoverable. The impairment recognised represented the carrying amount of these debtors.

17. DEBTORS *(continued)*

An aged analysis of the debtors as at the end of the reporting period, based on the payment due date, net of provisions, is as follows:

	Group	
	2015	2014
	HK$'000	*HK$'000*
Within 3 months not past due	**49**	305
Over 3 months past due	**–**	7
	49	312

Debtors that were neither past due nor impaired relate to a number of customers for whom there was no recent history of default. Debtors that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, the directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

18. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Group	
	2015	2014
	HK$'000	*HK$'000*
Listed investments, at market value:		
Hong Kong	**78,918**	105,947
Elsewhere	**68,425**	96,945
	147,343	202,892
Other investments, at quoted price	**107,775**	109,152
	255,118	312,044

The above investments at 28 February 2015 and 28 February 2014 were classified as held for trading.

At the end of the reporting period, investments held for trading with an aggregate market value of approximately HK$190,323,000 (2014: HK$236,973,000) were pledged to banks to secure certain banking facilities granted to the Group (note 22(a)).

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19. DERIVATIVE FINANCIAL INSTRUMENTS

	Group	
	2015	2014
	HK$'000	*HK$'000*
Derivative assets/(liabilities) held for trading, at market value:		
Forward currency contract	**461**	–
Interest rate swap contract	**–**	(439)
	461	(439)

20. CASH AND BANK BALANCES

	Group		Company	
	2015	2014	**2015**	2014
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Cash on hand and at banks	**45,039**	41,508	**25,646**	12,419
Time deposits with original maturity of less than three months	**36,990**	192,349	**–**	15,250
	82,029	233,857	**25,646**	27,669

At the end of the reporting period, the cash and bank balances of the Group denominated in Renminbi ("RMB") amounted to HK$43,082,000 (2014: HK$201,659,000). RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

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 bank balances and time deposits are deposited with creditworthy banks with no recent history of default.

21. REINSURANCE ASSETS

	Group	
	2015	2014
	HK$'000	*HK$'000*
Reinsurers' share of insurance contracts liabilities *(note 24)*	**16**	16

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22. INTEREST-BEARING BANK BORROWINGS AND OTHER LOANS

(a) Interest-bearing bank borrowings

	Group		Company	
	2015	2014	**2015**	2014
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Bank loans, secured	**377,785**	251,552	**308,751**	223,144
Bank overdrafts, secured	**1,453**	7,358	**–**	–
	379,238	258,910	**308,751**	223,144
Analysed into:				
Within one year or on demand	**368,229**	237,874	**297,742**	202,108
In the second year	**4,033**	10,027	**4,033**	10,027
In the third to fifth years, inclusive	**6,976**	11,009	**6,976**	11,009
	379,238	258,910	**308,751**	223,144
Less: Amounts repayable within one year or on demand and classified as current portion	**(368,229)**	(237,874)	**(297,742)**	(202,108)
Amount classified as non-current portion	**11,009**	21,036	**11,009**	21,036

The bank loans and overdrafts bear interest at rates ranging from 0.9% to 5.0% (2014: 0.9% to 5.0%) per annum. The interest-bearing borrowings and overdrafts are mainly denominated in Hong Kong dollars.

The Group's and the Company's bank borrowings and facilities are secured by:

(i) the pledge of certain of the Group's bank balances of HK$58,523,000 (2014: HK$30,571,000) and time deposits amounting to HK$383,000,000 (2014: HK$180,002,000);

(ii) the pledge of the Company's time deposits amounting to HK$63,019,000 (2014: HK$63,200,000);

(iii) the pledge of certain of the Group's marketable securities with an aggregate market value of approximately HK$190,323,000 (2014: HK$236,973,000) (note 18); and

(iv) mortgages over certain of the Group's leasehold land and buildings with an aggregate carrying value at the end of the reporting period of approximately HK$30,466,000 (2014: HK$31,481,000) (note 12).

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22. INTEREST-BEARING BANK BORROWINGS AND OTHER LOANS *(continued)*

(b) Other loans

	Group	
	2015	2014
	HK$'000	*HK$'000*
Other loans	**2,959**	2,902
Less: Amount repayable within one year or on demand and classified as current portion	**(1,954)**	(1,916)
Amount classified as non-current portion	**1,005**	986

The other loans were unsecured, bore interest at 2% (2014: 2%) per annum and had no fixed terms of repayment, except for an amount of HK$1,005,000 (2014: HK$986,000), which was not repayable in the next twelve months after the end of the reporting period. The balances were denominated in Hong Kong dollars.

23. CREDITORS

An aged analysis of the creditors as at the end of the reporting period is as follows:

	Group		Company	
	2015	2014	**2015**	2014
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Current – 3 months	**68,430**	68,830	**68,405**	68,819
4 – 6 months	**298**	1,556	**298**	1,556
7 – 12 months	**15**	1,723	**15**	1,723
Over 1 year	**179**	914	**179**	914
	68,922	73,023	**68,897**	73,012

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24. INSURANCE CONTRACTS LIABILITIES

		2015			2014		
	Notes	**Insurance contracts liabilities** **HK$'000**	**Reinsurers' share of liabilities** **HK$'000**	**Net** **HK$'000**	Insurance contracts liabilities HK$'000	Reinsurers' share of liabilities HK$'000	Net HK$'000
Life insurance contracts	(a)	**1,206**	**–**	**1,206**	1,206	–	1,206
General insurance contracts	(b)	**18**	**(16)**	**2**	18	(16)	2
Total insurance contracts liabilities		**1,224**	**(16)**	**1,208**	1,224	(16)	1,208
			(Note 21)			(Note 21)	

(a) Life insurance contracts liabilities are analysed as follows:

		2015			2014		
	Notes	**Insurance contracts liabilities** **HK$'000**	**Reinsurers' share of liabilities** **HK$'000**	**Net** **HK$'000**	Insurance contracts liabilities HK$'000	Reinsurers' share of liabilities HK$'000	Net HK$'000
Life reserve	(i)	**1,078**	**–**	**1,078**	1,078	–	1,078
Provision for claims	(ii)	**128**	**–**	**128**	128	–	128
		1,206	**–**	**1,206**	1,206	–	1,206

(i) Life reserve is analysed as follows:

	2015 **HK$'000**	2014 HK$'000
At beginning of year	**1,078**	1,078
Increase in the year	**–**	–
At end of year	**1,078**	1,078

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24. INSURANCE CONTRACTS LIABILITIES *(continued)*

(a) Life insurance contracts liabilities are analysed as follows: *(continued)*

(ii) The provision for claims of life insurance contracts is analysed as follows:

	2015			2014		
	Insurance contracts liabilities	**Reinsurers' share of liabilities**	**Net**	Insurance contracts liabilities	Reinsurers' share of liabilities	Net
	HK$'000	***HK$'000***	***HK$'000***	*HK$'000*	*HK$'000*	*HK$'000*
At beginning of year	**128**	**–**	**128**	128	–	128
Claims incurred during the year	**–**	**–**	**–**	2	–	2
Claims paid during the year	**–**	**–**	**–**	(2)	–	(2)
At end of year	**128**	**–**	**128**	128	–	128

(b) General insurance contracts liabilities are analysed as follows:

		2015			2014		
		Insurance contracts liabilities	**Reinsurers' share of liabilities**	**Net**	Insurance contracts liabilities	Reinsurers' share of liabilities	Net
	Notes	***HK$'000***	***HK$'000***	***HK$'000***	*HK$'000*	*HK$'000*	*HK$'000*
Provision for claims reported by policyholders and claims incurred but not reported ("IBNR")	*25(d)*	**–**	**–**	**–**	–	–	–
Provision for unearned premiums	*(i)*	**18**	**(16)**	**2**	18	(16)	2
Total insurance contracts liabilities		**18**	**(16)**	**2**	18	(16)	2

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24. INSURANCE CONTRACTS LIABILITIES *(continued)*

(b) General insurance contracts liabilities are analysed as follows: *(continued)*

(i) The provision for unearned premiums is analysed as follows:

	2015			2014		
	Insurance contracts liabilities	**Reinsurers' share of liabilities**	**Net**	Insurance contracts liabilities	Reinsurers' share of liabilities	Net
	HK$'000	***HK$'000***	***HK$'000***	*HK$'000*	*HK$'000*	*HK$'000*
At beginning of year	**18**	**(16)**	**2**	22	(16)	6
Premiums written in the year	**48**	**(41)**	**7**	53	(50)	3
Premiums earned during the year	**(48)**	**41**	**(7)**	(57)	50	(7)
At end of year	**18**	**(16)**	**2**	18	(16)	2

25. INSURANCE CONTRACTS LIABILITIES – TERMS, ASSUMPTIONS AND SENSITIVITIES

Life insurance

(a) Terms and conditions

The principal risk the Group faces under insurance contracts is that the actual claims and benefit payments or the timing thereof differ from expectations. This is influenced by the frequency of claims, severity of claims, actual benefits paid and subsequent development of long term claims. Therefore, the objective of the Group is to ensure that sufficient reserves are available to cover these liabilities.

Life insurance contracts offered by the Group are whole life contracts. Whole life contracts are conventional regular premium products when lump sum benefits are payable on death or permanent disability.

The main risk that the Group is exposed to is mortality risk – risk of loss arising due to policy holder death experience being different than expected. This risk does not vary significantly in relation to the location of the risk insured by the Group, type of risk insured or by industry.

For contracts for which death or disability is the insured risk, the significant factors that could increase the overall frequency of claims are epidemics, widespread changes in lifestyle and natural disasters, resulting in earlier or more claims than expected.

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25. INSURANCE CONTRACTS LIABILITIES – TERMS, ASSUMPTIONS AND SENSITIVITIES *(continued)*

Life insurance *(continued)*

(b) Assumptions

Material judgement is required in determining the liabilities and in the choice of assumptions. Assumptions in use are based on past experience, current internal data, external market indices and benchmarks which reflect current observable market prices and other published information. Assumptions and prudent estimates are determined at the date of valuation and no credit is taken for possible beneficial effects of voluntary withdrawals. Assumptions are further evaluated on a continuous basis in order to ensure realistic and reasonable valuations.

The key assumption to which the estimation of liabilities is particularly sensitive are as follows:

Mortality rates

Assumptions are based on standard industry and national tables, according to the type of contract written and the territory in which the insured person resides. They reflect recent historical experience and are adjusted when appropriate to reflect the Group's own experiences. An appropriate, but not excessive, prudent allowance is made for expected future improvements. Assumptions are differentiated by sex, underwriting class and contract type.

An increase in rates will lead to a larger number of claims (and claims could occur sooner than anticipated), which will increase the expenditure and reduce profits for the shareholders.

Discount rate

Life insurance liabilities are determined as the sum of the discounted value of the expected benefits and future administration expenses directly related to the contract, less the discounted value of the expected theoretical premiums that would be required to meet these future cash outflows. Discount rates are based on current industry risk rates, adjusted for the Group's own risk exposure.

A decrease in the discount rate will increase the value of the insurance liability and therefore reduce profits for the shareholders.

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25. INSURANCE CONTRACTS LIABILITIES – TERMS, ASSUMPTIONS AND SENSITIVITIES *(continued)*

General Insurance

(a) Terms and conditions

The major class of general insurance written by the Group was property damage. Risks under these policies usually cover a 12-month duration.

For general insurance contracts, the most significant risks arise from natural disasters. For longer tail claims that take some years to settle, there is also inflation risk.

These risks do not vary significantly in relation to the location of the risk insured by the Group, type of risk insured and by industry.

Claims provisions (comprising provisions for claims reported by policyholders and IBNR) are established to cover the ultimate cost of settling the liabilities in respect of claims that have occurred and are estimated based on known facts at the end of the reporting period.

The provisions are refined regularly as part of an ongoing process as claims experience develops, certain claims are settled and further claims are reported. Outstanding claims provisions are not discounted for the time value of money.

The measurement process primarily includes projection of future claims costs through a combination of actuarial and statistical projection techniques. In certain cases, where there is a lack of reliable historical data on which to estimate claims development, relevant benchmarks of similar business are used in developing claims estimates. Claims provisions are separately analysed by class of business. In addition, larger claims are usually separately assessed by loss adjusters. The claims projection assumptions are generally intended to provide the best estimate of the most likely or expected outcome.

NOTES TO FINANCIAL STATEMENTS

28 February 2015

25. INSURANCE CONTRACTS LIABILITIES – TERMS, ASSUMPTIONS AND SENSITIVITIES *(continued)*

General Insurance *(continued)*

(b) Assumptions

The principal assumption underlying the estimates is the Group's past claims development experience. This includes assumptions in respect of average claim costs, claims handling costs and number of claims numbers for each accident year. Additional qualitative judgements are used to assess the extent to which past trends may not apply in the future, for example: one-off occurrence, changes in market factors such as public attitude to claiming, economic conditions, as well as internal factors such as portfolio mix, policy conditions and claims handling procedures. Judgement is used to assess the extent to which external factors such as judicial decisions and government legislation affect the estimates.

(c) Sensitivities

The insurance claims provision is sensitive to the above key assumptions. The sensitivity of certain assumptions, e.g., legislative change and uncertainty in the estimation process, is not possible to quantify. Furthermore, because of the delays that arise between occurrence of a claim and its subsequent notification and eventual settlement, the outstanding claim provision is not known with certainty at the end of the reporting period.

Consequently, the ultimate liabilities will vary as a result of subsequent developments. Differences resulting from reassessment of the ultimate liabilities are recognised in subsequent financial statements.

(d) Loss development triangle

Reproduced below is an exhibit that shows the development of claims over a period of time on a gross and net basis.

The tables show the estimate of cumulative incurred claims, including both notified and IBNR claims, for each successive accident year at the end of each reporting period, together with cumulative claims at the end of the reporting period.

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25. INSURANCE CONTRACTS LIABILITIES – TERMS, ASSUMPTIONS AND SENSITIVITIES *(continued)*

General Insurance *(continued)*

(d) ***Loss development triangle*** *(continued)*

Gross insurance claims

	2006 and before	2007	2008	2009	2010	2011	2012	2013	2014	2015	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Accident year	3,664	–	–	–	–	–	–	–	–	–	
One year later	3,677	–	–	–	–	–	–	–	–	–	
Two years later	3,952	–	–	–	–	–	–	–	–	–	
Three years later	3,915	–	–	–	–	–	–	–	–	–	
Four years later	3,915	–	–	–	–	–	–	–	–	–	
Five years later	3,915	–	–	–	–	–	–	–	–	–	
Six years later	3,915	–	–	–	–	–	–	–	–	–	
Seven years later	3,915	–	–	–	–	–	–	–	–	–	
Eight years later	3,915	–	–	–	–	–	–	–	–	–	
Nine years later	3,915	–	–	–	–	–	–	–	–	–	
Current estimate of cumulative gross claims	3,915	–	–	–	–	–	–	–	–	–	3,915
Cumulative gross payments to date	(3,915)	–	–	–	–	–	–	–	–	–	(3,915)
Total gross general insurance claims liability as per the consolidated statement of financial position	–	–	–	–	–	–	–	–	–	–	–

(Note 24(b))

NOTES TO FINANCIAL STATEMENTS

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25. INSURANCE CONTRACTS LIABILITIES – TERMS, ASSUMPTIONS AND SENSITIVITIES *(continued)*

General Insurance *(continued)*

(d) ***Loss development triangle*** *(continued)*

Net insurance claims

	2006 and before	2007	2008	2009	2010	2011	2012	2013	2014	2015	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Accident year	2,717	–	–	–	–	–	–	–	–	–	
One year later	2,694	–	–	–	–	–	–	–	–	–	
Two years later	2,969	–	–	–	–	–	–	–	–	–	
Three years later	2,983	–	–	–	–	–	–	–	–	–	
Four years later	2,983	–	–	–	–	–	–	–	–	–	
Five years later	2,983	–	–	–	–	–	–	–	–	–	
Six years later	2,983	–	–	–	–	–	–	–	–	–	
Seven years later	2,983	–	–	–	–	–	–	–	–	–	
Eight years later	2,983	–	–	–	–	–	–	–	–	–	
Nine years later	2,983	–	–	–	–	–	–	–	–	–	
Current estimate of cumulative gross claims	2,983	–	–	–	–	–	–	–	–	–	2,983
Cumulative gross payments to date	(2,983)	–	–	–	–	–	–	–	–	–	(2,983)
Total net general insurance claims liability as per the consolidated statement of financial position	–	–	–	–	–	–	–	–	–	–	–
											(Note 24(b))

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26. PENSION SCHEME LIABILITIES

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 Scheme provides lump sum benefits based on a multiple of a member's final salary and years of service upon the member's retirement, death, disability or leaving service.

The Group's defined benefit plan is a final salary plan, which requires contributions to be made to a separately administered fund. The plan is under a trust with the assets held separately from those of the Group. The Scheme is administrated by four trustees and one of them is independent. The trustees are responsible for ensuring that the Scheme is administrated in accordance with the trust deed and rules and to act on behalf of all members impartially, prudently and in good faith.

The trustees periodically review the investment strategy and funding position. The investment portfolio is a mix of 25% in equity and 75% in debt instrument.

The plan is exposed to interest rate risk, investment risk and salary risk.

The most recent actuarial valuations of the plan liabilities and the present value of the defined benefit obligations were carried out as at 28 February 2015 by an independent qualified professional valuer, Towers Watson Hong Kong Limited, using the projected unit credit actuarial valuation method.

(a) The principal actuarial assumptions used as at the end of the reporting period are as follows:

	2015	2014
	%	%
Discount rate	**1.6**	1.9
Expected rate of salary increase	**4.0**	4.0

NOTES TO FINANCIAL STATEMENTS

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26. PENSION SCHEME LIABILITIES *(continued)*

(b) A quantitative sensitivity analysis for significant assumptions as at the end of the reporting period is shown below:

Group

	Increase in rate %	Increase/ (decrease) in net defined benefit obligations *HK$'000*	Decrease in rate %	Increase/ (decrease) in net defined benefit obligations *HK$'000*
2015				
Discount rate	**0.25**	**(1,358)**	**0.25**	**1,407**
Long-term salary increase rate	**0.25**	**1,350**	**0.25**	**(1,311)**
2014				
Discount rate	0.25	(1,442)	0.25	1,496
Long-term salary increase rate	0.25	1,450	0.25	(1,407)

Company

	Increase in rate %	Increase/ (decrease) in net defined benefit obligations *HK$'000*	Decrease in rate %	Increase/ (decrease) in net defined benefit obligations *HK$'000*
2015				
Discount rate	**0.25**	**(1,314)**	**0.25**	**1,363**
Long-term salary increase rate	**0.25**	**1,318**	**0.25**	**(1,279)**
2014				
Discount rate	0.25	(1,372)	0.25	1,424
Long-term salary increase rate	0.25	1,398	0.25	(1,356)

The sensitivity analysis above has been determined based on a method that extrapolates the impact on defined benefit obligations as a result of reasonable changes in key assumptions occurring at the end of the reporting period.

NOTES TO FINANCIAL STATEMENTS

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26. PENSION SCHEME LIABILITIES *(continued)*

(c) The total expenses recognised in the income statement in respect of the plan are as follows:

	Group		Company	
	2015	2014	**2015**	2014
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Current service cost	**3,787**	4,431	**3,533**	4,164
Interest cost	**139**	164	**154**	172
Administrative expenses paid from the scheme assets	**101**	171	**99**	165
Net benefit expenses	**4,027**	4,766	**3,786**	4,501

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 movements in the present value of the defined benefit obligations are as follows:

	Group		Company	
	2015	2014	**2015**	2014
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
At beginning of year	**78,896**	83,845	**67,958**	72,621
Current service cost	**3,787**	4,431	**3,533**	4,164
Interest cost	**1,479**	1,078	**1,277**	935
Actuarial gains	**(6,783)**	(7,559)	**(5,995)**	(7,211)
Benefit paid	**(19,644)**	(2,899)	**(12,858)**	(2,551)
At end of year	**57,735**	78,896	**53,915**	67,958

NOTES TO FINANCIAL STATEMENTS

28 February 2015

26. PENSION SCHEME LIABILITIES *(continued)*

(e) The movements in the defined benefit obligations and the fair value of plan assets are as follows:

2015

		Pension cost charged to the income statement				Remeasurement gains in other comprehensive income						
	At 1 March 2014 HK$'000	Service cost HK$'000	Net interest expense HK$'000	Sub-total included in the income statement HK$'000	Benefit paid HK$'000	Return on plan assets (excluding amounts included in net interest expense) HK$'000	Actuarial changes arising from changes in demographic assumptions HK$'000	Actuarial changes arising from changes in financial assumptions HK$'000	Experience adjustments HK$'000	Sub-total included in other comprehensive income HK$'000	Contribution by employer HK$'000	At 28 February 2015 HK$'000
Group												
Defined benefit obligations	(78,896)	(3,787)	(1,479)	(5,266)	19,644	–	–	(1,624)	8,407	6,783	–	(57,735)
Fair value of plan assets	70,076	–	1,239*	1,239	(19,644)	2,859	–	–	–	2,859	2,380	56,910
Benefit liability	(8,820)	(3,787)	(240)	(4,027)	–	2,859	–	(1,624)	8,407	9,642	2,380	(825)
Company												
Defined benefit obligations	(67,958)	(3,533)	(1,277)	(4,810)	12,858	–	–	(1,572)	7,567	5,995	–	(53,915)
Fair value of plan assets	58,350	–	1,024*	1,024	(12,858)	2,506	–	–	–	2,506	2,377	51,399
Benefit liability	(9,608)	(3,533)	(253)	(3,786)	–	2,506	–	(1,572)	7,567	8,501	2,377	(2,516)

* Balance included administrative expenses for the Group and the Company of HK$101,000 and HK$99,000, respectively.

NOTES TO FINANCIAL STATEMENTS

28 February 2015

26. PENSION SCHEME LIABILITIES *(continued)*

(e) The movements in the defined benefit obligations and the fair value of plan assets are as follows: *(continued)*

2014

		Pension cost charged to the income statement				Remeasurement gains in other comprehensive income						
	At 1 March 2013	Service cost	Net interest expense	Sub-total included in the income statement	Benefit paid	Return on plan assets (excluding amounts included in net interest expense)	Actuarial changes arising from changes in demographic assumptions	Actuarial changes arising from changes in financial assumptions	Experience adjustments	Sub-total included in other comprehensive income	Contribution by employer	At 28 February 2014
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Group												
Defined benefit obligations	(83,845)	(4,431)	(1,078)	(5,509)	2,899	–	–	3,684	3,875	7,559	–	(78,896)
Fair value of plan assets	70,298	–	743*	743	(2,899)	54	–	–	–	54	1,880	70,076
Benefit liability	(13,547)	(4,431)	(335)	(4,766)	–	54	–	3,684	3,875	7,613	1,880	(8,820)
Company												
Defined benefit obligations	(72,621)	(4,164)	(935)	(5,099)	2,551	–	–	3,508	3,703	7,211	–	(67,958)
Fair value of plan assets	58,468	–	598*	598	(2,551)	42	–	–	–	42	1,793	58,350
Benefit liability	(14,153)	(4,164)	(337)	(4,501)	–	42	–	3,508	3,703	7,253	1,793	(9,608)

* Balance included administrative expenses for the Group and the Company of HK$171,000 and HK$165,000, respectively.

NOTES TO FINANCIAL STATEMENTS

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26. PENSION SCHEME LIABILITIES *(continued)*

(f) The major categories of the fair value of the total plan assets are as follows:

	2015	2014
Equities instruments, quoted in an active market	**25%**	24%
Debt instruments, at quoted prices	**75%**	75%
Cash and cash equivalents	**–**	1%
Total	**100%**	100%

(g) Expected contributions to the defined benefit plan in future years are as follows:

	Group		**Company**	
	2015	2014	**2015**	2014
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Within the next 12 months	**2,268**	2,930	**2,267**	2,926

The average duration of the defined benefit obligations at the end of the reporting period was 9.1 years (2014: 7.4 years).

(h) In addition to the above disclosures, the following information is further provided pursuant to the requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules"):

The Group and the Company have paid contributions to the Scheme at rates as recommended and calculated by the independent actuary, Ms Wing Lui, Fellow of the Society of Actuaries, using the attained age valuation method. The latest ongoing funding valuation and solvency funding valuation were performed as at 1 March 2014, the market value of asset was HK$70,076,000 while the level of funding were 102% and 136%, respectively. Based on the accrued funding status, the Scheme is fully funded. An investment return rate of 4.00% per annum and a salary increase rate of 4.00% per annum were assumed in the valuation.

(i) As at 28 February 2015, the Group and the Company have amounts due from the Scheme of HK$2,877,000 (2014: HK$3,018,000) and HK$347,000 (2014: HK$1,079,000), respectively, which were included in "Prepayments, deposits and other receivables" on the face of the statements of financial position. The balances are unsecured, interest-free and have no fixed terms of repayment.

NOTES TO FINANCIAL STATEMENTS

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27. SHARE CAPITAL

	2015	2014
	HK$'000	*HK$'000*
Authorised: *(note (i))*		
600,000,000 ordinary shares of HK$0.5 each	**–**	300,000
Issued and fully paid: *(note (ii))*		
574,308,000 ordinary shares	**287,180**	287,154

Notes:

(i) Under the Hong Kong Companies Ordinance (Cap. 622), which commenced operation on 3 March 2014, the concept of authorised share capital no longer exists. In accordance with section 135 of the Hong Kong Companies Ordinance (Cap. 622), the Company's shares no longer have a par or nominal value with effect from 3 March 2014. There is no impact on the number of shares in issue or the relative entitlement of any of the members of the Company as a result of this transition.

(ii) In accordance with the transitional provisions set out in section 37 of Schedule 11 to the Hong Kong Companies Ordinance (Cap. 622), on 3 March 2014, any amount standing to the credit of the share premium account has become part of the Company's share capital. Accordingly, the share premium of HK$26,000 was transferred to share capital.

As at 28 February 2015 and 2014, Sincere Life, Sincere I&I and Sincere Perfumery, subsidiaries of the Company, held 183,136,032, 75,608,064 and 1,699,104 ordinary shares in the Company, respectively. Accordingly, 260,443,200 ordinary shares of the Company held by the Company's subsidiaries were recognised in the Group's consolidated financial statements as treasury shares through deduction from equity by HK$130,221,000.

NOTES TO FINANCIAL STATEMENTS

28 February 2015

28. SHARE OPTION SCHEME

On 6 December 2010, the Company adopted a share option scheme (the "Option Scheme"). The following is a summary of the Option Scheme:

1. Purpose

The purpose of the Option Scheme is to provide incentives and/or rewards to participants thereunder for their contribution to the Group and/or to enable the Group to recruit and retain high-calibre employees and attract human resources that are valuable to the Group and any entity in which the Group holds any equity interest ("Invested Entity").

2. Participants

Any person belonging to any of the following classes of persons:

(a) any employee(s) (whether full time or part time employee(s), including any executive director but not any non-executive director) of the Company, its subsidiaries or any Invested Entity ("Eligible Employee(s)");

(b) any non-executive director (including independent non-executive directors) of the Company, any of its subsidiaries or any Invested Entity;

(c) any supplier of goods or services to any member of the Group or any Invested Entity;

(d) any customer of the Group or any Invested Entity;

(e) any person or entity that provides research, development or other technological support to the Group or any Invested Entity; and

(f) any shareholder of any member of the Group or any Invested Entity or any holder of any securities issued by any member of the Group or any Invested Entity.

3. Total number of shares available for issue

(a) The total number of shares which may be issued upon exercise of all options to be granted under the Option Scheme and any other share option schemes of the Company shall not in aggregate exceed 10% of the total number of shares in issue as at the date of approval of the Option Scheme. Options lapsed in accordance with the terms of the Option Scheme or any other share option schemes of the Company will not be counted for the purpose of calculating the 10% limit.

28. SHARE OPTION SCHEME *(continued)*

3. Total number of shares available for issue *(continued)*

(b) The Company may seek approval of the shareholders in a general meeting for refreshing the 10% limit under the Option Scheme save that the total number of shares which may be issued upon exercise of all options to be granted under the Option Scheme and any other share option schemes of the Company under the limit as "refreshed" shall not exceed 10% of the total number of shares in issue as at the date of approval of the limit as "refreshed". Options previously granted under the Option Scheme or any other share option schemes of the Company (including options outstanding, cancelled, lapsed or exercised in accordance with the terms of the Option Scheme or any other share option schemes of the Company) will not be counted for the purpose of calculating the limit as "refreshed".

(c) The maximum number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Option Scheme and any other share option schemes of the Company must not exceed 30% of the total number of shares in issue from time to time.

(d) The total number of the Company's shares in issue as of 28 February 2015 and 28 February 2014 was 574,308,000.

4. Maximum entitlement of each participant

The total number of shares issued and to be issued upon exercise of the options granted to each participant (including both exercised and outstanding options) in any 12-month period shall not exceed 1% of the total number of shares in issue. Where any further grant of options to a participant would result in the total number of shares issued and to be issued upon exercise of all the options granted and to be granted to such person (including exercised, cancelled and outstanding options) in the 12-month period up to and including the date of such further grant representing in aggregate over 1% of the total number of shares in issue, such further grant must be separately approved by the shareholders in a general meeting.

Where any grant of options to a substantial shareholder or an independent non-executive director of the Company, or any of their respective associates, would result in the shares issued and to be issued upon exercise of all options already granted and to be granted (including options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant:

(a) representing in aggregate over 0.1% of shares in issue; and

(b) having an aggregate value, based on the closing price of the shares at the date of each grant, in excess of HK$5,000,000,

such further grant of options must be approved by the shareholders in a general meeting.

NOTES TO FINANCIAL STATEMENTS

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28. SHARE OPTION SCHEME *(continued)*

5. Period within which the shares must be taken up

The board may in its absolute discretion determine and notify to each grantee, save that such period shall not be more than ten years from the offer date subject to the provisions for early termination set out in the Option Scheme and that the board may at its discretion determine the minimum period for which the option has to be held before the exercise of the subscription right attaching thereto.

6. Basis of determining the subscription price

The subscription price in respect of any particular option shall be such price as determined by the board in its absolute discretion at the time of the making of the offer (which shall be stated in the letter containing the offer) but in any case the subscription price shall not be lower than the highest of (i) the closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheet on the offer date, which must be a trading day; (ii) the average closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheets for the five trading days immediately preceding the offer date; and (iii) the nominal value of the Company's shares.

7. Remaining life of the Option Scheme

The Option Scheme will expire on 5 December 2020.

8. Acceptance of the option

The offer of a grant of share options may be accepted within 28 days from the date of offer, upon payment of a nominal consideration of HK$1 in total by the grantee.

NOTES TO FINANCIAL STATEMENTS

28 February 2015

28. SHARE OPTION SCHEME *(continued)*

Set out below are the outstanding share options under the Option Scheme as at 28 February 2015:

	Number of share options							
Name or category of participant	At 1 March 2014	Granted during the year	Cancelled or lapsed during the year	Exercised during the year	At 28 February 2015	Date of grant of share options	Exercise period of share options	Exercise price of share options HK$ per share
Executive directors								
Walter K W Ma*	5,700,000	–	–	–	5,700,000	28 February 2013	28 February 2013 to 27 February 2018	0.82
Philip K H Ma	5,700,000	–	–	–	5,700,000	28 February 2013	28 February 2013 to 27 February 2018	0.82
John Y C Fu	2,280,000	–	–	–	2,280,000	28 February 2013	28 February 2013 to 27 February 2018	0.82
Independent non-executive directors								
King Wing Ma	570,000	–	–	–	570,000	28 February 2013	28 February 2013 to 27 February 2018	0.82
Eric K K Lo	570,000	–	–	–	570,000	28 February 2013	28 February 2013 to 27 February 2018	0.82
Charles M W Chan	570,000	–	–	–	570,000	28 February 2013	28 February 2013 to 27 February 2018	0.82
Peter Tan	570,000	–	–	–	570,000	28 February 2013	28 February 2013 to 27 February 2018	0.82
Other grantees								
Employees in aggregate	3,700,000	–	(570,000)	–	3,130,000	28 February 2013	28 February 2013 to 27 February 2018	0.82
Non-employees in aggregate	2,850,000	–	–	–	2,850,000	28 February 2013	28 February 2013 to 27 February 2018	0.82
	22,510,000	–	(570,000)	–	21,940,000			

* Mr Walter K W Ma passed away on 14 September 2014.

NOTES TO FINANCIAL STATEMENTS

28 February 2015

28. SHARE OPTION SCHEME *(continued)*

Set out below are the outstanding share options under the Option Scheme as at 28 February 2014:

	Number of share options							
Name or category of participant	At 1 March 2013	Granted during the year	Cancelled or lapsed during the year	Exercised during the year	At 28 February 2014	Date of grant of share options	Exercise period of share options	Exercise price of share options HK$ per share
Executive directors								
Walter K W Ma*	5,700,000	–	–	–	5,700,000	28 February 2013	28 February 2013 to 27 February 2018	0.82
Philip K H Ma	5,700,000	–	–	–	5,700,000	28 February 2013	28 February 2013 to 27 February 2018	0.82
John Y C Fu	2,280,000	–	–	–	2,280,000	28 February 2013	28 February 2013 to 27 February 2018	0.82
Independent non-executive directors								
King Wing Ma	570,000	–	–	–	570,000	28 February 2013	28 February 2013 to 27 February 2018	0.82
Eric K K Lo	570,000	–	–	–	570,000	28 February 2013	28 February 2013 to 27 February 2018	0.82
Charles M W Chan	570,000	–	–	–	570,000	28 February 2013	28 February 2013 to 27 February 2018	0.82
Peter Tan	570,000	–	–	–	570,000	28 February 2013	28 February 2013 to 27 February 2018	0.82
Other grantees								
Employees in aggregate	3,700,000	–	–	–	3,700,000	28 February 2013	28 February 2013 to 27 February 2018	0.82
Non-employees in aggregate	2,850,000	–	–	–	2,850,000	28 February 2013	28 February 2013 to 27 February 2018	0.82
	22,510,000	–	–	–	22,510,000			

* Mr Walter K W Ma passed away on 14 September 2014.

28. SHARE OPTION SCHEME *(continued)*

For the year ended 28 February 2013, 22,510,000 share options were granted and their fair value was estimated at HK$5,754,000 (HK$0.2556 each). The Company recognised a share option expense of HK$5,754,000 during the year ended 28 February 2013.

The fair value of equity-settled share options granted was estimated as at the date of grant, using a binomial model, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used:

Dividend yield (%)	0
Expected volatility (%)	75
Risk-free interest rate (%)	0.524
Expected life of options (years)	5
Exit rate (%)	0
Weighted average share price (HK$ per share)	0.82

The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome. The exit rate is based on the historical data on staff/director turnover rates.

No other feature of the options granted was incorporated into the measurement of fair value. Share option expenses for the share options granted to non-employees were stated at the fair value of equity-settled share options granted as the directors of the Company considered that the fair value of services received from non-employees cannot be reliably measured.

The following share options were outstanding under the Option Scheme during the year:

	2015		2014	
	Weighted average exercise price HK$ per share	**Number of options**	Weighted average exercise price HK$ per share	Number of options
At beginning of year	**0.82**	**22,510,000**	0.82	22,510,000
Lapsed during the year	**0.82**	**(570,000)**	–	–
At end of year	**0.82**	**21,940,000**	0.82	22,510,000

No share options were granted, cancelled and exercised during the year.

At the end of the reporting period, the Company had 21,940,000 share options outstanding under the Option Scheme. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 21,940,000 additional ordinary shares of the Company and additional share capital of HK$17,991,000 (before issue expenses).

Subsequent to the end of the reporting period and at the date of approval of these financial statements, the Company had 21,940,000 share options outstanding under the Option Scheme, which represented approximately 3.8% of the Company's shares in issue as at that date.

NOTES TO FINANCIAL STATEMENTS

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29. RESERVES

(a) Group

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

(b) Company

	General reserve *HK$'000*	Share option reserve *HK$'000*	Retained profits/ (accumulated loss) *HK$'000*	Total *HK$'000*
At 1 March 2013	46,613	5,754	140,130	192,497
Loss for the year	–	–	(119,981)	(119,981)
Other comprehensive income for the year:				
Actuarial gains on a defined benefit plan	–	–	7,253	7,253
Total comprehensive loss for the year	–	–	(112,728)	(112,728)
Final 2013 dividend paid *(note 10)*	–	–	(8,615)	(8,615)
At 28 February 2014	46,613	5,754	18,787	71,154
At 1 March 2014	**46,613**	**5,754**	**18,787**	**71,154**
Loss for the year	**–**	**–**	**(135,429)**	**(135,429)**
Other comprehensive income for the year:				
Actuarial gains on a defined benefit plan	**–**	**–**	**8,501**	**8,501**
Total comprehensive loss for the year	**–**	**–**	**(126,928)**	**(126,928)**
Transfer of share option reserve upon the lapse of share options	**–**	**(146)**	**146**	**–**
At 28 February 2015	**46,613**	**5,608**	**(107,995)**	**(55,774)**

The loss of HK$135,429,000 (2014: HK$119,981,000) for the year ended 28 February 2015 included loan interest income and other income of HK$17,619,000 (2014: HK$17,666,000) from subsidiaries of the Company and impairment of interests in subsidiaries of HK$7,984,000 (2014: HK$52,944,000).

NOTES TO FINANCIAL STATEMENTS

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

Directors' and chief executive's remuneration for the year, disclosed pursuant to the Listing Rules and section 78 of Schedule 11 to the Hong Kong Companies Ordinance (Cap. 622), with reference to section 161 of the predecessor Hong Kong Companies Ordinance (Cap. 32), is as follows:

	Executive directors						Independent non-executive directors								Total	
	Walter K W Ma*		Philip K H Ma#		John Y C Fu		King Wing Ma		Eric K K Lo		Charles M W Chan		Peter Tan			
	2015	2014	**2015**	2014	**2015**	2014	**2015**	2014	**2015**	2014	**2015**	2014	**2015**	2014	**2015**	2014
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Fees	**1,876**	1,876	**1,870**	1,519	**598**	110	**110**	110	**182**	182	**110**	110	**110**	110	**4,856**	4,017
Salaries, allowances and other benefits	**5,098**	9,756	**11,949**	9,320	**1,931**	2,028	**50**	50	**50**	50	**50**	50	**50**	50	**19,178**	21,304
Pension contributions including pension cost for a defined benefit plan of HK$567,000 (2014: HK$337,000)	**–**	–	**417**	241	**150**	96	**–**	–	**–**	–	**–**	–	**–**	–	**567**	337
	6,974	11,632	**14,236**	11,080	**2,679**	2,234	**160**	160	**232**	232	**160**	160	**160**	160	**24,601**	25,658

There were no other emoluments payable to the independent non-executive directors during the year (2014: Nil).

* Mr Walter K W Ma passed away on 14 September 2014.

Mr Philip K H Ma is also the chief executive of the Company.

NOTES TO FINANCIAL STATEMENTS

28 February 2015

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

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

The five highest paid individuals included three (2014: three) directors of the Company and their remuneration are included in the directors' and chief executive's remuneration above. The remuneration of the remaining two (2014: two) highest paid individuals, analysed by nature thereof and designated band, is set out below:

	Group	
	2015	2014
	HK$'000	*HK$'000*
Salaries and allowances	**4,256**	4,423
Pension contributions	**17**	15
	4,273	4,438

	Number of individuals	
	2015	2014
Nil – HK$1,000,000	**–**	–
HK$1,000,001 – HK$1,500,000	**–**	–
HK$1,500,001 – HK$2,000,000	**1**	1
HK$2,000,001 – HK$2,500,000	**–**	–
HK$2,500,001 – HK$3,000,000	**1**	1
HK$3,000,001 – HK$3,500,000	**–**	–

NOTES TO FINANCIAL STATEMENTS

28 February 2015

31. DISPOSAL OF A SUBSIDIARY

Disposal of 東莞卓譽

	Note	2015 HK$'000	2014 HK$'000
Net assets disposed of:			
Prepayments, deposits and other receivables		–	98
Realisation of exchange fluctuation reserve		–	325
		–	423
Loss on disposal	5	–	(423)
Satisfied by:			
Cash – consideration of RMB2 (equivalent to HK$3))		–	–

32. PLEDGE OF ASSETS

Details of the Group's and the Company's interest-bearing bank borrowings, which are secured by the assets of the Group and the Company, are included in notes 12, 18 and 22 to the financial statements.

NOTES TO FINANCIAL STATEMENTS

28 February 2015

33. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group and the Company sublease certain premises under operating lease arrangements, with leases negotiated for terms ranging from one to six years.

At the end of the reporting period, 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	
	2015	2014	**2015**	2014
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Within one year	**2,676**	2,676	**2,676**	2,676
In the second to fifth years, inclusive	**2,676**	5,352	**2,676**	5,352
	5,352	8,028	**5,352**	8,028

During the year, the Group and the Company did not receive any contingent rent (2014: Nil).

(b) As lessee

The Group and the Company lease certain of their land and buildings under operating lease arrangements, with leases negotiated for terms ranging from one to nine years.

At the end of the reporting period, the Group and the Company had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group		Company	
	2015	2014	**2015**	2014
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Within one year	**136,997**	139,576	**115,028**	117,723
In the second to fifth years, inclusive	**369,194**	421,277	**347,459**	379,855
After five years	**192,132**	274,764	**192,132**	274,764
	698,323	835,617	**654,619**	772,342

Certain non-cancellable operating leases of the Group and the Company included above were subject to contingent rent payments, which were charged at 8% to 9% (2014: 7.5% to 11%) of the gross sales attributable to the leased premises in excess of the base rents as determined in accordance with the lease agreements.

NOTES TO FINANCIAL STATEMENTS

28 February 2015

34. OUTSTANDING COMMITMENTS

Outstanding commitments at the end of the reporting period were as follows:

	Group		Company	
	2015	2014	**2015**	2014
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Irrevocable letters of credit	**9,084**	14,003	**9,084**	14,003
Capital commitments in respect of its investments in the PRC:				
Authorised but not contracted for	**36,990**	37,950	**36,990**	37,950
Contracted for	**1,136**	1,165	**–**	–
	38,126	39,115	**36,990**	37,950
Other commitments in respect of property, plant and equipment:				
Contracted for	**790**	–	**790**	–

35. CONTINGENT LIABILITIES

As at 28 February 2015, the Company provided guarantees to banks in connection with banking facilities of HK$49,799,000 (2014: HK$39,991,000) granted to its subsidiaries, of which approximately HK$6,842,000 (2014: HK$6,842,000) was utilised.

NOTES TO FINANCIAL STATEMENTS

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36. RELATED PARTY TRANSACTIONS

(a) In addition to the transactions disclosed elsewhere in these financial statements, the Group had the following material transaction with a related party during the year:

	2015 HK$'000	2014 HK$'000
Interest income from a joint venture	1,438	981

The balance represented interest income arising from the loan to a joint venture, which bore interest at 8% (2014: 8%) per annum.

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

	2015 HK$'000	2014 HK$'000
Short term employee benefits	30,193	30,725
Post-employment benefits, including pension cost for a defined benefit plan of HK$567,000 (2014: HK$384,000)	588	399
Total compensation paid to key management personnel	30,781	31,124

Further details of directors' and the chief executive's emoluments are included in note 30 to the financial statements.

37. NOTE TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

Major non-cash transaction

Reinstatement cost of HK$8,920,000 for the premises under lease arrangement, which was capitalised as an item of property, plant and equipment, was included in "Deposits, accrued expenses and other payables" as at 28 February 2014.

38. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

Group

Financial assets

	2015			
	Financial assets at fair value through profit or loss held for trading *HK$'000*	Loans and receivables *HK$'000*	Available-for-sale financial assets *HK$'000*	Total *HK$'000*
Financial instruments	–	–	26,326	26,326
Debtors	–	49	–	49
Financial assets included in prepayments, deposits and other receivables	–	52,972	–	52,972
Financial assets at fair value through profit or loss	255,118	–	–	255,118
Derivative financial instruments	461	–	–	461
Pledged bank balances	–	58,523	–	58,523
Pledged deposits with banks	–	383,000	–	383,000
Cash and bank balances	–	82,029	–	82,029
	255,579	576,573	26,326	858,478

Financial liabilities

	2015		
	Financial liabilities at fair value through profit or loss held for trading *HK$'000*	Financial liabilities at amortised cost *HK$'000*	Total *HK$'000*
Creditors	–	68,922	68,922
Provision for claims of life insurance	–	128	128
Financial liabilities included in deposits, accrued expenses and other payables	–	85,595	85,595
Interest-bearing bank borrowings	–	379,238	379,238
Other loans	–	2,959	2,959
	–	536,842	536,842

NOTES TO FINANCIAL STATEMENTS

28 February 2015

38. FINANCIAL INSTRUMENTS BY CATEGORY *(continued)*

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows: *(continued)*

Group

Financial assets

	2014			
	Financial assets at fair value through profit or loss held for trading *HK$'000*	Loans and receivables *HK$'000*	Available-for-sale financial assets *HK$'000*	Total *HK$'000*
Financial instruments	–	–	26,326	26,326
Loan to a joint venture	–	23,119	–	23,119
Due from a joint venture	–	1,053	–	1,053
Debtors	–	312	–	312
Financial assets included in prepayments, deposits and other receivables	–	47,823	–	47,823
Financial assets at fair value through profit or loss	312,044	–	–	312,044
Pledged bank balances	–	30,571	–	30,571
Pledged deposits with banks	–	180,002	–	180,002
Cash and bank balances	–	233,857	–	233,857
	312,044	516,737	26,326	855,107

Financial liabilities

	2014		
	Financial liabilities at fair value through profit or loss held for trading *HK$'000*	Financial liabilities at amortised cost *HK$'000*	Total *HK$'000*
Creditors	–	73,023	73,023
Provision for claims of life insurance	–	128	128
Financial liabilities included in deposits, accrued expenses and other payables	–	89,138	89,138
Derivative financial instruments	439	–	439
Interest-bearing bank borrowings	–	258,910	258,910
Other loans	–	2,902	2,902
	439	424,101	424,540

NOTES TO FINANCIAL STATEMENTS

28 February 2015

38. FINANCIAL INSTRUMENTS BY CATEGORY *(continued)*

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows: *(continued)*

Company

Financial assets

	2015 Loans and receivables HK$'000	2015 Available-for-sale financial assets HK$'000	2015 Total HK$'000	2014 Loans and receivables HK$'000	2014 Available-for-sale financial assets HK$'000	2014 Total HK$'000
Due from subsidiaries	**537,346**	**–**	**537,346**	562,519	–	562,519
Financial instruments	**–**	**10,051**	**10,051**	–	10,051	10,051
Financial assets included in prepayments, deposits and other receivables	**40,233**	**–**	**40,233**	39,466	–	39,466
Pledged deposits with banks	**63,019**	**–**	**63,019**	63,200	–	63,200
Cash and bank balances	**25,646**	**–**	**25,646**	27,669	–	27,669
	666,244	**10,051**	**676,295**	692,854	10,051	702,905

Financial liabilities

	2015 Financial liabilities at amortised cost HK$'000	2014 Financial liabilities at amortised cost HK$'000
Creditors	**68,897**	73,012
Due to subsidiaries	**136,510**	131,148
Financial liabilities included in deposits, accrued expenses and other payables	**69,770**	72,105
Interest-bearing bank borrowings	**308,751**	223,144
	583,928	499,409

NOTES TO FINANCIAL STATEMENTS

28 February 2015

39. FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets/(liabilities) measured at fair value:

2015

	Fair value measurement using		
	Quoted prices in active markets (Level 1)	**Significant observable inputs (Level 2)**	**Total**
	HK$'000	***HK$'000***	***HK$'000***
Financial assets at fair value through profit or loss	**147,343**	**107,775**	**255,118**
Derivative financial instruments	**–**	**461**	**461**
	147,343	**108,236**	**255,579**

2014

	Fair value measurement using		
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Total
	HK$'000	*HK$'000*	*HK$'000*
Financial assets at fair value through profit or loss	202,892	109,152	312,044
Derivative financial instruments	–	(439)	(439)
	202,892	108,713	311,605

As at 28 February 2015 and 28 February 2014, the Group had no financial instruments measured at fair value under Level 3 for both financial assets and financial liabilities.

During the years ended 28 February 2015 and 28 February 2014, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities.

NOTES TO FINANCIAL STATEMENTS

28 February 2015

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments, other than derivatives, comprise interest-bearing bank borrowings, pledged deposits with banks, pledged bank balances and cash and bank balances. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as debtors, creditors and other loans, which arise directly from its operations.

The Group also enters into derivative transactions, including forward currency contract and interest rate swap contract. The purpose of such contracts is to manage the interest rate and currency risks arising from the Group's operations and its sources of finance.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk, liquidity risk and market risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below. The Group's accounting policies in relation to derivatives are set out in note 2.4 to the financial statements.

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's bank borrowings and overdrafts with floating interest rates.

The Group regularly reviews and monitors the mix of fixed and floating interest rate borrowings in order to manage its interest rate risk. Floating rate interest income and expenses are credited/charged to the income statement as earned/incurred.

The Group's policy to manage its interest rate risk is to reduce or maintain its current level of interest-bearing borrowings.

At the end of the reporting period, a hypothetical 100-basis point increase/decrease in interest rates on the bank borrowings, that are carried at variable rates would increase/decrease the interest expense as follows:

Group	**2015** ***HK$'000***	2014 *HK$'000*
Increase/decrease in interest expense	**3,792**	2,589

Company	**2015** ***HK$'000***	2014 *HK$'000*
Increase/decrease in interest expense	**3,088**	2,231

NOTES TO FINANCIAL STATEMENTS

28 February 2015

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Foreign currency risk

The Group has transactional currency exposures. Such exposures arise from sales or purchases by operating units in currencies other than the unit's functional currency. Also, the value of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group has a foreign currency hedging policy on Euro for the purchase of inventories, which is to hedge 50% of the anticipated total value of European purchases of inventories of the following season. Given that the Hong Kong dollars is pegged to the United States dollars ("US$"), management does not expect that the Group has significant foreign exchange exposure to US$, hence the Group has no hedging policy on US$.

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the Euro and Renminbi exchange rates, with all other variables held constant, of the Group's loss before tax, in respect of the financial assets at fair value through profit or loss based on their carrying amounts at the end of the reporting period.

Group	**Increase/ (decrease) in exchange rate** **%**	**Increase/ (decrease) in loss before tax** ***HK$'000***
2015		
Investments denominated in and investments linked to a currency denominated in:		
Euro	**5**	**(742)**
	(5)	**742**
Renminbi	**5**	**(231)**
	(5)	**231**

	Increase/ (decrease) in exchange rate %	Increase/ (decrease) in loss before tax *HK$'000*
2014		
Investments denominated in and investments linked to a currency denominated in:		
Euro	5	(684)
	(5)	684
Renminbi	5	(404)
	(5)	404

NOTES TO FINANCIAL STATEMENTS

28 February 2015

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Credit risk

The credit risk of the Group's financial assets, which comprise pledged deposits with banks, pledged bank balances, cash and bank balances, financial assets at fair value through profit or loss, available-for-sale investments, derivative financial instruments and other receivables, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments. The Group trades only with recognised and creditworthy third parties, there is no requirement for collateral. Receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

Liquidity risk

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial instruments and financial assets and projected cash flows from operations.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts and bank loans to ensure that the Group maintains sufficient cash to meet its liquidity requirements.

The maturity profile of the financial liabilities, as at the end of the reporting period, based on the contractual undiscounted payments, was as follows:

Group

	2015		
	On demand or within 1 year	More than 1 year	Total
	HK$'000	*HK$'000*	*HK$'000*
Creditors	68,922	–	68,922
Provision for claims of life insurance	128	–	128
Deposits, accrued expenses and other payables	42,315	43,280	85,595
Interest-bearing bank borrowings	368,229	11,009	379,238
Other loans	1,954	1,005	2,959
	481,548	55,294	536,842

NOTES TO FINANCIAL STATEMENTS
28 February 2015

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Liquidity risk *(continued)*

The maturity profile of the financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, was as follows: *(continued)*

Group

	2014		
	On demand or within 1 year *HK$'000*	More than 1 year *HK$'000*	Total *HK$'000*
Creditors	73,023	–	73,023
Provision for claims of life insurance	128	–	128
Deposits, accrued expenses and other payables	51,310	37,828	89,138
Derivative financial instruments	439	–	439
Interest-bearing bank borrowings	237,874	21,036	258,910
Other loans	1,916	986	2,902
	364,690	59,850	424,540

Company

	2015		
	On demand or within 1 year ***HK$'000***	**More than 1 year** ***HK$'000***	**Total** ***HK$'000***
Creditors	**68,897**	**–**	**68,897**
Deposits, accrued expenses and other payables	**26,490**	**43,280**	**69,770**
Due to subsidiaries	**–**	**136,510**	**136,510**
Interest-bearing bank borrowings	**297,742**	**11,009**	**308,751**
Financial guarantees to banks in connection with banking facilities utilised by its subsidiaries	**6,842**	**–**	**6,842**
	399,971	**190,799**	**590,770**

NOTES TO FINANCIAL STATEMENTS
28 February 2015

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Liquidity risk *(continued)*

Company

	2014		
	On demand or within 1 year *HK$'000*	More than 1 year *HK$'000*	Total *HK$'000*
Creditors	73,012	–	73,012
Deposits, accrued expenses and other payables	34,277	37,828	72,105
Due to subsidiaries	–	131,148	131,148
Interest-bearing bank borrowings	202,108	21,036	223,144
Financial guarantees to banks in connection with banking facilities utilised by its subsidiaries	6,842	–	6,842
	316,239	190,012	506,251

Market risk

Market risk is the risk that the fair values of investments held for trading decrease as a result of changes in the levels of equity indices and the value of individual securities. The Group was exposed to market risk arising from individual investments classified as held for trading (note 18) as at 28 February 2015.

The following table demonstrates the sensitivity to every 10% change in the fair values of the financial assets with all other variables held constant and before any impact on tax, based on their carrying amounts at the end of the reporting period.

Group	**2015** ***HK$'000***	2014 *HK$'000*
Investments in:		
Hong Kong	**7,892**	10,595
Others	**17,620**	20,609

NOTES TO FINANCIAL STATEMENTS

28 February 2015

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Insurance risk management

The risk under an insurance contract is the risk that an insured event will occur including the uncertainty of the amount and timing of any resulting claim. The principal risk the Group faces under such contracts is that the actual claims and benefit payments may exceed the carrying amount of insurance liabilities. This is influenced by the frequency of claims, severity of claims, actual benefits paid which are greater than originally estimated and subsequent development of long tail claims. As at the end of the reporting period, no other claims and benefit payments of life and general insurances were unsettled.

Capital management

The Group manages its capital to ensure that the Group will be able to continue as a going concern while maximising the return to the equity holders through the optimisation of the debt and equity balance.

The capital structure of the Group consists of cash and bank balances, interest-bearing bank borrowings and equity attributable to equity holders of the Company, comprising share capital and reserves. The Group monitors capital on the basis of the gearing ratio. This ratio is calculated based on total interest-bearing bank borrowings and total equity attributable to equity holders of the Company.

The gearing ratio as at the end of the reporting period was as follows:

	2015 ***HK$'000***	2014 *HK$'000*
Total interest-bearing bank borrowings	**379,238**	258,910
Total equity attributable to equity holders of the Company	**419,607**	541,947
Gearing ratio	**90%**	48%

41. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 28 May 2015.

FIVE-YEAR FINANCIAL SUMMARY

28 February 2015

The consolidated results, assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the published audited financial statements are summarised below.

	Years ended 28/29 February				
	2015	2014	2013	2012	2011
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
RESULTS					
CONTINUING OPERATIONS					
REVENUE	**370,333**	444,113	498,066	580,716	522,495
PROFIT/(LOSS) BEFORE TAX	**(126,206)**	(85,741)	23,785	(4,908)	15,338
INCOME TAX EXPENSE	**(37)**	(325)	(447)	(338)	(890)
PROFIT/(LOSS) FOR THE YEAR FROM CONTINUING OPERATIONS	**(126,243)**	(86,066)	23,338	(5,246)	14,448
DISCONTINUED OPERATION					
Profit/(loss) for the year from the discontinued operation	**–**	–	49,849	(3,971)	(3,271)
PROFIT/(LOSS) FOR THE YEAR	**(126,243)**	(86,066)	73,187	(9,217)	11,177
Attributable to:					
Equity holders of the Company	**(122,567)**	(85,068)	64,344	(7,218)	18,264
Non-controlling interests	**(3,676)**	(998)	8,843	(1,999)	(7,087)
	(126,243)	(86,066)	73,187	(9,217)	11,177

FIVE-YEAR FINANCIAL SUMMARY

28 February 2015

	As at 28/29 February				
	2015	2014	2013	2012	2011
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS					
PROPERTY, PLANT AND EQUIPMENT	**97,205**	116,471	72,783	81,806	77,182
INTERESTS IN ASSOCIATES	**–**	–	–	–	974
OTHER NON-CURRENT ASSETS	**62,217**	62,258	52,715	183,956	170,896
NET CURRENT ASSETS	**376,090**	494,318	587,175	412,386	440,757
NON-CURRENT LIABILITIES	**(56,119)**	(68,670)	(29,710)	(36,462)	(23,310)
NON-CONTROLLING INTERESTS	**(59,786)**	(62,430)	(62,198)	(51,457)	(54,006)
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY	**419,607**	541,947	620,765	590,229	612,493