



**sincere**先施

The Sincere Company, Limited

Stock code: 244

**Annual Report**  
**2016-17**

# Contents

	<i>Pages</i>
<i>CORPORATE INFORMATION</i>	2
<i>NOTICE OF ANNUAL GENERAL MEETING</i>	3-6
<i>MISSION STATEMENT</i>	7
<i>CHAIRMAN &amp; CEO'S REVIEW OF OPERATIONS</i>	8-11
<i>CORPORATE GOVERNANCE REPORT</i>	12-21
<i>REPORT OF THE DIRECTORS</i>	22-29
<i>BIOGRAPHIES OF DIRECTORS AND SENIOR EXECUTIVES</i>	30-31
<i>ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT</i>	32-41
<i>INDEPENDENT AUDITOR'S REPORT</i>	42-47
<i>AUDITED FINANCIAL STATEMENTS</i>	
<i>Consolidated:</i>	
<i>Income statement</i>	48
<i>Statement of comprehensive income</i>	49
<i>Statement of financial position</i>	50-51
<i>Statement of changes in equity</i>	52
<i>Statement of cash flows</i>	53-54
<i>Notes to financial statements</i>	55-130
<i>FIVE-YEAR FINANCIAL SUMMARY</i>	131-132

## CORPORATE INFORMATION

### REGISTERED OFFICE

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

### AUDITOR

Ernst & Young

### SOLICITOR

Anthony Siu & Co

### PRINCIPAL BANKERS

Citibank N.A.  
DBS Bank (Hong Kong) Limited  
Hang Seng Bank 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

Philip K H MA (*Chairman & CEO*)  
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  
Lawrence C H MAK  
Eileen H Y MA

### COMPANY SECRETARY

Ada S P CHEUNG

### WEBSITE

*Company:* [www.sincere.com.hk](http://www.sincere.com.hk)

*Financial information:*

[www.irasia.com/listco/hk/sincere/index.htm](http://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 Pacific Room, 2/F, Island Pacific Hotel, 152 Connaught Road West, Hong Kong on 4 August 2017 at 10:00 a.m. for the following purposes:

1. To receive and consider the audited financial statements and the Reports of the Directors and Independent Auditor for the year ended 28 February 2017.
2.
  - (a) To re-elect Mr Ma King Huen Philip as Chairman and Chief Executive Officer of the Company.
  - (b) To re-elect Mr Chan Man Wai Charles as Independent Non-Executive Director of the Company.
  - (c) To authorise the Board of Directors to fix the Directors' remuneration.
3. To re-appoint Ernst & Young as independent auditor and to authorise the Board of Directors to fix their remuneration.
4. To consider and, if thought fit, pass with or without amendments, the following resolutions 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 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 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.”

7. To consider and, if thought fit, pass with or without amendments, the following resolution as a special resolution:

**“THAT** the Company’s new Articles of Association, a copy of which has been produced to the meeting marked “A” and initialled by the Chairman for the purpose of identification, be and are hereby approved and adopted as the Articles of Association of the Company in substitution for and to the exclusion of the Articles of Association of the Company in force immediately before the passing of this special resolution and THAT any Director or the Company Secretary of the Company be and is hereby authorised to do all things necessary to effect and record the adoption of the Company’s new Articles of Association.”

By order of the Board  
**Ada S P CHEUNG**  
*Company Secretary*

Hong Kong, 22 June 2017

## NOTICE OF ANNUAL GENERAL MEETING

### Notes:

1. For determining the entitlement to attend and vote at the Annual General Meeting to be held on Friday, 4th August 2017, the register of members of the Company will be closed from Monday, 31st July 2017 to Friday 4th August, 2017, both days inclusive, during which period no transfer of shares will be registered. In order to be eligible to attend and vote at the Annual General Meeting, all transfers accompanied by the relevant share certificates must be lodged with the Company's share registrar Tricor Tengis Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong no later than 4:30 p.m. on Friday, 28th July 2017.
2. 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.
3. 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.
4. 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.
5. 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.
6. 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.
7. Concerning item 7 above, the special resolution is mainly to bring the existing Articles of Association in line with the Companies Ordinance as well as to modernise and update the Articles of Association of the Company.
8. A circular containing further details in respect of the above items 2 and 4 to 7 will be sent to members together with the 2016/17 Annual Report.
9. 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 (the “Board”) of The Sincere Company, Limited, I would like to present shareholders with the Annual Report for the year ended 28 February 2017.*

**Philip K H MA**  
Chairman & CEO

### RESULTS

It was a challenging year for Hong Kong’s retail sector, as reported by the Census and Statistics Department, with Hong Kong continuing to record a slump in sales. Our retail stores, however, showed some improvements, courtesy of major savings in operational expenses. With regards to securities investments, the global market has been volatile but was positive at the end of the financial year. This reversed the substantial mark-to-market security losses suffered in the previous year. Overall, the Group has improved its performance for the year under review.

The Group’s total revenue was HK\$375 million during the year; representing a 2% drop from last year. In core department store operations, we succeeded in trimming down a number of expenses – in particular store rentals through landlord negotiations – that have reduced losses. With positive securities trading results, the loss attributable to equity holders was HK\$93 million, representing a substantial reduction of HK\$89 million or 49% improvements on last year.

# CHAIRMAN & CEO'S REVIEW OF OPERATIONS

## LIQUIDITY AND FINANCIAL RESOURCES

At 28 February 2017, the Group had cash and bank balances of HK\$146 million (2016: HK\$180 million), of which HK\$115 million (2016: HK\$136 million) were pledged. The Group's gearing increased from 43% to 95% in total debt to the shareholders' fund in comparison to last year. The interest expense charged to the consolidated income statement for the year was HK\$3 million (2016: HK\$6 million). The interest-bearing bank borrowings of the Group as of 28 February 2017 were HK\$142 million (2016: HK\$100 million), of which HK\$140 million (2016: HK\$93 million) was repayable within one year, while the remaining balance was repayable within the second and fifth years. The bank borrowings were largely in Hong Kong dollars, with interest rates ranging from 1.4% to 5.0% per annum. The current ratio was 1.7 (2016: 2.1). The above decrease in cash and increase in bank borrowings and gearing were used to support normal operations at department stores.

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

## EMPLOYEES AND REMUNERATION POLICIES

At 28 February 2017, the Group had 377 employees (2016: 392), including part-time staff. The Group operates various remuneration schemes for sales and non-sales employees to motivate front-line and back-office staff towards achieving higher sales and operating efficiencies. Besides basic salary and discretionary bonuses based on individual merit, sales personnel are further remunerated on the basis of goal-oriented packages, comprising several sales commission schemes. The Group provides employee benefits such as employee stock options, staff purchase discounts, subsidised medical care and training courses.

## DIVIDENDS

The Board does not recommend the payment of a dividend for the financial year ended 28 February 2017.

## BUSINESS REVIEW

### DEPARTMENT STORE OPERATION

The Census and Statistics Department reported that general retail sales in Hong Kong have deteriorated further, with an annual drop of 4% in the department stores category since March 2016. This was due to inbound tourists' lower spending and a volatile local and global stock market that weakened consumers' buying sentiments. For the Group, the first three quarters of the year started strong with positive growth, but due to an unseasonably warm winter and resulting quiet end-of-year sales period, the fourth quarter finished poorly. The Group's core department store operations delivered revenues of HK\$368 million or a drop of 4% (2016: HK\$384 million). The management team has focused both on attracting new customers and increasing visits and purchase frequency from existing customers. This was supported by new Customers Relationship Management applications (CRM) launched at the end of the year with segmented digital marketing capabilities. Due to the unfavorable macro environment, there were also more developed promotional campaigns and theme fairs, etc. during the year. A new stamp redemption programme was introduced in the middle of the year, rewarding consumers with various luggage, bedding and household items based on certain purchasing criteria.

## CHAIRMAN & CEO'S REVIEW OF OPERATIONS

During the year under review, we have suffered the departure of various counters due to their evolving internal business directions. To compensate, we expanded our range of items, such as imported men's shoes from Japan, and introduced high-value branded products including furs and crocodile-skin accessories.

Over the year, the department store segment generated a decreased loss of HK\$90 million, representing HK\$43 million or 32% improvement on last year. Reduction in losses were primarily derived from successful rental contraction negotiations with landlords and stringent cost controls on various aspects.

### **Shamshuipo Dragon Centre Store**

Revenue was similar but gross profit margins were down on last year. We opened a show window on the first floor, creating a significantly larger promotional area that attracted increased traffic and created a more accessible shopping experience for customers. The aforementioned stamp redemption programme was very well received, although overall margins for this store dropped slightly.

### **Tsuen Wan Citywalk Store**

This was a similar story here as revenues increased marginally while gross profit margins declined from last year. Themed promotions, including bedding, sports and hard goods, etc. were well received in this store, even in the face of keen competition, with the opening of two branded department stores nearby.

### **Yau Tong Domain Store**

Revenue went up marginally but gross profit margins were down on last year. Domain Mall was fully let with several new outlet shops, attracting a younger customer base. We have introduced Korean men's apparel and more outdoor apparel to continue to drive younger shoppers to the complex.

### **Sincere MK Store**

This store continued to be the worst performing store. Foot traffic, sales and margins continue to decline despite major programmes to revamp the business. Several important counters have also left the store. Management is working to revitalise both the product lines and products displayed on different floors for better space utilisation and freshness, including placing popular photo stations in the basement to attract more traffic.

### **Central Li Po Chun Store**

There was a drop in both sales and margins for this store. Over the course of the year, we updated the product selection to compliment existing high-value offerings; these included a new jade counter, new crocodile-skin handbags and accessories, and furs, all of which were well received.

### **Sincere CWB Store**

Revenue went up marginally but traffic continued to be a major problem here. Management rezoned several sectors to give the space a fresh look and improve its external image. We also hosted VIP events at the store to increase exposure.

## CHAIRMAN & CEO'S REVIEW OF OPERATIONS

### SECURITIES TRADING OPERATION

On securities trading, the global market was volatile until towards the end of the year under review, when positive sentiment with regards to economic reform by the incoming US president showed signs of gradual economic recovery. Global indexes at the end of the year closed at a higher level. This reversed the mark-to-market securities losses suffered in the previous year, and accounted for a segment gain of more than HK\$3 million as opposed to substantial losses of over HK\$31 million in the previous year.

### PROSPECTS

For the year ahead, prospects for Hong Kong's retail industry continue to be gloomy. However, we will continue to work hard to sharpen up our management teams, generate additional revenue and cut operating expenses and overheads. We will provide a better shopping environment for our customers with a contemporary feel, excellent value products and exceptional services.

Our focus will be on store layouts and merchandising mix. We will implement new zoning plans so that customers can easily find what they desire. We will source new products, enrich collections, focus on new styles and values, and improve the inventory management system. We will further utilise our new CRM to better serve our customers.

We are confident a new look 'Sincere' will result in better results on the department store front.

### 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.

**Philip K H Ma**  
*Chairman & CEO*

29 May 2017

## 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 2017, 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 and A.6.7 which deviations are explained in the relevant paragraphs of this Corporate Governance 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 of the Company (the “Directors”) and the Directors have confirmed that they have complied with the Model Code throughout the year ended 28 February 2017.

### 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 30 to 31 of this annual report for the year ended 28 February 2017.

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 judgment.

## CORPORATE GOVERNANCE REPORT

### BOARD OF DIRECTORS *(continued)*

The Board held five board meetings and a general meeting in year 2016/17. The following table shows the attendance of Directors at meetings during the year:

Directors	General Meeting attended/held	Board Meetings attended/held
<i>Executive Directors</i>		
Mr Philip K H Ma ( <i>Chairman &amp; CEO</i> )	1/1	5/5
Mr John Y C Fu ( <i>Executive Director &amp; CFO</i> )	1/1	5/5
<i>Independent Non-Executive Directors</i>		
Mr King Wing Ma	1/1	5/5
Mr Charles M W Chan	0/1 <sup>+</sup>	4/5
Mr Eric K K Lo	1/1	4/5
Mr Peter Tan	0/1 <sup>+</sup>	2/5

<sup>+</sup> Pursuant to code provision A.6.7 of the CG Code that independent non-executive directors and chairman of the board should also attend general meeting. Mr Charles M W Chan and Mr Peter Tan, both are Independent Non-Executive Directors of the Company did not attend the general meeting of the Company due to business arrangement.

Apart from regular Board meetings, the Chairman also held meetings with the Independent Non-Executive Directors without the presence of Executive Director 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, being the Chairman and Chief Executive Officer of the Company, 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 should be appointed for a specific term, subject to re-election. 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 of the Company 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 2017, 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:

<b>Directors</b>	<b>Training on corporate governance, regulatory development and other relevant topics</b>
<i>Executive Directors</i>	
Mr Philip K H Ma	✓
Mr John Y C Fu	✓
<i>Independent Non-Executive Directors</i>	
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 2016/17, the Audit Committee held two meetings to review 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	1/2
Mr Charles M W Chan	1/2
Mr Peter Tan	1/2

The Group's audited financial statements for the year ended 28 February 2017 have been reviewed by the Audit Committee.

The Audit Committee also met the external auditor 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 2016/17, the Remuneration Committee held one meeting 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	1/1
Mr Eric K K Lo	1/1
Mr King Wing Ma	1/1
Mr Peter Tan	0/1

Pursuant to code provision B.1.5 of the CG Code, details of the annual remuneration of the member of the senior management by band for the year ended 28 February 2017 is as follows:

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

Details of the remuneration of each Director for the year ended 28 February 2017 are set out in note 25 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 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 2016/17, 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	0/1
Mr Charles M W Chan	0/1
Mr Peter Tan	1/1

### Board Diversity Policy

The Company recognises 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.

## 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.

The statement of the independent auditor of the Company about their reporting responsibilities on the financial statements is set out in the Independent Auditor's Report on pages 42 to 47.

### **AUDITOR'S REMUNERATION**

During the year, the fees payable to Ernst & Young, the Company's external auditor, for audit services totalled to HK\$3,253,000 (2016: HK\$3,318,000). 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\$654,000 (2016: HK\$701,000).

### **RISK MANAGEMENT AND INTERNAL CONTROLS**

The Board has the overall responsibility for maintaining effective risk management and internal controls within the Group for the operations of its business. The Board is also committed to review the adequacy and effectiveness of the Group's risk management and internal control systems at least annually.

In order to comply with the applicable code provisions set out in the CG Code, the Board has engaged an independent professional firm as an outsourced internal auditor to facilitate the Group's internal audit function and to assist the Audit Committee and the Board to perform review on the effectiveness of the Group's risk management and internal control systems. Reviews were performed by the independent professional internal auditor firm according to the internal audit plan with a view to assisting the Audit Committee and the Board to evaluate the effectiveness of the Group's risk management and internal control systems. The reviews covering all material controls, including financial, operational and compliance controls.

Based on the risk management and internal control systems established and maintained by the Group, the Audit Committee and the Board review the Group's risk management and internal control systems twice a year and are of the view that the Group has maintained effective and adequate risk management and internal control systems for the year ended 28 February 2017.

# CORPORATE GOVERNANCE REPORT

## 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.

### 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 Hong Kong 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.

## CORPORATE GOVERNANCE REPORT

### 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 of the Company (the “Directors”) present their annual report and the audited financial statements of the Company and its subsidiaries (together, the “Group”) for the financial year ended 28 February 2017.

### PRINCIPAL ACTIVITIES

The principal activities of the Group during the financial year mainly consisted of the operation of department stores, securities trading and the provision of general and life insurances.

### BUSINESS REVIEW

A review of the business of the Group during the year including discussion of the principal risks and uncertainties facing the Group and an indication of likely future developments in the Group’s business are provided in the Chairman & CEO’s Review of Operations set out on pages 8 to 11 of this annual report. This discussion forms part of this Report of the Directors.

The financial risk management objectives and policies of the Group are shown in note 31 to the financial statements.

The key financial and business performance indicators comprised of revenue; finance costs, loss attributable to equity holders of the Company and debt to equity ratio. Details of the key performance indicators are provided in the Chairman & CEO’s Review of Operations set out on pages 8 to 11 of this annual report.

Discussion on the Group’s environmental policies and community involvement are contained in the Environmental, Social and Governance Report on pages 32 to 41 of this annual report.

Details of the Group’s compliance with laws and regulations and relationship with key stakeholders are discussed below:

#### **Compliance with Laws and Regulations**

The Group continues to update its compliance and risk management policies and procedures, and the senior management are delegated with continuing responsibility to monitor compliance with all significant legal and regulatory requirements. As to the best knowledge of the board of directors (the “Board”) and management, the Group has complied in material respects with the relevant laws and regulations that have a significant impact on the business and operation of the Group.

## REPORT OF THE DIRECTORS

### BUSINESS REVIEW *(continued)*

#### **Relationships with key stakeholders**

The Group's success also depends on the support from key stakeholders which comprise employees, customers and suppliers.

#### **Employees**

Employees are regarded as the most important and valuable assets of the Group. The objective of the Group's human resource management is to reward and recognise performing staff by providing a competitive remuneration package and implementing a sound performance appraisal system with appropriate incentives, and to promote career development and progression by appropriate training and providing opportunities within the Group for career advancement.

#### **Customers**

The Group maintains a good relationship with its customers. It is the Group's mission to provide excellent customer service whilst maintaining long term profitability, business and asset growth. Various means have been established to strengthen the communications between the customers and the Group in the provision of excellent customer service. A customer complaint handling mechanism is in place to receive, analysis and study complaints and make recommendations on remedies with the aim of improving service quality.

#### **Suppliers**

Sound relationships with key suppliers of the Group are important in supply chain, meeting business challenges and regulatory requirements, which can derive cost effectiveness and foster long term business benefits. We have developed long-standing relationships with a number of our suppliers and take great care to ensure that they share our commitment to quality and ethics.

### RESULTS

The Group's loss for the financial year ended 28 February 2017 and the Group's financial position as at that date are set out in the audited financial statements on pages 48 to 130.

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 131 to 132 of this annual report.

### CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement to attend and vote at the Annual General Meeting of the Company ("AGM") to be held on Friday, 4th August 2017, the register of members of the Company will be closed from Monday, 31st July 2017 to Friday 4th August, 2017, both days inclusive, during which period no transfer of shares will be registered. In order to be eligible to attend and vote at the AGM, all transfers accompanied by the relevant share certificates must be lodged with the Company's share registrar Tricor Tengis Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong no later than 4:30 p.m. on Friday, 28th July 2017.



## REPORT OF THE DIRECTORS

### 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 22 and 23 to the financial statements, respectively.

### SIGNIFICANT INVESTMENTS HELD AND PERFORMANCE

At 28 February 2017, the Group has held for trading investments with fair value of HK\$155 million (2016: HK\$203 million). During the year, the Group recorded realised gain of HK\$3 million and unrealised loss on fair value of HK\$8 million. The details of the investments at 28 February 2017 were as follows:

			No. of shares/units/ amount of bonds held	Realised gain for the year HK\$'000	Unrealised gain/(loss) on fair value change for the year HK\$'000	Fair value at 28 February 2017 HK\$'000	% of total assets
1.	HSBC Holdings plc (Stock Code: 0005)	Equity	208,000	–	2,673	13,000	2.55%
2.	Highbridge Capital Corporation CLI LIQ	Fund	48	–	699	12,114	2.37%
3.	China Mobile Ltd (Stock Code: 0941)	Equity	110,000	–	374	9,416	1.84%
4.	Nordea 1 Stable Return USD HDG ACC HB	Fund	43,912	–	(15)	8,607	1.69%
5.	Hang Seng Bank Ltd (Stock Code: 0011)	Equity	45,000	–	1,251	7,164	1.40%
6.	C432 PA Offshore Feeder Fund L.P. CLS A USD	Fund	914,005	–	(5,531) <sup>1</sup>	6,453	1.26%
7.	Value Partners Classic Fund CI C	Fund	48,887	–	1,194	5,987	1.17%

## REPORT OF THE DIRECTORS

SIGNIFICANT INVESTMENTS HELD AND PERFORMANCE *(continued)*

Name	Nature of investment	No. of shares/units/ amount of bonds held	Realised gain for the year HK\$'000	Unrealised gain/(loss) on fair value change for the year HK\$'000	Fair value at 28 February 2017 HK\$'000	% of total assets
8. CK Hutchison Holdings Ltd (Stock Code: 0001)	Equity	53,208	–	104	5,103	1.00%
9. Others	Fund	–	2,506	(8,136) <sup>2</sup>	28,089	5.50%
	Bond	–	250	(132)	24,581	4.81%
	Equity	–	586	3,297	24,465	4.79%
	Private Equity	–	–	(4,103) <sup>3</sup>	9,618	1.88%
			3,342	(8,325)	154,597	30.26%

*Note*

Certain investments though reporting an unrealised loss have separately obtained dividend income and distribution of funds but reported under different headings, to provide a complete picture, the relevant income was also presented as below.

1. C432 PA Offshore Feeder Fund has an unrealised loss of HK\$5.5 million but obtained dividend income of HK\$6 million reported as other income.
2. Fund has an unrealised loss of HK\$8.1 million but obtained dividend income of HK\$4 million.
3. Private Equity has an unrealised loss of HK\$4.1 million but obtained dividend income of HK\$4 million.

During the year, the Group received approximately HK\$16 million of dividends from the securities held. The above table lists the investments which principally formed a significant portion of the total assets of the Group. Securities trading represent recorded a lower mark to market unrealised loss of HK\$8 million, and was compensated by dividend. The securities trading provided a better performance than last year.

**DIVIDEND**

The Board does not recommend the payment of any dividend in respect of the financial year ended 28 February 2017.

## REPORT OF THE DIRECTORS

### MAJOR CUSTOMERS AND SUPPLIERS

For the financial year ended 28 February 2017, 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.

### PERMITTED INDEMNITY PROVISION

Pursuant to the Company's Articles of Association, every director shall be entitled to be indemnified out of the asset of the Company against all loss or liabilities (to the fullest extent permitted by the Hong Kong Companies Ordinance (Cap 622)) which he may sustain or incur in or about the execution of the duties of his office or otherwise in relation thereto. The Company has arranged appropriate directors' and officer's liability coverage for the directors and officers of the Group.

### DIRECTORS

The Directors who served during the financial year and up to the date of this report were as follows:

#### **Executive Directors:**

Philip K H MA (*Chairman & CEO*)

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 Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("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 30 to 31 of this annual report.

## REPORT OF THE DIRECTORS

### DIRECTORS OF SUBSIDIARIES

During the year and up to the date of this annual report, Mr Philip K H Ma and Mr John Y C Fu named above holds directorship in all or certain of the Company's subsidiaries. Other directors of the Company's subsidiaries include Mr Ma Kin Kai John, Mr Chow Hem Wah David, Mr Ma King Cheuk, Mr Ma Kin Loong Francis, Mr Yuen Chu Kau, Mr Ma King Wong Steve, Mr Ma Wai Tak Victor and Mr Peter Wise.

### PRINCIPAL SHAREHOLDERS

At 28 February 2017, 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.

### DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SHARES

At 28 February 2017, the interests of the Directors and chief executive of the Company 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	11,400,000	2.0
John Y C FU	Personal Interest	Ordinary shares	40,000	–
	Personal Interest	Share options	4,560,000	0.8
King Wing MA	Personal Interest	Ordinary shares	1,240,928	0.2
	Personal Interest	Share options	1,140,000	0.2
Eric K K LO	Personal Interest	Ordinary shares	2,200,400	0.4
	Personal Interest	Share options	1,140,000	0.2
Charles M W CHAN	Personal Interest	Ordinary shares	40,000	–
	Personal Interest	Share options	1,140,000	0.2
Peter TAN	Personal Interest	Ordinary shares	40,000	–
	Personal Interest	Share options	1,140,000	0.2

## REPORT OF THE DIRECTORS

### DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SHARES (continued)

#### (b) Associated corporations

At 28 February 2017, Mr Philip K H Ma, Mr King Wing Ma and Mr Eric K K Lo held 1,028, 1,225 and 216 ordinary shares, respectively, in The Sincere Life Assurance Company Limited. In addition, at 28 February 2017, 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 2017, Mr Philip K H Ma, Mr King Wing Ma and Mr Eric K K Lo held 2,538, 26 and 1,019 ordinary shares, respectively, in The Sincere Insurance & Investment Company, Limited.

At 28 February 2017, 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.

Save as disclosed herein, as at 28 February 2017, none of the Directors and chief executive of the Company 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 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 TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

None of the Directors and their connected entity had a material interest, either directly or indirectly, in any transactions, arrangements or contracts of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the financial year.

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

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

## REPORT OF THE DIRECTORS

### 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\$360,000 during the year.

### 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 2017 have been reviewed by the Audit Committee.

### AUDITOR

Ernst & Young retire and a resolution for the reappointment as auditor 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, 29 May 2017

## BIOGRAPHIES OF DIRECTORS AND SENIOR EXECUTIVES

### DIRECTORS

**Philip K H MA**, aged 61, 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 a 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 56, 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 become 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 85, 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 a 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 68, has been an Independent Non-Executive Director of the Company since December 1993. Mr Eric 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. 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 61, 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 61, has been an Independent Non-Executive Director of the Company in July 2012. Mr Tan is the Chief Executive Officer of Stone Canyon Private Limited, an investment company; and will retire on 31 May 2017. 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 assumed the leadership role for the Greater China region. He left McDonald's to assume the Chief Executive Officer 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 joined Knowledge Universe as Chief Executive Officer. Knowledge Universe is a global education leader with a network of more than 3,000 education locations worldwide. 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 Young Presidents' Organisation -World Presidents' Organisation and Chief Executive Officer organisations. 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 88, 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 & Investment and has over 30 years' experience in retailing and insurance business.

**Lawrence C H Mak**, aged 42, joined the company in November 2016 as Assistant to Chairman and taken over the role of General Manager of the department store operations since March 2017 in charging both the Merchandising and Retail Operations divisions. Mr Mak has a Bachelor's degree in Hospitality Business Management as well as a Post-Graduate degree in Business Administrations. Engaging in the retail and service industries for nearly 20 years. Mr Mak has served as the key management member in several multi-national retail brands which are specialised in luxury fashion business prior to joining the Company.

**Eileen H Y Ma**, aged 63, 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.



## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The Company strives continuously to incorporate sustainability initiatives into our daily operations and management. While sharing the vision of becoming the preferred choice of our stakeholders, the Company is committed to improving our Environmental, Social and Governance (“ESG”) performance by upholding good corporate governance standards, protecting our environment, engaging the community and promoting social integration.

This report has complied with the “comply or explain” provisions set out in the “Environmental, Social and Governance Reporting Guide” under Appendix 27 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

Based on the principle of materiality, this report focuses on the environmental and social impacts of our operations and sales activities. This report identified the following material ESG issues:

ESG Aspects	Material ESG issues
<b>A. Environmental</b>	
A1 Emissions	Air Emissions
	Waste Management and Reduction
A2 Use of Resources	Energy Conservation
A3 The Environmental and Natural Resources	Impacts to Natural Resources
<b>B. Social</b>	
B1 Employment	Employment Practices
	Equal Opportunity
B2 Health and Safety	Workplace Health and Safety
B3 Development and Training	Staff Training
B4 Labour Standards	Prohibition against Child and Forced Labour
B5 Supply Chain Management	Sustainable Supply Chain
B6 Product Responsibility	Data Privacy
B7 Anti-corruption	Anti-corruption
B8 Community Investment	Supporting the Community

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## A. ENVIRONMENTAL

The Company is committed to the long term sustainability of the environment and communities in which we operate. To the best knowledge, the Company have not identified any material non-compliance with all relevant laws and regulations regarding environmental issues during the year. During the year, the Company measured and managed its environmental performance in several aspects throughout its operations.

### A1. Emissions

#### *i. Air Emissions*

Air pollution has become one of the major critical problems in cities. We reckon that every company should take its responsibility to tackle this problem. To mitigate air pollution, we have been taking considerable measures to control our emissions.

To evaluate the air emissions, the Company assessed the fuel consumption based on the distribution network within Hong Kong. The Company owns its fleet used to deliver the goods. Based on the current delivery model, the Company consistently reviews its operation to optimise the efficiency of the logistic network to remain economically competitive and environmentally sustainable, for example, reducing the number of miles driven and hours spent. Optimising the efficiency of the distribution network and continuous communicating with the Company logistics manager lead the Company to stay economically competitive and environmentally sustainable. The Company remains committed to improve the fuel efficiency, optimise transportation network and track emission reduction.

In addition, the Company has implemented the following measures:

- Regular maintenance and cleaning of vehicles
- Green driving practices (e.g. no idling engine)

As a result, the Company emitted 266 g of sulphur oxides (SO<sub>x</sub>) during the year, which mainly came from emissions from its own fleet.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## A. ENVIRONMENTAL *(continued)*

### A1. Emissions *(continued)*

#### ii. **Waste Management and Reduction**

The Company works diligently in reducing our waste produced from operations by sorting of waste, and to re-use materials wherever possible. It recognises the importance of waste reduction and waste separation at source for recycling. The Company has put continuous efforts to implement various waste management initiatives among our operation boundaries.

We advocate the use of electronic means to replace paper for communication. The Company has also promoted the reuse of paper for printing informal documents and returned the used toner cartridges to a third party for recycling regularly.

Furthermore, we have implemented various waste reduction measures as follows:

- Affix reminder at collection point(s) and prominent area(s) in the office to encourage waste recycling
- Affix reminders in printers and photocopiers to remind staff of saving paper
- Apply electronic functions to reduce photocopying and printing publications
- Buy electrical & electronic equipment and batteries only when necessary
- Double-sided printing
- Electrical & electronic products and batteries were well maintained to prolong life span
- Print only when necessary and print in black & white
- Reduce box files consumption by reusing old box files or applying electronic means for filing
- Reduce paper towel consumption by use of hand dryers
- Reduce the frequency of replacing rubbish bags
- Repair broken items to avoid waste disposal as far as possible
- Reuse furniture when moving or renovation
- Reuse materials for decorating festive events (e.g. Christmas and Chinese New Year, etc.)
- Reuse old envelopes
- Reuse single-sided printed paper
- Reuse stationeries, e.g. paper clips, folders, binders, envelopes
- Use refillable containers for cleaning products
- Use re-useable containers, dishes, cups and coffee filters in the pantry wherever possible

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## A. ENVIRONMENTAL *(continued)*

### A1. Emissions *(continued)*

#### ii. **Waste Management and Reduction** *(continued)*

Amounts of waste collected for recycling by weight are shown in following table:

Waste collected for recycling	Unit	
Paper Recycling	kg	1,971.00
Toner Recycling	kg	589.67

#### iii. **Greenhouse Gas Emissions**

We are committed to managing our environmental footprint responsibly and we leverage our resources and engage our people to make a difference along our operations. To cut down our greenhouse gas emissions, we have implemented energy and saving measures resources (see "A2 Use of Resources – Energy Conservation" below).

### A2. Use of Resources

#### **Energy Conservation**

The impact of global climate change is a challenge that businesses and organisations around the world must face and address. The Company is committed to minimising the adverse impact that its operations may have on the environment. Using energy efficiently will help us conserve resources and tackle climate change.

#### *Electricity Management*

We promote green lighting in the workplace to reduce usage of electricity. This involves installing energy-saving lights and using energy-saving light bulbs in our office and stores facilities. We also encourage our employees to switch off the lights in the areas of the workplace that are not being used.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## A. ENVIRONMENTAL *(continued)*

### A2. Use of Resources *(continued)*

#### **Energy Conservation** *(continued)*

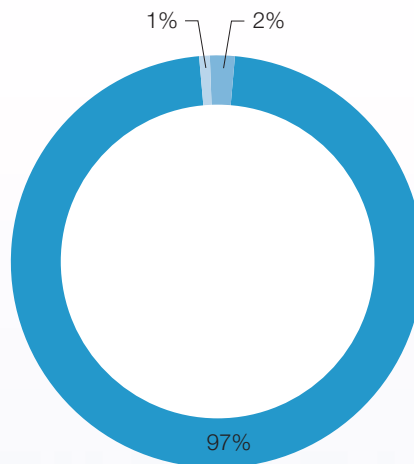
##### *Electricity Management (continued)*

Energy consumption accounts for a major part of our greenhouse gas (GHG) emissions. To reduce our carbon footprint, we have implemented the following measures:

- Affix reminder to remind staff of switching the office equipment into standby mode in the office after use (e.g. photocopiers, printer, etc.) for office equipment
- Follow the maintenance schedules of appliances as recommended in the instruction manual of the related appliance
- Power off electronic and electrical appliances after office hours
- Regular maintenance and cleaning of equipment
- Switch-off unnecessary wireless connection
- Unwanted materials & thick ice were regularly cleared & defrosted from refrigerator

During the year, we consumed 3,614,899 kWh of electricity. The following table shows our GHG emissions and energy consumption in this year.

### Greenhouse Gas Emissions



■ Total Scope 1 Emissions   ■ Total Scope 2 Emissions   ■ Total Scope 3 Emissions

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## A. ENVIRONMENTAL *(continued)*

### A2. Use of Resources *(continued)*

#### **Energy Conservation** *(continued)*

#### *Electricity Management (continued)*

<b>GHG Emissions</b>	<b>Unit</b>	
Total Scope 1 Emissions	tCO <sub>2</sub> e	45.21
Total Scope 2 Emissions	tCO <sub>2</sub> e	2,530.43
Total Scope 3 Emissions	tCO <sub>2</sub> e	25.46
Total GHG Emissions	tCO <sub>2</sub> e	2,601.10
Total GHG Emissions/Employee	tCO <sub>2</sub> e/employee	6.97
Total GHG Emissions/Floor Area	tCO <sub>2</sub> e/square metre	0.12

<b>Energy Consumption</b>	<b>Unit</b>	
Diesel Consumption	L	12,290.33
Petrol Consumption	L	4,640.57
Electricity Consumption	kWh	3,614,899.00
Electricity Consumption/Employee	kWh/employee	9,691.42
Electricity Consumption/Floor Area	kWh/square metre	166.43

### A3. The Environmental and Natural Resources

While benefiting from the natural environment and resources, we should bear the responsibilities and fulfil the obligations of protecting them and making appropriate use. The Company has taken considerable efforts to minimise the impact generated from our business operations to our natural environment.

We have implemented following measures, including:

- Choose proper sized packages and avoid using fillers in packaging
- Minimise the use of tape and strapping when sealing packages

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## A. ENVIRONMENTAL *(continued)*

### A3. The Environmental and Natural Resources *(continued)*

Reducing the packaging material bring both the environmental and economic benefit. The Company is dedicated to optimise the design of the packaging such that it can deliver against key performance criteria while using the least amount of packaging material. We measure different types of material used to gauge our environmental performance. The following tables show the figures of material consumption in our business operations:

Material Consumption	Unit	
Paper Consumption	kg	7,275.00
Toner Consumption	kg	589.67
Carton Box Consumption	kg	74.06

## B. SOCIAL

The Company realises the importance of compliance with regulatory requirements and risk of non-compliance with the laws and regulations regarding social issues. We have not identified any material non-compliance with the relevant laws and regulations that have a significant impact on the business and operation of the Company during the year.

### B1. Employment and Labour practices

#### *Employment*

As key enablers in achieving its economic, environmental and social objectives, our staff is among our most valuable assets. In the Company, we believe that creating a workplace that offers a strong sense of belonging may inspire our employees to champion our core values. We strive to create an environment where every employee can develop to their full potential and work happily.

#### *Employment Practices and Equal Opportunity*

The Company recognised that employees are key contributors towards our success, we aim to create a harmonious working environment for our employees through competitive remuneration packages that are structured to be commensurate with individual responsibilities, qualification, experience and performance. We believe in equal opportunities and diversity in terms of age, sex, nationality, disability and religion. Employees are encouraged report on discriminatory practices to the management.

We have not identified any material non-compliance to employment laws and regulations during the year.

The Group employs 377 staff in total as of February 2017.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## B. SOCIAL *(continued)*

### B1. Employment and Labour practices *(continued)*

#### **Employment** *(continued)*

#### *Employment Practices and Equal Opportunity (continued)*

Workforce statistic by gender, employment type, age group and geographical region:

	<b>Staff Number</b>
Hong Kong and Mainland China	377
(a) Breakdown by gender	
Employees – Female	259
Employees – Male	118
(b) Breakdown by age group	
Employees Age < 30	87
Employees Age 30 – 50	182
Employees Age > 50	108
(c) Breakdown by employment type	
Employees – Part-time	93
Employees – Full-time	284

### B2. Health and Safety

The Company values the safety and well-being of staff. Our employees are provided with occupational safety education and training to enhance their safety awareness.

We have not identified any material non-compliance case of health and safety laws and regulations during the year.

### B3. Development and Training

To enable our talents to develop themselves to their fullest potential and to provide them with the essential skill sets to deliver the best, a comprehensive development plan has been established.

The Company encourages personal development of staff. We provide structured training programmes in the form of workshops, seminars and on-the-job coaching for our staff with regard to their positions, job responsibilities and experience, and provide subsidy support appropriate external professional training. During the year, the total staff training hours were 3,183.



# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## B. SOCIAL *(continued)*

### B4. Labour Standard

The Company prohibits the use of child labour and forced or compulsory labour at all its units and suppliers. No employee is made to work against his/her will or work as forced labour, or subject to corporal punishment or coercion of any type related to work.

### B5. Supply Chain Management

We are aware of the social and environmental risks of our supply chain. To foster long term business benefits, we maintain sound relationships with our key suppliers to meet business challenges and regulatory requirements. With long-standing relationships with a number of suppliers, we also share our commitment to quality and business ethics to them.

### B6. Product Responsibility

As a responsible company, we are fully aware of the importance to comply with relevant laws and regulations concerning the provision and use of our products and services, relating to health and safety, advertising, labelling and privacy matters.

The Company values the confidentiality of personal and sensitive commercial data. In addition to compliance with the Personal Data (Privacy) Ordinance, we require in our terms of employment strict adherence to the Company's data privacy and confidentiality policies.

The Company takes appropriate action to protect intellectual property rights, which gives the business competitive edge. A specific department is responsible for the registration of the Company's self-created trademarks and patents.

We have not identified any material non-compliance of product and service quality laws and regulations during the year.

### B7. Anti-corruption

The Company is committed to adhering to the highest ethical standards and maintaining a corporate culture of integrity and justice for preventing, detecting and reporting all types of fraud, including corruption.

To demonstrate our commitment to the highest standards of openness, accountability and probity, the Company has established a written whistle-blowing policy and reporting procedures under which any suspected misconduct or malpractice can be directly reported to our independent directors.

No material non-compliance case was noted in relation to business fraud laws and regulations during the year.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## B. SOCIAL (continued)

### B8. Community Investment

We pursue sustainable development of our community by assessing and managing the social impact of our operations on the marketplace and by supporting initiatives that create effective and lasting benefits to communities in our operating boundaries.

#### ***Supporting the Community***

To contribute towards the promotion of harmony and stability of the society, we communicate with non-government entities and charities to understand the needs of our community, participate in community events and make donations to causes that help those who are in need.

During the year, we have 27 staff and each of them committed 5 hours for our voluntary activities. On 19 January 2017, over 30 staff and volunteers joined a charity visit at The Mongkok Kai-Fong Association Ltd., Chan Hing Social Service Centre as social caring in leisure time.

The Company has also participated in different types of community events including Skip Lunch Day, Dress Casual Day, Love Teeth Day and World Sight Day to show our care to our society.

The following table shows the details breakdown of focus areas contributed.

---

#### **Number of Community Initiatives in Different Areas**

---

No. of Volunteering Activities	1
Number of community initiatives in different areas	
Focus Area – Health	2
Focus Area – Culture	3

In addition, we have a total donations of approximately HK\$360,000 to the following beneficiaries, such as The Better Hong Kong Foundation, Chi Heng Foundation, Heifer Hong Kong and The Community Chest of Hong Kong.

In the future, we will engage in more meaningful charity campaigns to support a wide range of charitable activities covering social welfare services and assistance to the needy in Hong Kong.

# INDEPENDENT AUDITOR'S REPORT



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

## OPINION

We have audited the consolidated financial statements of The Sincere Company, Limited (the “Company”) and its subsidiaries (the “Group”) set out on pages 48 to 130, which comprise the consolidated statement of financial position as at 28 February 2017, 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 notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 28 February 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

## BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing (“HKSA”) issued by the HKICPA. Our responsibilities under those standards are further described in the *Auditor’s responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA’s *Code of Ethics for Professional Accountants* (the “Code”), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor’s responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

## INDEPENDENT AUDITOR'S REPORT

### KEY AUDIT MATTERS *(continued)*

Key audit matter	How our audit addressed the key audit matter
<b><i>Inventory provision</i></b>	
<p>As at 28 February 2017, the Group had net inventory balance of HK\$76,178,000. The estimation of the inventory provision required management's significant judgements and estimates, which included the marketability and estimated selling prices, based on the nature and condition of the inventories, the historical and current ageing pattern of the inventories and the sales strategy of the Group.</p> <p>The significant accounting judgements and estimates and disclosures of inventory provision are included in notes 3 and 7 to the financial statements.</p>	<p>Our procedures included the testing of the ageing analysis of the Group's inventories. We recalculated the inventory provision based on the Group's policy and assessed the assumptions used in the inventory provision calculation by reviewing the basis, the rationale and the consistency of the inventory provision policy, and considering the historical and current inventory ageing information, reviewing the latest selling prices of the inventories and taking into account the prevailing market conditions.</p>

## INDEPENDENT AUDITOR'S REPORT

### KEY AUDIT MATTERS *(continued)*

Key audit matter	How our audit addressed the key audit matter
<b><i>Estimation of impairment of property, plant and equipment</i></b>	
<p>As at 28 February 2017, the net book value of the Group's property, plant and equipment ("PPE") amounted to HK\$47,211,000.</p> <p>For land and buildings, management conducted impairment review by comparing the net carrying amount with the fair value as determined based on the valuation performed by the independent professional external valuers.</p> <p>For other PPE, management conducted impairment review of certain cash-generating units ("CGUs") of the Group where there were indicators of impairment by considering the recoverable amounts of the relevant CGUs. Management identified individual store as a CGU for the purpose of impairment assessment based on value-in-use calculation. The amount of any impairment loss was measured as the difference between the CGU's carrying amount and its recoverable amount. The impairment assessment involved management's significant judgements and estimates and included management's assumptions used in each CGU's discounted cash flow projections.</p> <p>The significant judgements and estimates and disclosures of PPE are included in notes 3 and 11 to the financial statements.</p>	<p>In evaluating management's impairment assessment of land and buildings, we assessed the valuation performed by the independent professional external valuers by conducting market research and checking to recently transacted prices of similar properties.</p> <p>With regard to management's impairment assessment of other PPE, we evaluated and tested the assumptions used in the discounted cash flow projections of each CGU by comparing the expected growth rate by making reference to the historical results; comparing the discount rate with relevant industry's weighted average cost of capital; and assessing the sensitivity of management estimates and assumptions used in evaluating whether a reasonably possible change in assumptions could cause the carrying amounts to exceed their recoverable amounts.</p>

## INDEPENDENT AUDITOR'S REPORT

### OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

The directors of the Company are responsible for the other information. The other information comprises the information included in the Annual Report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA 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.

In preparing the consolidated financial statements, the directors of the Company are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of the Company either intend to liquidate the Group or to cease operations or have no realistic alternative but to do so.

The directors of the Company are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

### AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Our report is made solely to you, as a body, in accordance with section 405 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

## INDEPENDENT AUDITOR'S REPORT

### AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

As part of an audit in accordance with HKSAAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

## INDEPENDENT AUDITOR'S REPORT

### AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Chan Kam Yee.

#### **Ernst & Young**

*Certified Public Accountants*

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

29 May 2017



# CONSOLIDATED INCOME STATEMENT

Year ended 28 February 2017

	Notes	2017 HK\$'000	2016 HK\$'000
REVENUE	5	<b>375,276</b>	384,338
Cost of sales		<b>(160,113)</b>	(152,089)
Other income and gains, net	5	<b>28,455</b>	25,535
Net unrealised loss on securities trading		<b>(8,325)</b>	(39,795)
Selling and distribution expenses		<b>(226,849)</b>	(269,404)
General and administrative expenses		<b>(102,597)</b>	(111,710)
Other operating income/(expenses), net		<b>2,479</b>	(13,512)
Finance costs	6	<b>(3,320)</b>	(6,472)
LOSS BEFORE TAX	7	<b>(94,994)</b>	(183,109)
Income tax expense	8	<b>(30)</b>	(29)
LOSS FOR THE YEAR		<b>(95,024)</b>	(183,138)
ATTRIBUTABLE TO:			
Equity holders of the Company		<b>(92,614)</b>	(181,796)
Non-controlling interests		<b>(2,410)</b>	(1,342)
		<b>(95,024)</b>	(183,138)
LOSS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY	10		
Basic		<b>HK\$(0.30)</b>	HK\$(0.58)
Diluted		<b>HK\$(0.30)</b>	HK\$(0.58)

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 28 February 2017

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
LOSS FOR THE YEAR	<b>(95,024)</b>	(183,138)
OTHER COMPREHENSIVE INCOME/(LOSS)		
<i>Other comprehensive loss to be reclassified to the income statement in subsequent periods:</i>		
Exchange differences arising on translation of foreign operations	<b>(1,210)</b>	(7,447)
Realisation of exchange fluctuation reserve upon deregistration of a subsidiary	<b>(234)</b>	–
Net other comprehensive loss to be reclassified to the income statement in subsequent periods	<b>(1,444)</b>	(7,447)
<i>Other comprehensive income not to be reclassified to the income statement in subsequent periods:</i>		
Actuarial gains on a defined benefit plan	<b>11,828</b>	1,262
<b>TOTAL COMPREHENSIVE LOSS FOR THE YEAR</b>	<b>(84,640)</b>	(189,323)
ATTRIBUTABLE TO:		
Equity holders of the Company	<b>(83,257)</b>	(188,711)
Non-controlling interests	<b>(1,383)</b>	(612)
	<b>(84,640)</b>	(189,323)

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

28 February 2017

	Notes	2017 HK\$'000	2016 HK\$'000
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	11	47,211	61,178
Interests in associates	12	–	–
Financial instruments	13	26,326	26,326
Deposits and other receivables		32,309	28,375
Pension scheme assets	21	11,149	–
<b>Total non-current assets</b>		<b>116,995</b>	115,879
<b>CURRENT ASSETS</b>			
Inventories		76,178	48,358
Reinsurance assets	16	19	21
Prepayments, deposits and other receivables		17,067	36,921
Financial assets at fair value through profit or loss	14	154,597	202,782
Pledged bank balances	17(a)	39,845	50,295
Pledged deposits with banks	17(a)	75,221	85,979
Cash and bank balances	15	30,962	44,217
<b>Total current assets</b>		<b>393,889</b>	468,573
<b>CURRENT LIABILITIES</b>			
Creditors	18	63,294	82,947
Insurance contracts liabilities	19	1,227	1,229
Deposits, accrued expenses and other payables		31,615	46,192
Interest-bearing bank borrowings	17(a)	139,544	92,593
Other loans	17(b)	1,932	1,924
Tax payable		1	1
<b>Total current liabilities</b>		<b>237,613</b>	224,886
<b>NET CURRENT ASSETS</b>		<b>156,276</b>	243,687
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>273,271</b>	359,566

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

28 February 2017

	<i>Notes</i>	<b>2017</b> <b>HK\$'000</b>	2016 <i>HK\$'000</i>
<b>NON-CURRENT LIABILITIES</b>			
Accrued expenses and other payables		<b>61,887</b>	59,188
Interest-bearing bank borrowings	<i>17(a)</i>	<b>2,828</b>	6,975
Other loans	<i>17(b)</i>	<b>1,026</b>	1,005
Pension scheme liabilities	<i>21</i>	–	228
<b>Total non-current liabilities</b>		<b>65,741</b>	67,396
<b>NET ASSETS</b>			
<b>EQUITY</b>			
Equity attributable to equity holders of the Company			
Share capital	<i>22</i>	<b>287,180</b>	287,180
Reserves	<i>24</i>	<b>(137,441)</b>	(54,184)
		<b>149,739</b>	232,996
Non-controlling interests		<b>57,791</b>	59,174
<b>TOTAL EQUITY</b>		<b>207,530</b>	292,170

**Philip K H Ma**  
*Director*

**John Y C Fu**  
*Director*

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 28 February 2017

	Attributable to equity holders of the Company							
	Reserves					Total reserves	Non-controlling interests	Total
	Share capital	Treasury shares	General and other reserves <sup>#</sup>	Share option reserve	Retained profits/ (accumulated losses)			
HK\$'000	HK\$'000 (note 22)	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
As at 1 March 2015	287,180	(130,221)	230,024	5,608	27,016	132,427	59,786	479,393
Loss for the year	-	-	-	-	(181,796)	(181,796)	(1,342)	(183,138)
Other comprehensive income/(loss) for the year:								
Exchange differences related to foreign operations	-	-	(8,350)	-	-	(8,350)	903	(7,447)
Actuarial gains/(losses) on a defined benefit plan (note 21)	-	-	-	-	1,435	1,435	(173)	1,262
Total comprehensive loss for the year	-	-	(8,350)	-	(180,361)	(188,711)	(612)	(189,323)
Equity-settled share option arrangement (note 23)	-	-	-	2,100	-	2,100	-	2,100
Transfer of share option reserve upon the lapse of share options	-	-	-	(1,457)	1,457	-	-	-
At 29 February 2016	287,180	(130,221)	221,674	6,251	(151,888)	(54,184)	59,174	292,170
As at 1 March 2016	<b>287,180</b>	<b>(130,221)</b>	<b>221,674</b>	<b>6,251</b>	<b>(151,888)</b>	<b>(54,184)</b>	<b>59,174</b>	<b>292,170</b>
Loss for the year	-	-	-	-	(92,614)	(92,614)	(2,410)	(95,024)
Other comprehensive income/(loss) for the year:								
Exchange differences related to foreign operations	-	-	(2,038)	-	-	(2,038)	828	(1,210)
Realisation of exchange fluctuation reserve upon deregistration of a subsidiary	-	-	(234)	-	-	(234)	-	(234)
Actuarial gains on a defined benefit plan (note 21)	-	-	-	-	11,629	11,629	199	11,828
Total comprehensive loss for the year	-	-	(2,272)	-	(80,985)	(83,257)	(1,383)	(84,640)
Transfer of share option reserve upon the lapse of share options	-	-	-	(207)	207	-	-	-
At 28 February 2017	<b>287,180</b>	<b>(130,221)</b>	<b>219,402</b>	<b>6,044</b>	<b>(232,666)</b>	<b>(137,441)</b>	<b>57,791</b>	<b>207,530</b>

<sup>#</sup> Included in the general and other reserves at 28 February 2017 was a debit amount of HK\$19,409,000 (2016: HK\$17,137,000) attributable to the exchange fluctuation reserve.

# CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 28 February 2017

	Notes	2017 HK\$'000	2016 HK\$'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Loss before tax		<b>(94,994)</b>	(183,109)
Adjustments for:			
Interest expense	6	<b>3,320</b>	6,472
Interest income	7	<b>(3,261)</b>	(9,478)
Depreciation	7	<b>16,140</b>	25,462
Impairment of an interest in an associate	7	<b>18</b>	115
Impairment of other receivables	7	–	507
Provision for inventories	7	–	1,413
Loss/(gain) on disposal/write-off of items of property, plant and equipment	7	<b>(7,500)</b>	16,455
Gain on deregistration of a subsidiary	7	<b>(234)</b>	–
Write-back of other payables	7	<b>(2,444)</b>	–
Write-back of impairment of a deposit	7	<b>(2,500)</b>	(3,000)
Bad debts written off	7	<b>182</b>	29
Equity-settled share option expenses	23	–	2,100
Exchange realignment		<b>(1,196)</b>	(7,430)
		<b>(92,469)</b>	(150,464)
Decrease/(increase) in inventories		<b>(27,820)</b>	3,479
Decrease in debtors		–	20
Decrease/(increase) in reinsurance assets		<b>2</b>	(5)
Decrease in prepayments, deposits and other receivables		<b>18,238</b>	7,219
Decrease in financial assets at fair value through profit or loss		<b>48,185</b>	52,336
Net decrease in derivative financial instruments		–	461
Increase/(decrease) in creditors		<b>(19,653)</b>	14,025
Increase/(decrease) in insurance contracts liabilities		<b>(2)</b>	5
Increase/(decrease) in deposits, accrued expenses and other payables		<b>(9,434)</b>	11,944
Movement in pension scheme assets/(liabilities)		<b>451</b>	665
		<b>(82,502)</b>	(60,315)
Cash used in operations		<b>(82,502)</b>	(60,315)
Interest paid		<b>(3,320)</b>	(6,472)
Interest received		<b>3,261</b>	9,478
Overseas taxes paid		<b>(30)</b>	(30)
		<b>(82,591)</b>	(57,339)
Net cash flows used in operating activities		<b>(82,591)</b>	(57,339)

## CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 28 February 2017

	Notes	2017 HK\$'000	2016 HK\$'000
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Additions to items of property, plant and equipment		<b>(2,187)</b>	(6,767)
Proceeds from disposal of items of property, plant and equipment		<b>7,500</b>	860
Decrease in pledged bank balances		<b>10,450</b>	8,228
Decrease in pledged deposits with banks		<b>10,758</b>	297,021
Advance to an associate		<b>(18)</b>	(115)
<b>Net cash flows from investing activities</b>		<b>26,503</b>	299,227
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Repayments of bank loans		<b>(247,173)</b>	(653,585)
New bank loans		<b>291,282</b>	374,063
Increase/(decrease) in other loans		<b>29</b>	(30)
<b>Net cash flows from/(used in) financing activities</b>		<b>44,138</b>	(279,552)
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>		<b>(11,950)</b>	(37,664)
Cash and cash equivalents at beginning of year		<b>42,912</b>	80,576
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>		<b>30,962</b>	42,912
<b>ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS</b>			
Cash on hand and at banks	15	<b>30,962</b>	44,217
Bank overdrafts	17(a)	<b>-</b>	(1,305)
Cash and cash equivalents as stated in the consolidated statement of cash flows		<b>30,962</b>	42,912

# NOTES TO FINANCIAL STATEMENTS

28 February 2017

## 1. CORPORATE AND GROUP 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 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 (“HKICPA”), accounting principles generally accepted in Hong Kong and the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for 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 2017. 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 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.



# NOTES TO FINANCIAL STATEMENTS

28 February 2017

## 2.1 BASIS OF PREPARATION *(continued)*

### **Basis of consolidation** *(continued)*

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 above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

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 new and revised HKFRSs for the first time for the current year's financial statements.

Amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011)	<i>Investment Entities: Applying the Consolidation Exception</i>
Amendments to HKFRS 11 HKFRS 14	<i>Accounting for Acquisitions of Interests in Joint Operations</i> <i>Regulatory Deferral Accounts</i>
Amendments to HKAS 1	<i>Disclosure Initiative</i>
Amendments to HKAS 16 and HKAS 38	<i>Clarification of Acceptable Methods of Depreciation and Amortisation</i>
Amendments to HKAS 16 and HKAS 41	<i>Agriculture: Bearer Plants</i>
Amendments to HKAS 27 (2011) <i>Annual Improvements</i> <i>2012-2014 Cycle</i>	<i>Equity Method in Separate Financial Statements</i> Amendments to a number of HKFRSs

The adoption of the above new and revised standards has had no significant financial effect on these financial statements.

## NOTES TO FINANCIAL STATEMENTS

28 February 2017

### 2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

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

Amendments to HKFRS 2	<i>Classification and Measurement of Share-based Payment Transactions<sup>2</sup></i>
Amendments to HKFRS 4	<i>Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts<sup>2</sup></i>
HKFRS 9	<i>Financial Instruments<sup>2</sup></i>
Amendments to HKFRS 10 and HKAS 28 (2011)	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture<sup>4</sup></i>
HKFRS 15	<i>Revenue from Contracts with Customers<sup>2</sup></i>
Amendments to HKFRS 15	<i>Clarifications to HKFRS 15 Revenue from Contracts with Customers<sup>2</sup></i>
HKFRS 16	<i>Leases<sup>3</sup></i>
Amendments to HKAS 7	<i>Disclosure Initiative<sup>1</sup></i>
Amendments to HKAS 12	<i>Recognition of Deferred Tax Assets for Unrealised Losses<sup>1</sup></i>
Amendments to HKAS 40	<i>Transfers of Investment Property<sup>2</sup></i>
Amendments to HKFRS 12 included in <i>Annual Improvements 2014-2016 Cycle</i>	<i>Disclosure of Interests in Other Entities<sup>1</sup></i>
Amendments to HKFRS 1 included in <i>Annual Improvements 2014-2016 Cycle</i>	<i>First-time Adoption of Hong Kong Financial Reporting Standards<sup>2</sup></i>
Amendments to HKAS 28 included in <i>Annual Improvements 2014-2016 Cycle</i>	<i>Investments in Associates and Joint Ventures<sup>2</sup></i>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2017

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2018

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2019

<sup>4</sup> No mandatory effective date yet determined but available for adoption

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.

# NOTES TO FINANCIAL STATEMENTS

28 February 2017

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### **Investments in associates**

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.

The Group's interests in associates 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 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, 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 are eliminated to the extent of the Group's interests in the associates, except where unrealised losses provide evidence of an impairment of the assets transferred. Goodwill arising from the acquisition of associates is included as part of the Group's interests in associates.

If an investment in an associate becomes an investment in a joint venture, 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, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognised in consolidated income statement.

## NOTES TO FINANCIAL STATEMENTS

28 February 2017

### 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

#### **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.

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.

# NOTES TO FINANCIAL STATEMENTS

28 February 2017

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### **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.

### **Treasury shares**

Own equity instruments which are held by the Group (treasury shares) are recognised directly in equity at cost. No gain or loss is recognised in the income statement on the purchase, sale, issue or cancellation of the Group's own equity instruments.

### **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.

## NOTES TO FINANCIAL STATEMENTS

28 February 2017

### 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

#### **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.

##### ***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.

## NOTES TO FINANCIAL STATEMENTS

28 February 2017

### 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

#### **Investments and other financial assets** *(continued)*

##### **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.

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 these 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.

## NOTES TO FINANCIAL STATEMENTS

28 February 2017

### 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

#### **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.

#### **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.



## NOTES TO FINANCIAL STATEMENTS

28 February 2017

### 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

#### **Impairment of financial assets** *(continued)*

##### ***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 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.

##### ***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.

## NOTES TO FINANCIAL STATEMENTS

28 February 2017

### 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

#### **Impairment of financial assets** *(continued)*

##### ***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.

## NOTES TO FINANCIAL STATEMENTS

28 February 2017

### 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 2017

### 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 <sup>2</sup> / <sub>3</sub> % – 25%
Leasehold improvements	Shorter of lease terms and useful lives

## NOTES TO FINANCIAL STATEMENTS

28 February 2017

### 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 sales 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 2017

### 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 23 to the financial statements.

The cost of Equity-settled transactions is recognised in employee benefit expense, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. 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.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

For awards that do not ultimately vest because non-market performance and/or service conditions have not been met, no expense is recognised. Where awards include a market or non-vesting condition, the transactions are treated as vesting irrespective of whether 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.

# NOTES TO FINANCIAL STATEMENTS

28 February 2017

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### **Share-based payments** *(continued)*

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.

### **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

## NOTES TO FINANCIAL STATEMENTS

28 February 2017

### 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

#### **Employee benefits** *(continued)*

##### **Retirement benefits** *(continued)*

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.

- Service 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.

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.

##### **Termination benefits**

Termination benefits are recognised at the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises restructuring costs involving the payment of termination benefits.

##### **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 payable after an insured event 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.



## NOTES TO FINANCIAL STATEMENTS

28 February 2017

### 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

#### **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 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 is admitted until confirmed as necessary. The provisions are derecognised when they are discharged or settled.

##### ***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.

## NOTES TO FINANCIAL STATEMENTS

28 February 2017

### 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

#### **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 reinsurers' 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.

#### **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 and associates, 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.

## NOTES TO FINANCIAL STATEMENTS

28 February 2017

### 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

#### **Income tax** *(continued)*

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

The carrying amount of deferred tax assets is reviewed at 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.

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.

## NOTES TO FINANCIAL STATEMENTS

28 February 2017

### 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

#### **Revenue recognition**

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

- (a) trading of securities, on the trade date;
- (b) interest income, on an accrual basis using the effective interest rate method by applying the rate that 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 shareholders' 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 2017

### 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 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 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 Hong Kong dollars 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.

## NOTES TO FINANCIAL STATEMENTS

28 February 2017

### 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);
  - (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); and
  - (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

# NOTES TO FINANCIAL STATEMENTS

28 February 2017

## 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 consolidated statement 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:

#### ***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.

## NOTES TO FINANCIAL STATEMENTS

28 February 2017

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

#### **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 of property, plant and equipment***

As at 28 February 2017, the aggregate carrying amount of the Group's property, plant and equipment was HK\$47,211,000 (2016: HK\$61,178,000). For property, plant and equipment other than land and building, management conducted an impairment review of certain cash-generating units ("CGUs") of the Group where there were indicators of impairment by considering the recoverable amounts of the relevant CGUs. Management identifies individual store as a CGU for the purpose of impairment assessment based on value-in-use calculation. The amount of any impairment loss was measured as the difference between the CGU's carrying amount and its recoverable amount. The recoverable amount is the higher of value in use and fair value less costs to sell. Value in use is the estimated future cash flows, based on key assumptions including expected growth or deterioration rate, discounted to their present values using an appropriate discount rate that reflects current market assessments of the time value of money and the risks specific to the CGU. Where the actual future cash flows or fair value less costs to sell are less or more than expected, or unfavourable changes in facts and circumstances which result in downward revision of the estimated future cash flows for the purpose of determining the value in use, further impairment loss or reversal of impairment loss may arise.

#### ***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 nature and condition of the inventories, the marketability and estimated selling prices, the historical and current ageing pattern of the inventories and the sales strategy of the Group. The carrying value of inventories as at 28 February 2017 was HK\$76,178,000 (29 February 2016: HK\$48,358,000).



## NOTES TO FINANCIAL STATEMENTS

28 February 2017

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

#### **Estimation uncertainty** *(continued)*

##### **Valuation of share options**

The fair value of options granted under the share option scheme is determined using the binomial model. The significant inputs into the model were the weighted average share price at the grant date, exercise price, risk-free interest rate, dividend yield, expected volatility, expected life of options, and exit rate of directors and staff. When the actual results of the inputs differ from the management's estimate, it will have impact on share option expenses and the related share option reserve of the Company. Further details of the share options are set out in note 23 to the financial statements.

##### **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 is 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 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. The carrying value of pension scheme assets as at 28 February 2017 was HK\$11,149,000 (pension scheme liabilities as at 29 February 2016: HK\$228,000).

## NOTES TO FINANCIAL STATEMENTS

28 February 2017

### 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 the sublease of properties, advertising agency services and general and life insurances.

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 loss before tax. The adjusted loss before tax is measured consistently with the Group's loss before tax except that certain interest income, unallocated revenue/(expenses) 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 the case of rental income and income from the provision of warehouse services, at an agreed rate.

## NOTES TO FINANCIAL STATEMENTS

28 February 2017

### 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 2017 and 29 February 2016.

	Department store		Securities trading		Others		Eliminations		Total	
	operations									
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
	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	368,217	383,566	3,342	(2,987)	3,717	3,759	-	-	375,276	384,338
Intersegment sales	-	-	-	-	29,018	29,180	(29,018)	(29,180)	-	-
Other revenue	496	764	18,952	22,039	9,807	57	-	-	29,255	22,860
<b>Total</b>	<b>368,713</b>	<b>384,330</b>	<b>22,294</b>	<b>19,052</b>	<b>42,542</b>	<b>32,996</b>	<b>(29,018)</b>	<b>(29,180)</b>	<b>404,531</b>	<b>407,198</b>
Segment results	(90,071)	(133,144)	3,562	(31,230)	(4,365)	(14,938)	-	-	(90,874)	(179,312)
Interest income and unallocated revenue/(expenses), net									(800)	2,675
Finance costs									(3,320)	(6,472)
Loss before tax									(94,994)	(183,109)
Income tax expense									(30)	(29)
Loss for the year									(95,024)	(183,138)
Segment assets	155,449	141,842	173,785	222,890	64,640	68,409	(29,018)	(29,180)	364,856	403,961
Unallocated assets									146,028	180,491
Total assets									510,884	584,452
Segment liabilities	176,952	204,593	301	300	12,747	17,001	(29,018)	(29,180)	160,982	192,714
Unallocated liabilities									142,372	99,568
Total liabilities									303,354	292,282

## NOTES TO FINANCIAL STATEMENTS

28 February 2017

## 4. SEGMENT INFORMATION (continued)

## (a) Operating segments (continued)

	Department store operations		Securities trading		Others		Eliminations		Total	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Other segment information:										
Depreciation	14,235	23,502	411	411	1,494	1,549	-	-	16,140	25,462
Capital expenditure	2,187	5,899	-	849	-	19	-	-	2,187	6,767
Loss/(gain) on disposal/ write-off of items of property, plant and equipment	-	16,940	-	(485)	(7,500)	-	-	-	(7,500)	16,455
Provision for inventories	-	1,413	-	-	-	-	-	-	-	1,413
Impairment of an interest in an associate	-	-	-	-	18	115	-	-	18	115
Impairment of other receivables	-	-	-	-	-	507	-	-	-	507
Bad debts written off	182	-	-	-	-	29	-	-	182	29
Gain on deregistration of a subsidiary	-	-	-	-	(234)	-	-	-	(234)	-
Write-back of other payables	-	-	-	-	(2,444)	-	-	-	(2,444)	-
Write-back of impairment of a deposit	-	-	-	-	(2,500)	(3,000)	-	-	(2,500)	(3,000)

## NOTES TO FINANCIAL STATEMENTS

28 February 2017

### 4. SEGMENT INFORMATION *(continued)*

#### (b) Geographical information

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

	Hong Kong		Mainland China		United Kingdom ("UK")		Others		Eliminations		Consolidated	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue:												
Sales to external customers	373,766	387,034	99	103	209	239	1,202	(3,038)	-	-	375,276	384,338
Non-current assets	78,501	88,102	1,019	1,451	-	-	-	-	-	-	79,520	89,553

The non-current asset 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 2017 and 29 February 2016, 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 *Operating Segments*.

## NOTES TO FINANCIAL STATEMENTS

28 February 2017

**5. REVENUE, OTHER INCOME AND GAINS, NET**

Revenue represents the aggregate of the invoiced value of goods sold less discounts and returns, net income from counter and consignment sales, net realised gain/(loss) on securities trading, rental income, advertising agency fee income and gross insurance contracts premium revenue during the year.

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

	<b>2017</b>	2016
	<b>HK\$'000</b>	HK\$'000
Revenue:		
Sale of goods – own goods	<b>274,947</b>	274,309
Net income from counter and consignment sales	<b>93,270</b>	109,257
Net realised gain/(loss) on securities trading	<b>3,342</b>	(2,987)
Rental income	<b>3,664</b>	3,695
Advertising agency fee income	–	7
Gross insurance contracts premium revenue	<b>53</b>	57
	<b>375,276</b>	384,338
Other income and gains, net:		
Interest income	<b>3,261</b>	9,478
Dividends from financial assets at fair value through profit or loss	<b>16,485</b>	17,984
Write-back of other payables	<b>2,444</b>	–
Foreign exchange loss, net	<b>(1,762)</b>	(2,880)
Gain on disposal of items of property, plant and equipment	<b>7,500</b>	–
Gain on deregistration of a subsidiary	<b>234</b>	–
Others	<b>293</b>	953
	<b>28,455</b>	25,535

**6. FINANCE COSTS**

An analysis of finance costs is as follows:

	<b>2017</b>	2016
	<b>HK\$'000</b>	HK\$'000
Interest on bank borrowings	<b>3,204</b>	6,444
Others	<b>116</b>	28
	<b>3,320</b>	6,472

## NOTES TO FINANCIAL STATEMENTS

28 February 2017

### 7. LOSS BEFORE TAX

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

	2017 HK\$'000	2016 HK\$'000
Depreciation	16,140	25,462
Auditor's remuneration	3,253	3,318
Employee benefit expense, excluding directors' and chief executive's remuneration (note 25):		
Wages and salaries	70,062	82,957
Pension contributions, including a pension cost for a defined benefit plan of HK\$2,347,000 (2016: HK\$2,308,000)	4,887	4,858
Equity-settled share option expenses	–	532
	<b>74,949</b>	<b>88,347</b>
Impairment of an interest in an associate *	18	115
Impairment of other receivables	–	507
Bad debts written off	182	29
Provision for inventories **	–	1,413
Operating lease rental payments:		
Minimum lease payments	153,152	174,616
Contingent rent	2,942	2,252
Loss/(gain) on disposal/write-off of items of property, plant and equipment #	(7,500)	16,455
Gain on deregistration of a subsidiary ***	(234)	–
Net realised loss/(gain) on securities trading	(3,342)	2,987
Underwriting profit	(5)	(3)
Rental income	(3,664)	(3,695)
Interest income ***	(3,261)	(9,478)
Dividends from financial assets at fair value through profit or loss ***	(16,485)	(17,984)
Foreign exchange loss, net ***	1,762	2,880
Write-back of other payables ***	(2,444)	–
Write-back of impairment of a deposit <sup>Δ</sup> *	(2,500)	(3,000)

\* Amounts are included in "Other operating income/(expenses), net" 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.

# Gain on disposal of items of property, plant and equipment is included in "Other income and gains, net" on the face of the consolidated income statement in current year. Loss on disposal/write-off of items of property, plant and equipment was included in "Other operating income/(expenses), net" on the face of the consolidated income statement in prior year.

<sup>Δ</sup> Amount represented write-back of impairment of HK\$2,500,000 (2016: HK\$3,000,000) for the Group's deposit for an investment in Mainland China.

## NOTES TO FINANCIAL STATEMENTS

28 February 2017

## 8. INCOME TAX

No provision for Hong Kong profits tax had 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.

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Current – Hong Kong	–	–
Current – Elsewhere		
Charge for the year	<b>30</b>	29
<b>Total tax charge for the year</b>	<b>30</b>	29

A reconciliation of the tax credit 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:

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Loss before tax	<b>(94,994)</b>	(183,109)
Tax at the statutory tax rates	<b>(15,923)</b>	(30,425)
Income not subject to tax	<b>(4,491)</b>	(6,007)
Expenses not deductible for tax	<b>3,374</b>	6,211
Deferred tax not recognised	<b>1,316</b>	5,200
Tax losses not recognised	<b>16,047</b>	25,340
Tax losses from prior years utilised	<b>(293)</b>	(290)
<b>Tax charge at the Group's effective rate</b>	<b>30</b>	29

The Group has tax losses arising in Hong Kong of approximately HK\$1,453,698,000 (2016: HK\$1,361,521,000) 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.

## 9. DIVIDENDS

The board of directors did not recommend the payment of any dividend for the year ended 28 February 2017 (2016: Nil).



## NOTES TO FINANCIAL STATEMENTS

28 February 2017

### 10. LOSS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The calculation of the basic loss per share amount is based on the loss for the year of HK\$92,614,000 (2016: HK\$181,796,000) attributable to equity holders of the Company and the 313,864,800 (2016: 313,864,800) ordinary shares in issue throughout the year, as adjusted to reflect the number of treasury shares of 260,443,200 (2016: 260,443,200) held by the Company's subsidiaries.

No adjustment had been made to the basic loss per share amount presented for the year ended 28 February 2017 in respect of a dilution as the impact of the share options outstanding during the year had an anti-dilutive effect on the basic loss per share amount presented.

No adjustment had been made to the basic loss per share for the prior year as the share options in issue during the year ended 29 February 2016 had no dilutive effect.

### 11. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings HK\$'000	Furniture, fixtures, equipment and motor vehicles HK\$'000	Leasehold improvements HK\$'000	Total HK\$'000
<b>28 February 2017</b>				
Cost:				
At 1 March 2016	51,952	44,272	103,637	199,861
Additions	–	1,589	598	2,187
Exchange realignment	–	(60)	(13)	(73)
At 28 February 2017	51,952	45,801	104,222	201,975
Accumulated depreciation:				
At 1 March 2016	21,603	37,435	79,645	138,683
Depreciation provided during the year	1,063	2,320	12,757	16,140
Exchange realignment	–	(50)	(9)	(59)
At 28 February 2017	22,666	39,705	92,393	154,764
Net book value:				
At 28 February 2017	29,286	6,096	11,829	47,211

## NOTES TO FINANCIAL STATEMENTS

28 February 2017

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

	Land and buildings <i>HK\$'000</i>	Furniture, fixtures, equipment and motor vehicles <i>HK\$'000</i>	Leasehold improvements <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>29 February 2016</b>				
Cost:				
At 1 March 2015	51,952	43,711	122,633	218,296
Additions	–	2,652	4,115	6,767
Disposals/write-off	–	(2,042)	(23,101)	(25,143)
Exchange realignment	–	(49)	(10)	(59)
At 29 February 2016	51,952	44,272	103,637	199,861
Accumulated depreciation:				
At 1 March 2015	20,540	36,408	64,143	121,091
Depreciation provided during the year	1,063	2,728	21,671	25,462
Disposals/write-off	–	(1,663)	(6,165)	(7,828)
Exchange realignment	–	(38)	(4)	(42)
At 29 February 2016	21,603	37,435	79,645	138,683
Net book value:				
At 29 February 2016	30,349	6,837	23,992	61,178

As at 28 February 2017, the Group's leasehold land and buildings with an aggregate carrying value of HK\$28,436,000 (2016: HK\$29,451,000) were pledged as security for the bank loans granted (note 17(a)).

## NOTES TO FINANCIAL STATEMENTS

28 February 2017

### 12. INTERESTS IN ASSOCIATES

	2017 HK\$'000	2016 HK\$'000
Share of net assets other than goodwill	–	–
Due from an associate	9,917	9,899
Provision for impairment <sup>#</sup>	(9,917)	(9,899)
	–	–

<sup>#</sup> As at 28 February 2017, an aggregate impairment of HK\$9,917,000 (2016: HK\$9,899,000) was recognised for an amount due from an associate with a gross carrying amount of HK\$9,917,000 (2016: HK\$9,899,000) (before deducting the impairment losses) because the relevant associate had suffered losses for years. The impairment provision had taken into account the net assets value and operating performance of the associate.

The balance with an associate is unsecured, interest-free and not repayable within the next twelve months from the end of the reporting period.

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

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

	2017 HK\$'000	2016 HK\$'000
Total assets	82,646	92,533
Total liabilities	(93,748)	(104,923)
Loss before tax	(38)	(156)

## NOTES TO FINANCIAL STATEMENTS

28 February 2017

**12. INTERESTS IN ASSOCIATES** *(continued)*

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\$19,000 (2016: HK\$78,000) and HK\$10,419,000 (2016: HK\$10,400,000), respectively.

**13. FINANCIAL INSTRUMENTS**

	Notes	2017 HK\$'000	2016 HK\$'000
Available-for-sale investments			
Unlisted investments, at cost:			
Hong Kong		53	53
PRC/Mainland China	(a)	37,575	37,575
Taiwan	(b)	24,409	24,409
		<b>62,037</b>	62,037
Less: Provision for impairment		<b>(35,711)</b>	(35,711)
Portion classified as non-current assets		<b>26,326</b>	26,326

- (a) At 28 February 2017, the unlisted investment of the Group represented equity interests of 3.45% (2016: 3.45%) in Oriental Finance (HK) Limited and 2.45% (2016: 2.45%) in Yestock Car Rental Company Limited, private limited companies with major operations in Mainland China. Provision for impairment of HK\$21,300,000 (2016: HK\$21,300,000) has been made as the directors of the Company considered that the carrying amounts of the investments exceeded the recoverable amounts.
- (b) At 28 February 2017, the unlisted investment in Taiwan of the Group represented equity interests of 18.4% (2016: 18.4%) in The Sincere Department Store Limited, against which provisions for impairment of HK\$14,411,000 (2016: HK\$14,411,000) have been made as considered necessary by the directors of the Company.

## NOTES TO FINANCIAL STATEMENTS

28 February 2017

### 14. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2017 <b>HK\$'000</b>	2016 <i>HK\$'000</i>
Listed investments, at market value	<b>100,206</b>	125,337
Other investments, at quoted price	<b>54,391</b>	77,445
	<b>154,597</b>	202,782

The above investments at 28 February 2017 and 29 February 2016 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\$66,215,000 (2016: HK\$146,295,000) were pledged to banks to secure certain banking facilities granted to the Group (note 17(a)).

### 15. CASH AND BANK BALANCES

	2017 <b>HK\$'000</b>	2016 <i>HK\$'000</i>
Cash on hand and at banks	<b>30,962</b>	44,217

At the end of the reporting period, the cash and bank balances of the Group denominated in Renminbi ("RMB") amounted to HK\$8,372,000 (2016: HK\$11,993,000). 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.

### 16. REINSURANCE ASSETS

	2017 <b>HK\$'000</b>	2016 <i>HK\$'000</i>
Reinsurers' share of insurance contracts liabilities (note 19)	<b>19</b>	21

## NOTES TO FINANCIAL STATEMENTS

28 February 2017

## 17. INTEREST-BEARING BANK BORROWINGS AND OTHER LOANS

## (a) Interest-bearing bank borrowings

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Bank loans, secured	142,372	98,263
Bank overdrafts, secured	–	1,305
	<b>142,372</b>	99,568
Analysed into:		
Within one year or on demand	139,544	92,593
In the second year	2,828	4,147
In the third to fifth years, inclusive	–	2,828
	<b>142,372</b>	99,568
Less: Amounts repayable within one year or on demand and classified as current portion	<b>(139,544)</b>	(92,593)
Amount classified as non-current portion	<b>2,828</b>	6,975

The bank loans and overdrafts bear interest at rates ranging from 1.4% to 5.0% (2016: 1.2% to 5.0%) per annum. The interest-bearing borrowings and overdrafts are mainly denominated in Hong Kong dollars.

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

- (i) the pledge of certain of the Group's bank balances of HK\$39,845,000 (2016: HK\$50,295,000) and time deposits amounting to HK\$75,221,000 (2016: HK\$85,979,000);
- (ii) the pledge of certain of the Group's marketable securities with an aggregate market value of approximately HK\$66,215,000 (2016: HK\$146,295,000) (note 14); and
- (iii) 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\$28,436,000 (2016: HK\$29,451,000) (note 11).

## NOTES TO FINANCIAL STATEMENTS

28 February 2017

### 17. INTEREST-BEARING BANK BORROWINGS AND OTHER LOANS (continued)

#### (b) Other loans

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Other loans	2,958	2,929
Less: Amount repayable within one year or on demand and classified as current portion	<b>(1,932)</b>	(1,924)
<u>Amount classified as non-current portion</u>	<b>1,026</b>	1,005

The other loans were unsecured, bore interest at 2% (2016: 2%) per annum and had no fixed terms of repayment, except for an amount of HK\$1,026,000 (2016: HK\$1,005,000) which was not repayable in the next twelve months after the end of the reporting period. The balances were denominated in Hong Kong dollars.

### 18. CREDITORS

An ageing analysis of the creditors as at the end of the reporting period, based on invoice date, is as follows:

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Current – 3 months	<b>58,360</b>	79,793
4 – 6 months	<b>3,887</b>	2,538
7 – 12 months	<b>965</b>	265
Over 1 year	<b>82</b>	351
	<b>63,294</b>	82,947

## NOTES TO FINANCIAL STATEMENTS

28 February 2017

## 19. INSURANCE CONTRACTS LIABILITIES

	Notes	2017			2016		
		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)	21	(19)	2	23	(21)	2
Total insurance contracts liabilities		1,227	(19)	1,208	1,229	(21)	1,208
				(Note 16)		(Note 16)	

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

	Notes	2017			2016		
		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:

	2017 HK\$'000	2016 HK\$'000
At beginning of year	1,078	1,078
Increase in the year	-	-
At end of year	1,078	1,078



## NOTES TO FINANCIAL STATEMENTS

28 February 2017

### 19. 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:

	2017			2016		
	Insurance contracts liabilities <i>HK\$'000</i>	Reinsurers' share of liabilities <i>HK\$'000</i>	Net <i>HK\$'000</i>	Insurance contracts liabilities <i>HK\$'000</i>	Reinsurers' share of liabilities <i>HK\$'000</i>	Net <i>HK\$'000</i>
At beginning of year	128	-	128	128	-	128
Claims incurred during the year	-	-	-	3	-	3
Claims paid during the year	-	-	-	(3)	-	(3)
At end of year	128	-	128	128	-	128

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

	Notes	2017			2016		
		Insurance contracts liabilities <i>HK\$'000</i>	Reinsurers' share of liabilities <i>HK\$'000</i>	Net <i>HK\$'000</i>	Insurance contracts liabilities <i>HK\$'000</i>	Reinsurers' share of liabilities <i>HK\$'000</i>	Net <i>HK\$'000</i>
Provision for claims reported by policyholders and claims incurred but not reported ("IBNR")	20(d)	-	-	-	-	-	-
Provision for unearned premiums	(i)	21	(19)	2	23	(21)	2
Total insurance contracts liabilities		21	(19)	2	23	(21)	2

*(note 16)* *(note 16)*

## NOTES TO FINANCIAL STATEMENTS

28 February 2017

**19. INSURANCE CONTRACTS LIABILITIES** *(continued)*(b) General insurance contracts liabilities are analysed as follows: *(continued)*

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

	2017			2016		
	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
At beginning of year	23	(21)	2	18	(16)	2
Premiums written in the year	53	(47)	6	57	(52)	5
Premiums earned during the year	(55)	49	(6)	(52)	47	(5)
At end of year	21	(19)	2	23	(21)	2

**20. INSURANCE CONTRACTS LIABILITIES AND REINSURANCE ASSETS – 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 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.

## NOTES TO FINANCIAL STATEMENTS

28 February 2017

### 20. INSURANCE CONTRACTS LIABILITIES AND REINSURANCE ASSETS – TERMS, ASSUMPTIONS AND SENSITIVITIES *(continued)*

#### Life insurance *(continued)*

##### **(b) Key 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 assumptions 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 rates*

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.

#### 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.

## NOTES TO FINANCIAL STATEMENTS

28 February 2017

### 20. INSURANCE CONTRACTS LIABILITIES AND REINSURANCE ASSETS – TERMS, ASSUMPTIONS AND SENSITIVITIES *(continued)*

#### **General insurance** *(continued)*

##### **(a) Terms and conditions** *(continued)*

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

##### **(b) Assumptions**

The principal assumption underlying the estimates is the Group's past claims development experience. This includes assumptions in respect of average claims costs, claims handling costs and number of claims 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 to 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.

## NOTES TO FINANCIAL STATEMENTS

28 February 2017

### 20. INSURANCE CONTRACTS LIABILITIES AND REINSURANCE ASSETS – TERMS, ASSUMPTIONS AND SENSITIVITIES *(continued)*

#### General insurance *(continued)*

##### (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 as at the end of the reporting period.

#### Gross insurance claims

	2008 and before	2009	2010	2011	2012	2013	2014	2015	2016	2017	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 19(b))

## NOTES TO FINANCIAL STATEMENTS

28 February 2017

**20. INSURANCE CONTRACTS LIABILITIES AND REINSURANCE ASSETS – TERMS, ASSUMPTIONS AND SENSITIVITIES** *(continued)***General insurance** *(continued)***(d) Loss development triangle** *(continued)***Net insurance claims**

	2008 and before	2009	2010	2011	2012	2013	2014	2015	2016	2017	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 net claims	2,983	-	-	-	-	-	-	-	-	-	2,983
Cumulative net payments to date	(2,983)	-	-	-	-	-	-	-	-	-	(2,983)
Total net general insurance claims liability as per the consolidated statement of financial position	-	-	-	-	-	-	-	-	-	-	-

*(Note 19(b))*

## NOTES TO FINANCIAL STATEMENTS

28 February 2017

### 21. PENSION SCHEME ASSETS/(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 three (2016: four) trustees and one of them is independent. The trustees are responsible for ensuring that the Scheme is administered 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 100% cash (2016: a mix of 24% in equity and 76% in debt instruments).

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 on 28 February 2017 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:

	<b>2017</b>	2016
	%	%
Discount rate	<b>1.6</b>	1.3
Expected rate of salary increase	<b>3.0</b>	4.0
Mortality	<b>HK Life Table 2015</b>	HK Life Table 2011

## NOTES TO FINANCIAL STATEMENTS

28 February 2017

**21. PENSION SCHEME ASSETS/(LIABILITIES)** *(continued)*

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

	<b>Increase/ (decrease) in net defined benefit obligations</b>	<b>Increase/ (decrease) in net defined benefit obligations</b>
	<b>Increase in rate %</b>	<b>Decrease in rate %</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>2017</b>		
Discount rate	<b>0.25</b>	<b>(784)</b>
Long-term salary increase rate	<b>0.25</b>	<b>791</b>
<b>2016</b>		
Discount rate	0.25	(1,199)
Long-term salary increase rate	0.25	1,192

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. The sensitivity analysis is based on a change in a significant assumption, keeping all other assumptions constant. The sensitivity analysis may not be representative of an actual change in the defined benefit obligations as it is unlikely that changes in assumptions would occur in isolation of one another.



## NOTES TO FINANCIAL STATEMENTS

28 February 2017

### 21. PENSION SCHEME ASSETS/(LIABILITIES) (continued)

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

	<b>2017</b>	2016
	<b>HK\$'000</b>	HK\$'000
Current service cost	<b>2,634</b>	2,943
Interest income	<b>(9)</b>	(6)
Administrative expenses paid from the scheme assets	<b>201</b>	90
<b>Net benefit expenses</b>	<b>2,826</b>	3,027

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:

	<b>2017</b>	2016
	<b>HK\$'000</b>	HK\$'000
At beginning of year	<b>54,104</b>	57,735
Current service cost	<b>2,634</b>	2,943
Interest cost	<b>694</b>	910
Actuarial gains	<b>(9,526)</b>	(3,136)
Benefit paid	<b>(3,775)</b>	(4,348)
<b>At end of year</b>	<b>44,131</b>	54,104

## NOTES TO FINANCIAL STATEMENTS

28 February 2017

## 21. PENSION SCHEME ASSETS/(LIABILITIES) (continued)

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

## 2017

	Pension cost credited/(charged) to the income statement				Remeasurement gains in other comprehensive income							At 28 February 2017 HK\$'000
	At 1 March 2016 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				Sub-total included in other comprehensive income HK\$'000	Contribution by employer HK\$'000	
						Actuarial changes arising from demographic assumptions HK\$'000	Actuarial changes arising from financial assumptions HK\$'000	Experience adjustments HK\$'000	Sub-total included in other comprehensive income HK\$'000			
Defined benefit obligations	(54,104)	(2,634)	(694)	(3,328)	3,775	-	1,936	4,362	3,228	9,526	-	(44,131)
Fair value of plan assets	53,876	-	502*	502	(3,775)	2,302	-	-	-	2,302	2,375	55,280
Benefit assets/(liabilities)	(228)	(2,634)	(192)	(2,826)	-	2,302	1,936	4,362	3,228	11,828	2,375	11,149

## 2016

	Pension cost credited/(charged) to the income statement				Remeasurement gains/(losses) in other comprehensive income/(loss)							At 29 February 2016 HK\$'000
	At 1 March 2015 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				Sub-total included in other comprehensive income/(loss) HK\$'000	Contribution by employer HK\$'000	
						Actuarial changes arising from demographic assumptions HK\$'000	Actuarial changes arising from financial assumptions HK\$'000	Experience adjustments HK\$'000	Sub-total included in other comprehensive income/(loss) HK\$'000			
Defined benefit obligations	(57,735)	(2,943)	(910)	(3,853)	4,348	-	-	(1,433)	4,569	3,136	-	(54,104)
Fair value of plan assets	56,910	-	826*	826	(4,348)	(1,874)	-	-	-	(1,874)	2,362	53,876
Benefit liabilities	(825)	(2,943)	(84)	(3,027)	-	(1,874)	-	(1,433)	4,569	1,262	2,362	(228)

\* Balance included administrative expenses of HK\$201,000 (2016: HK\$90,000).

## NOTES TO FINANCIAL STATEMENTS

28 February 2017

### 21. PENSION SCHEME ASSETS/(LIABILITIES) (continued)

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

	2017	2016
Equity instruments, quoted in an active market	–	24%
Debt instruments, at quoted prices	–	76%
Cash	<b>100%</b>	–
<b>Total</b>	<b>100%</b>	100%

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

	2017	2016
	<b>HK\$'000</b>	<b>HK\$'000</b>
Within the next 12 months	<b>116</b>	1,997

The average duration of the defined benefit obligations at the end of the reporting period was 6.9 years (2016: 8.6 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 has 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 the assets 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 2017, the Group had an amount due to the Scheme of HK\$117,000, which was included in “Deposits, accrued expenses and other payables” on the face of the consolidated statement of financial position. As at 29 February 2016, the Group had an amount due from the Scheme of HK\$4,952,000, which was included in “Prepayments, deposits and other receivables” on the face of the consolidated statement of financial position. The balance is unsecured, interest-free and has no fixed terms of repayment.

# NOTES TO FINANCIAL STATEMENTS

28 February 2017

## 22. SHARE CAPITAL

	<b>2017</b>	2016
	<b>HK\$'000</b>	HK\$'000
Issued and fully paid:		
574,308,000 (2016: 574,308,000) ordinary shares	<b>287,180</b>	287,180

As at 28 February 2017 and 29 February 2016, The Sincere Life Assurance Company Limited ("Sincere Life"), The Sincere Insurance & Investment Company, Limited ("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.

## 23. 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.

## NOTES TO FINANCIAL STATEMENTS

28 February 2017

### 23. SHARE OPTION SCHEME *(continued)*

#### 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.
- (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 2017 and 29 February 2016 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:

## NOTES TO FINANCIAL STATEMENTS

28 February 2017

### 23. SHARE OPTION SCHEME *(continued)*

#### 4. Maximum entitlement of each participant *(continued)*

- (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.

#### 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 2017

### 23. SHARE OPTION SCHEME (continued)

Set out below are the outstanding share options under the Option Scheme as at 28 February 2017:

Name or category of participant	Number of share options					Dates of grant of share options	Exercise periods of share options	Exercise prices of share options** HK\$ per share
	At 1 March 2016	Granted during the year	Cancelled or lapsed during the year	Exercised during the year	At 28 February 2017			
<b>Executive directors</b>								
Philip K H Ma	5,700,000	-	-	-	5,700,000	28 February 2013	28 February 2013 to 27 February 2018	0.820
	5,700,000	-	-	-	5,700,000	29 February 2016	29 February 2016 to 28 February 2021	0.358
John Y C Fu	2,280,000	-	-	-	2,280,000	28 February 2013	28 February 2013 to 27 February 2018	0.820
	2,280,000	-	-	-	2,280,000	29 February 2016	29 February 2016 to 28 February 2021	0.358
<b>Independent non-executive directors</b>								
King Wing Ma	570,000	-	-	-	570,000	28 February 2013	28 February 2013 to 27 February 2018	0.820
	570,000	-	-	-	570,000	29 February 2016	29 February 2016 to 28 February 2021	0.358
Eric K K Lo	570,000	-	-	-	570,000	28 February 2013	28 February 2013 to 27 February 2018	0.820
	570,000	-	-	-	570,000	29 February 2016	29 February 2016 to 28 February 2021	0.358
Charles M W Chan	570,000	-	-	-	570,000	28 February 2013	28 February 2013 to 27 February 2018	0.820
	570,000	-	-	-	570,000	29 February 2016	29 February 2016 to 28 February 2021	0.358
Peter Tan	570,000	-	-	-	570,000	28 February 2013	28 February 2013 to 27 February 2018	0.820
	570,000	-	-	-	570,000	29 February 2016	29 February 2016 to 28 February 2021	0.358
<b>Other grantees</b>								
Employees in aggregate	3,130,000	-	-	-	3,130,000	28 February 2013	28 February 2013 to 27 February 2018	0.820
	5,130,000	-	-	-	5,130,000	29 February 2016	29 February 2016 to 28 February 2021	0.358
Non-employees in aggregate	2,850,000	-	-	-	2,850,000	28 February 2013	28 February 2013 to 27 February 2018	0.820
	4,845,000	-	(1,995,000)	-	2,850,000	29 February 2016	29 February 2016 to 28 February 2021	0.358
	36,475,000	-	(1,995,000)	-	34,480,000			

## NOTES TO FINANCIAL STATEMENTS

28 February 2017

## 23. SHARE OPTION SCHEME (continued)

Set out below are the outstanding share options under the Option Scheme as at 29 February 2016:

Name or category of participant	Number of share options				At 29 February 2016	Dates of grant of share options	Exercise periods of share options	Exercise prices of share options** HK\$ per share
	At 1 March 2015	Granted during the year	Cancelled or lapsed during the year	Exercised during the year				
<b>Executive directors</b>								
Philip K H Ma	5,700,000	-	-	-	5,700,000	28 February 2013	28 February 2013 to 27 February 2018	0.820
	-	5,700,000	-	-	5,700,000	29 February 2016	29 February 2016 to 28 February 2021	0.358
John Y C Fu	2,280,000	-	-	-	2,280,000	28 February 2013	28 February 2013 to 27 February 2018	0.820
	-	2,280,000	-	-	2,280,000	29 February 2016	29 February 2016 to 28 February 2021	0.358
<b>Independent non-executive directors</b>								
King Wing Ma	570,000	-	-	-	570,000	28 February 2013	28 February 2013 to 27 February 2018	0.820
	-	570,000	-	-	570,000	29 February 2016	29 February 2016 to 28 February 2021	0.358
Eric K K Lo	570,000	-	-	-	570,000	28 February 2013	28 February 2013 to 27 February 2018	0.820
	-	570,000	-	-	570,000	29 February 2016	29 February 2016 to 28 February 2021	0.358
Charles M W Chan	570,000	-	-	-	570,000	28 February 2013	28 February 2013 to 27 February 2018	0.820
	-	570,000	-	-	570,000	29 February 2016	29 February 2016 to 28 February 2021	0.358
Peter Tan	570,000	-	-	-	570,000	28 February 2013	28 February 2013 to 27 February 2018	0.820
	-	570,000	-	-	570,000	29 February 2016	29 February 2016 to 28 February 2021	0.358
<b>Other grantees</b>								
Employees in aggregate	3,130,000	-	-	-	3,130,000	28 February 2013	28 February 2013 to 27 February 2018	0.820
	-	5,130,000	-	-	5,130,000	29 February 2016	29 February 2016 to 28 February 2021	0.358
Non-employees in aggregate	8,550,000*	-	(5,700,000)	-	2,850,000	28 February 2013	28 February 2013 to 27 February 2018	0.820
	-	4,845,000	-	-	4,845,000	29 February 2016	29 February 2016 to 28 February 2021	0.358
	21,940,000	20,235,000	(5,700,000)	-	36,475,000			



## NOTES TO FINANCIAL STATEMENTS

28 February 2017

### 23. SHARE OPTION SCHEME *(continued)*

- \* Mr. Walter K W Ma, a former director of the Company, passed away on 14 September 2014. The opening balance of the number of outstanding share options at 1 March 2015 has been reclassified to take into account of such change. During the year ended 29 February 2016, 5,700,000 share options granted to Mr. Walter K W Ma in 2013 were lapsed in accordance with the Option Scheme.
- \*\* The closing prices of the Company's shares immediately before the date on which the options were granted on 29 February 2016 and 28 February 2013 were HK\$0.365 and HK\$0.77, respectively.

During the year ended 29 February 2016, the fair value of 20,235,000 share options granted was HK\$2,100,000 (HK\$0.104 each), which was recognised as share option expenses. No share options were granted during the year ended 28 February 2017.

The fair value of equity-settled share options granted during the year ended 29 February 2016 is estimated as at the date of grant, using a binomial model, taking into account the terms and conditions upon which the options are granted. The following table lists the inputs to the model used:

	<b>Share options granted in 2016</b>
Dividend yield (%)	–
Expected volatility (%)	68
Risk-free interest rate (%)	1.11
Expected life of options (years)	5
Exit rate (%)	–
Weighted average share price (HK\$ per share)	0.350

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.

## NOTES TO FINANCIAL STATEMENTS

28 February 2017

**23. SHARE OPTION SCHEME** *(continued)*

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

	2017		2016	
	Weighted average exercise price HK\$ per share	Number of options	Weighted average exercise price HK\$ per share	Number of options
At beginning of year	<b>0.564</b>	<b>36,475,000</b>	0.820	21,940,000
Granted during the year	<b>N/A</b>	<b>–</b>	0.358	20,235,000
Lapsed during the year	<b>0.358</b>	<b>(1,995,000)</b>	0.820	(5,700,000)
At end of year	<b>0.576</b>	<b>34,480,000</b>	0.564	36,475,000

No share options were cancelled and exercised during the year.

At the end of the reporting period, the Company had 34,480,000 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 34,480,000 additional ordinary shares of the Company and additional share capital of HK\$19,847,000 (before issue expenses).

At the date of approval of these financial statements, the Company had 34,480,000 share options outstanding under the Option Scheme, which represented approximately 6.0% of the Company's shares in issue as at that date.

**24. RESERVES**

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.

## NOTES TO FINANCIAL STATEMENTS

28 February 2017

### 25. 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, section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	<b>2017</b>	2016
	<b>HK\$</b>	<i>HK\$</i>
Fees	<b>2,985</b>	2,985
Other emoluments:		
Salaries, allowances and other benefits	<b>15,154</b>	15,077
Equity-settled share option expenses	–	1,065
Pension contributions including pension cost for a defined benefit plan of HK\$479,000 (2016: HK\$719,000)	<b>479</b>	719
	<b>18,618</b>	19,846

In prior year, all directors were granted share options, in respect of their services to the Group, under the Option Scheme, further details of which are set out in note 23 to the financial statements. The fair value of such options, which had been recognised in the income statement, was determined as at the date of grant and the amount included in the financial statements for the last year is included in the above directors' and chief executive's remuneration disclosures.

## NOTES TO FINANCIAL STATEMENTS

28 February 2017

## 25. REMUNERATION OF THE DIRECTORS AND CHIEF EXECUTIVE AND THE FIVE HIGHEST PAID INDIVIDUALS (continued)

	Fees <i>HK\$'000</i>	Salaries, allowances and other benefits <i>HK\$'000</i>	Equity-settled share option expenses <i>HK\$'000</i>	Pension contributions <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>2017</b>					
<b>Executive directors</b>					
Philip K H Ma <sup>#</sup>	1,876	12,907	-	362	15,145
John Y C Fu	597	2,047	-	117	2,761
	<b>2,473</b>	<b>14,954</b>	<b>-</b>	<b>479</b>	<b>17,906</b>
<b>Independent non-executive directors</b>					
King Wing Ma	110	50	-	-	160
Eric K K Lo	182	50	-	-	232
Charles M W Chan	110	50	-	-	160
Peter Tan	110	50	-	-	160
	<b>512</b>	<b>200</b>	<b>-</b>	<b>-</b>	<b>712</b>
	<b>2,985</b>	<b>15,154</b>	<b>-</b>	<b>479</b>	<b>18,618</b>
<b>2016</b>					
<b>Executive directors</b>					
Philip K H Ma <sup>#</sup>	1,876	12,861	592	544	15,873
John Y C Fu	597	2,016	237	175	3,025
	<b>2,473</b>	<b>14,877</b>	<b>829</b>	<b>719</b>	<b>18,898</b>
<b>Independent non-executive directors</b>					
King Wing Ma	110	50	59	-	219
Eric K K Lo	182	50	59	-	291
Charles M W Chan	110	50	59	-	219
Peter Tan	110	50	59	-	219
	<b>512</b>	<b>200</b>	<b>236</b>	<b>-</b>	<b>948</b>
	<b>2,985</b>	<b>15,077</b>	<b>1,065</b>	<b>719</b>	<b>19,846</b>

There were no other emoluments payable to the independent non-executive directors during the year (2016: Nil).

<sup>#</sup> Mr. Philip K H Ma is also the chief executive of the Company.

## NOTES TO FINANCIAL STATEMENTS

28 February 2017

### 25. 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 two (2016: two) directors of the Company and their remuneration are included in the directors' and chief executive's remuneration above. The remuneration of the remaining three (2016: three) highest paid individuals, analysed by nature thereof and designated band, is set out below:

	<b>2017</b>	2016
	<b>HK\$'000</b>	<i>HK\$'000</i>
Salaries and allowances	<b>4,774</b>	6,044
Equity-settled share option expenses	–	237
Pension contributions	<b>36</b>	32
	<b>4,810</b>	6,313

	<b>Number of individuals</b>	
	<b>2017</b>	2016
Nil – HK\$1,500,000	<b>2</b>	–
HK\$1,500,001 – HK\$2,000,000	–	2
HK\$2,000,001 – HK\$2,500,000	–	–
HK\$2,500,001 – HK\$3,000,000	<b>1</b>	1

In prior year, share options were granted to non-director and non-chief executive highest paid employees in respect of their services to the Group, further details of which are included in the disclosures in note 23 to the financial statements. The fair value of such options, which had been recognised in the income statement, was determined as at the date of grant and the amount included in the financial statements for the last year is included in the above non-director and non-chief executive highest paid employees' remuneration disclosures.

## NOTES TO FINANCIAL STATEMENTS

28 February 2017

**26. OPERATING LEASE ARRANGEMENTS****(a) As lessor**

The Group subleases certain premises under operating lease arrangement, with lease negotiated for a term of six years.

At the end of the reporting period, the Group had total future minimum lease receivables under non-cancellable operating leases with their tenants falling due as follows:

	<b>2017</b>	2016
	<b>HK\$'000</b>	HK\$'000
Within one year	–	2,676
In the second to fifth years, inclusive	–	–
	<b>–</b>	<b>2,676</b>

During the year, the Group did not receive any contingent rent (2016: Nil).

**(b) As lessee**

The Group leases 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 had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	<b>2017</b>	2016
	<b>HK\$'000</b>	HK\$'000
Within one year	<b>112,840</b>	132,023
In the second to fifth years, inclusive	<b>370,687</b>	373,611
After five years	<b>21,346</b>	105,327
	<b>504,873</b>	<b>610,961</b>

Certain non-cancellable operating leases of the Group included above were subject to contingent rent payments, which were charged at 9% (2016: 8% to 9%) 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 2017

### 27. OUTSTANDING COMMITMENTS

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

	<b>2017</b>	2016
	<b>HK\$'000</b>	HK\$'000
Irrevocable letters of credit	<b>16,914</b>	10,434
Other commitments in respect of property, plant and equipment:		
Contracted for	-	394

### 28. 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:

	<b>2017</b>	2016
	<b>HK\$'000</b>	HK\$'000
Management service fees to a related company	<b>1,579</b>	339

The management service fees to Strategic Consulting Company, were charged at a monthly service fee of HK\$110,000 (2016: HK\$100,000) with incentive for the provision of key management personnel services to the Group.

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

	<b>2017</b>	2016
	<b>HK\$'000</b>	HK\$'000
Short term employee benefits	<b>22,019</b>	24,106
Equity-settled share option expenses	-	1,302
Post-employment benefits, including pension cost for a defined benefit plan of HK\$479,000 (2016: HK\$719,000)	<b>497</b>	751
Total compensation of key management personnel	<b>22,516</b>	26,159

Further details of directors' and the chief executive's emoluments are included in note 25 to the financial statements.

## NOTES TO FINANCIAL STATEMENTS

28 February 2017

**29. 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:

**Financial assets**

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
<i>Financial assets at fair value through profit or loss held for trading</i>		
Financial assets at fair value through profit or loss	<b>154,597</b>	202,782
<i>Loans and receivables</i>		
Financial assets included in prepayments, deposits and other receivables	<b>36,631</b>	47,810
Pledged bank balances	<b>39,845</b>	50,295
Pledged deposits with banks	<b>75,221</b>	85,979
Cash and bank balances	<b>30,962</b>	44,217
	<b>182,659</b>	228,301
<i>Available-for-sale financial assets</i>		
Financial instruments	<b>26,326</b>	26,326
<b>Financial liabilities</b>		
<i>Financial liabilities at amortised cost</i>		
Creditors	<b>63,294</b>	82,947
Provision for claims of life insurance	<b>128</b>	128
Financial liabilities included in deposits, accrued expenses and other payables	<b>89,056</b>	98,192
Interest-bearing bank borrowings	<b>142,372</b>	99,568
Other loans	<b>2,958</b>	2,929
	<b>297,808</b>	283,764



## NOTES TO FINANCIAL STATEMENTS

28 February 2017

### 30. FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

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

*Assets measured at fair value:*

**2017**

	Fair value measurement using		Total HK\$'000
	Quoted prices in active markets (Level 1) HK\$'000	Significant observable inputs (Level 2) HK\$'000	
Financial assets at fair value through profit or loss	100,206	54,391	154,597

2016

	Fair value measurement using		Total HK\$'000
	Quoted prices in active markets (Level 1) HK\$'000	Significant observable inputs (Level 2) HK\$'000	
Financial assets at fair value through profit or loss	125,337	77,445	202,782

As at 28 February 2017 and 29 February 2016, 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 2017 and 29 February 2016, 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 2017

### 31. 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 creditors and other loans, which arise directly from its operations.

The Group also enters into derivative transactions, including forward currency contracts. The purpose of such contracts is to manage the 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:

	<b>2017</b>	2016
	<b>HK\$'000</b>	HK\$'000
Increase/decrease in interest expense	<b>1,424</b>	996

## NOTES TO FINANCIAL STATEMENTS

28 February 2017

### 31. 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 dollar is pegged to the United States dollar ("US\$"), management does not expect that the Group has significant foreign exchange exposure to US\$, and 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 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.

	Increase/ (decrease) in exchange rate %	Increase/ (decrease) in loss before tax HK\$'000
<b>2017</b>		
Investments denominated in:		
Euro	5	(577)
	(5)	577
<b>2016</b>		
Investments denominated in:		
Euro	5	(621)
	(5)	621

## NOTES TO FINANCIAL STATEMENTS

28 February 2017

**31. 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, 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, and 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:

	2017		Total HK\$'000
	On demand or within 1 year HK\$'000	More than 1 year HK\$'000	
Creditors	63,294	–	63,294
Provision for claims of life insurance	128	–	128
Deposits, accrued expenses and other payables	27,169	61,887	89,056
Interest-bearing bank borrowings	140,965	2,857	143,822
Other loans	1,932	1,026	2,958
	<b>233,488</b>	<b>65,770</b>	<b>299,258</b>

## NOTES TO FINANCIAL STATEMENTS

28 February 2017

### 31. 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)

	2016		Total HK\$'000
	On demand or within 1 year HK\$'000	More than 1 year HK\$'000	
Creditors	82,947	–	82,947
Provision for claims of life insurance	128	–	128
Deposits, accrued expenses and other payables	39,004	59,188	98,192
Interest-bearing bank borrowings	93,737	7,145	100,882
Other loans	1,924	1,005	2,929
	217,740	67,338	285,078

#### 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 14) as at 28 February 2017.

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.

	2017 HK\$'000	2016 HK\$'000
Increase/decrease in loss before tax	15,460	20,278

# NOTES TO FINANCIAL STATEMENTS

28 February 2017

## 31. 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 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:

	<b>2017</b>	2016
	<b>HK\$'000</b>	HK\$'000
Total interest-bearing bank borrowings	<b>142,372</b>	99,568
Total equity attributable to equity holders of the Company	<b>149,739</b>	232,996
Gearing ratio	<b>95%</b>	43%

## NOTES TO FINANCIAL STATEMENTS

28 February 2017

### 32. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
NON-CURRENT ASSETS		
Property, plant and equipment	16,763	28,812
Interests in subsidiaries	216,757	105,232
Financial instruments	10,051	10,051
Deposits	31,946	27,810
Pension scheme assets	9,473	–
Total non-current assets	284,990	171,905
CURRENT ASSETS		
Inventories	76,178	48,358
Prepayments, deposits and other receivables	11,105	26,878
Pledged deposits with banks	59,445	62,492
Cash and bank balances	6,441	18,942
Total current assets	153,169	156,670
CURRENT LIABILITIES		
Creditors	63,282	82,916
Deposits, accrued expenses and other payables	22,764	31,827
Interest-bearing bank borrowings	136,095	91,288
Total current liabilities	222,141	206,031
NET CURRENT LIABILITIES	(68,972)	(49,361)
TOTAL ASSETS LESS CURRENT LIABILITIES	216,018	122,544
NON-CURRENT LIABILITIES		
Accrued expenses and other payables	61,887	59,188
Interest-bearing bank borrowings	2,828	6,975
Pension scheme liabilities	–	1,484
Total non-current liabilities	64,715	67,647
NET ASSETS	151,303	54,897

## NOTES TO FINANCIAL STATEMENTS

28 February 2017

**32. STATEMENT OF FINANCIAL POSITION OF THE COMPANY**  
*(continued)*

Information about the statement of financial position of the Company at the end of the reporting period is as follows: *(continued)*

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
EQUITY		
Share capital	<b>287,180</b>	287,180
Reserves <i>(note)</i>	<b>(135,877)</b>	(232,283)
<b>TOTAL EQUITY</b>	<b>151,303</b>	54,897

**Philip K H Ma**  
*Director*

**John Y C Fu**  
*Director*



## NOTES TO FINANCIAL STATEMENTS

28 February 2017

### 32. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (continued)

Note:

A summary of the Company's reserves is as follows:

	General reserve HK\$'000	Share option reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
At 1 March 2015	46,613	5,608	(107,995)	(55,774)
Loss for the year	-	-	(180,275)	(180,275)
Other comprehensive income for the year:				
Actuarial gains on a defined benefit plan	-	-	1,666	1,666
Total comprehensive loss for the year	-	-	(178,609)	(178,609)
Equity-settled share option arrangement (note 23)	-	2,100	-	2,100
Transfer of share option reserve upon the lapse of share options	-	(1,457)	1,457	-
At 29 February 2016	46,613	6,251	(285,147)	(232,283)
At 1 March 2016	<b>46,613</b>	<b>6,251</b>	<b>(285,147)</b>	<b>(232,283)</b>
Profit for the year	-	-	<b>85,049</b>	<b>85,049</b>
Other comprehensive income for the year:				
Actuarial gains on a defined benefit plan	-	-	<b>11,357</b>	<b>11,357</b>
Total comprehensive income for the year	-	-	<b>96,406</b>	<b>96,406</b>
Transfer of share option reserve upon the lapse of share options	-	<b>(207)</b>	<b>207</b>	-
At 28 February 2017	<b>46,613</b>	<b>6,044</b>	<b>(188,534)</b>	<b>(135,877)</b>

The share option reserve comprises the fair value of share options granted which are yet to be exercised, as further explained in the accounting policy for share-based payments in note 2.4 to the financial statements. The amount will either be transferred to the share capital account when the related options are exercised, or be transferred to retained profits/accumulated loss should the related options expire, be forfeited or lapse.

## NOTES TO FINANCIAL STATEMENTS

28 February 2017

## 33. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Particulars of the Company's 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		Principal activities
				Directly	Indirectly	
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
Sincere (Shanghai) Commercial Management Company Limited ^	PRC/Mainland China	US\$1,000,000	N/A	100	-	Provision of management services
Sincere I&I	Hong Kong	HK\$20,000,000	Ordinary	40.67 <sup>#</sup>	17.31 <sup>#</sup>	General insurance and investment
Sincere Life	Hong Kong	HK\$10,000,000	Ordinary	48.09 <sup>#</sup>	8.87 <sup>#</sup>	Life insurance and investment
Sincere Perfumery	Hong Kong	HK\$1,300,000	Ordinary	37.15 <sup>#</sup>	25.22 <sup>#</sup>	Investment holding
Springview Limited	Hong Kong	HK\$500,000	Ordinary	100	-	Securities trading
The Sincere Finance Company, Limited	Hong Kong	HK\$2	Ordinary	100	-	Provision of finance

^ 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.

## NOTES TO FINANCIAL STATEMENTS

28 February 2017

### 33. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(continued)*

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.

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

#### Sincere Life and its subsidiaries

	2017	2016
Percentage of effective equity interest held by non-controlling interests	<b>43.04</b>	43.04
	<b>2017</b>	2016
	<b>HK\$'000</b>	<b>HK\$'000</b>
Loss for the year allocated to non-controlling interests	<b>(1,538)</b>	(1,571)
Accumulated balances of non-controlling interests at the reporting dates	<b>51,385</b>	53,197

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

	2017	2016
	<b>HK\$'000</b>	<b>HK\$'000</b>
Loss for the year	<b>(15,645)</b>	(56,816)
Total comprehensive loss for the year	<b>(11,329)</b>	(65,739)
Current assets	<b>12,513</b>	17,429
Non-current assets	<b>10,274</b>	16,667
Current liabilities	<b>(2,189)</b>	(2,167)
Net cash flows used in operating activities	<b>(770)</b>	(5,816)
Net cash flows from investing activities	<b>3,855</b>	5,623
Net increase/(decrease) in cash and cash equivalents	<b>3,085</b>	(193)

### 34. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 29 May 2017.

## FIVE-YEAR FINANCIAL SUMMARY

28 February 2017

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				
	2017 HK\$'000	2016 HK\$'000	2015 HK\$'000	2014 HK\$'000	2013 HK\$'000
<b>RESULTS</b>					
<b>CONTINUING OPERATIONS</b>					
REVENUE	<b>375,276</b>	384,338	370,333	444,113	498,066
PROFIT/(LOSS) BEFORE TAX	<b>(94,994)</b>	(183,109)	(126,206)	(85,741)	23,785
INCOME TAX EXPENSE	<b>(30)</b>	(29)	(37)	(325)	(447)
PROFIT/(LOSS) FOR THE YEAR FROM CONTINUING OPERATIONS	<b>(95,024)</b>	(183,138)	(126,243)	(86,066)	23,338
<b>DISCONTINUED OPERATION</b>					
Profit for the year from the discontinued operation	–	–	–	–	49,849
PROFIT/(LOSS) FOR THE YEAR	<b>(95,024)</b>	(183,138)	(126,243)	(86,066)	73,187
Attributable to:					
Equity holders of the Company	<b>(92,614)</b>	(181,796)	(122,567)	(85,068)	64,344
Non-controlling interests	<b>(2,410)</b>	(1,342)	(3,676)	(998)	8,843
	<b>(95,024)</b>	(183,138)	(126,243)	(86,066)	73,187

## FIVE-YEAR FINANCIAL SUMMARY

28 February 2017

	As at 28/29 February				
	2017 HK\$'000	2016 HK\$'000	2015 HK\$'000	2014 HK\$'000	2013 HK\$'000
<b>ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS</b>					
PROPERTY, PLANT AND EQUIPMENT	<b>47,211</b>	61,178	97,205	116,471	72,783
OTHER NON-CURRENT ASSETS	<b>69,784</b>	54,701	62,217	62,258	52,715
NET CURRENT ASSETS	<b>156,276</b>	243,687	376,090	494,318	587,175
NON-CURRENT LIABILITIES	<b>(65,741)</b>	(67,396)	(56,119)	(68,670)	(29,710)
NON-CONTROLLING INTERESTS	<b>(57,791)</b>	(59,174)	(59,786)	(62,430)	(62,198)
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY	<b>149,739</b>	232,996	419,607	541,947	620,765