THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action you should take, you should consult your licensed securities dealer or registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in The Sincere Company, Limited, you should at once hand this circular and the enclosed proxy form to the purchaser or the transferee or to the bank manager, licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

This circular appears for information purposes only and does not constitute an invitation or offer to the Shareholders or any other persons to acquire, purchase, or subscribe for securities of the Company.

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THE SINCERE COMPANY, LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 0244)

(I) PROPOSED RIGHTS ISSUE ON THE BASIS OF THREE (3) RIGHTS SHARES FOR EVERY FIVE (5) EXISTING SHARES HELD ON THE RECORD DATE; (II) APPLICATION FOR WHITEWASH WAIVER; (III) POSSIBLE CONNECTED TRANSACTION: SALE OF PROVISIONAL ALLOTMENT LETTERS; AND (IV) NOTICE OF GENERAL MEETING

Financial adviser to the Company

OPTIMA CAPITAL

Optima Capital Limited

Underwriter of the Rights Issue

Win Dynamic Limited

Independent financial adviser to the Independent Board Committee and the Independent Shareholders

Gram Capital Limited
嘉林資本有限公司

Capitalised terms used on this cover shall have the same meanings as those defined in this circular, unless the context requires otherwise. A letter from the Board is set out on pages 9 to 32 of this circular. A letter from the Independent Board Committee is set out on pages 33 to 34 of this circular. A letter from Gram Capital, containing its advice to the Independent Board Committee and the Independent Shareholders, is set out on pages 35 to 52 of this circular.

It should be noted that the Shares will be dealt in on an ex-rights basis from Friday, 17 November 2017. Any Shareholder or other person dealing in the Shares from the Latest Practicable Date up to the date on which all conditions of the Rights Issue becomes unconditional (which is expected to be at 4:00 p.m. on Wednesday, 13 December 2017), and any dealings in the Rights Shares in their nil-paid form from Wednesday, 29 November 2017 to Wednesday, 6 December 2017 (both days inclusive), will accordingly bear the risk that the Rights Issue cannot become unconditional and may not proceed. Any Shareholders or other persons contemplating dealings in the securities of the Company are recommended to consult their own professional advisers.

It should be noted that the Underwriting Agreement contains provisions granting the Underwriter the right to terminate the obligations of the Underwriter thereunder on the occurrence of certain events including force majeure, summarized in the section headed "Termination of the Underwriting Agreement" on pages 7 to 8 of this circular. If the Underwriting Agreement is terminated or does not become unconditional, the Rights Issue will not proceed.

A notice convening the GM to be held at 2/F Hibiscus Room, Hotel Jen Hong Kong, 508 Queen's Road West, Western District, Hong Kong on Wednesday, 15 November 2017 at 10:00 a.m. is set out on pages GM-1 to GM-2 of this circular. A proxy form for use at the GM is enclosed with this circular. Whether or not you are able to attend the GM, you are requested to complete the enclosed proxy form in accordance with the instructions printed thereon and return the same to the branch share registrar and transfer office of the Company in Hong Kong, Tricor Tengis Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the GM (i.e. no later than 10:00 a.m. on Monday, 13 November 2017 (Hong Kong time)). Completion and return of the proxy form shall not preclude you from attending and voting in person at the GM or any adjournment thereof (as the case may be) should you so wish and in such event, the instrument appointing a proxy shall be deemed to be revoked.

26 October 2017

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Set out below is the expected timetable for the Rights Issue which is indicative only and is subject to change. Further announcement(s) will be made by the Company should there be any changes to the expected timetable.

Event	**2017**
Latest time for registration of Shares to qualify for attendance and voting at the GM	4:30 p.m. on Thursday, 9 November
Closure of register of members of the Company for determination of entitlements to attend the GM	From Friday, 10 November to Wednesday, 15 November (both dates inclusive)
Latest time for lodging proxy forms for the GM	10:00 a.m. on Monday, 13 November
Record date for determination of entitlements to attend the GM	Wednesday, 15 November
Time and date of the GM	10:00 a.m. on Wednesday, 15 November
Announcement of poll results of the GM	Wednesday, 15 November
Last day of dealings in the Shares on a cum-rights basis	Thursday, 16 November
First day of dealings in the Shares on an ex-rights basis	Friday, 17 November
Latest time for lodging transfers of the Shares in order to qualify for the Rights Issue	4:30 p.m. on Monday, 20 November
Closure of register of members for determination of entitlements to the Rights Issue	From Tuesday, 21 November to Friday, 24 November (both dates inclusive)
Record Date for determination of entitlements to the Rights Issue	Friday, 24 November
Re-opening of the register of members of the Company	Monday, 27 November
Despatch of the Prospectus Documents (in the case of the Non-Qualifying Shareholders, the Prospectus only)	Monday, 27 November
First day of dealings in the nil-paid Rights Shares	Wednesday, 29 November
Latest time for splitting of the nil-paid Rights Shares	4:30 p.m. on Friday, 1 December

Last day of dealings in the nil-paid Rights Shares . . . . Wednesday, 6 December

Latest Time for Acceptance and
payment for the Rights Shares . . . . 4:00 p.m. on Monday, 11 December

Latest Time for Termination and the
Rights Issue becomes unconditional . . . . 4:00 p.m. on Wednesday, 13 December

Announcement of the results of the Rights Issue . . . . Tuesday, 19 December

Despatch of certificates for the fully-paid Rights Shares . . . . Wednesday, 20 December

Despatch of refund cheques . . . . Wednesday, 20 December

First day of dealings in the fully-paid Rights Shares . . 9:00 a.m. on Thursday, 21 December

All times in this circular refer to Hong Kong time. The expected timetable set out above is indicative only and is subject to change, and any change will be announced by the Company as and when appropriate.

Effect of bad weather on the Latest Time for Acceptance

If there is a "black" rainstorm warning or a tropical cyclone warning signal number 8 or above in force in Hong Kong on Monday, 11 December 2017, being the date of the Latest Time for Acceptance:

(i) at any time before 12:00 noon and it is no longer in force after 12:00 noon, the Latest Time for Acceptance will be postponed to 5:00 p.m. on the same Business Day; or

(ii) at any time between 12:00 noon and 4:00 p.m., the Latest Time for Acceptance will be rescheduled to 4:00 p.m. on the next Business Day which does not have any of those warnings in force in Hong Kong at any time between 9:00 a.m. and 4:00 p.m..

Under such circumstances, the dates mentioned in the expected timetable above (including, without limitation, the Latest Time for Termination) may be affected.

In this circular, unless the context otherwise requires, the following expressions have the following meanings:

"Announcement"	the announcement of the Company dated 18 September 2017 in relation to, among others, the Rights Issue, the Underwriting Agreement, the PAL Sale and the Whitewash Waiver
"associate(s)"	the meaning ascribed to it under the Listing Rules
"Board"	the board of Directors
"Business Day"	a day (other than a Saturday, Sunday, a public holiday and a day on which typhoon signal 8 or above or black rainstorm is hoisted in Hong Kong at 9:00 a.m.) on which banks are generally open for business in Hong Kong
"CCASS"	the Central Clearing and Settlement System established and operated by HKSCC
"Circular"	this circular
"Company"	The Sincere Company, Limited, a company incorporated in Hong Kong with limited liability and the Shares of which are listed on the Main Board of the Stock Exchange (stock code: 0244)
"connected person(s)"	the meaning ascribed to it under the Listing Rules
"Director(s)"	the director(s) of the Company
"Effective Interest"	equity interests in the Sincere Companies directly held by the Company and indirectly held by the Company through the Sincere Companies
"GM"	a general meeting of the Company dated 15 November 2017 to be convened to consider, and if thought fit, to approve the Rights Issue, the Underwriting Agreement, the PAL Sale and the Whitewash Waiver
"Executive"	the Executive Director of the Corporate Finance Division of the Securities and Futures Commission of Hong Kong or any of his delegates

"Group"	the Company and its subsidiaries
"HKSCC"	Hong Kong Securities Clearing Company Limited
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Independent Board Committee"	the independent committee of the Board comprising all the independent non-executive Directors, namely Mr. King Wing Ma, Mr. Eric K K Lo and Mr. Peter Tan, which has been established to advise the Independent Shareholders in respect of the Rights Issue (including the absence of rights of excess application), the Underwriting Agreement and the transactions contemplated thereunder, the Proposed PAL Sale Agreements and the transactions contemplated thereunder and the Whitewash Waiver
"Independent Financial Adviser" and "Gram Capital"	Gram Capital Limited, a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the SFO, being the independent financial adviser appointed by the Company with the approval of the Independent Board Committee to advise the Independent Board Committee and the Independent Shareholders in respect of the Rights Issue (including the absence of rights of excess application), the Underwriting Agreement and the transactions contemplated thereunder, the Proposed PAL Sale Agreements and the transactions contemplated thereunder and the Whitewash Waiver
"Independent Shareholders"	Shareholder(s) other than the Underwriter, Mr. Philip Ma, Mr. Charles Chan, the Sincere Companies and parties acting in concert or presumed to be acting in concert with any of them and those who are involved in and/or are interested in the Rights Issue (including the absence of rights of excess application), the Underwriting Agreement, the PAL Sale, the Irrevocable Undertakings and the Whitewash Waiver
"Irrevocable Undertakings"	the irrevocable undertakings given by the Sincere Companies
"Last Trading Day"	18 September 2017, being the last trading day immediately prior to the entering into of the Underwriting Agreement

"Latest Practicable Date"	23 October 2017, being the latest practicable date for ascertaining the information contained in the Circular
"Latest Time for Acceptance"	4:00 p.m. on Monday, 11 December 2017 or such later time or date as may be agreed between the Company and the Underwriter in writing, being the last time for acceptance of and payment for the Rights Issue
"Latest Time for Termination"	4:00 p.m. on the third Business Day following (but excluding) the date of the Latest Time for Acceptance or such later time or date as may be agreed between the Company and the Underwriter in writing, being the latest time to terminate the Underwriting Agreement
"Listing Committee"	the meaning ascribed to it under the Listing Rules
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Loans"	the outstanding bank borrowings of the Group as at 31 August 2017
"Mr. Charles Chan"	Mr. Chan Man Wai Charles, a non-executive Director
"Mr. Philip Ma"	Mr. Ma King Huen Philip, the chairman of the Board, the chief executive officer of the Company and an executive Director
"Non-Qualifying Shareholder(s)"	those Overseas Shareholder(s) whom the Directors, after making enquiry regarding the legal restrictions under the laws of the relevant place and the requirements of the relevant regulatory body or stock exchange, consider it necessary or expedient to exclude from the Rights Issue
"Optionholder(s)	holder(s) of the Share Option(s)
"Overseas Shareholder(s)"	the Shareholder(s) whose registered address(es) (as shown in the register of members of the Company on the Record Date) are outside Hong Kong
"PAL"	the provisional allotment letter(s) to be despatched to the Qualifying Shareholders in respect of their provisional allotments of Rights Shares under the Rights Issue

"PAL Sale"	the proposed sale to the Underwriter by the Sincere Companies of their entire provisional allotments of the Rights Shares
"Perfumery"	The Sincere Company (Perfumery Manufacturers), Limited, a company incorporated in Hong Kong with limited liability
"Posting Date"	27 November 2017 or such other date as the Underwriter may agree in writing with the Company as the date of despatch of the Prospectus Documents to the Qualifying Shareholders
"PRC"	the People's Republic of China, which, for the purpose of the Circular, excludes Hong Kong, Macau and Taiwan
"Proposed PAL Sale Agreements"	agreements proposed to be entered into, each between one of the Sincere Companies and the Underwriter, in respect of the PAL Sale
"Prospectus"	the prospectus to be issued by the Company in relation to the Rights Issue
"Prospectus Documents"	the Prospectus and the PAL
"Qualifying Shareholder(s)"	the Shareholders, whose names appear on the register of members of the Company on the Record Date, other than the Non-Qualifying Shareholders
"Record Date"	Friday, 24 November 2017, or such later date as may be agreed between the Company and the Underwriter in writing, being the record date to determine entitlements to the Rights Issue
"Registrar"	Tricor Tengis Limited, the Company's share registrar and transfer office
"Relevant Period"	the period from 18 March 2017, being the date falling six months prior to the date of the Announcement, up to the Latest Practicable Date
"Rights Issue"	the issue of the Rights Shares at the Subscription Price on the basis of three (3) Rights Shares for every five (5) existing Shares held on the Record Date

"Rights Share(s)"	the new Share(s) to be allotted and issued in respect of the Rights Issue, being not less 344,584,800 Shares (assuming no exercise of the outstanding Share Options and no issue of new Shares or repurchase of Shares by the Company from the Latest Practicable Date up to and including the Record Date) and not more than 365,272,800 Shares (assuming full exercise of all outstanding Share Options but no further issue of new Shares or repurchase of Shares by the Company from the Latest Practicable Date up to and including the Record Date)
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Share(s)"	ordinary share(s) in the share capital of the Company
"Share Option Scheme"	the share option scheme of the Company adopted by the Company on 6 December 2010
"Share Options"	the share options of the Company granted pursuant to the Share Option Scheme
"Shareholder(s)"	holder(s) of the Share(s)
"Sincere Companies"	Sincere LA, Sincere II and Perfumery
"Sincere II"	The Sincere Insurance & Investment Company, Limited, a company incorporated in Hong Kong with limited liability
"Sincere LA"	The Sincere Life Assurance Company Limited, a company incorporated in Hong Kong with limited liability
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Subscription Price"	the subscription price in respect of each Rights Share, being HK$0.27 per Rights Share
"Takeovers Code"	the Hong Kong Code on Takeovers and Mergers

"Underwriter"	Win Dynamic Limited, a company incorporated in Hong Kong with limited liability, which is owned as to 75% by Mr. Philip Ma and 25% by Mr. Charles Chan
"Underwriting Agreement"	the underwriting agreement dated 18 September 2017 entered into between the Company, the Underwriter and Mr. Philip Ma and Mr. Charles Chan (as guarantors of the performance by the Underwriter) in relation to the Rights Issue
"Underwritten Shares"	all the Rights Shares other than those subject to the Irrevocable Undertakings
"Untaken Shares"	any of the Underwritten Shares not taken up by the Qualifying Shareholders under the Rights Issue at or before the Latest Time for Acceptance
"Whitewash Waiver"	a waiver sought from the Executive pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code to waive the obligation of the Underwriter to make a mandatory general offer to the Shareholders in respect of the Shares not already owned or agreed to be acquired by the Underwriter and parties acting in concert with it as a result of the subscription of the Rights Shares by the Underwriter
"USA"	the United States of America
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"%"	per cent.

The Underwriter shall be entitled by a notice in writing to the Company, served prior to the Latest Time for Termination, to terminate the Underwriting Agreement if:

(i) in the absolute opinion of the Underwriter, the success of the Rights Issue would be materially and adversely affected by:

(a) the introduction of any new regulation or any change in existing law or regulation (or the judicial interpretation thereof) or other occurrence of any nature whatsoever which may in the absolute opinion of the Underwriter materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole or is materially adverse in the context of the Rights Issue; or

(b) the occurrence of any local, national or international event or change (whether or not forming part of a series of events or changes occurring or continuing before, and/or after the date thereof), of a political, military, financial, economic or other nature, or in the nature of any local, national or international outbreak or escalation of hostilities or armed conflict, or affecting local securities markets which may, in the absolute opinion of the Underwriter materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole; or

(c) any act of God, war, riot, public disorder, civil commotion, fire, flood, explosion, epidemic, terrorism, strike or lock-out which would, in the absolute opinion of the Underwriter materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole; or

(ii) any material adverse change in market conditions (including, without limitation, a change in fiscal or monetary policy or foreign exchange or currency markets, suspension or restriction of trading in securities, and a change in currency conditions for the purpose of this clause includes a change in the system under which the value of the Hong Kong currency is pegged with that of the currency of the United States of America) occurs which in the absolute opinion of the Underwriter makes it inexpedient or inadvisable to proceed with the Rights Issue; or

(iii) the Prospectus when published contains information (either as to business prospects or the condition of the Group or as to its compliance with any laws or the Listing Rules or any applicable regulations) which has not prior to the date thereof been publicly announced or published by the Company and which may in the absolute opinion of the Underwriter be material to the Group as a whole upon completion of the Rights Issue and is likely to affect materially and adversely the success of the Rights Issue.

The Underwriter shall be entitled by a notice in writing to rescind the Underwriting Agreement if prior to the Latest Time for Termination any material breach of any of the warranties comes to the knowledge of the Underwriter. Any such notice shall be served prior to the Latest Time for Termination.

If, prior to the Latest Time for Termination any such notice as is referred to above is given by the Underwriter, the obligations of all parties under the Underwriting Agreement (save for the guarantee of Mr. Philip Ma and Mr. Charles Chan and without prejudice to any rights of any party in respect of any breach by any party prior to such termination which shall remain in full force and effect) shall terminate forthwith.

If the Underwriter terminates the Underwriting Agreement, the Rights Issue will not proceed.

THE SINCERE COMPANY, LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 0244)

Executive Directors:
Mr. Philip K H Ma *(Chairman & CEO)*
Mr. John Y C Fu *(Executive Director & CFO)*

Non-executive Director:
Mr. Charles M W Chan

Independent non-executive Directors:
Mr. King Wing Ma
Mr. Eric K K Lo
Mr. Peter Tan

Registered Office:
24/F Leighton Centre
77 Leighton Road
Hong Kong

26 October 2017

To the Shareholders and, for information only, the Optionholders

Dear Sir or Madam,

(I) PROPOSED RIGHTS ISSUE ON THE BASIS OF THREE (3) RIGHTS SHARES FOR EVERY FIVE (5) EXISTING SHARES HELD ON THE RECORD DATE; (II) APPLICATION FOR WHITEWASH WAIVER; AND (III) POSSIBLE CONNECTED TRANSACTION: SALE OF PROVISIONAL ALLOTMENT LETTERS

INTRODUCTION

Reference is made to the Announcement whereby the Board announced that the Company proposed to raise gross proceeds of not less than approximately HK$93.0 million and not more than approximately HK$98.7 million by way of the Rights Issue on the basis of three (3) Rights Shares for every five (5) existing Shares held on the Record Date (assuming no other issue of new Share(s) and no repurchase of Share(s) by the Company on or before the Record Date). The Rights Issue (other than those Rights Shares subject to the Irrevocable Undertakings) is fully underwritten by the Underwriter on the terms and conditions set out in the Underwriting Agreement.

The Rights Issue is conditional on, among other things, (i) the passing of an ordinary resolution by the Independent Shareholders at the GM to approve the Rights Issue and the absence of any excess application arrangement, the PAL Sale and the Whitewash Waiver; (ii) the Underwriting Agreement having become unconditional and not being terminated; and (iii) grant of the Whitewash Waiver.

It is also proposed that, subject to (i) passing of resolutions at the GM to approve the Rights Issue and the Proposed PAL Sale Agreements; and (ii) the issue of the PALs, the Sincere Companies will enter into the Proposed PAL Sale Agreements with the Underwriter and sell their PALs to the Underwriter.

The purpose of the Circular is to provide you with, among other things, (i) details of the Rights Issue, the Underwriting Agreement, the PAL Sale and the Whitewash Waiver; (ii) the recommendation from the Independent Board Committee to the Independent Shareholders in respect of the Rights Issue, the Underwriting Agreement, the PAL Sale and the Whitewash Waiver; (iii) the letter of advice from Gram Capital to the Independent Board Committee and the Independent Shareholders in respect of the Rights Issue, the Underwriting Agreement, the PAL Sale and the Whitewash Waiver; (iv) financial information of the Group; (v) other information as required under the Listing Rules and the Takeovers Code; and (vi) a notice convening the GM.

PROPOSED RIGHTS ISSUE

The Company proposes to raise gross proceeds of not less than approximately HK$93.0 million and not more than approximately HK$98.7 million by way of the Rights Issue. The net proceeds from the Rights Issue after deducting related expenses are estimated to be not less than approximately HK$89.5 million and not more than approximately HK$95.2 million. The Rights Issue (other than those Rights Shares subject to the Irrevocable Undertakings) will be fully underwritten by the Underwriter on the terms and conditions set out in the Underwriting Agreement.

Issue statistics

Basis of the Rights Issue	:	Three (3) Rights Shares for every five (5) existing Shares held on the Record Date
Subscription Price	:	HK$0.27 per Rights Share
Number of Shares in issue as at the Latest Practicable Date	:	574,308,000

Number of Rights Shares	:	Not less than 344,584,800 Shares (assuming no exercise of the outstanding Share Options and no issue of new Shares or repurchase of Shares by the Company from the Latest Practicable Date up to and including the Record Date) and not more than 365,272,800 Shares (assuming full exercise of all outstanding Share Options but no other issue of new Shares or repurchase of Shares by the Company from the Latest Practicable Date up to and including the Record Date)
Number of Shares as enlarged by the allotment and issue of the Rights Shares	:	Not less than 918,892,800 Shares (assuming no exercise of the outstanding Share Options and no other issue of new Shares or repurchase of Shares by the Company from the Latest Practicable Date up to and including the Record Date) and not more than 974,060,800 Shares (assuming full exercise of all outstanding Share Options but no other issue of new Shares or repurchase of Shares by the Company from the Latest Practicable Date up to and including the Record Date)
Number of Underwritten Shares	:	Not less than 188,318,880 Shares (assuming no exercise of the outstanding Share Options and no issue of new Shares or repurchase of Shares by the Company from the Latest Practicable Date up to and including the Record Date) and not more than 209,006,880 Shares (assuming full exercise of all outstanding Share Options but no other issue of new Shares or repurchase of Shares by the Company from the Latest Practicable Date up to and including the Record Date), being the total number of Rights Shares less a total of 156,265,920 Rights Shares undertaken to be taken up by the Sincere Companies pursuant to the Irrevocable Undertakings
Underwriter	:	Win Dynamic Limited

As at the Latest Practicable Date, the Company had outstanding Share Options under the Share Option Scheme carrying rights for the holders thereof to subscribe for an aggregate of 34,480,000 new Shares, details of which are set out below:

Date of grant	Exercise period	Exercise price *(HK$)*	Number of underlying Shares
28 February 2013	28 February 2013 to 27 February 2018	0.820	16,240,000
29 February 2016	29 February 2016 to 28 February 2021	0.358	18,240,000
Total			34,480,000

Save for the Share Options, the Company had no other outstanding warrants, options or convertible securities in issue or other similar rights which confer any right to convert into or subscribe for Shares as at the Latest Practicable Date.

As at the Latest Practicable Date, the Company had not received any notice from the holders of the Share Options of their intention to exercise any Share Options.

Assuming no exercise of the outstanding Share Options and no other issue of new Shares or repurchase of Shares by the Company from the Latest Practicable Date up to and including the Record Date, the aggregate number of the Rights Shares represents (i) 60% of the existing number of Shares in issue as at the Latest Practicable Date; and (ii) 37.5% of the number of Shares in issue as enlarged by the allotment and issue of the Rights Shares.

The Subscription Price

The Subscription Price of HK$0.27 per Rights Share will be payable in full upon acceptance of the provisional allotment under the Rights Issue or when a transferee of nil-paid Rights Shares accepts the provisional allotment of the relevant Rights Shares, which represents:

(i) a discount of approximately 14.3% to the closing price of HK$0.315 per Share as quoted on the Stock Exchange on the Last Practicable Date;

(ii) a discount of approximately 27.0% to the closing price of HK$0.37 per Share as quoted on the Stock Exchange on the last Business Day prior to the Announcement;

(iii) a discount of approximately 28.0% to the average of the closing prices of approximately HK$0.375 per Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including the Last Trading Day;

(iv) a discount of approximately 27.2% to the average of the closing prices of approximately HK$0.371 per Share as quoted on the Stock Exchange for the last ten consecutive trading days up to and including the Last Trading Day;

(v) a discount of approximately 19.6% to the theoretical ex-entitlement price of HK$0.336 per Share based on the closing price of HK$0.375 per Share as quoted on the Stock Exchange on the Last Trading Day; and

(vi) a discount of approximately 9.4% to the theoretical ex-entitlement price of HK$0.298 per Share based on the closing price of HK$0.315 per Share as quoted on the Stock Exchange on the Last Practicable Date; and

(vii) a premium of approximately 60.7% over the unaudited consolidated net assets value as at 31 August 2017 attributable to the equity holders of the Company of approximately HK$96,770,000.

The terms of the Rights Issue, including the Subscription Price, were determined after arm's length negotiations between the Company and the Underwriter with reference to (i) the recent market prices of the Shares under the prevailing market and economic conditions; (ii) losses of the Group in recent years; and (iii) the capital needs and financial position of the Company as detailed in the section headed "Reasons for the Rights Issue and use of proceeds" below. The Rights Shares will be offered to all Qualifying Shareholders and each Qualifying Shareholder will be entitled to subscribe for the Rights Shares at the same price in proportion to his/her/its shareholding in the Company held on the Record Date. The Directors (excluding members of the Independent Board Committee whose views are set out in the letter from the Independent Board Committee) consider that the terms of the Rights Issue, including the Subscription Price, are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Conditions of the Rights Issue

The Rights Issue is conditional on, among other things, (i) the passing of an ordinary resolution by the Independent Shareholders at the GM to approve the Rights Issue and the absence of any excess application arrangement, the PAL Sale and the Whitewash Waiver; (ii) the Underwriting Agreement having become unconditional and not being terminated; and (iii) grant of the Whitewash Waiver. Please refer to the paragraph headed "Conditions of the Underwriting Agreement" in the section headed "The Underwriting arrangement for the Rights Issue" below for details of the conditions precedent to the Underwriting Agreement.

Details of the PAL Sale are set out in the section headed "The possible connected transaction" below.

If the conditions of the Underwriting Agreement are not fulfilled or it is terminated, the Rights Issue will not proceed.

Closure of register of members

The register of members of the Company will be closed from Tuesday, 21 November 2017 to Friday, 24 November 2017 (both dates inclusive) for the purpose of determination of entitlements to the Rights Issue. No transfer of Shares will be registered during this period.

Basis of provisional allotments

The basis of provisional allotments in the Rights Issue shall be three (3) Rights Shares (in their nil-paid form) for every five (5) existing Shares held by the Qualifying Shareholders as at the close of business on the Record Date.

Application for all or any part of a Qualifying Shareholder's provisional allotment will be possible only by completing the PAL and lodging the same with a remittance for the Rights Shares being applied for with the Registrar at or before the Latest Time for Acceptance.

Status of the Rights Shares

The Rights Shares, when allotted, issued and fully paid, will rank *pari passu* with the existing Shares then in issue in all respects. Holders of the fully-paid Rights Shares will be entitled to receive all dividends and distributions which may be declared, made or paid on or after the date of the allotment, issue and full payment of the Rights Shares.

Qualifying Shareholders and Non-Qualifying Shareholders

To qualify for the Rights Issue, a Shareholder must be registered as a member of the Company on the Record Date and not be a Non-Qualifying Shareholder.

In order for the transferees to be registered as members of the Company on the Record Date, all transfers of the Shares (together with the relevant share certificates and instruments of transfer) must be lodged with the Registrar (i.e. Tricor Tengis Limited) at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, by 4:30 p.m. on Monday, 20 November 2017.

Shareholders with their Shares held by a nominee (or held in CCASS) should note that the Board will consider nominee (including HKSCC Nominees Limited) as one single Shareholder according to the register of members of the Company and are advised to consider whether they would like to arrange for the registration of the relevant Shares in their own names prior to the Record Date.

The Company expects to send the Prospectus Documents to the Qualifying Shareholders on or before Monday, 27 November 2017. The Company will, to the extent permitted under the relevant laws and regulations and reasonably practicable, send the Prospectus only, to the Non-Qualifying Shareholders (if any) for information purposes.

If there are any Non-Qualifying Shareholders, arrangements will be made for the Rights Shares (in their nil-paid form) which would otherwise have been provisionally allotted to the Non-Qualifying Shareholders to be sold in the market as soon as practicable after dealings in the nil-paid Rights Shares commence and in any event before the last day of dealings in the nil-paid Rights Shares, if a premium (net of expenses) can be obtained. The net proceeds of such sale will be paid pro rata to the Non-Qualifying Shareholders in Hong Kong dollars as soon as practicable except that the Company will retain individual amounts of HK$100 or less for its own benefit. Any unsold entitlements of the Non-Qualifying Shareholders in the Rights Issue will be taken up by the Underwriter pursuant to the terms of the Underwriting Agreement.

Rights of the Overseas Shareholders

As at the Latest Practicable Date, the Company had approximately 459 Overseas Shareholders holding 4,885,913 shares in aggregate with registered addresses situated in Australia, Canada, Japan, Macau, Nigeria, Peru, Singapore, Taiwan, the PRC, the Republic of Panama, the United Kingdom and the USA.

In compliance with Rule 13.36(2)(a) of the Listing Rules, the Board has made enquiries regarding the feasibility of extending the Rights Issue to the Overseas Shareholders. Based on local legal advice as at the Latest Practicable Date, the Board is of the view that local legal restrictions and requirements of the relevant regulatory body or stock exchange do not make it necessary or expedient to exclude Overseas Shareholders with registered addresses in Australia, Macau, Nigeria, the Republic of Panama, Peru, Taiwan and the United Kingdom from the Rights Issue and the Rights Issue will be offered to Overseas Shareholders in those jurisdictions.

Based on the local legal advice as at the Latest Practicable Date, the Board is of the view that relevant local legal restrictions and requirements of the relevant regulatory body or stock exchange make it necessary or expedient to exclude Overseas Shareholders with registered addresses in Canada, Japan, the PRC, Singapore and the USA from the Rights Issue and the Rights Issue will not be offered to Overseas Shareholders in those jurisdictions for reasons including those summarised below.

The Rights Issue can be made available to Shareholders with registered addresses in Canada if amongst other things:

(i) to the best knowledge of the Company, after reasonable inquiry, the number of beneficial Shareholders resident in Canada does not exceed 10% of all Shareholders and the Shares beneficially held by Shareholders resident in Canada do not exceed 10% of all Shares; the Company must look behind registered addresses to determine beneficial holders of the Shares in Canada using its powers to do so under the SFO;

(ii) Canadian-registered Shareholders are given the Prospectus Documents and they are filed with Canadian securities regulators;

(iii) the Company files notice with Canadian securities regulators certifying that it meets the above conditions; and

(iv) the Rights Shares will be subject to restrictions on resale so that a prospectus may need to be filed in Canada for subsequent trade in Canada or the Rights Shares must be traded in reliance on a prospectus exemption, unless certain conditions apply.

Given the restrictions on resale and potential costs of satisfying these conditions and the uncertainty as to how long that might take it is considered necessary or expedient to exclude Overseas Shareholders with registered addresses in Canada from the Rights Issue.

In Japan, the Company must submit a notice regarding the offering to the relevant authority prior to delivery of the Prospectus Documents and the Prospectus Documents delivered to Shareholders in Japan should include a statement in Japanese to the effect that certain Japanese rules do not apply. Given the potential costs of satisfying these conditions it is considered necessary or expedient to exclude Overseas Shareholders with registered addresses in Japan from the Rights Issue.

Since there are over 200 Shareholders with registered addresses in the PRC, the offer of Rights Shares in the PRC would constitute a public offer which must satisfy certain conditions and the Prospectus Documents must be submitted to the China Securities Regulatory Commission for prior approval. Given the potential costs of doing so and the fact that such approval may not be granted or may take some months to obtain, it is considered necessary or expedient to exclude Overseas Shareholders with registered addresses in the PRC from the Rights Issue.

The Rights Issue can be made available to Singapore-registered Shareholders if, amongst other things, no Singapore-registered Shareholder:

(i) holds a licence which may restrict or prohibit it from being issued Rights Shares; and

(ii) is a corporation to which any specific provisions of law apply, which provisions of law are not generally applicable to Shareholders, which restrict or prohibit it from being issued Rights Shares.

Given the potential costs of ascertaining whether these conditions are satisfied and the uncertainty as to how long that might take it is considered necessary or expedient to exclude Overseas Shareholders with registered addresses in Singapore from the Rights Issue.

Under the federal securities laws in the USA, the Rights Shares could be exempt from registration requirements but only if amongst other things:

(i) the Rights Shares offered to persons in the USA are subject to restrictions on transferability and resale that permit transfer and resale only in compliance with certain laws of the USA; or

(ii) the Company submits to the U.S. Securities and Exchange Commission a copy of the Prospectus Documents and the Company submits to USA court jurisdiction for at least six years in relation to any lawsuits that might be brought in relation to the Rights Issue.

Given the potential costs and the impracticability of complying with these conditions, it is considered necessary or expedient to exclude Overseas Shareholders with registered addresses in the USA from the Rights Issue.

The Overseas Shareholder(s) should note that they may or may not be entitled to the Rights Issue, subject to the results of enquiries made by the Company pursuant to Rule 13.36(2)(a) of the Listing Rules. Accordingly, the Overseas Shareholder(s) should exercise caution when dealing in the Shares, and if they are in any doubt about their position, they should consult their professional advisers.

Fractional entitlements to the Rights Shares

Entitlements to the Rights Issue will be rounded down to the nearest whole number. The Company will not provisionally allot fractions of Rights Shares. The Company notes that there may be registered shareholders with holdings that are not integral multiple of 5 Shares. Since no fractional Rights Shares will be issued under the Rights Issue, PALs will not be issued to such Shareholders for fractions of Rights Share. All fractions of Rights Shares will be aggregated and sold in the market if a premium (net of expenses) can be obtained, and the Company will keep the net proceeds for its own benefit. Any unsold Rights Shares arising on aggregation of fractions will be taken up by the Underwriter pursuant to the terms of the Underwriting Agreement.

No application for excess Rights Shares

No arrangement will be made for the Shareholders to apply for Rights Shares in excess of the provisional allotments.

Despite the absence of the rights of excess application, the Board considers that the nil-paid Rights Shares provisionally allotted to the Shareholders will provide them with an equal and fair opportunity to maintain their respective shareholding interests in the Company, and trading mechanism of the nil-paid Rights Shares on the market will compensate those Shareholders who may not be able to subscribe for their Rights Shares due to their financial conditions. If application for excess Rights Shares is arranged, the Company will be required to put in additional effort and costs to administer the excess application procedures including the printing and matching costs of the excess application forms of approximately HK$150,000. Given the discount of the Subscription Price to the prevailing market price of the Shares, the Board expects that the Right Issues would have a relatively high level of acceptance, hence the amount of Rights Shares available for excess application is not expected to be significant. Taking into account (i) the reasons mentioned above; and (ii) the Underwriter will receive no underwriting commission in respect of the Rights Issue but will be required to lock up its funding for its underwriting obligations and subject to the risk arising from the market fluctuations during the period from the date of the Underwriting Agreement to the end of the acceptance period of the Rights Issue (which normally takes around two months either with or without excess application), the Board considers that it is, on balance, commercially sensible to have no excess application mechanism for the Qualifying Shareholders.

Share certificates for the Rights Shares

Subject to fulfilment of the conditions of the Rights Issue and to its proceeding, share certificates for the fully-paid Rights Shares are expected to be posted by Wednesday, 20 December 2017 to those entitled thereto by ordinary post at their own risks.

Application for listing of the Rights Shares

The Company will apply to the Listing Committee for the listing of, and the permission to deal in, the Rights Shares (in both their nil-paid and fully-paid forms) on the Stock Exchange.

None of the securities of the Company is listed or dealt in, and no listing of or permission to deal in any such securities is being or is proposed to be sought, on any other stock exchange.

Subject to the granting of the listing of, and the permission to deal in, the Rights Shares (in both their nil-paid and fully-paid forms) on the Stock Exchange, the Rights Shares (in both their nil-paid and fully-paid forms) will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the commencement date of dealings in the Rights Shares (in both their nil-paid and fully-paid forms) on the Stock Exchange or such other dates as may be determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. Shareholders should seek advice from their stock brokers or other professional advisers for details of those settlement arrangements and how such arrangements will affect their rights and interests.

All necessary arrangements will be made to enable the Rights Shares (in both their nil-paid and fully-paid forms) to be admitted into CCASS.

Dealings in the Rights Shares (in both their nil-paid and fully-paid forms) will be subject to the payment of stamp duty and other applicable fees and charges in Hong Kong.

Irrevocable Undertakings

As at the Latest Practicable Date, the Sincere Companies were interested in an aggregate of 260,443,200 Shares, representing approximately 45.36% of the existing number of Shares in issue. Pursuant to the Irrevocable Undertakings, each of the Sincere Companies has irrevocably undertaken to the Company (i) to take up and pay for or procure the taking up and payment for, on the terms of the Prospectus Documents, the Rights Shares which will be in its provisional allotment of Rights Shares; (ii) that the 260,443,200 Shares will remain registered in their respective names (as appropriate) at the close of business on the Record Date; (iii) to procure that the acceptances whether by it or by a transferee of that provisional allotment of Rights Shares shall be lodged with the Registrar or the Company, with payment in full therefor, by no later than the Latest Time for Acceptance.

THE UNDERWRITING ARRANGEMENT FOR THE RIGHTS ISSUE

Principal terms of the Underwriting Agreement

Date	:	18 September 2017
Parties	:	(i) The Company; (ii) Win Dynamic Limited, being the Underwriter; and (iii) Mr. Philip Ma and Mr. Charles Chan, being joint and several guarantors of the obligations of the Underwriter.
Number of the Underwritten Shares	:	The Rights Issue will, subject to the Irrevocable Undertakings, be fully underwritten by the Underwriter. The total number of the Underwritten Shares shall be not less than 188,318,880 Shares (assuming no exercise of the outstanding Share Options and no issue of new Shares or repurchase of Shares by the Company from the Latest Practicable Date up to and including the Record Date) and not more than 209,006,880 Shares (assuming full exercise of all outstanding Share Options but no other issue of new Shares or repurchase of Shares by the Company from the Latest Practicable Date up to and including the Record Date), being the total number of the Rights Shares less a total of 156,265,920 Rights Shares undertaken to be taken up pursuant to the Irrevocable Undertakings.
Commission	:	No commission will be payable to the Underwriter under the Underwriting Agreement.

Conditions of the Underwriting Agreement

The Underwriting Agreement is conditional upon the fulfilment or waiver of the following conditions:

(i) the passing of a resolution voted on only by the Independent Shareholders to approve the Whitewash Waiver in accordance with the Listing Rules and the Takeovers Code;

(ii) the registration by, and filing of the Prospectus Documents with, the Registrar of Companies in Hong Kong;

(iii) the granting of the Whitewash Waiver by the Executive;

(iv) compliance with and performance by the Company of its undertakings and obligations under this Agreement;

(v) the Listing Committee of the Stock Exchange granting listing of, and permission to deal in, the Rights Shares in their nil-paid and fully-paid forms and such listings and permission to deal not having been withdrawn or revoked by no later than the first day of dealings;

(vi) the Shares remaining listed on the Stock Exchange at all times prior to the Latest Time for Termination and the listing of the Shares not having been withdrawn or the trading of the Shares not having been suspended for a consecutive period of more than five Stock Exchange trading days; and

(vii) the Sincere Companies complying with their respective obligations under the Irrevocable Undertakings to subscribe or procure subscribers for the Rights Shares in their respective provisional allotments.

In the event that the conditions above (other than the conditions (i), (ii) and (iii) which cannot be waived) have not been satisfied and/or waived in whole or in part by the Underwriter on or before the Posting Date or in the event that the condition (v) has not been satisfied at or before 4:00 p.m. on the Latest Time for Acceptance (or, in each case, such later time or date as the Underwriter and the Company may agree), all liabilities of the parties thereto shall cease and determine and no party shall have any claim against any other and the Rights Issue will not proceed.

The Company shall use all reasonable endeavours to procure the fulfilment of the conditions above (to the extent it is within its power to do so), and shall do all the things required to be done by it pursuant to the Prospectus Documents or otherwise necessary to give effect to the Rights Issue and the arrangements contemplated by the Underwriting Agreement.

THE POSSIBLE CONNECTED TRANSACTION

Subject to (i) passing of resolutions at the GM to approve the Rights Issue and the Proposed PAL Sale Agreements; and (ii) the issue of the PALs, the Sincere Companies will sell their PALs to the Underwriter.

Parties to the Proposed PAL Sale Agreements

(i) Each of the Sincere Companies; and

(ii) the Underwriter

The Sincere Companies are interested in aggregate 260,443,200 Shares (representing approximately 45.36% of the existing number of Shares in issue) and are regarded as the controlling Shareholders for the purposes of the Listing Rules, and each of the Sincere

Companies is a non-wholly owned subsidiary of the Company (for accounting purposes). The Underwriter is owned as to 75% by Mr. Philip Ma, the chairman of the Board, the chief executive officer of the Company and an executive Director, and 25% by Mr. Charles Chan, a non-executive Director, and is therefore a connected person of the Company.

Subject matter

The PAL Sale is a proposed sale to the Underwriter by the Sincere Companies of their PALs free from all rights of pre-emption, options, liens, claims, equities, charges, encumbrances or third-party rights and with all rights attached thereto.

Consideration

The aggregate consideration for the PAL Sale shall be at nominal price of HK$3, which is determined based on arm's length negotiations among the Sincere Companies and the Underwriter taking into account the reasons for the PAL Sale as described in the sub-section headed "Reasons for the PAL Sale" below.

Completion

Completion of the PAL Sale is expected to take place on or about the third Business Day after issue of the PALs.

Reasons for the PAL Sale

As at 31 August 2017, the Sincere Companies held aggregate cash and cash equivalents of approximately HK$3.1 million. If the Sincere Companies have to take up all the nil-paid Rights Shares allotted to them, the subscription monies to be payable by them will amount to approximately HK$42.2 million. As the Sincere Companies do not have sufficient cash to subscribe for the Rights Shares, they will need to borrow from their shareholders including the Company which is by far the largest shareholder in each of them. That would only create a "closed circuit" of cashflows. No new monies would in effect be raised from the Rights Issue by the Company to the extent the Sincere Companies subscribe for the Rights Shares. Accordingly, it is not sensible for the Sincere Companies to subscribe for the Rights Shares in view of the objective of the Rights Issue being raising additional capital for the Company. In addition, as the controlling shareholder of the Underwriter, Mr. Philip Ma, is also the chairman of the Board and chief executive officer of the Company, the Sincere Companies elect to sell their PALs to the key management of the Company, instead of disposing their PALs on the market to independent third parties for certain gain (subject to the market sentiment during the trading period of the PALs), would ensure the management continuity and persistent and consistent direction in the business development of the Company.

Taking into account the above and the underwriting commission waived by the Underwriter, the Board considers that the PAL Sale together with the terms of the Rights Issue as a whole are fair and reasonable and is in the interest of the Company and the Shareholders as a whole.

INFORMATION OF THE UNDERWRITER AND PARTIES ACTING IN CONCERT WITH IT

The Underwriter is a company incorporated in Hong Kong with limited liability and had no activities before entering into the Underwriting Agreement. It is owned as to 75% by Mr. Philip Ma and 25% by Mr. Charles Chan and thus a connected person of the Company. The board of directors of Underwriter consists of Mr. Philip Ma and Mr. Charles Chan. The ordinary course of business of the Underwriter does not involve underwriting. The obligations of the Underwriter under the Underwriting Agreement and the Proposed PAL Sale Agreements will be financed by unsecured interest free shareholder loans from its sole shareholders, Mr. Philip Ma and Mr. Charles Chan. The Underwriter does not intend that the repayment of the unsecured interest free shareholder loans will depend to any significant extent on the business of the Company.

As at the Latest Practicable Date, the Underwriter and parties acting in concert with it (including Mr. Philip Ma, Mr. Charles Chan, the Sincere Companies, Mr. Ma King Wong Steve, and all other Directors) were deemed to be interested in an aggregate of 266,084,528 Shares (representing approximately 46.33% of the existing number of Shares in issue) under S.317 of the SFO and Share Options carrying rights to subscribe for 20,520,000 new Shares.

Mr. Philip Ma is the chairman of the Board, the chief executive officer of the Company and an executive Director. As at the Latest Practicable Date, Mr. Philip Ma was interested in 2,000,000 Shares (representing approximately 0.35% of the existing number of Shares in issue) and Share Options carrying rights to subscribe for 11,400,000 new Shares, and had a deemed interest by reason of S.317 of the SFO in a further 189,498,880 Shares.

Mr. Charles Chan was an independent non-executive Director and as explained below has been re-designated as a non-executive Director. As at the Latest Practicable Date, Mr. Charles Chan was interested in 40,000 Shares (representing approximately 0.01% of the existing number of Shares in issue) and Share Options carrying rights to subscribe for 1,140,000 new Shares, and had a deemed interest by reason of S.317 of the SFO in a further 201,718,880 Shares.

Sincere II is a company incorporated in Hong Kong with limited liability and its principal activities include general insurance and investments in securities. As at the Latest Practicable Date, Sincere II was interested in 75,608,064 Shares (representing approximately 13.17% of the existing number of Shares in issue). Sincere II is also a subsidiary of the Company for accounting purposes in which the Company has a 57.98% Effective Interest. The board of directors of Sincere II consists Mr. Philip Ma, Mr. Ma King Cheuk, Mr. Ma King Wong Steve and Mr. Yuen Chu Kau.

Sincere LA is a company incorporated in Hong Kong with limited liability and its principal activities include life insurance and investments in securities. As at the Latest Practicable Date, Sincere LA was interested in 183,136,032 Shares (representing approximately 31.89% of the existing number of Shares in issue). Sincere LA is also a subsidiary of the Company for accounting purposes in which the Company has a 56.96% Effective Interest. The board of directors of Sincere LA consists Mr. Philip Ma, Mr. Ma Kin Loong, Mr. Ma King Cheuk, Mr. Ma King Wong Steve, Mr. Yuen Chu Kau.

Perfumery is a company incorporated in Hong Kong with limited liability and its principal activities include investments in securities and earning interest income. As at the Latest Practicable Date, Perfumery was interested in 1,699,104 Shares (representing approximately 0.30% of the existing number of Shares in issue). Perfumery is also a subsidiary of the Company for accounting purposes in which the Company has a 62.37% Effective Interest. The board of directors of Perfumery consists Mr. Philip Ma, Mr. Ma Kin Kai John, Mr. Ma King Cheuk, Mr. Ma King Wong Steve and Mr. Ma Wai Tak Victor.

Mr. Ma King Wong Steve is a director of certain subsidiaries of the Company and is the sibling of Mr. Philip Ma. As at the Latest Practicable Date, Mr. Ma King Wong Steve was interested in 80,000 Shares (representing approximately 0.01% of the existing number of Shares in issue).

As at the Latest Practicable Date, the Directors (other than Mr. Philip Ma and Mr. Charles Chan) were in aggregate interested in 3,521,328 Shares (representing approximately 0.61% of the existing number of Shares in issue) and Share Options carrying rights to subscribe for 7,980,000 new Shares. This does not include any Rights Shares that will be provisionally allotted to them as they are all Qualifying Shareholders.

The Underwriter has confirmed that save as disclosed above, during the six months period immediately prior to the date of the Announcement up to and including the Latest Practicable Date, none of the Underwriter, its ultimate beneficial owners and/or parties acting in concert or presumed to be acting in concert with any of them (i) owned or had control or direction over any voting rights and rights over any Shares or options, warrants or convertible securities in respect of the Shares or outstanding derivatives in respect of the relevant securities of the Company; (ii) had borrowed or lent any relevant securities of the Company; and (iii) had dealt for value in any Shares or convertible securities, warrants or options in respect of the Shares or derivatives in respect of the relevant securities of the Company.

As at the Latest Practicable Date, save for the Underwriting Agreement, the proposed PAL Sale and the Irrevocable Undertakings, the Underwriter confirmed that (i) there were no agreements or arrangements to which the Underwriter is a party which relate to circumstances in which it may or may not invoke or seek a precondition or a condition to the Rights Issue, the Underwriting Agreement, the Whitewash Waiver and/or the PAL Sale; (ii) none of the Underwriter, its ultimate beneficial owner and/or parties acting in concert or presumed to be acting in concert with any of them had received any irrevocable commitment to vote for or against the resolutions in relation to the Rights Issue, the absence of rights of excess application, the Underwriting Agreement, the Whitewash Waiver and/or the PAL Sale; and (iii) there were no arrangements (whether by way of option, indemnity or otherwise) in relation to the relevant securities of the Company or the Underwriter, which might be material to the Rights Issue, the absence of rights of excess application, the Underwriting Agreement, the Irrevocable Undertakings, the Whitewash Waiver and/or the PAL Sale.

SHAREHOLDING STRUCTURE OF THE COMPANY

Scenario 1 – For illustrative purpose only, assuming (i) no exercise of the outstanding Share Options and no issue of new Shares or repurchase of Shares by the Company from the Latest Practicable Date up to and including the Record Date; and (ii) the Underwriter has subscribed for the Rights Shares provisional allotted under the PALs to be transferred from the Sincere Companies

	(i) As at the Latest Practicable Date		(ii) Immediately upon completion of the Rights Issue assuming full acceptance by all Qualifying Shareholders under the Rights Issue		(iii) Immediately upon completion of Rights Issue assuming no acceptance by the Qualifying Shareholders (other than the Underwriter) under the Rights Issue	
	Number of Shares	*%*	*Number of Shares*	*%*	*Number of Shares*	*%*
Parties acting in concert with the Underwriter						
Mr. Philip Ma	2,000,000	0.35	3,200,000	0.35	2,000,000	0.22
Sincere LA	183,136,032	31.89	183,136,032	19.93	183,136,032	19.93
Sincere II	75,608,064	13.17	75,608,064	8.23	75,608,064	8.23
Perfumery	1,699,104	0.30	1,699,104	0.18	1,699,104	0.18
Mr. Ma King Wong Steve	80,000	0.01	128,000	0.01	80,000	0.01
Mr. Charles Chan	40,000	0.01	64,000	0.01	40,000	0.01
Directors (other than Mr. Philip Ma and Mr. Charles Chan)	3,521,328	0.61	5,634,125	0.61	3,521,328	0.38
Sub-total	*266,084,528*	*46.33*	*269,469,325*	*29.33*	*266,084,528*	*28.96*
The Underwriter	–	–	156,265,920	17.01	344,584,800	37.50
Sub-total (the Underwriter and parties acting in concert with it)	*266,084,528*	*46.33*	*425,735,245*	*46.33*	*610,669,328*	*66.46*
Other public Shareholders	308,223,472	53.67	493,157,555	53.67	308,223,472	33.54
Total	574,308,000	100	918,892,800	100	918,892,800	100

Scenario 2 – For illustrative purpose only, assuming (i) full exercise of all outstanding Share Options but no further issue of new Shares or repurchase of Shares by the Company from the Latest Practicable Date up to and including the Record Date and (ii) the Underwriter has subscribed for the Rights Shares provisional allotted under the PALs to be transferred from the Sincere Companies

	(i) As at the Latest Practicable Date		(ii) Immediately upon full exercise of all outstanding Share Options before the Record Date		(iii) Immediately upon completion of the Rights Issue assuming full acceptance by all Qualifying Shareholders under the Rights Issue		(iv) Immediately upon completion of Rights Issue assuming no acceptance by the Qualifying Shareholders (other than the Underwriter) under the Rights Issue	
	Number of Shares	*%*	*Number of Shares*	*%*	*Number of Shares*	*%*	*Number of Shares*	*%*
Parties acting in concert with the Underwriter								
Mr. Philip Ma	2,000,000	0.35	13,400,000	2.20	21,440,000	2.20	13,400,000	1.38
Sincere LA	183,136,032	31.89	183,136,032	30.08	183,136,032	18.80	183,136,032	18.80
Sincere II	75,608,064	13.17	75,608,064	12.42	75,608,064	7.76	75,608,064	7.76
Perfumery	1,699,104	0.30	1,699,104	0.28	1,699,104	0.17	1,699,104	0.17
Mr. Ma King Wong Steve	80,000	0.01	80,000	0.01	128,000	0.01	80,000	0.01
Mr. Charles Chan	40,000	0.01	1,180,000	0.19	1,888,000	0.19	1,180,000	0.12
Directors (other than Mr. Philip Ma and Mr. Charles Chan)	3,521,328	0.61	11,501,328	1.89	18,402,125	1.89	11,501,328	1.18
Sub-total	*266,084,528*	*46.33*	*286,604,528*	*47.08*	*302,301,325*	*31.04*	*286,604,528*	*29.42*
The Underwriter	–	–	–	–	156,265,920	16.04	365,272,800	37.50
Sub-total (the Underwriter and parties acting in concert with it)	*266,084,528*	*46.33*	*286,604,528*	*47.08*	*458,567,245*	*47.08*	*651,877,328*	*66.92*
Optionholders (other than the Directors)	–	–	13,960,000	2.29	22,336,000	2.29	13,960,000	1.43
Other public Shareholders	308,223,472	53.67	308,223,472	50.63	493,157,555	50.63	308,223,472	31.65
Total	574,308,000	100	608,788,000	100	974,060,800	100	974,060,800	100

As illustrated above, if no Qualifying Shareholders take up the Rights Shares, the shareholding of the existing public Shareholders would be reduced from approximately 53.67% as at the Latest Practicable Date to approximately 33.54% upon completion of the Rights Issue (assuming no exercise of the outstanding Share Options and no issue of new Shares or repurchase of Shares by the Company from the Latest Practicable Date up to and including the Record Date). Moreover, taking into account the monetary effect of the Rights Issue, if a Qualifying Shareholder does not take up the Rights Shares in that Qualifying Shareholder's provisional allotment of Rights Shares, the dilution impact on the value of his/her/its shareholding will be approximately 10.4%, being the discount of the theoretical ex-entitlement price of approximately HK$0.336 per Share to the corresponding closing price of HK$0.375 per Share on the Last Trading Date.

Qualifying Shareholders who do not take up all the Rights Shares to which they are entitled should note that their shareholdings in the Company will be diluted.

REASONS FOR THE RIGHTS ISSUE AND USE OF PROCEEDS

The Group is principally engaged in operation of department stores, securities trading and the provision of general and life insurances.

The Group has been loss making for consecutive fiscal years since the financial year ended 28 February 2014 and has not conducted any fund raising activities in more than 5 years. As at 31 August 2017, the Group had the Loans amounted to approximately HK$170 million, of which HK$143 million is payable by November 2017. The gearing ratio of the Group as at 31 August 2017 was 175%. In order to improve the financial position of the Group such that the management will have more flexibility in adopting different sales and marketing strategies to improve the sales, the Board is of the view that it would be in the best interests of the Company and the Shareholders as a whole to raise long-term equity capital through the Rights Issue.

The gross proceeds from the Rights Issue are expected to be not less than approximately HK$93.0 million and not more than approximately HK$98.7 million. The net proceeds from the Rights Issue after deducting related expenses are estimated to be not less than approximately HK$89.5 million and not more than approximately HK$95.2 million. The net Subscription Price per Rights Share is expected to be approximately HK$0.26. The Company intends to apply not less than HK$85.0 million and not more than HK$90.0 million (depending on the actual amount of net proceeds raised from the Rights Issue) out of the net proceeds for repayment of the Loans. It is estimated that if the Group repaid the Loans in the amount of approximately HK$85 million carrying a weighted average interest rate of approximately 2.39%, the annual interest expenses of the Group will be reduced by approximately HK$2 million. The remaining proceeds will be deployed for general working capital for the department store operations. The gearing ratio of the Group will be reduced to 45.5% upon completion of the Rights Issue based on the unaudited consolidated financial statements of the Group as at 31 August 2017.

The Board considered other fund raising alternatives before resolving to carry out the Rights Issue such as bank borrowing, placing of new shares or convertible bonds and open offer. The Directors believe that it would be in the best interests of the Company and the Shareholders as a whole to raise long-term equity capital through the Rights Issue having considered that (i) the Rights Issue will provide an equal opportunity to all Qualifying Shareholders to maintain their respective shareholdings in the Company and participate in the growth and development of the Company; (ii) additional bank borrowings would be difficult in view of the unsatisfactory financial performance and the financial position of the Group as well as the fact that the purpose of the fund-raising exercise is partly for repayment of Loans and improve the financial position of the Group; (iii) placing of new shares or convertible bonds will preclude existing Shareholders from participating in the capital raising exercise which inevitably will result in dilution to the equity interest of the existing Shareholders; and (iv) an open offer would not provide an additional option to those Qualifying Shareholders who do not wish to take up their entitlements to sell their nil-paid Rights Shares and those Qualifying Shareholders who wish to increase their shareholding interests in the Company to acquire additional nil-paid Rights Shares in the market.

The participation of Mr. Philip Ma and Mr. Charles Chan (through the Underwriter) in the Rights Issue without receiving any underwriting commission also shows their dedication and steadfast support to the continuous development of the Group and assist the Group in overcoming the temporary financial difficulties.

Having considered the above, the Directors (excluding the Directors on the Independent Board Committee, which has set out its views in the letter from the Independent Board Committee) consider that the terms and conditions of the Rights Issue and the Underwriting Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Upon completion of the Rights Issue, it is the intention of the Underwriter and the parties acting in concert with it to continue the existing business of the Group. The Underwriter has no intention to introduce any major changes to the business including any redeployment of the fixed assets of the Group or terminate the employment of the existing employees of the Group.

FUND RAISING EXERCISES IN THE PRECEDING TWELVE-MONTH PERIOD

The Company has not conducted any fund raising activities in the past twelve months immediately prior to the Latest Practicable Date.

POSSIBLE ADJUSTMENTS TO THE SHARE OPTIONS

As at the Latest Practicable Date, the Company had outstanding Share Options under the Share Option Scheme carrying rights for the holders thereof to subscribe for an aggregate of 34,480,000 new Shares. As a result of the Rights Issue, there may be adjustments to the exercise prices and/or the number of Shares to be issued upon exercise of the outstanding Share Options pursuant to the terms and conditions of the Share Option Scheme. The Company will appoint an appropriate person to certify in writing the adjustments to the Share Options and that such adjustments are in accordance with the terms and conditions of the Share Option Scheme. Further announcement(s) will be made by the Company in relation thereto as and when appropriate.

LISTING RULES IMPLICATIONS

As the Rights Issue will increase the number of issued Shares by more than 50%, pursuant to Rule 7.19(6) of the Listing Rules, amongst other things, the Rights Issue must be made conditional on approval by the Independent Shareholders at the GM and any controlling Shareholders and their associates, or where there is no controlling Shareholder, the Directors (other than the independent non-executive Directors) and the chief executive of the Company and their respective associates shall abstain from voting in favour of the resolution relating to the Rights Issue. As at the Latest Practicable Date, the Sincere Companies were regarded as the controlling Shareholders. Accordingly, the Sincere Companies and their associates are required to abstain from voting in favour of the relevant resolution approving the Rights Issue.

As no arrangement for excess application for the Rights Shares shall be available to the Qualifying Shareholders, and the Rights Issue is fully underwritten by the Underwriter (being a company owned as to 75% by Mr. Philip Ma and 25% by Mr. Charles Chan, both are Directors), this must be specifically approved by the Shareholders pursuant to Rule 7.21(2) of the Listing Rules.

By virtue of their interests in the Underwriting Agreement, Mr. Philip Ma, Mr. Charles Chan and their respective associates shall abstain from voting in favour of the relevant resolution(s) approving the Rights Issue (including the absence of arrangements for excess application for the Rights Shares) and the Underwriting Agreement.

As the Underwriter is a connected person of the Company, the Proposed PAL Sale Agreements and the transactions contemplated thereunder constitute non-exempt connected transactions for the Company pursuant to Chapter 14A of the Listing Rules, and are subject to the Listing Rules' requirements on reporting, announcement and approval by the Independent Shareholders at the GM. By virtue of their interests in the PAL Sale, Mr. Philip Ma, Mr. Charles Chan and their respective associates are required to abstain from voting in favour of the relevant resolution(s) approving the Proposed PAL Sale Agreements and the transactions contemplated thereunder.

TAKEOVERS CODE IMPLICATIONS

As at the Latest Practicable Date, the Underwriter and parties acting in concert with it (including Mr. Philip Ma, Mr. Charles Chan, the Sincere Companies, Mr. Ma King Wong Steve and all other Directors (other than Mr. Philip Ma and Mr. Charles Chan)) were interested in aggregate 266,084,528 Shares (representing approximately 46.33% of the existing number of Shares in issue) and Share Options carrying rights to subscribe for 20,520,000 new Shares (representing approximately 3.57% of the existing number of Shares in issue). Assuming all the outstanding Share Options are exercised, the Underwriter and parties acting in concert with it would be interested in aggregate 286,604,528 Shares (representing approximately 47.08% of the number of Shares enlarged by the exercise of Share Options) as at the Latest Practicable Date.

Pursuant to the Underwriting Agreement, the Underwriter has conditionally agreed to underwrite the Underwritten Shares. Assuming no Qualifying Shareholders (other than the Underwriter subscribing for the Rights Shares under the PALs to be transferred under the PAL Sale) apply for their provisional allotments of the Rights Shares, the Underwriter will be required to take up all the Underwritten Shares and the aggregate shareholding interest held by the Underwriter and parties acting in concert with it would increase to approximately 66.46% of the number of Shares in issue as enlarged by the allotment and issue of the Rights Shares immediately after completion of the Rights Issue (assuming no exercise of the Share Options on or before the Record Date) and approximately 66.92% of the number of Shares in issue as enlarged by the allotment and issue of the Rights Shares immediately after completion of the Rights Issue (assuming all existing Share Options were exercised on or before the Record Date). In such circumstances, the Underwriter would be required to make a mandatory general offer for all the issued Shares (other than those already owned or agreed to be acquired by the Underwriter and parties acting in concert with it) under Rule 26.1 of the Takeovers Code, unless the Whitewash Waiver is obtained from the Executive. In this regard, the Underwriter has made an application to the Executive for the Whitewash Waiver pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code. The Whitewash Waiver, if granted by the Executive, would be subject to, among other things, the approval of the Independent Shareholders at the GM by way of poll. The granting of the Whitewash Waiver is a condition precedent to the Underwriting Agreement which is not capable of being waived. If the Whitewash Waiver is not obtained from the Executive and/or approved by the Independent Shareholders, the Underwriting Agreement will not become unconditional and the Rights Issue will not proceed.

Pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code, as the Underwriter and parties acting in concert with it (including Mr. Philip Ma, Mr. Charles Chan, the Sincere Companies, Mr. Ma King Wong Steve and all other Directors) are interested in the Rights Issue (including the absence of rights of excess application), proposed PAL Sale, the Underwriting Agreement, the Irrevocable Undertakings and/or Whitewash Waiver, they are required to abstain from voting on the resolution to be proposed at the GM in relation to the Rights Issue (including the absence of rights of excess application), the PAL Sale and/or Whitewash Waiver.

If the Whitewash Waiver is approved by the Independent Shareholders and granted by the Executive, the Underwriter and parties acting in concert with it may hold more than 50% of the voting rights of the Company upon completion of the Rights Issue. The Underwriter may further increase its shareholding in the Company without incurring any further obligation under Rule 26 of the Takeovers Code to make a general offer.

As at the Latest Practicable Date, the Company did not believe that the Rights Issue, the absence of rights of excess application, the Underwriting Agreement, the Irrevocable Undertakings, the PAL Sale and the Whitewash Waiver give rise to any concerns in relation to compliance with other applicable rules or regulations (including the Listing Rules). If a concern should arise after the release of the Circular, the Company will endeavour to resolve the matter to the satisfaction of the relevant authority as soon as possible but in any event before the despatch of the Prospectus. The Company notes that

the Executive may not grant the Whitewash Waiver if the Rights Issue, the absence of rights of excess application, the Underwriting Agreement, the Irrevocable Undertakings, the PAL Sale and the Whitewash Waiver do not comply with other applicable rules and regulations.

GENERAL

The GM, notice of which is contained in the Circular, will be convened and held to consider and, if appropriate, approve the Rights Issue, the Underwriting Agreement, the PAL Sale and the Whitewash Waiver.

All voting at the GM will be conducted by way of a poll. The Underwriter, Mr. Philip Ma, Mr. Charles Chan, the Sincere Companies, their respective associates, parties acting in concert with any of them and others who have a material interest in the Rights Issue (including the absence of rights of excess application), the Underwriting Agreement, the Irrevocable Undertakings, the Whitewash Waiver and the PAL Sale shall abstain from voting on the resolution approving the Rights Issue, the Underwriting Agreement, the Irrevocable Undertakings and the PAL Sale, and the Underwriter, Mr. Philip Ma, Mr. Charles Chan, parties acting in concert or presumed to be acting in concert with any of them, and those who is/are involved in or interested in the Rights Issue (including the absence of rights of excess application), the Underwriting Agreement, the PAL Sale, the Irrevocable Undertakings and the Whitewash Waiver shall abstain from voting on the resolutions approving the Rights Issue, the absence of rights of excess application, the Whitewash Waiver and the PAL Sale.

The Company's register of members will be closed from Friday, 10 November 2017 to Wednesday, 15 November 2017, both dates inclusive, for the purpose of, among other things, establishing entitlements to attend and vote at the GM. No transfer of Shares will be registered during this period. In order to qualify for attending and voting at the GM, Shareholders must lodge any transfer of the Shares (together with the relevant Share certificates) with the Registrar, Tricor Tengis Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, by no later than 4:30 p.m. on Thursday, 9 November 2017.

The Independent Board Committee, comprising all the independent non-executive Directors, namely Mr. King Wing Ma, Mr Eric K K Lo and Mr Peter Tan, has been established to advise the Independent Shareholders in respect of the Rights Issue, the Underwriting Agreement and the transactions contemplated thereunder, the Proposed PAL Sale Agreements and the transactions contemplated thereunder and the Whitewash Waiver. By virtue of his material interests in the Underwriting Agreement, Mr. Charles Chan (who has been re-designated as a non-executive Director) is not a member of the Independent Board Committee. Gram Capital has been appointed by the Company with the approval of the Independent Board Committee to advise the Independent Board Committee and the Independent Shareholders in relation to the Rights Issue (including the absence of rights of excess application), the Underwriting Agreement and the transactions contemplated thereunder, the Proposed PAL Sale Agreements and the transactions contemplated thereunder and the Whitewash Waiver.

The Prospectus Documents will be despatched to the Qualifying Shareholders as soon as practicable after the approval of the Rights Issue, the Underwriting Agreement, the PAL Sale and the Whitewash Waiver by the Independent Shareholders at the GM. Only the Prospectus will be despatched to the Non-Qualifying Shareholders (if any), for their information only.

RECOMMENDATION

The Directors (excluding members of the Independent Board Committee whose views are set out in the letter from the Independent Board Committee) consider that (i) the terms of the Rights Issue (including the absence of rights of excess application), the Underwriting Agreement, the PAL Sale and the Whitewash Waiver are fair and reasonable so far as the Independent Shareholders are concerned; and (ii) the Rights Issue, the Underwriting Agreement, the PAL Sale and the Whitewash Waiver are in the interests of the Company and the Shareholders as a whole despite the fact that the Proposed PAL Sale Agreements are not conducted in the ordinary and usual course of the Company's business. Accordingly, the Directors (excluding members of the Independent Board Committee whose views are formed and set out in the letter from the Independent Board Committee) recommend the Shareholders to vote in favour of the ordinary resolutions to be proposed at the GM to approve the Rights Issue, the Underwriting Agreement, the PAL Sale and the Whitewash Waiver.

Your attention is drawn to the letter from the Independent Board Committee set out on pages 33 to 34 of the Circular which contains its recommendation to the Independent Shareholders in relation to the Rights Issue (including the absence of rights of excess application), the Underwriting Agreement, the PAL Sale and the Whitewash Waiver, and the letter from Gram Capital set out on pages 35 to 52 of the Circular which contains its advice to the Independent Board Committee and the Independent Shareholders in relation to the Rights Issue (including the absence of rights of excess application), the Underwriting Agreement, the PAL Sale and the Whitewash Waiver.

ADDITIONAL INFORMATION

Your attention is also drawn to the additional information set out in the appendices to the Circular.

WARNING OF THE RISKS OF DEALING IN SHARES AND THE NIL-PAID RIGHTS SHARES

The Rights Issue is conditional on the Underwriting Agreement having become unconditional and not having been terminated (see the paragraph headed "Termination of the Underwriting Agreement" in the section headed "Underwriting arrangement for the Rights Issue"). Accordingly, the Rights Issue may or may not proceed. Shareholders and potential investors of the Company should exercise caution when dealing in Shares.

Shareholders should note that the Shares will be dealt in on an ex-rights basis commencing from Friday, 17 November 2017 and that dealings in the Shares will take place while the conditions to which the Rights Issue is subject remain unfulfilled. Any dealings by the Shareholders and other persons in the Shares between the Latest Practicable Date and the date on which the Rights Issue becomes unconditional (which is expected to be at 4:00 p.m. on Wednesday, 13 December 2017), and any dealings in the Rights Shares in their nil-paid form from Wednesday, 29 November 2017 to Wednesday, 6 December 2017) (both dates inclusive), will be at their own risk and if they are in any doubt about their position, they should consult their own professional advisers.

By order of the Board
The Sincere Company, Limited
Philip K H Ma
Chairman & CEO

The following is the text of a letter of recommendation from the Independent Board Committee to the Independent Shareholders prepared for the purpose of inclusion in this circular.

THE SINCERE COMPANY, LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 0244)

26 October 2017

To the Independent Shareholders

Dear Sir or Madam,

(I) PROPOSED RIGHTS ISSUE ON THE BASIS OF THREE (3) RIGHTS SHARES FOR EVERY FIVE (5) EXISTING SHARES HELD ON THE RECORD DATE; (II) APPLICATION FOR WHITEWASH WAIVER; AND (III) POSSIBLE CONNECTED TRANSACTION: SALE OF PROVISIONAL ALLOTMENT LETTERS

INTRODUCTION

We refer to the circular of the Company dated 26 October 2017 (the "**Circular**"), of which this letter forms part. Terms used herein have the same meanings as those defined in the Circular unless otherwise specified.

We have been appointed by the Board to form the Independent Board Committee to advise the Independent Shareholders as to whether the terms of the Rights Issue, the Underwriting Agreement, the Proposed PAL Sale Agreements and the Whitewash Waiver are on normal commercial terms and fair and reasonable so far as the Independent Shareholders are concerned and the transactions contemplated thereunder are in the interests of the Company and the Independent Shareholders as a whole and to advise the Independent Shareholders how to vote at the GM. The Independent Financial Adviser has been appointed to advise the Independent Board Committee and the Independent Shareholders in this regard. Details of its advice, together with the principal factors and reasons it has taken into consideration in arriving such advice, are contained in its letter set out on pages 35 to 52 of the Circular. Your attention is also drawn to the letter from the Board and the additional information set out in the appendices to the Circular.

RECOMMENDATION

Having considered the terms of the Rights Issue, the Underwriting Agreement, the Proposed PAL Sale Agreements and the Whitewash Waiver and the advice and recommendations of the Independent Financial Adviser as contained in its letter set out on pages 35 to 52 of the Circular, we consider that the terms of the Rights Issue, the Underwriting Agreement, the Proposed PAL Sale Agreements and the Whitewash Waiver are on normal commercial terms and fair and reasonable so far as the Independent Shareholders are concerned and the transactions contemplated thereunder are in the interests of the Company and the Independent Shareholders as a whole despite the Proposed PAL Sale Agreements are not conducted in the ordinary and usual course of the Company's business. Accordingly, we recommend the Independent Shareholders to vote in favour of the relevant resolutions to be proposed at the GM to approve the Rights Issue, the Underwriting Agreement, the Proposed PAL Sale Agreements and the Whitewash Waiver.

Yours faithfully,
For and on behalf of the Independent
Board Committee of
The Sincere Company, Limited

Mr. King Wing Ma **Mr Eric K K Lo** **Mr Peter Tan**
Independent non-executive Directors

Set out below is the text of a letter received from Gram Capital, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Rights Issue, the Underwriting Agreement, the Proposed PAL Sale Agreements and the Whitewash Waiver for the purpose of inclusion in this circular.

Gram Capital Limited
嘉林資本有限公司

Room 1209, 12/F.
Nan Fung Tower
88 Connaught Road Central/
173 Des Voeux Road Central
Hong Kong

26 October 2017

To: The independent board committee and the independent shareholders of
The Sincere Company, Limited

Dear Sir/Madam,

(I) PROPOSED RIGHTS ISSUE ON THE BASIS OF THREE (3) RIGHTS SHARES FOR EVERY FIVE (5) EXISTING SHARES HELD ON THE RECORD DATE;
(II) APPLICATION FOR WHITEWASH WAIVER; AND
(III) POSSIBLE CONNECTED TRANSACTION:
SALE OF PROVISIONAL ALLOTMENT LETTERS

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Rights Issue, the Underwriting Agreement, the Proposed PAL Sale Agreements and the Whitewash Waiver (the "**Transactions**"), details of which are set out in the letter from the Board (the "**Board Letter**") contained in the circular dated 26 October 2017 issued by the Company to the Shareholders (the "**Circular**"), of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Circular unless the context requires otherwise.

The Company proposed to raise gross proceeds of not less than approximately HK$93.0 million and not more than approximately HK$98.7 million by way of the Rights Issue on the basis of three Rights Shares for every five existing Shares held on the Record Date (assuming no other issue of new Share(s) and no repurchase of Share(s) by the Company on or before the Record Date). The Rights Issue (other than those Rights Shares subject to the Irrevocable Undertakings) is fully underwritten by the Underwriter on the terms and conditions set out in the Underwriting Agreement. Subject to passing of resolutions at the GM to approve the Rights Issue and the Proposed PAL Sale Agreements, and to the issue of the PALs, the Sincere Companies will enter into the Proposed PAL Sale Agreements with the Underwriter and sell their PALs to the Underwriter.

With reference to the Board Letter, the Rights Issue is conditional on approval by the Independent Shareholders at the GM; and the Proposed PAL Sale Agreements and the transactions contemplated thereunder constitute non-exempt connected transactions for the Company under Chapter 14A of the Listing Rules and are subject to the Listing Rules' requirements on reporting, announcement and approval by the Independent Shareholders at the GM.

Pursuant to the Underwriting Agreement, the Underwriter has conditionally agreed to underwrite the Underwritten Shares. Assuming no Qualifying Shareholders (other than the Underwriter subscribing for the Rights Shares under the PALs to be transferred under the PAL Sale) take up for their provisional allotments of the Rights Shares, the Underwriter will be required to take up all the Underwritten Shares and the aggregate shareholding interest held by the Underwriter and parties acting in concert with it would increase to approximately 66.46% of the number of Shares in issue as enlarged by the allotment and issue of the Rights Shares immediately after completion of the Rights Issue (assuming no exercise of the Share Options on or before the Record Date) and approximately 66.92% of the number of Shares in issue as enlarged by the allotment and issue of the Rights Shares immediately after completion of the Rights Issue (assuming all existing Share Options were exercised on or before the Record Date). In such circumstances, the Underwriter would be required to make a mandatory general offer for all the issued Shares (other than those already owned or agreed to be acquired by the Underwriter and parties acting in concert with it) under Rule 26.1 of the Takeovers Code, unless the Whitewash Waiver is obtained from the Executive. The Underwriter has made an application to the Executive for the Whitewash Waiver pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code. The Whitewash Waiver, if granted by the Executive, would be subject to, among other things, the approval of the Independent Shareholders at the GM by way of poll.

The Independent Board Committee comprising Mr. King Wing Ma, Mr. Eric K K Lo and Mr. Peter Tan (all being independent non-executive Directors) has been established to advise the Independent Shareholders on (i) whether the terms of the Rights Issue, the Underwriting Agreement and the Proposed PAL Sale Agreements are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; (ii) whether the Transactions are in the interests of the Company and the Shareholders as a whole; and (iii) how to vote in relation to the Transactions at the GM. We, Gram Capital Limited, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this respect.

BASIS OF OUR OPINION

In formulating our opinion to the Independent Board Committee and the Independent Shareholders, we have relied on the statements, information, opinions and representations contained or referred to in the Circular and the information and representations as provided to us by the Directors. We have assumed that all information and representations that have been provided by the Directors, for which they are solely and wholly responsible, are true and accurate at the time when they were made and continue to be so as at the Latest Practicable

Date. We have also assumed that all statements of belief, opinion, expectation and intention made by the Directors in the Circular were reasonably made after due enquiry and careful consideration. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the opinions expressed by the Company, its advisers and/or the Directors, which have been provided to us. Our opinion is based on the Directors' representation and confirmation that there is no undisclosed private agreement/arrangement or implied understanding with anyone concerning the Transactions. We consider that we have taken sufficient and necessary steps on which to form a reasonable basis and an informed view for our opinion in compliance with Rule 13.80 of the Listing Rules and Rule 2 of the Takeovers Code.

Your attention is drawn to the responsibility statements as set out in the section headed "1. RESPONSIBILITY STATEMENT" of Appendix III to the Circular. We, as the Independent Financial Adviser, take no responsibility for the contents of any part of the Circular, save and except for this letter of advice.

We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, conducted any independent in-depth investigation into the business and affairs of the Company, the Underwriter, the Sincere Companies or their respective subsidiaries or associates, nor have we considered the taxation implication on the Group or the Shareholders as a result of the Transactions. Our opinion is necessarily based on the financial, economic, market and other conditions in effect and the information made available to us as at the Latest Practicable Date. The Shareholders will be notified of any material changes as soon as possible in accordance with Rule 9.1 of the Takeovers Code. In addition, nothing contained in this letter should be construed as a recommendation to hold, sell or buy any Shares or any other securities of the Company.

Lastly, where information in this letter has been extracted from published or otherwise publicly available sources, it is the responsibility of Gram Capital to ensure that such information has been correctly extracted from the relevant sources while we are not obligated to conduct any independent in-depth investigation into the accuracy and completeness of those information.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion in respect of the Transactions, we have taken into consideration the following principal factors and reasons:

A. The Rights Issue and the Underwriting Agreement

Information on the Group

With reference to the Board Letter, the Group is principally engaged in operation of department stores, securities trading and the provision of general and life insurances.

Set out below are the consolidated financial results of the Group for the six months ended 31 August 2017 and the two years ended 28 February 2017 as extracted from the Company's interim results announcement for the six months ended 31 August 2017 (the "**Interim Results Announcement**") and the annual report for the year ended 28 February 2017 (the "**Annual Report**"):

	For the six months ended 31 August 2017	For the year ended 28 February 2017	For the year ended 29 February 2016	Year on year change
	(unaudited)	*(audited)*	*(audited)*	
	HK$'000	*HK$'000*	*HK$'000*	*%*
Revenue	159,426	375,276	384,338	(2.36)
– Department store operations	*157,800*	*368,217*	*383,566*	*(4.00)*
– Securities trading	*(244)*	*3,342*	*(2,987)*	*N/A*
– Others	*1,870*	*3,717*	*3,759*	*(1.12)*
Loss for the year/period	54,166	95,024	183,138	(48.11)

	As at 31 August 2017	As at 28 February 2017	As at 29 February 2016	Year on year change
	(unaudited)	*(audited)*	*(audited)*	
	HK$'000	*HK$'000*	*HK$'000*	*%*
Cash and bank balances	24,385	30,962	44,217	(29.98)
Interest-bearing bank borrowings	169,669	142,372	99,568	42.99
Net assets	152,354	207,530	292,170	(28.97)

As illustrated by the table above, the Group recorded revenue and loss of approximately HK$375.28 million and HK$95.02 million respectively for the year ended 28 February 2017 ("**FY2016/17**"), representing a decrease of approximately 2.36% and 48.11% respectively as compared to those for the year ended 29 February 2016 ("**FY2015/16**"). For FY2016/17, revenue from department store operations contributed approximately 98.12% of the total revenue. As advised by the Directors, the aforesaid loss reduction in FY2016/17 as compared to FY2015/16 was mainly attributable to significant reduction in net unrealized loss on securities trading, and in selling and distribution expenses (according to the Annual Report, the Group succeeded in trimming down a number of expenses in core department store operations, in particular store rentals through landlord negotiations).

The Group recorded a reduction in net assets as at 31 August 2017 as compared that as at 28 February 2017. As advised by the Directors, the reduction in net assets was mainly attributable to the Group's loss for the six months ended 31 August 2017.

As at 31 August 2017, the Group had cash and bank balances, interest-bearing bank borrowings and net assets of approximately HK$24.39 million, HK$169.67 million and HK$152.35 million respectively. With reference to the Annual Report and the Interim Results Announcement, the Group's gearing ratio (as measured by total debt to the shareholders' fund) increased from 43% as at 29 February 2016 to 95% as at 28 February 2017 and to 175% as at 31 August 2017. As further mentioned in the Annual Report, the decrease in cash and increase in bank borrowings and gearing of the Group were used to support normal operations at department stores.

Reasons for the Rights Issue and use of proceeds

With reference to the Board Letter, the Group has been loss making for consecutive fiscal years since the financial year ended 28 February 2014 and has not conducted any fund raising activities in more than 5 years. As at 31 August 2017, the Group had outstanding Loans that amounted to approximately HK$170 million, of which HK$143 million is payable by November 2017. The gearing ratio of the Group as at 31 August 2017 was 175%. In order to improve the financial position of the Group such that the management will have more flexibility in adopting different sales and marketing strategies to improve the sales, the Board is of the view that it would be in the best interests of the Company and the Shareholders as a whole to raise long-term equity capital through the Rights Issue.

With reference to the Board Letter, the gross proceeds from the Rights Issue are expected to be not less than approximately HK$93.0 million and not more than approximately HK$98.7 million. The net proceeds from the Rights Issue after deducting related expenses are estimated to be not less than approximately HK$89.5 million and not more than approximately HK$95.2 million. The net Subscription Price per Rights Share is expected to be approximately HK$0.26. The Company intends to apply not less than HK$85.0 million and not more than HK$90.0 million (depending on the actual amount of net proceeds raised from the Rights Issue) out of the net proceeds for repayment of the Loans. It is estimated that if the Group repaid the Loans in the amount of approximately HK$85 million carrying a weighted average interest rate of approximately 2.39%, the annual interest expenses will be reduced by approximately HK$2 million. The remaining proceeds will be deployed for general working capital for the department store operations. The gearing ratio of the Group will be reduced to approximately 45.5% upon completion of the Rights Issue and repaying HK$85.0 million of the Loans (based on the unaudited consolidated financial statements of the Group as at 31 August 2017).

As advised by the Directors, the Board considered other fund raising alternatives before resolving to carry out the Rights Issue such as bank borrowing, placing of new shares or convertible bonds and an open offer. The Directors believe that it is in the best interests of the Company and the Shareholders as a whole to raise long-term equity capital through the Rights Issue having considered that (i) the Rights Issue will provide an equal opportunity to all Qualifying Shareholders to maintain their respective shareholdings in the Company and participate in the growth and development of the Company; (ii) additional bank borrowings would be difficult in view of the unsatisfactory financial performance and the financial position of the Group as well as the fact that the purpose of the fund-raising exercise is partly for repayment of Loans and to improve the financial position of the Group; (iii) placing of new shares or convertible bonds will preclude existing Shareholders from participating in the capital raising exercise which inevitably will result in dilution to the equity interests of the existing Shareholders; and (iv) an open offer would not provide an additional option to those Qualifying Shareholders who do not wish to take up their entitlements to sell their nil-paid Rights Shares and those Qualifying Shareholders who wish to increase their shareholding interests in the Company to acquire additional nil-paid Rights Shares in the market.

In view of that (i) the cash and bank balances of the Group are less than the amount of Loans as at 31 August 2017; (ii) the Group recorded a decrease in cash and an increase in bank borrowings as at 28 February 2017 as compared to 29 February 2016; and (iii) the Group's gearing increased from 43% as at 29 February 2016 to 95% as at 28 February 2017 and to 175% as at 31 August 2017, we concur with the Directors that the Rights Issue is in the interests of the Company and the Shareholders as a whole.

Principal terms of the Rights Issue

Set out below are the major terms of the Rights Issue:

Basis of the Rights Issue:	Three Rights Shares for every five existing Shares held on the Record Date
Subscription Price:	HK$0.27 per Rights Share
Number of Shares in issue as at the Latest Practicable Date:	574,308,000
Number of Rights Shares:	Not less than 344,584,800 Shares (assuming no exercise of the outstanding Share Options and no issue of new Shares or repurchase of Shares by the Company from the Latest Practicable Date up to and including the Record Date) and not more than 365,272,800 Shares (assuming full exercise of all outstanding Share Options but no other issue of new Shares or repurchase of Shares by the Company from the Latest Practicable Date up to and including the Record Date)

For detailed terms of the Rights Issue, please refer to the section headed "PROPOSED RIGHTS ISSUE" of the Board Letter.

Analysis on the Subscription Price

The Subscription Price of HK$0.27 represents:

(a) a discount of approximately 14.3% to the closing price of HK$0.315 per Share as quoted on the Stock Exchange on the Last Practicable Date;

(b) a discount of approximately 28.0% (the "**Company LTD Discount**") to the closing price of HK$0.375 per Share as quoted on the Stock Exchange on the Last Trading Day;

(c) a discount of approximately 28.0% to the average of the closing prices of approximately HK$0.375 per Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including the Last Trading Day;

(d) a discount of approximately 27.2% to the average of the closing prices of approximately HK$0.371 per Share as quoted on the Stock Exchange for the last ten consecutive trading days up to and including the Last Trading Day;

(e) a discount of approximately 19.6% (the "**Company LTD TERP Discount**") to the theoretical ex-entitlement price of HK$0.336 per Share based on the closing price of HK$0.375 per Share as quoted on the Stock Exchange on the Last Trading Day;

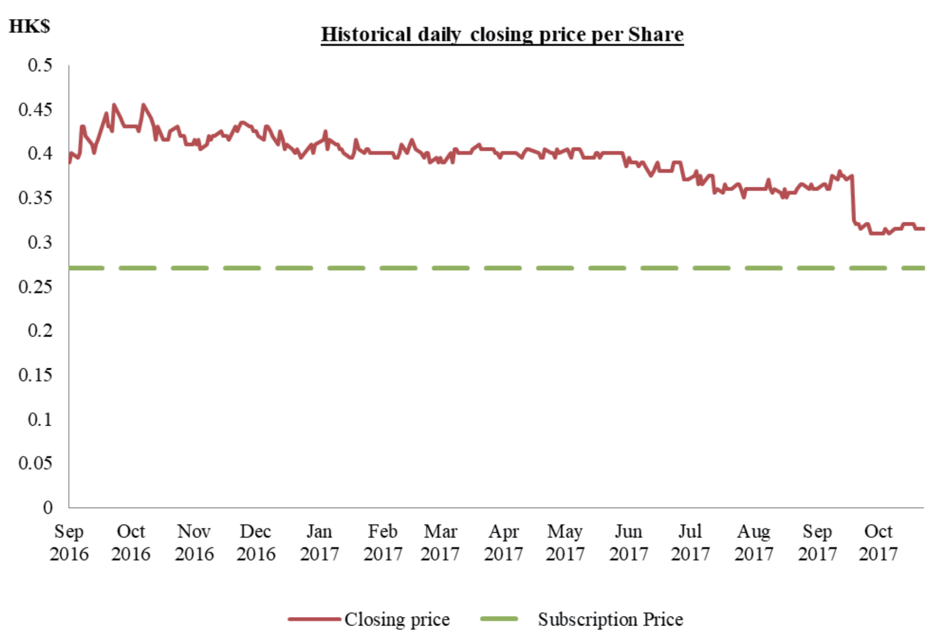
(f) a discount of approximately 9.4% to the theoretical ex-entitlement price of approximately HK$0.298 per Share based on the closing price of HK$0.315 per Share as quoted on the Stock Exchange on the Last Practicable Date;

(g) a premium of approximately 60.7% over the unaudited consolidated net assets value per Share attributable to equity holders of the Company of approximately HK$0.168 as at 31 August 2017 based on the equity attributable to the equity holders of the Company of approximately HK$96,770,000 as at 31 August 2017 and 574,308,000 Shares in issue as at the Latest Practicable Date; and

(h) premiums of approximately 33.0% and 37.1% respectively over the unaudited consolidated net tangible assets per Share of the Group attributable to equity holders of the Company as at 31 August 2017 ("**NTAV per Share**") of (i) approximately HK$0.203 based on minimum number of 344,584,800 Rights Shares to be issued; and (ii) approximately HK$0.197 based on maximum number of 365,272,800 Rights Shares to be issued, as if the Rights Issue had been completed on 31 August 2017.

With reference to the Board Letter, the terms of the Rights Issue, including the Subscription Price, were determined after arm's length negotiations between the Company and the Underwriter with reference to (i) the recent market prices of the Shares under the prevailing market and economic conditions; (ii) losses of the Group in recent years; and (iii) the capital needs and financial position of the Company as detailed in the section headed "Reasons for the Rights Issue and use of proceeds" of the Board Letter.

In order to assess the fairness and reasonableness of the Subscription Price, we have reviewed the daily closing price of the Shares as quoted on the Stock Exchange from 1 September 2016 up to and including the Latest Practicable Date (the "**Review Period**"), being a period of approximately one year prior to the Last Trading Day up to and including the Latest Practicable Date. The comparison of daily closing prices of the Shares and the Subscription Price is illustrated as follows:



Source: the Stock Exchange's website

During the Review Period, the lowest and highest closing prices of the Shares as quoted on the Stock Exchange were HK$0.31 recorded on 27 September 2017, 28 September 2017, 29 September 2017, 3 October 2017 and 6 October 2017; and HK$0.455 recorded on 23 September 2016 and 7 October 2016 respectively. The Subscription Price of HK$0.27 is below the range of the lowest and highest closing prices of Shares during the Review Period.

The closing price of Shares showed a general increasing trend from September 2016 to October 2016. After reaching its peak in early October 2016, the closing price of Shares began to decrease slowly. Subsequent to mid-August 2017, the closing price of the Shares recovered slightly. The closing price of Share decreased from HK$0.375 on 18 September 2017 to HK$0.325 on 19 September 2017, and remained stable up to the Latest Practicable Date.

As part of our analysis, we have also searched for the rights issue transactions (the "**Comparables**") announced from 1 June 2017 (being approximately three months prior to the Last Trading Day) up to the Latest Practicable Date (the "**Comparable Period**") by companies listed on the Stock Exchange so as to reflect the recent market practices of rights issue transactions in the market conducted by Hong Kong listed companies. To the best of our knowledge and as far as we are aware of, we found 16 rights issue transactions during the Comparable Period which met the aforesaid criteria. Although the businesses, operations, financial positions and prospects of the Company may not be the same as those of the subject companies of the Comparables, the Comparables can still demonstrate the recent market practices of rights issue transactions in the market conducted by Hong Kong listed companies. Shareholders should note that we have not conducted any independent verification with regard to the businesses and operations of the subject companies of the Comparables.

Company name (stock code)	**Date of announcement**	**Premium/(discount) of the subscription price to the closing price per share on the date of announcements in relation to the respective rights issue**	**Premium/(discount) of the subscription price to the theoretical ex-rights price per share based on the closing price per share on the date of announcements in relation to the respective rights issue**	**Underwriting commission**
		%	%	%
Focus Media Network Limited (8112)	29 June 2017	(17.86)	(4.17)	2 and 2.5 *(Note 1)*
Beautiful China Holdings Company Limited (706)	19 July 2017	(29.47)	(19.28)	1.5
V.S. International Group Limited (1002)	19 July 2017	(17.86)	(14.81)	Nil
Digital China Holdings Limited (861)	21 July 2017	(29.58)	(25.09)	Nil
Mega Medical Technology Limited (876)	28 July 2017	26.98	18.94	Nil
Roma Group Limited (8072)	14 August 2017	(34.21)	(17.13)	7
Carnival Group International Holdings Limited (996)	15 August 2017	(39.39)	(34.21)	3.5
China Polymetallic Mining Limited (2133)	18 August 2017	(50.82)	(40.89)	1.5
China State Construction International Holdings Limited (3311)	22 August 2017	(9.36) *(Note 2)*	(8.41) *(Note 2)*	2

Company name (stock code)	Date of announcement	Premium/(discount) of the subscription price to the closing price per share on the date of announcements in relation to the respective rights issue %	Premium/(discount) of the subscription price to the theoretical ex-rights price per share based on the closing price per share on the date of announcements in relation to the respective rights issue %	Underwriting commission %
China HKBridge Holdings Limited (2323)	31 August 2017	(21.43)	(15.38)	1
CircuTech International Holdings Limited (8051)	4 September 2017	(9.64)	(6.83)	2
eForce Holdings Limited (943)	21 September 2017	(15.38)	(3.51)	Nil
TC Orient Lighting Holdings Limited (515)	22 September 2017	(48.00)	(31.58)	1.50
China Child Care Corporation Limited (1259)	29 September 2017	(23.08)	(13.15)	1.50
China Agri-Products Exchange Limited (149)	4 October 2017	(30.16)	(6.38)	2.50
The 13 Holdings Limited (577)	20 October 2017	(87.91)	(39.89)	3
Maximum		26.98	18.94	7
Minimum		(87.91)	(40.89)	Nil
The Company	18 September 2017	(28.00)	(19.64)	Nil

Source: the Stock Exchange's website

Notes:

1. 2% and 2.5% respectively for the two underwriters

2. Based on the closing price of the company on the last trading day prior to the date of announcement in relation to the transaction

As shown by the above table, the premium/discount as represented by the subscription prices of Comparables to (i) the respective closing prices of their shares on the date of announcements in relation to the respective rights issues ranged from a discount of approximately 87.91% to a premium of approximately 26.98% (the "**LTD Market Range**"); and (ii) the respective theoretical ex-rights prices of their shares on the date of announcements in relation to the respective rights issue ranged from a discount of approximately 40.89% to a premium of approximately 18.94% (the "**TERP Market Range**"). The Company LTD Discount and Company LTD TERP Discount are in line with and fall within the LTD Market Range and TERP Market Range respectively.

In conclusion:

(i) the Company LTD Discount and Company LTD TERP Discount are in line and fall within the LTD Market Range and TERP Market Range respectively;

(ii) the Company LTD Discount and Company LTD TERP Discount can encourage the Qualifying Shareholders to subscribe for the Rights Shares;

(iii) the Subscription Price of HK$0.27 represents premiums of approximately 60.7% over the unaudited consolidated net assets value per Share attributable to equity holders of the Company of approximately HK$0.168 as at 31 August 2017;

(iv) the Subscription Price of HK$0.27 represents premiums of approximately 33.0% and 37.1% respectively over the unaudited NTAV per Share of (a) approximately HK$0.203 based on minimum number of 344,584,800 Rights Shares to be issued; and (b) approximately HK$0.197 based on maximum number of 365,272,800 Rights Shares to be issued, as if the Rights Issue had been completed on 31 August 2017;

(v) the unaudited NTAV and NTAV per Share of the Group as at 31 August 2017 would increase as if the Rights Issue had been completed on 31 August 2017 (please refer to the section headed "Possible financial effects of the Rights Issue" below for details);

(vi) the gearing ratio of the Group as at 31 August 2017 was approximately 175% and will be reduced to approximately 45.5% upon completion of the Rights Issue and the repaying HK$85.0 million of the Loans (based on the unaudited consolidated financial statements of the Group as at 31 August 2017);

(vii) the Group has been loss making for consecutive fiscal years since the financial year ended 28 February 2014 and has not conducted any fund raising activities in more than 5 years; and

(viii) the Rights Issue is a preferable fund raising alternative as it will provide an equal opportunity to all Qualifying Shareholders to maintain their respective shareholdings in the Company and participate in the growth and development of the Company.

Therefore, having considered the factors above, we are of the view that although the Subscription Price of HK$0.27 is below the range of the lowest and highest closing prices of Shares during the Review Period, the Subscription Price is fair and reasonable.

The Underwriting Agreement

Set out below is a summary of major terms of the Underwriting Agreement:

Date:	18 September 2017
Parties:	The Company; Win Dynamic Limited, being the Underwriter; and Mr. Philip Ma and Mr. Charles Chan, being joint and several guarantors of the obligations of the Underwriter
Number of the Underwritten Shares:	The Rights Issue will, subject to the Irrevocable Undertakings, be fully underwritten by the Underwriter.The total number of the Underwritten Shares shall be not less than 188,318,880 Shares (assuming no exercise of the outstanding Share Options and no issue of new Shares or repurchase of Shares by the Company from the Latest Practicable Date up to and including the Record Date) and not more than 209,006,880 Shares (assuming full exercise of all outstanding Share Options but no other issue of new Shares or repurchase of Shares by the Company from the Latest Practicable Date up to and including the Record Date), being the total number of the Rights Shares less a total of 156,265,920 Rights Shares undertaken to be taken up pursuant to the Irrevocable Undertakings.
Commission:	No commission will be payable to the Underwriter under the Underwriting Agreement.

For a more detailed summary of the terms of the Underwriting Agreement, please refer to the section headed "Principal terms of the Underwriting Agreement" of the Board Letter.

From the Comparables table as set out above, we noted that the range of commissions received by underwriters of the Comparables ranged from nil to 7%. Accordingly, we are of the opinion that "no commission will be payable to the Underwriter" (which shows the support of the Underwriter on the Rights Issue) is beneficial to the Company and is in line with market practice.

In addition, it is stated in the Board Letter that the Underwriter does not intend that the repayment of the unsecured interest free shareholder loans will depend to any significant extent on the business of the Company.

Therefore, we considered the terms of the Underwriting Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned.

No application for excess Rights Shares

No arrangement will be made for the Shareholders to apply for Rights Shares in excess of their provisional allotments.

With reference to the Board Letter, despite the absence of the rights of excess application, the Board considers that the nil-paid Rights Shares provisionally allotted to the Shareholders will provide them with an equal and fair opportunity to maintain their respective shareholding interests in the Company, and the trading mechanism of the nil-paid Rights Shares on the market will compensate those Shareholders who may not be able to subscribe for their Rights Shares due to their financial conditions. If application for excess Rights Shares is arranged, the Company will be required to put in additional effort and costs to administer the excess application procedures including the printing and matching costs of the excess application forms of approximately HK$150,000.

Taking into account that:

(i) despite the absence of the rights of excess application, the Board considers that the nil-paid Rights Shares provisionally allotted to the Shareholders will provide them with an equal and fair opportunity to maintain their respective shareholding interests in the Company;

(ii) the trading mechanism of the nil-paid Rights Shares on the market will compensate those Shareholders who may not be able to subscribe for their Rights Shares and enable Shareholders to subscribe for additional Rights Shares according to their financial conditions; and

(iii) if application for excess Rights Shares is arranged, the Company will be required to put in additional effort and costs to administer the excess application procedures including the printing and matching costs of the excess application forms,

we concur with the Board that it is, on balance, commercially sensible to have no excess application mechanism for the Qualifying Shareholders.

Taking into account the above principal terms of the Rights Issue (including the absence of excess application) and the Underwriting Agreement, we consider that the terms of the Rights Issue (including the absence of excess application) and the Underwriting Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned.

B. The Proposed PAL Sale Agreements

Information on the Sincere Companies

With reference to in the Board Letter, Sincere II is a company incorporated in Hong Kong with limited liability and its principal activities include general insurance and investments in securities. As at the Latest Practicable Date, Sincere II was interested in 75,608,064 Shares (representing approximately 13.17% of the existing number of Shares in issue). Sincere II is also a subsidiary of the Company for accounting purposes in which the Company has a 57.98% effective interest.

With reference to the Board Letter, Sincere LA is a company incorporated in Hong Kong with limited liability and its principal activities include life insurance and investments in securities. As at the Latest Practicable Date, Sincere LA was interested in 183,136,032 Shares (representing approximately 31.89% of the existing number of Shares in issue). Sincere LA is also a subsidiary of the Company for accounting purposes in which the Company has a 56.96% effective interest.

With reference to the Board Letter, Perfumery is a company incorporated in Hong Kong with limited liability and its principal activities include investments in securities and earning interest income. As at the Latest Practicable Date, Perfumery was interested in 1,699,104 Shares (representing approximately 0.30% of the existing number of Shares in issue). Perfumery is also a subsidiary of the Company for accounting purposes in which the Company has a 62.37% effective interest.

Information on the Underwriter and parties acting in concert with it

With reference to the Board Letter, the Underwriter is a company incorporated in Hong Kong with limited liability and had no activities before entering into the Underwriting Agreement. It is owned as to 75% by Mr. Philip Ma and 25% by Mr. Charles Chan and is thus a connected person of the Company. The ordinary course of business of the Underwriter does not involve underwriting. The obligations of the Underwriter under the Underwriting Agreement and the Proposed PAL Sale Agreements will be financed by unsecured shareholder loans from its sole shareholders, Mr. Philip Ma and Mr. Charles Chan. The Underwriter does not intend that the repayment of the unsecured interest free shareholder loans will depend to any significant extent on the business of the Company.

As at the Latest Practicable Date, the Underwriter and parties acting in concert with it (including Mr. Philip Ma, Mr. Charles Chan, the Sincere Companies, Mr. Ma King Wong Steve, and all other Directors) were deemed to be interested in an aggregate of 266,084,528 Shares (representing approximately 46.33% of the existing number of Shares in issue) under S.317 of the SFO and Share Options carrying rights to subscribe for 20,520,000 new Shares.

Reasons for the Proposed PAL Sale Agreements

With reference to the Board Letter, the Sincere Companies held aggregate cash and cash equivalents of approximately HK$3.1 million as at 31 August 2017. If the Sincere Companies have to take up all the nil-paid Rights Shares allotted to them, the subscription monies to be payable by them will amount to approximately HK$42.2 million. As the Sincere Companies do not have sufficient cash to subscribe for the Rights Shares, they will need to borrow from their shareholders including the Company which is by far the largest shareholder in each of them. The Directors consider that would create a "closed circuit" of cashflows and no new monies would in effect be raised from the Rights Issue by the Company to the extent the Sincere Companies subscribe for the Rights Shares. Accordingly, the Directors believe it is not sensible for the Sincere Companies to subscribe for the Rights Shares in view of the objective of the Rights Issue being raising additional capital for the Company. In addition, as the controlling shareholder of the Underwriter, Mr. Philip Ma, is also the chairman of the Board and chief executive officer of the Company, the Sincere Companies elect to sell their PALs to the key management of the Company, instead of disposing their PALs on the market to independent third parties for certain gain (subject to the market sentiment during the trading period of the PALs), would ensure the management continuity and persistent and consistent direction in the business development of the Company.

For our due diligence purpose, we have obtained the management accounts of the Sincere Companies as at 31 August 2017. We noted that the aggregate cash and bank of the Sincere Companies amounted to approximately HK$3.1 million as at 31 August 2017, which is less than the subscription monies payable by the Sincere Companies under the Rights Issue should they take up all the nil-paid Rights Shares allotted to them.

Taking into account the above, in particular that (i) the cash position of the Sincere Companies as at 31 August 2017 is less than the subscription monies payable by the Sincere Companies under the Rights Issue, (ii) the objective of the Rights Issue being raising additional capital for the Company (if the Sincere Companies subscribe for the Rights Shares, no new monies would in effect be raised from the Rights Issue by the Company), and (iii) the PAL Sale at the nominal consideration of HK$3 would ensure the management continuity and persistent and consistent direction in the business development of the Company, we concur with the Directors that PAL Sale (including the nominal consideration of HK$3) are fair and reasonable as far as the Independent Shareholders are concerned and are in the interest of the Company and the Shareholders as a whole.

Possible dilution of the shareholding interests of the existing public Shareholders

All Qualifying Shareholders are entitled to subscribe for the Rights Shares. For those Qualifying Shareholders who take up their provisional allotments in full under the Rights Issue, their shareholding interests in the Company will remain unchanged after the Rights Issue.

As in all other cases of rights issues and open offers, dilution of the shareholdings of those Qualifying Shareholders who do not take up in full their provisional allotments under the Rights Issue is inevitable. Nonetheless, Qualifying Shareholders who do not accept the Rights Issue can, subject to the then prevailing market conditions, consider selling their nil-paid rights to subscribe for the Rights Shares in the market. In such case, where all Qualifying Shareholders do not accept the Rights Issue and hence the Underwriter is obligated to take up the unsubscribed Rights Shares, the shareholding interests of the public Shareholders in the Company will be diluted by a maximum of approximately 20.59 percent point assuming full exercise of all outstanding Share Options but no further issue of new Shares or repurchase of Shares by the Company from the Latest Practicable Date up to and including the Record Date. Details of the potential dilution effect are presented in the tables under the section headed "SHAREHOLDING STRUCTURE OF THE COMPANY" of the Board Letter.

We are aware of the potential dilution effects as just mentioned. Nonetheless, we consider that the foregoing should be balanced against by the following factors:

- Independent Shareholders are given the chances to express their views on the terms of the Rights Issue and the Underwriting Agreement through their votes at the GM;
- Qualifying Shareholders have the choice of whether to accept the Rights Issue or not;
- Qualifying Shareholders have the opportunity to realise their nil-paid rights to subscribe for the Rights Shares in the market;
- the Rights Issue offers the Qualifying Shareholders a chance to subscribe for their pro-rata Rights Shares for the purpose of maintaining their respective existing shareholding interests in the Company at a relatively low price as compared to the historical and prevailing market prices of the Shares; and
- those Qualifying Shareholders who choose to accept the Rights Issue in full can maintain their respective existing shareholding interests in the Company after the Rights Issue.

Having considered the above, we consider that the potential dilution to the shareholding interests of the existing public Shareholders in the Company, which may only arise when the Qualifying Shareholders do not subscribe in full for their provisional allotments, is acceptable.

Possible financial effects of the Rights Issue

The unaudited pro forma statement of adjusted consolidated net tangible assets of the Group (the "**Pro Forma Statement**") as enlarged by the Rights Issue as at 31 August 2017, which is prepared as if the Rights Issue had been completed on 31 August 2017, is set out under Appendix II to the Circular.

According to the Pro Forma Statement, (a) the unaudited consolidated net tangible assets of the Group attributable to equity holders of the Company as at 31 August 2017 ("**NTAV**") was approximately HK$96.77 million and would be (i) approximately HK$186.29 million based on minimum number of 344,584,800 Rights Shares to be issued and (ii) approximately HK$191.88 million based on maximum number of 365,272,800 Rights Shares to be issued as if the Rights Issue had been completed on 31 August 2017; and (b) the NTAV per Share was approximately HK$0.168 and would be (i) approximately HK$0.203 based on minimum number of 344,584,800 Rights Shares to be issued; and (ii) approximately HK$0.197 based on maximum number of 365,272,800 Rights Shares to be issued, as if the Rights Issue had been completed on 31 August 2017.

With reference to the Board Letter, the gearing ratio (as measured by total debt to the shareholders' fund) of the Group as at 31 August 2017 was approximately 175% and would be reduced to approximately 45.5% upon completion of the Rights Issue and repaying HK$85.0 million of the Loans (based on the unaudited consolidated financial statements of the Group as at 31 August 2017).

We are of the view that the possible improvement of NTAV and gearing ratio of the Group as the result of the Rights Issue is beneficial to the Group.

It should be noted that the Pro Forma Statement has been prepared for illustrative purpose only and, because of its hypothetical nature, it may not reflect a true picture of the NTAV of the Company as if the Rights Issue had been completed on 31 August 2017 or at any future date.

RECOMMENDATION ON THE RIGHTS ISSUE, UNDERWRITING AGREEMENT AND THE PROPOSED PAL SALE AGREEMENTS

Having taken into consideration the factors and reasons as stated above, despite that the entering into of the Proposed PAL Sale Agreements is not in the ordinary and usual course of business of the Company, we are of the opinion that (i) the terms of the Rights Issue (including the absence of excess application), the Underwriting Agreement and the Proposed PAL Sale Agreements are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; and (ii) the Rights Issue, the Underwriting Agreement and the Proposed PAL Sale Agreements are in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the resolutions to be proposed at the GM to approve the Rights Issue (including the absence of excess application), the Underwriting Agreement and the Proposed PAL Sale Agreements and we recommend the Independent Shareholders to vote in favour of the resolutions in this regard.

C. The Whitewash Waiver

As at the Latest Practicable Date, the Underwriter and parties acting in concert with it (including Mr. Philip Ma, Mr. Charles Chan, the Sincere Companies, Mr. Ma King Wong Steve and all Directors (other than Mr. Philip Ma and Mr. Charles Chan)) were interested in aggregate 266,084,528 Shares (representing approximately 46.33% of the existing number of Shares in issue) and Share Options carrying rights to subscribe for 20,520,000 new Shares (representing approximately 3.57% of the existing number of Shares in issue). Pursuant to the Underwriting Agreement, the Underwriter has conditionally agreed to underwrite the Underwritten Shares. Assuming no Qualifying Shareholders (other than the Underwriter subscribing for the Rights Shares under the PALs to be transferred under the PAL Sale) take up their provisional allotments of the Rights Shares, the Underwriter will be required to take up all the Underwritten Shares and the aggregate shareholding interest held by the Underwriter and parties acting in concert with it would increase to approximately 66.46% of the number of Shares in issue as enlarged by the allotment and issue of the Rights Shares immediately after completion of the Rights Issue (assuming no exercise of the Share Options on or before the Record Date) and approximately 66.92% of the number of Shares in issue as enlarged by the allotment and issue of the Rights Shares immediately after completion of the Rights Issue (assuming all existing Share Options were exercised on or before the Record Date).

The Underwriter would be required to make a mandatory general offer for all the issued Shares (other than those already owned or agreed to be acquired by the Underwriter and parties acting in concert with it) under Rule 26.1 of the Takeovers Code, unless the Whitewash Waiver is obtained from the Executive. The Underwriter has made an application to the Executive for the Whitewash Waiver pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code. The Whitewash Waiver, if granted by the Executive, would be subject to, among other things, the approval of the Independent Shareholders at the GM by way of poll.

The granting of the Whitewash Waiver is a condition precedent to the Rights Issue and the Underwriting Agreement. If the Whitewash Waiver is not obtained from the Executive and/or approved by the Independent Shareholders, the Underwriting Agreement will not become unconditional and the Rights Issue will not proceed.

In view of that (i) the Rights Issue is a more preferable method of fund raising for the Group; (ii) the Rights Issue is in the interests of the Company and the Shareholders as a whole; and (iii) the terms of the Rights Issue (including the absence of excess application), the Underwriting Agreement and the PAL Sale Agreements are fair and reasonable so far as the Independent Shareholders are concerned, we are of the opinion that the approval of the Whitewash Waiver, which is a prerequisite for the completion of the Rights Issue, is in the interests of the Company and the Independent Shareholders as a whole and is fair and reasonable for the purpose of proceeding with the Rights Issue.

RECOMMENDATION ON THE WHITEWASH WAIVER

Having taken into consideration the reasons for and possible benefits of the Rights Issue and that the Rights Issue is conditional upon, among other things, the grant of the Whitewash Waiver, we consider that the Whitewash Waiver is fair and reasonable so far as the Independent Shareholders are concerned and is in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the relevant resolution to be proposed at the GM to approve the Whitewash Waiver and we recommend the Independent Shareholders to vote in favour of the resolution in this regard.

Yours faithfully,
For and on behalf of
Gram Capital Limited

Graham Lam — *Managing Director*
Susanna Ho — *Director*

1. FINANCIAL INFORMATION OF THE GROUP

Financial information of the Group for each of the three years ended 28 February 2015, 29 February 2016 and 28 February 2017 are disclosed in the following documents which have been published on the respective websites of the Stock Exchange (http://www.hkexnews.hk) and the Company (http://www.sincere.com.hk):

- annual report of the Company for the year ended 28 February 2015 published on 25 June 2015 (pages 30 to 126);
- annual report of the Company for the year ended 29 February 2016 (the "**2015/16 Annual Report**") published on 24 June 2016 (pages 32 to 118); and
- annual report of the Company for the year ended 28 February 2017 (the "**2016/17 Annual Report**") published on 21 June 2017 (pages 48 to 130).
- interim results announcement of the Company for the six months ended 31 August 2017 (the "**Interim Results Announcement**") published on 23 October 2017 (page 1 to 8).

2. SUMMARY OF FINANCIAL INFORMATION

The following is a summary of the consolidated financial information of the Group for each of the three years ended 28 February 2015, 29 February 2016, and 28 February 2017 and the six months ended 31 August 2017 as extracted from the 2015/16 Annual Report, 2016/17 Annual Report and the Interim Results Announcement respectively.

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

	Six months ended 31 August 2017 *HK$'000* (unaudited)	**Year ended 28 February 2017** *HK$'000* (audited)	**Year ended 29 February 2016** *HK$'000* (audited)	**Year ended 28 February 2015** *HK$'000* (audited)
Revenue	159,426	375,276	384,338	370,333
Loss before tax	(54,165)	(94,994)	(183,109)	(126,206)
Income tax expense	(1)	(30)	(29)	(37)
Loss for the year	(54,166)	(95,024)	(183,138)	(126,243)
Attributable to:				
Equity holders of the Company	(53,031)	(92,614)	(181,796)	(122,567)
Non-controlling interests	(1,135)	(2,410)	(1,342)	(3,676)
	(54,166)	(95,024)	(183,138)	(126,243)
Dividend per Share *(HK cents)*	–	–	–	
Loss per share attributable to equity holders of the Company				
Basic and diluted	HK$(0.17)	HK(0.30)	HK(0.58)	HK(0.39)

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	31 August 2017	28 February 2017	29 February 2016	28 February 2015
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(unaudited)	(audited)	(audited)	(audited)
Total assets	478,032	510,884	584,452	1,025,999
Total liabilities	(325,678)	(303,354)	(292,282)	(546,606)
Net assets (including non-controlling interests)	(152,354)	207,530	292,170	479,393

Notes:

1. No qualified and modified opinion in respect of the financial statements of the Group for each of the three years ended 28 February 2015, 29 February 2016 and 28 February 2017 has been issued by the auditor of the Company, Ernst & Young Hong Kong.

2. No exceptional items because of their size, nature or incidences were recognised in the above accounts for each of the three years ended 28 February 2015, 29 February 2016 and 28 February 2017.

3. AUDITED FINANCIAL INFORMATION OF THE GROUP FOR THE YEAR ENDED 28 FEBRUARY 2017

The following is the full text of the audited financial statements of the Group for the year ended 28 February 2017 as extracted from the 2016/17 Annual Report:

CONSOLIDATED INCOME STATEMENT

Year ended 28 February 2017

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 28 February 2017

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

28 February 2017

	Notes	2017 HK$'000	2016 HK$'000
NON-CURRENT ASSETS			
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	–
Total non-current assets		116,995	115,879
CURRENT ASSETS			
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
Total current assets		393,889	468,573
CURRENT LIABILITIES			
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
Total current liabilities		237,613	224,886
NET CURRENT ASSETS		156,276	243,687
TOTAL ASSETS LESS CURRENT LIABILITIES		273,271	359,566
NON-CURRENT LIABILITIES			
Accrued expenses and other payables		61,887	59,188
Interest-bearing bank borrowings	17(a)	2,828	6,975
Other loans	17(b)	1,026	1,005
Pension scheme liabilities	21	–	228
Total non-current liabilities		65,741	67,396
NET ASSETS		207,530	292,170
EQUITY			
Equity attributable to equity holders of the Company			
Share capital	22	287,180	287,180
Reserves	24	(137,441)	(54,184)
		149,739	232,996
Non-controlling interests		57,791	59,174
TOTAL EQUITY		207,530	292,170

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 28 February 2017

	Attributable to equity holders of the Company							
			Reserves					
	Share capital	Treasury shares	General and other reserves#	Share option reserve	Retained profits/ (accumulated losses)	Total reserves	Non-controlling interests	Total
	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	287,180	(130,221)	221,674	6,251	(151,888)	(54,184)	59,174	292,170
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	287,180	(130,221)	219,402	6,044	(232,666)	(137,441)	57,791	207,530

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

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

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

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

1 Effective for annual periods beginning on or after 1 January 2017

2 Effective for annual periods beginning on or after 1 January 2018

3 Effective for annual periods beginning on or after 1 January 2019

4 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.

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.

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.

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.

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.

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.

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.

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.

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.

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.

Derivative financial instruments

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

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

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

Offsetting of financial instruments

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

Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the income statement in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

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

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

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.

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.

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

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.

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.

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.

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.

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.

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.

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.

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.

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).

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).

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.

(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 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*
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
Total	368,713	384,330	22,294	19,052	42,542	32,996	(29,018)	(29,180)	404,531	407,198
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

	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)

(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*.

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:

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

6. FINANCE COSTS

An analysis of finance costs is as follows:

	2017	**2016**
	HK$'000	*HK$'000*
Interest on bank borrowings	3,204	6,444
Others	116	28
	3,320	6,472

7. LOSS BEFORE TAX

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

	2017	**2016**
	HK$'000	*HK$'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
	74,949	88,347

	2017 *HK$'000*	2016 *HK$'000*
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$^{\Delta}$*	(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.

Δ 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.

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 *HK$'000*	2016 *HK$'000*
Current – Hong Kong	–	–
Current – Elsewhere		
Charge for the year	30	29
Total tax charge for the year	30	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	**2016**
	HK$'000	*HK$'000*
Loss before tax	(94,994)	(183,109)
Tax at the statutory tax rates	(15,923)	(30,425)
Income not subject to tax	(4,491)	(6,007)
Expenses not deductible for tax	3,374	6,211
Deferred tax not recognised	1,316	5,200
Tax losses not recognised	16,047	25,340
Tax losses from prior years utilised	(293)	(290)
Tax charge at the Group's effective rate	30	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).

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*
28 February 2017				
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
29 February 2016				
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)).

12. INTERESTS IN ASSOCIATES

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

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

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
		62,037	62,037
Less: Provision for impairment		(35,711)	(35,711)
Portion classified as non-current assets		26,326	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.

14. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2017 HK$'000	2016 HK$'000
Listed investments, at market value	100,206	125,337
Other investments, at quoted price	54,391	77,445
	154,597	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 HK$'000	2016 HK$'000
Cash on hand and at banks	30,962	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	2016
	HK$'000	*HK$'000*
Reinsurers' share of insurance contracts liabilities *(note 19)*	19	21

17. INTEREST-BEARING BANK BORROWINGS AND OTHER LOANS

(a) Interest-bearing bank borrowings

	2017	2016
	HK$'000	*HK$'000*
Bank loans, secured	142,372	98,263
Bank overdrafts, secured	–	1,305
	142,372	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
	142,372	99,568
Less: Amounts repayable within one year or on demand and classified as current portion	(139,544)	(92,593)
Amount classified as non-current portion	2,828	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).

(b) Other loans

	2017	2016
	HK$'000	*HK$'000*
Other loans	2,958	2,929
Less: Amount repayable within one year or on demand and classified as current portion	(1,932)	(1,924)
Amount classified as non-current portion	1,026	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	2016
	HK$'000	*HK$'000*
Current – 3 months	58,360	79,793
4 – 6 months	3,887	2,538
7 – 12 months	965	265
Over 1 year	82	351
	63,294	82,947

19. INSURANCE CONTRACTS LIABILITIES

		2017			2016		
		Insurance contracts liabilities	Reinsurers' share of liabilities	Net	Insurance contracts liabilities	Reinsurers' share of liabilities	Net
	Notes	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
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:

		2017			2016		
		Insurance contracts liabilities	**Reinsurers' share of liabilities**	**Net**	**Insurance contracts liabilities**	**Reinsurers' share of liabilities**	**Net**
	Notes	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
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	**2016**
	HK$'000	*HK$'000*
At beginning of year	1,078	1,078
Increase in the year	–	–
At end of year	1,078	1,078

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

	2017			2016		
	Insurance contracts liabilities	**Reinsurers' share of liabilities**	**Net**	**Insurance contracts liabilities**	**Reinsurers' share of liabilities**	**Net**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At beginning of year	128	–	128	128	–	128
Claims incurred during the year	–	–	–	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:

		2017			2016		
		Insurance contracts liabilities	**Reinsurers' share of liabilities**	**Net**	**Insurance contracts liabilities**	**Reinsurers' share of liabilities**	**Net**
	Notes	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Provision for claims reported by policyholders and claims incurred but not reported ("IBNR")	*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)*	

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

	2017			2016		
	Insurance contracts liabilities	**Reinsurers' share of liabilities**	**Net**	**Insurance contracts liabilities**	**Reinsurers' share of liabilities**	**Net**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At beginning of year	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.

(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.

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.

(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))

Net insurance claims

	2008 and before HK$'000	2009 HK$'000	2010 HK$'000	2011 HK$'000	2012 HK$'000	2013 HK$'000	2014 HK$'000	2015 HK$'000	2016 HK$'000	2017 HK$'000	Total 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))

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:

	2017 %	**2016** %
Discount rate	1.6	1.3
Expected rate of salary increase	3.0	4.0
Mortality	HK Life Table 2015	HK Life Table 2011

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

	Increase in rate	**Increase/ (decrease) in net defined benefit obligations**	**Decrease in rate**	**Increase/ (decrease) in net defined benefit obligations**
	%	*HK$'000*	*%*	*HK$'000*
2017				
Discount rate	0.25	(784)	0.25	808
Long-term salary increase rate	0.25	791	0.25	(773)
2016				
Discount rate	0.25	(1,199)	0.25	1,242
Long-term salary increase rate	0.25	1,192	0.25	(1,157)

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.

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

	2017	**2016**
	HK$'000	*HK$'000*
Current service cost	2,634	2,943
Interest income	(9)	(6)
Administrative expenses paid from the scheme assets	201	90
Net benefit expenses	2,826	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:

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

(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 1 March 2016	Service cost	Net interest expense	Sub-total included in the income statement	Benefit paid	Return on plan assets (excluding amounts included in net interest expense)	Actuarial changes arising from changes in demographic assumptions	Actuarial changes arising from changes in financial assumptions	Experience adjustments	Sub-total included in other comprehensive income	Contribution by employer	At 28 February 2017
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'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 1 March 2015	Service cost	Net interest expense	Sub-total included in the income statement	Benefit paid	Return on plan assets (excluding amounts included in net interest expense)	Actuarial changes arising from changes in demographic assumptions	Actuarial changes arising from changes in financial assumptions	Experience adjustments	Sub-total included in other comprehensive income/(loss)	Contribution by employer	At 29 February 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*
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).

(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	100%	–
Total	100%	100%

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

	2017	2016
	HK$'000	*HK$'000*
Within the next 12 months	116	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.

22. SHARE CAPITAL

	2017	2016
	HK$'000	*HK$'000*
Issued and fully paid:		
574,308,000 (2016: 574,308,000) ordinary shares	287,180	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.

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:

(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.

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

Name or category of participant	At 1 March 2016	Granted during the year	Cancelled or lapsed during the year	Exercised during the year	At 28 February 2017	Dates of grant of share options	Exercise periods of share options	Exercise prices of share options** *HK$ per share*
	Number of share options							
Executive directors								
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
Independent non-executive directors								
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
Other grantees								
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			

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 1 March 2015	Granted during the year	Cancelled or lapsed during the year	Exercised during the year	At 29 February 2016	Dates of grant of share options	Exercise periods of share options	Exercise prices of share options** *HK$ per share*
Executive directors								
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
Independent non-executive directors								
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
Other grantees								
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			

* 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:

	Share options granted in 2016
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.

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	0.564	36,475,000	0.820	21,940,000
Granted during the year	N/A	–	0.358	20,235,000
Lapsed during the year	0.358	(1,995,000)	0.820	(5,700,000)
At end of year	0.576	34,480,000	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.

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:

	2017	**2016**
	HK$	*HK$*
Fees	2,985	2,985
Other emoluments:		
Salaries, allowances and other benefits	15,154	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)	479	719
	18,618	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.

	Fees	**Salaries, allowances and other benefits**	**Equity-settled share option expenses**	**Pension contributions**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
2017					
Executive directors					
Philip K H Ma#	1,876	12,907	–	362	15,145
John Y C Fu	597	2,047	–	117	2,761
	2,473	14,954	–	479	17,906
Independent non-executive directors					
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
	512	200	–	–	712
	2,985	15,154	–	479	18,618

	Fees	Salaries, allowances and other benefits	Equity-settled share option expenses	Pension contributions	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
2016					
Executive directors					
Philip K H Ma#	1,876	12,861	592	544	15,873
John Y C Fu	597	2,016	237	175	3,025
	2,473	14,877	829	719	18,898
Independent non-executive directors					
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
	512	200	236	–	948
	2,985	15,077	1,065	719	19,846

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

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

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:

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

	Number of individuals	
	2017	**2016**
Nil – HK$1,500,000	2	–
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	1	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.

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:

	2017	**2016**
	HK$'000	*HK$'000*
Within one year	–	2,676
In the second to fifth years, inclusive	–	–
	–	2,676

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:

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

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.

27. OUTSTANDING COMMITMENTS

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

	2017	**2016**
	HK$'000	*HK$'000*
Irrevocable letters of credit	16,914	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:

	2017	2016
	HK$'000	*HK$'000*
Management service fees to a related company	1,579	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:

	2017	2016
	HK$'000	*HK$'000*
Short term employee benefits	22,019	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)	497	751
Total compensation of key management personnel	22,516	26,159

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

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	2016
	HK$'000	*HK$'000*
Financial assets at fair value through profit or loss held for trading		
Financial assets at fair value through profit or loss	154,597	202,782
Loans and receivables		
Financial assets included in prepayments, deposits and other receivables	36,631	47,810
Pledged bank balances	39,845	50,295
Pledged deposits with banks	75,221	85,979
Cash and bank balances	30,962	44,217
	182,659	228,301
Available-for-sale financial assets		
Financial instruments	26,326	26,326

Financial liabilities

	2017	2016
	HK$'000	*HK$'000*
Financial liabilities at amortised cost		
Creditors	63,294	82,947
Provision for claims of life insurance	128	128
Financial liabilities included in deposits, accrued expenses and other payables	89,056	98,192
Interest-bearing bank borrowings	142,372	99,568
Other loans	2,958	2,929
	297,808	283,764

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

2016

	Fair value measurement using		
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Total
	HK$'000	*HK$'000*	*HK$'000*
Financial assets at fair value through profit or loss	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.

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:

	2017	**2016**
	HK$'000	*HK$'000*
Increase/decrease in interest expense	1,424	996

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*
2017		
Investments denominated in:		
Euro	5	(577)
	(5)	577
2016		
Investments denominated in:		
Euro	5	(621)
	(5)	621

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		
	On demand or within 1 year	**More than 1 year**	**Total**
	HK$'000	*HK$'000*	*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
	233,488	65,770	299,258

	2016		
	On demand or within 1 year	**More than 1 year**	**Total**
	HK$'000	*HK$'000*	*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	**2016**
	HK$'000	*HK$'000*
Increase/decrease in loss before tax	15,460	20,278

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:

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

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	2016
	HK$'000	*HK$'000*
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
EQUITY		
Share capital	287,180	287,180
Reserves *(note)*	(135,877)	(232,283)
TOTAL EQUITY	151,303	54,897

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	46,613	6,251	(285,147)	(232,283)
Profit for the year	–	–	85,049	85,049
Other comprehensive income for the year:				
Actuarial gains on a defined benefit plan	–	–	11,357	11,357
Total comprehensive income for the year	–	–	96,406	96,406
Transfer of share option reserve upon the lapse of share options	–	(207)	207	–
At 28 February 2017	46,613	6,044	(188,534)	(135,877)

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.

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#	17.31#	General insurance and investment
Sincere Life	Hong Kong	HK$10,000,000	Ordinary	48.09#	8.87#	Life insurance and investment
Sincere Perfumery	Hong Kong	HK$1,300,000	Ordinary	37.15#	25.22#	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.

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	43.04	43.04

	2017 *HK$'000*	2016 *HK$'000*
Loss for the year allocated to non-controlling interests	(1,538)	(1,571)
Accumulated balances of non-controlling interests at the reporting dates	51,385	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 *HK$'000*	2016 *HK$'000*
Loss for the year	(15,645)	(56,816)
Total comprehensive loss for the year	(11,329)	(65,739)
Current assets	12,513	17,429
Non-current assets	10,274	16,667
Current liabilities	(2,189)	(2,167)
Net cash flows used in operating activities	(770)	(5,816)
Net cash flows from investing activities	3,855	5,623
Net increase/(decrease) in cash and cash equivalents	3,085	(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.

4. UNAUDITED FINANCIAL INFORMATION OF THE GROUP FOR THE SIX MONTHS ENDED 31 AUGUST 2017

The following is the full text of the unaudited financial statements of the Group for the six months ended 31 August 2017 as extracted from the Interim Results Announcement:

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 31 August 2017

	Notes	**2017** *HK$'000* (unaudited)	**2016** *HK$'000* (unaudited)
REVENUE	*3*	159,426	171,615
Cost of sales		(73,582)	(69,921)
Other income and gains, net		8,114	11,545
Net unrealised gain/(loss) on securities trading		7,193	(658)
Selling and distribution expenses		(103,904)	(117,298)
General and administrative expenses		(49,658)	(52,836)
Other operating income/(expenses), net		(4)	2,496
Finance costs		(1,750)	(1,290)
LOSS BEFORE TAX	*4*	(54,165)	(56,347)
Income tax expense	*5*	(1)	(13)
LOSS FOR THE PERIOD		(54,166)	(56,360)
ATTRIBUTABLE TO:			
Equity holders of the Company		(53,031)	(55,142)
Non-controlling interests		(1,135)	(1,218)
		(54,166)	(56,360)
LOSS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY	*6*		
Basic		HK$(0.17)	HK$(0.18)
Diluted		HK$(0.17)	HK$(0.18)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 31 August 2017

	2017	2016
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
LOSS FOR THE PERIOD	(54,166)	(56,360)
OTHER COMPREHENSIVE LOSS		
Other comprehensive income/(loss) to be reclassified to the income statement in subsequent periods:		
Exchange differences arising on translation of foreign operations	414	(738)
Realisation of exchange fluctuation reserve upon deregistration of subsidiaries	(627)	–
OTHER COMPREHENSIVE LOSS TO BE RECLASSIFIED TO THE INCOME STATEMENT IN SUBSEQUENT PERIODS, NET OF TAX	(213)	(738)
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD	(54,379)	(57,098)
ATTRIBUTABLE TO:		
Equity holders of the Company	(52,969)	(56,333)
Non-controlling interests	(1,410)	(765)
	(54,379)	(57,098)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	31 August 2017 HK$'000 (unaudited)	28 February 2017 HK$'000 (audited)
NON-CURRENT ASSETS			
Property, plant and equipment		43,715	47,211
Interests in associates		–	–
Financial instruments		26,326	26,326
Deposits and other receivables		30,750	32,309
Pension scheme assets		11,149	11,149
Total non-current assets		111,940	116,995
CURRENT ASSETS			
Inventories		76,917	76,178
Reinsurance assets		19	19
Prepayments, deposits and other receivables		19,146	17,067
Financial assets at fair value through profit or loss		166,158	154,597
Pledged bank balances		4,226	39,845
Pledged deposits with banks		75,241	75,221
Cash and bank balances		24,385	30,962
Total current assets		366,092	393,889
CURRENT LIABILITIES			
Creditors	8	57,692	63,294
Insurance contracts liabilities		1,227	1,227
Deposits, accrued expenses and other payables		35,064	31,615
Interest-bearing bank borrowings	9	168,956	139,544
Other loans		1,937	1,932
Tax payable		1	1
Total current liabilities		264,877	237,613
NET CURRENT ASSETS		101,215	156,276
TOTAL ASSETS LESS CURRENT LIABILITIES		213,155	273,271
NON-CURRENT LIABILITIES			
Accrued expenses and other payables		59,052	61,887
Interest-bearing bank borrowings	9	713	2,828
Other loans		1,036	1,026
Total non-current liabilities		60,801	65,741
NET ASSETS		152,354	207,530
EQUITY			
Equity attributable to equity holders of the Company			
Share capital		287,180	287,180
Reserves		(190,410)	(137,441)
		96,770	149,739
Non-controlling interests		55,584	57,791
TOTAL EQUITY		152,354	207,530

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The unaudited condensed consolidated interim financial statements of the Group for the six months ended 31 August 2017 are prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules"). 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. Save for those revised Hong Kong Financial Reporting Standards ("HKFRSs") adopted during the period as set out in note 2, the significant accounting policies and basis of preparation used in the preparation of the condensed consolidated interim financial statements are the same as those used in the Group's audited consolidated financial statements for the year ended 28 February 2017.

The financial information relating to the year ended 28 February 2017 that is included in the condensed consolidated statement of financial position as comparative information does not constitute the Company's statutory annual consolidated financial statements for that year but is derived from those financial statements. Further information relating to those statutory financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance is as follows:

The Company has delivered the financial statements for the year ended 28 February 2017 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance.

The Company's auditor has reported on those financial statements. The auditor's report was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying their report; and did not contain a statement under sections 406(2), 407(2) or (3) of the Hong Kong Companies Ordinance.

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has applied, for the first time, the following revised HKFRSs issued by HKICPA which are effective for the Group's financial year beginning on 1 March 2017.

Amendments to HKAS 7	*Disclosure Initiative*
Amendments to HKAS 12	*Recognition of Deferred Tax Assets for Unrealised Losses*
Amendments to HKFRS 12 included in *Annual Improvements 2014-2016 Cycle*	*Disclosure of Interests in Other Entities*

The adoption of the revised HKFRSs has had no material effect on the results and financial position for the current or prior accounting periods which have been prepared and presented.

3. SEGMENT INFORMATION

(a) Operating segments

The following table presents revenue and profit/(loss) for the Group's operating segments for the six months ended 31 August 2017 and 31 August 2016.

	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*
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Segment revenue:										
Sales to external customers	157,800	168,949	(244)	812	1,870	1,854	–	–	159,426	171,615
Intersegment sales	–	–	–	–	14,776	14,559	(14,776)	(14,559)	–	–
Other revenue	133	165	5,402	9,354	313	2,460	–	–	5,848	11,979
Total	157,933	169,114	5,158	10,166	16,959	18,873	(14,776)	(14,559)	165,274	183,594
Segment results	(53,956)	(54,734)	7,215	4,231	(7,940)	(4,120)	–	–	(54,681)	(54,623)
Interest income and unallocated revenue/ (expenses), net									2,266	(434)
Finance costs									(1,750)	(1,290)
Loss before tax									(54,165)	(56,347)
Income tax expense									(1)	(13)
Loss for the period									(54,166)	(56,360)

(b) Geographical information

The following table presents revenue for the Group's geographical information.

	Hong Kong		Mainland China		United Kingdom		Others		Consolidated	
	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*
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Segment revenue:										
Sales to external customers	159,376	170,607	–	50	102	110	(52)	848	159,426	171,615

4. LOSS BEFORE TAX

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

	For the six months ended 31 August	
	2017	**2016**
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Depreciation	3,931	10,433
Impairment on inventories^	2,360	–
Impairment on interest in an associate*	4	4
Write-off of other receivables	–	182
Gain on disposal of items of property, plant and equipment#	(126)	–
Gain on deregistration of subsidiaries#	(1,954)	–
Write-back of impairment of a deposit∆*	–	(2,500)
Write-back of other payables#	–	(2,444)

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

* Amounts are included in "Other operating income/(expenses), net" on the face of the condensed consolidated income statement.

∆ Amount represented write-back of impairment of HK$2,500,000 for the Group's deposit for an investment in Mainland China.

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

5. INCOME TAX

	For the six months ended 31 August	
	2017	**2016**
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Current – Hong Kong	–	–
Current – Elsewhere		
Charge for the period	1	13
Total tax charge for the period	1	13

No provision for Hong Kong profits tax had been made as there were no assessable profits arising in Hong Kong during the period (2016: Nil). During the period ended 31 August 2017, taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the locations in which the Group operates.

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

The calculation of the basic loss per share is based on the loss for the period attributable to equity holders of the Company of HK$53,031,000 (2016: HK$55,142,000) and the 313,864,800 ordinary shares (2016: 313,864,800) in issue throughout the period, 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 amounts presented for the periods ended 31 August 2017 and 2016 in respect of a dilution as the impact of the share options outstanding during the periods had an anti-dilutive effect on the basic loss per share amounts presented.

7. DIVIDEND

The Board has decided not to declare an interim dividend for the six months ended 31 August 2017 (2016: Nil).

8. CREDITORS

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

	31 August 2017 *HK$'000* (unaudited)	28 February 2017 *HK$'000* (audited)
Current – 3 months	50,655	58,360
4 – 6 months	5,787	3,887
7 – 12 months	405	965
Over 1 year	845	82
	57,692	63,294

9. INTEREST-BEARING BANK BORROWINGS

	31 August 2017 *HK$'000* (unaudited)	28 February 2017 *HK$'000* (audited)
Bank loans, secured	169,669	142,372
Analysed into:		
Within one year or on demand	168,956	139,544
In the second year	713	2,828
	169,669	142,372
Less: Amounts repayable within one year or on demand and classified as current portion	(168,956)	(139,544)
Amount classified as non-current portion	713	2,828

The interest-bearing borrowings are mainly denominated in Hong Kong dollars. The bank loans bear interest at rates ranging from 1.4% to 5.0% (28 February 2017: 1.4% to 5.0%) per annum.

5. STATEMENT OF INDEBTEDNESS

As at 31 August 2017, being the latest practicable date prior to the printing of the Circular for the purpose of this indebtedness statement, the Group had outstanding borrowings of approximately HK$172.7 million comprising bank loans of approximately HK$169.7 million and other loans of approximately HK$3.0 million.

All of the Group's bank loans are secured. As at 31 August 2017, certain leasehold land and building with an aggregate carrying value of approximately HK$27.9 million, certain marketable securities with an aggregate market value of approximately HK$78.5 million, certain bank balances of approximately HK$4.2 million and time deposits of approximately HK$75.2 million were pledged to banks to secure bank loans and banking facilities granted to the Group.

As at 31 August 2017, the Group had outstanding irrevocable letters of credit amounting to approximately HK$19.1 million.

Save as aforesaid and apart from intra-group liabilities and normal trade payables, the Group did not, at the close of business on 31 August 2017, being the latest practicable date for the purpose of this indebtedness statement have any mortgages, charges, debts, securities issued and outstanding or agreed to be issued, loans or other similar indebtedness, liabilities under acceptances or acceptance credits, hire purchase or finance lease commitments, guarantees or other material contingent liabilities.

The Directors confirm that there was no material change in the indebtedness status of the Group since 31 August 2017 up to and including the Latest Practicable Date.

6. WORKING CAPITAL

The Directors are of the opinion that, in the absence of any unforeseen circumstances and after taking into account (i) the internal resources of the Group; (ii) the Group's presently available banking facilities and the intended renewal of such facilities upon maturity; and (iii) the estimated net proceeds from the Rights Issue, the Group has sufficient working capital for its present requirements and for at least 12 months from the date of the Circular. The Directors' opinion is based on, among other things, the assumption that the Group's secured short-term bank loans of HK$169.7 million as at 31 August 2017 are able to be renewed upon maturity and continue to be available to the Group. The Directors are confident that the Group will be able to renew its banking facilities when they fall due.

7. MATERIAL CHANGE

The Company proposes to raise gross proceeds of not less than approximately HK$93.0 million and not more than approximately HK$98.7 million by way of the Rights Issue on the basis of three (3) Rights Shares for every five (5) existing Shares held on the Record Date (assuming no other issue of new Share(s) and no repurchase of Share(s) by the Company on or before the Record Date). The Rights Issue (other than those Rights Shares subject to the Irrevocable Undertakings) are fully underwritten by the Underwriter on the terms and conditions set out in the Underwriting Agreement.

In addition to the proposed Rights Issue, the Directors confirmed that as at the Latest Practicable Date, save as disclosed below, there had been no material change in the financial or trading position or outlook of the Group since 28 February 2017, being the date to which the latest published audited consolidated financial statements of the Group were made up, up to and including the Latest Practicable Date:

(i) as disclosed in the Interim Results Announcement, a drop in both gross profit margin and dollar was resulted from the aggressive pricing for the clearance of fall/winter inventories and a further HK$2 million provision on slow-moving inventories;

(ii) as disclosed in the Interim Results Announcement, the increase of the gearing ratio of the Group from 95% as of 28 February 2017 to 175% as of 31 August 2017 was attributable to extended bank borrowings to support the department store operations and the decrease in shareholders' fund due to the loss incurred in the interim period;

(iii) as disclosed in the Interim Results Announcement, extended from an unseasonably warm winter of year 2016, the Group had reduced purchases from major suppliers in order to avoid further inventory backlog.

8. BUSINESS AND FINANCIAL PROSPECTS OF THE GROUP

As disclosed in the Interim Results Announcement, both sales and gross profit margin of the Company dropped for the six months ended 31 August 2017 as compared to same period in 2016. The drop was mainly attributable to departure of several concession counters due to change in business strategy of the Group and hit of several typhoons that seriously affected the traffic to the department stores during the "Crazy Sale" campaign for clearance of fall/winter apparels and shoes.

Despite the increasingly fierce competition of retail industry, the Company is still confident that the business performance could be improved in the year ahead through various means. With the lead of the experienced management team, the Group will focus on strengthening sales and marketing activities, such as VIP nights and other theme fairs; procuring diversified fashionable items with high quality so as to keep abreast of market dynamics; providing premium and personal services to the loyal customers by analyzing the big data from the CRM system. Further, cost controls would further be enhanced to improve operating efficiencies of the Group. On securities trading, though the global financial market is still uncertain because of various factors: the US interest rate upcycle and the balance sheet reduction by Fed, the Group will keep their conservative investment strategy and target on a better investment return in this financial year.

As at 31 August 2017, the gearing ratio of the Group was 175% as compared to 95% as at 28 February 2017. The significant increase in gearing ratio was mainly attributable to the extended bank borrowings for supporting the department store operations and the decrease in shareholders' fund due to the net loss incurred in this period. Upon completion of the Rights Issue, the Company intends to apply not less than HK$85.0 million and not more than HK$90.0 million (subject to the actual amount of the proceeds to be raised from the Rights Issue) out of the net proceeds for repayment of the Loans. As such, the gearing ratio of the Group will be improved from 175% to 45.5% based on the unaudited consolidated financial statements of the Group as at 31 August 2017. The Board considers that the financial positions of the Group will be improved upon completion of the Rights Issue, which will enhance the management's flexibility in adopting different marketing and sales strategies to attract new and existing customers.

A. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS OF THE GROUP

The following unaudited pro forma statement of adjusted consolidated net tangible assets (the "Unaudited Pro Forma Financial Information") of the Group attributable to equity holders of the Company has been prepared by the Directors in accordance with paragraph 4.29 of the Listing Rules to illustrate the effect of the Rights Issue on the unaudited consolidated net tangible assets of the Group attributable to equity holders of the Company as if the Rights Issue had been completed on 31 August 2017.

The Unaudited Pro Forma Financial Information has been prepared for illustrative purpose only and, because of its hypothetical nature, it may not reflect a true picture of the unaudited consolidated net tangible assets of the Group attributable to equity holders of the Company upon completion of the Rights Issue as at 31 August 2017 or at any future date.

The Unaudited Pro Forma Financial Information is prepared based on the unaudited consolidated net tangible assets of the Group attributable to equity holders of the Company as at 31 August 2017, as extracted from the Interim Results Announcement, and is adjusted for the effect of the Rights Issue described below.

	Unaudited consolidated net tangible assets of the Group attributable to equity holders of the Company as at 31 August 2017	**Estimated net proceeds from the Rights Issue**	**Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to equity holders of the Company**	**Unaudited consolidated net tangible assets per Share of the Group attributable to equity holders of the Company as at 31 August 2017**	**Unaudited pro forma adjusted consolidated net tangible assets per Share**
	HK$'000	*HK$'000*	*HK$'000*	*HK$*	*HK$*
	(Note 1)	*(Note 2)*		*(Note 3)*	*(Note 4)*
Rights Issue of minimum number of 344,584,800 Rights Shares to be issued at Subscription Price of HK$0.27 per Share	96,770	89,520	186,290	0.168	0.203
Rights Issue of maximum number of 365,272,800 Rights Shares to be issued at Subscription Price of HK$0.27 per Share	96,770	95,106	191,876	0.168	0.197

Notes:

1. The amount is determined based on the unaudited consolidated net assets of approximately HK$152,354,000 after deducting non-controlling interests of approximately HK$55,584,000 as at 31 August 2017, which is extracted from the unaudited consolidated statement of financial position of the Group as at 31 August 2017 included in the Interim Results Announcement.

2. The estimated net proceeds from the Rights Issue are based on (i) minimum number of 344,584,800 Rights Shares to be issued and (ii) maximum number of 365,272,800 Rights Shares to be issued at Subscription Price of HK$0.27 per Rights Share, after deduction of the estimated related expenses, including among other things, transaction fees, which are directly attributable to the Rights Issue, of approximately HK$3,518,000.

3. The calculation of the unaudited consolidated net tangible assets of the Group attributable to equity holders of the Company as at 31 August 2017 per Share is determined based on the unaudited consolidated net tangible assets of the Group attributable to equity holders of the Company of approximately HK$96,770,000 divided by the number of Shares in issue of 574,308,000 as at 31 August 2017.

4. The unaudited pro forma adjusted consolidated net tangible assets per Share attributable to the equity holders of the Company as at 31 August 2017 immediately after the completion of the Right Issues has been arrived at after aggregating the unaudited consolidated net tangible assets of the Group attributable to equity holders of the Company as at 31 August 2017 of approximately HK$96,770,000 (Note 1) and the estimated net proceeds of (i) approximately HK$89,520,000 from the Rights Issue (Note 2) and on the basis that 918,892,800 Shares, which represent 574,308,000 Shares in issue as at 31 August 2017 and 344,584,800 Rights Shares to be issued pursuant to the Rights Issue, were in issue assuming that the Rights Issue had been completed on 31 August 2017, and (ii) approximately HK$95,106,000 from the Rights Issue (Note 2) and on the basis that 974,060,800 Shares, which represent 574,308,000 Shares in issue as at 31 August 2017, 34,480,000 Shares to be issued upon full exercise of all outstanding Share Options as at the Latest Practicable Date up to and including the Record Date, and 365,272,800 Rights Shares to be issued pursuant to the Rights Issue, were in issue assuming that the Rights Issue had been completed on 31 August 2017.

5. No adjustments have been made to the Unaudited Pro Forma Financial Information to reflect any trading results.

B. INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF PRO FORMA FINANCIAL INFORMATION

The following is the text of a letter from the reporting accountants of the Company, Ernst & Young, Certified Public Accountants, Hong Kong, prepared for the purpose of incorporation in this circular, in respect of the unaudited pro forma financial information of the Group.

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

We have completed our assurance engagement to report on the compilation of pro forma financial information of The Sincere Company, Limited (the "**Company**") and its subsidiaries (hereinafter collectively referred to as the "**Group**") by the directors of the Company (the "**Directors**") for illustrative purposes only. The pro forma financial information consists of the pro forma consolidated net tangible assets as at 31 August 2017, and related notes (the "**Pro Forma Financial Information**") as set out on pages II-1 to II-2 of the circular dated 26 October 2017 issued by the Company (the "**Circular**"). The applicable criteria on the basis of which the Directors have compiled the Pro Forma Financial Information are described in the Circular.

The Pro Forma Financial Information has been compiled by the Directors to illustrate the impact of the proposed rights issue on the basis of three rights shares for every five shares held on the record date (the "**Rights Issue**") on the Group's financial position as at 31 August 2017 as if the Rights Issue had taken place as at 31 August 2017. As part of this process, information about the Group's financial position has been extracted by the Directors from the Group's consolidated statement of financial position as at 31 August 2017, on which an annual report has been published.

Directors' responsibility for the Pro Forma Financial Information

The Directors are responsible for compiling the Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and with reference to Accounting Guideline ("**AG**") 7 *Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**").

Our independence and quality control

We have complied with the independence and other ethical requirements of the *Code of Ethics for Professional Accountants* issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Control 1 *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements,* and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting accountants' responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus* issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the Pro Forma Financial Information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Pro Forma Financial Information.

The purpose of Pro Forma Financial Information included in the Circular is solely to illustrate the impact of the Rights Issue on unadjusted financial information of the Group as if the Rights Issue had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the Rights Issue would have been as presented.

A reasonable assurance engagement to report on whether the Pro Forma Financial Information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the Pro Forma Financial Information provide a reasonable basis for presenting the significant effects directly attributable to the Rights Issue, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The Pro Forma Financial Information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgement, having regard to the reporting accountants' understanding of the nature of the Group, the Rights Issue in respect of which the Pro Forma Financial Information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the Pro Forma Financial Information.

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

Opinion

In our opinion:

(a) the Pro Forma Financial Information has been properly compiled on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purpose of the Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Yours faithfully,

Ernst & Young
Certified Public Accountants
Hong Kong

26 October 2017

1. RESPONSIBILITY STATEMENT

The Circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in the Circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or the Circular misleading.

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in the Circular (other than that relating to the Underwriter and parties acting in concert with it) and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in the Circular (other than those expressed by the directors of the Underwriter) have been arrived at after due and careful consideration and there are no other facts not contained in the Circular, the omission of which would make any statement in the Circular misleading.

The directors of the Underwriter accept full responsibility for the accuracy of the information contained in the Circular (other than that relating to the Group), and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in the Circular (other than those expressed by the Directors) have been arrived at after due and careful consideration and there are no other facts not contained in the Circular, the omission of which would make any statement in the Circular misleading.

2. SHARE CAPITAL

The authorised and issued share capital of the Company as at the Latest Practicable Date and upon completion of the Rights Issue (assuming there is no other change in the issued no. of Shares from the Latest Practicable Date up to the date of completion of the Rights Issue) are as follows:

(i) As at the Latest Practicable Date, the number of Shares in issue was 574,308,000 which is the same with the Shares in issue since the end of the last financial year of the Company.

(ii) Immediately following the allotment and issue of the Rights Shares assuming no exercise of the outstanding Share Options and no change in the issued no. of Shares from the Latest Practicable Date up to and including the Record Date

Number of Shares in issue as at the Latest Practicable Date	574,308,000
Number of Rights Shares to be allotted and issued under the Rights Issue	344,584,800
Total number of Shares	918,892,800

(iii) Immediately following the allotment and issue of the Rights Shares assuming full exercise of all outstanding Share Options and no change in the issued no. of Shares from the Latest Practicable Date up to and including the Record Date

Number of Shares in issue as at the Latest Practicable Date	574,308,000
Number of Shares to be allotted and issued upon full exercise of all outstanding Share Options	34,480,000
Number of Rights Shares to be allotted and issued under the Rights Issue	365,272,800
Total number of Shares	974,060,800

All the issued Shares in the capital of the Company rank *pari passu* with each other in all respects including the rights as to voting, dividends and return of capital.

The Rights Shares, when allotted, issued and fully-paid, will rank *pari passu* with the Shares then in issue in all respects. Holders of such Rights Shares will be entitled to receive all future dividends and distributions which are declared, made or paid with a record date which falls on or after the date of allotment and issue of the fully-paid Rights Shares.

The issued Shares are listed on the Stock Exchange. None of the securities of the Company is listed or dealt in, and no listing or permission to deal in the securities of the Company is being or is proposed to be sought, on any other stock exchange.

As at the Latest Practicable Date, there was no arrangement under which future dividends are or will be waived or agreed to be waived.

The Share Option Scheme

As at the Latest Practicable Date, the Company had outstanding Share Options under the Share Option Scheme carrying rights for the holders thereof to subscribe for an aggregate of 34,480,000 new Shares, details of which are set out below:

Date of grant	Exercise period	Exercise price *(HK$)*	Number of underlying Shares
28 February 2013	28 February 2013 to 27 February 2018	0.820	16,240,000
29 February 2016	29 February 2016 to 28 February 2021	0.358	18,240,000
Total			34,480,000

Save for the Share Options, the Company had no other outstanding warrants, options or convertible securities in issue or other similar rights which confer any right to convert into or subscribe for Shares as at the Latest Practicable Date.

Save for the outstanding Share Options, no capital of any member of the Group was under option, or agreed conditionally or unconditionally to be put under options as at the Latest Practicable Date.

As at the Latest Practicable Date, the Company had not received any notice from the holders of the Share Options of their intention to exercise any Share Options.

3. DIRECTORS AND SENIOR MANAGEMENT OF THE COMPANY

Set out below are the particulars and biographies of the existing Directors and senior management of the Company:

(a) Particulars of the Directors and senior management of the Company

Name	Address
Executive Directors	
Mr. Philip K H MA (Chairman & Chief Executive Officer)	24/F Leighton Centre 77 Leighton Road Hong Kong
Mr. John Y C FU	24/F Leighton Centre 77 Leighton Road Hong Kong

Name	Address
Non-executive Director	
Mr. Charles M W CHAN	24/F Leighton Centre 77 Leighton Road Hong Kong
Independent non-executive Directors	
Mr. King Wing MA	24/F Leighton Centre 77 Leighton Road Hong Kong
Mr. Eric K K LO	24/F Leighton Centre 77 Leighton Road Hong Kong
Mr. Peter TAN	24/F Leighton Centre 77 Leighton Road Hong Kong
Senior management	
Mr. John K K Ma	Room 1205, 12/F, Leighton Centre 77 Leighton Road Hong Kong
Mrs. Eileen H Y Ma	24/F Leighton Centre 77 Leighton Road Hong Kong
Ms. Ada S P Cheung	24/F Leighton Centre 77 Leighton Road Hong Kong

(b) Biographies of the Directors and senior management of the Company

Executive Directors

Mr. Philip K H MA, aged 61, is the chairman & chief executive officer of the Company. He joined the Company in 1990, became an Executive Director in 1992, then became the president of the Company 1993, was re-titled as group managing director in 1996, re-designated as deputy chairman & chief executive officer of the Company in 2012 and appointed as the chairman & chief executive officer of the Company in 2014. He holds an MBA degree. He is currently in charge of all aspects of the Group's operations. He is a cousin of Mr. King Wing Ma, who is also a Director, and Mr. John K K Ma. He also holds directorship in the Sincere Companies and various subsidiaries of the Company. Save as disclosed in the Circular, he does not have any relationship with any other Directors and senior management of the Company.

Mr. John Y C FU, aged 57, joined the Company in January 2003, as the Group's director of finance and administration and became an executive Director & chief financial officer of the Company 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 a key executive of two listed international retail chains for nearly 20 years and became a board member of one of them. He holds an MBA degree in general management and MSc degree in finance from two UK Universities. He also holds directorships in various subsidiaries of the Company. He does not have any relationship with any Directors and senior management of the Company.

Non-executive Director

Mr. Charles M W CHAN, aged 61, became an independent non-executive Director in November 1995 and was re-designated as a non-executive Director since 18 September 2017. He is also an executive director of Victoria Park Hotels Limited. He is a member of the American Institute of Certified Public Accountants. He does not have any relationship with any Directors and senior management of the Company.

Independent non-executive Directors

Mr. King Wing MA, aged 86, has been an independent non-executive Director since 1980. He is a registered doctor with over 40 years' experience in England, the USA and Hong Kong. He is the cousin of Mr. Philip Ma who is also a Director and Mr. John K K MA. Save as disclosed above, he does not have any relationship with any other Directors and senior management of the Company.

Mr. Eric K K LO, aged 68, has been an independent non-executive Director since December 1993. He is also an independent non-executive Director of Joyce Boutique Holdings Limited (stock code: 647), which is a company listed on the main board of the Stock Exchange. He does not have any relationship with any Directors or senior management of the Company.

Mr. Peter TAN, aged 61, has been an independent non-executive Director since 2012. He was the co-founder and chief executive officer of TLC Capital Management Pte Ltd. Born in Singapore in 1955, he completed his pre-tertiary education in Singapore before leaving for the USA to pursue both his graduate and post-graduate degrees in the USA. After graduating from Northwestern University's Kellogg School of Management MBA class in 1983, he began his career in the banking sector. 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. He 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. He does not have any relationship with any Directors and senior management of the Company.

Senior management

Mr. 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 of the Company. 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 LA and Sincere II and has over 30 years' experience in retailing and insurance business.

Mrs. Eileen H Y MA, aged 64, joined the Company in August 2002 as merchandising director of the Company and currently in charge of merchandising for the Hong Kong department stores. She has over 30 years' experience in retailing and holds a Bachelor's degree in marketing.

Ms. Ada S P CHEUNG, aged 44, is the company secretary of the Company. She is a member of the Hong Kong Institute of Certified Public Accountants. She is also a chartered secretary of both the Institute of Chartered Secretaries and Administrators and the Hong Kong Institute of Chartered Secretaries.

4. MARKET PRICES

The table below shows the closing prices of the Share on the Stock Exchange on (i) 15 September 2017, being the last business day, immediately preceding the date of the Announcement; and (ii) the last trading day of each of the calendar months during the Relevant Period; and (iii) the Latest Practicable Date:

Date	**Closing price per Share** *HK$*
31 March 2017	0.4
28 April 2017	0.4
31 May 2017	0.385
30 June 2017	0.37
31 July 2017	0.36
31 August 2017	0.36
15 September 2017	0.37
30 September 2017	0.31
23 October 2017, being the Latest Practicable Date	0.315

The highest and lowest closing price per Share as quoted on the Stock Exchange during the Relevant Period was HK$0.41 per Share on 20 March 2017, and HK$0.31 per Share on 27 September 2017, 29 September 2017, 3 October 2017 and 6 October 2017, respectively.

5. DISCLOSURE OF INTERESTS

Directors' and chief executives' interests and short positions in Shares, underlying Shares and debentures

As at the Latest Practicable Date, the interests or short positions of the Directors and chief executives of the Company in the Shares, underlying Shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or which were required to be recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuer as contained in Appendix 10 of the Listing Rules (the "**Model Code**"), were as follows:

(a) Long position in Shares

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

(b) Associated corporations

As at the Latest Practicable Date, Mr. Philip Ma, Mr. King Wing Ma and Mr. Eric K K Lo held 1,028, 1,225 and 216 ordinary shares, respectively, in Sincere LA. In addition, as at the Latest Practicable Date, Mr. Philip Ma held 500 promoter shares and Mr. King Wing Ma held 834 promoter shares in Sincere LA.

As at the Latest Practicable Date, Mr. Philip Ma, Mr. King Wing Ma and Mr. Eric K K Lo held 2,538, 26 and 1,019 ordinary shares, respectively, in Sincere II.

As at the Latest Practicable Date, Mr. Philip Ma and Mr. King Wing Ma held 10 and 10 ordinary shares, respectively, in Perfumery.

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 above, as at the Latest Practicable Date, none of the Directors or chief executives of the Company had or was deemed to have any interests or short positions in the Shares, underlying Shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which were required to be recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Substantial Shareholders' interests and short positions in the Shares, underlying Shares and debentures

As at the Latest Practicable Date, according to the register of interests required to be kept by the Company pursuant to Section 336 of the SFO and so far as is known to the Directors, Sincere LA and Sincere II were interested in 183,136,032 and 75,608,064 Shares, representing approximately 31.89% and 13.17% of the total number of Shares in issue, respectively. Save as disclosed above, as at the Latest Practicable Date, the Company had not been notified by any persons (other than the Directors and chief executives of the Company) who had an interest or short position in the Shares, underlying Shares and debentures of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

6. DIRECTORS' INTERESTS IN CONTRACTS OR ARRANGEMENT AND ASSETS OF THE GROUP

As at the Latest Practicable Date, none of the Directors and their respective associates had any direct or indirect interest in the assets which had been, since 28 February 2017, being the date to which the latest published audited consolidated accounts of the Group were made up, acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group.

Save for the Underwriting Agreement, as at the Latest Practicable Date, none of the Directors and their respective associates was materially interested in any contract or arrangement which was significant in relation to the business of the Group.

7. ADDITIONAL DISCLOSURES

As at the Latest Practicable Date, the Underwriter and parties acting in concert with it (including Mr. Philip Ma, Mr. Charles Chan, the Sincere Companies, Mr. Ma King Wong Steve, and all other Directors) were deemed to be interested in an aggregate of 266,084,528 Shares (representing approximately 46.33% of the existing number of Shares in issue) under S.317 of the SFO and Share Options carrying rights to subscribe for 20,520,000 new Shares, of which

(i) Mr. Philip Ma was interested in 2,000,000 Shares (representing approximately 0.35% of the existing number of Shares in issue) and Share Options carrying rights to subscribe for 11,400,000 new Shares, and had a deemed interest by reason of S.317 of the SFO in a further 189,498,880 Shares;

(ii) Mr. Charles Chan was interested in 40,000 Shares (representing approximately 0.01% of the existing number of Shares in issue) and Share Options carrying rights to subscribe for 1,140,000 new Shares, and had a deemed interest by reason of S.317 of the SFO in a further 201,718,880 Shares;

(iii) Sincere II was interested in 75,608,064 Shares (representing approximately 13.17% of the existing number of Shares in issue);

(iv) Sincere LA was interested in 183,136,032 Shares (representing approximately 31.89% of the existing number of Shares in issue);

(v) Perfumery was interested in 1,699,104 Shares (representing approximately 0.30% of the existing number of Shares in issue);

(vi) Mr. Ma King Wong Steve was interested in 80,000 Shares (representing approximately 0.01% of the existing number of Shares in issue); and

(vii) the Directors (other than Mr. Philip Ma and Mr. Charles Chan) were in aggregate interested in 3,521,328 Shares (representing approximately 0.61% of the existing number of Shares in issue) and Share Options carrying rights to subscribe for 7,980,000 new Shares.

The Underwriter and parties acting in concert with it (including Mr. Philip Ma, Mr. Charles Chan, the Sincere Companies, Mr. Ma King Wong Steve and all other Directors) are interested in the Underwriting Agreement and the Whitewash Waiver, they are required to abstain from voting on the resolution to be proposed at the GM in relation to the Underwriting Agreement and the Whitewash Waiver. Besides, the Sincere Companies had entered into the Irrevocable Undertakings, pursuant to which each of the Sincere Companies has irrevocably undertaken to the Company, (i) to take up and pay for or procure the taking up and payment for, on the terms of the Prospectus Documents, the Rights Shares which will be in its provisional allotment of Rights Shares; (ii) that the 260,443,200 Shares will remain registered in their respective names (as appropriate) at the close of business on the Record Date; (iii) to procure that the acceptances whether by it or by a transferee of that provisional allotment of Rights Shares shall be lodged with the Registrar or the Company, with payment in full therefor, by no later than the Latest Time for Acceptance.

It is also proposed that, subject to passing of a resolution at the GM to approve the Rights Issue and the Proposed PAL Sale Agreements and the issue of the PALs, the Sincere Companies will enter into the Proposed PAL Sale Agreements with the Underwriter and sell their PALs to the Underwriter.

Save as mentioned above,

(i) as at the Latest Practicable Date, there was no agreement, arrangement or understanding which may result in the Rights Shares to be taken up by the Underwriter under the Rights Issue being transferred, charged or pledged to any other persons as at the Latest Practicable Date;

(ii) none of the Directors, directors of the Underwriter, the Underwriter, Mr. Philip Ma, Mr. Charles Chan and parties acting or presumed to be acting in concert with any of them (a) owned or controlled or were interested in any other Shares, convertible securities, warrants, options or derivatives of the Company as at the Latest Practicable Date; or (b) had dealt for value in any Shares, convertible securities, warrants, options or derivatives of the Company during the Relevant Period;

(iii) none of the Underwriter, Mr. Philip Ma, Mr. Charles Chan and parties acting or presumed to be acting in concert with any of them had any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with any person as at the Latest Practicable Date;

(iv) no arrangement of any kind referred to in Note 8 to Rule 22 of the Takeovers Code existed between a person who owned or controlled Shares or convertible securities, warrants, options or derivatives of the Company and the Underwriter, Mr. Philip Ma, Mr. Charles Chan and/or parties acting or presumed to be acting in concert with any of them as at the Latest Practicable Date;

(v) none of the Underwriter, Mr. Philip Ma, Mr. Charles Chan and parties acting or presumed to be acting in concert with any of them had borrowed or lent any Shares, convertible securities, warrants, options or derivatives of the Company during the Relevant Period;

(vi) the Underwriter, Mr. Philip Ma and Mr. Charles Chan and parties acting or presumed to be acting in concert with any of them had not dealt for value in any shares, convertible securities, warrants, options or derivatives of the Underwriter during the Relevant Period, and none of the Company and the Directors owned or controlled or were interested in any shares, convertible securities, warrants, options or derivatives of the Underwriter as at the Latest Practicable Date or had any of them dealt for value in any shares, convertible securities, warrants, options or derivatives of the Underwriter during the Relevant Period;

(vii) none of the subsidiaries of the Company, pension fund of the Company or of a subsidiary of the Company or by any advisers to the Company (as specified in class (2) of the definition of associate in the Takeovers Code but excluding exempt principal traders) owned or controlled or were interested in any Shares, convertible securities, warrants, options or derivatives of the Company as at the Latest Practicable Date or had any of them dealt for value in any Shares, convertible securities, warrants, options or derivatives of the Company during the Relevant Period;

(viii) no person had any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Company or any person who is an associate of the Company by virtue of classes (1), (2), (3) and (4) of the definition of associate under the Takeovers Code during the Relevant Period;

(ix) no Directors owned or controlled or were interested in any Shares, convertible securities, warrants, options or derivatives of the Company as at the Latest Practicable Date;

(x) neither the Company nor any of the Directors had borrowed or lent any Shares, convertible securities, warrants, options or derivatives of the Company as at the Latest Practicable Date;

(xi) there was no agreement or arrangement between the Underwriter, Mr. Philip Ma, Mr. Charles Chan or parties acting or presumed to be acting in concert with any of them and any other Director, recent Directors, Shareholders or recent Shareholders having any connection with or dependence upon the Rights Issue (including the absence of rights of excess application), the Underwriting Agreement, the Irrevocable Undertakings, the PAL Sale and/or the Whitewash Waiver as at the Latest Practicable Date;

(xii) there was no benefit to be given to any director of the Company as compensation for loss of office or otherwise in connection with the Rights Issue (including the absence of rights of excess application), the Underwriting Agreement, the Irrevocable Undertakings, the PAL Sale and/or the Whitewash Waiver as at the Latest Practicable Date;

(xiii) there was no agreement or arrangement between the Directors and any other person which is conditional on or dependent upon the outcome of the Whitewash Waiver or otherwise connected with the Rights Issue (including the absence of rights of excess application), the Underwriting Agreement, the Irrevocable Undertakings, the PAL Sale and/or Whitewash Waiver as at the Latest Practicable Date; and

(xiv) there was no material contract entered into by the Underwriter in which any Director had a material personal interest as at the Latest Practicable Date.

8. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors and their respective associates was interested in any business apart from the Group's business that competes or is likely to compete (either directly or indirectly) with the business of the Group.

9. SERVICE CONTRACTS

None of the Directors has any service contract with the Company or any of its subsidiaries or associated companies in force which (including both continuous and fixed term contracts) which was entered into or amended during the Relevant Period. As at the Latest Practicable Date, (i) none of the Directors had any service contracts with the Company or any of its subsidiaries or associated companies in force which (a) (including both continuous and fixed term contracts) have been entered into or amended with during the Relevant Period; (b) were continuous contracts with a notice period of 12 months or more; or (c) were fixed term contracts with more than 12 months to run irrespective of the notice period; and (ii) none of the Directors had any existing or proposed service contract with any member of the Group or any associated companies of the Company which does not expire or is not determinable by such member of the Group within one year without payment of compensation (other than statutory compensation).

10. MATERIAL CONTRACTS

Save for the Underwriting Agreement, there were no material contracts (not being contracts entered into in the ordinary course of business) which had been entered into by any member of the Group within the two years immediately preceding the date of the Announcement and up to the Latest Practicable Date.

11. LITIGATION

As at the Latest Practicable Date, neither the Company nor any other member of the Group was engaged in any litigation, arbitration or claim of material importance and no litigation, arbitration or claim of material importance known to the Directors to be pending or threatened against any member of the Group.

12. EXPERT AND CONSENT

The following are the qualifications of the experts who have given opinions or advice contained in the Circular:

Names	**Qualifications**
Ernst & Young	Certified public accountants
Gram Capital Limited	A licensed corporation to carry on Type 6 (advising on corporate finance) regulated activity under the SFO

Each of the above experts has given and has not withdrawn its written consent to the issue of the Circular with the inclusion of its letter or advice, and references to its name in the form and context in which they respectively appear.

As at the Latest Practicable Date, neither of the above experts had any shareholding in any member of the Group nor any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

As at the Latest Practicable Date, neither of the above experts had any direct nor indirect interest in any assets which had been, since 28 February 2017, being the date to which the latest published audited consolidated accounts of the Group were made up, acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group.

13. CORPORATE INFORMATION OF THE COMPANY AND PARTIES INVOLVED IN THE RIGHTS ISSUE

Registered office:	24th Floor, Leighton Centre 77 Leighton Road Hong Kong
Underwriter:	Win Dynamic Limited 5th floor, 310 Gloucester Road Causeway Bay Hong Kong
Legal advisers to the Company as to Hong Kong laws:	David Norman & Co. 22B Man On Commercial Building 12-13 Jubilee Street Central Hong Kong
Legal advisers to the Company as to Australian laws:	MinterEllison Rialto Towers 525 Collins Street Melbourne VIC 3000 Australia
Legal advisers to the Company as to Canadian laws:	Stikeman Elliott Suite 1700, Park Place 666 Burrard Street Vancouver BC V6C 2X8 Canada
Legal advisers to the Company as to Japanese laws:	Mori Hamada & Matsumoto 16th Floor, Marunouchi Park Building 2-6-1 Marunouchi, Chiyoda-ku Tokyo 100-8222 Japan
Legal advisers to the Company as to Macanese laws:	Manuela António Alameda Dr. Carlos D'Assumpção n.°s 411-417, Edificio Dynasty Plaza 15.° andar D-H, Macau, China
Legal advisers to the Company as to Nigerian laws:	G. Elias & Co. 6 Broad Street Lagos Nigeria

Legal advisers to the Company as to Peruvian laws:	Rodrigo, Elias & Medrano Av. San Felipe 758 Jesús María Lima 15702 Perú
Legal advisers to the Company as to PRC laws:	Global Law Office 20/F Tower 1, China Central Place No. 81 Jianguo Road Chaoyang District Beijing 100025 China
Legal advisers to the Company as to Singaporean laws:	Drew & Napier LLC 10 Collyer Quay #10-01 Ocean Financial Centre Singapore 049315
Legal advisers to the Company as to Taiwanese laws:	Lee and Li 9F, 201 Tun Hua N. Road Taipei, Taiwan 10508 R.O.C.
Legal advisers to the Company as to English laws:	ReedSmith Broadgate Tower 20 Primrose Street London EC2A 2RS United Kingdom
Legal advisers to the Company as to American laws:	Dorsey & Whitney 51 West 52nd Street New York, NY 10019-6119 United States of America
Financial adviser to the Company:	Optima Capital Limited Suite 1501, 15th Floor Jardine House 1 Connaught Place Central Hong Kong
Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders:	Gram Capital Limited Room 1209, 12/F, Nan Fung Tower 173 Des Voeux Road Central Central Hong Kong
Auditor and reporting accountants:	Ernst & Young 22/F CITIC Tower 1 Tim Mei Avenue Central Hong Kong

Principal bankers:	Citibank N.A. 9/f, Two Harbourfront 22 Tak Fung Street, Hunghom Kowloon Hong Kong
	DBS Bank (Hong Kong) Limited 16th Floor, The Center 99 Queen's Road Central Central Hong Kong
	Hang Seng Bank Limited Hang Seng Tower, Telford Plaza 33 Wai Yip Street, Kowloon Bay Kowloon Hong Kong
	J.P. Morgan Chase Bank 2nd Floor 60 Victoria Embankment London
	The Hong Kong & Shanghai Banking Corporation Limited HSBC Main Building 1 Queen's Road Central Hong Kong
Share Registrar:	Tricor Tengis Limited Level 22, Hopewell Centre 183 Queen's Road East Hong Kong
Authorised representatives:	Ms. Ada S P Cheung 24/F Leighton Centre 77 Leighton Road Hong Kong
	Mr. Philip Ma 24/F Leighton Centre 77 Leighton Road Hong Kong

14. EXPENSES

The expenses in connection with the Rights Issue, including the printing, registration, translation, legal, accounting and other professional fees, are estimated to be approximately HK$3.5 million, which are payable by the Company.

15. MISCELLANEOUS

(a) The principal members of the Underwriter's concert party comprise the Underwriter, Mr. Philip Ma, Mr. Charles Chan, the Sincere Companies, Mr. Ma King Wong Steve and all other Directors. The registered address of the Underwriter is 5th floor, 310 Gloucester Road, Causeway Bay, Hong Kong. The registered address of each of the Sincere Companies, Mr. Ma King Wong Steve and all Directors is 24th Floor, Leighton Centre, 77 Leighton Road, Hong Kong.

(b) The English text of the Circular shall prevail over their Chinese texts in case of inconsistency.

16. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection (i) at the principal place of business of the Company in Hong Kong during normal business hours (i.e. from 9:00 a.m. to 5:00 p.m.) on any Business Day; and (ii) on the websites of the Company (www.irasia.com/listco/hk/sincere/index.htm) and the SFC (www.sfc.hk) from the date of the Circular up to and including the date of GM:

(i) the articles of association of the Company;

(ii) the memorandum and articles of association of the Underwriter;

(iii) the 2015/16 Annual Report and the 2016/17 Annual Report and the Interim Results Announcement;

(iv) the letter from the Board, the text of which is set out on pages 9 to 32 of the Circular;

(v) the letter from the Independent Board Committee to the Independent Shareholders, the text of which is set out on pages 33 to 34 of the Circular;

(vi) the letter from Gram Capital to the Independent Board Committee and the Independent Shareholders, the text of which is set out on pages 35 to 52 of the Circular;

(vii) the report from Ernst & Young on the unaudited pro forma financial information of the Group, the text of which is set out in section B of Appendix II to the Circular;

(viii) the Underwriting Agreement;

(ix) the written consents referred to in the paragraph headed "Experts and consents" in this Appendix;

(x) the drafts of the Proposed PAL Sale Agreements; and

(xi) the Circular.

THE SINCERE COMPANY, LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 0244)

NOTICE IS HEREBY GIVEN THAT a general meeting of shareholders of the Company will be held at 2/F Hibiscus Room, Hotel Jen Hong Kong, 508 Queen's Road West, Western District, Hong Kong on Wednesday, 15 November 2017 at 10:00 a.m. for the purpose of considering and, if thought fit, passing with or without modifications, the following resolutions which will be proposed as ordinary resolutions of the Company:

1. THAT:

   (a) the Underwriting Agreement (as defined in the Company's circular dated 26 October, 2017 (the "**Circular**") in respect of the Rights Issue (as defined in the Circular) and the transactions contemplated thereunder including but not limited to the underwriting of the Rights Shares (as defined in the Circular) by the Underwriter (as defined in the Circular), a copy of which has been produced to the Meeting marked "A" and signed by the chairman of the Meeting for the purpose of identification, be and are hereby approved, confirmed and ratified;

   (b) the Rights Issue on the terms summarised in the Circular and the terms and conditions of the Underwriting Agreement be and is hereby approved;

   (c) the absence of arrangements for the disposal of securities not subscribed in the Rights Issue by allottees under provisional letters of allotment or their renouncees is hereby approved for the purposes of Rule 7.21 (2) of the Listing Rules (as defined in the Circular); and

   (d) the Board be and is hereby authorised to allot and issue and otherwise deal with the Rights Shares pursuant to or in connection with the Rights Issue on the terms summarised in the Circular and generally to do such things or make such arrangements as it may in its absolute discretion consider necessary, appropriate, desirable or expedient to give effect to or in connection with the Rights Issue, the Underwriting Agreement and the transactions contemplated thereunder.

2. THAT each of the Proposed PAL Sale Agreements (as defined in the Company's circular dated 26 October, 2017), copies of which have been produced to this meeting marked "B1", "B2" and "B3" respectively and signed by the chairman of the Meeting for the purpose of identification, and the transactions contemplated thereunder be and are hereby approved and the Board be and is hereby authorised generally to execute or procure execution thereof and do such things or make such arrangements as it may in its absolute discretion consider necessary, appropriate, desirable or expedient to give effect to or in connection with the Proposed PAL Sale Agreements or any of them and the transactions contemplated thereunder.

3. THAT subject to the Executive (as defined in the Circular) granting the Whitewash Waiver (as defined in the Circular), and the satisfaction of any conditions attached to the Whitewash Waiver be and is hereby approved, and the Board be and is hereby authorised to generally to do such things or make such arrangements as it may in its absolute discretion consider necessary, appropriate, desirable or expedient to give effect to or in connection with the Whitewash Waiver.

By order of the Board
Ada S P CHEUNG
Company Secretary

Hong Kong, 26 October, 2017

Notes:

1. To determine entitlements to attend and vote at the Meeting, the register of members of the Company will be closed from Friday, 10 November to Wednesday, 15 November, 2017 during which period no transfer of shares will be registered. In order to be eligible to attend and vote at the 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 Thursday, 9 November, 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. Completion and return of a proxy form will not preclude a member from attending the meeting and voting in person.

4. At the date of this notice, the executive Directors of the Company are Mr. Philip Ma and Mr. John Y C Fu, the non-executive Director is Mr. Charles Chan, and the independent non-executive Directors are Mr. King Wing Ma, Mr. Eric K K Lo, and Mr. Peter Tan.