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sincere 先施

THE SINCERE COMPANY, LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 0244)

**ANNOUNCEMENT OF RESULTS
FOR THE YEAR ENDED 28 FEBRUARY 2018**

The Board of Directors (the “Board”) of The Sincere Company, Limited (the “Company”) announces that the consolidated results of the Company and its subsidiaries (the “Group”) for the financial year ended 28 February 2018 together with the comparative figures for the previous year are as follows:

CONSOLIDATED INCOME STATEMENT

Year ended 28 February 2018

	<i>Notes</i>	2018 HK\$'000	2017 HK\$'000
REVENUE	3	355,865	375,276
Cost of sales		(153,931)	(160,113)
Other income and gains, net		22,368	28,455
Net unrealised gain/(loss) on securities trading		3,981	(8,325)
Selling and distribution expenses		(211,138)	(226,849)
General and administrative expenses		(100,848)	(102,597)
Other operating income/(expenses), net		(5,207)	2,479
Finance costs	4	(3,952)	(3,320)
LOSS BEFORE TAX	5	(92,862)	(94,994)
Income tax expense	6	(18)	(30)
LOSS FOR THE YEAR		<u>(92,880)</u>	<u>(95,024)</u>
ATTRIBUTABLE TO:			
Equity holders of the Company		(90,497)	(92,614)
Non-controlling interests		(2,383)	(2,410)
		<u>(92,880)</u>	<u>(95,024)</u>
LOSS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY	8		
Basic		<u>HK\$(0.22)</u>	(Restated) <u>HK\$(0.27)</u>
Diluted		<u>HK\$(0.22)</u>	<u>HK\$(0.27)</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 28 February 2018

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
LOSS FOR THE YEAR	(92,880)	(95,024)
OTHER COMPREHENSIVE INCOME/(LOSS)		
<i>Other comprehensive income/(loss) to be reclassified to the income statement in subsequent periods:</i>		
Exchange differences arising on translation of foreign operations	699	(1,210)
Realisation of exchange fluctuation reserve upon deregistration of subsidiaries	9,678	(234)
Net other comprehensive income/(loss) to be reclassified to the income statement in subsequent periods	10,377	(1,444)
<i>Other comprehensive income not to be reclassified to the income statement in subsequent periods:</i>		
Actuarial gains on a defined benefit plan	7,882	11,828
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	<u>(74,621)</u>	<u>(84,640)</u>
ATTRIBUTABLE TO:		
Equity holders of the Company	(71,463)	(83,257)
Non-controlling interests	(3,158)	(1,383)
	<u>(74,621)</u>	<u>(84,640)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

28 February 2018

	<i>Notes</i>	2018 HK\$'000	2017 <i>HK\$'000</i>
NON-CURRENT ASSETS			
Property, plant and equipment		35,607	47,211
Interests in associates		–	–
Financial instruments		26,326	26,326
Deposits and other receivables		30,236	32,309
Pension scheme assets		17,352	11,149
		<hr/>	<hr/>
Total non-current assets		109,521	116,995
CURRENT ASSETS			
Inventories		69,287	76,178
Reinsurance assets		14	19
Prepayments, deposits and other receivables		15,961	17,067
Financial assets at fair value through profit or loss		153,406	154,597
Pledged bank balances		4,447	39,845
Pledged deposits with banks		70,873	75,221
Cash and bank balances		36,078	30,962
		<hr/>	<hr/>
Total current assets		350,066	393,889
CURRENT LIABILITIES			
Creditors	9	66,452	63,294
Insurance contracts liabilities		1,221	1,227
Deposits, accrued expenses and other payables		33,951	31,615
Interest-bearing bank borrowings		94,324	139,544
Other loans		1,941	1,932
Tax payable		1	1
		<hr/>	<hr/>
Total current liabilities		197,890	237,613
NET CURRENT ASSETS			
		152,176	156,276
TOTAL ASSETS LESS CURRENT LIABILITIES			
		261,697	273,271

	<i>Notes</i>	2018 HK\$'000	2017 <i>HK\$'000</i>
NON-CURRENT LIABILITIES			
Accrued expenses and other payables		55,819	61,887
Interest-bearing bank borrowings		–	2,828
Other loans		1,046	1,026
		<u>56,865</u>	<u>65,741</u>
Total non-current liabilities		56,865	65,741
NET ASSETS			
		204,832	207,530
EQUITY			
Equity attributable to equity holders of the Company			
Share capital	<i>10</i>	377,236	287,180
Reserves		(208,904)	(137,441)
		<u>168,332</u>	149,739
Non-controlling interests		36,500	57,791
		<u>36,500</u>	<u>57,791</u>
TOTAL EQUITY		204,832	207,530
		<u>204,832</u>	<u>207,530</u>

Notes:

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, 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.

The unaudited financial information relating to the year ended 28 February 2018 and the financial information related to the year ended 28 February 2017 included in this preliminary announcement of annual results for the year ended 28 February 2018 does not constitute the Company’s statutory annual consolidated financial statements for those years but, in respect of the year ended 28 February 2017, is derived from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance is as follows:

The financial statements for the year ended 28 February 2018 have yet to be reported on by the Company’s auditor and will be delivered to the Registrar of Companies in due course.

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 these financial statements for the year ended 28 February 2017. 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 its report; and did not contain a statement under sections 406(2), 407(2) or (3) of the Hong Kong Companies Ordinance.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following revised HKFRSs for the first time for the current year’s financial statements:

Amendments to HKAS 7	<i>Disclosure Initiative</i>
Amendments to HKAS 12	<i>Recognition of Deferred Tax Assets for Unrealised Losses</i>
Amendments to HKFRS 12 included in <i>Annual Improvements to HKFRSs 2014-2016 Cycle</i>	<i>Disclosure of Interests in Other Entities: Clarification of the Scope of HKFRS 12</i>

As explained below, the adoption of the above revised standards has had no significant financial effect on these financial statements.

The nature and the impact of the amendments are described below:

- (a) Amendments to HKAS 7 require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. Disclosure of the changes in liabilities arising from financing activities is provided in the financial statements.
- (b) Amendments to HKAS 12 clarify that an entity, when assessing whether taxable profits will be available against which it can utilise a deductible temporary difference, needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount. The amendments have had no impact on the financial position or performance of the Group as the Group has no deductible temporary differences or assets that are in the scope of the amendments.
- (c) Amendments to HKFRS 12 clarify that the disclosure requirements in HKFRS 12, other than those disclosure requirements in paragraphs B10 to B16 of HKFRS 12, apply to an entity’s interest in a subsidiary, a joint venture or an associate, or a portion of its interest in a joint venture or an associate that is classified as held for sale or included in a disposal group classified as held for sale. The amendments have had no impact on the Group’s financial statements as the Group did not have subsidiaries or associates classified as a disposal group held for sale as at 28 February 2018.

3. SEGMENT INFORMATION

(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 2018 and 2017.

	Department store operations		Securities trading		Others		Eliminations		Total	
	2018 HK\$'000	2017 HK\$'000	2018 HK\$'000	2017 HK\$'000	2018 HK\$'000	2017 HK\$'000	2018 HK\$'000	2017 HK\$'000	2018 HK\$'000	2017 HK\$'000
Segment revenue:										
Sales to external customers	353,581	368,217	(1,468)	3,342	3,752	3,717	-	-	355,865	375,276
Intersegment sales	-	-	-	-	30,631	29,018	(30,631)	(29,018)	-	-
Other revenue	560	496	12,213	18,952	9,193	9,807	-	-	21,966	29,255
Total	354,141	368,713	10,745	22,294	43,576	42,542	(30,631)	(29,018)	377,831	404,531
Segment results	(85,646)	(90,071)	4,479	3,562	(8,145)	(4,365)	-	-	(89,312)	(90,874)
Interest income and unallocated revenue/ (expenses), net									402	(800)
Finance costs									(3,952)	(3,320)
Loss before tax									(92,862)	(94,994)
Income tax expense									(18)	(30)
Loss for the year									(92,880)	(95,024)
Segment assets	141,023	155,449	172,059	173,785	65,738	64,640	(30,631)	(29,018)	348,189	364,856
Unallocated assets									111,398	146,028
Total assets									459,587	510,884
Segment liabilities	181,505	176,952	312	301	9,245	12,747	(30,631)	(29,018)	160,431	160,982
Unallocated liabilities									94,324	142,372
Total liabilities									254,755	303,354
Other segment information:										
Depreciation	6,040	14,235	411	411	1,290	1,494	-	-	7,741	16,140
Impairment of items of property, plant and equipment	5,366	-	-	-	-	-	-	-	5,366	-
Capital expenditure	1,277	2,187	-	-	264	-	-	-	1,541	2,187
Gain on disposal of items of property, plant and equipment	(97)	-	-	-	(88)	(7,500)	-	-	(185)	(7,500)
Reversal of provision for inventories	(6,387)	-	-	-	-	-	-	-	(6,387)	-
Impairment/(reversal of impairment) of an interest in an associate	-	-	-	-	(9)	18	-	-	(9)	18
Bad debts written off	54	182	-	-	-	-	-	-	54	182
Gain on deregistration of subsidiaries	-	-	-	-	(9,021)	(234)	-	-	(9,021)	(234)
Write-back of other payables	-	-	-	-	(59)	(2,444)	-	-	(59)	(2,444)
Write-back of impairment of a deposit	-	-	-	-	-	(2,500)	-	-	-	(2,500)

3. SEGMENT INFORMATION (continued)

(b) Geographical information

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

	Hong Kong		Mainland China		United Kingdom		Others		Eliminations		Consolidated	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	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
Segment revenue:												
Sales to external customers	<u>355,705</u>	<u>373,766</u>	<u>-</u>	<u>99</u>	<u>213</u>	<u>209</u>	<u>(53)</u>	<u>1,202</u>	<u>-</u>	<u>-</u>	<u>355,865</u>	<u>375,276</u>
Non-current assets	<u>64,838</u>	<u>78,501</u>	<u>1,005</u>	<u>1,019</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>65,843</u>	<u>79,520</u>

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

(c) Information about major customers

For the years ended 28 February 2018 and 2017, 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*.

4. FINANCE COSTS

An analysis of finance costs is as follows:

	2018 HK\$'000	2017 HK\$'000
Interest on bank borrowings	3,835	3,204
Others	<u>117</u>	<u>116</u>
	<u>3,952</u>	<u>3,320</u>

5. LOSS BEFORE TAX

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

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Cost of inventories sold	153,897	160,066
Reinsurers' share portion and commission, net of gross change in unearned premiums	<u>34</u>	<u>47</u>
Cost of sales	<u>153,931</u>	<u>160,113</u>
Depreciation	7,741	16,140
Auditor's remuneration	3,308	3,253
Employee benefit expense, excluding directors' and chief executive's remuneration:		
Wages and salaries	70,791	70,062
Pension contributions, including a pension cost for a defined benefit plan of HK\$1,728,000 (2017: HK\$2,347,000)	<u>4,339</u>	<u>4,887</u>
	<u>75,130</u>	<u>74,949</u>
Impairment/(reversal of impairment) of an interest in an associate *	(9)	18
Bad debts written off	54	182
Reversal of provision for inventories **	(6,387)	–
Operating lease rental payments:		
Minimum lease payments	149,176	153,152
Contingent rent	2,668	2,942
Impairment of items of property plant and equipment*	5,366	–
Gain on disposal of items of property, plant and equipment ***	(185)	(7,500)
Gain on deregistration of subsidiaries ***	(9,021)	(234)
Net realised loss/(gain) on securities trading	1,468	(3,342)
Underwriting profit	(4)	(5)
Rental income	(3,714)	(3,664)
Interest income ***	(1,588)	(3,261)
Dividends from financial assets at fair value through profit or loss ***	(10,983)	(16,485)
Foreign exchange loss, net ***	39	1,762
Write-back of other payables ***	(59)	(2,444)
Write-back of impairment of a deposit Δ*	<u>–</u>	<u>(2,500)</u>

* 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.

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

6. 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.

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Current – Hong Kong	–	–
Current – Elsewhere		
Charge for the year	<u>18</u>	<u>30</u>
Total tax charge for the year	<u><u>18</u></u>	<u><u>30</u></u>

7. DIVIDENDS

The board of directors did not recommend the payment of any dividend for the year ended 28 February 2018 (2017: Nil).

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

The calculation of the basic loss per share amounts is based on the loss for the year of HK\$90,497,000 (2017: HK\$92,614,000) attributable to equity holders of the Company and the weighted average number of ordinary shares of 402,568,777 (2017: 339,690,213 (restated)). The weighted average number of ordinary shares in issue used in the basic loss per share calculation for the years ended 28 February 2018 and 2017 has been adjusted for the rights issue in the current and prior years, respectively, and to reflect the number of treasury shares of 260,443,200 (2017: 260,443,200) held by the Company's subsidiaries.

No adjustment had been made to the basic loss per share amounts presented for the years ended 28 February 2018 and 2017 in respect of a dilution as the impact of the share options outstanding during the years had an anti-dilutive effect on the basic loss per share amounts presented.

9. CREDITORS

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

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Current – 3 months	60,111	58,360
4 – 6 months	5,657	3,887
7 – 12 months	109	965
Over 1 year	<u>575</u>	<u>82</u>
	<u><u>66,452</u></u>	<u><u>63,294</u></u>

10. SHARE CAPITAL

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Issued and fully paid: 918,892,800 (2017: 574,308,000) ordinary shares	<u>377,236</u>	<u>287,180</u>

A summary of movements in the Company's share capital is as follows:

	Number of shares in issue	Share capital <i>HK\$'000</i>
At 1 March 2016, 28 February 2017 and 1 March 2017	574,308,000	287,180
Issue of shares	344,584,800	93,038
Share issue expenses	<u>—</u>	<u>(2,982)</u>
At 28 February 2018	<u>918,892,800</u>	<u>377,236</u>

Note:

Pursuant to the Company's announcement dated 26 October 2017 and the prospectus of the Company dated 27 November 2017, the Company proposed a rights issue on the basis of three rights shares for every five existing shares of the subscription price of HK\$0.27 per rights share ("Rights Issue"). A total of 344,584,800 shares were issued under the Rights Issue on 19 December 2017. The gross proceeds from the Rights Issue are approximately HK\$93,038,000. The net proceeds after deducting related expenses of approximately HK\$2,982,000 were approximately HK\$90,056,000.

DIVIDENDS

The Board of Directors does not recommend the payment of a dividend for the financial year ended 28 February 2018.

RESULTS

The Group's total revenue was HK\$356 million during the year; representing a 5% drop from last year. In core department store operations, our retail stores' revenue recorded a disappointing drop of 4%. However with the efforts of cost reduction strategy and the stringent inventory control, there is a small improvement in the retail sector. On our securities investments, a better investment return was resulted under this uncertain global financial market. Overall, the Group has similar result for the year under review. The loss attributable to equity holders of the Company for this financial year was HK\$90 million, loss reduced by HK\$2 million or 2% compared with previous year.

LIQUIDITY AND FINANCIAL RESOURCES

At 28 February 2018, the Group had cash and bank balances of HK\$111 million (2017: HK\$146 million), of which HK\$75 million (2017: HK\$115 million) were pledged. The Group's gearing decreased from 95% to 56% in total debt to the shareholders' fund in comparison to last year. The interest expense charged to the consolidated income statement for the year was HK\$4 million (2017: HK\$3 million). The interest-bearing bank borrowings of the Group as of 28 February 2018 were HK\$94 million (2017: HK\$142 million), of which HK\$94 million (2017: HK\$140 million) was repayable within one year, while the remaining balance was repayable within the second and fifth years. The bank borrowings were largely in Hong Kong dollars, with interest rates ranging from 2.2% to 5.0% per annum. The current ratio was 1.8 (2017: 1.7). The above decrease in cash and bank balances were used to support normal operations in department stores.

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

EMPLOYEES AND REMUNERATION POLICIES

At 28 February 2018, the Group had 303 employees (2017: 377), including part-time staff. The Group operates various remuneration schemes for sales and non-sales employees to motivate front-line and back-office staff towards achieving higher sales and operating efficiencies. Besides basic salary and discretionary bonuses based on individual merit, sales personnel are further remunerated on the basis of goal-oriented packages, comprising several sales commission schemes. The Group provides employee benefits such as employee stock options, staff purchase discounts, subsidised medical care and training courses.

BUSINESS REVIEW

DEPARTMENT STORE OPERATION

The Census and Statistics Department reported that general retail sales in Hong Kong have increased, reflecting the upbeat consumption sentiment amid favourable employment and income conditions as well as the continued revival of inbound tourism. For the Group, however, sales performance was disappointing during the year, especially in the first half of the year where the poor performance of major campaigns including “Stocktake Sale” and “Spring/Summer Crazy Sale”. As such, the management team has taken immediate actions to rectify, including the use of “Uniform Price” item base to present a stronger attraction to customers, this also helped to speed up the clearance of last year fall/winter inventories. Also, benefited from the cool winter in the fourth quarter, more winter items like coats and jackets were sold under high customer demand which improved the sales performance in the second half.

During the year under review, we have suffered from the departure of various counters due to their own change of business strategy. Hence, we have expanded our own products by sourcing wider range of new brands’ products to compensate the lesser contribution from concession counters and provide new excitement for our customers.

The Group’s core department store operations delivered revenues of HK\$354 million or a drop of 4% (2017: HK\$368 million).

Over the year, the department store segment generated a loss of HK\$86 million, representing an improvement of HK\$4 million or 5% on last year. In light of the tough trading environment, the management has cut its overhead and backend support expenses while maintaining the same or better customer service in the front end. Other reduction in losses were derived from continuous rental reduction resulted from the re-negotiation with landlords since the middle of 2016, a drop of depreciation due to the fully depreciated leasehold improvements of aforesaid stores and the reversal of inventory provision of HK\$6 million.

Shamshuipo Dragon Centre Store

Both sales and gross profit margins were slightly down on last year. The number of mall promotional activities in Dragon Centre has been decreased during the year, especially in Christmas and Lunar New Year. Our foot traffic in this store was affected.

Tsuen Wan Citywalk Store

As the near-by Nina Tower located between Citywalk I and Citywalk II was under renovation in late 2017 and some of the shops near-by were closed during the year, this affected our foot traffic as well as sales and gross profit margins.

Yau Tong Domain Store

Several counters were moved out due to their change of business strategy which affected our sales and gross profit margins. To compensate the departure of these counters, we have introducing some new household counters and expanding our own products’ area, and it is expected that the performance would be improved after building up the customer base of these new counters.

Sincere MK Store

Mongkok continues to be our worst performing store due to the high rental expenses. Decline in foot traffic affected the sales and margins. In the second half, the revitalisation of the product line has started to deliver the results which narrow down the negative impact on the decrease in foot traffic. The management will keep on monitoring the results.

Central Li Po Chun Store

The performance of this store was disappointing this year. As the high-value products included furs and crocodile-skin handbags were less in demand this year, we hosted various VIP events at the store to increase the exposure.

Sincere CWB Store

Revenue went up marginally but gross profit margins dropped slightly. The shops near-by were closed which affected our foot traffic. We rezoned several sectors in the store to compensate this impact where more fashion apparels were sold to customers.

SECURITIES TRADING OPERATION

On securities trading, the global market performed well, a synchronized global economic expansion, strong earnings growth, ongoing low inflation, central bank policy, and tax and regulatory reform, all these supported the growth of the global market. Hence, a segment profit of HK\$4 million was resulted, showing an improvement of HK\$1 million against previous year.

PROSPECTS

Looking forward, with the gradually recovering of the overall economic environment and retail sector in Hong Kong, the management is cautiously optimistic about our core department stores performance this year. We have streamlined our operation and brought in a young, lean and professional management team. Sourcing new attractive products and providing better shopping environment will be our core objectives. At the same time, experienced by the positive response on the expansion of “Uniform Price” pricing strategy, we will review our pricing policy to make it more apparently attractive. We will provide customers with a more eye-catching presentation, this aims to widen the customer base not only for our loyal customers, but also attracting new customers to visit ‘Sincere’. We are confident that once new customers visit our stores, they will gain a satisfactory experience on our high quality diversified fashion apparels as well as our premium services.

On securities trading, the global financial market is still volatile under various uncertainties, including US interest rate upcycle, US-China trade war; we will remain conservative on our investment strategy, aiming to provide a better investment return in the coming year.

SIGNIFICANT INVESTMENTS HELD AND PERFORMANCE

As at 28 February 2018, the Group has held for trading investments with fair value of HK\$153 million (2017: HK\$155 million). During the year, the Group recorded realised losses of HK\$1 million (2017: gain HK\$3 million) and unrealised gain on fair value of HK\$4 million (2017: loss HK\$8 million). Information in relation to the 10 largest investments as at 28 February 2018 are set out as follows:

Name	Nature of investment	No. of shares/units /amount of bonds held	Realised gain/(loss) for the year HK\$'000	Unrealised gain/(loss) on fair value change for the year HK\$'000	Fair value as at 28 February 2018 HK\$'000	% of total assets
1. HSBC Holdings plc (Stock Code:0005)	Equity	208,000	–	3,224	16,224	3.53%
2. 1992 Multi-Strategy Fund Corporation CLI (<i>Formerly known as Highbridge Capital</i>)	Fund	48	–	631	12,745	2.77%
3. Fullerton Short Term Interest Rate Fund-D	Fund	1,468,946	–	72	11,801	2.57%
4. Hang Seng Bank Ltd (Stock Code: 0011)	Equity	45,000	–	1,589	8,753	1.90%
5. Nordea 1 Stable Return USD HDG ACC HB	Fund	43,912	–	137	8,744	1.90%
6. Value Partners Classic Fund CIC	Fund	48,887	–	2,345	8,332	1.81%
7. China Mobile Ltd (Stock Code: 0941)	Equity	110,000	–	(1,342)	8,074	1.76%
8. Invitation Homes Inc. (NYSE: INVH)	Equity	43,155	–	456	7,321	1.59%
9. C432 PA Offshore Feeder Fund L.P.CLS A USD	Fund	914,005	–	265	6,718	1.46%
10. CK Hutchison Holdings Ltd (Stock Code: 0001)	Equity	56,120	–	118	5,500	1.20%

During the financial year, the Group received approximately HK\$11 million (2017: HK\$16 million) of dividends from the securities held. The above table lists the investments which principally formed a significant portion of the total assets of the Group.

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

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

CORPORATE GOVERNANCE PRACTICE

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

During the financial year ended 28 February 2018, the Company has complied with the Code Provisions set out in the CG Code, save and except for code provision A.2.1, A.4.1 and A.6.7.

Pursuant to code provision A.2.1 stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual. Mr Philip K H Ma, being the Chairman and Chief Executive Officer of the Company, provides leadership to the Board ensuring that members of the Board receive accurate, timely and clear information to help them reach well-informed and well-considered decisions. He is also responsible for leading the management team to manage day-to-day operation and report to the Board the way the business is run. The Board believes that vesting the roles of both Chairman and Chief Executive Officer in the same individual can provide the Company with strong and consistent leadership and allows for effective and efficient planning and implementation of business decisions and strategies.

Pursuant to code provision A.4.1 of the CG Code that non-executive directors shall be appointed for a specific term, subject to re-election. The non-executive director and independent non-executive directors of the Company were not appointed for a specific term but are subjected to retirement by rotation and re-election at the Company's Annual General Meeting in accordance with the Company's Article of Association.

Pursuant to code provision A.6.7 of the CG Code that independent non-executive directors should also attend general meetings. Mr Eric K K Lo and Mr Peter Tan, both are independent non-executive directors of the Company, did not attend relevant general meetings of the Company due to business arrangement. Mr Anders W L Lau, independent non-executive director of the Company, was appointed after the relevant general meetings.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules (the "Model Code") as the code governing the transactions of securities by the Directors. After making specific enquiry to all Directors, it is confirmed by the Company that the Directors of the Company had complied with the relevant standard as provided in the Model Code.

REVIEW OF PRELIMINARY RESULTS ANNOUNCEMENT BY INDEPENDENT AUDITOR

The figures in respect of the Group's consolidated statement of financial position, consolidated income statement and consolidated statement of comprehensive income and the related notes thereto for the year ended 28 February 2018 as set out in the preliminary results announcement have been agreed by the Company's independent auditor, Ernst & Young, Certified Public Accountants of Hong Kong ("Ernst & Young") to the amounts set out in the Group's consolidated financial statements for the year. The work performed by Ernst & Young in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently, no assurance has been expressed by Ernst & Young on this preliminary results announcement.

AUDIT COMMITTEE

The Audit Committee of the Company consists of Mr Charles M W Chan, non-executive director of the Company and Mr Eric K K Lo, Mr King Wing Ma, Mr Peter Tan and Mr Anders W L Lau, independent non-executive directors of the Company. The Audit Committee has reviewed the annual results (including the consolidated financial statements) of the Company for the financial year ended 28 February 2018.

CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement to attend and vote at the Annual General Meeting of the Company ("AGM") to be held on Friday, 3 August 2018, the register of members of the Company will be closed from Monday, 30 July 2018 to Friday 3 August 2018, both days inclusive, during which period no transfer of shares will be registered. In order to be eligible to attend and vote at the AGM, all transfers accompanied by the relevant share certificates must be lodged with the Company's registrar Tricor Tengis Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong no later than 4:30 p.m. on Friday, 27 July 2018.

PUBLICATION OF ANNUAL REPORT

The 2017/18 annual report of the Group, containing the relevant information required by the Listing Rules, will be published on the websites of The Stock Exchange of Hong Kong Limited and the Company in due course.

As at the date of this announcement, the executive director of the Company is Mr Philip K H Ma, the non-executive director of the Company is Mr Charles M W Chan, and the independent non-executive directors of the Company are Mr King Wing Ma, Mr Eric K K Lo, Mr Peter Tan and Mr Anders W L Lau.

On behalf of the Board
Philip K H MA
Chairman & CEO

Hong Kong, 25 May 2018