THE SINCERE COMPANY, LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 0244)

ANNOUNCEMENT OF THE 2018 INTERIM RESULTS

The Board of Directors (the "Board") of The Sincere Company, Limited (the "Company") is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (the "Group") for the six months ended 31 August 2018, together with the comparative amounts. The interim results of the Group are unaudited, but have been reviewed by the Audit Committee of the Company.

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 31 August 2018

	Notes	**2018** *HK$'000* **(unaudited)**	2017 *HK$'000* (unaudited)
REVENUE	*3*	**146,082**	159,426
Cost of sales		**(68,409)**	(73,582)
Other income and gains, net		**3,740**	8,114
Net unrealised gain/(loss) on securities trading		**(8,215)**	7,193
Selling and distribution expenses		**(96,215)**	(103,904)
General and administrative expenses		**(44,845)**	(49,658)
Other operating expenses, net		**(7)**	(4)
Finance costs		**(1,803)**	(1,750)
LOSS BEFORE TAX	*4*	**(69,672)**	(54,165)
Income tax expense	*5*	**(10)**	(1)
LOSS FOR THE PERIOD		**(69,682)**	(54,166)
ATTRIBUTABLE TO:			
Equity holders of the Company		**(68,364)**	(53,031)
Non-controlling interests		**(1,318)**	(1,135)
		(69,682)	(54,166)
LOSS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY	*6*		(Restated)
Basic		**HK$(0.10)**	HK$(0.16)
Diluted		**HK$(0.10)**	HK$(0.16)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 31 August 2018

	2018 HK$'000 (unaudited)	2017 HK$'000 (unaudited)
LOSS FOR THE PERIOD	**(69,682)**	(54,166)
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	**(478)**	414
Realisation of exchange fluctuation reserve upon deregistration of subsidiaries	**–**	(627)
OTHER COMPREHENSIVE LOSS TO BE RECLASSFIED TO THE INCOME STATEMENT IN SUBSEQUENT PERIODS, NET OF TAX	**(478)**	(213)
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD	**(70,160)**	(54,379)
ATTRIBUTABLE TO:		
Equity holders of the Company	**(69,328)**	(52,969)
Non-controlling interests	**(832)**	(1,410)
	(70,160)	(54,379)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	31 August 2018 HK$'000 (unaudited)	28 February 2018 HK$'000 (audited)
NON-CURRENT ASSETS			
Property, plant and equipment		**33,192**	35,607
Interests in associates		**–**	–
Financial instruments		**–**	26,326
Equity instruments at fair value through other comprehensive income		**33,875**	–
Deposits and other receivables		**35,654**	30,236
Pension scheme assets		**17,352**	17,352
Total non-current assets		**120,073**	109,521
CURRENT ASSETS			
Inventories		**71,073**	69,287
Reinsurance assets		**14**	14
Prepayments, deposits and other receivables		**16,655**	15,961
Financial assets at fair value through profit or loss		**127,056**	153,406
Pledged bank balances		**4,827**	4,447
Pledged deposits with banks		**71,123**	70,873
Cash and bank balances		**25,641**	36,078
Total current assets		**316,389**	350,066
CURRENT LIABILITIES			
Creditors	*8*	**41,696**	66,452
Insurance contracts liabilities		**1,221**	1,221
Deposits, accrued expenses and other payables		**30,908**	33,951
Contract liabilities		**1,818**	–
Interest-bearing bank borrowings	*9*	**162,996**	94,324
Other loans		**1,945**	1,941
Tax payable		**1**	1
Total current liabilities		**240,585**	197,890
NET CURRENT ASSETS		**75,804**	152,176
TOTAL ASSETS LESS CURRENT LIABILITIES		**195,877**	261,697

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

	31 August 2018 HK$'000 (unaudited)	28 February 2018 HK$'000 (audited)
NON-CURRENT LIABILITIES		
Accrued expenses and other payables	**52,599**	55,819
Other loans	**1,057**	1,046
Total non-current liabilities	**53,656**	56,865
NET ASSETS	**142,221**	204,832
EQUITY		
Equity attributable to equity holders of the Company		
Share capital	**377,236**	377,236
Reserves	**(270,683)**	(208,904)
	106,553	168,332
Non-controlling interests	**35,668**	36,500
TOTAL EQUITY	**142,221**	204,832

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 2018 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"). Save for those new and 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 2018.

The financial information relating to the year ended 28 February 2018 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 2018 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 the following new and revised standards for the first time for the current period's financial information. The Group has not early adopted any new and revised HKFRSs that have been issued but are not yet effective.

HKFRS 9	*Financial Instruments*
HKFRS 15	*Revenue from Contracts with Customers*
HK(IFRIC)-Int 22	*Foreign Currency Transactions and Advance Consideration*
Amendments to HKFRS 2	*Classification and Measurement of Share-based Payment Transactions*
Amendments to HKFRS 4	*Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts*
Amendments to HKFRS 15	*Clarifications to HKFRS 15 Revenue from Contracts with Customers*
Amendments to HKAS 40	*Transfers of Investment Property*
Annual Improvements *2014-2016 Cycle*	*Amendments to HKFRS 1 and HKAS 28*

The Group has been impacted by HKFRS 9 and HKFRS 15 that require restatement of the financial statements. As required by HKAS 34, the nature and effect of these changes are disclosed below. Other new and revised standards apply for the first time for the current period, have no impact on the condensed consolidated financial statements of the Group.

HKFRS 9 *Financial Instruments*

HKFRS 9 brings together all phases of the financial instruments project to replace HKAS 39 and all previous versions of HKFRS 9 for annual periods on or after 1 January 2018. The Group has not restated comparative information for financial instruments in the scope of HKFRS 9. Therefore, the comparative information is reported under HKAS 39 and is not comparable to the information presented as at 31 August 2018 and for the period then ended.

Under HKFRS 9, debt financial instruments are subsequently measured at fair value through profit or loss ("FVPL"), amortised cost, or fair value through other comprehensive income ("FVOCI"). The classification is based on two criteria: the Group's business model for managing the assets; and whether the instruments' contractual cash flows represent 'solely payments of principal and interest' on the principal amount outstanding (the "SPPI criterion").

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

HKFRS 9 *Financial Instruments* (continued)

(i) Classification and measurement

The new classification and measurement of the Group's financial assets are, as follows:

- Debt instruments at amortised cost for financial assets that are held within a business model with the objective to hold the financial assets in order to collect contractual cash flows that meet the SPPI criterion. This category includes the Group's pledged bank balances, pledged deposits with banks, cash and bank balances and financial assets included in prepayments, deposits and other receivebles.

- Equity instruments at FVOCI, with no recycling of gains or losses to the income statement on derecognition. This category only includes equity instruments, which the Group intends to hold for the foreseeable future and which the Group has irrevocably elected to so classify upon initial recognition or transition. The Group classified its unquoted equity instruments as equity instruments at FVOCI. Equity instruments at FVOCI are not subject to an impairment assessment under HKFRS 9. Under HKAS 39, the Group's unquoted equity instruments were classified as available-for-sale financial assets.

- Financial assets at FVPL comprise derivative instruments and quoted investments which the Group had not irrevocably elected, at initial recognition or transition, to classify at FVOCI. This catergory would also included debt instruments whose cash flow characteristics fail the SPPI criterion or are not held within a business model whose objective is either to collect contractual cash flows, or to both collect contractual cash flows and sell. Under HKAS 39, the Group's derivative instruments and quoted investments were also classified as financial assets at FVPL.

The assessment of the Group's business models was made as of the date of initial application, 1 March 2018, and then applied to those financial assets that were not derecognised before 1 March 2018. The assessment of whether contractual cash flows on debt instruments are solely comprised of principal and interest was made based on the facts and circumstances as at the initial recognition of the assets.

The accounting for the Group's financial liabilities remains largely the same as it was under HKAS 39. Similar to the requirements of HKAS 39, HKFRS 9 requires contingent consideration liabilities to be treated as financial instruments measured at fair value, with the changes in fair value recognised in the income statement. Under HKFRS 9, embedded derivatives are no longer separated from a host financial asset. Instead, financial assets are classified based on their contractual terms and the Group's business model. The accounting for derivatives embedded in financial liabilities and in non-financial host contracts has not changed from that required by HKAS 39.

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

HKFRS 9 *Financial Instruments* (continued)

(i) Classification and measurement (continued)

A reconciliation between the carrying amounts under HKAS 39 to the balances reported under HKFRS 9 as of 1 March 2018 is as follows:

	HKAS 39 Measurement at 28 February 2018 *HK$'000*	Reclassification *HK$'000*	Remeasurement *HK$'000*	HKFRS 9 Measurement at 1 March 2018 *HK$'000*
Financial assets				
Available-for-sale investments	26,326	(26,326)	–	–
Equity instruments at fair value through other comprehensive income	–	26,326	7,549	33,875
	26,326	–	7,549	33,875

(ii) Impairment

The adoption of HKFRS 9 has fundamentally changed the Group's accounting for impairment losses for financial assets by replacing HKAS 39's incurred loss approach with a forward-looking expected credit loss ("ECL") approach. HKFRS 9 requires the Group to record an allowance for ECLs for all loans and other debt financial assets not held at FVPL. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the asset's original effective interest rate. The adoption of the ECL requirements of HKFRS 9 do not have a significant financial effect on the condensed consolidated financial statements.

HKFRS 15 *Revenue from Contracts with Customers*

HKFRS 15 supersedes HKAS 11 *Construction Contracts*, HKAS 18 *Revenue* and related Interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. The new standard establishes a five-step model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract.

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

HKFRS 15 ***Revenue from Contracts with Customers*** (continued)

The Group has elected to apply the modified transitional provisions whereby the effect of adopting HKFRS 15 for uncompleted contracts with customers as at 28 February 2018 are adjusted at the opening balance as at 1 March 2018 and prior period comparatives are not restated. The effect of the adoption of HKFRS 15 are set out below.

Loyalty points under loyalty reward programme

Prior to adoption of HKFRS 15, the loyalty points programme offered by the Group in the allocation of a portion of the transaction price to the loyalty points programme using the fair value of points issued and recognition of the deferred revenue in relation to points issued but not yet redeemed or expired. The Group concluded that under HKFRS 15 the loyalty points programme gives rise to a separate performance obligation because it generally provides a material right to the customer. Under HKFRS 15, the Group allocated a portion of the transaction price to the loyalty points programme based on relative standalone selling price. The Group determined that, considering the relative standalone selling prices, the amount allocated to the loyalty points programme should not be significant by different compared to the previous accounting policy. However, the deferred revenue related to this loyalty points programme was reclassified to contract liabilities as described below.

Presentation of contract liabilities

Under HKFRS 15, a contract liability is recognised when a customer pays consideration, or is contractually required to pay consideration and the amount is already due, before the Group recognises the related revenue. Such balances are recognised as contract liabilities rather than payables. As a result of this new presentation, the Group has reclassified “Deposits, accrued expenses and other payables” amounting to HK$1,005,000 as at 1 March 2018 to “Contract liabilities”.

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 2018 and 31 August 2017.

	Department store operations		Securities trading		Others		Eliminations		Total	
	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*
	(unaudited)	(unaudited)	**(unaudited)**	(unaudited)	**(unaudited)**	(unaudited)	**(unaudited)**	(unaudited)	**(unaudited)**	(unaudited)
Segment revenue:										
Sales to external customers	**143,632**	157,800	**550**	(244)	**1,900**	1,870	**–**	–	**146,082**	159,426
Intersegment sales	**–**	–	**–**	–	**15,346**	14,776	**(15,346)**	(14,776)	**–**	–
Other revenue/(expense)	**(104)**	133	**3,066**	5,402	**169**	313	**–**	–	**3,131**	5,848
Total	**143,528**	157,933	**3,616**	5,158	**17,415**	16,959	**(15,346)**	(14,776)	**149,213**	165,274
Segment results	**(52,139)**	(53,956)	**(9,537)**	7,215	**(6,802)**	(7,940)	**–**	–	**(68,478)**	(54,681)
Interest income and unallocated revenue, net									**609**	2,266
Finance costs									**(1,803)**	(1,750)
Loss before tax									**(69,672)**	(54,165)
Income tax expense									**(10)**	(1)
Loss for the period									**(69,682)**	(54,166)

(b) Geographical information

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

	Hong Kong		Mainland China		United Kingdom		Others		Consolidated	
	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*
	(unaudited)	(unaudited)	**(unaudited)**	(unaudited)	**(unaudited)**	(unaudited)	**(unaudited)**	(unaudited)	**(unaudited)**	(unaudited)
Segment revenue:										
Sales to external customers	**145,358**	159,376	**–**	–	**107**	102	**617**	(52)	**146,082**	159,426

4. LOSS BEFORE TAX

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

	For the six months ended 31 August	
	2018	2017
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Depreciation	**2,503**	3,931
Impairment on inventories ^	**–**	2,360
Impairment on interest in an associate *	**4**	4
Gain on disposal of items of property, plant and equipment #	**(161)**	(126)
Gain on deregistration of subsidiaries #	**–**	(1,954)

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

* Amount is included in "Other operating expenses, net" on the face of the condensed consolidated income statement.

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	
	2018	2017
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Current – Hong Kong	**–**	–
Current – Elsewhere		
Charge for the period	**10**	1
Total tax charge for the period	**10**	1

No provision for Hong Kong profits tax had been made as there were no assessable profits arising in Hong Kong during the period (2017: Nil). During the period ended 31 August 2018, 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$68,364,000 (2017: HK$53,031,000) and the weighted average number of ordinary shares of 658,449,600 (2017: 339,690,213 (restated)) in issue throughout the period, as adjusted to reflect the number of treasury shares of 260,443,200 (2017: 260,443,200) held by the Company's subsidiaries. The weighted average number of ordinary shares in issue used in the basic loss per share calculation for the period ended 31 August 2017 had been adjusted for the rights issue in prior year.

No adjustment had been made to the basic loss per share amounts presented for the periods ended 31 August 2018 and 2017 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 2018 (2017: 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 2018 *HK$'000* **(unaudited)**	28 February 2018 *HK$'000* (audited)
Current – 3 months	**37,860**	60,111
4 – 6 months	**3,157**	5,657
7 – 12 months	**106**	109
Over 1 year	**573**	575
	41,696	66,452

9. INTEREST-BEARING BANK BORROWINGS

	31 August 2018 *HK$'000* **(unaudited)**	28 February 2018 *HK$'000* (audited)
Bank loans, secured	**162,996**	94,324
Analysed into:		
Within one year or on demand	**162,996**	94,324

The bank loans bear interest at rates ranging from 1.4% to 5.0% (28 February 2018: 2.2% to 5.0%) per annum. The interest-bearing borrowings 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$4,827,000 (28 February 2018: HK$4,447,000) and time deposits amounting to HK$71,123,000 (28 February 2018: HK$70,873,000);

(ii) the pledge of certain of the Group's marketable securities with an aggregate market value of approximately HK$73,880,000 (28 February 2018: HK$77,033,000); 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$26,911,000 (28 February 2018: HK$27,418,000).

INTERIM RESULTS

The unaudited consolidated revenue of the Group for the six months ended 31 August 2018 was HK$146 million, decreased by HK$13 million or 8% as compared to the same period of last year. The unaudited loss attributable to equity holders of the Company for the six months ended 31 August 2018 was HK$68 million, losses increased by HK$15 million or 29% from last period. This was mainly due to a securities trading segment loss of HK$10 million, compared with a segment profit of HK$7 million in the same period of last year.

BUSINESS REVIEW AND FUTURE PROSPECTS

DEPARTMENT STORE OPERATIONS

The department store operations recorded revenue of HK$144 million, dropped by 9% against the same period of last year. During the period, Hong Kong's retail market grew as supported by growth in visitor arrivals. However, we recorded a decline in both of sales and gross profit margin as we are focus in the local consumer which slowed down due to downturn of the stock market and the threat of the China-US trade war.

Our stores traffic has recorded a drop during the current period, especially in our Shamshuipo Dragon Centre store which is affected by less mall promotional activities during the period; and Causeway Bay store is affected by the closure of shops in Percival Street nearby. With the decrease in our foot traffic, sales decreased resulted. Apart from that, our Tsuen Wan Citywalk store has been closed for renovation in August 2018 with minimal sales generated. All these resulted in a decline of sales in all our stores. Roadshow has generated insignificant revenue of HK$1 million which was similar to last period.

To maintain a healthy inventory level, continuing the clearance of previous season inventory is our major goal in this period. With more aggressive markdown, the inventory level is under control with a small drop in both gross profit margin and dollar was resulted. However, our continuous efforts in cost control on various aspects including savings in staff cost, effective spending on advertising and promotion has resulted a small improvement. Hence the overall segment loss has been reduced to HK$52 million, representing HK$2 million improvement against last period.

SECURITIES TRADING

The global market is volatile during the recent months by various factors. The China-US trade war has intensified since the second quarter of 2018, US President imposed sweeping tariffs on China for its alleged unfair trade practices, which led China to respond similarly sized tariffs. Besides, China is trying to slow its credit scale and growth by deleveraging especially for stated-owned enterprises. This includes implementing the "half tightened policy" by the China Central Bank to adjust the monetary markets and creating funding cost increases whilst still keeping financial liquidity stable. Both of these have weakened China and Hong Kong stock markets. As we are invested in Hong Kong stock market, the above factors posed a negative impact in our securities investments. Hence, for the reported period up to 31 August 2018, a segment loss of HK$10 million was recorded, resulted in a negative swing of HK$17 million compared with last period's segment profit of HK$7 million.

PROSPECTS

Surviving in the keen competition of the Hong Kong's retail market, our management has implemented several factors to improve our department stores' performance. The Tsuen Wan Citywalk store has been revamped to provide a brand new image to our customers, we believe that the new change could generate a better customer experience and more sales for us. In addition, to direct at the decrease of our stores' foot traffic and widen our product categories, we have introduced a new consignment to sell popular snacks in Tsuen Wan Citywalk store. To improve our merchandises, our merchandising team has been sourcing in different European countries to procure fashionable apparels with good quality and attractive price. In the meantime, cost controls are still in place in order to further improve operating efficiencies.

On the securities trading, it is tough in the recent months under the volatile global market. It is expected that the market remains turbulent. The US stock market has recorded positive return in the first three quarters in 2018 which supported the global market, however, the increase of 10-year US Treasury yield and the worry of the acceleration of the increase interest rate by Federal Reserve, the US market is expected to be choppy. In addition, the intensified China-US trade disputes has resulted in more market uncertainties and hurt investment sentiment, the continuous China deleveraging efforts and the tightening of regulatory measure which lead to the shortage of the market's liquidity, all these posed more threats to Chinese economic growth, affecting both the China and Hong Kong stock markets. To minimise the potential threats on the investment portfolio, we will remain a cautious and conservative approach on securities trading.

LIQUIDITY AND FINANCIAL RESOURCES

At 31 August 2018, the Group had cash and bank balance of HK$102 million (28 February 2018: HK$111 million), of which HK$76 million (28 February 2018: HK$75 million) were pledged.

The interest-bearing bank borrowings of the Group at 31 August 2018 were HK$163 million (28 February 2018: HK$94 million), which was repayable within one year. The bank borrowings were mainly in HK dollars with interest rates ranging from 1.4% to 5.0%. The interest expense charged to the condensed consolidated income statement for the period was HK$2 million (2017: HK$2 million).

The Group's gearing ratio, which is total interest-bearing bank borrowings to the shareholders' fund, increased from 56% as of 28 February 2018 to 153% as of 31 August 2018. The increase was attributable to extended bank borrowings to support the department store operations and the decrease in shareholders' fund due to the loss incurred in current period. The current ratio of the Group at 31 August 2018 was 1.3 as compared to 1.8 at 28 February 2018.

The Group currently employs a foreign currency hedging policy on Euro for the purchase of inventories, which hedges approximately fifty percent of the European inventory purchase for resale at the 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 operation during the period. All interest-bearing bank borrowings were secured against the securities investment, a property and bank deposits.

SIGNIFICENT INVESTMENTS HELD

As at 31 August 2018, the Group has held for trading investments with fair value of HK$127 million (28 February 2018: HK$153 million). During the period, the Group recorded realised gain of HK$0.6 million (2017: loss HK$0.2 million) and unrealised loss on fair value of HK$8 million (2017: gain HK$7 million). Information in relation to the 10 largest investments as at 31 August 2018 are set out as follows:

	Company name	Nature of investment	No. of shares/units/ amount of bonds held	Realised gain/ (loss) for the period *HK$'000*	Unrealised gain/(loss) on fair value change for the period *HK$'000*	Fair value as at 31 August 2018 *HK$'000*	% of total assets
1.	HSBC Holdings plc (Stock Code: 0005)	Equity	208,000	–	(1,903)	14,321	3.28%
2.	1992 Multi-Strategy Fund Corporation CL I (Formerly known as: Highbridge Capital Corporation CLI LIQ)	Fund	161	–	115	12,860	2.95%
3.	Fullerton Short Term Interest Rate Fund – D	Fund	1,468,946	–	130	11,931	2.73%
4.	Hang Seng Bank Ltd (Stock Code: 0011)	Equity	45,000	–	823	9,576	2.19%
5.	China Mobile Ltd (Stock Code: 0941)	Equity	110,000	–	44	8,118	1.86%
6.	C432 PA Offshore Feeder Fund L.P.CLS A USD	Fund	914,005	–	206	6,924	1.59%
7.	CK Hutchison Holdings Ltd (Stock Code: 0001)	Equity	56,120	–	(424)	5,076	1.16%
8.	JPMorgan Funds JPM Europe Equity Plus A (perf) (acc) – EUR	Fund	26,139	–	(217)	3,988	0.91%
9.	CK Asset Holdings Ltd (Stock Code: 1113)	Equity	56,120	–	(659)	3,140	0.72%
10.	Nordea 1 Stable Return HM USD DIS	Fund	22,586	–	(26)	2,972	0.68%

During the period, the Group received approximately HK$3 million (2017: HK$5 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.

EMPLOYEES AND REMUNERATION POLICIES

At 31 August 2018, the Group had 308 employees (28 February 2018: 303) 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 schemes of sales commission. The Group provides employee benefits such as employee stock options, staff purchase discounts, subsidised medical care and training courses.

INTERIM DIVIDEND

The Board of Directors of the Company has decided not to declare an interim dividend for the six months ended 31 August 2018.

PURCHASE, SALE AND 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 period.

AUDIT COMMITTEE

The Audit Committee has reviewed with the management the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting including the review of the unaudited condensed consolidated interim financial statements for the six months ended 31 August 2018.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS ("MODEL CODE")

The Company has adopted the Model Code as set out in Appendix 10 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") as the code of conduct regarding Director's securities transactions. All Directors have confirmed, following specific enquiry by the Company, that they have complied with the required standard set out in the Model Code during the period under review.

CORPORATE GOVERNANCE PRACTICE

The Company complied throughout the period ended 31 August 2018 with the Code on Corporate Governance Practices ("CG Code") as set out in Appendix 14 to the Listing Rules, save and except for code provision A.2.1, A.2.7, A.4.1 and A.6.7.

Code provision A.2.1 of the CG Code 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.

Code provision A.2.7 of the CG Code stipulates that the Chairman should at least annually hold meetings with the non-executive directors (including independent non-executive directors) without the executive directors present. The Chairman is the sole executive director of the Company and thus the Company could not comply with A.2.7 of the CG Code.

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

Code provision A.6.7 of the CG Code stipulates that non-executive director should also attend general meetings. Mr Charles M W Chan being the non-executive director of the Company did not attend the annual general meeting of the Company due to business arrangement.

DIRECTORS

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.

By order of the Board
Philip K H Ma
Chairman & CEO

Hong Kong, 26 October 2018