THE SINCERE COMPANY, LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 0244)

ANNOUNCEMENT OF RESULTS FOR THE YEAR ENDED 28 FEBRUARY 2019

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 2019 together with the comparative figures for the previous year are as follows:

CONSOLIDATED INCOME STATEMENT
Year ended 28 February 2019

	Notes	**2019** *HK$'000*	2018 *HK$'000*
REVENUE	*3*	**311,865**	355,865
Cost of sales		**(142,113)**	(153,931)
Other income and gains, net		**11,418**	22,368
Net unrealised gain/(loss) on securities trading		**(8,653)**	3,981
Selling and distribution expenses		**(196,236)**	(211,138)
General and administrative expenses		**(93,106)**	(100,848)
Other operating expenses, net		**(13,004)**	(5,207)
Finance costs	*4*	**(4,898)**	(3,952)
LOSS BEFORE TAX	*5*	**(134,727)**	(92,862)
Income tax expense	*6*	**(16)**	(18)
LOSS FOR THE YEAR		**(134,743)**	(92,880)
ATTRIBUTABLE TO:			
Equity holders of the Company		**(132,068)**	(90,497)
Non-controlling interests		**(2,675)**	(2,383)
		(134,743)	(92,880)
LOSS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY	*8*		
Basic		**HK$(0.20)**	HK$(0.22)
Diluted		**HK$(0.20)**	HK$(0.22)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
Year ended 28 February 2019

	2019 HK$'000	2018 HK$'000
LOSS FOR THE YEAR	**(134,743)**	(92,880)
OTHER COMPREHENSIVE INCOME/(LOSS)		
Other comprehensive income/(loss) that may be reclassified to the income statement in subsequent periods:		
Exchange differences arising on translation of foreign operations	**(425)**	699
Realisation of exchange fluctuation reserve upon deregistration of subsidiaries	**(2,036)**	9,678
Net other comprehensive income/(loss) that may be reclassified to the income statement in subsequent periods	**(2,461)**	10,377
Other comprehensive income/(loss) that will not be reclassified to the income statement in subsequent periods:		
Actuarial gains/(losses) on a defined benefit plan	**(1,519)**	7,882
Changes in fair value of equity investments designated at fair value through other comprehensive income	**(11,002)**	–
Net other comprehensive income/(loss) that will not be reclassified to the income statement in subsequent periods	**(12,521)**	7,882
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	**(149,725)**	(74,621)
ATTRIBUTABLE TO:		
Equity holders of the Company	**(147,337)**	(71,463)
Non-controlling interests	**(2,388)**	(3,158)
	(149,725)	(74,621)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

28 February 2019

	Note	2019 HK$'000	2018 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**27,261**	35,607
Interests in associates		**–**	–
Equity investments designated at fair value through other comprehensive income		**22,873**	–
Financial instruments		**–**	26,326
Deposits and other receivables		**25,654**	30,236
Pension scheme assets		**14,670**	17,352
Total non-current assets		**90,458**	109,521
CURRENT ASSETS			
Inventories		**66,896**	69,287
Reinsurance assets		**24**	14
Prepayments, deposits and other receivables		**19,164**	15,961
Financial assets at fair value through profit or loss		**111,939**	153,406
Pledged bank balances		**6,829**	4,447
Pledged deposits with banks		**71,561**	70,873
Cash and bank balances		**32,318**	36,078
Total current assets		**308,731**	350,066
CURRENT LIABILITIES			
Creditors	*9*	**52,774**	66,452
Insurance contracts liabilities		**1,232**	1,221
Deposits, accrued expenses and other payables		**46,336**	33,951
Contract liabilities		**1,253**	–
Interest-bearing bank borrowings		**190,045**	94,324
Other loans		**2,100**	1,941
Tax payable		**1**	1
Total current liabilities		**293,741**	197,890
NET CURRENT ASSETS		**14,990**	152,176
TOTAL ASSETS LESS CURRENT LIABILITIES		**105,448**	261,697

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

	Note	2019 HK$'000	2018 HK$'000
NON-CURRENT LIABILITIES			
Accrued expenses and other payables		**41,725**	55,819
Other loans		**1,067**	1,046
Total non-current liabilities		**42,792**	56,865
NET ASSETS		**62,656**	204,832
EQUITY			
Equity attributable to equity holders of the Company			
Share capital		**377,236**	377,236
Reserves		**(348,692)**	(208,904)
		28,544	168,332
Non-controlling interests		**34,112**	36,500
TOTAL EQUITY		**62,656**	204,832

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 PRESENTATION AND PREPARATION

Basis of presentation

The Group incurred a net loss of approximately HK$134,743,000 during the year ended 28 February 2019, and, as of that date, the Group had net current assets of approximately HK$14,990,000. In preparing the consolidated financial statements, the directors of the Company have given careful consideration to the future liquidity of the Group. The directors of the Company have adopted the going concern basis for the preparation of the consolidated financial statements and taken the following measures in order to improve the working capital and liquidity and cash flow position of the Group.

(i) As further explained in note 10, the Company has proposed an open offer for the subscription of the new shares of the Company at the open offer price of HK$0.26 per new share of the Company on the basis of three open offer shares for every five existing shares of the Company held by the shareholders of the Company (except for the Sincere Companies as defined in note 10). Upon the completion of the open offer, the net proceeds of approximately HK$92,500,000 from the open offer will be available for use by the Group; and

(ii) A substantial shareholder, Win Dynamic Limited, of which 70% and 30% is owned by Mr. Philip K H Ma and Mr. Charles M W Chan, directors of the Company, respectively, has undertaken to provide continuous financial support up to HK$92,500,000 for the Group to meet its liabilities and obligations as and when they fall due in the event that the open offer mentioned above does not proceed for any reason.

Accordingly, the directors of the Company are satisfied that the Group will be able to meet its financial obligations as and when they fall due for the foreseeable future and it is appropriate to prepare the consolidated financial statements on the going concern basis.

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 and equity investments designated at fair value through other comprehensive income 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 financial information relating to the year ended 28 February 2019 and the financial information related to the year ended 28 February 2018 included in this preliminary announcement of annual results for the year ended 28 February 2019 does not constitute the Company's statutory annual consolidated financial statements for those years but, in respect of the year ended 28 February 2018, 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 2019 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 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 these financial statements for the year ended 28 February 2018. 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 new and revised HKFRSs for the first time for the current year's financial statements:

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

Except for the amendments to HKFRS 4 and *Annual Improvements to HKFRSs 2014-2016 Cycle*, which are not relevant to the preparation of the Group's financial statements, the nature and the impact of the new and revised HKFRSs are described below:

(a) Amendments to HKFRS 2 address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding a certain amount in order to meet an employee's tax obligation associated with the share-based payment; and accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash-settled to equity-settled. The amendments clarify that the approach used to account for vesting conditions when measuring equity-settled share-based payments also applies to cash-settled share-based payments. The amendments introduce an exception so that a share-based payment transaction with net share settlement features for withholding a certain amount in order to meet the employee's tax obligation is classified in its entirety as an equity-settled share-based payment transaction when certain conditions are met. Furthermore, the amendments clarify that if the terms and conditions of a cash-settled share-based payment transaction are modified, with the result that it becomes an equity-settled share-based payment transaction, the transaction is accounted for as an equity-settled transaction from the date of the modification. The amendments have had no impact on the financial position or performance of the Group as the Group does not have any cash-settled share-based payment transactions and has no share-based payment transactions with net settlement features for withholding tax.

(b) HKFRS 9 *Financial Instruments* replaces HKAS 39 *Financial Instruments: Recognition and Measurement* for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement, impairment and hedge accounting. With the exception of hedge accounting, which the Group has applied prospectively, the Group has recognised the transition adjustments against the applicable opening balances in equity at 1 March 2018. Therefore, the comparative information was not restated and continues to be reported under HKAS 39.

Classification and measurement

The following information sets out the impacts of adopting HKFRS 9 on the statement of financial position.

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

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

(b) (continued)

Classification and measurement (continued)

	Note	HKAS 39 measurement Category	HKAS 39 measurement Amount HK$'000	Re-classification HK$'000	Fair value remeasure-ment HK$'000	HKFRS 9 measurement Amount HK$'000	HKFRS 9 measurement Category
Financial assets							
Equity investments designated at fair value through other comprehensive income	*(i)*	N/A	–	26,326	7,549	33,875	FVOCI[1] (equity)
Financial instruments	*(i)*	AFS[2]	26,326	(26,326)	–	–	N/A
Financial assets at fair value through profit or loss		FVPL[5]	153,406	–	–	153,406	FVPL (mandatory)
Financial assets included in prepayments, deposits and other receivables		L&R[3]	36,020	–	–	36,020	AC[4]
Pledged bank balances		L&R	4,447	–	–	4,447	AC
Pledged deposits with banks		L&R	70,873	–	–	70,873	AC
Cash and bank balances		L&R	36,078	–	–	36,078	AC
			327,150	–	7,549	334,699	

	HKAS 39 measurement Category	HKAS 39 measurement Amount HK$'000	HKFRS 9 measurement Amount HK$'000	HKFRS 9 measurement Category
Financial liabilities				
Creditors	AC	66,452	66,452	AC
Provision for claims of life insurance	AC	128	128	AC
Financial liabilities included in accrued expenses and other payables	AC	86,828	86,828	AC
Interest-bearing bank borrowings	AC	94,324	94,324	AC
Other loans	AC	2,987	2,987	AC
		250,719	250,719	

[1] FVOCI: Financial assets at fair value through other comprehensive income
[2] AFS: Available-for-sale investments
[3] L&R: Loans and receivables
[4] AC: Financial assets or financial liabilities at amortised cost
[5] FVPL: Financial assets at fair value through profit or loss

Note:

(i) The Group has elected the option to irrevocably designate its previous available-for-sale equity investments as equity investments designated at fair value through other comprehensive income.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

(b) (continued)

Classification and measurement (continued)

The impact of transition to HKFRS 9 on reserves as at 1 March 2018 is as follows:

	HKAS 39	**Revaluation**	**Tax effect**	**HKFRS 9**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Investment revaluation reserve	–	7,549	–	7,549

Impairment

There was no significant impact for replacing the aggregate opening impairment allowance under HKAS 39 with expected credit losses allowances under HKFRS 9 on the above financial assets as at 1 March 2018.

(c) HKFRS 15 and its amendments replace HKAS 11 *Construction Contracts*, HKAS 18 *Revenue* and related interpretations and it applies, with limited exceptions, to all revenue arising from contracts with customers. HKFRS 15 establishes a new 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 principles in HKFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates. As a result of the application of HKFRS 15, the Group has changed the accounting policy with respect to revenue recognition.

The Group has adopted HKFRS 15 using the modified retrospective method of adoption. Under this method, the standard can be applied either to all contracts at the date of initial application or only to contracts that are not completed at this date. The Group has elected to apply the standard to contracts that are not completed as at 1 March 2018.

The cumulative effect of the initial application of HKFRS 15 was recognised as an adjustment to the opening balance as at 1 March 2018. Therefore, the comparative information was not restated and continues to be reported under HKAS 11, HKAS 18 and related interpretations.

Presentation of contract liabilities

The Group has changed the presentation of the amount of contract liabilities in relation to the loyalty points programme, which were previously included in "Deposits, accrued expenses and other payables" in the consolidated statements of financial position and cash flows to reflect the terminology of HKFRS 15:

	As at 1 March 2018		
Consolidated statement of financial position (extract)	**As previously stated**	**Effects of the adoption of HKFRS 15**	**Restated**
	HK$'000	*HK$'000*	*HK$'000*
Deposits, accrued expenses and other payables	33,951	(1,005)	32,946
Contract liabilities	–	1,005	1,005

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

(c) (continued)

Presentation of contract liabilities (continued)

	As at 28 February 2019		
Consolidated statement of financial position (extract)	**Results without the adoption of HKFRS 15**	**Effects of the adoption of HKFRS 15**	**Results as reported**
	HK$'000	*HK$'000*	*HK$'000*
Deposits, accrued expenses and other payables	47,589	(1,253)	46,336
Contract liabilities	–	1,253	1,253

	As at 28 February 2019		
Consolidated statement of cash flows (extract)	**Results without the adoption of HKFRS 15**	**Effects of the adoption of HKFRS 15**	**Results as reported**
	HK$'000	*HK$'000*	*HK$'000*
Changes in working capital			
Deposits, accrued expenses and other payables	(3,608)	(1,253)	(4,861)
Contract liabilities	–	1,253	1,253

Loyalty points programme

Prior to adoption of HKFRS 15, the loyalty points programme was 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 has allocated a portion of the transaction price to the loyalty points programme based on relative standalone selling price. The Group has determined that, considering the relative stand-alone selling prices, the changes under HKFRS 15 did not have material impact on the amount allocated to the loyalty points programme compared to the previous accounting policy. However, the deferred revenue related to this loyalty points programme was reclassified to contract liabilities as described above.

(d) Amendments to HKAS 40 clarify when an entity should transfer property, including property under construction or development, into or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. The amendments have had no impact on the financial position or performance of the Group.

(e) HK(IFRIC)-Int 22 provides guidance on how to determine the date of the transaction when applying HKAS 21 to the situation where an entity receives or pays advance consideration in a foreign currency and recognises a non-monetary asset or liability. The interpretation clarifies that the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) is the date on which an entity initially recognises the non-monetary asset (such as a prepayment) or non-monetary liability (such as deferred income) arising from the payment or receipt of the advance consideration. If there are multiple payments or receipts in advance of recognising the related item, the entity must determine the transaction date for each payment or receipt of the advance consideration. The interpretation has had no impact on the Group's financial statements as the Group's accounting policy for the determination of the exchange rate applied for initial recognition of non-monetary assets or non-monetary liabilities is consistent with the guidance provided in the interpretation.

3. **SEGMENT INFORMATION**

(a) **Operating segments**

The following tables present revenue, loss and certain asset, liability and expenditure information for the Group's operating segments for the years ended 28 February 2019 and 2018.

	Department store operations		Securities trading		Others		Eliminations		Total	
	2019	2018	**2019**	2018	**2019**	2018	**2019**	2018	**2019**	2018
	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	**310,816**	353,581	**(2,739)**	(1,468)	**3,788**	3,752	**–**	–	**311,865**	355,865
Intersegment sales	**–**	–	**–**	–	**30,714**	30,631	**(30,714)**	(30,631)	**–**	–
Other revenue	**120**	560	**7,942**	12,213	**2,592**	9,193	**–**	–	**10,654**	21,966
Total	**310,936**	354,141	**5,203**	10,745	**37,094**	43,576	**(30,714)**	(30,631)	**322,519**	377,831
Segment results	**(103,965)**	(85,646)	**(13,328)**	4,479	**(13,300)**	(8,145)	**–**	–	**(130,593)**	(89,312)
Interest income and unallocated revenue, net									**764**	402
Finance costs									**(4,898)**	(3,952)
Loss before tax									**(134,727)**	(92,862)
Income tax expense									**(16)**	(18)
Loss for the year									**(134,743)**	(92,880)
Segment assets	**135,735**	141,023	**119,367**	172,059	**64,093**	65,738	**(30,714)**	(30,631)	**288,481**	348,189
Unallocated assets									**110,708**	111,398
Total assets									**399,189**	459,587
Segment liabilities	**167,044**	181,505	**573**	312	**9,585**	9,245	**(30,714)**	(30,631)	**146,488**	160,431
Unallocated liabilities									**190,045**	94,324
Total liabilities									**336,533**	254,755
Other segment information:										
Depreciation	**3,525**	6,040	**378**	411	**1,229**	1,290	**–**	–	**5,132**	7,741
Impairment of items of property, plant and equipment	**9,453**	5,366	**–**	–	**159**	–	**–**	–	**9,612**	5,366
Capital expenditure	**6,346**	1,277	**–**	–	**65**	264	**–**	–	**6,411**	1,541
Loss/(gain) on disposal of items of property, plant and equipment	**2**	(97)	**–**	–	**(160)**	(88)	**–**	–	**(158)**	(185)
Provision for an onerous contract	**3,152**	–	**–**	–	**–**	–	**–**	–	**3,152**	–
Reversal of provision for inventories	**(9,384)**	(6,387)	**–**	–	**–**	–	**–**	–	**(9,384)**	(6,387)
Impairment/(reversal of impairment) of an interest in an associate	**–**	–	**–**	–	**4**	(9)	**–**	–	**4**	(9)
Bad debts written off	**–**	54	**–**	–	**–**	–	**–**	–	**–**	54
Gain on deregistration of subsidiaries	**–**	–	**–**	–	**(2,036)**	(9,021)	**–**	–	**(2,036)**	(9,021)
Write-back of other payables	**–**	–	**–**	–	**–**	(59)	**–**	–	**–**	(59)

3. **SEGMENT INFORMATION** (continued)

(b) **Geographical information**

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

	Hong Kong		Mainland China		United Kingdom		Others		Eliminations		Consolidated	
	2019	2018	**2019**	2018	**2019**	2018	**2019**	2018	**2019**	2018	**2019**	2018
	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	**311,121**	355,705	**-**	–	**210**	213	**534**	(53)	**-**	–	**311,865**	355,865
Non-current assets	**52,157**	64,838	**758**	1,005	**-**	–	**-**	–	**-**	–	**52,915**	65,843

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 2019 and 2018, 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:

	2019	2018
	HK$'000	*HK$'000*
Interest on bank borrowings	**4,812**	3,835
Others	**86**	117
	4,898	3,952

5. LOSS BEFORE TAX

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

	2019	2018
	HK$'000	*HK$'000*
Cost of inventories sold	**151,437**	160,284
Reversal of provision for inventories	**(9,384)**	(6,387)
Reinsurers' share portion and commission, net of gross change in unearned premiums	**60**	34
Cost of sales	**142,113**	153,931
Depreciation	**5,132**	7,741
Auditor's remuneration	**3,018**	3,308
Employee benefit expense, excluding directors' and chief executive's remuneration:		
Wages and salaries	**67,448**	70,791
Pension contributions, including a pension cost for a defined benefit plan of HK$1,226,000 (2018: HK$1,728,000)	**3,714**	4,339
	71,162	75,130
Impairment/(reversal of impairment) of an interest in an associate*	**4**	(9)
Bad debts written off	**–**	54
Operating lease rental payments:		
Minimum lease payments	**148,562**	149,176
Contingent rent	**1,189**	2,668
Provision for an onerous contract*	**3,152**	–
Impairment of items of property, plant and equipment*	**9,612**	5,366
Gain on disposal of items of property, plant and equipment**	**(158)**	(185)
Gain on deregistration of subsidiaries**	**(2,036)**	(9,021)
Net realised loss on securities trading	**2,739**	1,468
Underwriting profit	**(7)**	(4)
Rental income	**(3,721)**	(3,714)
Bank interest income**	**(853)**	(416)
Other interest income from financial assets at fair value through profit or loss**	**(727)**	(1,172)
Dividends from financial assets at fair value through profit or loss**	**(7,215)**	(10,983)
Foreign exchange loss, net**	**118**	39
Write-back of other payables**	**–**	(59)

* Amounts are included in "Other operating expenses, net" 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.

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.

	2019	2018
	HK$'000	*HK$'000*
Current – Hong Kong	**–**	–
Current – Elsewhere		
Charge for the year	**16**	18
Total tax charge for the year	**16**	18

7. DIVIDENDS

The board of directors did not recommend the payment of any dividend for the year ended 28 February 2019 (2018: 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$132,068,000 (2018: HK$90,497,000) attributable to equity holders of the Company and the weighted average number of ordinary shares of 658,449,600 (2018: 402,568,777). The weighted average number of ordinary shares in issue used in the basic loss per share calculation for the year ended 28 February 2019 has been adjusted to reflect the number of treasury shares of 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 year ended 28 February 2018 had been adjusted for the rights issue in the prior year, and to reflect the number of treasury shares of 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 2019 and 2018 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:

	2019	2018
	HK$'000	*HK$'000*
Current – 3 months	**49,763**	60,111
4 – 6 months	**2,494**	5,657
7 – 12 months	**29**	109
Over 1 year	**488**	575
	52,774	66,452

10. EVENTS AFTER THE REPORTING PERIOD

(i) In order to unwind the cross shareholdings between the Company, The Sincere Life Assurance Company Limited ("Sincere LA"), The Sincere Insurance & Investment Company, Limited ("Sincere II"), The Sincere Company (Perfumery Manufacturers), Limited ("Perfumery") (collectively the "Sincere Companies"), simplify the group structure and improve the capital efficiency of the Group, on 22 March 2019, the board of directors of the Company (the "Board") proposed the reorganisation which involves (i) the open offer on the basis of three open offer shares for every five existing shares held by the shareholders (except for the Sincere Companies) on the record date at the open offer price of HK$0.26 per open offer share ("Open Offer"); (ii) the proposed share buy-backs and cancellation of the aggregate of 260,443,200 share held by the Sincere Companies ("Buy-backs Share") by the Company from each of the Sincere Companies at the buy-backs price of HK$0.26 per Buy-backs Share ("Share Buy-backs"); and (iii) the proposed acquisition by the Company of all of the issued shares in each of the Sincere Companies which are respectively held by the other Sincere Companies ("Intragroup Transfers") (collectively the "Reorganisation").

Upon the completion of the Reorganisation, Win Dynamic Limited ("Win Dynamic") together with the parties acting in concert with it will own 30% or more of the shares of the Company in issue. Pursuant to Rules 13.5 and 26.1 of the Hong Kong Code on Takeovers and Mergers, Win Dynamic will be required to make mandatory offers in cash for all the shares and outstanding share options of the Company not already owned or agreed to be acquired by Win Dynamic and parties acting in concert with it.

(ii) Subsequent to the announcement of the Company dated 22 March 2019 in relation to the Reorganisation, it came to the attention of the Company that there are certain filings/consents required to be made to/obtained from the Insurance Authority (the "IA") by Sincere II and Sincere LA in relation to the Reorganisation pursuant to the Insurance Ordinance (Chapter 41 of the laws of Hong Kong), and there was a previous non-compliance matter of Sincere II and Sincere LA in that requisite IA regulatory filings/consents were not made/obtained in connection with Win Dynamic acquiring approximately 26.48% of the number of shares in issue and becoming a substantial shareholder of the Company as a result of the completion of the rights issue of the Company in December 2017 (the "Incident"). Pursuant to the Insurance Ordinance (Cap. 41 of the laws of Hong Kong), in failing to make the requisite filings/obtain the requisite consents (as the case may be) in relation to the Incident, (a) Sincere LA commits an offence and may be liable to a fine of HK$200,000, together with a fine of HK$2,000 for each day on which the offence continues; and (b) Sincere II commits an offence and may be liable to a fine of HK$200,000, together with a fine of HK$1,000 for each day on which the offence continues. Sincere LA and Sincere II are taking remedial actions in respect thereof and have had on-going communications with IA. IA is currently considering submissions made by Sincere LA and Sincere II. Based on the available information and opinion given by the legal counsel of Sincere LA and Sincere II, the board of the directors of the Company, Sincere LA and Sincere II are not yet in a position to ascertain possible actions that will be imposed by IA, hence no provision has been made as at 28 February 2019. Sincere LA and Sincere II will continue to discuss with IA and monitor the progress in relation thereof.

(iii) As mentioned in the announcement of the Company dated 22 May 2019, while Sincere LA and Sincere II are taking remedial action in respect of the Incident, after having taken legal advice on the time that may be required to process and obtain the necessary consents/approvals as mentioned above, the Board was in contemplation to abandon the Share Buy-backs and the Intragroup Transfers for the time being and to proceed only with the Open Offer (the "Changes in Contemplation") and would reconsider proposals to unwind the cross shareholdings between the Company and the Sincere Companies once all relevant compliance issues with the IA have been clarified and the Incident has been rectified, as and when appropriate.

It is intended that the agreements to give effect to the Changes in Contemplation, which include (i) a termination agreement to terminate the Share Buy-backs and the Intragroup Transfers; (ii) an amended and restated underwriting agreement in relation to the Open Offer; and (iii) a supplemental agreement to the placing agreement in relation to the Open Offer, will be entered into shortly after the date of publication of the annual results announcement of the Company.

Further details are disclosed in the Company's announcements dated 22 March 2019, 12 April 2019, 6 May 2019 and 22 May 2019.

DIVIDENDS

The Board of Directors does not recommend the payment of a dividend for the financial year ended 28 February 2019.

RESULTS

The Group's total revenue was HK$311.9 million (2018: HK$355.9 million) during the year; representing a 12% drop from last year. The loss attributable to equity holders of the Company for this financial year was HK$132.1 million (2018: HK$90.5 million), loss increased by HK$41.6 million or 45.9% compared with previous year. This was mainly due to an increase in loss in the department store operations segment by HK$18.3 million and an increase in a securities trading segment loss by HK$17.8 million as compared to last year. Such increase in loss was attributable to (i) the decrease in gross profit of the department store operations due to the unseasonably warm winter and resulting quiet end-of-year sales period; (ii) the impairment loss on the Group's property, plant and equipment due to the operating losses in department store operations; and (iii) the increase in net realised losses arising from trading in and unrealised losses as a result of mark to market losses in the Group's investment in financial assets at fair value through profit or loss. Details were further explained at the "Business Review" section below.

LIQUIDITY AND FINANCIAL RESOURCES

At 28 February 2019, the Group had cash and bank balances of HK$110.7 million (2018: HK$111.4 million), of which HK$78.4 million (2018: HK$75.3 million) were pledged. The Group's gearing increased from 56% to 666% 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$4.9 million (2018: HK$4.0 million). The interest-bearing bank borrowings of the Group as of 28 February 2019 were HK$190.0 million (2018: HK$94.3 million), which were repayable within one year or on demand. The bank borrowings were largely in Hong Kong dollars, with interest rates ranging from 1.4% to 5.1% per annum. The current ratio was 1.1 (2018: 1.8). The increase in bank borrowings was mainly used to support normal operations in department stores.

Further to the Company's announcement dated 22 March 2019, 12 April 2019, 6 May 2019 and 22 May 2019, the Board proposed an open offer to provide additional working capital. The gross proceeds from the open offer are expected to be approximately HK$102.7 million. The net proceeds from the Open Offer after deducting related expenses are estimated to be approximately HK$92.5 million.

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 2019, the Group had 328 employees (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 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 year under review was one of the more difficult periods in recent years. The Group's core department store operations delivered revenues of HK$310.8 million (2018: HK$353.6 million) or a drop of 12% as compared to last year. Gross profit of the department store operations decreased significantly resulting in segment losses of HK$104.0 million (2018: HK$85.6 million) representing an increase of 21.4% as compared to the previous year. Both China-US trade war and unseasonably warm winter significantly affected all six department stores, which resulted in sales decline which ranged from 9% to 17%. Impairment loss on the Group's property, plant and equipment for the retail operation of HK$9.5 million (2018: HK$5.4 million) was made due to the sustained operating losses in department store operations.

The China-US trade war during the financial year triggered stock market plunge in Hong Kong. Hang Seng Index declined by 22% from 31,592 in mid of May 2018 to 24,540 near the end of October 2018. As a result of the poor market environment, sale campaigns like "Spring Summer Seasonal Launch" and "Summer Stocktake Sale", were unsatisfactory. Although the market rebounded in early 2019, consumers' confidence in the Hong Kong economy was affected. Local consumer spending was also reduced by such economic uncertainty, especially to those non-necessities, such as high-end clothing and shoes.

In addition, the unseasonably warm winter in 2018, also significantly affected the revenue generated from department store operations during the year. Hong Kong is on track for its hottest year on record and the winter period in Hong Kong during the financial year was considered as the warmest winter in recent years. Such warm weather changed the customers' consumption patterns leading to a drop in demand for thick and warm keeping clothing, heaters and bedding products. It significantly hurt the sales in our department stores in particular our major sale campaigns "X'mas Sale" and "Pre-CNY Sale".

In order to maintain a healthy inventory level, the continued clearance of previous season's inventory is one of our major goals in recent years. With more aggressive markdowns and adjustment in our product mix, the inventory level was under control which resulted in a small drop in gross profit margin. Such strategy led to a reversal of provision for inventories of HK$9.4 million (2018: HK$6.4 million) during the year under review and a lower inventory level of HK$66.9 million (2018: HK$69.3 million) was maintained by the Group.

Excellent customer service is always one of our core values. In the 4th quarter of 2018 and the 1st quarter of 2019, we were recognised by the Hong Kong Retail Management Association Mystery Shopper Program as the Department Store Service Category Leader.

SECURITIES TRADING OPERATION

The global market was volatile throughout the year. The China-US trade war has intensified since the second quarter of 2018, with the US President imposing sweeping tariffs on China for its alleged unfair trade practices, which led China to respond with 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. These have weakened China and Hong Kong stock markets. Since the negative impact was strongly felt in the China market, the People's Bank of China relaxed the deposit reserve ratios. Following such release of liquidity in the money market in Mainland China, the Hong Kong and China stock market significantly rebounded during the first quarter in 2019. Having said that, the unfavorable effect for the first ten months during the financial year had already impacted the Group, resulting in a segment loss of HK$13.3 million, as compared with last year's segment profit of HK$4.5 million.

PROSPECTS

Looking forward, with the gradual recovery of the overall economic environment in Hong Kong in early 2019, the management is cautiously optimistic about our core department stores performance this year.

Our management has implemented several actions to improve our department stores' performance. The Tsuen Wan Citywalk Store was revamped in August 2018 to provide a brand new image to our customers. Despite a slower than expected development in sales after the renovations completed in the second half of the year ended 28 February 2019, we believe the new change could generate a better customer experience in the longer term. At the same time, we expect we will benefit from the increase in foot traffic after nearby new outlet shops in Tsuen Wan Citywalk 2 open. In order to efficiently utilise resources, the under-performing Sincere CWB Store will be closed in early July 2019 when the lease expires. In addition, to improve our stores' foot traffic and widen our product categories, we have introduced new consignment stores to sell popular snacks in Tsuen Wan Citywalk Store, Shamshuipo Dragon Centre Store and Sincere MK Store. To improve our merchandise, our women's merchandising team added stylish Spanish apparels and shoes to complement our Italian and German collection. We believe the encouraging results from several product groups, such as outdoor and handbags, will continue and generate new revenue to the Group in coming year.

On securities trading, the global financial market is still volatile as a result of various uncertainties, including US interest rate upcycle, and the US-China trade war; as such 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 2019, the Group has held for trading investments with fair value of HK$112 million (2018: HK$153 million). During the year, the Group recorded realised losses of HK$3 million (2018: loss of HK$1 million) and unrealised loss on fair value of HK$9 million (2018: gain of HK$4 million). Information in relation to the 10 largest investments as at 28 February 2019 is 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 2019 *HK$'000*	% of total assets
1. HSBC Holdings plc (Stock Code: 0005)	Equity	208,000	–	(2,881)	13,343	3.34%
2. 1992 Multi-Strategy Fund Corporation CL I *(Formerly known as: Highbridge Capital Corporation CLI LIQ)*	Fund	161	–	29	12,774	3.20%
3. Fullerton Short Term Interest Rate Fund – D	Fund	1,468,946	–	351	12,152	3.04%
4. China Mobile Ltd (Stock Code: 0941)	Equity	110,000	–	1,012	9,086	2.28%
5. Hang Seng Bank Ltd (Stock Code: 0011)	Equity	45,000	–	–	8,753	2.19%
6. C432 PA Offshore Feeder Fund L.P.CLS A USD	Fund	914,005	–	240	6,958	1.74%
7. CK Hutchison Holdings Ltd (Stock Code: 0001)	Equity	56,120	–	(811)	4,689	1.17%
8. JP Morgan Funds JPM Europe Equity Plus EUR FD Per Acc -A-	Fund	26,139	–	(372)	3,832	0.96%
9. CK Asset Holdings Ltd (Stock Code: 1113)	Equity	56,120	–	(143)	3,656	0.92%
10. Nordea 1 – Stable Return Fund HM	Fund	22,586	–	(23)	2,976	0.75%

During the financial year, the Group received approximately HK$7 million (2018: HK$11 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 2019, 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 and non-executive director should also attend general meetings. Mr. Charles M W Chan, non-executive director of the Company, did not attend relevant general meeting of the Company due to business arrangement.

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 2019 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 2019.

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, 2 August 2019, the register of members of the Company will be closed from Monday, 29 July 2019 to Friday 2 August 2019, 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, 26 July 2019.

PUBLICATION OF ANNUAL REPORT

The 2018/19 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.

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

Hong Kong, 27 May 2019