先施人壽保險有限公司
The Sincere Life Assurance Company Limited

年報
ANNUAL REPORT
2017/2018

CERTIFIED TRUE COPY

Secretary

CONTENTS

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DIRECTORS AND MANAGEMENT

Directors

Philip K H Ma *(Chairman)*
Ma Kin Loong
Ma King Cheuk
Ma King Wong
Yuen Chu Kau

Company Secretary

Ada S P Cheung

General Manager

The Sincere Company, Limited

Chief Manager

John K K Ma

Sub-Manager

Victor W T Ma

Auditors

Ernst & Young

Bankers

The Hong Kong and Shanghai Banking Corporation Limited
Citibank, N. A., Hong Kong

Solicitor

Baker & McKenzie

Registered Office

Room 1205, 12th Foor, Leighton Centre
77 Leighton Road
Causeway Bay
Hong Kong

先 施 人 壽 保 險 有 限 公 司
THE SINCERE LIFE ASSURANCE COMPANY LIMITED

綜合財務狀況表
截至二零一八年二月二十八日年度止

	2018 港幣	2017 港幣
非流動資產		
物業、廠房及設備	-	-
於聯營公司權益	9,136,267	7,806,176
備供銷售投資	1,000,000	1,000,000
退休金計劃資產	1,547,000	1,333,000
租金按金	136,951	135,101
非流動資產總值	11,820,218	10,274,277
流動資產		
其他應收賬款及按金	1,576,355	985,549
通過損益以反映公平價值之證券	617,770	1,373,868
已抵押銀行短期存款	1,107,800	5,507,730
銀行短期存款	2,650,100	1,464,743
現金及銀行結存	1,467,334	3,181,555
流動資產總值	7,419,359	12,513,445
流動負債		
保險合約負債	1,205,916	1,205,916
應計負債及其他應付賬款	991,405	982,614
流動負債總值	2,197,321	2,188,530
流動資產淨值	5,222,038	10,324,915
資產淨值	17,042,256	20,599,192
權益		
股本	13,549,577	13,549,577
儲備	3,492,679	7,049,615
權益總額	17,042,256	20,599,192

先施人壽保險有限公司
THE SINCERE LIFE ASSURANCE COMPANY LIMITED

綜合損益表
截至二零一八年二月二十八日年度止

	2018 港幣	2017 港幣
保險合同之毛承保保費	-	-
毛承保保費	-	-
分出保費	-	-
淨承保保費	-	-
已付毛賠款	-	-
分保需承擔之已付毛賠款	-	-
未償付毛賠款變動額	-	-
分保需承擔之未償付毛賠款變動額	-	-
已發生淨賠款	-	-
承保之淨管理費用	16	16
承保利潤	16	16
其他收入	983,290	537,736
交易性金融資產淨虧損	(756,098)	(335,588)
董事酬金	(12,000)	(12,000)
僱員成本（不包括董事酬金）	(2,089,716)	(2,134,743)
折舊	-	(34,590)
其他經營支出	(1,899,660)	(1,593,783)
應當出售聯營公司之收益	22,127,520	-
應佔聯營公司溢利減虧損	(15,917,117)	(12,072,242)
未計入稅項前 (溢利)/(虧損)	2,436,235	(15,645,194)
稅項	-	-
年內股本持有人應佔 (溢利)/(虧損)	2,436,235	(15,645,194)

先施人壽保險有限公司
THE SINCERE LIFE ASSURANCE COMPANY LIMITED

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of The Sincere Life Assurance Company Limited will be held at the Conference Room of The Sincere Company, Limited, 24th Floor, Leighton Centre, No.77 Leighton Road, Causeway Bay, Hong Kong at 10:00 a.m. on 2 August 2018, Thursday for the following purposes:

1. To receive and consider the Company's Financial Statements, the Report of the Directors and the Independent Auditor's Report for the year ended 28 February 2018.

2. To elect Directors and fix their remuneration.

3. To appoint Auditor and authorise the Board to fix their remuneration.

The Register of Members will be closed from 27 July 2018 to 2 August 2018, both days inclusive, during which period no transfer of shares can be registered.

BY ORDER OF THE BOARD

JOHN K K MA
Chief Manager

Hong Kong
25 May 2018

Notes:
1. A Member entitled to attend and vote at the above Meeting may appiont a proxy to attend vote in his/her place.
2. A proxy need not be a member of the Company.
3. Proxy Forms are available at the registered office of the Company and, when completed, must be deposited there not less than 48 hours before the time set for the Meeting.

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REPORT OF THE DIRECTORS

The directors present their report and the audited financial statements for the year ended 28 February 2018.

Principal activities
The Group's principal activities have not changed during the year and consisted of life insurance and investments in securities.

Results and dividends
The Group's profit for the year ended 28 February 2018 and the Group's financial position at that date are set out in the financial statements on pages 9 to 54.

The directors do not recommend the payment of any dividends in respect of the year.

Liquidity and financial resources
At 28 February 2018, the Group had cash and bank deposits of HK$5,225,234, of which HK$1,107,800 were pledged. The Group's gearing remained at nil in total debt to the shareholders' fund compared with last year.

Employees and remuneration policies
The emoluments of the employees of the Group are determined on the basis of their merit, qualification and competence. The directors' emoluments for the year ended 28 February 2018 is set out in note 8 to the financial statements.

As at 28 February 2018, the Group provides employee benefits such as subsidised medical care and training courses. Details of the Group's retirement benefit scheme for the year ended 28 February 2018 is set out in note 2.4 to the financial statements under subtitle of "Employee Benefits".

Principal risks and uncertainties
The description of possible risks and uncertainties that the Group may be facing are set out in note 22 to the financial statements under subtitle of "Financial risk management objectives and policies".

Environmental protection and compliance with laws and regulations
During the year ended 28 February 2018, the Group's business focused on investment in securities as such the impact on environmental regulations are minimal. The Group remains pledged to comply with any such laws and works towards providing a safe and sound working environment for its employees.

Business review
The Hong Kong Insurance Authority has authorised the Company to carry out "Long Term Business" including "Life and annuity" and "Retirement scheme management category III". As at 28 February 2018, the Group continues to run off existing life policies and to invest in securities. The board of directors' vision remains unchanged in future business development.

Directors
The directors of the Company during the year were:

Ma Kin Loong
Philip K H Ma (Chairman)
Ma King Cheuk
Yuen Chu Kau
Ma King Wong

In accordance with Articles 24 and 25 of the Company's Articles of Association, all directors will retire from the Board and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

Permitted indemnity provision
Pursuant to the Company's Articles of Association, subject to the applicable laws, every director of the Company shall be indemnified and secured harmless out of the assets of the Company from and against all actions, costs, charges, losses, damages and expenses which he/she may incur or sustain by reason of any act done, concurred in or omitted in or about the execution of his/her office.

Directors' interests
Other than the share option schemes adopted by The Sincere Company, Limited mentioned in the annual report of The Sincere Company, Limited for the year ended 28 February 2018, at no time during the year was the Company, its holding company, its subsidiary or any of its fellow subsidiaries a party to any arrangement to enable the Company's directors to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

The share options granted to a director are not related to the services provided to the Company. Accordingly, no equity-settled share based payments are recorded in the financial statements.

Directors' interests in transactions, arrangements or contracts
None of the directors had a beneficial interest in any transactions, arrangements or contracts to which the Company, its holding company, its subsidiary or any of its fellow subsidiaries was a party during the year.

Auditor
Ernst & Young retire and a resolution for their reappointment as auditor of the Company will be proposed at the forthcoming annual general meeting.

ON BEHALF OF THE BOARD

Philip K H Ma
Chairman

Hong Kong
25 May 2018

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INDEPEDENT AUDITOR'S REPORT

EY 安永

To the members of The Sincere Life Assurance Company Limited
先施人壽保險有限公司
(Incorporated in Hong Kong with limited liability)

Opinion
We have audited the consolidated financial statements of The Sincere Life Assurance Company Limited (the "Company") and its subsidiary (the "Group") set out on pages 9 to 54, which comprise the consolidated statement of financial position as at 28 February 2018, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 28 February 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

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

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

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

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

Responsibilities of the directors for the consolidated financial statements

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the consolidated financial statements

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

Auditor's responsibilities for the audit of the consolidated financial statements (continued)

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

ERNST & YOUNG
Certified Public Accountants

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

25 May 2018

CONSOLIDATED INCOME STATEMENT

Year ended 28 February 2018

	Notes	2018 HK$	2017 HK$
GROSS INSURANCE CONTRACTS PREMIUM REVENUE	4	-	-
Gross premiums		-	-
Reinsurers' share of gross premiums		-	-
Net insurance contracts premium revenue		-	-
Gross claims paid	14	-	-
Reinsurers' share of gross claims paid		-	-
Gross change in outstanding claims	15	-	-
Reinsurers' share of gross change in outstanding claims		-	-
Net claims incurred		-	-
Management expenses for underwriting business, net		16	16
Underwriting profit		16	16
Other income and gains		983,290	537,736
Fair value losses on investments stated at fair value through profit or loss, net	4	(756,098)	(335,588)
Directors' remuneration	8	(12,000)	(12,000)
Staff costs, excluding directors' remuneration		(2,089,716)	(2,134,743)
Depreciation		-	(34,590)
Other operating expenses		(1,899,660)	(1,593,783)
Gain on deemed disposal of associates	10	22,127,520	-
Share of profits less losses of associates		(15,917,117)	(12,072,242)
PROFIT/(LOSS) BEFORE TAX	5	2,436,235	(15,645,194)
Income tax	7	-	-
PROFIT/(LOSS) FOR THE YEAR ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY		2,436,235	(15,645,194)

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CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 28 February 2018

	2018 *HK$*	2017 *HK$*
PROFIT/(LOSS) FOR THE YEAR	2,436,235	(15,645,194)
OTHER COMPREHENSIVE INCOME/(EXPENSE):		
Other comprehensive income/(expense) to be reclassified to income statement in subsequent periods:		
Change in fair value of available-for-sale investments	(2,599,564)	1,510,596
Exchange differences on translation of foreign operations	667,283	(1,119,759)
Reclassification adjustments relating to deregistration of associates during the year	4,789,337	-
Adjustments relating to deemed disposal of associates during the year	(6,765,076)	-
Net other comprehensive income/(expense) to be reclassified to income statement in subsequent periods	(3,908,020)	390,837
Other comprehensive income/(expense) not to be reclassified to income statement in subsequent periods:		
Actuarial gains on a defined benefit plan	212,000	142,000
Share of actuarial gains on a defined benefit plan of associates	2,307,502	3,782,858
Adjustments relating to deemed disposal of associates during the year	(4,604,653)	-
Net other comprehensive income/(expense) not to be reclassified to income statement in subsequent periods	(2,085,151)	3,924,858
OTHER COMPREHENSIVE INCOME/(EXPENSE) FOR THE YEAR, NET OF TAX	(5,993,171)	4,315,695
TOTAL COMPREHENSIVE EXPENSE FOR THE YEAR	(3,556,936)	(11,329,499)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Year ended 28 February 2018

	Notes	**2018** *HK$*	**2017** *HK$*
NON-CURRENT ASSETS			
Property, plant and equipment	9	-	-
Interests in associates	10	9,136,267	7,806,176
Available-for-sale investment	11	1,000,000	1,000,000
Pension scheme assets	6	1,547,000	1,333,000
Deposit		136,951	135,101
Total non-current assets		11,820,218	10,274,277
CURRENT ASSETS			
Other accounts receivable and deposit		1,576,355	985,549
Investments measured at fair value through profit or loss	12, 13	617,770	1,373,868
Short term deposits with a bank, pledged	13	1,107,800	5,507,730
Short term deposits with banks		2,650,100	1,464,743
Cash and bank balances		1,467,334	3,181,555
Total current assets		7,419,359	12,513,445
CURRENT LIABILITIES			
Insurance contracts liabilities	14	1,205,916	1,205,916
Accrued liabilities and other payables		991,405	982,614
Total current liabilities		2,197,321	2,188,530
Net current assets		5,222,038	10,324,915
Net assets		17,042,256	20,599,192
EQUITY			
Share capital	16	13,549,577	13,549,577
Reserves	17	3,492,679	7,049,615
Total equity		17,042,256	20,599,192

Philip K H Ma
Director

Ma Kin Loong
Director

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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 28 February 2018

	Share capital HK$	Reserves: Capital reserve HK$	General and other reserves# HK$	Investment revaluation reserve HK$	Accumulated losses HK$	Sub-total HK$	Total HK$
At 1 March 2016	13,549,577	30,816,687	160,021,234	4,536,516	(176,995,323)	18,379,114	31,928,691
Loss for the year	-	-	-	-	(15,645,194)	(15,645,194)	(15,645,194)
Other comprehensive income/ (expense) for the year:							
Exchange adjustment	-	-	(1,119,759)	-	-	(1,119,759)	(1,119,759)
Change in fair value of available-for-sale investments	-	-	-	1,510,596	-	1,510,596	1,510,596
Actuarial losses on a defined benefit plan	-	-	-	-	142,000	142,000	142,000
Share of actuarial gains on a defined benefit plan of associates	-	-	-	-	3,782,858	3,782,858	3,782,858
Total comprehensive income/ (expense) for the year	-	-	(1,119,759)	1,510,596	(11,720,336)	(11,329,499)	(11,329,499)
At 28 February 2017 and 1 March 2017	13,549,577	30,816,687	158,901,475	6,047,112	(188,715,659)	7,049,615	20,599,192
Profit for the year	-	-	-	-	2,436,235	2,436,235	2,436,235
Other comprehensive income/ (expense) for the year:							
Exchange adjustment	-	-	667,283	-	-	667,283	667,283
Change in fair value of available-for-sale investments	-	-	-	(2,599,564)	-	(2,599,564)	(2,599,564)
Reclassification adjustments relating to deregistration of associates during the year	-	-	4,789,337	-	-	4,789,337	4,789,337
Adjustments relating to deemed disposal of associates during the year	-	-	(6,765,076)	-	(4,604,653)	(11,369,729)	(11,369,729)
Actuarial gains on a defined benefit plan	-	-	-	-	212,000	212,000	212,000
Share of actuarial gains on a defined benefit plan of associates	-	-	-	-	2,307,502	2,307,502	2,307,502
Total comprehensive income/(expense) for the year	-	-	(1,308,456)	(2,599,564)	351,084	(3,556,936)	(3,556,936)
At 28 February 2018	13,549,577	30,816,687	157,593,019	3,447,548	(188,364,575)	3,492,679	17,042,256

\# Included in the general and other reserves at 28 February 2018 was a debit balance of HK$16,367,326 (2017: debit balance of HK$15,058,870) attributable to the exchange fluctuation reserve.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 28 February 2018

	Note	2018 HK$	2017 HK$
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/(loss) before tax		2,436,235	(15,645,194)
Adjustments for:			
Gain on deemed disposal of associates		(22,127,520)	-
Share of profits less losses of associates		15,917,117	12,072,242
Write-off of amounts due from associates	5	210,962	-
Depreciation	5	-	34,590
Dividend income	5	(774,142)	(537,232)
Interest income from non-operating activities	5	(33,814)	(29,087)
		(4,371,162)	(4,104,681)
Decrease/(increase) in other accounts receivable and deposit		(592,656)	2,959,459
Decrease in investments measured at fair value through profit or loss		756,098	335,588
Increase in accrued liabilities and other payables		8,791	21,428
Decrease/(increase) in pension scheme assets		(2,000)	18,000
Net cash flows used in operating activities		(4,200,929)	(770,206)
CASH FLOWS FROM INVESTING ACTIVITIES			
Dividends received from unlisted investments		774,142	537,232
Interest received from non-operating activities		33,814	29,087
Decrease in short term deposits, pledged		4,399,930	4,569,908
Increase in amounts due from associates		(2,361,738)	(533,515)
Increase in amounts due to associates		-	16,527
Effect of foreign exchange rate changes, net		825,917	(764,478)
Net cash flows from investing activities		3,672,065	3,854,761
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		(528,864)	3,084,555
Cash and cash equivalents at beginning of year		4,646,298	1,561,743
CASH AND CASH EQUIVALENTS AT END OF YEAR		4,117,434	4,646,298
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Short term deposits with banks as stated in the consolidated statement of financial position		2,650,100	1,464,743
Cash and bank balances as stated in the consolidated statement of financial position		1,467,334	3,181,555
Cash and cash equivalents as stated in the consolidated statement of cash flows		4,117,434	4,646,298

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1. CORPORATE INFORMATION

The Sincere Life Assurance Company Limited is a limited liability company incorporated in Hong Kong. The registered office of the Company is located at Room 1205, 12th Floor, Leighton Centre, 77 Leighton Road, Hong Kong. The principal activities of the Company and its subsidiary have not changed during the year and consisted of life insurance and investments in securities.

In the opinion of the directors, according to Hong Kong Financial Reporting Standard 10 *Consolidated Financial Statements*, The Sincere Company, Limited, which is also an associate of the Company, is considered as the ultimate holding company of the Company.

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for certain financial instruments which have been measured at fair value as further explained below.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiary (collectively referred to as the "Group") for the year ended 28 February 2018. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:
(a) the contractual arrangement with the other vote holders of the investee;
(b) rights arising from other contractual arrangements; and
(c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

2.1 BASIS OF PREPARATION (continued)

Basis of consolidation (continued)
The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in the consolidated income statement. The Group's share of components previously recognised in other comprehensive income is reclassified to the consolidated income statement or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

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

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

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2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

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

Amendments to HKFRS 2	*Classification and Measurement of Share-based Payment Transactions*[1]
Amendments to HKFRS 4	*Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts*[1]
Amendments to HKFRS 9	*Prepayment Features with Negative Compensation*[2]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
Amendments to HKFRS 15	*Clarifications to HKFRS 15 Revenue from Contracts with Customers*[1]
Amendments to HKAS 19	*Plan Amendment, Curtailment or Settlement*[2]
Amendments to HKAS 28	*Long-term Interests in Associates and Joint Ventures*[2]
Amendments to HKAS 40	*Transfers of Investment Property*[1]
HKFRS 9	*Financial Instruments*[1]
HKFRS 15	*Revenue from Contracts with Customers*[1]
HKFRS 16	*Leases*[2]
HKFRS 17	*Insurance Contracts*[3]
HK(IFRIC)-Int 22	*Foreign Currency Transactions and Advance Consideration*[1]
HK(IFRIC)-Int 23	*Uncertainty over Income Tax Treatments*[2]
Annual Improvements 2014-2016 Cycle	Amendments to HKFRS 1 and HKAS 28[1]
Annual Improvements 2015-2017 Cycle	Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23[2]

[1] Effective for annual periods beginning on or after 1 January 2018
[2] Effective for annual periods beginning on or after 1 January 2019
[3] Effective for annual periods beginning on or after 1 January 2021
[4] No mandatory effective date yet determined but available for adoption

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. So far, the Group considered that except for the adoption of HKFRS 9 "Financial Instruments" which may result in new or amended disclosures and change in accounting policies, these amendments are unlikely to have a significant impact on the financial position or performance of the Group.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Investments in associates

An associate is an entity in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

The Group's interests in associates are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. Adjustments are made to bring into line any dissimilar accounting policies that may exist. The Group's share of the post-acquisition results and other comprehensive income of associates is included in the consolidated income statement and consolidated other comprehensive income, respectively. In addition, when there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's interests in the associates, except where unrealised losses provide evidence of an impairment of the assets transferred.

The results of associates are included in the Company's income statement to the extent of dividends received and receivable. The Company's interests in associates are treated as non-current assets and are stated at cost less any impairment losses.

The Group's share of the post-acquisition results of associates are calculated from the latest audited financial statements up to 28 February 2018 except for The Sincere Company Taiwan Limited, the results of which are based on unaudited financial statements up to 28 February 2018.

Certain associates also hold shares in The Sincere Life Assurance Company Limited and, in these cases, in computing the Group's share of results, appropriate elimination is made of any amount by which those companies' own reported results have been affected by such shareholdings. The enhancement of the Group's share of the associates' retained profits resulting from the latters' receipt of dividends from The Sincere Life Assurance Company Limited is reflected as a movement in reserves of associates.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person
  - (i) has control or joint control over the Group;
  - (ii) has significant influence over the Group; or
  - (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:
  - (i) the entity and the Group are members of the same group;
  - (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
  - (iii) the entity and the Group are joint ventures of the same third party;
  - (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
  - (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
  - (vi) the entity is controlled or jointly controlled by a person identified in (a);
  - (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and
  - (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Company or to the parent of the Company.

Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the income statement in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

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

Leasehold improvements	Over the shorter of lease term and 10%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment and depreciation (continued)
An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the income statement in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Fair value measurement
The Group measures certain of its financial instruments at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:
Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities
Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly
Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the income statement in the period in which it arises.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the income statement in the period in which it arises.

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables, and available-for-sale financial investments, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. When financial assets are recognised initially, they are measured at fair value plus transaction costs that are attributable to the acquisition of financial assets, except in the case of financial assets recorded at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

The Group's financial assets include cash and bank balances, short term deposits, investments measured at fair value through profit or loss, available-for-sale investments, amounts due from associates and other accounts receivable.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets (continued)
Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments as defined by HKAS 39.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with positive net changes in fair value in the income statement. These net fair value changes do not include any dividends or interest earned on these financial assets, which are recognised in accordance with the policies set out for "Revenue recognition" below.

Financial assets designated upon initial recognition as at fair value through profit or loss are designated at the date of initial recognition and only if the criteria in HKAS 39 are satisfied.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in "other income and gains" in the income statement. The loss arising from impairment is recognised in the income statement in other operating expenses.

Available-for-sale financial investments

Available-for-sale financial investments are non-derivative financial assets in listed and unlisted equity investments and debt securities and an investment in a club membership. Equity investments classified as available for sale are those which are neither classified as held for trading nor designated as at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in the market conditions.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets (continued)
Available-for-sale financial investments (continued)

After initial recognition, available-for-sale financial investments are subsequently measured at fair value, with unrealised gains or losses recognised as other comprehensive income in the available-for-sale investment revaluation reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in the income statement, or until the investment is determined to be impaired, when the cumulative gain or loss is reclassified from the available-for-sale investment revaluation reserve to the income statement. Interest and dividends earned whilst holding the available-for-sale financial investments are reported as interest income and dividend income, respectively, and are recognised in the income statement as other income in accordance with the policies set out for "Revenue recognition" below.

When the fair value of unlisted equity investments cannot be reliably measured because (a) the variability in the range of reasonable fair value estimates is significant for that investment or (b) the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value, such investments are stated at cost less any impairment losses.

The Group evaluates whether the ability and intention to sell its available-for-sale financial assets in the near term are still appropriate. When, in rare circumstances, the Group is unable to trade these financial assets due to inactive markets, the Group may elect to reclassify these financial assets if management has the ability and intention to hold the assets for the foreseeable future or until maturity.

For a financial asset reclassified from the available-for-sale category, the fair value carrying amount at the date of reclassification becomes its new amortised cost and any previous gain or loss on that asset that has been recognised in equity is amortised to the income statement over the remaining life of the investment using the effective interest rate. Any difference between the new amortised cost and the maturity amount is also amortised over the remaining life of the asset using the effective interest rate. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the income statement.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Derecognition of financial assets (continued)

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

The Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that occurred after the initial recognition of the asset have an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses whether evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition).

The carrying amount of the asset is reduced either directly or through the use of an allowance account and the loss is recognised in the income statement. Interest income continues to be accrued on the reduced carrying amount using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets (continued)

Financial assets carried at amortised cost (continued)

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to the income statement.

Assets carried at cost

If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Impairment losses on these assets are not reversed.

Available-for-sale financial investments

For available-for-sale financial investments, the Group assesses at the end of each reporting period whether there is objective evidence that an investment or a group of investments is impaired.

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the income statement, is removed from other comprehensive income and recognised in the income statement.

In the case of equity investments classified as available for sale, objective evidence would include a significant or prolonged decline in the fair value of an investment below its cost. "Significant" is evaluated against the original cost of the investment and "prolonged" against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the income statement – is removed from other comprehensive income and recognised in the income statement. Impairment losses on equity instruments classified as available for sale are not reversed through the income statement. Increases in their fair value after impairment are recognised directly in other comprehensive income.

The determination of what is "significant" or "prolonged" requires judgement. In making this judgement, the Group evaluates, among other factors, the duration or extent to which the fair value of an investment is less than its cost.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

The Group's financial liabilities include certain accruals and other payables. Financial liabilities are recognised when the Group becomes a party to the contracted provisions of the instrument.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial liabilities (continued)

Initial recognition and measurement (continued)

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs and subsequently measured at amortised cost using the effective interest rate method.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the income statement.

Product classification - Insurance contracts

Insurance contracts are those contracts when the Group (the insurer) has accepted significant insurance risk from another party (the policyholders) by agreeing to compensate the policyholders if a specified uncertain future event (the insured event) adversely affects the policyholders. As a general guideline, the Group determines whether it has significant insurance risk, by comparing benefits payable after an insured event with benefits payable if the insured event did not occur. Insurance contracts can also transfer financial risk.

Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its lifetime, even if the insurance risk reduces significantly during this period, unless all rights and obligations are extinguished or expire.

Insurance contracts liabilities

Life insurance contracts liabilities

Life insurance contracts liabilities are recognised when contracts are entered into and premiums are charged. The provision for life insurance contracts consists of outstanding claims and the life reserve.

Life reserve

Life reserve represents a reserve to cover unexpired risk of life insurance policies and is valued by an independent actuary. The resultant surplus or deficit is transferred to or from the income statement.

Reinsurance

The Group cedes insurance risk in the normal course of business for all of its businesses. Reinsurance assets represent balances due from reinsurance companies. Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision or settled claims associated with the reinsurer's policies and are in accordance with the related reinsurance contract.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Reinsurance (continued)
Reinsurance assets are reviewed for impairment at each reporting date, or more frequently, when an indication of impairment arises during the reporting year. Impairment occurs when there is objective evidence that occurred after initial recognition of the reinsurance asset that the Group may not receive all outstanding amounts due under the terms of the contract and the event has a reliably measurable impact on the amounts that the Group will receive from the reinsurer. The impairment loss is recorded in the income statement.

Ceded reinsurance arrangements do not relieve the Group from its obligations to policyholders.

Premiums and claims are presented on a gross basis for ceded reinsurance.

Reinsurance assets are derecognised when the contractual rights are extinguished or expire.

Income tax
Income tax comprises current and deferred tax. Income tax relating to items recognised outside the income statement is recognised either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Tax rates enacted or substantively enacted by the end of the reporting period are used to determine deferred tax.

Deferred tax liabilities are provided in full on all taxable temporary differences while deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

A deferred tax asset is also recognised for the carryforward of unused tax losses, to the extent that it is probable that taxable profit will be available against which the carryforward of the unused tax losses can be utilised.

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred taxes assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

(a) premium income, on the basis of policies issued;

(b) revenue arising from the trading of investments, on the trade date basis;

(c) interest income, on an accrual basis using the effective interest rate method by applying the rate that discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset; and

(d) dividend income, when the shareholder's right to receive payment is established.

Leases
Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessee, rentals payable under the operating leases are charged to the income statement on the straight-line basis over the lease terms.

Employee benefits
Paid leave carried forward
The Group provides paid annual leave to its employees under their employment contracts on a calendar year basis. Under certain circumstances, such leave which remains untaken at the end of the reporting period is permitted to be carried forward and utilised by the respective employees in the following year. An accrual is made at the end of the reporting period for the expected future cost of such paid leave earned during the year by the employees and carried forward.

Retirement benefits
The Group operates a funded final salary defined benefit pension scheme (the "Scheme") for those employees who are eligible to participate in the Scheme. The expected costs of providing pensions under the Scheme are charged to the income statement over the periods during which the employees provide the related services to the Group.

An actuarial estimate is made annually by a professionally qualified independent actuary, using the projected unit credit actuarial valuation method, of the present value of the Group's future defined benefit obligation under the Scheme earned by the employees at the end of the reporting period (the "Scheme obligation"). The assets contributed by the Group to the Scheme (the "Scheme assets") are held separately from the assets of the Group in an independently administered fund, and are valued at their fair value at the end of the reporting period.

The amounts of the contributions payable by the Group to the Scheme are determined by the actuary using the projected unit credit actuarial valuation method.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Employee benefits (continued)
Retirement benefits (continued)
Remeasurements arising from defined benefit pension plans, comprising actuarial gains and losses, the effect of the asset ceiling (excluding amounts included in net interest on the net defined benefit liability) and the return on plan assets (excluding amounts included in net interest on the net defined benefit liability), are recognised immediately in the consolidated statement of financial position with a corresponding debit or credit to retained profits through other comprehensive income in the period in which they occur. Remeasurements are not reclassified to the income statement in subsequent periods.

Past service costs are recognised in the income statement at the earlier of
- the date of the plan amendment or curtailment; and
- the date that the Group recognises restructuring-related costs.

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset. The Group recognises the following changes in the net defined benefit obligation under "staff costs, excluding directors' remuneration" in the consolidated income statement.
- Service costs comprising current service costs, gains and losses on curtailments and non-routine settlements
- Net interest expense or income

Apart from the Scheme, the Group also operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for certain employees in Hong Kong. Contributions are made based on a percentage of these employees' basic salaries and are charged to the income statement as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

Foreign currencies
These financial statements are presented in Hong Kong dollars, which is the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in the income statement.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies (continued)
Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured.

The functional currencies of certain overseas associates are currencies other than the Hong Kong dollar. At the end of the reporting period, the assets and liabilities of these entities are translated into Hong Kong dollars at the exchange rates prevailing at the end of the reporting period and their income statements are translated into Hong Kong dollars at the weighted average exchange rates for the year. The resulting exchange differences are recognised in other comprehensive income and accumulated in a separate component of equity. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the income statement.

Cash and cash equivalents
For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statement of financial position, cash and bank balances comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements
In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

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3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Judgements (continued)

Impairment of assets

In determining whether an asset is impaired or whether the event previously causing the impairment no longer exists, the Group has to exercise judgement in the area of asset impairment, particularly in assessing: (1) whether an event has occurred that may affect the asset value, or such an event affecting the asset value has not been in existence; (2) whether the carrying value of an asset can be supported by the net present value of future cash flows, which are estimated based upon the continued use of the asset; and (3) the appropriate key assumptions to be applied in preparing cash flow projections including whether these cash flow projections are discounted using an appropriate rate. Changing the assumptions selected by management to determine the level of impairment, including the discount rates or the growth rate assumptions in the cash flow projections, could have a material effect on the net present value used in the impairment test.

Equity method of accounting of entities in which the Group holds less than 20% of the equity voting rights

The directors consider that the Company can exercise significant influence on The Sincere Company, Limited even though it owns less than 20% of the voting rights. This is because the Company extends significant ownership with its direct equity interest holding of 19.93%. Based on the Company's absolute size of holding in The Sincere Company, Limited, the relative size and dispersion of the shareholdings owned by the other shareholders who acted as principal of their investments in The Sincere Company, Limited and past history of voting patterns in the shareholders' meetings of The Sincere Company, Limited, the directors concluded that the Company had the power to participate in the financial and operating policy decisions of The Sincere Company, Limited since the dates on which the Company obtained significant influence. The Group's interests in The Sincere Company, Limited are stated in the consolidated the financial statements of the Group under the equity method of accounting.

4. REVENUE

Revenue represents gross insurance contracts premium revenue and fair value losses on investments stated at fair value through profit or loss, net. An analysis of the Group's revenue is as follows:

	2018 *HK$*	2017 *HK$*
Gross insurance contracts premium revenue	-	-
Fair value losses on investments stated at fair value through profit or loss, net	(756,098)	(335,588)
	(756,098)	(335,588)

5. PROFIT/(LOSS) BEFORE TAX

Profit/(loss) before tax is arrived at after charging/(crediting):

	2018 *HK$*	2017 *HK$*
Depreciation	-	34,590
Auditor's remuneration	198,000	219,000
Staff costs, excluding directors' remuneration (note 8):		
Wages and salaries	1,927,288	1,971,191
Pension scheme costs, net (note 6)	(2,000)	18,000
	1,925,288	1,989,191
Minimum lease payments under operating leases on land and buildings	187,890	178,230
Fair value losses on investments stated at fair value through profit or loss, net	756,098	335,588
Exchange losses/(gains), net #	(174,841)	38,058
Dividend income from unlisted investments #	(774,142)	(537,232)
Interest income from non-operating activities #	(33,814)	(29,087)
Interest income from life insurance business *	(16)	(16)
Write-off of amounts due from associates	210,962	-

* Interest income from life insurance business is included in "Management expenses for underwriting business, net" on the face of the consolidated income statement.

Exchange losses/(gains), net, dividend income from unlisted investments and interest income from non-operating activities are included in "Other income and gain" on the face of the consolidated income statement.

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6. PENSION SCHEME ASSETS

The Group operates the Scheme for those employees who are eligible to participate in the Scheme. The Scheme provides lump sum benefits based on a multiple of a member's final salary and years of service upon the member's retirement, death, disability or leaving service.

The Group's defined benefit plan is a final salary plan, which requires contributions to be made to a separately administered fund. The plan is under a trust with the assets held separately from those of the Group. The Scheme is administrated by four trustees and one of them is independent. The trustees are responsible for ensuring that the Scheme is administered in accordance with the trust deed and rules and to act on behalf of all members impartially, prudently and in good faith.

The trustees periodically review the investment strategy and funding position. The investment portfolio is 30% in equities and 70% in bonds (2017: 100% in cash).

The plan is exposed to interest rate risk, investment risk and salary risk.

The most recent actuarial valuations of the plan assets and the present value of the defined benefit obligations were carried out at 28 February 2018 by an independent qualified professional valuer, Towers Watson Hong Kong Limited, using the projected unit credit actuarial valuation method.

(a) The principal actuarial assumptions used as at the end of the reporting period are as follows:

	2018	**2017**
	%	%
Discount rate	1.8	1.6
Expected rate of salary increase	3.0	3.0

6. PENSION SCHEME ASSETS (continued)

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

	2018			
	Increase in rate	**Increase/ (decrease) in net pension scheme assets**	**Decrease in rate**	**Increase/ (decrease) in net pension scheme assets**
	%	*HK$*	*%*	*HK$*
Discount rate	0.25	12,000	0.25	(12,000)
Long-term salary increase rate	0.25	(10,000)	0.25	10,000

	2017			
	Increase in rate	**Increase/ (decrease) in net pension scheme assets**	**Decrease in rate**	**Increase/ (decrease) in net pension scheme assets**
	%	*HK$*	*%*	*HK$*
Discount rate	0.25	13,000	0.25	(14,000)
Long-term salary increase rate	0.25	(10,000)	0.25	10,000

The sensitivity analysis above has been determined based on a method that extrapolates the impact on net defined benefit obligations as a result of reasonable changes in key assumptions occurring at the end of the reporting period. The sensitivity analysis is based on a change in a significant assumption, keeping all other assumptions constant. The sensitivity analysis may not be representative of an actual change in the defined benefit obligations as it is unlikely that changes in assumptions would occur in isolation of one another.

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6. PENSION SCHEME ASSETS (continued)

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

	2018 *HK$*	2017 *HK$*
Current service cost	19,000	33,000
Interest income	(21,000)	(15,000)
Net benefit expenses recognised in staff costs, excluding directors' remuneration	(2,000)	18,000

(d) The movements in the present value of the defined benefit obligations are as follows:

	2018 *HK$*	2017 *HK$*
At beginning of year	1,537,000	2,265,000
Current service cost	19,000	30,000
Interest cost	20,000	24,000
Actuarial gains	(10,000)	(6,000)
Benefits paid	(604,000)	(776,000)
At end of year	962,000	1,537,000

6. PENSION SCHEME ASSETS (continued)

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

		Pension cost credited/ (charged) to income statement				Remeasurement gains/(losses) in other comprehensive income					
	At beginning of the year	Service cost	Net interest	Sub-total included in income statement	Benefits paid	Return on plan assets (excluding amounts included in net interest expense)	Actuarial changes arising from changes in demographic assumptions	Actuarial changes arising from changes in financial assumptions	Experience adjustments	Sub-total included in other comprehensive income	At end of the year
	HK$	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*
2018											
Defined benefit obligations	(1,537,000)	(19,000)	(20,000)	(39,000)	604,000	-	-	9,000	1,000	10,000	(962,000)
Fair value of plan assets	2,870,000	-	41,000	41,000	(604,000)	202,000	-	-	-	202,000	2,509,000
Net pension assets	1,333,000	(19,000)	21,000	2,000	-	202,000	-	9,000	1,000	212,000	1,547,000
2017											
Defined benefit obligations	(2,265,000)	(30,000)	(24,000)	(54,000)	776,000	-	35,000	60,000	(89,000)	6,000	(1,537,000)
Fair value of plan assets	3,474,000	(3,000)	39,000	36,000	(776,000)	136,000	-	-	-	136,000	2,870,000
Net pension assets	1,209,000	(33,000)	15,000	(18,000)	-	136,000	35,000	60,000	(89,000)	142,000	1,333,000

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6. PENSION SCHEME ASSETS (continued)

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

	2018	2017
Equity instruments, quoted in an active market	30%	-
Debt instruments, at quoted prices	70%	-
Cash	-	100%
Total	100%	100%

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

	2018 *HK$*	2017 *HK$*
Within the next 12 months	-	-

The average duration of the defined benefit obligations at the end of the reporting period was 6.0 years (2017: 6.9 years).

7. INCOME TAX

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the year (2017: Nil).

A reconciliation of the tax expense applicable to loss before tax at the statutory rate to the tax credit at the effective rate is as follows:

	2018 *HK$*	2017 *HK$*
Profit/(loss) before tax	2,436,235	(15,645,194)
Tax at the statutory rate of 16.5%	401,979	(2,581,457)
Profits and losses attributable to associates	2,626,324	1,991,920
Income not subject to tax	(3,809,509)	(217,946)
Expenses not deductible for tax	781,206	807,483
Tax charge for the year	-	-

7. INCOME TAX (continued)

Hong Kong profits tax for the associates is calculated by applying the current rate of 16.5% (2017: 16.5%) to the estimated assessable profits derived from Hong Kong during the year. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the associates operate.

The share of tax attributable to associates amounting to HK$5,381 (2017: HK$9,567) is included in "Share of profits less losses of associates" on the face of the consolidated income statement.

The Group has tax losses arising in Hong Kong of HK$5,664,505 (2017: HK$5,664,505) that are available indefinitely for offsetting against future taxable profits of the Group. Deferred tax assets have not been recognised in respect of these losses as the Group has been loss-making for some time and it is considered not probable that the Group can utilise these losses in the foreseeable future.

8. DIRECTORS' REMUNERATION

Directors' remuneration disclosed pursuant to section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation is as follows:

	2018	**2017**
	HK$	*HK$*
Fees	12,000	12,000
Other emoluments:		
Salaries, allowances and benefits in kind	-	-
Pension	-	-
	12,000	12,000

The aggregate amount of the remuneration of the three highest paid directors is as follows:

	2018	**2017**
	HK$	*HK$*
Fees	8,000	8,000
Other emoluments:		
Salaries, allowances and benefits in kind	-	-
Pension	-	-
	8,000	8,000

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9. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements *HK$*
Cost:	
At 1 March 2016, 28 February 2017, 1 March 2017 and 28 February 2018	124,426
Accumulated depreciation:	
At 1 March 2016	89,836
Provided during the year	34,590
At 28 February 2017 and 1 March 2017	124,426
Provided during the year	-
At 28 February 2018	124,426
Net book value:	
At 28 February 2018	-
At 28 February 2017	-

10. INTERESTS IN ASSOCIATES

	2018 *HK$*	2017 *HK$*
Share of liabilities other than goodwill	(7,323,503)	(6,502,818)
Due from associates	16,837,967	14,687,191
Due to associates	(378,197)	(378,197)
	9,136,267	7,806,176

10. INTERESTS IN ASSOCIATES (continued)

Balances with associates are unsecured, interest-free and are not repayable within the next twelve months from the end of the reporting period.

Particulars of the associates are as follows:

Name of company	Business structure	Place of incorporation and business	Classes of shares held	Percentage of ownership interest attributable to the Group	Principal activities
The Sincere Company, Limited ("Sincere Co.") (Note)	Corporate	Hong Kong	Ordinary	19.93 (2017: 31.89)	Department store operation, property investment and securities trading
The Sincere Insurance & Investment Company, Limited ("Sincere I&I")	Corporate	Hong Kong	Ordinary	36	Insurance and investment
The Sincere Company (Perfumery Manufacturers), Limited	Corporate	Hong Kong	Ordinary	20	Investment
The Sincere Company Taiwan Limited	Corporate	Taiwan	Ordinary	20	Dormant
Sincere China Industries Investment Limited *	Corporate	Hong Kong	Ordinary	50	Investment holding
Fortune Yield Limited	Corporate	British Virgin Islands	Ordinary	50	Investment holding
Finsbay Investment Limited ("Finsbay")	Corporate	British Virgin Islands	Ordinary	24.50	Investment holding
Sincere Properties (Kangaroo Point) Pty. Ltd. *	Corporate	Australia	Ordinary	50	Dormant

* These associates were deregistered during the year ended 28 February 2018.

Note: Pursuant to Sincere Co.'s announcement dated 26 October 2017 and prospectus dated 27 November 2017, Sincere Co. proposed a right issue on the basis of three right shares for every five existing shares of the subscription price of HK$0.27 per right share. Since the Company did not exercise its right to subscribe the right shares of Sincere Co., the equity interest of Sincere Co. held by the Company decreased from 31.89% to 19.93% and a gain on deemed disposal of associates of HK$22,127,520 was resulted.

10. INTERESTS IN ASSOCIATES (continued)

Sincere Co., which is considered a material associate of the Group, is accounted for using the equity method.

The following table illustrates the summarised financial information of Sincere Co., adjusted for any differences in accounting policies and reconciled to the carrying amount in the consolidated financial statements:

	2018 *HK$*	2017 *HK$*
Current assets	259,157,677	227,898,880
Non-current assets	90,362,000	105,711,000
Current liabilities	(196,587,816)	(240,490,464)
Non-current liabilities	(38,957,000)	(66,200,000)
Net assets	113,974,861	26,919,416
Net assets attributable to owners of Sincere Co.	98,617,861	20,805,771
Reconciliation to the Group's interest in the associate:		
Group's effective interest in the associate	19.93%	31.89%
Group's share of net assets of the associate and carrying amount of the investment	19,654,540	6,634,960
Revenues	355,614,000	375,223,000
Loss for the year	(24,120,610)	(24,851,154)
Other comprehensive income/(expense) for the year	19,233,313	(566,027)
Total comprehensive expense for the year	(4,887,297)	(25,417,181)

10. INTERESTS IN ASSOCIATES (continued)

Sincere I&I, which is considered a material associate of the Group, is a strategic partner of the Group engaged in investment holding and underwriting of general insurance and is accounted for using the equity method.

The following table illustrates the summarised financial information of Sincere I&I, adjusted for any differences in accounting policies and reconciled to the carrying amount in the consolidated financial statements:

	2018 HK$	2017 HK$
Current assets	13,579,918	14,126,590
Non-current assets	14,771,886	21,421,929
Current liabilities	(3,447,363)	(3,500,800)
Net assets	24,904,441	32,047,719
Net assets attributable to owners of Sincere I&I	24,904,441	32,047,719
Reconciliation to the Group's interest in the associate:		
Group's effective interest in the associate	44.11%	48.97%
Group's share of net assets of the associate and carrying amount of the investment	10,985,349	15,693,768
Revenues	4,311	4,725
Loss for the year	(2,750,397)	(8,458,599)
Other comprehensive income/(expense) for the year	(4,392,881)	2,575,087
Total comprehensive expense for the year	(7,143,278)	(5,883,512)

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10. INTERESTS IN ASSOCIATES (continued)

Finsbay, which is considered a material associate of the Group, is accounted for using the equity method.

The following table illustrates the summarised financial information of Finsbay, adjusted for any differences in accounting policies and reconciled to the carrying amount in the consolidated financial statements:

	2018	**2017**
	HK$	*HK$*
Current assets	52,325,000	45,616,000
Non-current assets	17,063,000	17,822,000
Current liabilities	(120,687,000)	(107,132,998)
Non-current liabilities	(16,863,000)	(16,863,000)
Net liabilities	(68,162,000)	(60,557,998)
Net liabilities attributable to owners of Finsbay	(68,162,000)	(60,557,998)
Reconciliation to the Group's interest in the associate:		
Group's effective interest in the associate	45.47%	52.76%
Group's share of net liabilities of the associate and carrying amount of the investment	(30,993,261)	(31,950,400)
Revenues	213,000	209,000
Profit for the year	61,000	60,000
Other comprehensive income/(expense) for the year	(7,665,002)	7,275,000
Total comprehensive income/(expense) for the year	(7,604,002)	7,335,000

The following table illustrates the aggregate financial information of the Group's associates that are not individually material:

	2018	**2017**
	HK$	*HK$*
Share of net loss on deregistration of associates	(1,932,678)	-
Additional of net assets of associates upon deemed disposal of associates	10,757,791	-
Share of the associates' loss for the year	(62,692)	(36,689)
Share of the associates' other comprehensive income/(expense)	(54,441)	19,369
Share of the associates' total comprehensive expense	(117,133)	(17,320)
Aggregate carrying amount of the Group's interests in associates	(6,970,131)	3,118,854

11. AVAILABLE-FOR-SALE INVESTMENT

	2018 HK$	2017 HK$
Investment in a club membership, at fair value	1,000,000	1,000,000

The above investment was designated as an available-for-sale financial asset and has no fixed maturity date or coupon rate.

The fair value of the club membership is based on quoted market price.

12. INVESTMENTS MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS

	2018 HK$	2017 HK$
Unlisted equity funds, at fair value	617,770	1,373,868

The above securities at 28 February 2018 and 2017 were, upon initial recognition, designated by the Group as financial assets as at fair value through profit or loss. The fair values of unlisted equity funds are based on published bid-values.

13. BANK FACILITIES

At 28 February 2018, the investments measured at fair value through profit or loss of the Group amounting to nil (2017: HK$689,640), and short term deposits of the Group amounting to HK$1,107,800 (2017: HK$5,507,730) were pledged in favour of a bank as securities for bank facilities granted to the Group.

14. INSURANCE CONTRACTS LIABILITIES

Life insurance contracts liabilities are analysed as follows:

	Notes	2018 Insurance contracts liabilities *HK$*	2018 Reinsurers' share of liabilities *HK$*	2018 Net *HK$*	2017 Insurance contracts liabilities *HK$*	2017 Reinsurers' share of liabilities *HK$*	2017 Net *HK$*
Life reserve	(1)	1,077,516	-	1,077,516	1,077,516	-	1,077,516
Provision for claims	(2)	128,400	-	128,400	128,400	-	128,400
		1,205,916	-	1,205,916	1,205,916	-	1,205,916

(1) Life reserve is analysed as follows:

	2018 *HK$*	2017 *HK$*
At beginning of year	1,077,516	1,077,516
Increase in the year	-	-
At 28 February	1,077,516	1,077,516

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

	2018 Insurance contracts liabilities *HK$*	2018 Reinsurers' share of liabilities *HK$*	2018 Net *HK$*	2017 Insurance contracts liabilities *HK$*	2017 Reinsurers' share of liabilities *HK$*	2017 Net *HK$*
At beginning of year	128,400	-	128,400	128,400	-	128,400
Claims incurred during the year	-	-	-	-	-	-
Claims paid during the year	-	-	-	-	-	-
At 28 February	128,400	-	128,400	128,400	-	128,400

15. NET CLAIMS INCURRED

		Note	2018 HK$	2017 HK$
(a)	Gross claims paid			
	Life insurance contracts claims paid	14(2)	-	-
(b)	Gross change in outstanding claims			
	Change in life insurance outstanding claims		-	-

16. SHARE CAPITAL

	2018 HK$	2017 HK$
Issued and fully paid:		
1,000,000 ordinary shares	13,549,577	13,549,577

17. RESERVES

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity.

18. RELATED PARTY TRANSACTIONS

Details of the compensation for key management personnel, who are the directors of the Company, and post-employment benefits of the Group are included in notes 8 and 6 to the financial statements, respectively.

19. OPERATING LEASE COMMITMENTS

The Group leases its office premises under an operating lease arrangement, with a lease negotiated for a term of three years.

At 28 February 2018, the Group had total future minimum lease payables under a non-cancellable operating lease falling due as follows:

	2018 *HK$*	**2017** *HK$*
Within one year	505,728	499,704
In the second to fifth years, inclusive	337,152	832,840
	842,880	1,332,544

20. CAPITAL COMMITMENTS

At the end of the reporting period, the Group did not have any significant capital commitments (2017: Nil).

21. FAIR VALUE HIERARCHY

At 28 February 2018 and 2017, the Group's investments measured at fair value through profit or loss and investment in a club membership included in available-for-sale investments were under Level 2.

During the years ended 28 February 2018 and 2017, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3.

22. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group has established policies and procedures for identifying, evaluating, monitoring and controlling the various types of risks pertaining to the Group's businesses. The key risks include credit risk, liquidity risk, capital management risk, interest rate risk, foreign exchange risk and insurance risk.

The management policies for the major types of risks are as follows:

(1) Credit risk management

Credit risk arising from the inability of a counterparty to meet the terms of the Group's financial instrument contracts is generally limited to the amounts, if any, by which the counterparty's obligations exceed the obligations of the Group. It is the Group's policy that the Group only makes business with recognised and creditworthy third parties with no recent history of default. Receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

The carrying amounts of the Group's other accounts receivable, short term deposits with banks, cash and bank balances and amounts due from associates represent the Group's maximum exposure to credit risk. No other financial asset carries a significant exposure to credit risk.

At 28 February 2018 and 2017, all other accounts receivable were neither past due nor impaired.

(2) Liquidity risk management

Liquidity risk is the risk that the Group cannot meet its current obligations as they fall due. To manage liquidity risk, the Group has established liquidity management policies that are pertinent to the operations of business units.

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial instruments and financial assets and projected cash flows from operations.

22. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(2) Liquidity risk management (continued)

The maturity profile of the Group's financial liabilities at the end of the reporting period, based on the contractual undiscounted payments, was as follows:

	2018		
	Less than 1 year *HK$*	Over 1 year *HK$*	Total *HK$*
Due to associates	-	378,197	378,197
Provision for claims	128,400	-	128,400
Other payables	257,723	-	257,723
	386,123	378,197	764,320

	2017		
	Less than 1 year *HK$*	Over 1 year *HK$*	Total *HK$*
Due to associates	-	378,197	378,197
Provision for claims	128,400	-	128,400
Other payables	257,723	-	257,723
	386,123	378,197	764,320

(3) Capital management risk

Externally imposed capital requirements are mainly set and regulated by the Hong Kong Insurance Authority. These requirements are put in place to ensure sufficient solvency margins. Further objectives are set by the Group to maintain a strong credit rating and healthy capital ratios in order to support its business objectives and maximise shareholders' value.

The Group manages its capital requirements by assessing any shortfalls between reported and required Relevant Amount, as defined in section 10 of the Hong Kong Insurance Ordinance, on a regular basis. Adjustments to current capital levels are made in light of changes in economic conditions and risk characteristics of the Group's activities. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid or return capital to ordinary shareholders.

The Group fully complied with the externally imposed requirements of Relevant Amount during the reported financial periods and no changes were made to its capital base, objectives, policies and processes for managing capital from the previous year.

22. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(3) Capital management risk (continued)

The table below summarises the required Relevant Amount across the Group:

	Life insurance *HK$*
2018 required Relevant Amount	2,000,000
2017 required Relevant Amount	2,000,000

The required Relevant Amount is determined by the application of a formula that contains variables for premiums and claims, expenses and reserve items. It also takes into account distribution of assets and investment returns.

(4) Interest rate risk management

The Group's financial instruments, except for an available-for-sale investment, amounts due to associates, other loan and certain other payables, are short term in nature. Carrying amounts of these financial instruments reported on the statement of financial position approximate to their fair values, and hence there is no significant interest rate risk exposure in relation to these instruments.

(5) Foreign exchange risk management

Foreign exchange risk is the risk that the holding of foreign currencies will affect the Group's position as a result of changes in foreign currency exchange rates. The Group's foreign exchange risk primarily arises from its overseas investment activities.

At the end of the reporting period, the financial instruments of the Group were mainly denominated in Hong Kong dollars and United States dollars. Therefore, there was no significant foreign exchange risk exposure in relation to the financial instruments.

(6) Insurance risk management

The principal risk the Group faces under insurance contracts is that the actual claims and benefit payments or the timing thereof, differ from expectations. This is influenced by the frequency of claims, severity of claims, actual benefits paid and subsequent development of long term claims. Therefore, the objective of the Group is to ensure that sufficient reserves are available to cover these liabilities.

Life insurance contracts offered by the Group are whole life contracts. Whole life contracts are conventional regular premium products when lump sum benefits are payable on death or permanent disability.

22. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(6) Insurance risk management (continued)

The main risk that the Group is exposed to is mortality risk - risk of loss arising due to policy holder death experience being different than expected. This risk does not vary significantly in relation to the location of the risk insured by the Group, type of risk insured or by industry.

For contracts for which death or disability is the insured risk, the significant factors that could increase the overall frequency of claims are epidemics, widespread changes in lifestyle and natural disasters, resulting in earlier or more claims than expected.

Key assumptions
Material judgement is required in determining the liabilities and in the choice of assumptions. Assumptions in use are based on past experience, current internal data, external market indices and benchmarks which reflect current observable market prices and other published information. Assumptions and prudent estimates are determined at the date of valuation and no credit is taken for possible beneficial effects of voluntary withdrawals. Assumptions are further evaluated on a continuous basis in order to ensure realistic and reasonable valuations.

The key assumptions to which the estimation of liabilities is particularly sensitive are as follows:

Mortality rates
Assumptions are based on standard industry and national tables, according to the type of contract written and the territory in which the insured person resides. They reflect recent historical experience and are adjusted when appropriate to reflect the Group's own experiences. An appropriate, but not excessive, prudent allowance is made for expected future improvements. Assumptions are differentiated by sex, underwriting class and contract type.

An increase in rates will lead to a larger number of claims (and claims could occur sooner than anticipated), which will increase the expenditure and reduce profits for the shareholders.

Discount rates
Life insurance liabilities are determined as the sum of the discounted value of the expected benefits and future administration expenses directly related to the contract, less the discounted value of the expected theoretical premiums that would be required to meet these future cash outflows. Discount rates are based on current industry risk rates, adjusted for the Group's own risk exposure.

A decrease in the discount rate will increase the value of the insurance liability and therefore reduce profits for the shareholders.

23. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

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

	2018 *HK$*	2017 *HK$*
NON-CURRENT ASSETS		
Property, plant and equipment	-	-
Interest in a subsidiary	(2,419,872)	(2,429,622)
Interests in associates	57,307,835	55,789,238
Available-for-sale investment	1,000,000	1,000,000
Pension scheme assets	1,547,000	1,333,000
Deposit	136,951	135,101
Total non-current assets	57,571,914	55,827,717
CURRENT ASSETS		
Other accounts receivable and deposit	1,576,355	985,549
Investments measured at fair value through profit or loss	617,770	1,373,868
Short term deposits with a bank, pledged	1,107,800	5,507,730
Short term deposits with banks	2,650,100	1,464,743
Cash and bank balances	1,467,334	3,181,555
Total current assets	7,419,359	12,513,445
CURRENT LIABILITIES		
Insurance contracts liabilities	1,205,916	1,205,916
Accrued liabilities and other payables	733,682	724,891
Total current liabilities	1,939,598	1,930,807
NET CURRENT ASSETS	5,479,761	10,582,638
Net assets	63,051,675	66,410,355

23. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (continued)

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

	2018	**2017**
	HK$	*HK$*
EQUITY		
Share capital	13,549,577	13,549,577
Reserves (note)	49,502,098	56,860,778
Total equity	63,051,675	66,410,355

Philip K H Ma
Director

Ma Kin Loong
Director

23. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (continued)

Note:

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

	Capital reserve *HK$*	General reserve *HK$*	Accumulated losses *HK$*	Total *HK$*
At 1 March 2016	68,935	79,500,000	(23,286,566)	56,282,369
Loss for the year	-	-	(3,563,591)	(3,563,591)
Other comprehensive income for the year:				
Actuarial gains on a defined benefit plan	-	-	142,000	142,000
Total comprehensive expense for the year	-	-	(3,421,591)	(3,421,591)
At 28 February 2017 and 1 March 2017	68,935	79,500,000	(26,708,157)	52,860,778
Loss for the year	-	-	(3,570,680)	(3,570,680)
Other comprehensive income for the year:				
Actuarial gains on a defined benefit plan	-	-	212,000	212,000
Total comprehensive expense for the year	-	-	(3,358,680)	(3,358,680)
At 28 February 2018	68,935	79,500,000	(30,066,837)	49,502,098

24. PARTICULARS OF A SUBSIDIARY

Particulars of the subsidiary at the end of the reporting period are as follows:

Name of company	Place of incorporation and business	Percentage of equity attributable to the Company	Principal activity
Smith Bay Enterprises Limited	British Virgin Islands	100	Investment holding

25. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 25 May 2018.