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先 施 保 險 置 業 有 限 公 司
The Sincere Insurance & Investment Company, Limited

年 報
ANNUAL REPORT
2016/2017

CERTIFIED TRUE COPY

Secretary CHEUNG SZE PING

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CONTENTS

DIRECTORS AND MANAGEMENT

Directors

Philip K H Ma *(Chairman)*
Steve K W Ma
Ma King Cheuk
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

先施保險置業有限公司
THE SINCERE INSURANCE & INVESTMENT COMPANY, LIMITED

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the One Hundred and Second Annual General Meeting of the Company 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 10:30 a.m. on 2 August 2017, Wednesday for the following purposes:

1. To receive and consider the Company's Financial Statements, the Report of the Directors and the Independent Auditors' Report for the year ended 28 February 2017.

2. To elect Directors and fix their remuneration.

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

4. To consider and, if though fit, pass with or without amendments, the following resolution as a special resolution:

   "**THAT** the Company's new Articles of Association, a copy of which has been produced to the meeting marked "**A**" and initialed by the Chairman for the purpose of identification, be and are hereby approved and adopted as the Articles of Association of the Company in substitution for and to the exclusion of the Articles of Association of the Company in force immediately before the passing of this special resolution and **THAT** any Director or the Company Secretary of the Company be and is hereby authorized to do all things necessary to effect and record the adoption of the Company's new Articles of Association."

The Register of Members will be closed from 27 July 2017 to 2 August 2017, 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
29 May 2017

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.

REPORT OF THE DIRECTORS

The directors present their report and the audited financial statements for the year ended 28 February 2017.

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

Results and dividends
The Group's profit for the year ended 28 February 2017 and the Group's financial position at that date are set out in the financial statements on pages 9 to 56.

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

Liquidity and financial resources
At 28 February 2017, the Group had cash and bank balances of HK$11,736,605 of which HK$10,241,144 were pledged. The Group's gearing remained relatively low at 15.1% 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 2017 are set out in note 9 to the financial statements.

As at 28 February 2017, 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 2017 are 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 is set out in note 24 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 2017, the Group's business focused on investments 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 environmental for its employees.

Business review
The Hong Kong Insurance Authority has authorised the Company to carry out "General Business" including "Fire and natural forces" and "Damage to property". As at 28 February 2017, the Group continues to run its existing insurance business and to invest in securities. The board of directors' vision remains unchanged in future business development.

Directors and controllers
The directors of the Company during the year were:

Ma King Cheuk
Philip K H Ma (Chairman)
Steve K W Ma
Yuen Chu Kau

Directors and controllers (continued)
In accordance with Article 66 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.

The controllers of the Company during the year were:

John K K Ma
The Sincere Company, Limited
The Sincere Life Assurance Company Limited

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 2017, 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
29 May 2017

EY 安永

To the members of The Sincere Insurance & Investment Company, Limited
先施保險置業有限公司
(Incorporated in Hong Kong with limited liability)

Opinion
We have audited the consolidated financial statements of The Sincere Insurance & Investment Company, Limited (the "Company") and its subsidiary (the "Group") set out on pages 9 to 56, which comprise the consolidated statement of financial position as at 28 February 2017, 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 2017, 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
29 May 2017

CONSOLIDATED INCOME STATEMENT

Year ended 28 February 2017

	Notes	2017 HK$	2016 HK$
GROSS INSURANCE CONTRACTS PREMIUM REVENUE	4	52,883	57,296
Gross premiums - direct underwriting	16(a)	52,883	57,296
Gross change in unearned premiums		1,765	(3,796)
Reinsurers' share of gross premiums - direct underwriting	16(a)	(47,595)	(51,566)
Reinsurers' share of gross change in unearned premium		(1,588)	3,746
Net insurance contracts premium revenue		5,465	5,680
Gross claims paid		-	-
Reinsurers' share of gross claims paid		-	-
Net claims incurred		-	-
Commission income		23,797	25,783
Commission expenses		(24,537)	(25,393)
Underwriting profit		4,725	6,070
Fair value losses on investments stated at fair value through profit or loss, net	4	(335,588)	(374,663)
Other income and gains, net		542,384	716,651
Directors' remuneration	9	(10,000)	(10,000)
Staff costs, excluding directors' remuneration		(769,640)	(763,640)
Depreciation		(33,081)	(39,676)
Other operating expenses		(1,316,372)	(3,037,965)
Finance costs	7	(38,209)	-
Share of profits less losses of associates		2,961,762	(9,213,038)
PROFIT/(LOSS) BEFORE TAX	5	1,005,981	(12,716,261)
Income tax expense	8	-	-
PROFIT/(LOSS) FOR THE YEAR ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY		1,005,981	(12,716,261)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 28 February 2017

	2017 *HK$*	**2016** *HK$*
PROFIT/(LOSS) FOR THE YEAR	1,005,981	(12,716,261)
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	3,045,263	(15,226,311)
Exchange differences on translation of foreign operations	(945,335)	583,078
Net other comprehensive income/(expense) to be reclassified to income statement in subsequent periods	2,099,928	(14,643,233)
Other comprehensive income/(expense) not to be reclassified to income statement in subsequent periods:		
Actuarial gain/(loss) on a defined benefit plan	329,000	(81,000)
Share of actuarial gains on a defined benefit plan of associates	825,946	46,206
Net other comprehensive income/(expense) not to be reclassified to income statement in subsequent periods	1,154,946	(34,794)
OTHER COMPREHENSIVE INCOME/(EXPENSE) FOR THE YEAR, NET OF TAX	3,254,874	(14,678,027)
TOTAL COMPREHENSIVE INCOME/(EXPENSE) FOR THE YEAR	4,260,855	(27,394,288)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Year ended 28 February 2017

	Notes	2017 *HK$*	2016 *HK$*
NON-CURRENT ASSETS			
Property, plant and equipment	10	-	33,081
Interests in associates	11	(10,202,841)	(11,791,519)
Available-for-sale investments	12	30,494,345	27,470,022
Pension scheme assets	6	343,169	46,435
Total non-current assets		20,634,673	15,758,019
CURRENT ASSETS			
Other accounts receivable		4,315	619,065
Reinsurance assets	13	19,038	20,626
Investments measured at fair value through profit or loss	14, 15	1,373,868	1,709,456
Due from an investee company	12	992,764	964,569
Short term deposits with a bank, pledged	15	10,241,144	13,409,210
Short term deposits with banks		1,036,290	868,701
Cash and bank balances		459,171	175,200
Total current assets		14,126,590	17,766,827
CURRENT LIABILITIES			
Insurance contracts liabilities	16	21,153	22,918
Accrued liabilities and other payables		805,316	3,836,198
Other loan	18	1,932,348	1,924,139
Due to associates	11	741,983	741,983
Total current liabilities		3,500,800	6,525,238
Net current assets		10,625,790	11,241,589
Net assets		31,260,463	26,999,608
EQUITY			
Share capital	19	20,000,000	20,000,000
Reserves	20	11,260,463	6,999,608
Total equity		31,260,463	26,999,608

Philip K H Ma Director	**Yuen Chu Kau** Director	**John K K Ma** Chief Manager

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 28 February 2017

	Share capital	Reserves					
		Capital reserve	General and other reserves #	Investment revaluation reserve	Accumulated losses	Sub-total	Total
	HK$	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*
At 1 March 2015	20,000,000	10,125,965	211,340,457	24,406,614	(211,479,140)	34,393,896	54,393,896
Loss for the year	-	-	-	-	(12,716,261)	(12,716,261)	(12,716,261)
Other comprehensive income/ (expense) for the year							
Exchange adjustment	-	-	583,078	-	-	583,078	583,078
Change in fair value of available-for-sale investments	-	-	-	(15,226,311)	-	(15,226,311)	(15,226,311)
Actuarial losses on a defined benefit plan	-	-	-	-	(81,000)	(81,000)	(81,000)
Share of actuarial gains on a defined benefit plan of associates	-	-	-	-	46,206	46,206	46,206
Total comprehensive income/ (expense) for the year	-	-	583,078	(15,226,311)	(12,751,055)	(27,394,288)	(27,394,288)
At 29 February 2016 and 1 March 2016	20,000,000	10,125,965	211,923,535	9,180,303	(224,230,195)	6,999,608	26,999,608
Profit for the year	-	-	-	-	1,005,981	1,005,981	1,005,981
Other comprehensive income/ (expense) for the year							
Exchange adjustment	-	-	(945,335)	-	-	(945,335)	(945,335)
Change in fair value of available-for-sale investments	-	-	-	3,045,263	-	3,045,263	3,045,263
Actuarial gains on a defined benefit plan	-	-	-	-	329,000	329,000	329,000
Share of actuarial gains on a defined benefit plan of associates	-	-	-	-	825,946	825,946	825,946
Total comprehensive income/ (expense) for the year	-	-	(945,335)	3,045,263	2,160,927	4,260,855	4,260,855
At 28 February 2017	20,000,000	10,125,965	210,978,200	12,225,566	(222,069,268)	11,260,463	31,260,463
Represented by:							
Company and subsidiary	20,000,000	3,083,552	194,000,000	12,160,297	(140,878,722)	68,365,127	88,365,127
Associates	-	7,042,413	16,978,200	65,269	(81,190,546)	(57,104,664)	(57,104,664)
At 28 February 2017	20,000,000	10,125,965	210,978,200	12,225,566	(222,069,268)	11,260,463	31,260,463
Company and subsidiary	20,000,000	3,083,552	194,000,000	9,135,974	(139,251,941)	66,967,585	86,967,585
Associates	-	7,042,413	17,923,535	44,329	(84,978,254)	(59,967,977)	(59,967,977)
At 29 February 2016	20,000,000	10,125,965	211,923,535	9,180,303	(224,230,195)	6,999,608	26,999,608

\# Included in the general and other reserves at 28 February 2017 was a debit balance of HK$375,457 (2016: credit balance of HK$569,878) attributable to the exchange fluctuation reserve.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 28 February 2017

	Notes	2017 *HK$*	2016 *HK$*
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/(loss) before tax		1,005,981	(12,716,261)
Adjustments for:			
Finance costs	7	38,209	-
Share of profits less losses of associates		(2,961,762)	9,213,038
Depreciation	5	33,081	39,676
Dividend income	5	(537,232)	(692,681)
Interest income	5	(29,776)	(23,447)
		(2,451,499)	(4,179,675)
Decrease/(increase) in other accounts receivable		614,750	(285,641)
Decrease/(increase) in reinsurance assets		1,588	(3,746)
Decrease in investments measured at fair value through profit or loss		335,588	374,664
Increase/(decrease) in insurance contracts liabilities		(1,765)	3,796
Increase/(decrease) in accrued liabilities and other payables		(3,030,882)	3,001,651
Decrease in pension scheme assets		32,266	26,266
Net cash flows used in operating activities		(4,499,954)	(1,062,685)
CASH FLOWS FROM INVESTING ACTIVITIES			
Dividends received		537,232	692,681
Interest received		29,776	23,447
Decrease/(increase) in short term deposits with a bank, pledged		3,168,066	(2,940,551)
Decrease in amounts due from associates		778,236	2,099,090
Increase in amounts due to associates		1,274,635	2,433,737
Increase in an amount due from an investee company		(28,195)	(59,813)
Effect of foreign exchange rate changes, net		(778,236)	(804,514)
Net cash flows from investing activities		4,981,514	1,444,077
CASH FLOWS FROM FINANCING ACTIVITIES			
Interest paid		(38,209)	-
Increase/(decrease) in other loan		8,209	(30,000)
Net cash flows used in financing activities		(30,000)	(30,000)

continued/...

CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

Year ended 28 February 2017

	Notes	**2017** *HK$*	**2016** *HK$*
INCREASE IN CASH AND CASH EQUIVALENTS		451,560	351,392
Cash and cash equivalents at beginning of year		1,043,901	692,509
CASH AND CASH EQUIVALENTS AT END OF YEAR		1,495,461	1,043,901
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Short term deposits with banks as stated in the consolidated statement of financial position		1,036,290	868,701
Cash and bank balances as stated in the consolidated statement of financial position		459,171	175,200
Cash and cash equivalents as stated in the consolidated statement of cash flows		1,495,461	1,043,901

1. CORPORATE INFORMATION

The Sincere Insurance & Investment 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 general 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 available-for-sale investment 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 2017. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;
(b) rights arising from other contractual arrangements; and
(c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of the 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 new and revised HKFRSs for the first time for the current year's financial statements.

Amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011)	*Investment Entities: Applying the Consolidation Exception*
Amendments to HKFRS 11	*Accounting for Acquisitions of Interests in Joint Operations*
HKFRS 14	*Regulatory Deferral Accounts*
Amendments to HKAS 1	*Disclosure Initiative*
Amendments to HKAS 16 and HKAS 38	*Clarification of Acceptable Methods of Depreciation and Amortisation*
Amendments to HKAS 16 and HKAS 41	*Agriculture: Bearer Plants*
Amendments to HKAS 27 (2011)	*Equity Method in Separate Financial Statements*
Annual Improvements 2012-2014 Cycle	Amendments to a number of HKFRSs

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

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

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

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

1 Effective for annual periods beginning on or after 1 January 2017
2 Effective for annual periods beginning on or after 1 January 2018
3 Effective for annual periods beginning on or after 1 January 2019
4 No mandatory effective date yet determined but available for adoption

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. The Group is not yet in a position to state whether they would have a significant impact on the Group's results of operations and financial position.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Investments in associates

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

The Group's interests in associates are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. 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.

Certain associates also hold shares in The Sincere Insurance & Investment 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 Insurance & Investment 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%
Furniture, fixtures and equipment	10%

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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 and reinsurance 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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

Derecognition of financial assets
A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:
- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership of the 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets (continued)

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 other payables. Financial liabilities are recognised when the Group becomes a party to the contracted provisions of the instrument.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

General insurance contracts liabilities

General insurance contracts liabilities are recognised when contracts are entered into and premiums are charged. These liabilities are known as the outstanding claims provision, which are based on the estimated ultimate cost of all claims incurred but not settled at the reporting date, whether reported or not, together with handling costs. Delays can be experienced in the notification and settlement of certain types of general insurance claims. Therefore, the ultimate cost cannot be known with certainty at the end of the reporting period.

Outstanding claims

Full provision has been made for outstanding claims, including those incurred but not reported until after the end of the reporting period, and also for the related claims handling expenses estimated to be necessarily and directly incurred in the claims settlement process. This provision, although not a precise assessment, has been made in light of available information and after taking into account the direct claims handling expenses and possible recoveries from other parties. Claims provisions are not discounted for the time value of money and no estimates of inflationary adjustment are admitted until confirmed as necessary. The provisions are derecognised when they are discharged or settled.

Unearned premiums

Unearned premiums are computed at the rate of 40% of the premiums earned during the year, net of premiums ceded in respect of risks reinsured.

Liability adequacy test

At each reporting date, the Group reviews its unexpired risk and a liability adequacy test is performed in accordance with HKFRSs to determine whether there is any overall excess of expected claims over unearned premiums. This calculation uses current estimates of future contractual cash flows after taking account of the investment return expected to arise on assets relating to the relevant non-life insurance technical provisions. If these estimates show that the carrying amount of the unearned premiums is inadequate, the deficiency is recognised in the income statement by setting up a provision for premium deficiency.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

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

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 to the net carrying amount of the financial asset; and

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

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax (continued)
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 a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Leases
Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Rentals applicable to such operating leases are credited or 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, past service costs, gains and losses on curtailments and non-routine settlements
- Net interest expense or income

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.

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies (continued)
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.

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 revenue, 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 adjustments to the carrying amount of the assets or liabilities affected in the future.

Estimates, assumptions and judgements are continually evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Estimation uncertainty
The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Estimation of insurance contracts liabilities

It can take a significant period of time before the ultimate claims cost can be established with certainty. The primary technique adopted by management in estimating the cost of ultimate claims is the use of past claim settlement trends to predict future claims settlement trends. Further details of the claims estimation process are described in note 17 to the financial statements. At each reporting date, prior year claims estimates are reassessed for adequacy and any changes from the previous assessment are made to the provision.

Impairment of available-for-sale investments
The Group classifies certain assets as available-for-sale and recognises movements of their fair values in equity. When the value of assets declines, management makes assumptions about the decline in value to determine whether there is an impairment that should be recognised in the income statement. Details of the available-for-sale investments are described in note 12 to the financial statements.

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:

	2017 *HK$*	**2016** *HK$*
Gross insurance contracts premium revenue	52,883	57,296
Fair value losses on investments stated at fair value through profit or loss, net	(335,588)	(374,663)
	(282,705)	(317,367)

5. PROFIT/(LOSS) BEFORE TAX

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

	2017 *HK$*	**2016** *HK$*
Depreciation	33,081	39,676
Auditor's remuneration	219,000	305,000
Staff costs, excluding directors' remuneration (note 9):		
Wages and salaries	736,640	736,640
Pension scheme costs (note 6)	33,000	27,000
	769,640	763,640
Minimum lease payments under operating lease on land and buildings	178,230	173,400
Exchange losses, net #	41,288	14,628
Fair value losses on investments stated at fair value through profit or loss, net	335,588	374,663
Dividend income received - unlisted investments #	(537,232)	(692,681)
Interest income from bank deposits and other receivables #	(29,776)	(23,447)

\# Exchange losses, net, dividend income received from unlisted investments and interest income from bank deposits and other receivables are included in "Other income and gains, net" in the consolidated income statement.

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 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 2017 by an independent qualified professional valuer, Towers Watson Hong Kong Limited, using the projected unit credit actuarial valuation method.

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

	2017	**2016**
	%	%
Discount rate	1.6	1.3
Expected rate of salary increase	3.0	4.0

6. PENSION SCHEME ASSETS (continued)

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

	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	10,000	0.25	(10,000)
Long-term salary increase rate	0.25	(10,000)	0.25	10,000

	2016			
	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	17,000	0.25	(18,000)
Long-term salary increase rate	0.25	(17,000)	0.25	16,000

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.

6. PENSION SCHEME ASSETS (continued)

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

	2017 *HK$*	**2016** *HK$*
Current service cost	33,000	30,000
Interest income	-	(3,000)
Net benefit expenses recognised in staff costs, excluding directors' remuneration	33,000	27,000

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

	2017 *HK$*	**2016** *HK$*
At beginning of year	724,000	914,000
Current service cost	30,000	29,000
Interest cost	8,000	12,000
Actuarial loss/(gain)	(298,000)	50,000
Benefits paid	(164,000)	(281,000)
At end of year	300,000	724,000

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/(expense)	Contribution by employer	At end of the year
	HK$	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*
2017												
Defined benefit obligations	(724,000)	(30,000)	(8,000)	(38,000)	164,000	-	35,000	56,000	207,000	298,000	-	(300,000)
Fair value of plan assets	770,435	(3,000)	8,000	5,000	(164,000)	31,000	-	-	-	31,000	734	643,169
Net pension assets	46,435	(33,000)	-	(33,000)	-	31,000	35,000	56,000	207,000	329,000	734	343,169
2016												
Defined benefit obligations	(914,000)	(29,000)	(12,000)	(41,000)	281,000	-	-	(21,000)	(29,000)	(50,000)	-	(724,000)
Fair value of plan assets	1,067,701	(1,000)	15,000	14,000	(281,000)	(31,000)	-	-	-	(31,000)	734	770,435
Net pension assets	153,701	(30,000)	3,000	(27,000)	-	(31,000)	-	(21,000)	(29,000)	(81,000)	734	46,435

6. PENSION SCHEME ASSETS (continued)

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

	2017	2016
Equity instruments, quoted in an active market	-	24%
Debt instruments, at quoted prices	-	76%
Cash	100%	-
Total	100%	100%

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

	2017 *HK$*	2016 *HK$*
Within the next 12 months	-	1,000

The average duration of the defined benefit obligations at the end of the reporting period was 6.9 years (2016: 8.6 years).

(h) At 29 February 2016, the Group had an amount due from the Scheme of HK$611,493, which was included in "Other accounts receivable and deposit" on the face of the consolidated statement of financial position. The balance was unsecured, interest-free and fully settled during the year.

7. FINANCE COSTS

	2017 *HK$*	2016 *HK$*
Other interest expenses	38,209	-

8. 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 (2016: Nil).

A reconciliation of tax expenses applicable to profit/(loss) before tax at the statutory rate to the tax credit at the effective rate is as follows:

	2017 *HK$*	2016 *HK$*
Profit/(loss) before tax	1,005,981	(12,716,261)
Tax at statutory rate of 16.5%	165,987	(2,098,183)
Profits and losses attributable to associates	(488,691)	1,520,151
Income not subject to tax	(89,474)	(118,981)
Tax losses not recognised	384,704	624,946
Others	27,474	72,067
Tax charge for the year	-	-

Hong Kong profits tax for the associates is calculated by applying the current rate of 16.5% (2016: 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$2,100 (2016: HK$2,030) 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$196,037,625 (2016: HK$193,706,088) that are available indefinitely for offsetting against future taxable profit 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.

9. 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:

	2017	**2016**
	HK$	*HK$*
Fees	10,000	10,000
Other emoluments:		
Salaries, allowances and benefits in kind	-	-
Pension	-	-
	10,000	10,000

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

	2017	**2016**
	HK$	*HK$*
Fees	8,000	8,000
Other emoluments:		
Salaries, allowances and benefits in kind	-	-
Pension	-	-
	8,000	8,000

10. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements *HK$*	Furniture, fixtures and equipment *HK$*	Total *HK$*
Cost:			
At 1 March 2015, 29 February 2016, 1 March 2016 and 28 February 2017	119,046	350,606	469,652
Accumulated depreciation:			
At 1 March 2015	46,289	350,606	396,895
Provided during the year	39,676	-	39,676
At 29 February 2016 and 1 March 2016	85,965	350,606	436,571
Provided during the year	33,081	-	33,081
At 28 February 2017	119,046	350,606	469,652
Net book value:			
At 28 February 2017	-	-	-
At 29 February 2016	33,081	-	33,081

11. INTERESTS IN ASSOCIATES

	2017 *HK$*	2016 *HK$*
Shares of net assets/(liabilities) other than goodwill	(3,289,072)	(6,930,621)
Due from associates	6,502,818	7,281,054
Non-current portion of amounts due to associates	(13,416,587)	(12,141,952)
	(10,202,841)	(11,791,519)
Current portion of amounts due to associates	(741,983)	(741,983)

11. 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 except for an amount due to an associate of HK$741,983 (2016: HK$741,983) which is repayable on demand.

Particulars of the associates are as follows:

Name of company	Business structure	Place of incorporation and business	Percentage of ownership interest attributable to the Group	Principal activities
The Sincere Life Assurance Company Limited ("Sincere Life")	Corporate	Hong Kong	21.80	Insurance and investment
The Sincere Company (Perfumery Manufacturers), Limited	Corporate	Hong Kong	23.85	Investment
Fortune Yield Limited	Corporate	British Virgin Islands	50.00	Investment holding
Finsbay Investment Limited ("Finsbay")	Corporate	British Virgin Islands	24.50	Investment holding
Sincere Properties (Kangaroo Point) Pty. Ltd.	Corporate	Australia	50.00	Dormant

11. INTERESTS IN ASSOCIATES (continued)

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

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

	2017	2016
	HK$	*HK$*
Current assets	12,513,445	17,428,946
Non-current assets	55,750,949	45,286,559
Current liabilities	(2,188,530)	(2,167,106)
Net assets	66,075,864	60,548,399
Net assets attributable to owners of Sincere Life	66,075,864	60,548,399
Reconciliation to the Group's interest in the associate:		
Group's effective interest in the associate	21.8%	21.8%
Group's share of net assets of the associate and carrying amount of the investment	14,404,538	13,199,551
Revenue	-	-
Profit/(loss) for the year	13,616,358	(68,472,621)
Other comprehensive expense for the year	(8,088,893)	(4,914,432)
Total comprehensive income/(expense) for the year	5,527,465	(73,387,053)

11. 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 differences in accounting policies and reconciled to the carrying amount in the consolidated financial statements:

	2017	2016
	HK$	*HK$*
Current assets	17,822,000	25,403,000
Non-current assets	45,616,000	58,614,000
Current liabilities	(107,132,999)	(135,046,999)
Non-current liabilities	(16,863,000)	(16,863,000)
Net liabilities	(60,557,999)	(67,892,999)
Net liabilities attributable to owners of Finsbay	(60,557,999)	(67,892,999)
Reconciliation to the Group's interest in the associate:		
Group's effective interest in the associate	33.41%	33.41%
Group's share of net liabilities of the associate and carrying amount of the investment	(20,232,427)	(22,683,051)
Revenue	-	-
Profit for the year	60,000	11,508,146
Other comprehensive income for the year	7,275,000	7,469,286
Total comprehensive income for the year	7,335,000	18,977,432

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

	2017	2016
Share of the associates' profit/(loss) for the year	(26,650)	1,869,121
Share of the associates' other comprehensive income/(expense)	12,588	(95,042)
Share of the associates' total comprehensive income/(expense)	(14,064)	1,774,079
Aggregate carrying amount of the Group's interests in associates	2,538,817	2,552,879

12. AVAILABLE-FOR-SALE INVESTMENTS

	2017 *HK$*	2016 *HK$*
Listed investments:		
Listed shares on The Stock Exchange of Hong Kong Limited, at market value	29,487,145	26,462,822
Unlisted equity investments, at cost	7,200	7,200
Investment in a club membership, at fair value	1,000,000	1,000,000
	30,494,345	27,470,022

The above investments consist of investments in equity securities and a club membership which were designated as available-for-sale financial assets and have no fixed maturity date or coupon rate.

During the year, the gross profit of the Group's available-for-sale equity investments recognised directly in equity amounted to HK$3,024,323 (2016: gross loss of HK$15,121,613).

The amount due from an investee company is unsecured, interest-free and repayable on demand.

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

The unlisted available-for-sale equity investments were measured at cost less impairment because the directors believe that their fair value cannot be measured reliably.

Particulars of the listed and unlisted investments are as follows:

Name of company	Place of incorporation and business	Percentage of ownership interest attributable to the Group	Principal activities
Listed investment			
The Sincere Company, Limited	Hong Kong	13.17	Department store operation, property investment and securities trading
Unlisted investment			
The Sincere Company Taiwan Limited	Taiwan	10.00	Dormant

13. REINSURANCE ASSETS

	2017 *HK$*	2016 *HK$*
Reinsurer's share of insurance contracts liabilities (note 16)	19,038	20,626

14. INVESTMENTS MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS

	2017 *HK$*	2016 *HK$*
Unlisted equity funds, at fair value	1,373,868	1,709,456

The above investments at 28 February 2017 and 29 February 2016 were, upon initial recognition, designated by the Group as financial assets at fair value through profit or loss.

The fair values of unlisted equity funds are based on published bid-values.

15. BANK FACILITIES

At 28 February 2017, the investments measured at fair value through profit or loss of the Group amounting to HK$689,641 (2016: HK$864,579) and short term deposits with a bank of the Group amounting to HK$10,241,144 (2016: HK$13,409,210) were pledged in favour of a bank as securities for bank facilities granted to the Group.

16. INSURANCE CONTRACTS LIABILITIES

		2017			2016		
	Notes	Insurance contracts liabilities *HK$*	Reinsurers' share of liabilities *HK$*	Net *HK$*	Insurance contracts liabilities *HK$*	Reinsurers' share of liabilities *HK$*	Net *HK$*
Provision for claims reported by policyholders and claims incurred but not reported ("IBNR")	17(4)	-	-	-	-	-	-
Provision for unearned premiums	(a)	21,153	(19,038)	2,115	22,918	(20,626)	2,292
Total insurance contracts liabilities		21,153	(19,038)	2,115	22,918	(20,626)	2,292
			(Note 13)			(Note 13)	

16. INSURANCE CONTRACTS LIABILITIES (continued)

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

	2017			2016		
	Insurance contracts liabilities *HK$*	**Reinsurers' share of liabilities** *HK$*	**Net** *HK$*	**Insurance contracts liabilities** *HK$*	**Reinsurers' share of liabilities** *HK$*	**Net** *HK$*
At beginning of year	22,918	(20,626)	2,292	19,122	(16,880)	2,242
Premiums written in the year	52,883	(47,595)	5,288	57,296	(51,566)	5,730
Premiums earned during the year	(54,648)	49,183	(5,465)	(53,500)	47,820	(5,680)
At 28 February/29 February	21,153	(19,038)	2,115	22,918	(20,626)	2,292

17. INSURANCE CONTRACTS LIABILITIES AND REINSURANCE ASSETS - TERMS, ASSUMPTIONS AND SENSITIVITIES

(1) Terms and conditions

The major class of general insurance written by the Group was property damage. Risks under these policies usually covered a 12-month duration.

For general insurance contracts, the most significant risks arise from natural disasters. For longer tail claims that take some years to settle, there is also inflation risk.

These risks do not vary significantly in relation to the location of the risk insured by the Group, type of risk insured and industry.

Claims provisions (comprising provisions for claims reported by policyholders and IBNR) are established to cover the ultimate cost of settling the liabilities in respect of claims that have occurred and are estimated based on known facts at the end of the reporting period.

The provisions are refined regularly as part of an ongoing process as claims experience develops, certain claims are settled and further claims are reported. Outstanding claims provisions are not discounted for the time value of money.

The measurement process primarily includes projection of future claims costs through a combination of actuarial and statistical projection techniques. In certain cases, where there is a lack of reliable historical data on which the estimation of claims development, relevant benchmarks of similar business are used in developing claims estimates. Claims provisions are separately analysed by class of business. In addition, larger claims are usually separately assessed by loss adjusters. The claims projection assumptions are generally intended to provide the best estimate of the most likely or expected outcome.

17. INSURANCE CONTRACTS LIABILITIES AND REINSURANCE ASSETS - TERMS, ASSUMPTIONS AND SENSITIVITIES (continued)

(2) Assumptions

The principal assumption underlying the estimates is the Group's past claims development experience. This includes assumptions in respect of average claim costs, claims handling costs and number of claims for each accident year. Additional qualitative judgements are used to assess the extent to which past trends may not apply in the future, for example, one-off occurrence, changes in market factors such as public attitude to claiming, economic conditions, as well as internal factors such as portfolio mix, policy conditions and claims handling procedures. Judgement is used to assess the extent to which external factors such as judicial decisions and government legislation affect the estimates.

(3) Sensitivities

The insurance claims provision is sensitive to the above key assumptions. The sensitivity of certain assumptions, e.g., legislative change and uncertainty in the estimation process, is not possible to quantify. Furthermore, because of the delays that arise between occurrence of a claim and its subsequent notification and eventual settlement, the outstanding claim provision is not known with certainty at the end of the reporting period.

Consequently, the ultimate liabilities will vary as a result of subsequent developments. Differences resulting from reassessment of the ultimate liabilities are recognised in subsequent financial statements.

(4) Loss development triangle

Reproduced below is an exhibit that shows the development of claims over a period of time on a gross and net basis.

The tables show the estimate of cumulative incurred claims, including both notified and IBNR claims, for each successive accident year at the end of each reporting period, together with cumulative claims at the end of the reporting period.

17. INSURANCE CONTRACTS LIABILITIES AND REINSURANCE ASSETS - TERMS, ASSUMPTIONS AND SENSITIVITIES (continued)

(4) Loss development triangle (continued)

Gross insurance claims

	2008 and before *HK$'000*	2009 *HK$'000*	2010 *HK$'000*	2011 *HK$'000*	2012 *HK$'000*	2013 *HK$'000*	2014 *HK$'000*	2015 *HK$'000*	2016 *HK$'000*	2017 *HK$'000*	Total *HK$'000*
Accident year	3,664	-	-	-	-	-	-	-	-	-	
One year later	3,677	-	-	-	-	-	-	-	-	-	
Two years later	3,952	-	-	-	-	-	-	-	-	-	
Three years later	3,915	-	-	-	-	-	-	-	-	-	
Four years later	3,915	-	-	-	-	-	-	-	-	-	
Five years later	3,915	-	-	-	-	-	-	-	-	-	
Six years later	3,915	-	-	-	-	-	-	-	-	-	
Seven years later	3,915	-	-	-	-	-	-	-	-	-	
Eight years later	3,915	-	-	-	-	-	-	-	-	-	
Nine years later	3,915	-	-	-	-	-	-	-	-	-	
Current estimate of cumulative gross claims	3,915	-	-	-	-	-	-	-	-	-	3,915
Cumulative gross payments to date	(3,915)	-	-	-	-	-	-	-	-	-	(3,915)
Total gross general insurance claims liability as per the statements of financial position	-	-	-	-	-	-	-	-	-	-	-
											(Note 16)

Net insurance claims

	2008 and before *HK$'000*	2009 *HK$'000*	2010 *HK$'000*	2011 *HK$'000*	2012 *HK$'000*	2013 *HK$'000*	2014 *HK$'000*	2015 *HK$'000*	2016 *HK$'000*	2017 *HK$'000*	Total *HK$'000*
Accident year	2,717	-	-	-	-	-	-	-	-	-	
One year later	2,694	-	-	-	-	-	-	-	-	-	
Two years later	2,969	-	-	-	-	-	-	-	-	-	
Three years later	2,983	-	-	-	-	-	-	-	-	-	
Four years later	2,983	-	-	-	-	-	-	-	-	-	
Five years later	2,983	-	-	-	-	-	-	-	-	-	
Six years later	2,983	-	-	-	-	-	-	-	-	-	
Seven years later	2,983	-	-	-	-	-	-	-	-	-	
Eight years later	2,983	-	-	-	-	-	-	-	-	-	
Nine years later	2,983	-	-	-	-	-	-	-	-	-	
Current estimate of cumulative net claims	2,983	-	-	-	-	-	-	-	-	-	2,983
Cumulative net payments to date	(2,983)	-	-	-	-	-	-	-	-	-	(2,983)
Total net general insurance claims liability as per the statements of financial position	-	-	-	-	-	-	-	-	-	-	-
											(Note 16)

18. OTHER LOAN

Balance is unsecured, interest-bearing at 2% (2016: 2%) per annum and has no fixed terms of repayment.

19. SHARE CAPITAL

	2017	2016
	HK$	*HK$*
Issued and fully paid:		
200,000 ordinary shares	20,000,000	20,000,000

20. 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.

21. RELATED PARTY TRANSACTIONS

The Group had the following transaction with related parties during the year in addition to those disclosed elsewhere in the financial statements:

	Note	2017	2016
		HK$	*HK$*
Management fee paid to a listed investee company	(a)	2,000	2,000

Note:
(a) The management fee arose from management services provided by the investee company to the Company.

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 9 and 6 to the financial statements, respectively.

22. COMMITMENTS

At the end of the reporting period, the Group did not have any significant commitments (2016: Nil).

23. FAIR VALUE HIERARCHY

Assets measured at fair value:

	Level 1 *HK$*	Level 2 *HK$*	Total *HK$*
At 28 February 2017			
Available-for-sale investments:			
Listed investment	29,487,145	-	29,487,145
Investment in a club membership	-	1,000,000	1,000,000
Investments measured at fair value through profit or loss:			
Equity funds	-	1,373,868	1,373,868
	29,487,145	2,373,868	31,861,013
At 29 February 2016			
Available-for-sale investments:			
Listed investment	26,462,822	-	26,462,822
Investment in a club membership	-	1,000,000	1,000,000
Investments measured at fair value through profit or loss:			
Equity funds	-	1,709,456	1,709,456
	26,462,822	2,709,456	29,172,278

During the years ended 28 February 2017 and 29 February 2016, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3.

24. 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, insurance risk and equity price risk.

The overall internal control environment and 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.

24. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(1) Credit risk management (continued)

The carrying amounts of the Group's other accounts receivable and amounts due from associates represent the Group's maximum exposure to credit risk. No other financial assets carry a significant exposure to credit risk.

At 28 February 2017 and 29 February 2016, 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 (e.g., insurance receivables) and projected cash flows from operations.

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:

		2017	
	Less than 1 year	**Over 1 year**	**Total**
	HK$	*HK$*	*HK$*
Due to associates	741,983	13,416,587	14,158,570
Other payables	27,869	-	27,869
Other loan	1,932,348	-	1,932,348
	2,702,200	13,416,587	16,118,787

		2016	
	Less than 1 year	**Over 1 year**	**Total**
	HK$	*HK$*	*HK$*
Due to associates	741,983	12,141,952	12,883,935
Other payables	15,751	-	15,751
Other loan	1,924,139	-	1,924,139
	2,681,873	12,141,952	14,823,825

24. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(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 Companies 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 during the current and previous years.

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

	Non-life insurance *HK$*
2017 required Relevant Amount	10,000,000
2016 required Relevant Amount	10,000,000

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 available-for-sale investments and amounts due from/(to) associates, 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.

24. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(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 risk under an insurance contract is the risk that an insured event will occur including the uncertainty of the amount and timing of any resulting claim. The principal risk the Group faces under such contracts is that the actual claims and benefit payments may exceed the carrying amount of insurance liabilities. This is influenced by the frequency of claims, severity of claims, actual benefits paid which are greater than originally estimated and subsequent development of long tail claims. At the end of the reporting period, no claims and benefit payments were unsettled.

(7) Equity price risk management

Equity price risk is the risk that the fair values of equity securities decrease as a result of changes in the levels of equity indices and the value of individual securities. The Group is exposed to equity price risk arising from an individual listed equity investment classified as an available-for-sale investment at 28 February 2017 and 29 February 2016. The Group's listed available-for-sale investment is listed on the Hong Kong Stock Exchange and is valued at quoted market price at the end of the reporting period.

If the price of the listed available-for-sale investment had been 10% higher/lower, with all other variables held constant, the Group's available-for-sale investment revaluation reserve would have increased/decreased by approximately HK$2,948,715 at 28 February 2017 (2016: HK$2,646,282) as a result of the changes in the fair value of the listed available-for-sale investment.

25. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

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

	2017	2016
	HK$	*HK$*
NON-CURRENT ASSETS		
Property, plant and equipment	-	33,081
Interest in a subsidiary	8	8
Interests in associates	(9,434,696)	(8,160,061)
Available-for-sale investments	30,494,345	27,470,022
Pension scheme assets	343,169	46,435
Total non-current assets	21,402,826	19,389,485
CURRENT ASSETS		
Other accounts receivable	4,315	619,065
Reinsurance assets	19,038	20,626
Investments measured at fair value through profit or loss	1,373,868	1,709,456
Due from an investee company	992,764	964,569
Short term deposits with a bank, pledged	10,241,144	13,409,210
Short term deposits with banks	1,036,290	868,701
Cash and bank balances	459,171	175,200
Total current assets	14,126,590	17,766,827
CURRENT LIABILITIES		
Insurance contracts liabilities	21,153	22,918
Accrued liabilities and other payables	289,869	3,320,751
Other loan	1,932,348	1,924,139
Due to a subsidiary	2,029,816	2,039,176
Due to an associate	741,983	741,983
Total current liabilities	5,015,169	8,048,967
NET CURRENT ASSETS	9,111,421	9,717,860
Net assets	30,514,247	29,107,345

25. 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)

	2017	**2016**
	HK$	*HK$*
EQUITY		
Share capital	20,000,000	20,000,000
Reserves (note)	10,514,247	9,107,345
Total equity	30,514,247	29,107,345

Philip K H Ma	**Yuen Chu Kau**	**John K K Ma**
Director	Director	Chief Manager

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

Note:

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

	Capital reserve *HK$*	General reserve *HK$*	Investment revaluation reserves *HK$*	Accumulated losses *HK$*	Total *HK$*
At 1 March 2015	3,083,552	194,000,000	24,257,587	(193,553,216)	27,787,923
Loss for the year	-	-	-	(3,477,965)	(3,477,965)
Other comprehensive expense for the year:					
Change in fair value of available-for-sale investments	-	-	(15,121,613)	-	(15,121,613)
Actuarial losses on a defined benefit plan	-	-	-	(81,000)	(81,000)
Total comprehensive expense for the year	-	-	(15,121,613)	(3,558,965)	(18,680,578)
At 29 February 2016 and 1 March 2016	3,083,552	194,000,000	9,135,974	(197,112,181)	9,107,345
Loss for the year	-	-	-	(1,946,421)	(1,946,421)
Other comprehensive income/(expense) for the year:					
Change in fair value of available-for-sale investments	-	-	3,024,323	-	3,024,323
Actuarial gains on a defined benefit plan	-	-	-	329,000	329,000
Total comprehensive income /(expense) for the year	-	-	3,024,323	(1,617,421)	1,406,902
At 28 February 2017	3,083,552	194,000,000	12,160,297	(198,729,602)	10,514,247

26. 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
Bridgetown Investments Inc.	British Virgin Islands	100	Investment

27. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 29 May 2017.