



**EJE (HONG KONG)
HOLDINGS LIMITED**

壹家壹品 (香港) 控股有限公司*

(a company incorporated in the Cayman Islands with limited liability)

(於開曼群島註冊成立之有限公司)

Stock Code 股份代號: 8101



2018
ANNUAL REPORT
年報



* For identification purpose only

* 僅供識別

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This report, for which the directors (the “Directors”) of EJE (HONG KONG) Holdings Limited (the “Company”) collectively and individually accept full responsibilities, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM (the “GEM Listing Rules”) of the Stock Exchange for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (1) the information contained in this report is accurate and complete in all material respects and not misleading or deceptive; and (2) there are no other matters the omission of which would make any statement in this report misleading.

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CORPORATE INFORMATION

PRC OFFICE

Eastern Section of Guangzhou Economic and Technological Development District, Huangpu District, Guangdong Province, the PRC

HONG KONG OFFICE

Room 01, 23rd Floor.,
China Insurance Group Building,
141 Des Voeux Road Central,
61–65 Gilman Street and
73 Connaught Road Central,
Hong Kong

WEBSITE

www.ejeliving.com

BOARD OF DIRECTORS

Executive Directors

Mr. Qin Yuquan (*Chairman, appointed on 20 November 2017*)

(*Director, appointed on 1 August 2017*)

Mr. Hung Cho Sing (*Chairman, resigned on 20 November 2017*)

Mr. Wong Siu Ki

Mr. Matthew Chung

Mr. Wong Pak Kan Martin (*resigned on 11 August 2017*)

Mr. Yim Yin Nang (*resigned on 20 November 2017*)

Independent Non-executive Directors

Mr. Tang Kin Chor

Mr. Chan Chun Wing

Ms. Lai Mei Kwan (*resigned on 1 August 2017*)

Mr. Li Siu Yui (*appointed on 11 July 2017*)

AUTHORISED REPRESENTATIVES

Mr. Wong Siu Ki

Mr. Wong King Chung

COMPANY SECRETARY

Mr. Wong King Chung

COMPLIANCE OFFICER

Mr. Wong King Chung

AUDIT COMMITTEE

Mr. Chan Chun Wing (*Chairman*)

Mr. Tang Kin Chor

Ms. Lai Mei Kwan (*resigned on 1 August 2017*)

Mr. Li Siu Yui (*appointed on 11 July 2017*)

NOMINATION COMMITTEE

Mr. Tang Kin Chor (*Chairman*)

Mr. Chan Chun Wing

Ms. Lai Mei Kwan (*resigned on 1 August 2017*)

Mr. Li Siu Yui (*appointed on 11 July 2017*)

REMUNERATION COMMITTEE

Mr. Li Siu Yui (*appointed on 11 July 2017*) (*Chairman*)

Mr. Tang Kin Chor

Mr. Chan Chun Wing

Ms. Lai Mei Kwan (*resigned on 1 August 2017*)

AUDITOR

Elite Partners CPA Limited

LEGAL ADVISER

Lin and Associates

THE CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Codan Trust Company (Cayman) Limited

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited

Level 22, Hopewell Centre,

183 Queen's Road East,

Hong Kong

PRINCIPAL BANKERS

Agricultural Bank of China

Industrial and Commercial Bank of China

Construction Bank of China

Public Bank (Hong Kong)

Bank of Communications (Hong Kong)

Bank of China (Hong Kong)

STOCK CODE

8101



CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the board of Directors (the "Board"), I am pleased to present the annual results of the Company and its subsidiaries (collectively the "Group") for the year ended 31 March 2018 (the "Year").

One of the greatest move of the Group this year was the acquisition of Pioneer One Investments Limited ("Pioneer One"). Pioneer One group is principally engaged in custom-made furniture business in PRC. The acquisition signify the change of the Group's new direction and focus.

INDUSTRY REVIEW

The Group started off with mattress and soft bed products' manufacturing and sales business and now shifting focus to custom-made furniture business. This was a strategic decision derived from careful analysis of the China market's unique characteristic and trend. Furniture market in China has always been a promising one due to rapid population growth (especially after the relaxation of the one-child policy to two children under the 13th Five-Year Plan), urbanization of rural areas (urbanization rate in China reached 57.4% in 2016) and Belt and Road Initiative. However, latest statistic has shown us that the growth rate of furniture sales in China was in fact declining. While the demand from the market is rock solid, such sales performance of furniture business is defying the general expectation. Especially when the real estate sales has shown a positive growth rate and outperformed market expectation. Interestingly, there are other statistics showing a clear trend of a particular segment from the furniture market has indeed outperform the furniture market as a whole significantly. In 2017, the net profit increase for furniture market as a whole and custom-made furniture segment are 11.20% and 38.98% respectively. In fact, the growth of the custom-made furniture has been maintained at 20% to 30% level for the last 5 years. This means custom-made furniture segment is doing a great job and getting more market shares while some other market participants were struggling. Not every business models in this vast furniture market of China are born equal. Therefore the Group also has to re-strategize our investment in this market accordingly.

Before acquiring the Pioneer One group, The Group was one of those companies that were suffer from the declining sales of our bedding business. However, we did not lose faith in the demand for home decoration in PRC market and started to look for our Blue Ocean. After much careful studies, we understand the furniture market has undergone a change. Furniture as a product has indeed fall short of the expectation from the market. What the market wants is a solution that answer to their all-encompassed home decoration need. This include a reliable brand that represent good quality and style. Customer would also appreciate the convenience of online shopping while receiving premium service from bespoke furniture store. As a results, we found custom-made furniture. Custom-made furniture appeared in China as early as 1993. After more than two decades of development, it has become sophisticate as well as large in scale. Nowadays, the terms such as "whole house customization" and "bespoke furniture" has become very popular among customers in China. At present, many large bespoke furniture manufacturers are developing rapidly. These companies also attracted great attention from the capital market. Many of them had successfully listed in various stock exchanges in recent years.

OUTLOOK AND FUTURE PROSPECTS

While the Group is currently concentrate with the expansion plan for the China domestic market, we have already foreseen the need to extend our market to overseas. Besides of the organic expansion, the Group will also devote more effort to be environmental friendly as well as to endeavour to provide our customers with environmental friendly products. One of the key success factor of custom-made furniture business is its franchising-store distribution network. In addition to such network, we also have online ordering system and online design system "Designer X" for customer to place their order and get their design recommendation. Going forward, we will explore more other O2O solutions to make our products even more accessible to customers. The entry requirement for customer-made franchising store is relatively low, and which is good for sales expansion. However, technology is the determinant factor that set us apart from other competitors in the same industry. Others might use very similar software to manage their production and logistic, but without dedicated focus on vast data acquired from real life cases and careful analysis of them and eventually customize our own system, those software are useless. Going forward, we will continue our undivided attention on technology and apply them into our business to further streamline operation, reduce cost and improve efficiency.

APPRECIATION

I am optimistic toward the challenging year of 2018 ahead of us. On behalf of the Board, I would like to extend my sincere gratitude to our valued customers, business partners and shareholders for their constant support and trust, and express my heartfelt appreciation to the management team and all staffs for their hard work and dedication to the development of the Group.

Yours faithfully

Qin Yuquan

Chairman



MANAGEMENT DISCUSSION AND ANALYSIS

DIVIDEND

The Board has resolved not to declare a final dividend for the year ended 31 March 2018 (2017: Nil).

BUSINESS REVIEW

During the Year, businesses in China had done slightly better than expectation from the market. GDP in China continue to accelerate from the fourth quarter of 2017. The GDP growth rate for the first quarter of 2018 is 6.8% which topped the consensus estimate of 6.7% year-over-year growth. On one hand, such growth rate reflect that the domestic demand is strong, but on the other hand, it also posted a threat to industries because Government will quicken their measures to bring down the growth rate to their target of 6.5%. It is clear that the Government will endeavor to deleverage the economy in response to the widespread concerns about financial risks in China. And, it will also continue to crack down on environmental pollution from industry. The challenge ahead in 2018 should never be under estimated. There is also trade protectionism issue with U.S. President Donald Trump's administration at the moment, which could affect the market sentiment drastically. During the year under review, the Group has shifted focus from previous mattress and soft bed product business to custom-made furniture and have yielded encouraging results. In order to sustain what we have achieved, we would tightly monitor the development of Government's policy and be more adaptive to new technologies as well as market trend to provide services and products that the market craving for.

After the acquisition of Pioneer One group, subsidiaries that are principally engaged in manufacture of custom-made furniture under the brand name of “壹家壹品” (“Yijia Yipin”) in PRC, the Group has gradually shifting away from previous focus on mattress and soft bed products sales business to custom-made furniture business in China. The turnover contributed from the custom-made furniture segment has now constituted approximately 60.30% of the Group's total sales. On the contrary, the turnover contribution from the mattress and soft bed product segment has reduced from previously 93.76% to only 35.85% now. However, the turnover amount has only slightly decreased from approximately HK\$49.53 million of last year to this year approximately HK\$48.58 million of this year. Nevertheless, the lost contributed from this segment has increased from last year approximately HK\$2.56 million to this year approximately HK\$4.54 million. It shows that under the keen competition of this market segment, it is getting difficult to sustain our sales at previous level. On the other hand, the ever-increasing production cost has make the profit margin became even thinner than last year. It is inevitable to admit that the mattress and soft bed products business in China is getting very challenging. Going forward, management would further tighten cost control measures to save guard the profit margin. From the Group's perspective, more resources will be allocated to the custom-made furniture business.

The other revenue making segment of property investment has recorded turnover from rental income of approximately HK\$3.7 million, which is approximately 2.73% of the total revenue. The segment profit is approximately HK\$1.7 million. As for the money lending segment, the interest income was approximately HK\$0.9 million, which is approximately 0.7% of the total revenue. The segment profit is approximately HK\$0.8 million. Securities investment segment has recorded loss of HK\$121.0 million, representing approximately HK\$246.5 million decrease from last year net profit of approximately HK\$125.5 million of the same period.

MANAGEMENT DISCUSSION AND ANALYSIS

Fair Value Loss on Financial Assets at Fair Value through Profit or Loss

The Group recorded fair value loss on financial assets at fair value through profit or loss approximately HK\$128.1 million for the year ended 31 March 2018 which included realised fair value loss approximately HK\$122.3 million and unrealised fair value loss approximately HK\$5.7 million. The unrealised fair value loss mainly arose from the Group's investment on shares listed on the Hong Kong Stock Exchange. The Group has recognised significant fair value loss predominantly due to the investment in shares of Luen Wong Group Holdings Limited ("Luen Wong") which is listed on HKEX (Stock Code: 8217). These shares were acquired in the first quarter of 2016 at a cost of approximately HK\$2.0 million. In June 2016, the Group had disposed part of its stock holding and recognized a profit of approximately HK\$2.4 million. Its remaining fair value as at 31 March 2017 was approximately HK\$138.7 million which represents an unrealised fair value gain of approximately HK\$136.8 million. During the period under review, the Group had disposed all of its remaining interest in Luen Wong and resulted in a loss of approximately HK\$131.6 million for the period. Nevertheless, the overall performance of the investment in Luen Wong across the two financial years was a net gain of approximately HK\$7.5 million since its acquisition in April 2016. In view of the recent volatility of the stock market, the Board will adopt cautious measures to manage the Group's investment portfolio.

Fair Value Loss on Convertible Bonds

In addition to the above mentioned fair value loss on financial assets at fair value through profit or loss, the Group also recorded a loss of approximately HK\$283.1 million on fair value assessment of convertible bonds, which was non-cash accounting loss incurred as a result of the change in the fair value of the convertible bonds in the principal amount of HK\$212 million, non-interest bearing and maturing on 1 August 2020 to Legendary Idea Limited as the consideration for the acquisition of Pioneer One Investments Limited on 1 August 2017.

The bond will at the option of the holder be converted at an initial conversion price of HK\$0.11 on or after 1 August 2018 and under the condition that bondholder has surrendered, if applicable, the bond to the Company of the total amount equals to the 2018 Profit Adjustment. For details of these Convertible Bonds please refer to the Circular of Company dated 22 June 2017 which was about the acquisition of Pioneer One. The conversion of option is classified as derivative financial instrument and has been included in the balance of convertible bonds in the consolidated statement of financial position.

MANAGEMENT DISCUSSION AND ANALYSIS

SIGNIFICANT INVESTMENTS

As at 31 March 2018, the Group held approximately HK\$23.2 million equity investments at fair value through profit or loss (2017: approximately HK\$165.2 million). Details of the significant investments are as follows:

	Notes	Stock Code	Place of incorporation	No. of shares held	Fair value Gain/(loss) HK\$'000	Market Values HK\$'000	Approximate percentage of equity investments at fair value through profit and loss %	Approximate percentage to the net assets %
Koala Financial Group Limited	1	8226	Cayman Islands	35,200,000	(2,894)	8,488	36.6%	2.4%
Shun Wo Group Holdings Limited	2	1591	Cayman Islands	40,000,000	1,592	5,840	25.2%	1.7%
Individual investment less than 1% of net assets the Group					(4,441)	8,850	38.2%	2.5%

Notes:

1. Koala Financial Group Limited is an investment holding company. Its subsidiaries are principally engaged in (i) Securities investment; (ii) Manufacture and sales of LED digital display products; (iii) trading of commodities; (iv) trading of garment accessories; (v) Provision of securities placing and brokerage services; (vi) money lending and (vii) leasing of investment properties. No dividend was received during the period. According to its latest published financial statements, it had net asset value of approximately HK\$201,190,000 as at 31 December 2017.
2. Shun Wo Group Holdings Limited is an investment holding company. Its subsidiaries are principally engaged in undertaking foundation works in Hong Kong. No dividend was received during the period. According to its latest published financial statements, it had net asset value of approximately HK\$157,575,000 as at 30 September 2017.

During the year, the Group disposed some of the investments on market and the sales proceeds generated from the investments in marketable securities amounted to approximately HK\$64.8 million and loss recognised for the year of approximately HK\$122.3 million.

Details of the transactions are as follows:

	Stock code	Place of incorporation	Sales proceeds HK\$'000	Realised gain/(loss) HK\$'000
LEAP Holdings Group Limited	1499	Cayman Islands	3,773	(1,282)
Luen Wong Group Holdings Limited	8217	Cayman Islands	7,064	(131,636)
S&P International Holding Limited	1695	Cayman Islands	6,143	3,018
Deson Construction International Holdings Limited	8268	Cayman Islands	3,497	(1,897)
M&L Holdings Group Limited	8152	Cayman Islands	4,124	2,330
Atlink Group Limited	8043	Cayman Islands	4,615	2,904
Investment with individual realised gain/(loss) less than HK\$1,000,000			35,621	4,222

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Turnover and Profit

For the mattress and soft bed sales business, the turnover for the year ended 31 March 2018 has dropped moderately of approximately 1.92% from HK\$49.5 million in 2017 to approximately HK\$48.6 million. Gross profit of mattresses and soft bed sales decreased from approximately HK\$7.80 million for the year ended 31 March 2017 to approximately HK\$7.79 million this year. The gross profit margin, has improved to approximately 16.04% from approximately 15.75% recorded in the corresponding period in 2017. The segment loss from mattress and soft bed business is approximately HK\$4.5 million for the year ended 31 March 2018 (2017: segment loss approximately HK\$2.6 million) is in line with the general economy situation in China during the period.

For the custom-made furniture business, the turnover for the year ended 31 March 2018 approximately HK\$81.7 million. Gross profit of this segment was approximately HK\$24.3 million. The gross profit margin is approximately 29.8%. The segment profit from custom-made furniture business is approximately HK\$13.1 million for the year ended 31 March 2018.

The turnover of the Group for the year ended 31 March 2018 was approximately HK\$135.5 million, representing an increase of approximately 156.5% as compared to the financial year of 2017. This is mainly attributable to the inclusion of the new custom-made furniture segment. The overall net results of the Group has decreased from last year profit of approximately HK\$116.7 million to this year loss of approximately HK\$369.6 million. This was mainly attributable to the loss incurred when the Group disposed all of its equity interest in Luen Wong (approximately HK\$131.6 million) and the fair value loss of approximately HK\$283.1 million from the Convertible Bonds as mentioned above. The details of the performance of other segments are discussed in the following paragraph.

For property investment business, the Group had further invested HK\$12 million in investment properties during the period. As of the period ended 31 March 2018, total book cost of HK\$205.5 million were invested in such investment properties. The fair value of these investment properties has increased by approximately 25.4% to approximately HK\$257.7 million. Turnover of the segment was approximately HK\$3.7 million (2017: approximately HK\$1.8 million), Segment profit was approximately HK\$1.7 million (2017: approximately HK\$10.8 million). Segment turnover increased due to the increased investment in the segment, and some originally vacant properties (that was undergone renovation) was subsequently being occupied. However, the seemingly 82.6% drop in the segment profit was due to there was a fair value gain of investment properties of approximately HK\$39 million this year as compare to only approximately HK\$13 million fair value gain in last year. As both the nature and magnitude of such fair value gain would greatly distort the operating performance of the segment, we have decided to have a separate line disclosure for it.

Regarding to money lending business, there was approximately HK\$10 million outstanding loan receivable as of 31 March 2018. The Group basically maintained approximately HK\$10 million loan size for most of the 12 months period under review. The interest charge was approximately 9% per annum. The total interest income generated from the business was approximately HK\$0.9 million (2017: approximately HK\$1.5 million). And, net profit of this segment was approximately HK\$0.8 million (2017: approximately HK\$1.2 million). Going forward, the Group is intended to maintain the loan receivable scale to no more than HK\$30 million level, and the loan interest rate will be ranging from 8% to 15% per annum.

Other income

The other income of the Group comprised with interest income, exchange gain, government grants, dividend income received from investment in securities as well as convertible bond, reversal of impairment on account receivable that was being written off previously and fair value gain from convertible bond invested. Other income decreased from approximately HK\$8.5 million in the financial year of 2017 to approximately HK\$1.7 million in the financial year of 2018. The decrease was due to there were one off realization of income in the financial year of 2017. This include Government grants of approximately HK\$3.4 million and reversal of impairment on account receivable of approximately HK\$3.2 million.



MANAGEMENT DISCUSSION AND ANALYSIS

Administrative expenses

The administrative expenses of the Group were primarily comprised of amortization of intangible assets, legal and professional fees, staff costs and social insurance cost. For the financial year ended 31 March 2018, the Group's administrative expenses increased to approximately HK\$40.7 million from approximately HK\$36.6 million for the financial year 2017, representing an increase of approximately 11.2%. The increase was mainly due to the amortisation of intangible assets that were recognized from the acquisition of the custom-made furniture business.

Selling and distribution expenses

Selling and distribution expenses for the financial year ended 31 March 2018 were approximately HK\$8.1 million (2017: HK\$4.3 million) representing an increase of approximately 90.3%. Selling and distribution expenses of the Group mainly comprised of trademark, exhibition expenses, salaries and custom duties. The increase was mainly attributable to the HK\$5.7 million trademark expense incurred during the period.

Unrealised fair value gain on financial assets at fair value through profit or loss

As at 31 March 2018, the Group had financial assets at fair value through profit or loss of approximately HK\$23.2 million (2017: HK\$165.2 million). The Group recorded fair value loss on financial assets at fair value through profit or loss approximately HK\$128.1 million during the Year (2017: gain of HK\$163.6 million). This was mainly due to the investment in shares of Luen Wong which has already been discussed in detail above.

Income tax expense

Income tax expense decreased from tax expenses of approximately HK\$28.1 million in the financial year of 2017 to tax credit of approximately HK\$9.3 million in the financial year of 2018, which was mainly attributable to the reversal of deferred tax liabilities resulted from the disposal of financial assets during the year.

Profit/(loss) for the year

As a result of the foregoing factors, the Group recorded a loss of HK\$369.6 million for the year ended 31 March 2018 (2017: profit of HK\$116.7 million), and basic loss per share amounted to HK\$12.8 cents for the year ended 31 March 2018 (2017: earning per share HK cents 4.6).

Trade and other receivables

Trade and other receivables increased to approximately HK\$91.2 million as at 31 March 2018 from approximately HK\$75.4 million as at 31 March 2017. Despite of the huge increase in turnover (approximately 156.5%), the Company has managed to maintain the account receivable at relatively low level with only about 20.9% increase from last year. This was mainly attributable to the nature of the new custom-made furniture business. Which customers will normally prepay deposit for their order, and less credit terms were required.

Trade and other payables

Trade and other payables increased to approximately HK\$57.0 million as at 31 March 2018 from approximately HK\$31.1 million as at 31 March 2017. This was due to the increase in the scale of production activities from custom-made furniture business together with mattress and soft bed products business.

MANAGEMENT DISCUSSION AND ANALYSIS

USE OF PROCEEDS FROM THE PLACING OF SHARES

The Company raised its fund by way of a placing of 30,000,000 shares of the Company at the placing price of HK\$1.15 per share on 15 October 2013.

Net proceeds from the placing of shares amounted to approximately HK\$13.4 million (after deducting the placing commission and legal and professional expenses), the unutilised proceeds were deposited in licensed banks in Hong Kong and the PRC. Such net proceeds have been used in the following manner:

	Net proceeds <i>(HK\$ in million)</i>	Approximate amount of net proceeds utilised up to 31 March 2018 <i>(HK\$ in million)</i>	Approximate amount of net proceeds unutilised up to 31 March 2018 <i>(HK\$ in million)</i>
Participate in overseas trade fairs	3.2	3.2	0.0
Production design, research and development and hire of new designer	2.4	2.4	0.0
Enter into distributorship arrangement with our specialty retailers and promote our brand image and products with them	2.0	1.3	0.7
Construct new production facility	4.6	–	4.6
General working capital	1.2	1.2	0.0
Total	13.4	8.1	5.3

USE OF PROCEEDS FROM THE PLACING OF NEW SHARES UNDER GENERAL MANDATE

As at 31 March 2018, the unutilised proceeds were deposited in licensed banks in Hong Kong and the PRC.

- (i) On 11 December 2014, a total of 80,000,000 ordinary shares at HK\$0.213 each were placed to not less than six placees, an Independent Third Party, pursuant to the terms and conditions of the placing agreement dated 28 November 2014. Reference is made to the announcement of the Company dated 28 November 2014 in relation to the placing of new shares of the Company under a general mandate. The net proceeds from placing, after deducting professional fees and all related expenses, were approximately HK\$16.34 million. The proceeds have been used as the general working capital of the Group.
- (ii) On 9 April 2015, a total of 96,400,000 ordinary shares were placed at HK\$0.154 each to not less than six placees, an Independent Third Party, pursuant to the terms and conditions of the placing agreement dated 9 April 2015. The net proceeds from placing, after deducting professional fees and all related expenses, were approximately HK\$14.2 million. The proceeds have been used as the general working capital of the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

- (iii) On 14 October 2015, the Company completed a rights issue on the basis of three rights shares for every one existing share held on 17 September 2015 at HK\$0.08 per rights share (the "Rights Issue") and issued 1,735,200,000 rights shares. The details of the results of the Rights Issue were set out in the announcement of the Company dated 14 October 2015. The net proceeds from the rights issue, after deducting professional fees and all related expenses, were approximately HK\$134.5 million and approximately HK\$114.5 million was used for the acquisition of properties in Hong Kong for retail purpose; and approximately HK\$20 million was used for the further development of the existing and future business of the Group.
- (iv) On 11 November 2016, a total of 462,720,000 ordinary shares at HK\$0.1 were placed to not less than six placees, an Independent Third Party, pursuant to the terms and conditions of the placing agreement dated 26 October 2016. Reference is made to the announcement of the Company dated 26 October 2016 in relation to the placing of new shares of the Company under a general mandate. The net proceeds from placing, after deducting professional fees and all related expenses, were approximately HK\$44.80 million. Approximately HK\$20.6 million of the net proceeds had been utilized for the repayment of loan, and approximately HK\$24.2 million was used for general working capital purpose.

LIQUIDITY, FINANCIAL RESOURCES AND FUNDING

The Group principally meets its working capital and other liquidity requirements through operating cash flows. As at 31 March 2018, the Group maintained cash and cash equivalents amounting to HK\$21.4 million (2017: HK\$20.2 million). Total current assets decreased from approximately HK\$282.7 million to approximately HK\$155.2 million in 2018. This was mainly due to the decrease of financial assets at fair value through profit or loss of approximately HK\$142.0 million. On the contrary, total current liabilities also increased from approximately HK\$79.8 million in 2017 to approximately HK\$304.8 million in 2018. This was mainly due to the increase in fair value of Convertible Bonds issued to vendor for the acquisition of custom-made furniture business amounting to approximately HK\$201.9 million. This has resulted in net current liabilities position for the current year end of approximately HK\$150.0 million (2017: net current assets HK\$202.8 million).

CAPITAL STRUCTURE

During the year under review, the capital structure of the Group consists of cash and cash equivalents and equity attributable to owners of the Company, comprising issued share capital and reserves.

FOREIGN EXCHANGE EXPOSURE RISKS

Our Group has foreign currency risks. Such risks mainly arise from the balance of assets and liabilities and transactions in currencies other than the respective functional currencies of our Company and its subsidiaries. Currently, the Group does not maintain any hedging policy with respect to these foreign currency risks.

GEARING RATIO

The gearing ratio calculated as total bank borrowings divided by total assets was approximately 5.6% (2017: 8.3%).

CAPITAL COMMITMENTS

As at 31 March 2018, the Group had no significant capital commitments.

CONTINGENT LIABILITIES

The Group had no significant contingent liabilities as at 31 March 2018.

MANAGEMENT DISCUSSION AND ANALYSIS

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

The Group had no significant future plans for material investments or capital assets.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 March 2018, the Group engaged a total of 309 employees (2017: 184). Total staff costs including Directors' remuneration for the financial year of 2018 amounted to approximately HK\$16.0 million (2017: HK\$15.9 million). The Group's remuneration policies are in line with the prevailing market practices and are determined on the basis of performance and experience of individual employees.

The share option scheme (the "Scheme") was adopted on 22 August 2014 to retain staff members who have made contributions to the success of the Group. During the year ended 31 March 2018, the Company has not grant any share options to any party (2017: 72.5 million).

ENVIRONMENT POLICIES AND PERFORMANCE

The Group is committed to supporting the environmental sustainability. Being a furniture manufacturer in the PRC, the Group is subject to various environmental laws and regulations set by the PRC national, provincial and municipal governments. These include regulations on air and noise pollution and discharge of waste and water into the environment. Compliance procedures are in place to ensure adherence to applicable laws, rules and regulations. Regarding to the Company other business in Hong Kong, there are no specific environmental standards and/or requirements for conducting the Group's business in Hong Kong. The Group is aware of environmental protection and social responsibility as an enterprise citizen and promotes healthy work place.

During the year under review, the Group has complied with relevant laws and regulations that have significant impact on the operations of the Group. Further, any changes in applicable laws, rules and regulations are brought to the attention of relevant employees and relevant operation units from time to time.

The Group's Environmental, Social and Governance Report for the year ended 31 March 2018 will be published on the respective websites of the Stock Exchange and the Company on or before 20 July 2018.

Pension schemes

The employees of the Group's subsidiaries operating in Hong Kong are required to participate in a defined contribution retirement scheme or the Group or Company set up in accordance with the Hong Kong Mandatory Provident Fund Ordinance. Under the scheme, the employees are required to contribute 5% of their monthly salaries up to a maximum of HK\$1,500 and they can choose to make additional contributions. The employer's monthly contributions are calculated at 5% of the employee's monthly salaries up to a maximum of HK\$1,500 (the "Mandatory Contributions"). The employees are entitled to 100% of the employer's Mandatory Contributions upon their retirement at the age of 65 years old, death or total incapacity. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as an employee benefit expense when they are due and are reduced by contributions forfeited by those employees who leave the scheme prior to vesting fully in the contributions. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

In addition, pursuant to the government regulations in the PRC, the Group is required to contribute an amount to certain retirement benefit schemes based on approximately 7% to 20% of the basic wages of those workers in the PRC. The local municipal government undertakes to assume the retirement benefits obligations of those workers of the Group.



MANAGEMENT DISCUSSION AND ANALYSIS

Events after the reporting period

There is no significant event was noted after the reporting period.

Significant investment , material acquisitions and disposals of subsidiaries

On 1 August 2017, Ultimate Rise Limited, a subsidiary of the Company, completed the acquisition of 100% of the total issued shares capital of the target company with the principal business of custom-made furniture business. The consideration was satisfied by the issue of convertible bonds in the principal amount of HK\$212,000,000, convertible at HK\$0.11 per Conversion Share, non-interest bearing and maturing on 1 August 2020 to vendor.

On 29 September 2017, the Group had completed the disposal of entire equity interests in Grandeur Industries Limited, an indirectly wholly owned subsidiary of the Company, for a total consideration of HK\$57,005,593.

Save as disclose above, there was no other significant investment, material acquisitions and disposal of subsidiaries by the Group during the Year.

CORPORATE GOVERNANCE REPORT

The Group is committed to ensuring high standards of corporate governance and business practices. The Company's corporate governance practices are based on the Corporate Governance Code (the "CG Code") as set out in Appendix 15 of the GEM Listing Rules. During the financial year ended 31 March 2018, the Company has complied with the applicable code provisions (the "Code Provisions") of the CG Code.

BOARD OF DIRECTORS

The Board is responsible for leadership and control of the Company and oversees the management of the business and affairs of the Company. The Directors are accountable for making decisions objectively in the best interest of the shareholders as a whole.

For day-to-day management, administration and operation of the Company are delegated to the executive Directors and the independent non-executive Directors are responsible for participating in Board meetings of the Company to take the lead where potential conflicts of interest arise and serving on the audit, remuneration and other governance committees, if invited.

The Board is responsible for making decisions on all major aspects of the Company's affairs, including the approval and monitoring of key policy matters, overall strategies, business plans and annual budgets, internal control and risk management systems, material transactions (in particular those may involve conflict of interests), major capital expenditure, appointment of Directors and other significant financial and operational matters.

Board Composition

The Directors of the Company during the year ended 31 March 2018 were:

Executive Directors (Note 1)

Mr. Qin Yuquan (*Chairman, appointed on 20 November 2017*)

(*Director, appointed on 1 August 2017*)

Mr. Hung Cho Sing (*Chairman, resigned on 20 November 2017*)

Mr. Wong Siu Ki

Mr. Matthew Chung

Independent Non-executive Directors (Note 2)

Mr. Tang Kin Chor

Mr. Chan Chun Wing

Mr. Li Siu Yui (*appointed on 11 July 2017*)

Note 1: On 11 August 2017, Mr. Wong Pak Kan Martin was resigned.
On 20 November 2017, Yim Yin Nang was resigned.

Note 2: On 1 August 2017, Ms. Lai Mei Kwan was resigned.
On 11 July 2017, Mr. Li Siu Yui was appointed.

The Board members have no financial, business, family or other material/relevant relationships with each other.

As at 31 March 2018, the Board consisted of a total of seven members, including four executive Directors and three independent non-executive Directors. A description of the Directors is set out in the section headed "Board of Directors and Senior Management Profiles" on pages 31 to 32 in this annual report.

CORPORATE GOVERNANCE REPORT

Number of Meetings and Directors' Attendance

Regular Board meetings should be held at least four times a year at approximately quarterly intervals for reviewing and approving the financial and operating performance, and considering and approving the overall strategies and policies of the Company. Other Board meetings will be held when necessary.

During the year ended 31 March 2018, 13 Board meetings, 4 audit committee ("Audit Committee") meetings, 1 remuneration committee ("Remuneration Committee") meeting and 1 nomination committee ("Nomination Committee") meeting were held. The individual attendance record of each Director at the meetings during the financial year is set out below:

Name of Directors	Attendance/number of meetings			
	Board meeting	Audit committee	Remuneration committee	Nomination committee
<i>Executive Directors</i>				
Mr. Hung Cho Sing	8/13	—	—	—
Mr. Qin Yuquan	7/13	—	—	—
Mr. Yim Yin Nang	9/13	—	—	—
Mr. Wong Siu Ki	13/13	—	—	—
Mr. Matthew Chung	12/13	—	—	—
Mr. Wong Pak Kan Martin	1/13	—	—	—
<i>Independent non-executive Directors</i>				
Mr. Tang Kin Chor	4/4	4/4	1/1	1/1
Mr. Chan Chun Wing	4/4	4/4	1/1	1/1
Ms. Lai Mei Kwan	1/4	1/4	1/1	1/1
Mr. Li Siu Yui	3/4	3/4	0/1	0/1

The company secretary ("Company Secretary") attended all the scheduled Board meetings to report matters arising from corporate governance, risk management, statutory compliance, accounting and finance.

Practice and Conduct of Meetings

Annual meeting schedules and draft agenda of each meeting are normally made available to Directors in advance. Code Provision A.1.3 stipulates that at least 14 days' notice should be given for a regular Board meeting. For other Board and committee meetings, reasonable notices are generally given.

Minutes of all Board meetings recording sufficient details of matters considered and decisions reached are duly kept by the Company Secretary at the meetings and open for inspection by the Directors.

The Company's articles of association contain provisions requiring Directors to abstain from voting and not to be counted in the quorum at meetings for approving transactions in which such Directors or any of their associates have a material interest.

Board papers together with all appropriate, complete and reliable information are sent to all Directors at least 3 days before each Board meeting or Audit Committee meeting to keep the Directors apprised of the latest developments and financial position of the Company and to enable them to make informed decisions.

CORPORATE GOVERNANCE REPORT

Chairman and Chief Executive Officer

Mr. Qin Yuquan was being elected as the Chairman of the Board on 20 November 2017. The role of Chief Executive Officer is currently being vacant ever since, pending for the Company to identify a suitable candidate to replace.

The Board believes that this is the best interest to the Group to keep Mr. Qin Yuquan as the Chairman of the Board and will continue to identify a suitable candidate for the Chief Executive Officer role.

The Chairman of the Board provides leadership to the Board and is also responsible for the effective functioning of the Board in accordance with good corporate governance practice. The Chief Executive Officer is responsible for the management of the business of the Group, implementation of the policies and objectives set out by the Board and is accountable to the Board for the overall operation of the Group. These functions and responsibilities are current being shared by the management team.

BOARD COMMITTEES

Audit Committee

The Company established the Audit Committee on 26 September 2013 with written terms of reference in compliance with paragraph C3.3 of the CG Code. The full terms of reference setting out details of duties of the Audit Committee is available on the websites of the Stock Exchange and the Company.

The Audit Committee comprises three independent non-executive Directors, namely Mr. Tang Kin Chor, Mr. Chan Chun Wing and Mr. Li Siu Yui. Mr. Chan Chun Wing is the chairman of the Audit Committee. (Note)

The primary duties of the Audit Committee are to review and supervise the financial reporting process and internal control system of the Company, nominate and monitor external auditors, review quarterly report of the compliance department's findings, meet with external auditor regularly and provide advices and comments to the Directors.

The Audit Committee has reviewed the Group's consolidated financial statements for the year ended 31 March 2018.

The Audit Committee also reviewed the non-compliance report of the Group for the year ended 31 March 2018 and no material non-compliance issue has been identified.

Details of the number of Audit Committee meetings held and Directors attendance are set out in the section headed "Number of Meetings and Directors' Attendance" on page 16 in this annual report.

Note: On 1 August 2017, Ms. Lai Mei Kwan was resigned
On 11 July 2017, Mr. Li Siu Yui was appointed as a member of Audit Committee.

CORPORATE GOVERNANCE REPORT

Remuneration Committee

The Company established the Remuneration Committee on 26 September 2013 which comprised three independent non-executive Directors, namely Mr. Tang Kin Chor, Mr. Chan Chun Wing, and Mr. Li Siu Yui. Mr. Li Siu Yui is the chairman of the Remuneration Committee. (Note)

The Remuneration Committee adopted written terms of reference in compliance with paragraph B1.3 of the CG Code. The primary duties of the Remuneration Committee are to make recommendation to the Board on the overall remuneration policy and structure relating to all Directors and senior management of our Group, review and approve the management's remuneration proposals, and ensure none of our Directors determine their own remuneration. The full terms of reference setting out details of duties of the Remuneration Committee is available on the websites of the Stock Exchange and the Company.

The Remuneration Committee determines Directors' remuneration by reference to the benchmarking of the market. The Company also looks into individual Director's competence, duties, responsibilities, performance and the results of the Group in determining the exact level of remuneration for each Director.

Details of the remuneration of the Directors and the five highest paid individuals pursuant to Rules 18.28 to 18.30 of the GEM Listing Rules are set out in note 11 to the consolidated financial statements.

Details of the number of Remuneration Committee meeting held and Directors attendance are set out in the section headed "Number of Meetings and Directors' Attendance" on page 16 in this annual report.

Note: On 1 August 2017, Ms. Lai Mei Kwan was resigned.
On 11 July 2017, Mr. Li Siu Yui was appointed as a chairman of Remuneration Committee

Senior management's remuneration

Senior Management's remuneration payment of the Group for the year ended 31 March 2018 falls within the following bands:

	Number of individuals
Nil to HK\$1,000,000	<u>3</u>

CORPORATE GOVERNANCE REPORT

Nomination Committee

The Company established the Nomination Committee on 26 September 2013 which comprised three independent non-executive Directors, namely Mr. Tang Kin Chor, Mr. Chan Chun Wing, and Mr. Li Siu Yui. Mr. Tang Kin Chor is the chairman of the Nomination Committee. (Note)

The primary function of the Nomination Committee is to make recommendations to the Board regarding appointment of Directors and candidates to fill vacancies on the Board. The full terms of reference setting out details of duties of the nomination committee is available on the websites of the Stock Exchange and the Company.

The Board adopted the board diversity policy in accordance with the requirement as set out in the CG Code. The Board recognizes the benefits of having a diverse Board and considers a number of factors which include but not limited to the age, gender, professional experience, cultural and education background when comprising the Board. The Nomination Committee regularly monitors and reviews the implementation of the board diversity policy.

Details of the number of Nomination Committee meeting held and Directors attendance are set out in the section headed "Number of Meetings and Directors' Attendance" on page 16 in this annual report.

Note: On 1 August 2017, Ms. Lai Mei Kwan was resigned.

On 11 July 2017, Mr. Li Siu Yui was appointed as a member of Nomination Committee.

CORPORATE GOVERNANCE FUNCTIONS

The Board is responsible for performing the functions set out in the CG Code Provision D.3.1.

The Board reviewed the Company's corporate governance policies and practices, continuous professional development of Directors, the Company's policies and practices on compliance with legal and regulatory requirements, the compliance of the GEM Listing Rules, the compliance with the CG Code and disclosure in this Corporate Governance Report.

DIRECTORS' CONTINUOUS TRAINING AND PROFESSIONAL DEVELOPMENT

Pursuant to Code Provision A.6.5, all Directors of the Company (namely Mr. Hung Cho Sing, Mr. Qin Yuquan, Mr. Wong Siu Ki, Mr. Matthew Chung, Mr. Tang Kin Chor, Mr. Chan Chun Wing and Mr. Li Siu Yui) have participated in continuous professional development to develop and refresh their knowledge and skills. This is to ensure that their contribution to the Board remains informed and relevant. Up to the date of this report, all Directors have participated in continuous professional development by attending training course or reading relevant materials on the topics related to corporate governance and regulations.

SECURITIES TRANSACTIONS BY DIRECTORS

The Company had adopted Rules 5.48 to 5.67 of the GEM Listing Rules as its own code of conduct ("Code of Conduct") regarding securities transactions by the Directors. The Company has confirmed, having made specific enquiry of the Directors, that all the Directors have complied with the Code of Conduct throughout the year ended 31 March 2018 and up to the date of this annual report.

CORPORATE GOVERNANCE REPORT

COMMUNICATION WITH SHAREHOLDERS

The Company endeavors to maintain an on-going dialogue with the shareholders and in particular, through annual general meetings or other general meetings to communicate with the shareholders and encourage their participation.

The Company will ensure that there are separate resolutions for separate issues proposed at the general meetings.

The Company will continue to maintain an open and effective investor communication policy and to update investors on relevant information on the Group's business in a timely manner, subject to relevant regulatory requirements.

GENERAL MEETINGS WITH SHAREHOLDERS

The Company's annual general meeting will be held on 21 August 2018.

SHAREHOLDERS' RIGHTS

(a) Convening of extraordinary general meeting on requisition by shareholders

Pursuant to article 58 of the articles of association of the Company, any one or more members holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the Company Secretary, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two (2) months after the deposit of such requisition. If within twenty-one (21) days of such deposit the Board fails to proceed to convene such meeting the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

(b) Procedures for putting forward proposals at a shareholders' meeting

There are no provisions allowing shareholders to move new resolutions at the general meetings under the Cayman Islands Companies Law (as amended from time to time) or the articles of association of the Company. However, shareholders who wish to move a resolution may request the Company to convene an extraordinary general meeting following the procedures set out above. Detailed procedures for shareholders to propose a person for election as a Director are available on the Company's website.

(c) Enquiries to the Board

Shareholders may put forward enquiries to the Board in writing to the principal office of the Company in Hong Kong or, in the event the Company ceases to have such a principal office, the registered office specifying the objects of the enquiries.

AUDITOR'S REMUNERATION

The remuneration paid/payable to the auditor of the Company during the year ended 31 March 2018 is set out as follows:

	2018
	HK\$'000
Services rendered	
Audit services	650

DIRECTORS' RESPONSIBILITY STATEMENT

The Board is responsible for the preparation of the financial statements. In preparing the financial statements, the generally accepted accounting standards in Hong Kong have adopted, appropriate accounting policies have been used and applied consistently, and reasonable and prudent judgements and estimates have been made. Having made appropriate enquiries, the Board is not aware of any material uncertainties relating to events or conditions which may cast significant doubt over the Group's ability to continue as a going concern. Accordingly, the Board has continued to adopt the going concern basis in preparing the financial statements.

INTERNAL CONTROLS AND RISK MANAGEMENT

The Board is overall responsible for evaluating and determining the nature and extent of the risks it is willing to take in achieving the Group's strategic objectives, and ensuring that the Group established and maintained appropriate and effective risk management and internal control systems.

The Audit Committee reviews the risk management and internal controls that are significant to the Group on an on-going basis. The Audit Committee would consider the adequacy of resource, qualifications and experience and training of staff and external advisor of the Group's accounting, internal audit and financial reporting function.

The management of the Group is responsible for designing, maintaining, implementing and monitoring of the risk management and internal control system to ensure adequate control in place to safeguard the Group's assets and stakeholder's interest.

The Group has established risk management procedures to address and handle the all significant risks associate with the business of the Group. The Board would perform annual review on any significant change of the business environment and establish procedures to response the risks result from significant change of business environment. The risk management and internal control systems are designed to mitigate the potential losses of the business.

The management would identify the risks associate with the business of the Group by considering both internal and external factors and events which include political, economic, technology, environmental, social and staff. Each of risks has been assessed and prioritised based on their relevant impact and occurrence opportunity. The relevant risk management strategy would be applied to each type of risks according to the assessment results, type of risk management strategy has been listed as follow:

- Risk retention and reduction: accept the impact of risk or undertake actions by the Group to reduce the impact of the risks;
- Risk avoidance: change business process or objective so as to avoid the risk;
- Risk sharing and diversification: diversify the effect of the risk or allocate to different location or product or market;
- Risk transfer: transfer ownership and liability to a third party.

The internal control systems are designed and implemented to reduce the risks associated with the business accepted by the Group and minimise the adverse impact results from the risks. The risk management and internal control system are design to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.



CORPORATE GOVERNANCE REPORT

For the year under review, the Group has engaged an external advisory firm to undertake the internal audit function to ensure the effectiveness and efficiency of the risk management and internal control system of the Group. There is no significant deficiency and weakness on the internal control system has been identified by the external advisory firm for the year ended 31 March 2018.

The Board considered that, for the year ended 31 March 2018, the risk management and internal control system and procedures of the Group, covering all material controls including financial, operational and compliance controls and risk management functions were reasonably effective and adequate.

INVESTOR RELATIONS

The Company believes that maintaining a high level of transparency is a key to enhancing investor relations. It is committed to a policy of open and timely disclosure of corporate information to its shareholders and investment public. The Company updates its shareholders on its latest business developments and financial performance through its annual, interim and quarterly reports. The corporate website of the Company (<http://www.ejeliving.com>) has provided an effective communication platform to the public and the shareholders. During the year ended 31 March 2018, there was no significant change in the Company's constitutional documents.

Company Secretary

All Directors have access to the advice and services of the Company Secretary to ensure that the Board procedures and all applicable laws are followed. Moreover, the Company Secretary is responsible for facilitating communications among Directors as well as with management. During the year ended 31 March 2018, the Company Secretary confirmed that he had taken no less than 15 hours of relevant professional training.

REPORT OF THE DIRECTORS

The Directors of the Company presented their report and the audited consolidated financial statements of the Group for the financial year ended 31 March 2018.

CORPORATE REORGANISATION

EJE (Hong Kong) Holdings Limited (the “Company”) (formerly known as Jia Meng Holdings Limited has completed the change of business registration on 30 January 2018) was incorporated in the Cayman Islands on 26 July 2012, as an exempted company with limited liability under the Companies Law Cap. 22 of the Cayman Islands. The address of its registered office is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The address of its principal place of business is located at Eastern Section of Guangzhou Economic and Technological Development District, Huangpu District, Guangdong Province, the PRC.

CHANGE OF COMPANY NAME

The Company will better reflect the Company’s strategic business plan and its direction of future development after the completion of the acquisition of Pioneer One Investments Limited. The English name of the Company has been changed from “Jia Meng Holdings Limited” to “EJE (Hong Kong) Holdings Limited” and to adopt “壹家壹品(香港)控股有限公司” to replace “家夢控股有限公司” as the Chinese name of the Company for identification purpose with effect from 3 January 2018. The registration of the new name of the Company in Hong Kong under Part XI of the Companies Ordinance (Chapter 32 of the Laws of Hong Kong) took effect from 25 January 2018. The Board believe that the new English and Chinese name of Company can provide the Company with a more appropriate corporate image and identity which will benefit the Company’s future business development and is in the interests of the Company and the Shareholders as a whole. The condensed consolidated financial statements are presented in Hong Kong dollar (“HK\$”), which is the same as the functional currency of the Company.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of the Company’s subsidiaries are set out in note 39 to the financial statements.

RESULTS AND DIVIDENDS

The Group’s profit for the year ended 31 March 2018 and the state of affairs of the Company and the Group at that date are set out in the financial statements from pages 40 to 102. No interim or final dividend was declared and paid during the Year.

SUMMARY OF FINANCIAL INFORMATION

A summary of the results, assets, liabilities and non-controlling interests of the Group for the past four financial years, as extracted from the published audited financial statements and restated/reclassified as appropriate, is set out on page 103. This summary does not form part of the audited financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the Year are set out in note 14 to the financial statements.

BANK BORROWINGS

At 31 March 2018, the Group had bank borrowings HK\$37,484,000 (2017: 42,803,000). The bank borrowing is secured by personal guarantee of legal representative of the Group’s subsidiaries and property of a former subsidiary.



REPORT OF THE DIRECTORS

INTEREST CAPITALISED

The Group has not capitalised any interest during the Year.

SHARE CAPITAL

Details of movements in the share capital of the Company during the Year are set out in note 31 to the financial statements.

DISTRIBUTABLE RESERVES

At 31 March 2018, the Company's reserves, calculated in accordance with the provisions of the Cayman Islands' legislation, amounted to approximately HK\$(207.8) million (2017: HK\$143.7 million).

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, redeemed or sold any of the Company's shares during the year ended 31 March 2018.

DIRECTORS

The Directors of the Company during the Year were:

Executive Directors (Note 1)

Mr. Qin Yuquan (*Chairman, appointed on 20 November 2017*)

(*Director, appointed on 1 August 2017*)

Mr. Hung Cho Sing (*Chairman, resigned on 20 November 2017*)

Mr. Wong Siu Ki

Mr. Matthew Chung

Independent Non-executive Directors (Note 2)

Mr. Tang Kin Chor

Mr. Chan Chun Wing

Mr. Li Siu Yui (*appointed on 11 July 2017*)

Note 1: On 11 August 2017, Mr. Wong Pak Kan Martin was resigned.
On 20 November 2017, Yim Yin Nang was resigned.

Note 2: On 1 August 2017, Ms. Lai Mei Kwan was resigned.
On 11 July 2017, Mr. Li Siu Yui was appointed.

In accordance with article 84 of the Company's articles of association, one-third of the Directors will retire by rotation and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

Details of the Directors to be retired and offered for re-election at the forthcoming annual general meeting are contained in the circular to be despatched to the shareholders of the Company.

Confirmation of Independence

Each independent non-executive Director has given the Company an annual confirmation of independence pursuant to Rule 5.09 of the GEM Listing Rules. The Company considers that all the independent non-executive Directors are independent and meet the independent guidelines set out in Rule 5.09 of the GEM Listing Rules.

REPORT OF THE DIRECTORS

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the Directors and the senior management of the Group are set out on page 31 and 32 of this annual report.

DIRECTORS' SERVICE CONTRACTS

In accordance with the articles of association of the Company, one-third of the Directors are subject to retirement by rotation or, if their number is not three or a multiple of three, then the nearest to but not less than one-third shall retire from the office and, being eligible, will offer themselves for re-election, at the forthcoming annual general meeting of the Company.

Executive Directors namely Mr. Wong Siu Ki, Mr. Matthew Chung, Mr. Hung Cho Sing and Mr. Qin Yuquan have entered into a service contract with the Company for an initial term of three years with effect from 15 December 2015, 11 April 2016, 23 May 2016 and 1 August 2017 respectively, and until terminated by not less than one month's prior notice in writing served by either party on the other or by payment of one month's fixed salary in lieu of such notice.

Independent non-executive Director, Mr. Tang Kin Chor, Mr. Chan Chun Wing and Mr. Li Siu Yui have entered into a letter of appointment with the Company for a period of three years commencing from 11 April 2016, 23 May 2016 and 11 July 2017.

No Director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company, which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN CONTRACTS

Save as those disclosed in the section headed "Connected/Related Party Transactions" none of the Directors had a material interest in any contract of significance to which the Company or any of its subsidiaries was a party and in which a Director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the Year.

SIGNIFICANT CONTRACTS

During the year ended 31 March 2018, the Group had certain transactions with its related parties. Details of these transactions are set out in note 39 to the financial statements. There was no other contract of significance between the Company or any of its subsidiaries and the Company's controlling shareholders or any of their subsidiaries subsisting during or at the end of the Year.

COMPETING INTERESTS

None of the Directors or their respective associates (as defined under the GEM Listing Rules) had any business or interest in a business which competes or may compete with the business of the Group and any other conflict of interest which any such person has or may have with the Group.

REPORT OF THE DIRECTORS

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SECURITIES

Directors' and chief executives' interests and short positions in the shares of the Company

As at 31 March 2018, save as disclosed below, none of the Directors and chief executive has any interest or short position in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) ("SFO")), which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part V of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO) or (b) to be entered into the register required to be kept therein, pursuant to section 352 of the SFO, or (c) to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.68 of the GEM Listing Rules relating to securities transactions by directors of listed issuers.

Long positions in shares

Name of Directors	Nature of interested	Number of shares	Number of underlying shares	Percentage of shareholding (%)
Mr. Wong Siu Ki	Beneficial owner	12,000,000	(Note 1)	0.41%
Mr. Hung Cho Sing	Beneficial owner	23,136,000	(Note 1)	0.80%
Mr. Qin Yuquan	Interest of a Controlled Corporation	1,927,272,727	(Note 2)	66.64%

Note 1: The interests in underlying shares represented interests in share options granted to the Director, further details of which are set out in the section headed "Share Option Scheme" below.

Note 2: Legendary Idea Limited is beneficially owned as to 50% by Corsello Investments Limited and 50% by Tian Cheng Ventures Limited. In return, Tian Cheng Ventures Limited is wholly owned by Mr. Qin Yuquan. Accordingly, Mr. Qin Yuquan are deemed to be interested in the 1,927,272,727 shares of the Company held by Corsello Investments Limited and Tian Cheng Ventures Limited respectively under the SFO.

REPORT OF THE DIRECTORS

SUBSTANTIAL SHAREHOLDERS

So far as is known to the Directors as at 31 March 2018, there was no person had an interest or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO.

Name of shareholders	Capacity	Number of shares interested	Percentage of shareholdings
Legendary Idea Limited	Beneficial owner (Note 1)	1,927,272,727	66.64%
Corsello Investments Limited	Interest of a controlled corporation (Note 1)	1,927,272,727	66.64%
Tian Cheng Ventures Limited	Interest of a controlled corporation (Note 1)	1,927,272,727	66.64%
Chang Tin Duk, Victor	Interest of a controlled corporation (Note 1)	1,927,272,727	66.64%
Qin Yuquan	Interest of a controlled corporation (Note 1)	1,927,272,727	66.64%
Lai Yongmei	Interest of spouse (Note 2)	1,927,272,727	66.64%
Tong Shing Ann, Sharon	Interest of spouse (Note 3)	1,927,272,727	66.64%

Note:

1. Legendary Idea Limited is beneficially owned as to 50% by Corsello Investments Limited and 50% by Tian Cheng Ventures Limited. In return, Corsello Investments Limited is wholly owned by Chang Tin Duk, Victor. And, Tian Cheng Ventures Limited is wholly owned by Mr. Qin Yuquan. Accordingly, Mr. Chang Tin Duk, Victor and Mr. Qin Yuquan are deemed to be interested in the 1,927,272,727 shares of the Company held by Corsello Investments Limited and Tian Cheng Ventures Limited respectively under the SFO.
2. Ms. Lai Yongmei, the spouse of Mr. Qin Yuquan, is deemed, or taken to be, interested in the 1,927,272,727 shares of the Company in which Mr. Qin Yuquan is interested for the purpose of the SFO.
3. Ms. Tong Shing Ann, Sharon, the spouse of Mr. Chang Tin Duk, Victor, is deemed, or taken to be, interested in the 1,927,272,727 shares of the Company in which Mr. Chang Tin Duk, Victor is interested for the purpose of the SFO.

Save as disclosed above, as at 31 March 2018, the Directors are not aware of any other person (other than the Directors) who has an interest or short position in the shares or underlying shares (including interest in options, if any) of the Company as recorded in the register required to be kept under section 336 of the SFO.



REPORT OF THE DIRECTORS

SHARE OPTION SCHEME

On 22 August 2014, a share option scheme (the “Share Option Scheme”) was approved by shareholders of the Company and adopted by the Company. Unless otherwise cancelled or amended, the Share Option Scheme will remain in force for a period of 10 years commencing on the date on which the Share Option Scheme is adopted.

Concerning the Share Option Scheme, the maximum number of shares which may be allotted and issued upon the exercise of all options which initially shall not in aggregate exceed 10% of the shares in issue as at the date of adoption of the Share Option Scheme. The aggregate number of shares of the Company which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of the Company at any time shall not exceed 30% of the shares of the Company in issue from time to time. No options shall be granted under any schemes of the Company or any of its subsidiaries if this will result in the 30% limit being exceeded.

The total number of shares of the Company issued and which may fall to be issued upon exercise of the options granted under the Share Option Scheme and any other share option schemes of the Company to each eligible participant in any 12-month period up to the date of grant shall not exceed 1% of the shares of the Company in issue as at the date of grant.

Any grant of share options to a Director, chief executive or substantial shareholder of the Company, or to any of their respective associates, is required to be approved by the independent non-executive Directors. In addition, any share options granted to a substantial shareholder or any independent non-executive Director of the Company, or to any of their respective associates, such that within any 12-month period, in aggregate in excess of 0.1% of the shares of the Company in issue at any time and with an aggregate value (based on the closing price of the Company’s shares at the date of each offer) in excess of HK\$5 million, are subject to shareholders’ approval in a general meeting.

An offer of a grant of options may be accepted within such time as may be specified in the offer (which shall not be later than 21 days from the offer date).

The exercise period of the share options granted is determinable by the Directors, and commences after a certain vesting period and ends on a date which is not later than ten years from the date of the offer of the share options.

The subscription price for Shares under the Share Option Scheme shall be a price determined by the Directors, but shall not be less than the highest of (i) the closing price of shares as stated in the Stock Exchange’s daily quotations sheet for trade in one or more board lots of the shares on the offer date, which must be a business day; (ii) the average closing price of shares as stated in the Stock Exchange’s daily quotations sheets for trade in one or more board lots of the shares for the five business days immediately preceding the offer date; and (iii) the nominal value of a share. A nominal consideration of HK\$1.00 is payable on acceptance of the grant of an option.

REPORT OF THE DIRECTORS

The following table discloses details of movements in respect of the Company's share options.

Grantee	Date granted and vested	Exercisable period (Both dates inclusive)	Exercise price	At 1 April 2017	Granted during the period	Lapsed during the period	Adjusted during the effective of open offer	Outstanding at 31 March 2018
Director — Mr. Wong	12 Jan 2016	12 Jan 2016 to 11 Jan 2018	0.079	12,000,000	—	(12,000,000)	—	—
Director — Mr. Hung	8 Sep 2016	8 Sep 2016 to 7 Sep 2021	0.087	23,136,000	—	—	—	23,136,000
An employee A	12 Jan 2016	12 Jan 2016 to 11 Jan 2018	0.079	20,000,000	—	(20,000,000)	—	—
An employee A	8 Sep 2016	8 Sep 2016 to 7 Sep 2021	0.087	3,136,000	—	—	—	3,136,000
An employee B	8 Sep 2016	8 Sep 2016 to 7 Sep 2021	0.087	23,136,000	—	—	—	23,136,000
Consultant	8 Sep 2016	8 Sep 2016 to 7 Sep 2021	0.087	23,136,000	—	—	—	23,136,000
				104,544,000	—	(32,000,000)	—	72,544,000

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 March 2018, the aggregate amount of turnover attributed to the Group's largest and the five largest customers accounted for 14.09% and 25.95% (2017: 30.11% and 59.37%) of the total value of the Group's revenue, respectively.

The Group's purchase from the largest and the five largest suppliers accounted for 2.02% and 7.42% (2017: 14.42% and 45.39%) of the total value of the Group's purchases, respectively. At no time during the year did the Directors, their associates or any shareholder of the Company (which to the knowledge of the Directors owns more than 5% of the Company's share capital) have any interest in major customers or suppliers.

CONNECTED/RELATED PARTY TRANSACTIONS

The Directors are not aware of any connected transactions of the Group that shall be disclosed in this annual report under the GEM Listing Rules.



REPORT OF THE DIRECTORS

CORPORATE GOVERNANCE

Principal corporate governance practices as adopted by the Company are set out in the section headed “Corporate Governance Report” on pages 15 to 22.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, up to the date of this annual report, there is sufficient public float of 25% of the Company’s issued shares as required under the GEM Listing Rules.

PRE-EMPTIVE RIGHTS

There is no provisions for pre-emptive rights under the Company’s articles of association and the laws of the Cayman Islands, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

CLOSURE OF REGISTER OF MEMBERS

In order to determine entitlements to attend and vote at the Annual General Meeting, the Register of Members will be closed from Friday, 3 August 2018 to Tuesday, 7 August 2018, both days inclusive, during which no transfer of shares of the Company will be effected.

In the case of shares of the Company, all transfer documents accompanied by the relevant share certificates must be lodged for registration with the Company’s Hong Kong branch share registrar and transfer office, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong not later than 4:30 p.m. on Thursday, 2 August 2018.

AUDITOR

The consolidated financial statement for the year ended 31 March 2018 has been audited by Elite Partners CPA Limited, who will retire and, being eligible, offer itself for reappointment as auditor of the Company at the forthcoming annual general meeting.

By order of the Board of
EJE (Hong Kong) Holdings Limited
Mr. Qin Yuquan
CHAIRMAN

Hong Kong, 22 June 2018

BOARD OF DIRECTORS AND SENIOR MANAGEMENT PROFILES

EXECUTIVE DIRECTORS

Mr. Wong Siu Ki, aged 27, holds a bachelor degree of social science in economics from the Chinese University of Hong Kong. Mr. Wong has been a columnist of several local financial media, He is currently working as journalist in a local financial magazine.

Mr. Matthew Chung ("Mr. Chung"), aged 29, holds a bachelor degree of art and science in economics from Boston University. He has worked for several local media and publishing companies, and is now a columnist, writer, online radio host, and TV program host. He is currently working for a local entertainment company as a project manager.

Mr. Hung Cho Sing ("Mr. Hung") age 77. He is mainly responsible for the business development of the Group. He has over 30 years of experience in the film distribution industry. Mr. Hung was the founder of Delon International Film Corporation and has been its General Manager since June 2004. Mr. Hung was the Organising Committee Chairman of the 11th and 12th Hong Kong Film Awards from 1991 to 1993. And from 1993 to 1995, Mr. Hung was the Chairman of Hong Kong Film Awards Association Limited. Mr. Hung is currently the Chairman of Hong Kong, Kowloon and New Territories Motion Picture Industry Association. In recognition of his contribution to the Hong Kong film industry, Mr. Hung was awarded the Bronze Bauhinia Star (BBS) by the Government of the Hong Kong Special Administrative Region ("HKSAR") in 2005. From April 2007 to March 2013, Mr. Hung was appointed by the Government of HKSAR as a member of the Hong Kong Film Development Council. Mr. Hung is also a member of HKSAR Election Committee and since January 2013, he has been appointed by the Government of HKSAR as a non-official member of the Working Group on Manufacturing Industries, Innovative Technology, and Cultural and Creative Industries under the Economic Development Commission.

Mr. Hung was a non-executive director of Capital VC Limited (stock code: 2324) from September 2011 to January 2014, an independent non-executive director of Mascotte Holdings Limited (stock code: 136) from 22 January 2013 to 26 October 2015. Currently, Mr. Hung is an independent non-executive director of China Star Entertainment Limited (stock code: 326), an independent non-executive director of Freeman Financial Corporation Limited (stock code: 279), an independent non-executive director of Unity Investments Holdings Limited (stock code: 913), an independent non-executive director of Sunrise (China) Technology Group Limited (stock code: 8226), an independent non-executive director of Miko International Holdings Limited (stock code: 1247), executive director of Universe International Holdings Limited (stock code: 1046) and an independent non-executive director of Enerchina Holdings Limited (stock code: 622).

Mr. Qin Yuquan (秦煜泉), aged 36, is the Chairman of our Company on 20 November 2017. He is the founder and president of Guangzhou Geyu Home Appliance Limited* (廣州歌譽家居用品有限公司), a company established in the PRC whose principal business is the manufacture of custom-made furniture under the brand name of "壹家壹品". The said company was acquired by the Company in August 2017. Previously, Mr. Qin was the general manager of Huge Fortune (Fo Gang) Wood Industries Limited* (日利(佛岡)木業有限公司) from 2008 to 2012, and was the responsible officer of Jiangsu office of Shenzhen Hongji Investment and Development Limited* (深圳市宏基投資發展有限公司) from 2005 to 2007. He has over 10 years of experience in the furniture manufacturing and distribution industry. He has obtained a Bachelor degree in Wood Science and Engineering (木材科學與工程) from the South China Agricultural University.



BOARD OF DIRECTORS AND SENIOR MANAGEMENT PROFILES

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Tang Kin Chor, aged 59, has over 20 years of working experience in the securities industry including equity sales and fund management. Mr. Tang is now an associate director of Celestial Securities Limited, a registered exchange participant of the Stock Exchange, and a columnist.

Mr. Chan Chun Wing (“Mr. Chan”), aged 48, holds a bachelor degree of economics from Macquarie University (Australia). Mr. Chan is a fellow member of the Hong Kong Institute of Certified Public Accountants. He has worked with one of the Big Four CPA firms in his early career, and has subsequently worked as a financial controller and other managerial role across different industries and business segments. He is now a partner and shareholder of a long established sport equipment manufacturing and trading company in Hong Kong.

Mr. Li Siu Yui, age 48, holds a Master’s degree in Business Administration from University of Wales. He has over 16 years’ experience in the area of investment. He was working in securities companies during the period from 1997 to 2002. Afterward, he has been engaged as an investment manager in two private companies. Mr. Li was an independent non-executive director of Fullshare Holdings Limited (formerly known as Warderly International Holdings Limited; stock code: 607) from June 2008 to December 2013. Currently, Mr. Li is an independent non-executive director of China LNG Group Limited (formerly known as Artel Solutions Group Holdings Limited; stock code: 931).

SENIOR MANAGEMENT

Mr. Zhang Hui Rong (張輝榮), aged 44, is a senior manager of our Group. He is a registered member of the Chinese Sleep Research Society. He joined our Group in 2006 and is responsible for the mattress research, development and manufacturing of our Group. Mr. Zhang has over ten years of experience in the mattress industry.

Mr. Wong King Chung (“Mr. Wong”), aged 47, was appointed as the financial controller, company secretary and compliance officer of our Group in 13 October 2015. Mr. Wong is a member of the Hong Kong Institute of Certified Public Accountants. Mr. Wong has extensive experience in accounting, auditing, taxation and company secretarial works.

INDEPENDENT AUDITOR'S REPORT



TO THE MEMBERS OF

EJE (HONG KONG) HOLDINGS LIMITED (FORMERLY KNOWN AS JIA MENG HOLDINGS LIMITED)

(incorporated in Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of EJE (Hong Kong) Holdings Limited (formerly known as Jia Meng Holdings Limited) (the “Company”) and its subsidiaries (together referred to as the “Group”) set out on pages 40 to 102, which comprise the consolidated statement of financial position as at 31 March 2018, and the consolidated statement of profit or loss and other 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 31 March 2018 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing (“HKSA”) 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.

EMPHASIS OF MATTER

We draw attention to Note 2.4 in the consolidated financial statements, which indicates that the Group incurred a net loss of HK\$369,587,000 during the year ended 31 March 2018 and, as of that date, the Group’s current liabilities exceeded its current assets by HK\$149,640,000. As stated in Note 2.4, these events or conditions, along with other matters as set forth in Note 2.4, indicate that a material uncertainty exists that may cast significant doubt on the Group’s ability to continue as a going concern. Our opinion is not modified in respect of this matter.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements for the year ended 31 March 2018. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

INDEPENDENT AUDITOR'S REPORT

Key Audit Matter

Business acquisition

During the year ended 31 March 2018, the Group completed the acquisition of Pioneer One Investments Limited and its subsidiaries ("Pioneer One Group"), which is engaged in manufacture of custom-make furniture.

We had identified business acquisition as a key audit matter because significant management judgement for purchase price allocation (i.e. intangible asset and remaining goodwill balance) and special attention on accounting treatment were required.

How the matter was addressed in our audit

Our major audit procedures to address the business acquisition included the following:

- We examined the sales and purchase agreement for the acquisition and enquired the management the basis determination of completion date of the acquisition and tested the supporting thereof;
- We tested the purchase price allocation in which we especially focused on the valuation of net assets amount and the intangible asset amount.
- We discussed with management and the independent external valuer engaged by the Company in relation to the methodology and assumptions adopted in arriving to see whether the methodology and assumptions were reasonable;
- We checked on a sample basis the accuracy and reliance of the input data used;
- We assessed the competency of the independent external valuer taking into account its experience and qualifications; and
- We tested the adequacy of the related disclosures.

INDEPENDENT AUDITOR'S REPORT

Key Audit Matter

Impairment assessment of goodwill and intangible assets

As at 31 March 2018, the Group had goodwill and intangible assets of approximately HK\$76 million and HK\$135 million respectively, which were allocated to cash generating unit of manufacture of custom made furniture segment, the "CGU". For the purpose of assessing impairment, the Group appointed an independent external valuer to assess the recoverable amount of the CGU, which were determined by management based on the higher of value-in-use and fair value less costs of disposal. The valuation requires significant judgement made by management in determining the CGU. We had identified impairment of goodwill and intangible assets as a key audit matter because significant management judgement was used to appropriately identify the CGU and to determine the key assumptions including estimated future income, operating margins and discount rates. After the management assessment, management has concluded that there is no impairment in respect of goodwill and intangible assets.

How the matter was addressed in our audit

Our audit procedures to address the impairment assessment of goodwill and intangible assets included the following:

- Assessing the management's identification of CGU based on our understanding of the Group's operation.
- Assessing the reasonableness of the underlying cash flow projections used for the determination of the CGU prepared by management, including but not limited to calculation methodology, assumptions, growth rate, operating margins and discount rate.
- Comparing the current year actual cash flows with the prior year cash flow projections to consider if the projections included assumptions that were overly optimistic.
- Testing on the accuracy and reliance of the input data used for the preparation of the cash flow projection on a sample basis.
- Assessing the sensitivity analysis on key assumptions being used in the cash flow project (e.g. using a range of higher discount rates and lower revenue growth rate).

INDEPENDENT AUDITOR'S REPORT

Key Audit Matter

Valuation of investment properties

Refer to note 17 to the consolidated financial statements. The Group has investment properties located in Hong Kong which were measured at fair value of approximately HK\$257.7 million as at 31 March 2018.

The fair value of the investment properties was determined by management with reference to the valuations performed by the independent professional valuer engaged by the Group.

The valuations of investment properties involved significant judgements and estimates, including but not limited to the determination of valuation techniques, investment approach and the selection of key inputs to apply in the models. The valuation techniques adopted in determining the fair value of the investment properties were investment approach.

We had identified valuation of investment properties as a key audit matter because significance judgement and estimates had to be made for the valuation.

Impairment assessment of trade and other receivables

As at 31 March 2018, the Group had trade and other receivables of approximately HK\$91.1 million, net of impairment loss as set out in note 23 to the consolidated financial statements.

We had identified impairment of trade receivables as a key audit matter because significant judgements had to be made for the assessment of the recoverability for each material trade and other receivables. Management has determined that no impairment loss of trade and other receivables be recognised in the Group's consolidated profit or loss.

How the matter was addressed in our audit

Our procedures in relation to the valuation of investment properties included the following:

- We evaluated the independent professional valuer competence, capabilities and objectivity;
- We discussed with the Group's management and the independent professional valuer about the valuation techniques adopted, and assessed the relevance and reasonableness of the valuation techniques; and
- We evaluated the appropriateness and reasonableness of judgements and key assumptions made, in particular the income capitalisation rate.

Our audit procedures to address the impairment of trade receivables included the following:

- We tested the accuracy of the ageing of receivables balances on a sample basis;
- We assessed the management's judgement on provisioning decisions and challenged whether appropriate adjustments for long outstanding trade and other receivables have been made; and
- We assessed the level of cash collected by the Group after the year end date, particularly those in respect of past due receivable balances and the results of confirmation procedures to consider any additional provisions required.

INDEPENDENT AUDITOR'S REPORT

INFORMATION OTHER THAN THE CONSOLIDATED FINANCIAL STATEMENTS AND AUDITOR'S REPORT THEREON

The directors are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

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 DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors 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 disclosure requirements of 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 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 either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.



INDEPENDENT AUDITOR'S REPORT

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. This report is made solely to you, as a body, in accordance with our agreed terms of engagement, 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 HKSA's 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 HKSA's, we exercise professional judgment and maintain professional skepticism 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.
- 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 those charged with governance 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.

INDEPENDENT AUDITOR'S REPORT

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Siu Jimmy with Practising Certificate number: P05898.

Elite Partners CPA Limited

Certified Public Accountants

10/F, 8 Observatory Road
Tsim Sha Tsui, Kowloon,
Hong Kong

22 June 2018

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2018

	Notes	2018 HK\$'000	2017 HK\$'000
Revenue	7	135,524	52,830
Cost of sales		(98,470)	(41,731)
Gross profit		37,054	11,099
Other income	7	1,674	8,456
Selling and distribution expenses		(8,142)	(4,279)
Administrative expenses		(40,726)	(36,577)
Research expenses		(3,840)	(710)
Impairment on trade and other receivables		–	(7,495)
Gain on disposal of subsidiaries		7,274	–
Fair value (loss)/gain on financial assets at fair value through profit or loss		(128,086)	163,626
Fair value loss of convertible bonds receivable		(346)	–
Fair value loss of convertible bonds		(283,083)	–
Fair value gain on investment properties		39,200	13,000
Share of result of an associate	19	662	570
Finance costs	8	(479)	(2,970)
(Loss)/profit before income tax	9	(378,838)	144,720
Income tax credit/(expenses)	10	9,251	(28,053)
(Loss)/Profit for the year		(369,587)	116,667
Other comprehensive income/(expenses) that may be reclassified subsequently to profit or loss			
Exchange difference arising on translation of financial statement of foreign operations		2,259	(2,412)
Total comprehensive (loss)/income for the year		(367,328)	114,255

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2018

	Notes	2018 HK\$'000	2017 HK\$'000
Loss for the year attributable to:			
— Owners of the Company		(369,586)	116,820
— Non-controlling interests		(1)	(153)
		(369,587)	116,667
Total comprehensive (loss)/income for the year attributable to:			
— Owners of the Company		(367,327)	114,407
— Non-controlling interests		(1)	(152)
		(367,328)	114,255
(Loss)/Earnings per share	13		
— Basic (HK cents)		(12.8)	4.6
— Diluted (HK cents)		(12.8)	4.5

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2018

	Notes	2018 HK\$'000	2017 HK\$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	14	22,301	5,249
Prepaid premium for land leases	15	–	7,298
Goodwill	16	135,488	–
Investment properties	17	257,700	206,500
Intangible assets	18	76,399	2,730
Investment in an associate	19	10,487	9,825
Convertible bonds receivable	24	10,828	2,174
Prepayment	20	–	1,300
Total non-current assets		513,203	235,076
Current assets			
Inventories	21	9,449	1,882
Financial assets at fair value through profit or loss	22	23,179	165,160
Trade and other receivables	23	91,155	75,444
Loan receivables	25	10,000	20,000
Cash and cash equivalents	26	21,384	20,181
Total current assets		155,167	282,667
Total assets		668,370	517,743
Current liabilities			
Trade and other payables	27	57,018	31,079
Tax payables		8,234	5,962
Bank and other borrowings	28	37,484	42,803
Obligation under finance lease		199	–
Convertible bonds	29	201,872	–
Total current liabilities		304,807	79,844
Net current (liabilities)/assets		(149,640)	202,823
Total assets less current liabilities		363,563	437,899

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2018

	Notes	2018 HK\$'000	2017 <i>HK\$'000</i>
Non-current liabilities			
Deferred tax liabilities	30	29,358	22,466
Total non-current liabilities		29,358	22,466
Total liabilities		334,165	102,310
NET ASSETS		334,205	415,433
EQUITY			
Share capital	31	72,300	72,300
Reserves		261,905	342,781
Equity attributable to owners of the Company		334,205	415,081
Non-controlling interests		-	352
TOTAL EQUITY		334,205	415,433

Approval and authorised for issue by the board of directors on 22 June 2018

QIN YU QUAN
DIRECTOR

WONG SIU KI
DIRECTOR

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MARCH 2018

	Equity attributable to owners of the Company											
	Share capital	Share premium	Capital reserve	Merger reserve	Statutory reserves	Convertible bond reserve	Share options reserve	Translation reserves	Retained Earnings	Total	Non-controlling interests	Total equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
1 April 2016	57,840	131,546	10,207	8	6,578	-	1,956	8,295	25,873	242,303	504	242,807
Profit for the year	-	-	-	-	-	-	-	-	116,820	116,820	(153)	116,667
Other comprehensive income — exchange differences arising on translation of financial statement of foreign operation	-	-	-	-	-	-	-	(2,413)	-	(2,413)	1	(2,412)
Total comprehensive income for the year	-	-	-	-	-	-	-	(2,413)	116,820	114,407	(152)	114,255
Issue of ordinary shares as consideration shares	2,892	6,363	-	-	-	-	-	-	-	9,255	-	9,255
Issue of ordinary share by placing	11,568	34,704	-	-	-	-	-	-	-	46,272	-	46,272
Recognition of share — based payment	-	-	-	-	-	-	2,844	-	-	2,844	-	2,844
Lapsed of share options	-	-	-	-	-	-	(1,034)	-	1,034	-	-	-
At 31 March 2017	72,300	172,613	10,207	8	6,578	-	3,766	5,882	143,727	415,081	352	415,433
Loss for the year	-	-	-	-	-	-	-	-	(369,586)	(369,586)	(1)	(369,587)
Other comprehensive income — exchange differences arising on translation of financial statement of foreign operation	-	-	-	-	-	-	-	2,259	-	2,259	-	2,259
Total comprehensive income for the year	-	-	-	-	-	-	-	2,259	(369,586)	(367,327)	(1)	(367,328)
Acquisition of subsidiary	-	-	-	-	-	293,092	-	-	-	293,092	-	293,092
Disposal of subsidiary	-	-	(10,207)	(8)	(6,578)	-	-	(6,986)	17,138	(6,641)	(351)	(6,992)
Lapsed of share options	-	-	-	-	-	-	(922)	-	922	-	-	-
At 31 March 2018	72,300	172,613	-	-	-	293,092	2,844	1,155	(207,799)	334,205	-	334,205

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 MARCH 2018

	2018 HK\$'000	2017 HK\$'000
Cash flows from operating activities		
(Loss)/Profit before income tax	(378,838)	144,720
Adjustments for:		
Amortisation of prepaid premium for land leases	103	218
Depreciation of property, plant and equipment	1,767	992
Interest income	(660)	(33)
Interest expenses	479	2,970
Allowance for impairment of trade and other receivables	–	7,495
Reversal for impairment of trade and other receivables	–	(583)
Share-based compensation expenses	–	2,844
Sharing profit from an associate	(662)	(570)
Fair value loss/(gain) on remeasurement of financial assets at fair value through profit or loss	128,086	(136,151)
Gain on disposal of subsidiaries	(7,274)	–
Fair value loss on convertible bonds receivable	346	–
Fair value loss on convertible bonds	283,083	(374)
Fair value gain on investment property	(39,200)	(13,000)
Operating (loss)/profit before working capital changes	(12,770)	8,528
(Increase)/Decrease in inventories	(2,140)	235
Decrease/(Increase) in financial assets at fair value through profit or loss	13,895	(15,330)
Increase in trade and other receivables	1,794	(10,700)
Decrease/(Increase) in loan receivable	10,000	(20,000)
Increase in trade and other payables	3,001	19,930
Decrease in deferred income	–	(3,611)
Cash generated from (used in) operations	13,780	(20,948)
Income tax paid	(3,046)	(523)
Net cash generated from/(used in) operating activities	10,734	(21,471)

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 MARCH 2018

	2018 HK\$'000	2017 HK\$'000
Cash flows from investing activities		
Interest received	660	33
Payment for film rights	–	(1,300)
Invested in convertible bonds	(9,000)	(1,800)
Acquisition of subsidiaries	10,322	(160,724)
Cash effect of disposal of subsidiaries	23,310	–
Cash effect of acquisition of investment properties	(12,000)	(16,500)
Purchases of property, plant and equipments	(14,068)	(811)
Net cash used in investing activities	(776)	(181,102)
Cash flow from financing activities		
Proceeds from issue of shares upon placing	–	46,272
Interest paid	(479)	(2,970)
Drawdown of bank and other borrowings	–	59,000
Repayment of bank and other borrowings	(9,000)	(51,636)
Repayment of finance lease	(274)	
Net cash (used in)/generated from financing activities	(9,753)	50,666
Net increase/(decrease) in cash and cash equivalents	205	(151,907)
Cash and cash equivalents at the beginning of year	20,181	174,467
Effect of foreign exchange rate, net	998	(2,379)
Cash and cash equivalents at the end of year	21,384	20,181
Analysis of balances of cash and cash equivalents		
Cash and bank balances	21,384	20,181

1. CORPORATE INFORMATION

EJE (Hong Kong) Holdings Limited (formerly known as Jia Meng Limited) (the “Company”) was incorporated as an exempted company with limited liability in the Cayman Islands on 26 July 2012. The Company’s shares have been listed on the Growth Enterprise Market (“GEM”) of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) since 15 October 2013.

The registered office of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The principal place of business of the Company and its subsidiaries (the “Group”) is located at Room 2301, Floor 23, China Insurance Group Building, 141 Des Voeux Central, Central, Hong Kong.

The principal activity of the Company is investment holding. The principal activities of the Company’s subsidiaries are set out in note 39 to the consolidated financial statements.

The financial statements for the year ended 31 March 2018 were approved by the board of directors on 22 June 2018.

2. BASIS OF PREPARATION

2.1 Statement of compliance

These consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations (hereinafter collectively referred to as the “HKFRSs”) and the disclosure requirements of Hong Kong Companies Ordinance. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the GEM of the Stock Exchange.

2.2 Basis of measurement

The consolidated financial statements have been prepared under the historical cost basis except for financial assets at fair value through profit or loss and investment properties. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

2.3 Functional and presentation currency

The consolidated financial statements are presented in Hong Kong dollar (“HK\$”) which is also the functional currency of the Company.

2.4 Going concern

In preparing the consolidated financial statements, the directors considered the operations of the Group as a going concern notwithstanding that:

1. The Group incurred a loss of approximately HK\$369,587,000 for the year ended 31 March 2018; and
2. The Group has net current liabilities of approximately HK\$149,640,000 as at 31 March 2018.

These conditions indicate the existence of material uncertainties which may cast significant doubt over the Group’s ability to continue as a going concern.

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2018

2. BASIS OF PREPARATION (Continued)

2.4 Going concern (Continued)

Notwithstanding the aforesaid conditions, the consolidated financial statements have been prepared on a going concern basis on the assumption that the Group will be able to operate as a going concern for the foreseeable future. In the opinion of the directors, the Group can meet its financial obligations as and when they fall due within twelve months from the date of approval of these consolidated financial statements, after taking into consideration that the convertible bond's holder undertake with the Company that forgo their right to request the Company to redeem the convertible bond of principal amount of HK\$212,000,000 on or before 31 March 2019.

Based on the above arrangement, the directors are therefore of the opinion that it is appropriate to prepare the consolidated financial statements on a going concern basis. Should the Group not be able to continue as a going concern, adjustments would have to be made to the financial statements to write down the carrying value of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise, and to reclassify non-current assets and liabilities as current assets and liabilities. The effect of these adjustments has not been reflected in the consolidated financial statements.

3. ADOPTION OF NEW AND REVISED HKFRSs

(a) Application and new and revised HKFRSs

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

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

The application of these amendments has had no effect on the Group's consolidated financial statements.

3. ADOPTION OF NEW AND REVISED HKFRSs (Continued)

(b) New and revised HKFRSs issued but not yet effective

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective.

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

¹ Effective for annual periods beginning on or after 1 January 2018

² Effective for annual periods beginning on or after 1 January 2019

³ Effective for annual periods beginning on or after 1 January 2021

⁴ No mandatory effective date yet determined but available for adoption

The Group is in the process of assessing the potential impact of the above new and revised HKFRSs but is not yet in a position to state whether the above HKFRSs will have a significant impact on the Group's results of operations and financial position.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

4.1 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries. Inter-company transactions and balances between group companies together with unrealised profits are eliminated in full in preparing the consolidated financial statements. Unrealised losses are also eliminated unless the transaction provides evidence of impairment on the asset transferred, in which case the loss is recognised in profit or loss.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective dates of acquisition or up to the effective dates of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.1 Basis of consolidation (Continued)

The carrying amount of non-controlling interests that represent present ownership interests in the subsidiary is the amount of those interests at initial recognition plus such non-controlling interest's share of subsequent changes in equity. Total comprehensive income is attributed to such non-controlling interests even if this results in those non-controlling interests having a deficit balance.

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the carrying amount of the assets (including goodwill), and liabilities of the subsidiary attributable to the owners of the Company. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/ permitted by applicable HKFRSs).

4.2 Subsidiaries

A subsidiary is an investee over which the Company is able to exercise control. The Company controls an investee if all three of the following elements are present: power over the investee, exposure, or rights, to variable returns from the investee, and the ability to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

4.3 Acquisition of a subsidiary not constituting a business

When the Group acquires a group of assets and liabilities that do not constitute a business, the Group identifies and recognises the individual identifiable assets acquired and liabilities assumed by allocating the purchase price first to financial assets and financial liabilities at the respective fair values, the remaining balance of the purchase price is then allocated to the other individual identifiable assets and liabilities on the basis of their relative fair values at the date of purchase. Such a transaction does not give rise to goodwill or bargain purchase gain.

4.4 Investments in associates

An associate is an entity over which the Group has 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 results and assets and liabilities of associates are incorporated in the Group's consolidated financial statements using the equity method of accounting. The financial statements of associates used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Appropriate adjustments have been made to conform the associate's accounting policies to those of the Group. Under the equity method, an investment in an associate is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate. When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.4 Investments in associates (Continued)

An investment in an associate is accounted for using the equity method from the date on which the investee becomes an associate. On acquisition of the investment in an associate, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The requirements of HKAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 "Impairment of Assets" as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

4.5 Investment properties

Investment properties are land and/or buildings held by the Group to earn rental income and/or for capital appreciation, which include property interest held under operating lease carried at fair value.

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are stated at fair value at the statement of financial position date. Any gain or loss arising from a change in fair value is recognised in the consolidated income statement. An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated statement of profit or loss and other comprehensive income in the year in which the item is derecognised.

Subsequent expenditure is charged to the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed in the consolidated statement of profit or loss and other comprehensive income during the financial period in which they are incurred.

The fair values of investment properties are based on valuation by independent valuers who hold recognised professional qualification and have recent experience in the location and category of properties being valued. Fair value is determined based on market value, being the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2018

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.6 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses. The cost of property, plant and equipment includes its purchase price and the costs directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are recognised as an expense in profit or loss during the financial period in which they are incurred.

Property, plant and equipment are depreciated so as to write off their cost net of expected residual value over their estimated useful lives on a straight-line basis. The useful lives, residual value and depreciation method are reviewed, and adjusted if appropriate, at the end of each reporting period. The principal annual rates used for calculating depreciation are as follows:

Buildings	The shorter of lease terms and 4.5%
Plant and machinery	9%
Office equipment	18%
Motor vehicles	18%

An asset is written down immediately to its recoverable amount if its carrying amount is higher than the asset's estimated recoverable amount.

The gain or loss on disposal of an item of property, plant and equipment is the difference between the net sale proceeds and its carrying amount, and is recognised in profit or loss on disposal.

4.7 Prepaid premium for land leases

Prepaid premium for land leases represent up-front payments to acquire long term interests in the usage of land in the People's Republic of China ("PRC"). They are stated at cost less accumulated amortisation and any accumulated impairment losses. Amortisation is calculated on a straight-line basis over the period of the leases.

4.8 Intangible assets

Intangible assets acquired separately are initially recognised at cost. The cost of intangible assets acquired in a business combination is initially recognised separately from goodwill at fair value at the date of acquisition. Subsequently, intangible assets with finite useful lives are carried at cost less accumulated amortisation and accumulated impairment losses.

Amortisation of computer software is provided on a straight-line basis over its useful life of 4 years. Amortisation of property agency service contracts is provided at the time when the property agency fee is recognised as revenue in profit or loss.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.9 Film rights and films production in progress

Film rights include the unamortised cost of completed theatrical films, rights acquired or licensed from outsiders for exhibition and other exploitation of the films.

Film rights are stated at cost less subsequent accumulated amortisation and accumulated impairment loss.

Amortisation of film rights is calculated at rates sufficient to write off their cost less their residual values over the estimated useful lives on a straight-line basis. The principal useful lives are three to five years.

Films production in progress represents theatrical films in production and is stated at cost incurred to date, less any identified impairment losses. Costs included all direct costs associated with the production of films. Costs are transferred to film rights upon completion.

An impairment loss is made when there has been a change in the estimate used to determine the recoverable amount and the carrying amount exceeds the recoverable amount.

4.10 Research expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

4.11 Leasing

Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases. Operating lease payments are recognised as an expense on a straight-line basis over the lease term.

4.12 Financial instruments

(i) Financial assets

The Group classifies its financial assets at initial recognition, depending on the purpose for which the asset was acquired. Financial assets at fair value through profit or loss are initially measured at fair value and all other financial assets are initially measured at fair value plus transaction costs that are directly attributable to the acquisition of the financial assets. Regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned.

Loans and receivables

Loan and receivables including trade receivables and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers (trade debtors), and also incorporate other types of contractual monetary asset. Subsequent to initial recognition, they are carried at amortised cost using the effective interest method, less any identified impairment losses.

Financial assets at fair value through profit or loss

These assets include financial assets held for trading. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. Subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value, with changes in fair value recognised in profit or loss in the period in which they arise.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.12 Financial instruments (Continued)

(ii) **Impairment loss on financial assets**

The Group assesses, at the end of each reporting period, whether there is any objective evidence that financial asset is impaired. Financial asset is impaired if there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset that can be reliably estimated. Evidence of impairment may include:

- significant financial difficulty of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- granting concession to a debtor because of debtor's financial difficulty; and
- it becoming probable that the debtor will enter bankruptcy or other financial reorganisation.

For loans and receivables

As for other receivables, impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. As for trade receivables, the carrying amount of financial asset is reduced through the use of an allowance account. When any part of financial asset is determined as uncollectible, it is written off against the allowance account for the relevant financial asset.

(iii) **Financial liabilities**

The Group's its financial liabilities comprise financial liabilities at amortised cost.

Financial liabilities at amortised cost including trade payables, accruals and other payables, and bank and other borrowings are initially measured at fair value, net of directly attributable costs incurred and subsequently measured at amortised cost, using the effective interest method. The related interest expense is recognised in profit or loss.

(iv) **Effective interest method**

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial asset or liability, or where appropriate, a shorter period.

Interest income or expenses is recognised on an effective interest basis for financial asset or financial liability other than those financial asset classified as at fair value through profit or loss, of which interest income is included in net gains or losses.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.12 Financial instruments (Continued)

(v) *Equity instruments*

Equity instruments are any contracts that evidence a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

(vi) *Derecognition*

The Group derecognises a financial asset when the contractual rights to the future cash flows in relation to the financial asset expire or when the financial asset has been transferred and the transfer meets the criteria for derecognition in accordance with HKAS39.

On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

4.13 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 cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

4.14 Inventories

Inventories are initially recognised at cost, and subsequently at the lower of cost and net realisable value. Cost comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.15 Revenue and other income recognition

Revenue is recognised to the extent when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably. Revenue is measured at the fair value of the consideration received, net of allowances for returns, trade discounts and value-added tax. The following specific recognition criteria must also be met before revenue is recognised:

- (i) Sale of goods is recognised when the significant risks and rewards of ownership have been transferred to the customers, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold. Normally, risk is transferred upon dispatch of goods.
- (ii) Property management service fee and property agency fee are recognised when services are provided. However, when a specific act is much more significant than any other acts, the recognition of consultancy service income is postponed until the significant act is executed.
- (iii) Interest income from bank deposits is accrued on a time apportionment basis using the effective interest method.
- (iv) Rental income under operating leases is recognised in the period in which the properties are let out and on a straightline basis over the term of the relevant lease.

4.16 Income taxes

Income taxes for the year comprise current tax and deferred tax.

Current tax is based on the profit or loss from ordinary activities adjusted for items that are non-assessable or disallowable for income tax purposes and is calculated using tax rates that have been enacted or substantively enacted at the end of reporting period.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding amounts used for tax purposes. Except for recognised assets and liabilities that affect neither accounting nor taxable profits, deferred tax liabilities are recognised for all temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Deferred tax is measured at the tax rates expected to apply in the period when the liability is settled or the asset is realized based on tax rates that have been enacted or substantively enacted at the end of reporting period.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.16 Income taxes (Continued)

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purposes of measuring deferred tax liabilities or deferred tax assets for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale.

Income taxes are recognised in profit or loss except when they relate to items recognised in other comprehensive income in which case the taxes are also recognised in other comprehensive income or when they relate to items recognised directly in equity in which case the taxes are also recognised directly in equity.

Current tax assets and current tax liabilities are presented in net if, and only if,

- (a) the Group has the legally enforceable right to set off the recognised amounts; and
- (b) intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

The Group presents deferred tax assets and deferred tax liabilities in net if, and only if,

- (a) the entity has a legally enforceable right to set off current tax assets against current tax liabilities; and
- (b) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:
 - (i) the same taxable entity; or
 - (ii) different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.17 Foreign currencies

Transactions entered into by group entities in currencies other than the currency of the primary economic environment in which they operate (the “functional currency”) are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the end of reporting period. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of nonmonetary items carried at fair value are included in profit or loss for the period.

On consolidation, income and expense items of foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the rates approximating to those ruling when the transactions took place are used. All assets and liabilities of foreign operations are translated at the rate ruling at the end of reporting period. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity as translation reserve (attributed to non-controlling interests as appropriate). Exchange differences recognised in profit or loss of group entities’ separate financial statements on the translation of long- term monetary items forming part of the Group’s net investment in the foreign operation concerned are reclassified to other comprehensive income and accumulated in equity as translation reserve.

4.18 Employee benefits

Defined contribution retirement plan

The Group operates a defined contribution retirement benefit scheme (“MPF Scheme”) under the Mandatory Provident Fund Scheme Ordinance, for all of its employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employee’s basic salaries.

The employees of the Group’s subsidiary which operates in the PRC are required to participate in a central pension scheme operated by the local municipal government. That subsidiary is required to contribute a certain percentage of its payroll costs to the central pension scheme. The contributions are charged to the profit or loss as they become payable in accordance with the rules of the central pension scheme.

Other employee benefits

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the reporting date.

Non-accumulating compensated absences such as sick leave and maternity leave are not recognised until the time of leave.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.19 Impairment of other assets

At the end of each reporting period, the Group reviews the carrying amounts of the property, plant and equipment, prepaid premium for land leases, intangible assets and other non-financial assets to determine whether there is any indication that those assets have suffered an impairment loss or an impairment loss previously recognised no longer exists or may have decreased.

An impairment loss is recognised as an expense immediately for the amount by which the asset's recoverable amount is estimated to be less than its carrying amount. Recoverable amount is the higher of fair value, reflecting market conditions less costs to sell, and value in use. 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 assessment of time value of money and the risk specific to the asset.

For the purposes of assessing impairment, where an asset does not generate cash inflows largely independent from those from other assets, the recoverable amount is determined for the smallest group of assets that generate cash inflows independently (i.e. a cash-generating unit). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

4.20 Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, which will probably result in an outflow of economic benefits that can be reasonably estimated.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, the existence of which will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

4.21 Borrowing costs

All borrowing costs are recognised in profit or loss in the period in which they are incurred.

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2018

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.22 Government grants

Government grants are recognised when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised as revenue in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are deducted from the carrying amount of the asset and consequently are effectively recognised in profit or loss over the useful life of the asset by way of reduced depreciation expense.

4.23 Share-based payments

Where share options are awarded to employees and others providing similar services, the fair value of the options at the date of grant is recognised in profit or loss over the vesting period, or recognised in profit or loss in full at the grant date when the share options granted vest immediately, with a corresponding increase in the share option reserve within equity. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at the end of each reporting period so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. Market vesting conditions are factored into the fair value of the options granted. As long as all other vesting conditions are satisfied, a charge is made irrespective of whether the market vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition.

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also recognised in profit or loss over the remaining vesting period. At the time when the share options are exercised, the amount previously recognised in share option reserve will be transferred to share premium. After the vesting date, when the share options are forfeited or are still not exercised at the expiry date, the amount previously recognised in share option reserve will be transferred to retained earnings.

4.24 Related parties

- (a) A person or a close member of that person's family is related to the Group if that person:
 - (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of key management personnel of the Group or the Company's parent.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.24 Related parties (Continued)

- (b) An entity is related to the Group if any of the following conditions apply:
- (i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
 - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
 - (iii) Both entities 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 the employees of 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 key management personnel of the entity (or of a parent of the entity).
 - (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or the parent of the Group.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:

- (i) that person's children and spouse or domestic partner;
- (ii) children of that person's spouse or domestic partner; and
- (iii) dependents of that person or that person's spouse or domestic partner.

NOTES TO THE FINANCIAL STATEMENTS

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5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

In the application of the Group's accounting policies, the directors are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

(i) Impairment of receivables

The policy for the impairment of receivables of the Group is based on the evaluation of collectability and ageing analysis of accounts and on the management's judgement. A considerable amount of judgement is required in assessing the ultimate realisation of these receivables, including the current creditworthiness and the past collection history of each customer.

(ii) Depreciation and amortisation

The Group depreciated the property, plant and equipment and amortised the prepaid premium for land leases and the intangible assets in accordance with the accounting policies set out in note 4.6, 4.7 and 4.8. The estimated useful lives reflect the directors' best estimate of the periods that the Group intends or expects to derive future economic benefits from the use of the assets.

(iii) Inventory provision

The management of the Group reviews the marketability of inventory items at each reporting date, and makes allowance for obsolete and slow-moving inventory items identified that are no longer suitable for sale. The management estimates the net realisable value for inventories based primarily on the latest invoice prices and current market conditions. The Group carries out an inventory review on a product-by-product basis at each reporting date and makes provision for obsolete items.

(iv) Fair value measurement of investment properties

At 31 March 2018, investment properties are stated at fair value based on the valuation performed by the independent professional valuers. The valuers have determined the fair value based on a method of valuation which involves certain estimates. In relying on the valuation report prepared by the valuers, management has reviewed the valuation including the assumptions and estimates adopted.

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

(v) Impairment of non-financial assets (other than goodwill)

The Group assesses each cash-generating unit annually to determine whether any indication of impairment exists. When an indicator of impairment exists, a formal estimate of the recoverable amount is made, which is considered to be the higher of the fair value less costs of disposal and value in use. The carrying amount of the property, plant and equipment and intangible assets are reviewed for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable in accordance with the accounting policy as disclosed in the relevant part of this section. Estimating the value in use requires the Group to estimate future cash flows from the cash generating units and to choose a suitable discount rate in order to calculate the present value of those cash flows.

(vi) Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires management to estimate the future cash flows expected to arise from the cash-generating units and a suitable discount rate in order to calculate present value.

6. SEGMENT REPORTING

(a) Reportable segments

The Group determines its operating segments based on the reports reviewed by the chief operating decision maker that are used to make strategic decisions. For the year ended 31 March 2018, the Group principally operates in five business segments, which are:

- (i) Manufacture of custom made furniture;
- (ii) The design, manufacture and sale of mattress and soft bed products;
- (iii) Property investment;
- (iv) Securities investment; and
- (v) Moneylending.

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2018

6. SEGMENT REPORTING (Continued)

(a) Reportable segments (Continued)

The segment information provided to the chief operating decision-maker for reportable segments and reconciliation of the segments total to the amounts reported by the Group in the consolidated financial statements are as follows:

For the year ended 31 March 2018

	Manufacture of custom- made furniture HK\$'000	Mattress and soft bed products HK\$'000	Securities investment HK\$'000	Property investment HK\$'000	Money lending HK\$'000	Other HK\$'000	Sub-total HK\$'000	Unallocated HK\$'000	Total HK\$'000
Revenue from external customers	81,719	48,583	-	3,700	917	605	135,524	-	135,524
Reportable segment profit/(loss)	13,138	(4,539)	(121,018)	1,734	880	(857)	(110,662)	-	(110,662)
Unallocated other income								3,795	3,795
Share of result of an associate								662	662
Gain on disposal of subsidiary								7,274	7,274
Fair value gain on investment properties								39,200	39,200
Fair value loss of convertible bonds receivable								(346)	(346)
Fair value loss of convertible bonds								(283,083)	(283,083)
Unallocated corporate expenses								(26,427)	(26,427)
Loss for the year							(110,662)	(258,925)	(369,587)
Segment assets	248,261	77,687	50,685	265,631	10,772	867	653,903	-	653,903
Interest in associates								10,487	10,487
Unallocated cash and cash equivalents								379	379
Unallocated corporate assets								3,601	3,601
Total assets							653,903	14,467	668,370
Segment liabilities	31,041	44,431	6,609	9,818	252	7	92,158	-	92,158
Bank and other borrowings							-	37,484	37,484
Unallocated corporate liabilities								204,523	204,523
Total liabilities							92,158	242,007	334,165
Other segment information									
Interest income	7	8	459	-	-	-	474	186	660
Interest expenses	(29)	(320)	(130)	-	-	-	(479)	-	(479)
Share of profits of associates	-	-	-	-	-	-	-	662	662
Depreciation of property, plant and equipment	(310)	(167)	-	(1,290)	-	-	(1,767)	-	(1,767)
Amortisation of intangible assets	(11,414)	-	-	-	-	(433)	(11,847)	-	(11,847)
Fair value gain on investment properties	-	-	-	39,200	-	-	(39,200)	-	(39,200)
Fair value gain on financial assets at fair value through profit or loss	-	-	(128,086)	-	-	-	(128,086)	-	(128,086)
Income tax expenses	(4,878)	(33)	18,747	(6,468)	-	-	7,368	1,883	9,251
Research expenses	(2,177)	(1,664)	-	-	-	-	(3,841)	-	(3,841)
Additions to non-current assets	(8,541)	-	-	(5,527)	-	-	(14,068)	-	(14,068)

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2018

6. SEGMENT REPORTING (Continued)

(a) Reportable segments (Continued)

For the year ended 31 March 2017

	Mattress and soft bed products HK\$'000	Securities investment HK\$'000	Property investment HK\$'000	Money lending HK\$'000	Sub-total HK\$'000	Unallocated HK\$'000	Total HK\$'000
Revenue from external customers	49,532	–	1,793	1,505	52,830	–	52,830
Reportable segment profit/(loss)	(2,557)	125,511	10,807	1,235	134,996	–	134,996
Unallocated other income						7,809	7,809
Unallocated corporate expenses						(26,138)	(26,138)
Profit for the year					134,996	(18,329)	116,667
Segment assets	22,018	182,799	206,881	25,217	436,915	–	436,915
Interest in associates						9,825	9,825
Unallocated cash and cash equivalents						3,638	3,638
Unallocated corporate assets						67,365	67,365
Total assets					436,915	80,828	517,743
Segment liabilities	27,919	25,950	2,554	252	56,675	–	56,675
Bank and other borrowings		9,000			9,000	33,803	42,803
Unallocated corporate liabilities						2,832	2,832
Total liabilities					65,675	36,635	102,310
Other segment information							
Interest income	7	20	–	–	27	6	33
Interest expenses	–	(957)	–	–	(957)	(2,013)	(2,970)
Share of profits of associates	–	–	–	–	–	570	570
Depreciation of property, plant and equipment	(161)	–	–	–	(161)	(831)	(992)
Amortisation of prepaid premium for land leases	–	–	–	–	–	(218)	(218)
Fair value gain on investment properties	–	–	13,000	–	13,000	–	13,000
Fair value gain on financial assets at fair value through profit or loss	–	163,626	–	–	163,626	–	163,626
Income tax expenses	(134)	(24,599)	(2,658)	(244)	(27,635)	(418)	(28,053)
Research expenses	(710)	–	–	–	(710)	–	(710)
Impairment of trade and other receivables	(7,495)	–	–	–	(7,495)	–	(7,495)
Reversal of provision on trade and other receivables	–	–	–	–	–	3,232	3,232
Additions to non-current assets	(811)	–	–	–	(811)	–	(811)

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2018

6. SEGMENT REPORTING (Continued)

(b) Geographic information

The following table provides an analysis of the Group's revenue from external customers based on geographical location of the customers.

	2018 HK\$'000	2017 <i>HK\$'000</i>
Revenue from external customers		
PRC (place of domicile)	94,937	13,994
Hong Kong	32,748	19,280
Other countries	7,839	19,556
	135,524	52,830

(c) Information about major customers

The Group's customer base is diversified and includes only the following customers with whom transactions have exceeded 10% of the Group's revenue:

	2018 HK\$'000	2017 <i>HK\$'000</i>
Mattress and soft bed products segment		
Customer A*	N/A	9,882
Customer B	27,169	15,941
Manufacture of custom-made furniture		
Customer C	21,220	–

* Revenue derived from Customer A did not contribute over 10% or more of the total revenue of the Group during the year ended 31 March 2018.

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2018

7. REVENUE AND OTHER INCOME

Revenue from the Group's principal activities, which is also the Group's turnover, represented the net invoiced value of goods sold and services provided, net of allowances for returns, trade discounts and value-added tax. An analysis of the Group's revenue and other income is as follows:

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Revenue		
Sales of goods	130,302	49,532
Rental income	3,700	1,793
Loan interest income	917	1,505
Other income	605	–
	135,524	52,830
Other income		
Interest income	660	33
Government grants	274	3,375
Dividend income	–	436
Exchange gain	–	697
Reversal of impairment on receivables	–	3,232
Fair value gain on convertible bonds	–	374
Consultancy fee income	–	160
Sundry income	740	149
	1,674	8,456

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2018

8. FINANCE COSTS

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Interest on bank borrowings repayable within one year	320	2,013
Interest on other borrowings repayable within one year	136	887
Interest on bank overdraft	23	70
	479	2,970

9. (LOSS)/PROFIT BEFORE INCOME TAX

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

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Allowance for impairment of trade and other receivables	–	7,495
Amortisation of prepaid premium for land leases	103	218
Auditor's remuneration	650	590
Cost of inventories recognised as expenses	98,470	41,731
Depreciation of property, plant and equipment	1,767	992
Net foreign exchange loss/(gain)	726	(697)
Operating lease charges on rented premises	1,261	1,598
Staff costs (including directors' remuneration)		
— Wages, salaries and bonus	13,973	11,174
— Contribution to defined contribution plans	2,061	1,851
— Share-based compensation expenses	–	2,844

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2018

10. INCOME TAX EXPENSE

	Continuing operations	
	2018	2017
	HK\$'000	<i>HK\$'000</i>
Current tax — PRC	–	134
Current tax — Hong Kong	4,911	5,035
Deferred tax	(14,162)	22,884
	<hr/>	<hr/>
Income tax expenses	(9,251)	28,053
	<hr/>	<hr/>

The Group is subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which members of the Group are domiciled and operated. Hong Kong profits tax was calculated at 16.5% (2017: 16.5%) on the estimated assessable profits for the year ended 31 March 2018. Enterprise income tax arising from subsidiary operating in the PRC was calculated at 25% (2017: 25%) of the estimated assessable profits of the subsidiary during the year.

Reconciliation between income tax expense and accounting profit at applicable tax rates is as follows:

	2018	2017
	HK\$'000	<i>HK\$'000</i>
(Loss)/profit before income tax	(378,838)	146,595
	<hr/>	<hr/>
Tax on profit at applicable tax rates	(62,508)	24,188
Income tax on concessionary rate	1,850	–
Effect of expenses not deductible for tax purpose	78,032	343
Effect of income not taxable for tax purpose	(10,295)	(170)
Tax effect of tax loss not recognised	1,262	8,067
Other	(17,592)	(4,375)
	<hr/>	<hr/>
Income tax expenses	(9,251)	28,053
	<hr/>	<hr/>

Deferred tax liabilities as at 31 March 2018 have not been recognised for the withholding tax and other taxation that would be payable on the distribution of the unremitted earnings of a subsidiary for both years.

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2018

11. REMUNERATION OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS

Directors' remuneration

Directors' remuneration for the year is as follows:

Year ended 31 March 2018

Executive directors:

	Fees HK\$'000	Salaries, allowance and benefits in kind HK\$'000	Pension contribution HK\$'000	Share-based compensation expenses HK\$'000	Total HK\$'000
Mr. Qin Yuquan (note 13)	232	-	-	-	232
Mr. Hung Cho Sing (note 1)	426	-	-	-	426
Mr. Wong Siu Ki (note 7)	360	-	-	-	360
Mr. Yim Yin Nang (note 11)	77	-	-	-	77
Mr. Matthew Chung (note 2)	360	-	-	-	360
Mr. Wong Pak Kan Martin (note 3)	131	-	-	-	131

Independent non-executive directors:

Mr. Chan Chun Wing (note 4)	120	-	-	-	120
Ms. Lai Mei Kwan (note 5)	40	-	-	-	40
Mr. Tang Kin Chor (note 6)	120	-	-	-	120
Li Siu Yui (note 12)	80	-	-	-	80

1,946	-	-	-	1,946
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Year ended 31 March 2017

Executive directors:

	Fees HK\$'000	Salaries, allowance and benefits in kind HK\$'000	Pension contribution HK\$'000	Share-based compensation expenses HK\$'000	Total HK\$'000
Mr. Hung Cho Sing (note 1)	309	-	-	-	309
Mr. Wong Siu Ki (note 7)	318	-	-	-	318
Mr. Yim Yin Nang (note 11)	146	-	-	-	146
Mr. Matthew Chung (note 2)	350	-	-	-	350
Mr. Wong Pak Kan Martin (note 3)	102	-	-	-	102

Independent non-executive directors:

Mr. Chan Chun Wing (note 4)	103	-	-	-	103
Ms. Lai Mei Kwan (note 5)	63	-	-	-	63
Mr. Tang Kin Chor (note 6)	117	-	-	-	117
Mr. Au-Yeung Hau Cheong (note 8)	5	-	-	-	5
Mr. Chan Wai Cheung, Admiral (note 9)	22	-	-	-	22
Mr. Fung Kam Man (note 10)	71	-	-	-	71

1,606	-	-	-	1,606
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11. REMUNERATION OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS

(Continued)

Directors' remuneration (Continued)

Notes:

- Note 1: Mr. Hung Cho Sing appointed on 23 May 2016.
- Note 2: Mr. Matthew Chung appointed on 11 April 2016.
- Note 3: Mr. Wong Pak Kan Martin appointed on 20 December 2016, and resigned on 11 August 2017.
- Note 4: Mr. Chan Chun Wing appointed on 23 May 2016.
- Note 5: Ms. Lai Mei Kwan appointed on 21 September 2016, and resigned on 1 August 2017.
- Note 6: Mr. Tang Kin Chor appointed on 11 April 2016.
- Note 7: Mr. Wong Siu Ki appointed on 15 December 2015.
- Note 8: Mr. Au-Yeung Hau Cheong appointed on 9 September 2015, and resigned on 11 April 2016.
- Note 9: Mr. Chan Wai Cheung, Admiral resigned on 23 May 2016.
- Note 10: Mr. Fung Kam Man appointed on 1 April 2015 and resigned on 21 September 2016.
- Note 11: Mr. Yim Yin Nang appointed on 5 March 2015, and resigned 20 November 2017.
- Note 12: Mr. Li Siu Yui appointed on 11 July 2017.
- Note 13: Mr. Qin Yuguan appointed on 1 August 2017.

Fees, salaries, allowance and benefits in kind paid to or for the executive directors are generally emoluments paid or receivable in respect of those persons' other services in connection with the management of the affairs of the Company and its subsidiaries.

Five highest paid individuals

The five highest paid individuals consisted of 3 (2017: 2) directors of the Company for the year ended 31 March 2018 details of whose remuneration are reflected in the analysis presented above. Details of remuneration of the remaining 2 (2017: 3) highest paid individuals for the year ended 31 March 2018 are as follows:

	2018 HK\$'000	2017 HK\$'000
Salaries, allowance and benefits in kind	2,342	1,945
Retirement benefits — defined contribution plans	32	50
Share based payment expenses	—	1,011
	2,374	3,006

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2018

11. REMUNERATION OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS

(Continued)

Five highest paid individuals (Continued)

The remuneration paid to each of the above five highest paid individuals for each of the year fell within the following bands:

	Number of individuals	
	2018	2017
Nil–HK\$1,000,000	4	3
HK\$1,000,001–HK\$1,500,000	1	2

There was no arrangement under which a director waived or agreed to waive any remuneration during the year (2016: Nil).

No emolument was paid by the Group to the directors or any of the five highest paid individuals as an inducement to join or upon joining the Group, or compensation for loss of office during the year (2016: Nil).

12. DIVIDENDS

No dividend has been declared by the Company during the year (2017: Nil).

13. (LOSS)/EARNINGS PER SHARE

	2018 HK\$'000	2017 HK\$'000
(Loss)/Earnings		
(Loss)/earnings for the purposes of basic and diluted (loss)/earnings per share	(369,586)	116,820
Number of shares	'000	'000
Weighted average number of ordinary shares for the purposes of basic (loss)/earnings per share	2,892,000	2,555,419
Effect of dilutive potential ordinary share — share options	–	18,624
Weighted average number of ordinary shares for the purposes of diluted (loss)/earnings per share	2,892,000	2,574,043

The calculation of diluted earnings per share for the year ended 31 March 2018 did not assume the exercise of the outstanding share options as there options were anti-diluted.

NOTES TO THE FINANCIAL STATEMENTS

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14. PROPERTY, PLANT AND EQUIPMENT

	Buildings <i>HK\$'000</i>	Plant and Machinery <i>HK\$'000</i>	Office equipment <i>HK\$'000</i>	Motor vehicles <i>HK\$'000</i>	Total <i>HK\$'000</i>
Cost					
At 1 April 2016	5,969	6,412	529	1,205	14,115
Additions	–	811	–	–	811
Exchange realignment	(373)	(257)	(28)	(75)	(733)
At 31 March 2017 and 1 April 2017	5,596	6,966	501	1,130	14,193
Acquisition of subsidiary	–	6,700	–	–	6,700
Additions	–	8,541	5,158	369	14,068
Disposals	(5,851)	(3,382)	(442)	(1,181)	(10,856)
Exchange realignment	255	1,801	22	51	2,129
At 31 March 2018	–	20,626	5,239	369	26,234
Accumulated depreciation					
At 1 April 2016	2,848	4,018	475	1,029	8,370
Depreciation	601	360	6	25	992
Exchange realignment	(192)	(136)	(25)	(65)	(418)
At 31 March 2017 and 1 April 2017	3,257	4,242	456	989	8,944
Depreciation	–	477	1,290	–	1,767
Disposals	(3,334)	(2,251)	(390)	(1,034)	(7,009)
Exchange realignment	77	92	17	45	231
At 31 March 2018	–	2,560	1,373	–	3,933
Net book amount					
At 31 March 2018	–	18,066	3,866	369	22,301
At 31 March 2017	2,339	2,724	45	141	5,249

The net book value of the Group's plant and machinery includes an amount approximately HK\$998,000 in respect of assets held under finance lease.

The bank borrowing is secured by the Group's leasehold land classified as prepaid premium for land leases and building with a net carrying value of HK\$7,298,000 and HK\$2,141,000 respectively at the end of the year ended 31 March 2017.

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2018

15. PREPAID PREMIUM FOR LAND LEASES

	<i>HK\$'000</i>
At 1 April 2016	8,012
Amortisation	(218)
Exchange realignment	(496)
	<hr/>
At 31 March 2017 and 1 April 2017	7,298
Amortisation	(103)
Disposal of subsidiary	(7,529)
Exchange realignment	334
	<hr/>
At 31 March 2018	<hr/> <hr/> –

16. GOODWILL

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Cost		
At 1 April	–	–
Acquisition of subsidiaries	135,488	–
	<hr/>	
At 31 March	135,488	–
	<hr/> <hr/>	

During the year ended 31 March 2018, the Group acquired 100% issued share capital of Pioneer One Investments Limited and its subsidiaries and goodwill of approximately HK\$135,488,000 was recognised upon completion of the acquisition. The goodwill have been allocated to the cash generating unit (CGU) of manufacture of custom made furniture segment.

The recoverable amount of the CGU has been determined based on a value in use calculation. That calculation adopted cash flow projections covering a 5-year period, based on financial budgets approved by the management with discount rate of 12.94% per annum. Cash flows beyond the 5-year period are extrapolated with 3% growth rate. Other key assumptions for the value in use calculations relate to the estimation of cash inflows/outflows which include budgeted sales and gross margin. Such estimation is based on the unit's past performance and management's expectations of the market development. No impairment loss was recognised for the year ended 31 March 2018.

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17. INVESTMENT PROPERTIES

	2018 HK\$'000	2017 HK\$'000
At fair value		
At 1 April	206,500	19,000
Acquisition of subsidiaries	12,000	158,000
Addition during the year	–	16,500
Fair value change	39,200	13,000
	257,700	206,500
At 31 March	257,700	206,500

Notes:

- (a) The Group's investment property is held in Hong Kong under medium-term leases.
- (b) As at 31 March 2018, the fair value of the Group's investment properties was approximately HK\$257,700,000 (2017: HK\$206,500,000). The fair value has been determined based on the valuation carried out by B.I. Appraisals Limited, independent valuers not connected with the Group. The fair value was determined on income approach using investment method. The entire amount of fair value measurement of the Group's property is categorised as level 3 hierarchy defined in HKFRS 13 Fair Value Measurement.

Information about level 3 fair value measurements

Type of investment properties	Valuation method	Key unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
For 2018			
Commercial properties	Investment method	Rental value of HK\$11.6 to HK\$72.2 per square feet/ income capitalisation rate of 2.3% to 3.3%	The higher the rental value, the higher the fair value. The lower the income capitalisation rate, the higher the fair value.
For 2017			
Commercial properties	Investment method	Rental value of HK\$34.46 to HK\$68.04 per square feet/ income capitalisation rate of 2.6% to 3.4%	The higher the rental value, the higher the fair value. The lower the income capitalisation rate, the higher the fair value.

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18. INTANGIBLE ASSETS

	Money lending license <i>HK\$'000</i>	Trademark <i>HK\$'000</i>	Distribution Network <i>HK\$'000</i>	Others <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 April 2016	–	–	–	–	–
Acquisition of a subsidiary (note 35)	2,730	–	–	–	2,730
At 31 March 2017 and 1 April 2017	2,730	–	–	–	2,730
Acquisition of a subsidiary	–	24,592	59,624	–	84,216
Additions	–	–	–	1,300	1,300
At 31 March 2018	2,730	24,592	59,624	1,300	88,246
Accumulated Amortisation					
At 31 March 2017 and 1 April 2017	–	–	–	–	–
Charge for the year	–	(3,333)	(8,081)	(433)	(11,847)
At 31 March 2018	–	(3,333)	(8,081)	(433)	(11,847)
Net Book amount					
At 31 March 2018	2,730	21,259	51,543	867	76,399
At 31 March 2017	2,730	–	–	–	2,730

The money lending licenses held by the Group is considered by the directors as having indefinite useful life because there is no foreseeable limit to the period over which the licence are expected to generate cash flows. The license is reviewed annually with no legal impediments to renew the license.

The trademark and distribution network generated from the business acquisition of Pioneer One Investments Limited and its subsidiaries, which have finite useful life and are amortised on a straight-line basis over 5 years. No impairment loss has been recognised during the year ended 31 March 2018.

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19. INTEREST IN AN ASSOCIATE

	2018 HK\$'000	2017 <i>HK\$'000</i>
Cost of investment in an associate	9,255	9,255
Share of post-acquisition profit and other comprehensive income	1,232	570
	10,487	9,825

Details of the Group's associate at the end of the reporting period are as follow:

Name of entity	Principal place of incorporation and business	Proportion of ownership interest held by the Group		Proportion of voting rights held by the Group		Principal activities
		2018	2017	2018	2017	
Sau San Tong Investment Holding Limited ("Sau San Tong")	Hong Kong	25%	25%	25%	25%	Property investment

NOTES TO THE FINANCIAL STATEMENTS

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19. INTEREST IN AN ASSOCIATE (Continued)

Summarised financial information of Sau San Tong, and reconciled to the carrying amounts in the consolidated financial statements, are disclosed below:

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Non-current assets	48,971	48,971
Current assets	1,826	1,180
Total assets	50,797	50,151
Non-current liabilities	–	–
Current liabilities	58,385	58,385
Total liabilities	58,385	58,385
Net liabilities	(7,588)	(8,234)
Fair value adjustment of investment property	29	(1,971)
	(7,559)	(10,205)
Group's share of net liabilities	(1,890)	(2,551)
Goodwill	12,376	12,376
Group's carrying amount	10,486	9,825
Revenue	600	300
Profit/(loss) for the year	2,646	2,283
Other comprehensive income	–	–
Total comprehensive income	2,646	2,283
Carrying amount of interest in associates at the beginning of the year		
Investment cost at acquisition	9,255	9,255
Total comprehensive income attributable to the Group	1,232	570
Carrying amount of interest in associates at the end of the year	10,487	9,825

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20. PREPAYMENT

Prepayment represent upfront payments for film productions, distribution rights and prepaid administrative expenses during the year ended 31 March 2018.

As at 31 March 2018, the amounts of prepayments were classified to intangible asset as film right.

21. INVENTORIES

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Raw material	9,046	1,204
Work in progress	96	101
Finished goods	307	577
	9,449	1,882

22. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Listed equity securities in Hong Kong, at market value	23,179	165,160

Fair values of the listed equity securities have been determined by reference to their quoted bid prices at the reporting date in an active market.

23. TRADE AND OTHER RECEIVABLES

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Trade receivables	30,484	10,143
Other receivables	58,623	53,134
Prepayments	2,048	12,167
	91,155	75,444

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23. TRADE AND OTHER RECEIVABLES (Continued)

The Group did not hold any collateral as security or other credit enhancements over the trade receivables. The credit period on sales of goods for recurring customers is 30 to 90 days from invoice date. The ageing analysis of trade receivables based on the invoice date at the reporting date is as follows:

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Within 3 months	21,638	6,153
More than 3 months	8,846	3,990
	30,484	10,143

The ageing of trade receivables which are past due but not impaired are as follows:

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Neither past due nor impaired	21,638	6,153
Less than 1 month past due	5,529	1,838
2 to 3 months past due	1,312	116
4 to 6 months past due	2,005	2,036
	30,484	10,143

The below table reconciled the allowance for impairment loss of trade receivables for the year:

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
At 1 April	14,655	11,189
Impairment loss recognised	–	7,495
Reversal of impairment loss upon disposal of subsidiaries	(15,325)	(3,232)
Exchange realignment	670	(797)
	–	14,655

Trade receivables that were neither past due nor impaired relate to a number of customers for whom there was no recent history of default.

23. TRADE AND OTHER RECEIVABLES (Continued)

Trade receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, the directors are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

Other receivables mainly represent the payment advance to suppliers, loan receivables from independent third parties and deposit received from the lessee.

Prepayment mainly represent the prepayment of the licenses fee in PRC as at 31 March 2018 and 31 March 2017.

24. CONVERTIBLE BOND RECEIVABLE

On 18 April 2016, the Group entered into an investment agreement with Deson Construction International Holdings Limited ("Deson"), a company incorporated in the Cayman Islands and its shares are listed on the Stock Exchange of Hong Kong Limited (Stock code: 8268) to subscribe for a 2% coupon convertible bond with principal amount of HK\$1,800,000 issued by Deson ("CB 2016"). The CB entitle the Company to convert into 6,000,000 ordinary shares of Deson at any time between the date of issue of the CB 2016 and the maturity date on 17 April 2019 at a conversion price of HK\$0.3 per convertible share. The CB 2016 will be redeemed by Deson at par value plus accrued interest on 17 April 2019. If the CB 2016 has not been converted or redeemed, Deson will redeem it on the maturity date at par. Deson is principally involved in construction business in Hong Kong, Mainland China and Macau.

On 4 September 2017, the Group entered into an investment agreement with Larry Jewelry International Company Limited ("Larry"), a company incorporated in Bermuda and its shares are listed on the Stock Exchange of Hong Kong Limited (Stock code: 8351) to subscribe for a 7.5% coupon convertible bond with principal amount of HK\$9,000,000 issued by Larry ("CB 2017"). The CB 2017 entitle the Company to convert into 30,000,000 ordinary shares of Larry at any time between the date of issue of the CB 2017 and the maturity date on 3 September 2019. Larry may at any time before the maturity date of the CB 2017 redeem the CB 2017 at 100% of the principal amount of CB 2017 thereof plus interest accrued thereon up to the actual date of redemption. The Company shall not have the right to request Larry to redeem the CB 2017 prior to the maturity date. Larry is principally involved in jewelry in Hong Kong and Singapore and pharmaceutical and health food products in Hong Kong, Macau and the PRC.

The convertible bond receivable was designated as financial assets at fair value through profit or loss and level 3 of fair value hierarchy.

As the convertible bonds receivable contain embedded derivative.

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24. CONVERTIBLE BOND RECEIVABLE (Continued)

The movement of the assets component of the convertible bonds for the year is set out below:

	2018 HK\$'000	2017 HK\$'000
Carrying amount at the beginning of the year	2,174	–
Addition	9,000	1,800
Fair value change	(346)	374
Interest charge	421	36
Interest received	(421)	(36)
	10,828	2,174

The entire CB was designated as fair value through profit or loss.

Information about level 3 fair value measurement of the convertible bond receivable is as follows:

Valuation techniques	Significant unobservable input	Relationship of unobservable inputs to fair value
CB 2016		
Crank-Nicolson finite-difference method	• Discount rates that correspond to expected risk level of 8.47%	• The lower the discount rates, the higher the fair value.
	• Volatility rate of 64.58%	• The higher the volatility rate, the higher the fair value.
	• Risk-free rate of 1.23%	• The lower the risk-free rate, the higher the fair value.
CB 2017		
Crank-Nicolson finite-difference method	• Discount rates that correspond to expected risk level of 13.69%	• The lower the discount rates, the higher the fair value.
	• Volatility rate of 92.44%	• The higher the volatility rate, the higher the fair value.
	• Risk-free rate of 1.30%	• The lower the risk-free rate, the higher the fair value.

25. LOAN RECEIVABLES

	Fixed interest rate	2018 HK\$'000	2017 HK\$'000
Unsecured fixed-rate loans receivable (Note a)	8%–12%	10,000	10,000
Secured fixed-rate loans receivable (Note b)	9%	–	10,000
		10,000	20,000

Notes:

- (a) As at 31 March 2018, the unsecured loan receivable was guaranteed by an independent third party.
- (b) As at 31 March 2017, the secured loan receivable was secured by a property held by the borrower.
- (c) As at 31 March 2018, the Group's loan receivables were contractual maturity within one year.

26. CASH AND CASH EQUIVALENTS

Included in bank and cash balances of the Group is a balance of approximately HK\$3,934,000 as at 31 March 2018 which were denominated in Renminbi ("RMB") (2017: HK\$3,050,000). RMB is not a freely convertible currency. Cash held in securities account maintained in a securities company was carrying interest at floating rates based on daily bank deposit rate.

27. TRADE AND OTHER PAYABLES

	2018 HK\$'000	2017 HK\$'000
Trade payables	14,098	1,160
Accruals and other payables	30,146	24,679
Receipt in advance	12,774	5,240
	57,018	31,079

The ageing analysis of the trade payables of the Group based on the invoice date at the reporting date is as follows:

	2018 HK\$'000	2017 HK\$'000
Within 3 months	11,045	762
More than 3 months	3,053	398
	14,098	1,160

The accrual and other payable mainly represent amount due to independent third party, interest-free and repayable on demand.

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28. BANK AND OTHER BORROWINGS

	2018 HK\$'000	2017 HK\$'000
Secured bank borrowing, repayable within one year (Note a and b)	37,484	33,803
Secured other borrowing, repayable within one year (Note c)	–	9,000
	37,484	42,803

Notes:

- (a) As at 31 March 2018, the Group's interest-bearing bank borrowings were bearing fixed interest rate at 5.49% per annum and was guaranteed by the legal representative of the Group's subsidiary and property of a former subsidiary.
- (b) As at 31 March 2017, the Group's interest-bearing bank borrowings were bearing floating interest rate at 5.49% per annum over HIBOR and secured by the Group's leasehold land classified as prepaid premium for land leases and building with a net carrying value of HK\$7,298,000 and HK\$2,141,000 respectively.
- (c) As at 31 March 2017, the Group's other borrowings were bearing fixed interest rate of 8% per annum and covered by corporate guarantee provided by the Company.

As at 31 March 2018, the Group has undrawn banking facilities of HK\$20,000,000.

29. CONVERTIBLE BONDS

On 1 August 2017, as consideration for the acquisition of the entire issued share capital of Pioneer One Investments Limited and its subsidiaries (referred to as "Pioneer One Group") (see note 36), the Company issued convertible bonds with an aggregate principal amount of HK\$212,000,000 (the "CB"). The maturity date of the CB is on 1 August 2020, which is 36 months after the completion date of the abovementioned acquisition (i.e. 1 August 2017). The CB will not bear any interest.

Based on the relevant sale and purchase agreement, the Vendor undertakes to the Purchaser, being a subsidiary of the Company, that if the Actual Performance of the Pioneer One Group for the year ended 31 March 2018 ("2018 Actual Performance") is less than the Performance Target for the year ended 31 March 2018 (being HK\$14,444,444 equivalent of RMB13,000,000 at an exchange rate of HK\$1 = RMB0.9) ("2018 Performance Target"), the Vendor shall surrender to the Company the CB of the value of the 2018 Profit Adjustment and the same shall be cancelled forthwith without compensation. The Actual Performance is defined as the audited consolidated net profit (after tax) (to be converted at an exchange rate of HK\$1 = RMB0.9) of the Pioneer One Group under the Hong Kong Accounting Standards. If the Pioneer One Group records a net loss after tax for the relevant year, the Actual Performance is treated as zero for calculation of the relevant profit adjustment.

The 2018 Profit Adjustment is calculated as follows:

$$\text{Consideration} \times \frac{(\text{2018 Performance Target} - \text{2018 Actual Performance})}{(\text{2018 Performance Target} + \text{2019 Performance Target} + \text{2020 Performance Target})}$$

29. CONVERTIBLE BONDS (Continued)

The holders of the CB have the right to convert the CB into ordinary shares of the Company anytime from the day on which the Vendor receives the audited financial statements of Pioneer One Group in respect of the year ended 31 March 2018 (subject to dispute resolution mechanism if any dispute arises over the content of the audited financial statements), or the first anniversary of the completion date to the maturity date of the CB at a fixed conversion price of HK\$0.11 per conversion share subject to customary anti-dilutive adjustments. From the 18 months after the completion date to the maturity date of the CB, the holders of the CB have the right to require the Company to redeem in whole or in part of the unconverted, unredeemed and un-surrendered CB of principal amount.

The CB was treated as a contingent consideration payable and measured at fair value at the date of the abovementioned acquisition taking into account the potential downward adjustment to the value of the CB as described above.

The directors of the Company confirmed that the 2018 Performance Target was satisfied based on the available management accounts of the Pioneer One Group for the year ended 31 March 2018 and believed that the audited financial statements (pending for the auditor report to be delivered) will not result in the Pioneer One Group failing to meet the 2018 Performance Target. For this reason, the directors of the Company concluded that the uncertainty that may adjust downward the principal amount of the CB no longer existed as of 31 March 2018 and that the initial recognition date of the CB for accounting purpose was 31 March 2018.

A loss between the fair value of the abovementioned contingent consideration payable at the date of the acquisition of HK\$211,881,000 and the fair value of the CB as a whole as at 31 March 2018 of HK\$494,964,000, amounting to HK\$283,083,000, was recognised in the profit or loss for the year 31 March 2018 (included in "Fair value loss of convertible bonds" line item in the consolidated statement of profit or loss). The significant increase in fair value of the CB on initial recognition, in the opinion of the directors of the Company, was due to the increase in share price of ordinary shares of the Company of about 232% since the acquisition date.

The CB was determined to be a compound financial instrument with a conversion option, that will or may be settled by an exchange of a fixed number of ordinary shares of the Company for a fixed amount of cash, being treated as equity. On initial recognition of the CB, the equity component is assigned the residual amount after deducting from the fair value of the CB as a whole the fair value of the liability component.

The difference between the fair value of the CB as a whole of HK\$494,964,000 and the fair value of the liability component on initial recognition amounting to HK\$201,872,000, amounting to HK\$293,092,000 was assigned to the equity conversion option being recognised in equity.

Also, with the early redemption option exercisable by the holders since 1 February 2019, the liability component of the CB is presented as a current liability as at 31 March 2018 as the Company does not have the unconditional right to defer redemption if the holders choose to exercise the early redemption option.

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30. DEFERRED TAX ASSETS/(LIABILITIES)

	Fair value change on financial assets at fair value through profit or loss <i>HK\$'000</i>	Provision of impairment for trade and other receivables <i>HK\$'000</i>	Revaluation of property <i>HK\$'000</i>	Fair Value adjustment on business combination <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 April 2016	–	692	(256)	–	436
(Charge)/Credit to profit or loss for the year	(22,466)	(662)	244	–	(22,884)
Exchange realignment	–	(30)	12	–	(18)
At 31 March 2017	(22,466)	–	–	–	(22,466)
(Charge)/credit to profit or loss	18,747	–	(6,468)	–	12,279
Acquisition of a subsidiary	–	–	–	(19,171)	(19,171)
At 31 March 2018	(3,719)	–	(6,468)	(19,171)	(29,358)

31. SHARE CAPITAL

	Number of ordinary share <i>'000</i>	Amount <i>HK\$'000</i>
Authorised:		
At 31 March 2016, 1 April 2016, 31 March 2017, 1 April 2017 and 31 March 2018	10,000,000	250,000
Issued and fully paid:		
At 1 April 2016, ordinary shares of HK\$0.025 each	2,313,600	57,840
Consideration shares (note a)	115,680	2,892
Issue of ordinary shares by placing (note b)	462,720	11,568
At 31 March 2017, 1 April 2017 and 31 March 2018	2,892,000	72,300

Notes:

- On 14 September 2016, pursuant to the acquisition agreement dated on 29 August 2016, the Company issued 115,680,000 new shares at the market price of HK\$0.08 per new share for the acquisition of 25% issued share capital of the Sau San Tong Investment Holdings Limited, which is a subsidiary of Sau San Tong Holdings Limited (stock code: 8200). The acquisition was completed on 14 September 2016.
- On 11 November 2016, pursuant to the placing and subscription agreement dated 26 October 2016, 462,720,000 ordinary shares of HK\$0.025 each were allotted and issued at the market price of HK\$0.1 per share. The net proceeds from the Placing are approximately HK\$44.8 million. The Company intends to apply approximately HK\$20.6 million for the repayment of loan and the balance for general working capital purpose.

32. RESERVES

(a) Share premium

The share premium account of the Group represents the excess of the proceeds received over the nominal value of the Company's shares issued, net of share issue costs.

(b) Capital reserve

Capital reserve represented the amounts due to beneficial shareholders which were capitalised during the year ended 31 March 2014.

(c) Merger reserve

Merger reserve of the Group arose as a result of the Reorganisation and represented the difference between the nominal value of the issued share capital of the Group's subsidiary and the nominal value of the shares of the Company issued pursuant to the Reorganisation.

(d) Statutory reserves

Statutory reserves represent appropriation of profits of the PRC subsidiary to non-distributable reserve fund account as required by the relevant PRC statute.

(e) Translation reserves

The translation reserves comprise all foreign exchange differences arising from the translation of the financial statements of foreign operations into presentation currency. The reserves are dealt with in accordance with the accounting policies set out in note 4 to the consolidated financial statements.

33. SHARE OPTION SCHEME

On 7 September 2016, the Company granted to 4 eligible participants a total of 72,544,000 share options to subscribe for ordinary shares of HK\$0.025 each in the share capital of the Company under the share option scheme adopted by the Company on 26 August 2014 (the "Scheme"). The exercisable period of the share options granted are from 8 September 2016 to 9 September 2021 (both days inclusive). The exercise price of options granted on that date was HK\$0.087 per share.

No share option were granted during the year ended 31 March 2018.

At 31 March 2018, the number of shares in respect of which option had been granted and remained outstanding under the Scheme was 72,544,000 (2017: 104,544,000), representing 2.5% (2017: 4%) of the shares of the Company in issue at that date.

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33. SHARE OPTION SCHEME (Continued)

2018

Grantees	Number of share options				Outstanding at 31 March 2018	Weight average exercise price
	Outstanding at 1 April 2017	Granted during the year	Lapsed during the year	Exercised during the year		
Mr. Wong Siu Ki	12,000,000	-	(12,000,000)	-	-	HK\$0.079
Mr. Hung Cho Sing	23,136,000	-	-	-	23,136,000	HK\$0.087
Employee B	23,136,000	-	-	-	23,136,000	HK\$0.087
Employee A	20,000,000	-	(20,000,000)	-	-	HK\$0.079
Employee A	3,136,000	-	-	-	3,136,000	HK\$0.087
Consultant	23,136,000	-	-	-	23,136,000	HK\$0.087
	104,544,000	-	(32,000,000)	-	72,544,000	

2017

Grantees	Number of share options				Outstanding at 31 March 2017	Weight average exercise price
	Outstanding at 1 April 2016	Granted during the year	Lapsed during the year	Exercised during the year		
Mr. Chan Wing Kit	2,234,234	-	(2,234,234)	-	-	HK\$0.396
Mr. Wong Siu Ki	12,000,000	-	-	-	12,000,000	HK\$0.079
Mr. Hung Cho Sing	-	23,136,000	-	-	23,136,000	HK\$0.087
Employee B	20,000,000	3,136,000	-	-	23,136,000	HK\$0.080
Employee C	-	23,136,000	-	-	23,136,000	HK\$0.087
Consultant	-	23,136,000	-	-	23,136,000	HK\$0.087
	34,234,234	72,544,000	(2,234,234)	-	104,544,000	

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34. RELATED PARTY TRANSACTIONS

Key management personnel compensation

Key management includes members of the board of directors and other members of key management of the Group. The compensation paid or payable to key management personnel is shown below:

	2018 HK\$'000	2017 <i>HK\$'000</i>
Short-term employee benefits	1,946	1,605
Pension costs — defined contribution plan	—	—
Share based payment expenses	—	943
	1,946	2,548

35. OPERATING LEASE COMMITMENTS

As lessee

The Group leases certain office premises under operating lease arrangement, with lease terms of within two years. At the end of each reporting period, the Group has future minimum rental payable under non-cancellable operating lease falling due as follows:

	2018 HK\$'000	2017 <i>HK\$'000</i>
Within one year	—	1,165
Within two to five year	—	—

As lessor

The Group leases certain office premises under operating lease arrangement, with lease terms of within three years. At the end of each reporting period, the Group has future minimum rental receivable under non-cancellable operating lease falling due as follows:

	2018 HK\$'000	2017 <i>HK\$'000</i>
Within one year	1,911	1,410
Within two to five year	426	1,579
	2,337	2,989

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36. ACQUISITION OF SUBSIDIARIES

(1) Pioneer One Investments Limited

On 1 August 2017, the Group has entered into an agreement to acquire the entire equity interests in Pioneer One Investments Limited and its subsidiaries ("Pioneer One Group") with independent third parties (the "Vendors"), Pioneer One Group is principally engaged in manufacture of custom-made furniture, the purchase consideration for the acquisition was satisfied by issuing convertible bonds with an aggregate nominal value of HK\$211,881,000 payable to the Vendors at the acquisition date.

The convertible bonds carry no interest and are convertible into shares from the day on which the Vendor receives the audited financial statements of Pioneer One Group of the 2018 performance undertaking year ending 31 March 2018, subject to dispute resolution mechanism if any dispute arises over the content of the audited financial statements, and from the 18th months after the completion date to maturity date, the bondholders shall have the right to require the Company to redeem in whole or in part of the unconverted, unredeemed and un-surrendered convertible bond of principal amount that shall be redeemed by the Company on the dearly redemption date, the 30th business day after the Company's receipt of the relevant early redemption notice by the Vendor. The acquisition of Pioneer One Group was completed on 1 August 2017.

	<i>HK\$'000</i>
Property, plant and equipment	6,700
Intangible assets	84,216
Inventories	4,798
Trade and other receivables	8,654
Bank balance and cash	10,322
Trade and other payables	(26,332)
Tax payables	(438)
Deferred tax liabilities	(21,054)
Obligation under finance lease in current portion	(473)
	<u>66,393</u>
Goodwill on acquisition	135,488
Shareholder's loan	10,000
	<u>211,881</u>
Consideration satisfied by:	
Convertible bonds	<u>211,881</u>
Net cash inflow arising on acquisition	
Cash and bank balances acquired	<u>10,322</u>

36. ACQUISITION OF SUBSIDIARIES (Continued)

(1) Pioneer One Investments Limited (Continued)

During the year ended 31 March 2018, Pioneer One Group contributed approximately HK\$81,718,000 to the Group's revenue and approximately HK\$14,025,000 to the Group's results in aggregate for the period from the date of acquisition to 31 March 2018.

Had the combination taken place at the beginning of the year ended 31 March 2018, the Group's revenue for the year ended 31 March 2018 would have been approximately HK\$158,327,000 and total comprehensive expenses for the year ended 31 March 2018 would have been approximately HK\$344,480,000.

(2) Willing Investments Limited

On 19 May 2016, the Group has entered into an agreement to acquire the entire equity interests in Willing Investments Limited ("Willing"), at the cash consideration of HK\$158,000,000. The principal business of Willing is property investment. The acquisition of Willing was completed on 31 August 2016.

Willing has not carried out any significant business transactions on acquisition date, except for holding an investment property in Hong Kong. In the opinion of the directors, the acquisition did not constitute an acquisition of business within the scope of HKFRS 3 Business Combinations in substance. The acquisition of Willing was then considered as acquisition of assets through acquisition of subsidiaries.

The fair value of identifiable assets and liabilities of Willing Investment Limited as at the date of acquisition areas follows:

	<i>HK\$'000</i>
Assets acquired and liabilities recognised	158,000
Consideration satisfied by:	
Cash	158,000

An analysis of net cash outflow in respect of the acquisition of a subsidiary is as follow:

	<i>HK\$'000</i>
Cash consideration	(158,000)
Cash and bank balances acquired	—
Net cash outflow	(158,000)

Note: The fair value of investment properties, which are located in Hong Kong, was approximately HK\$158,000,000 as at 19 May 2016.

NOTES TO THE FINANCIAL STATEMENTS

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37. DISPOSAL OF SUBSIDIARIES

On 21 July 2017, the Group entered into a sales and purchase agreement with Ever Winner Investment Development Limited, to dispose of Grandeur Industries Limited together with several subsidiaries of the Group, at a consideration of HK\$57,007,000, the disposal was completed on 29 September 2017.

Net assets disposed of:

	<i>HK\$'000</i>
Property, plant and equipment	2,675
Prepaid premium for land leases	7,483
Trade and other receivables	53,695
Cash and cash equivalents	690
Trade and other payables	(7,122)
	<hr/>
Net assets	57,421
Non-controlling interest	(351)
	<hr/>
Total assets attributable to owners of the Company	57,070
Exchange reserves realised	(7,337)
	<hr/>
	49,733
Gain on disposal of subsidiaries	7,274
	<hr/>
Considerations	57,007
	<hr/> <hr/>
Satisfied by:	
Cash:	24,000
Current account	33,007
	<hr/>
	57,007
	<hr/> <hr/>

An analysis of the net inflow of cash and cash equivalents in respect of the disposal of subsidiaries as follows:

	<i>HK\$'000</i>
Cash consideration	24,000
Cash and bank balances disposed of	(690)
	<hr/>
Net inflow of cash and cash equivalents in respect of the Disposal of subsidiaries	23,310
	<hr/> <hr/>

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2018

38. STATEMENT OF FINANCIAL POSITION

(a) Financial Information of the statement of financial position of the Company

	Note	2018 HK\$'000	2017 HK\$'000
ASSETS AND LIABILITIES			
Non-current assets			
Interest in subsidiaries		64,086	52,086
Total non-current assets		64,086	52,086
Current assets			
Amount due from subsidiaries	a	190,814	197,649
Cash and cash equivalents		373	180
Total current assets		191,187	197,829
Total assets		255,273	249,915
Current liabilities			
Accruals and other payables		295	886
Convertible bonds		201,872	–
Amount due to subsidiaries	a	–	533
Total current liabilities		202,167	1,419
Net current (liabilities)/assets		(10,980)	196,410
NET ASSETS		53,106	248,496
EQUITY			
Share capital		72,300	72,300
Reserves		19,194	176,196
TOTAL EQUITY		53,106	248,496

Note a) AMOUNTS DUE FROM/TO SUBSIDIARIES

The balances with subsidiaries are unsecured, interest free and repayable on demand.

Approval and authorised for issue by the board of directors on 22 June 2018

QIN YUQUAN
DIRECTOR

WONG SIU KI
DIRECTOR

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2018

38. STATEMENT OF FINANCIAL POSITION (Continued) (b) Movement of reserves of the Company

	Share premium <i>HK\$'000</i>	Contributed surplus <i>HK\$'000</i>	Convertible bond reserve <i>HK\$'000</i>	Share option reserve <i>HK\$'000</i>	Accumulated losses <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 April 2016	131,546	52,085	–	1,956	(10,395)	175,192
Profit for the year	–	–	–	–	(42,907)	(42,907)
Consideration shares	6,363	–	–	–	–	6,363
Share issued by placing	34,704	–	–	–	–	34,704
Recognition of share based payment	–	–	–	2,844	–	2,844
Lapsed of share options	–	–	–	(1,034)	1,034	–
At 31 March 2017 and 1 April 2017	172,613	52,085	–	3,766	(52,268)	176,196
Issue of convertible bonds	–	–	293,092	–	–	293,092
Lapsed of option	–	–	–	(922)	922	–
Loss for the year	–	–	–	–	(450,094)	(450,094)
At 31 March 2018	172,613	52,085	293,092	2,844	(501,440)	19,194

39. PARTICULARS OF SUBSIDIARIES

Particulars of the subsidiaries as at 31 March 2018 are as follows:

Name	Place of incorporation/ establishment	Particulars of issued and fully paid share capital/ registered capital	Attributable equity interest		Place of operation and principal activities
			direct	indirect	
Limited liabilities company					
JiaMeng Limited	British Virgin Islands ("BVI")	Share capital — US\$1	100%	–	Investment holding in BVI
Oasis Rainbow Investment Holdings Limited	BVI	Share capital — US\$1	–	100%	Investment holding in BVI
廣州馨悅家寢具有限公司	PRC	Registered — RMB5,000,000 paid-up capital — RMB1,000,000	–	100%	Manufacturing of home furniture-mattress, soft bed and healthy concept products in the PRC

NOTES TO THE FINANCIAL STATEMENTS

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39. PARTICULARS OF SUBSIDIARIES (Continued)

Name	Place of incorporation/ establishment	Particulars of issued and fully paid share capital/ registered capital	Attributable equity interest		Place of operation and principal activities
			direct	indirect	
Sunhine Wealthy Limited	BVI	Share capital — US\$1	–	100%	Dormant
Colorful Focus Limited	BVI	Share capital — US\$1	100%	–	Investment holding in BVI
Earn Million Limited	Hong Kong	Share capital — HK\$1	–	100%	Securities investment in Hong Kong
Prudent Success Limited	BVI	Share capital — US\$1	100%	–	Investment holding in BVI
Excellent Shine Limited	Hong Kong	Share capital — HK\$1	–	100%	Property investments in Hong Kong
Wisdom Empire Limited	BVI	Share capital — US\$1	100%	–	Investment holding in BVI
Koala Enterprises Limited	Hong Kong	Share capital — HK\$1	–	100%	Dormant
Natural Yield Investment Limited	BVI	Share capital — US\$1	100%	–	Property investment and securities investment in Hong Kong
Aim Extreme Limited	BVI	Share capital — US\$1	100%	–	Investment holding in BVI
Field Horizon Limited	Hong Kong	Share capital — HK\$1	–	100%	Dormant
Willing Investments Limited	Hong Kong	Share capital — HK\$2	–	100%	Property investment in Hong Kong
Raise Steady Limited	BVI	Share capital — US\$1	100%	–	Investment holding in BVI

NOTES TO THE FINANCIAL STATEMENTS

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39. PARTICULARS OF SUBSIDIARIES (Continued)

Name	Place of incorporation/ establishment	Particulars of issued and fully paid share capital/ registered capital	Attributable equity interest		Place of operation and principal activities
			direct	indirect	
Raise Precious Limited	Hong Kong	Share capital — HK\$1	—	100%	Investment holding in Hong Kong
Union Bloom Consultants Limited	Hong Kong	Share capital — HK\$1	—	100%	Money lending in Hong Kong
Chance Across Limited	BVI	Share capital — US\$1	100%	—	Investment holding in BVI
Super Media Group Limited	Hong Kong	Share capital — HK\$1	—	100%	Media related services
Ultimate Rise Limited	BVI	Share capital — US\$1	100%	—	Investment holding in BVI
Miles Advance Limited	Hong Kong	Share capital — HK\$1	—	100%	Dormant
JIA MENG Holdings Limited	Hong Kong	Share capital — HK\$2	—	100%	Investment holding in Hong Kong
Dragon Richly Limited*	Hong Kong	Share capital — HK\$1	—	100%	Investment holding in Hong Kong
廣州圖震家居用品有限公司* ("Guangzhou Tuxia")	PRC	Share capital — RMB8,334,000	—	100%	Investment holding in PRC
Pioneer One Investments Limited*	BVI	Share capital — US\$1	—	100%	Investment holding in BVI
廣州歌譽家居用品有限公司* ("Guangzhou Geyu")	PRC	Share capital — RMB10,420,000	—	100%	Manufacture of custom- made furniture segment
Element Assets Management Limited*	Hong Kong	Share capital — HK\$1	—	100%	Property investment in Hong Kong
Century Wind Limited*	BVI	Share capital — US\$50,000	100%	—	Investment holding in BVI

* The companies were newly acquired during the year

40. FINANCIAL RISK MANAGEMENT

The Group is exposed to a variety of financial risks in its ordinary course of operations. The financial risks include market risk (mainly foreign currency risk, interest rate risk and equity price risk), credit risk and liquidity risk. Details are disclosed in the notes below. The Group's overall risk management focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. Risk management is carried out by key management under the policies approved by the directors. The Group does not have written risk management policies. However, the directors of the Group meet regularly to identify and evaluate risks and to formulate strategies to manage financial risks on timely and effective manner. The risks associated with these financial instruments and the policies applied by the Group to mitigate these risks are set out below.

Categories of financial assets and liabilities

The carrying amounts of the Group's financial assets and liabilities recognised in the consolidated statement of financial position at the reporting dates may also be categorised as follows:

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Financial assets		
Financial assets at fair value through profit or loss	23,179	165,160
Convertible bonds receivables designated at fair value through profit or loss	10,828	2,174
Loans and receivables:		
Trade and other receivables	85,223	63,277
Loan receivables	10,000	20,000
Cash and cash equivalents	21,384	20,181
	150,614	270,792
Financial liabilities		
Financial liabilities at amortised costs:		
Trade and other payables	44,244	31,079
Bank and other borrowings	37,484	42,803
Obligation under finance lease	199	–
Convertible bonds	201,872	–
	283,799	73,882

NOTES TO THE FINANCIAL STATEMENTS

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40. FINANCIAL RISK MANAGEMENT (Continued)

Foreign currency risk

The functional currencies of the PRC subsidiaries are RMB with most of the transactions settled in RMB. However, foreign currency (mainly the United States dollar "US\$") were received when the Group earned revenue from overseas customers.

The Group does not have any hedging policy to manage the risk arising from foreign currency transactions. In order to reduce the risk of holding foreign currencies, the Group normally converts the foreign currencies into RMB upon receipt while taking into account its foreign currencies payment schedule in the near future.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

	2018 HK\$'000	2017 HK\$'000
US\$	12,813	7,685

At 31 March 2017, if RMB had strengthened/weakened by 10% against US\$ with all other variables held constant, post-tax profit/loss after tax for the year would have been HK\$1,281,000 higher/lower (2017: HK\$384,000 higher/lower), mainly as a result of foreign exchange gains/losses on translation of US\$ denominated trade receivables.

In the opinion of directors, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the year end exposure does not reflect the exposure during the year.

Interest rate risk

The Group's exposure to cash flow interest rate risk relates principally to its variable-rate bank borrowings. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of interest rates on the Group's bank borrowings. The Group's exposure to fair value interest rate risk relates principally to its fixed-rate other borrowings. The Group's policy is to minimise interest rate risk exposure. To achieve this, the Group regularly assesses and monitors its needs for cash with reference to its business plans and day-to-day operations. Interest rates of cash and cash equivalents are disclosed in note 26 above. The Group currently does not have an interest rate hedging policy.

The following table illustrates the sensitivity of the Group's loss/profit for the year, and other components of equity due to a possible change in interest rates on its floating-rate bank borrowing with all other variables held constant at the end of each reporting period:

	2018 HK\$'000	2017 HK\$'000
Increase/(decrease) in loss/profit for the year and retained profits		
Increase/decrease in percentage ("-%")		
+0.5%	168	169
- 0.5%	(168)	(169)

40. FINANCIAL RISK MANAGEMENT (Continued)

Interest rate risk (Continued)

The above sensitivity analysis is prepared based on the assumption that the floating-rate bank borrowing as at reporting dates existed throughout the whole respective financial year.

The assumed changes in interest rates are considered to be reasonably possible based on observation of current market conditions and represents management's assessment of a reasonably possible change in interest rates over the next twelve month period.

Price risk

Price risk relates to the risk that the fair values or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than changes in interest rates and foreign exchange rates).

The financial assets at fair value through profit or loss, which represent the Group's investments in listed equity securities in Hong Kong, expose the Group to price risk.

The sensitivity analysis on price risk includes the Group's financial instruments which fair value or future cash flows will fluctuate because of changes in their corresponding price. If the prices of the respective equity instruments had been 10% higher/lower, the Group's profit after income tax would increase/decrease by approximately HK\$2,318,000 (2017: HK\$16,516,000) while the Group's retained earnings would increase/decrease by the same amount.

Credit risk

The Group's credit risk is primarily attributable to its trade and other receivables, loan receivables and bank balances. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

In respect of trade and other receivables, individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customers as well as pertaining to the economic environment in which the customers operate. Ongoing evaluations are performed on monthly basis. Debtors with balances that are more than 3 months overdue, further credit will only be granted under management's approval, otherwise, debtors are requested to settle all outstanding balances before any further credit is granted. Normally, the Group does not obtain collateral from customers.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the consolidated statement of financial position after deducting any impairment allowance. The Group does not provide any other guarantees which would expose the Group to the credit risk.

Further quantitative disclosures in respect of the Group's exposures to credit risk arising from trade receivables are set out in note 23 above.

The Group does not have any significant credit risk exposure to any single counter party or any group of counter parties having similar characteristics.

Credit risk on liquid funds is limited because the counter parties are reputable banks.

NOTES TO THE FINANCIAL STATEMENTS

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40. FINANCIAL RISK MANAGEMENT (Continued)

Liquidity risk

The Group is exposed to liquidity risk in respect of settlement of trade payables and its financing obligations, and also in respect of its cash flow management. The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term.

The following table details the Group's remaining contractual maturities for its financial liabilities as at the reporting date. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. When the creditor has a choice of when the liability is settled, the liability is included on the basis of the earliest date on when the Group can be required to pay. The maturity dates for other financial liabilities are based on agreed repayment dates.

	Within 1 year or on demand HK\$'000	Total undiscounted amount HK\$'000	Carrying amount HK\$'000
At 31 March 2018			
Trade and other payables	44,244	44,244	44,244
Convertible bonds	212,000	212,000	201,872
Bank and other borrowing	37,929	37,929	37,484
At 31 March 2017			
Trade and other payables	31,079	31,079	31,079
Bank and other borrowing	45,378	45,378	42,803

Financial instruments not measured at fair value

Except for the Group's financial assets at fair value through profit or loss and convertible bonds receivable which are measured at fair value, the fair values of the Group's and Company's financial assets and liabilities as at 31 March 2017 and 2018 were not materially different from their carrying amounts because of the immediate or short term maturity of these financial instruments.

40. FINANCIAL RISK MANAGEMENT (Continued)

Financial instruments measured at fair value

The following table presents financial assets and liabilities measured at fair value in the statement of financial position in accordance with the fair value hierarchy. The hierarchy groups financial assets and liabilities into three levels based on the relative reliability of significant inputs used in measuring the fair value of these financial assets and liabilities. The fair value hierarchy has the following levels:

- Level 1: quoted prices (unadjusted) in active markets for identical assets and liabilities that the entity can access at the measurement date;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).
- The level in fair value hierarchy within which the financial asset or liability is categorised in its entirety is based on the lowest level of input that is significant to the fair value measurement.

At 31 March 2017 and 31 March 2018, the financial assets measured at fair value in the consolidated statement of financial position are grouped into the fair value hierarchy as follows:

	Level 1 <i>HK\$'000</i>	Level 2 <i>HK\$'000</i>	Level 3 <i>HK\$'000</i>	Total <i>HK\$'000</i>
Financial assets at 31 March 2018				
Financial assets at fair value through profit or loss	23,179	–	–	23,179
Convertible bonds receivables	–	–	10,828	10,828
Financial assets at 31 March 2017				
Financial assets at fair value through profit or loss	165,160	–	–	165,160
Convertible bonds receivables	–	–	2,174	2,174

There have been no significant transfers between the levels in the reporting period.

Of the total gains or losses for the year included in profit or loss, loss of HK\$128,086,000 relates to financial assets at fair value through profit or loss (2017: HK\$153,655,000).

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41. CAPITAL MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged throughout the year.

The Group sets the amount of capital in proportion to its overall financing structure. The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividend paid to share holders, return capital to shareholders, issue new shares, or sell assets to reduce debt.

The net debt to equity ratio at the end of each of the reporting dates was as follows:

	2018 HK\$'000	2017 HK\$'000
Trade and other payables	57,018	31,079
Bank and other borrowings	37,484	42,803
	94,502	73,882
Less: Cash and cash equivalents	21,384	20,181
Net debt	73,118	53,701
Equity	348,850	415,433
Net debt to equity ratio	20.96%	12.93%

In the opinion of the directors, the Group's net debt to equity ratio is maintained at an optimal level having considered the projected capital expenditures and the projected strategic investment opportunities.

42. MAJOR NON-CASH TRANSACTION

As disclosed in note 31(a) of the consolidated financial statements, during the year ended 31 March 2017, the Company the acquisition of 25% issued share capital of the Sau San Tong in full by way of issuing 115,680,000 new shares at the market price of HK\$0.08.

FIVE YEARS FINANCIAL SUMMARY

A summary of the results and of the assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the published audited financial statements, is set out below:

	2018 HK\$'000	For the year ended 31 March			
		2017 HK\$'000	2016 HK\$'000	2015 HK\$'000	2014 HK\$'000
Revenue	135,524	52,830	57,511	90,077	132,994
Cost of sales	(98,470)	(41,731)	(44,931)	(70,278)	(96,747)
Gross profit	37,054	11,099	12,580	19,799	36,247
Other income	1,674	8,456	3,407	800	323
Selling and distribution expenses	(8,142)	(4,279)	(3,290)	(5,040)	(7,401)
Administrative expenses	(40,726)	(36,577)	(21,445)	(16,774)	(15,670)
Impairment on trade and other receivables	–	(7,495)	(8,579)	–	–
Research expenses	(3,840)	(710)	(2,400)	(4,480)	(4,358)
Other operating expenses	–	–	(1,666)	(2,891)	–
Fair value gain on financial assets at fair value through profit and loss	(128,086)	163,626	12,939	1,193	–
Fair value gain on investment property	39,200	13,000	2,789	–	–
Gain from bargaining purchase	–	–	–	574	–
Gain on disposal of subsidiaries	7,274	–	–	–	–
Fair value loss of convertible bonds receivable	(346)	–	–	–	–
Fair value loss of convertible bonds	(283,083)	–	–	–	–
Sharing profit of associate	662	570	–	–	–
Finance costs	(479)	(2,970)	(1,983)	–	(5)
(Loss)/Profit before income tax	(378,838)	144,720	(7,648)	(6,819)	9,136
Income tax credit/(expenses)	9,251	(28,053)	(1,659)	(2,538)	(4,495)
(Loss)/Profit after taxation from continuing operations	(369,587)	116,667	(9,307)	(9,357)	4,641
Profit from discontinued operations	–	–	2,960	679	–
Profit/(Loss) for the year attribution to:					
— Owners of the Company	(369,587)	116,820	(6,231)	(8,694)	4,516
	(369,587)	116,667	(6,347)	(8,678)	4,641

FIVE YEARS FINANCIAL SUMMARY

ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS

	2018 <i>HK\$'000</i>	As at 31 March			
		2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
TOTAL ASSETS	668,370	517,743	294,136	125,245	117,916
TOTAL LIABILITIES	(334,165)	(102,310)	(51,329)	(22,995)	(25,888)
NON-CONTROLLING INTERESTS	-	(352)	(504)	(1,020)	(1,002)
	334,205	415,081	242,303	101,230	91,026

