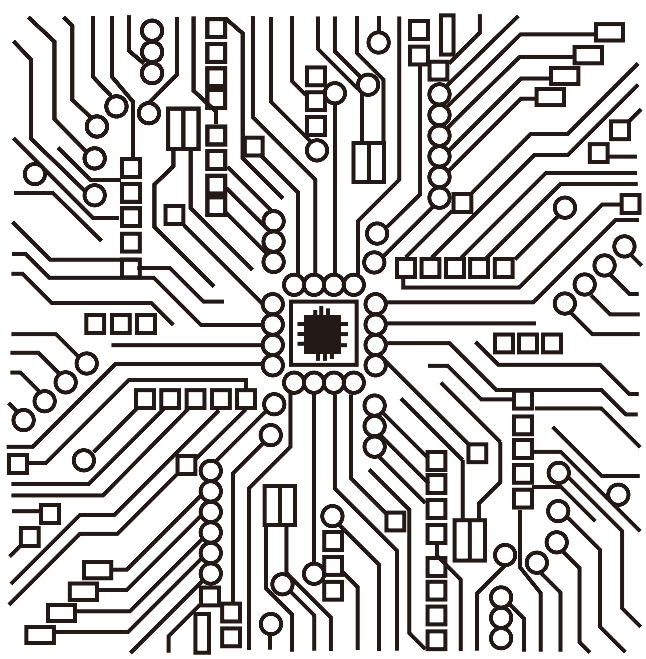
GRANDE

THE GRANDE HOLDINGS LIMITED



ANNUAL REPORT 2016/2017

(Stock code no. 186)

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CORPORATE INFORMATION

BOARD OF DIRECTORS

EXECUTIVE DIRECTORS

Mr. Michael Andrew Barclay Binney
Mr. Manjit Singh Gill
Mr. Hon Tak Kwong

NON-EXECUTIVE DIRECTOR

Mr. Eduard William Rudolf Helmuth Will

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Chen Xiaoping
Mr. Lau Ho Kit, Ivan
Mr. James Mailer

AUDIT COMMITTEE

Mr. Lau Ho Kit, Ivan *(Chairman)*
Mr. Chen Xiaoping
Mr. James Mailer

REMUNERATION COMMITTEE

Mr. James Mailer *(Chairman)*
Mr. Chen Xiaoping
Mr. Hon Tak Kwong

NOMINATION COMMITTEE

Mr. Chen Xiaoping *(Chairman)*
Mr. Hon Tak Kwong
Mr. James Mailer

COMPANY SECRETARY

Mr. Hui Yick Lok, Francis

ASSISTANT COMPANY SECRETARY

Ms. Linda Longworth
International Managers Bermuda Ltd.

LEGAL ADVISORS

Simmons & Simmons
Johnnie Yam, Jackie Lee & Co.

AUDITOR

Moore Stephens CPA Limited

COMPLIANCE ADVISOR

GF Capital (Hong Kong) Limited

REGISTERED OFFICE

Wessex House, 5th Floor
45 Reid Street
Hamilton HM 12, Bermuda

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

11/F., The Grande Building
398 Kwun Tong Road
Kowloon
Hong Kong

SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Tengis Limited
Level 22, Hopewell Center
183 Queen's Road East
Hong Kong

STOCK CODE

186

COMPANY'S WEBSITE

www.grandeholdings.com

BUSINESS REVIEW

The shares of The Grande Holdings Limited (the "Company") ("Shares") were suspended from trading on the Hong Kong Stock Exchange Limited (the "Stock Exchange") since 30 May 2011. Pursuant to an order of the High Court of the Hong Kong Special Administrative Region (the "High Court"), Mr. Fok Hei Yu and Mr. Roderick John Sutton, both of FTI Consulting (Hong Kong) Limited were appointed as the provisional liquidators of the Company (the "Former Provisional Liquidators") on 31 May 2011. The Company and its subsidiaries (collectively, the "Group") were then under the control and management of the Former Provisional Liquidators to continue its operation from 31 May 2011 until 26 May 2016, the date of discharge and release of the Former Provisional Liquidators by the High Court. After several attempts at submitting resumption proposals to the Stock Exchange, on 28 May 2015, the Listing Committee of the Stock Exchange decided to allow the Company to resume trading of Shares if the Company could complete the restructuring of the Group and fulfill all resumption conditions imposed by the Stock Exchange. Details of events of the restructuring and fulfilment of resumption conditions up to the resumption of trading of Shares (the "Resumption") on 30 May 2016 (the "Resumption Date") are set out in note 1 of Notes to Consolidated Financial Statements of this annual report (the "Annual Report").

According to a resolution passed at the special general meeting of the shareholders of the Company held on 1 April 2016, the new board of directors of the Company (the "Directors") (the "Board") was formed with effect from the Resumption Date. As the Group has been under the control of the Former Provisional Liquidators for five years, there were numerous matters that the Board and the management had to attend to. Regaining control of the Company, all of its subsidiaries and the assets of all companies were immediate major tasks after Resumption. Placing those companies that had been identified as Excluded Companies (as defined in the shareholders' circular dated 9 March 2016) in the restructuring into liquidation was also a major task for the Board. In addition, the Board also identified a number of dormant subsidiaries to be liquidated. These dormant subsidiaries and Excluded Companies are grouped together as deconsolidated subsidiaries ("Deconsolidated Subsidiaries"). These Deconsolidated Subsidiaries were either put into liquidation or struck off, as appropriate according to the laws applicable to the respective places of incorporation of these companies. Details of the gain on deconsolidation of subsidiaries are stated in note 35(a) to the Consolidated Financial Statements. In addition, there were various litigation matters brought forward from the period under the control of the Former Provisional Liquidators, to which the Board had also allocated a lot of resources, in terms of management time and legal fees, to deal with.

In October 2016, the Board decided to change the financial year end date of the Group from 31 December to 31 March in order to align with the financial year end date of its major subsidiary, Emerson Radio Corp. ("Emerson"), a 56.3% owned subsidiary of the Company, whose shares are listed on the NYSE Alternext of the United States of America ("USA"). The Board considered that the change of the financial year end date would facilitate the preparation of the consolidated financial statements of the Group, and be more cost effective. As a result of the change, the annual result of the Group covers the fifteen months' results from 1 January 2016 to 31 March 2017 (the "Period"). Going forward, the Group's financial year will be for 12 months ending on 31 March of the following year.

BUSINESS REVIEW (continued)

The revenue of the Group for the Period was HK$288 million as compared to HK$444 million for the year ended 31 December 2015 (the "Corresponding Year"), a decrease of 35.1%. The significant decrease in revenue was mainly due to the decrease in the revenue generated from the distribution of household appliances and audio products of Emerson. The Group recorded an audited net profit attributable to shareholders of HK$2,813 million for the Period, as compared to an audited net loss attributable to shareholders of HK$163 million for the Corresponding Year. The turnaround from net loss to net profit was mainly due to (1) the significant gain of HK$2,636 million arising from the settlement of the Company's scheme creditors through the schemes of arrangement as set out in note 11 to the consolidated financial statements, which was offset partially by (2) an impairment loss of HK$192 million in respect of the trademark of Emerson, please also refer to note 23 to the consolidated financial statements.

The operations of the Group include the Emerson operations and licensing operations for Akai, Sansui and Nakamichi brands.

Emerson operations

The revenue generated from the distribution of household appliances and audio products of Emerson for the Period was HK$194 million as compared to HK$361 million for the Corresponding Year. The major elements which contributed to the overall decrease in net product sales of HK$167 million or 46.3% was due to the loss of businesses from a key customer in the USA market. Emerson was informed in November 2015 by this key customer that, commencing with the spring of 2016, it would discontinue retailing in its stores the Emerson-branded microwave ovens and compact refrigeration products due to price competition. Emerson anticipates that the loss of these sales has had and is expected to continue to have a material adverse effect on Emerson's business and results of operations. Emerson will continue to expand the existing distribution channels and to develop and promote new products to regain shelf spaces in these retailers in the USA. Emerson is also investing in products and marketing activities to expand its sales through internet and ecommerce channels. These efforts will require investments in appropriate human resources, media marketing and development of products in various categories in addition to the traditional home appliances and audio products that Emerson had previously focused on.

Licensing revenue of Emerson for the Period was HK$37 million as compared to HK$39 million for the Corresponding Year, a decrease of HK$2 million, or 5.1%, driven by lower year-on-year sales by Emerson's licensees. Emerson's largest license agreement was with Funai Corporation, Inc. ("Funai"), which accounted for approximately 78% of Emerson's licensing revenue for the Period. As at 16 December 2015, Emerson received written notice from Funai stating its intention to terminate the license agreement which would end on 31 December 2016. As a result of such termination, unless Emerson is successful in securing a new licensee to replace the Funai licensing revenue, Emerson expects its licensing revenue in 2017 will significantly decline. At present, Emerson is actively seeking for a replacement licensee for Funai.

Emerson had taken active steps to further streamline its operations to reduce and control its operating costs. The operating costs for the Period was reduced to HK$75 million as compared to HK$85 million for the Corresponding Year.

BUSINESS REVIEW (continued)

Licensing operations

The revenue generated from this operation was HK$57 million for the Period as compared to HK$44 million for the Corresponding Year. The operating profit of this operation for the Period was HK$42 million as compared to HK$27 million for the Corresponding Year which represented the net licensing income received from the licensees.

Under the current licensing model, Akai, Sansui and Nakamichi will grant licensing rights to individual licensees around the world, authorising them to sell products under the respective trademark. In return, the licensees will pay a licensing fee ranging from 2% to 6%, depending on the respective brand involved, on the gross value of purchases made during the license period. All licensing agreements are subject to a minimum fee payable by the licensees, which varies with individual contracts and are non-refundable. This minimum fee corresponds to the guaranteed minimum gross purchase that each licensee commits. The licensee will have to pay an additional license fee in the case where the actual gross purchase for a license period is exceeding the guaranteed minimum gross purchase.

During the Period, there were a total of 30 contracts in force with licensees to distribute products in the brand names of Akai, Sansui and Nakamichi around the world.

The Group is subject to geo-political challenges in certain countries under political unrest, like the Middle-East. Currency fluctuation also effects those licensees operating with currencies depreciating against the US dollars, which is the currency of the fees under our licensing agreements. On the other hand, our licensees usually obtain their products from the People's Republic of China ("PRC") and as the RMB was relatively strong as compared to non-US denominated currencies, it also increased the cost of products for our licensees. The other major challenge comes from competitive consumer electronic brands offering licensing opportunities. However, we have built up and maintained a steady portfolio of licensees around the world since we started the licensing operation in 2007. The Company believes that we can continue to maintain very strong relationships with our licensees and are ready to work with these licensing partners to tackle these challenges and strengthen their businesses.

LIQUIDITY AND FINANCIAL RESOURCES

Upon the completion of the restructuring, the Company has settled all its liabilities by the creditors schemes of arrangement through cash offer and issue of Creditors Shares (as defined in note 1 to the consolidated financial statements). As a result, the financial position and liquidity of the Group has significantly improved. The Group maintained a current ratio of 5.58 as at 31 March 2017 as compared to 0.15 as at 31 December 2015.

The Group's working capital requirements were entirely financed by internal resources as the Group continued to generate cash from its licensing business and the distribution of electrical appliances. As at 31 March 2017, the Group had accumulated cash and bank balances amounting to HK$502 million as compared to HK$473 million as at 31 December 2015.

MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES AND AFFILIATED COMPANIES

Save as the deconsolidation of subsidiaries as disclosed in note 35(a) to the consolidated financial statements, the Group did not make any material acquisition or disposal of subsidiaries and affiliated companies during the Period.

SIGNIFICANT INVESTMENT

The Group did not make any new significant investment during the Period.

FUTURE PLAN FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

The Group does not have any concrete plan for material investments or capital assets acquisitions for the coming 12 months.

GEARING

In respect of the borrowings of the Company for the Corresponding Year, all interest-bearing borrowings of the Company have been accounted for as non-interesting bearing borrowings because of the winding up order issued to the Company on 13 September 2013; and all these borrowings, together with the creditors of the Company, have been settled by the creditors schemes of arrangement through cash offer and issue of Creditors Shares as mentioned in the Business Review above. Therefore, there were no interest-bearing borrowings recorded in the consolidated financial statements of the Group for the Period and for the Corresponding Year respectively.

CHARGES ON GROUP ASSETS

As at 31 March 2017, certain of the Group's assets with a total carrying value of approximately HK$176 million (HK$157 million as at 31 December 2015) were pledged to secure other borrowing facilities granted in previous years to certain Deconsolidated Subsidiaries and the Group as set out in note 38 to the consolidated financial statements.

TREASURY POLICIES

The Group's revenues are mainly in US dollars. The Group is not exposed to any significant currency risks since the HK dollar is linked with the US dollar.

EMPLOYEES AND REMUNERATION

The number of employees of the Group as at 31 March 2017 was approximately 40 (50 as at 31 December 2015). The Group remunerates its employees mainly based on industry practice, individual performance and experience. Apart from the basic remuneration, a discretionary bonus may be granted to eligible employees by reference to the Group's performance as well as to an individual's performance in the relevant financial year. Other benefits include medical and retirement schemes.

CONTINGENT LIABILITIES

Details of the contingent liabilities of the Group are set out in note 36 to the consolidated financial statements.

Hon Tak Kwong
Chief Executive Officer

30 June 2017

EXECUTIVE DIRECTORS

Mr. Michael Andrew Barclay Binney

Mr. Michael Andrew Barclay Binney ("Michael Binney" or "Mr. Binney"), aged 58, was appointed as an executive Director of the Company on 11 November 2016. He serves as a director of certain subsidiaries of the Company and the Group Chief Financial Officer of the Company since 30 August 2016 and 11 November 2016 respectively. From 2010 to March 2016, Mr. Binney served as an executive director and chief financial officer of the Vinarco International Group of Companies, an upstream supplier to the oil and gas industry in the Asia-Pacific region. Mr. Binney has served as a director of Emerson since June 2016 and as its Chief Financial Officer since March 2017 and was also previously a director of Emerson from 2005 to 2008. He has served as a member of the Board as a non-executive Director from 2009 to 2010 and an executive Director from 2001 to 2009. Mr. Binney was also a member of the board of directors of Lafe Corporation Limited, a company listed on the Singapore Exchange Securities Trading Limited, as a non-executive director from 2009 to 2010 and as executive director from 2001 until 2009. Mr. Binney is a fellow member of the Institute of Chartered Accountants in England and Wales. He is also a fellow member of the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants.

Mr. Manjit Singh Gill

Mr. Manjit Singh Gill ("Mr. Gill"), aged 49, was appointed as an executive Director of the Company with effect from 30 May 2016. Mr. Gill holds a Bachelor of Business (Management) degree from the Royal Melbourne Institute of Technology in Australia and a Master of Business Administration degree from the State University of New York at Buffalo in the United States. Mr. Gill currently serves as managing director of Vigers Real Estate Pte. Ltd. in Singapore and as a director of certain subsidiaries of the Group. Mr. Gill has abundant management experience in both the consumer electronics industry from manufacturing to distribution and the real estate sector.

Mr. Hon Tak Kwong

Mr. Hon Tak Kwong ("Mr. Hon"), aged 56, was appointed as an executive Director of the Company with effect from 30 May 2016. He was also appointed as a member of the remuneration committee and nomination committee of the Company on 11 November 2016. He serves as the Chief Executive Officer of the Company and as a director of certain subsidiaries of the Company. Mr. Hon has been in charge of the licensing business of Akai, Sansui and Nakamichi since 2007. Mr. Hon served as a Director of the Company from January 2011 to March 2013. Mr. Hon is also a director of Emerson since February 2009 and he was appointed deputy Chief Executive Officer of Emerson in November 2009 and then Chief Executive Officer in August 2011, a position which he has been holding since then. Mr. Hon was also appointed as the Corporate Secretary of Emerson on 19 June 2016. Mr. Hon is a fellow member of the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants.

BIOGRAPHIES OF DIRECTORS

NON-EXECUTIVE DIRECTOR

Mr. Eduard William Rudolf Helmuth Will

Mr. Eduard William Rudolf Helmuth Will ("Eduard Will" or "Mr. Will"), aged 75, was appointed as an executive Director of the Company with effect from 19 February 2016 and was re-designated as a non-executive Director of the Company on 8 December 2016. Mr. Will holds degrees from the Gymnasium St. Georg, Hamburg and the University of Hamburg. Presently, Mr. Will is serving as an independent non-executive director of Lafe Corporation Limited whose shares are listed on the Singapore Exchange Securities Trading Limited. Mr. Will had been acting as an executive director of Ricco Capital (Holdings) Ltd. from 2008 to March 2016. Mr. Will served as the chief executive officer of Boca Research, Inc. and a director of Integrated Data Corporation from 2001 to 2002. He also served as a non-executive director of China Minsheng Drawin Technology Group Limited (formerly known as South East Group Limited) (stock code: 726), a company listed on the Stock Exchange, from January 2008 to December 2013; and a director of Emerson from July 2006 to November 2013. Mr. Will has more than 40 years of experience as merchant banker, senior adviser and director of various public and private companies.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Chen Xiaoping

Mr. Chen Xiaoping ("Mr. Chen"), aged 65, was appointed as an independent non-executive Director of the Company with effect from 30 May 2016. He is also the chairman of the nomination committee of the Company and a member of each of the audit committee and remuneration committee of the Company. Mr. Chen graduated with a Master of Art degree from the Graduate School of Chinese Academy of Social Science. He has over 30 years of financial and business management experience in executive and/or management capacity. Mr. Chen currently serves as an executive director of Focus Media Network Ltd. (stock code: 8112), a company listed on the Stock Exchange, and director and chief executive officer of Ricco Capital (Holdings) Limited, a Hong Kong based investment company. He previously served as an executive vice president of Ka Wah Bank Limited; director and investment manager at Kleinwort Benson China Management Limited from 1994 to 1996; from September 2007 to December 2013, an executive director and chief executive officer of South East Group; and from December 2013 to December 2014, a non-executive director of South East Group.

INDEPENDENT NON-EXECUTIVE DIRECTORS (continued)

Mr. Lau Ho Kit, Ivan

Mr. Lau Ho Kit, Ivan ("Mr. Lau"), aged 58, was appointed as an independent non-executive Director and the chairman of the audit committee of the Company with effect from 25 July 2016. Mr. Lau graduated from the Hong Kong Polytechnic University with a Master's Degree in Professional Accounting. Mr. Lau is a Certified Public Accountant (Practising) in Hong Kong, a member of the Hong Kong Institute of Certified Public Accountants and The Institute of Chartered Accountants in England and Wales. Mr. Lau worked for the Group from 1998 to 2011 and served in various senior financial positions. Mr. Lau is currently an independent non-executive director of CCT Land Holdings Limited (formerly known as CCT Tech International Limited) (stock code: 261) and Singamas Container Holdings Limited (stock code: 716), both of which are listed on the Main Board of the Stock Exchange. He is also an independent non-executive director of Glory Mark Hi-Tech (Holdings) Limited (stock code: 8159), a company listed on the Growth Enterprise Market of the Stock Exchange. Mr. Lau has extensive experience in accounting and financial management.

Mr. James Mailer

Mr. James Mailer ("Jim Mailer" or "Mr. Mailer"), aged 68, was appointed as an independent non-executive Director of the Company with effect from 30 May 2016. He is also the chairman of the remuneration committee of the Company and a member of each of the audit committee and nomination committee of the Company. In 1971, Mr. Mailer became a member of the Institute of Bankers in Scotland and in 1974, the Institute of Export, London. Mr. Mailer owns a financial consulting business since 1987. Mr. Mailer served as acting chief executive of The Hong Kong Chinese Bank in 1989. He served as an advisor to the Government of Malaysia Labuan, IBFC. Mr. Mailer has more than 40 years of experience as banker and advisor of various public and private companies. Mr. Mailer was appointed as a member of the Board of Review (Inland Revenue Ordinance) from 1 January 2005 until 31 December 2010. Mr. Mailer was appointed a member of the Advisory Council of Strategic Decisions Group, Hong Kong from 1 April 2015 to 31 March 2017.

REPORT OF THE DIRECTORS

The Directors are pleased to present the report together with the audited consolidated financial statements of the Group for the Period.

COMPLETION OF GROUP RESTRUCTURING AND RESUMPTION OF TRADING

During the Period, the Company completed its group restructuring and trading in the shares resumed on 30 May 2016. Details of related events are set out in note 1 to the consolidated financial statements.

CHANGE OF FINANCIAL YEAR END DATE

As announced on 17 October 2016, the Directors resolved to change the financial year end date of the Company from 31 December to 31 March. Accordingly, the audited financial statements submitted herewith cover a period of fifteen months from 1 January 2016 to 31 March 2017.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal activity of the Company is investment holding and the principal activities of the subsidiaries are set out in note 41 to the consolidated financial statements. Further discussion and analysis of these activities as required by Schedule 5 to the Hong Kong Companies Ordinance, including a fair review of the business and a discussion of the principal risks and uncertainties facing the Group, particulars of important events affecting the Group that have occurred since the end of the Period, an indication of likely future development in the Group's business, and a discussion on the Company's environmental policies and performance, can be found in the "Management's Discussion and Analysis" section on pages 3 to 6, the "Corporate Governance Report" section on pages 17 to 29, the "Environmental, Social and Governance Report" section on pages 30 to 34 and note 8 to the consolidated financial statements on pages 72 to 76 of the Annual Report.

SEGMENT INFORMATION

Details of revenue and segmented information are set out in notes 10 and 40 to the consolidated financial statements respectively.

GROUP PROFIT

The Group's profit for the Period and the state of the Company's and the Group's financial affairs at that date are set out in the consolidated financial statements on pages 38 to 108.

DIVIDENDS

The Directors do not recommend the payment of a final dividend for the Period (2015: Nil). No interim dividend was declared for the Period.

DONATIONS

The Group did not make any charitable donations during the Period (2015: Nil).

EQUITY LINKED AGREEMENTS

No equity linked agreements were entered into by the Group during the Period or subsisted as at 31 March 2017 or as at 31 December 2015.

BANK AND OTHER BORROWINGS

No bank and other borrowings were additionally incurred by the Group during the Period and the year ended 31 December 2015. The other borrowings of HK$2,872 million as at 31 December 2015 were fully settled by the Group restructuring and the Schemes carried out during the Period.

SUMMARY OF FINANCIAL INFORMATION

A summary of the published results and of the assets and liabilities of the Group for the last five financial years, as extracted from the audited consolidated financial statements, is set out on pages 109 to 110.

PLANT AND EQUIPMENT

Details of movements in the plant and equipment of the Group are set out in note 19 to the consolidated financial statements.

INVESTMENT PROPERTIES

Details of movements in the investment properties of the Group are set out in note 20 to the consolidated financial statements.

SUBSIDIARIES

Particulars of the Company's principal subsidiaries are set out in note 41 to the consolidated financial statements.

SHARE CAPITAL

Details of movement in the share capital of the Company during the Period are set out in note 34 to the consolidated financial statements.

DISTRIBUTABLE RESERVES

As at 31 March 2017 and 31 December 2015, the Company did not maintain any reserve available for distribution to shareholders, calculated under the provisions of the Companies Act 1981 of Bermuda.

The Company's share premium account may be distributed in the form of fully paid bonus shares.

MAJOR CUSTOMERS AND SUPPLIERS

In the Period under review, sales to the Group's largest customer and five largest customers accounted for approximately 43% and 69%, respectively, of the Group's total revenue for the Period.

Purchases from the Group's largest supplier and five largest suppliers accounted for approximately 75% and 100%, respectively, of the Group's total purchases for the Period.

None of the executive Directors, their close associates or any shareholders (which to the knowledge of the Directors owns more than 5% of the Company's issued share capital) had any interest in the Group's major customers and suppliers.

REPORT OF THE DIRECTORS

DIRECTORS

The Directors of the Company during the Period and up to the date of this report were as follows:

Executive Directors:

Mr. Christopher W. Ho	(resigned with effect from 19 February 2016)
Mr. Michael Binney	(appointed with effect from 11 November 2016)
Mr. Manjit Singh Gill	(appointed with effect from 30 May 2016)
Mr. Hon Tak Kwong	(appointed with effect from 30 May 2016)
Mr. Eduard Will	(appointed with effect from 19 February 2016 and re-designated as non-executive Director with effect from 8 December 2016)
Mr. Tang Hoi Nam	(appointed with effect from 19 February 2016 and removed with effect from 11 November 2016)

Non-Executive Director:

Mr. Eduard Will	(re-designated from executive Director to non-executive Director with effect from 8 December 2016)

Independent Non-Executive Directors:

Mr. Chen Xiaoping	(appointed with effect from 30 May 2016)
Mr. Lau Ho Kit, Ivan	(appointed with effect from 25 July 2016)
Mr. James Mailer	(appointed with effect from 30 May 2016)
Mr. Kenneth Raymond Deayton	(appointed with effect from 30 May 2016 and resigned with effect from 25 July 2016)

The Company received confirmations from the independent non-executive Directors of their independence pursuant to Rule 3.13 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"). The Company considered all the independent non-executive Directors as independent.

In accordance with Bye-laws 83(2) of the Company's Bye-laws (the "Bye-laws"), Mr. Lau Ho Kit, Ivan shall hold office until the first general meeting of shareholders after his appointment and be subject to re-election at such meeting. Since Mr. Lau was not put up for re-election at the special general meeting of the Company on 11 November 2016, the Board will recommend the election of Mr. Lau at the forthcoming annual general meeting of the Company (the "AGM").

In accordance with Bye-laws 84 of the Bye-laws, Messrs. Manjit Singh Gill, James Mailer and Chen Xiaoping will retire by rotation and, being eligible, offer themselves for re-election at the forthcoming AGM.

None of the Directors proposed for election or re-election at the forthcoming AGM has an unexpired service contract with the Group which is not determinable within one year without payment of compensation, other than statutory compensation.

Biographies of the Directors of the Company are set out on pages 7 to 9 of the annual report.

DIRECTORS' REMUNERATION

Details of the Directors' remuneration are set out in note 14 to the consolidated financial statements.

DIRECTORS' INTERESTS IN CONTRACTS

No Director or an entity connected with a Director is or was materially interested, either directly or indirectly, in any transaction, arrangement or contract of significance to which the Company or any of its subsidiaries was a party at the reporting date or at any time during the Period.

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

None of the Directors held any interest in any company or business which competes or may compete with the business of the Group during the Period.

SERVICE CONTRACT OF DIRECTORS

All the executive Directors, except for Mr. Hon, have entered into employment contracts with the subsidiaries of the Company for a fixed term of one year with effect from the date of their respective dates of being appointed as Directors of the Company and to be continued thereafter. Mr. Hon had entered into employment contracts with the subsidiaries of the Company with no specific terms before he was appointed as a Director of the Company on 30 May 2016. Upon his appointment as a Director of the Company, Mr. Hon did not enter into any additional service contract with the Group, nor received any additional remuneration as a Director of the Company. However, Mr. Hon is subject to retirement by rotation and re-election at the annual general meetings of the Company in accordance with the Bye-laws of the Company.

Mr. Eduard Will has entered into an employment contract with a subsidiary of the Company for a fixed term of one year with effect from 26 May 2016. However, upon his re-designation to non-executive Director, he has re-entered into a letter of appointment with the Company for a fixed term of one year with effect from 8 December 2016.

All the existing independent non-executive Directors have entered into letters of appointment with the Company on 25 July 2016 for a fixed term of one year with effect from their respective dates of being appointed as Directors of the Company and subject to re-election.

DIRECTORS' AND CHIEF EXECUTIVE'S INTEREST IN SHARES, UNDERLYING SHARES AND DEBENTURE

As at 31 March 2017, none of the Directors nor Chief Executive of the Company had any interests or short positions in the shares, underlying shares and debenture of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")), which were required to be recorded in the register kept by the Company under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the Period was the Company or any of its subsidiaries a party to any arrangement to enable the Company's Directors, their spouse or children under 18 years of age, to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate, nor were any such rights exercised by them.

INDEMNITY OF DIRECTORS

The Company has taken out and maintained Directors' liability insurance throughout the Period, which provides appropriate cover for legal actions brought against the Directors of the Company. The level of coverage is reviewed annually.

INTERESTS OF SUBSTANTIAL SHAREHOLDERS

As at 31 March 2017, so far as known to any Directors or Chief Executive of the Company, the following persons (other than the Directors or Chief Executive of the Company) had interests 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 substantial shareholder	**Capacity**	**Number of issued ordinary shares of HK$0.01 each in the Company held**	**% of the issued share capital**
Accolade (PTC) Inc.	Trustee	4,038,827,301 (L) *(Note 1)*	73.53%
Airwave Capital Limited	Interest of controlled corporation	398,650,372 (L) *(Note 2)*	7.25%
Barrican Investments Corporation	Beneficial owner, interest of controlled corporation	398,650,372 (L) *(Note 1, 3)*	7.25%
Sino Bright Enterprises Co., Ltd.	Beneficial owner	3,639,958,801 (L) *(Note 1)*	66.27%
Splendid Brilliance (PTC) Limited	Trustee	439,180,000 (L) *(Note 4)*	8%

* The letter "L" denotes a person's "long position" (as defined under Part XV of the SFO) in such shares.

Notes:

(1) Accolade (PTC) Inc. ("Accolade") is deemed to have interests in these Shares as the trustee to the discretionary trust which owns the entire issued share capital of The Ho Family Trust Limited ("The Ho Family Trust"). The Ho Family Trust directly owns 15,939 Shares. The Ho Family Trust is deemed to be interested in the Shares held by Barrican Investments Corporation ("Barrican"), McVitie Capital Limited ("McVitie"), Grosvenor Fair Limited ("Grosvenor") and Sino Bright Enterprises Co., Ltd. ("Sino Bright"), which are wholly owned subsidiaries of The Ho Family Trust and directly own 328,604,701 Shares, 70,045,671 Shares, 5,738 Shares and 3,639,958,801 Shares, respectively. The Ho Family Trust owns a 50.15% indirect interest in Lafe Corporation Limited ("Lafe") and is therefore deemed to be interested in 141,547 Shares directly held by Lafe. The Ho Family Trust is also deemed to be interested in 19,127 Shares and 35,777 Shares directly held by The Grande Properties Management Limited ("The Grande Properties") and Vigers Group Pte. Ltd ("Vigers"), respectively, as Lafe holds 50% interest in The Grande Properties and 100% interest in Vigers.

(2) Barrican is a wholly owned subsidiary of Airwave Capital Limited ("Airwave") and owns 100% interests in McVitie. Accordingly, Airwave is deemed to be interested in the Shares held by Barrican and McVitie.

(3) McVitie is a wholly owned subsidiary of Barrican. Accordingly, Barrican is deemed to be interested in the Shares held by McVitie.

(4) Splendid Brilliance (PTC) Limited is deemed to have interests in these Shares as it indirectly owns 439,180,000 Shares through its wholly owned subsidiaries, Merchant Link Holdings Limited and Rise Vision Global Limited, each of which holds 219,590,000 Shares.

INTERESTS OF SUBSTANTIAL SHAREHOLDERS (continued)

Save as disclosed above, as at 31 March 2017, none of the Directors nor Chief Executive of the Company was aware of any other person (other than the Directors or Chief Executive of the Company) or corporation who had an interest or short position in the shares or underlying shares of the Company which were required to be recorded in the register kept by the Company under section 336 of the SFO.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the Period.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Bye-laws or the laws in Bermuda which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

CONNECTED TRANSACTIONS

The Company entered into an underwriting agreement with Sino Bright on 4 March 2016. According to this agreement, Sino Bright undertook to subscribe for any untaken shares in the Open Offer (as defined in note 1 to the consolidated financial statements) that was offered to shareholders under the resumption proposal. For details of the resumption proposal, please refer to note 1 to the consolidated financial statements. The allotment and issuance of the untaken shares to Sino Bright in accordance with the underwriting agreement is, pursuant to Listing Rules 14A.92(2)(b), exempt from the reporting, announcement and independent shareholders' approval requirements.

The Group was billed by The Grande Properties and Lafe Strategic Services Limited ("LSSL"), a wholly owned subsidiary of Lafe, for building management services fees and utility charges of HK$133,442 and HK$12,600 respectively for its rented office in Hong Kong during the Period. The Group had no outstanding amount owed to The Grande Properties and LSSL in respect of these charges as at 31 March 2017. These continuing connected transactions, should be classified as de minimis transactions under the Listing Rules 14A.76(1) and have been reviewed by the independent non-executive Directors who have confirmed that the transactions were entered into:

(a) in the ordinary and usual course of business of the Group;

(b) on normal commercial terms or better; and

(c) in accordance with relevant agreements on terms that are fair and reasonable and in the interests of the Company's shareholders as a whole.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors up to the date of this report, the Company has sufficient public float as required under the Listing Rules.

AUDIT COMMITTEE

The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed the internal control and financial reporting matters including the review of the audited financial statements.

CORPORATE GOVERNANCE

Principal corporate governance practices adopted by the Company are set out in the Corporate Governance Report on pages 17 to 29.

EVENTS AFTER THE REPORTING PERIOD

Details of significant events that occurred after the reporting period are set out in note 42 to the consolidated financial statements.

INDEPENDENT AUDITORS

The consolidated financial statements for the year ended 31 December 2015 were audited by Crowe Horwath CPA Limited ("Crowe Horwath") and the consolidated financial statements for the fifteen months ended 31 March 2017 were audited by Moore Stephens CPA Limited ("Moore Stephens").

Crowe Horwath were not re-appointed as auditor of the Company as the relevant resolution was not passed by the shareholders at the annual general meeting held on 25 July 2016. Moore Stephens was subsequently appointed as auditor of the Company by a resolution passed by the shareholders at the special general meeting held on 11 November 2016. Moore Stephens will be subject to re-appointment and a resolution will be proposed at the 2017 annual general meeting to re-appoint them and to authorise the Directors to fix their remuneration.

On behalf of the Board

Hon Tak Kwong
Chief Executive Officer

Hong Kong
30 June 2017

The Board of the Company is pleased to present this Corporate Governance Report in the Group's annual report for the Period.

CORPORATE GOVERNANCE CODE

The Company's code on corporate governance practices was adopted by reference to the code provisions of the Corporate Governance Code (the "Code") as set out in Appendix 14 to the Listing Rules.

Before the Resumption on 30 May 2016, the Company had only two executive Directors on the Board and there were no independent non-executive Directors appointed to the Board. The Directors are, therefore, unable to confirm that the Company fully complied with the Code prior to the Resumption.

After the adoption of reviewing and rectifying procedures on the compliance of the Code since Resumption, none of the Directors is aware of any information which would reasonably indicate that, during the period from its Resumption on 30 May 2016 to 31 March 2017 (the "Relevant Period"), save for the following deviations, the Company was not in compliance with the Code which were in force during the Relevant Period:

Under code provision A.2.7 of the Code, the chairman of the Board should at least annually hold meetings with the non-executive Directors (including independent non-executive Directors) without the presence of executive Directors. The Company did not appoint a full-time chairman after the removal of Mr. Tang Hoi Nam as director and chairman of the Company by the resolution passed at the Special General Meeting (the "SGM") held on 11 November 2016. Since that date a chairman has been appointed at each individual Board meeting and all meetings have been chaired by an independent non-executive Director. Regarding Code Provision A.2.7 which requires that a chairman should at least annually hold meetings with the non-executive Directors without the presence of other executive Directors, Mr. Hon has, in fact, acted in the capacity as chairman to meet all the non-executive Directors without the presence of executive Directors, either in the Nomination Committee ("NC") or the Remuneration Committee ("RC") and other occasions. As such, the Board considers the Company has complied with this Code Provision.

BOARD COMPOSITION

The key principles of good governance require the Company to have an effective Board which is collectively responsible for its success, setting the Company's values and enhancing the shareholders' value. Non-executive Directors have particular responsibility to oversee the Company's development, scrutinise its management performance, and advise on critical business issues.

The Company has a balanced Board of executive and non-executive Directors so that no individual or small group can dominate its decision-making process. The overall management of the Company's business is vested in the Board and the Directors are collectively responsible for promoting the success of the Company. The Board determines and monitors the company strategies and policies, annual budgets and business plans, evaluates the performance of the Company, and supervises the management of the Company, while the management is responsible for the day-to-day operations of the Group under the leadership of the Board. During the Period, management has supplied the Board with adequate information, in a timely manner, to enable it to make informed decisions.

BOARD COMPOSITION (continued)

To help the Board to discharge its duties and make decisions on particular aspects of the Company's affairs, Board Committees, including RC, NC, and Audit Committee ("AC"), have been established under the Company's Bye-laws. The Board has delegated to these Board Committees various responsibilities set out in their terms of reference respectively. Further details about Board Committees are discussed in the later part of this report.

The management has powers and authorities delegated by the Board and exercises such powers and authorities by the Board from time to time. The management assumes full accountability to the Board for the operation of the Group. There is a formal schedule of matters specifically reserved to and delegated by the Board. The Board has given clear directions to the management that certain matters must be reserved to the Board, including the followings:

– Publication of final and interim results of the Company

– Dividend distribution or other distribution

– Major issues of treasury policy, accounting policy and remuneration policy

– Review on risk management and internal control systems

– Corporate governance functions

– Changes to major group structure or board composition requiring notification by announcement

– Notifiable transaction and non-exempted connected transaction/continuing connected transaction

– Capital restructuring

– Financial assistance to the Directors

The changes to the composition of the Board during the Period were as follows:

– Mr. Ho Wing On Christopher resigned as executive Director of the Company with effect from 19 February 2016;

– Mr. Tang and Mr. Will were appointed as executive Directors of the Company with effect from 19 February 2016;

– Mr. Gill and Mr. Hon were appointed as executive Directors of the Company with effect from 30 May 2016;

– Mr. Mailer, Mr. Kenneth Raymond Deayton ("Mr. Deayton") and Mr. Chen were appointed as independent non-executive Directors of the Company with effect from 30 May 2016;

– Mr. Deayton resigned as independent non-executive Director of the Company with effect from 25 July 2016;

BOARD COMPOSITION (continued)

- Mr. Lau was appointed as independent non-executive Director of the Company with effect from 25 July 2016;
- Mr. Tang was removed as executive Director of the Company at the SGM of the shareholders with effect from 11 November 2016;
- Mr. Binney was appointed as executive Director of the Company at the SGM with effect from 11 November 2016; and
- Mr. Will was re-designated from an executive Director to a non-executive Director of the Company with effect from 8 December 2016.

As at the date of this report, the Board has 7 members composed as follows: –

Executive Directors

Mr. Michael Binney

Mr. Manjit Singh Gill

Mr. Hon Tak Kwong

Non-Executive Director

Mr. Eduard Will

Independent Non-Executive Directors

Mr. Chen Xiaoping

Mr. Lau Ho Kit, Ivan

Mr. James Mailer

The biographical details of the Directors are set out from pages 7 to 9 of this Annual Report.

During the Relevant Period, in compliance with the requirement of Rule 3.10A of the Listing Rules, the Company has appointed three INEDs representing more than one-third of the Board, of which one holds professional accounting qualifications. The Company received a confirmation from each of the INEDs confirming independence under Rule 3.13 of the Listing Rules. The NC is of the view that all INEDs are independent under the requirement of the Listing Rules.

Mr. Tang, the former Chairman of the Board, had led the Board and ensured that the Board works effectively and that all-important matters are discussed in a timely manner. After the removal of Mr. Tang in the SGM of the shareholders with effect from 11 November 2016, the Company did not appoint a full-time Chairman. However, prior to each Board meeting, a chairman is elected for the meeting and he ensures that all key and appropriate issues are discussed in a timely manner and where possible he is assisted by the Chief Executive Officer, the Chief Financial Officer and the Company Secretary.

BOARD COMPOSITION (continued)

Mr. Hon, the Chief Executive Officer, working with the other executive Directors and management team, is responsible for the day-to-day management, administration and operations of the Group. Mr. Hon regularly reports back to the Board and to the relevant committees established by the Board on an ad hoc basis.

Each Director does not have any financial, business, family or other material/relevant relationships with any Directors, senior management or substantial or controlling shareholders of the Company as defined in the Listing Rules.

BOARD DIVERSITY

The Board adopted a board diversity policy (the "Board Diversity Policy") in July 2016 which sets out the approach to achieve a diverse Board in order to enhance performance quality. "Diversity" would be considered from various aspects, including gender, age, cultural and educational background, professional experience, skills, knowledge and length of service etc. Board appointments are based on meritocracy and candidates will be assessed against objective criteria, having due regard for the benefits of diversity. The NC will monitor the implementation of the Board Diversity Policy and, for the purpose of ensuring its effectiveness, the NC will review the Board Diversity Policy and recommend any revisions to the Board for consideration and approval, when necessary.

APPOINTMENT AND RE-ELECTION OF DIRECTORS

Each of the executive Directors of the Company is engaged on a service contract and each of the non-executive Directors (including INEDs) are appointed for a specific term of one year which is automatically renewed for successive twelve-month periods. The appointment may be terminated by not less than one month's written notice.

In accordance with the Company's Bye-laws, all Directors of the Company are subject to retirement by rotation at least once every three years and any new Director appointed by the Board to fill a causal vacancy shall submit himself/herself for re-election by shareholders at the first general meeting after appointment, and any new Director appointed by the Board as an addition to the existing Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election.

The procedures and process of appointment, re-election and removal of Directors are laid down in the Company's Bye-laws. The NC is responsible for reviewing the board composition, monitoring the appointment and succession planning of Directors and assessing the independence of independent non-executive Directors.

INDUCTION AND CONTINUOUS PROFESSIONAL DEVELOPMENT FOR DIRECTORS

Each newly appointed Director receives a comprehensive induction covering business operations, policies and procedures of the Company as well as the statutory obligations of being a director to ensure that he/she is fully aware of his/her responsibilities and obligations under the Listing Rules and other relevant regulatory requirements.

Directors are regularly briefed on the amendments to or updates on the relevant laws, rules and regulations. In addition, the Company arranges a wide range of professional development courses relating to the Listing Rules, Companies Ordinance and corporate governance practices organised by professional bodies and institutions for the Directors continuously in order that they can continuously update and further improve their relevant knowledge and skills.

INDUCTION AND CONTINUOUS PROFESSIONAL DEVELOPMENT FOR DIRECTORS (continued)

During the Period, the Company arranged for the Directors to attend an in-house training course with a distinguished speaker from a professional institution on the topics of legal, corporate governance and risk management. All the current 7 Directors participated in the course.

	Legal and Regulatory	Corporate Governance	Risk Management
Executive Directors			
Mr. Michael Binney	Y	Y	Y
Mr. Manjit Singh Gill	Y	Y	Y
Mr. Hon Tak Kwong	Y	Y	Y
Non-executive Director			
Mr. Eduard Will	Y	Y	Y
Independent Non-Executive Directors			
Mr. Chen Xiaoping	Y	Y	Y
Mr. Lau Ho Kit, Ivan	Y	Y	Y
Mr. James Mailer	Y	Y	Y

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules.

Specific enquiry has been made to all Directors and each of them has confirmed that they have complied with the Model Code during the Relevant Period.

The Company also established written guidelines on no less exacting terms than the Model Code (the "Employees Written Guidelines") for securities transactions by employees of the Company (other than Directors) who are likely to be in possession of unpublished price-sensitive information of the Company.

There is no incident of non-compliance of the Employees Written Guidelines by the employees that should be brought to the attention of shareholders.

DIRECTORS AND OFFICERS INSURANCE

The Company has arranged appropriate directors' and officers' liabilities insurance coverage for the Directors and officers of the Group.

BOARD MEETINGS

Board Practices and Conduct of Meetings

The Board meets at least four times a year with at least 14 days' notices and additional meetings with reasonable notices are held as and when the Board considers appropriate. Agenda and accompanying meeting papers are sent to all Directors at least three days in advance of each regular board meeting. Directors may participate in meetings in person, by phone or by other communication means.

The company secretary records all matters considered by the Directors, decisions reached and any concerns raised at the meetings. Draft and final versions of minutes are sent to all Directors for their comments and records respectively within a reasonable time. Also, Directors may approve various matters by way of passing written resolutions.

BOARD MEETINGS (continued)

Board Practices and Conduct of Meetings (continued)

Directors may seek independent professional advice in appropriate circumstances at the Company's expense.

Seventeen meetings of the Board were held during the Relevant Period and the attendance records of the members of the Board are set out below:

Name of Directors	Number of Meeting(s) Attended/Eligible to Attend
Mr. Michael Binney	5/5
Mr. Chen Xiaoping	16/17
Mr. Manjit Singh Gill	16/17
Mr. Hon Tak Kwong *(Note (a))*	12/15
Mr. Lau Ho Kit, Ivan	16/16
Mr. James Mailer	15/17
Mr. Eduard Will	17/17
Mr. Kenneth Deayton	1/1
Mr. Tang Hoi Nam	7/12

Note (a) – Mr. Hon abstained from joining two Board meetings so as to avoid potential conflicts.

Moreover, there was one annual general meeting and two special general meetings held during the Period, the attendance records of the Board are set out below:

	Number of Meeting(s) Attended/Eligible to Attend	
Name of Directors	Annual General Meeting	Special General Meetings
Mr. Christopher Ho	0/0	0/0
Mr. Michael Binney	0/0	0/0
Mr. Chen Xiaoping	1/1	1/1
Mr. Manjit Singh Gill	1/1	0/1
Mr. Hon Tak Kwong	1/1	1/1
Mr. Lau Ho Kit, Ivan	0/0	1/1
Mr. James Mailer	1/1	1/1
Mr. Eduard Will	1/1	1/2
Mr. Kenneth Deayton	0/0	0/0
Mr. Tang Hoi Nam	1/1	0/2

BOARD COMMITTEES

The Board has established three board committees after the Resumption, namely, the NC, the RC, and the AC. All committees have respective terms of reference clearly defining their powers and responsibilities delegated by the Board. All committees should report back to the Board on their decisions or recommendations, unless there are legal or regulatory restrictions on their ability to do so.

BOARD COMMITTEES (continued)

Nomination Committee

Currently, the NC is chaired by Mr. Chen Xiaoping and comprises two additional members, namely Mr. Hon Tak Kwong and Mr. James Mailer. Messrs. Chen and Mailer were appointed as members of the NC with effect from 30 May 2016. Mr. Hon was appointed as a member of the NC on 11 November 2016 to replace Mr. Tang Hoi Nam after his removal by the shareholders at the SGM held on the same date. The majority of the NC comprises of independent non-executive Directors.

The NC is responsible for (a) reviewing the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy; (b) identifying individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of individuals nominated for directorships; (c) assessing the independence of INEDs annually, bearing in mind the circumstances set out in Rule 3.13 of the Listing Rules; (d) making recommendations to the Board on the appointment and re-appointment of Directors and succession planning for Directors, in particular the chairman and chief executive officer; (e) deciding whether a Director is able to and has adequately carried out his duties as a Director of the Company in particular where the Director concerned has multiple Board representations. Where possible, the NC shall formulate internal guidelines that can address the competing time commitments that are faced when Directors serve on multiple boards; and (f) deciding on how the Board's performance may be evaluated and propose objective performance criteria. Such performance criteria, that allow comparison with its industry peers, that should be approved by the Board and address how the Board has enhanced long term shareholders' value.

During the Relevant Period, the NC considered the nomination of Mr. Lau Ho Kit, Ivan as a Director of the Company and made a recommendation of his appointment to the Board.

One meeting was held during the Relevant Period and the attendance records of the members are set out below:

Name of Directors	Number of Meeting(s) Attended/Eligible to Attend
Mr. Chen Xiaoping	1/1
Mr. Hon Tak Kwong	0/0
Mr. James Mailer	1/1
Mr. Tang Hoi Nam	1/1

Remuneration Committee

Currently, the RC is chaired by Mr. James Mailer and comprises two additional members, namely Mr. Chen Xiaoping and Mr. Hon Tak Kwong. Messrs. Mailer and Chen were appointed as members of the RC with effect from 30 May 2016. Mr. Hon was appointed as a member of the RC on 11 November 2016 to replace Mr. Tang Hoi Nam after his removal by the shareholders at the SGM held on the same date. The majority of the RC comprises of independent non-executive Directors.

BOARD COMMITTEES (continued)

Remuneration Committee (continued)

The major duties of the RC include (a) assess, review and make recommendations, once a year or as and when required to the Board in respect of the remuneration packages and overall benefits for the Directors of the Board and the senior management of the Company; (b) make recommendations to the Board in relation to all consultancy agreements and service contracts, or any variations, renewals or modifications thereof, entered into between the Company and the Directors of the Board or any associate company of any of them; (c) consider what details of the Directors' and senior management's remuneration/benefits should be reported in addition to those required by law in the Company's annual report and accounts and how those details should be presented; (d) make recommendations to the Board on the Company's policy and structure for all Directors' (including non-executive Directors and INED) and senior management's remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy, and place recommendations before the Board concerning the total remuneration and/or benefits granted to the Directors from time to time; (f) determine the remuneration packages of individual executive Directors and senior management, or make recommendations to the Board on the remuneration packages of individual executive Directors and senior management, including benefits in kind, pension rights, and compensation payments (including any compensation payable for loss or termination of their office or appointment); (g) make recommendations to the Board on the remuneration of non-executive Directors; (h) review and approve compensation payable to executive Directors and senior management or any loss or termination of office or appointment to ensure that it is consistent with contractual terms and is otherwise fair and not excessive; (i) consider salaries paid by comparable companies, time commitment and responsibilities and employment conditions elsewhere in the Group; (j) ensure that no Director or any of his associates is involved in deciding his own remuneration; (k) cater for the Company to be in a position to offer and maintain competitive and attractive overall benefits to recruit and maintain high quality personnel at the Board level; and (l) conform to any requirement, direction, and regulation that may from time to time be prescribed by the Board or contained in the constitution of the Company or imposed by the Listing Rules or applicable laws.

During the Relevant Period, the RC has reviewed the services contracts entered with the executive Directors, Messrs. Tang Hoi Nam, Eduard Will, Manjit Singh Gill and Michael Binney and the services contracts entered with the non-executive Directors, Messrs. James Mailer, Lau Ho Kit, Ivan, Chen Xiaoping and Eduard Will (Re-designated from executive Director to non-executive Director). In addition, the RC has also reviewed the salary adjustments made to Messrs. Tang Hoi Nam, Lau Ho Kit, Ivan and Hon Tak Kwong.

Seven meetings were held during the Relevant Period and the attendance records of the members are set out below:

Name of Directors	Number of Meeting(s) Attended/Eligible to Attend
Mr. James Mailer	7/7
Mr. Chen Xiaoping	7/7
Mr. Hon Tak Kwong	3/4
Mr. Tang Hoi Nam	3/3

BOARD COMMITTEES (continued)

Audit Committee

Currently, the AC is chaired by Mr. Lau Ho Kit, Ivan and comprises two additional members, namely Mr. Chen Xiaoping and Mr. James Mailer. Messrs. Chen and Mailer were appointed as members of the AC on 30 May 2016. Mr. Lau was appointed as a member of the AC on 25 July 2016 to fill the vacancies from the resignation of Mr. Kenneth Deayton. All members of the AC are independent non-executive Directors.

The primary duties of the AC include the following:

- To review the financial statements and reports and consider any significant or unusual items raised by the internal auditor or external auditors before submission to the Board, including:

  i) any changes in accounting policies and practices;

  ii) major judgmental areas;

  iii) significant adjustments resulting from audit;

  iv) the going concern assumptions and any qualifications;

  v) compliance with accounting standards; and

  vi) compliance with the Listing Rules and legal requirements in relation to financial reporting.

- To review the relationship with the external auditors by reference to the work performed by the auditors, their fees and terms of engagement, and make recommendation to the Board on the appointment, re-appointment and removal of external auditors.

- To review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards.

- To discuss with the auditor the nature and scope of the audit and reporting obligations before the audit commences.

- To review the adequacy and effectiveness of the Company's financial reporting system, internal control systems and risk management system and associated procedures.

During the Relevant Period, the AC reviewed the unaudited interim financial statements for the six months ended 30 June 2016 with recommendation to the Board for approval. Furthermore, the AC considered the appointment of Moore Stephens CPA Limited as the new Auditor of the Group with recommendation to the Board for approval and subsequently approved by the shareholders.

BOARD COMMITTEES (continued)

Audit Committee (continued)

Two meetings were held during the Relevant Period and the attendance records of the members are set out below:

Name of Directors	Number of Meeting(s) Attended/Eligible to Attend
Mr. Lau Ho Kit, Ivan	2/2
Mr. Chen Xiaoping	2/2
Mr. James Mailer	2/2
Mr. Kenneth Deayton	0/0

ACCOUNTABILITY AND AUDIT

Financial Reporting

The Directors acknowledge their responsibilities for preparing the financial statements of the Company for the Period which give a true and fair view of the state of affairs of the Company and the Group; and the Group's profit and cash flow in accordance with Hong Kong Financial Reporting Standards, the Hong Kong Companies Ordinance and the Listing Rules. In preparing financial statements for the Period, the Directors have selected suitable accounting policies and applied them consistently. The Directors also made judgements and estimates that are prudent and reasonable and prepared the financial statements on a going concern basis.

The Board is responsible for presenting a balanced, clear and understandable assessment of annual and interim reports, price-sensitive announcements and other disclosures required under the Listing Rules and other regulatory requirements.

The management provides such explanation and information to the Board so as to enable the Board to make an informed assessment of the financial and other information and position of the Company put to the Board for approval. Management provided all members of the Board with quarterly updates giving a balanced and understandable assessment of the Company's performance, position and prospects in sufficient detail to enable the board as a whole and each Director to discharge their duties under Rule 3.08 and Chapter 13 of the Listing Rules.

Internal Controls and Risk Management

During the Period under review, the Board has conducted a review of the effectiveness of the internal control systems of the Company and documented the system in an Internal Control Manual in early July 2016, soon after the Resumption. This Manual was also updated in June 2017.

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

ACCOUNTABILITY AND AUDIT (continued)

Internal Controls and Risk Management (continued)

The Board is responsible for maintaining an adequate internal control system to safeguard shareholder investments and Company assets and reviewing the effectiveness of such system on an annual basis, including any changes in the nature and extent of sign to ensure the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting, internal audit and financial reporting functions. The internal control system of the Group is designed to facilitate effective and efficient operations, to ensure reliability of financial reporting and compliance with applicable laws and regulations, to identify and manage potential risks and to safeguard assets of the Group.

The Company has established risk management procedures to address and handle significant risks associated with the business of the Group. The management would identify the risk associated with the business of the Group by considering both internal and external factors and events which include political, economic, technological, environmental, social and interpersonal. Each of the risks has been assessed and prioritised based on their relevant impacts and occurrence opportunities. The relevant risk management strategy would be applied to each type of risk according to the assessment results. Type of risk management strategy are listed as follows:

– 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 progress 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.

Further, to establish an effective risk management framework, the Board should be satisfied that adequate controls and procedures are in place in respect of the following functions:

- approving a Group definition for different types of risk (e.g. operational risk);
- identifying, understanding and assessing the types of risk inherent in the Company's business activities or major investments;
- laying down the risk management strategies;
- approving a risk management framework consistent with the Company's business strategies and risk appetite;
- determining that the risk management framework is properly implemented and maintained;
- reviewing the risk management framework periodically to determine that it remains adequate and appropriate under the prevailing business environment; determining that there are clear reporting lines and responsibilities for the risk management function;
- maintaining continued awareness of any changes in the Company's risk profile; and
- approving the provision of adequate resources for risk management purposes.

ACCOUNTABILITY AND AUDIT (continued)

Internal Controls and Risk Management (continued)

The Company has a policy on insider trading which is fully disclosed in its Internal Control Manual. The policy was reviewed, updated and approved by the Board again at the end of the financial period.

Since the operations of the Group are relatively simple, no internal audit department has been set up within the Group. World Link Corporate Finance Limited ("World Link") was appointed to carry out the internal audit function for the Group, excluding Emerson as it has been governed by the laws and regulations of the New York Stock Exchange and Securities and Exchange Commission of the United States of America. World Link has reviewed and evaluated the risk management and internal control process of the Group for the period from 1 June 2016 to 31 March 2017. The review has covered all material controls, including financial, operational and compliance controls and risk management functions. They have identified the risk factors in their internal audit report addressed to the AC. After reviewing as such the AC has nothing to bring to the attention of shareholders. The management considers the risk management and internal control systems are effective and adequate. World Link will perform the internal audit for the Group annually on a three year contract subject to renewal by the AC.

Company Secretary

The Company Secretary is a full-time employee of the Company and has day-to-day knowledge of the Company's affairs. The Company Secretary is responsible for advising the Board on the corporate governance matters. For the Period under review, the Company Secretary has taken no less than 15 hours of relevant professional training.

External Auditor and Auditor's remuneration

The financial statements have been audited by Moore Stephen CPA Limited who will be subject to re-appointment as the Auditor of the Company at the forthcoming annual general meeting. The audit and non-audit fee during the Period were HK$2.5 million and HK$0.3 million respectively. The non-audit service mainly included the performance of agreed upon procedures.

Constitutional Documents

With a view to bringing the Bye-Laws in line with amendments to the Listing Rules and changes in the Companies Act of Bermuda and to modernising and updating the Bye-Laws, the Company adopted new Bye-Laws during the Period. The adoption of the new Bye-Laws was approved by the shareholders of the Company at the special general meeting held on 1 April 2016.

INVESTOR RELATIONS

Since the Company resumed trading of its shares on the Stock Exchange from 30 May 2016, there were matters that were required to be resolved and followed up on as part of its reorganisation. The Company held an annual general meeting on 25 July 2016 and a special general meeting on 11 November 2016, in which the Directors welcomed questions from the shareholders. Moreover, the Company published its interim report for the six months results ended 30 June 2016 in early September 2016, in which it updated the shareholders about the latest situation of the Company after Resumption.

SHAREHOLDER RIGHTS

Procedures for Shareholders to Convene a General Meeting

Shareholders shall have the right to request the Board to convene a special general meeting of the Company. Pursuant to Bye-law 58 of the Bye-laws, shareholders 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, to require a special 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 months after the deposit of such requisition.

During the Period, the Company received a requisition from the major shareholders, Sino Bright and McVitie, in which they requisitioned for resolutions to remove Mr. Tang Hoi Nam as Director and appoint Mr. Michael Binney as a Director at a special general meeting. The Company then convened a special general meeting on 11 November 2016 to have the resolutions voted by the shareholders.

Shareholders may at any time send their enquiries to the Board, addressed to the Company Secretarial Department with contact details set out below:

Office address:	11/F, The Grande Building 398 Kwun Tong Road, Kowloon Hong Kong
Telephone:	(852) 9237 1885
Fascimile:	(852) 2469 8806
E-mail:	enquiries@grandeholdings.com

Procedures for Shareholders to Put Forward a Proposal at a General Meeting

Shareholders holding not less than one-twentieth of the total voting rights of all shareholders having a right to vote at the general meeting or not less than 100 shareholders can, at their own expenses, submit a written request stating a resolution to be moved at the annual general meeting ("AGM") or a statement of not more than 1,000 words with respect to a matter referred to in any proposed resolution or the business to be dealt with at a particular general meeting. The written request or statement should be signed by the relevant shareholders and deposited at the Company's registered office in Bermuda and principal place of business in Hong Kong for the attention of the company secretary of the Company, not less than six weeks before the AGM in the case of a requisition requiring notice of a resolution and not less than one week before the general meeting in the case of any other requisition.

To comply with the requirements set forth in Appendix 27, Environmental, Social and Governance ("ESG") Reporting Guide of the Rules Governing the Listing of Securities of The Stock Exchange of Hong Kong Limited (the "ESG Guide"), the Group hereby presents its first Environmental, Social and Governance Report (the "ESG Report") for the Period. This ESG Report covers the Group's overall performance for the Group's operations in the distribution of household appliances and consumer electronic product and licensing of trademarks.

The Board is responsible for the ESG strategy and reporting including evaluating and determining the ESG-related risks and ensuring that appropriate and effective ESG risk management and internal control systems are in place. The Group has engaged business functions to identify relevant ESG issues and to assess their materiality to our business as well as to our stakeholders, through reviewing the Group's operations and holding internal discussions. The management has provided a confirmation to the Board on the effectiveness of our ESG risk management and internal control systems. Pursuant to the general disclosure requirements of the ESG Guide, disclosures relating the material ESG issues identified have been included in this ESG Report which aims to provide a balanced representation of the Group's ESG performance in the environmental and social areas, and covers the Group's operations.

A. ENVIRONMENTAL

A1. Emissions

As the Group is principally engaged in holding and licensing of brands and trademarks on a worldwide basis, and distribution of household appliances and audio products in the United States of America, we do not have significant air emissions, greenhouse gas emissions, discharges into water and generation of hazardous waste, besides the non-hazardous solid wastes generated in our offices during our operations.

The Group upholds the principles of waste management and is committed to the proper handling and disposal of all wastes from our business activities. We strive to reduce, reuse and recycle throughout our operations to minimise the disposal of waste to the landfill. All of our waste management practices comply with relevant laws and regulations.

The Group was not aware of any incidents of non-compliance in relation to the relevant environmental laws and regulations for the Period.

A2. Use of Resources

The Group conserves resources for environmental and operating efficiency purposes. To pursue our environmental commitment, we implement various initiatives throughout our operations such as controlling the air-conditioners to a temperature that is recommended by the relevant governmental authority, minimising the use of paper and reducing water consumption. Through actively monitoring and managing the use of resources, we aim to reduce our operating costs as well as our carbon footprint.

A. ENVIRONMENTAL (continued)

A3. The Environment and Natural Resources

Although the core businesses of our Group have remote impacts on the environment and natural resources, as an ongoing commitment to good corporate citizenship, we recognise the responsibility in minimising the negative environmental impact of our business operations, in order to achieve a sustainable development for generating long term values to our stakeholders and the community as a whole.

We regularly assess the environmental risks of our business, and adopt preventive measures as necessary to reduce the risks and ensure the compliance of relevant laws and regulations.

B. SOCIAL

B1. Employment

Employees are our valuable assets. The Group strives to attract and retain talent and reconciles economical imperatives with well-beings, aiming at reinforcing satisfaction, loyalty and commitment of human capital. We have developed a written Group Company Handbook to govern the recruitment, promotion, discipline, working hours, leave and other benefits of our employees, in accordance with the relevant laws and regulations.

The level of compensation of our employees is reviewed annually on a performance basis with reference to the market standard. A wide range of benefits including comprehensive medical and life insurance, and retirement schemes are also provided to employees.

The Company respects cultural and individual diversity. We believe that no one should be treated less favourably on his/her personal characteristics (i.e. gender, pregnancy, marital status, disability, family status, and race, etc.). Opportunities for employment, training and career development are equally open to all qualified employees.

There were no non-compliance cases noted in relation to the relevant employment laws and regulations for the Period.

B2. Health and Occupational Safety

We are committed to providing and maintaining a safe, healthy, and hygienic workplace for all employees, and all other persons likely to be affected by our operations and activities.

Health and safety standards are given prime consideration in our operations, and regulatory compliance is strongly supported. Employees at every level are committed to, and accountable for, the delivery of the safety initiatives contained in the Group Company Handbook, with a view of maintaining a vigorous and injury-free culture. Appropriate measures are taken to continuously improve the safety and health aspects in the workplace. Electrical installations will be checked by a licensed vendor annually to ensure they are working safely. A fire drill is conducted annually to enable employees to evacuate safely.

There were no non-compliance cases noted in relation to the relevant health and safety laws and regulations during the Period.

B. SOCIAL (continued)

B3. Development and Training

We acknowledge the importance of training for the development of our employees. We encourage and support our employees in personal and professional training, through sponsoring training programs, seminars, conferences, peer learning and on-the-job coaching, as well as reimbursement for external training courses to enhance their competencies in performing their jobs effectively and efficiently. We believe this is a mutually beneficial practice for achieving both personal and corporate goals as a whole.

B4. Labour Standards

We prohibit any child and forced labour in any of our operations and services. Labour who is forced to work by means of physical punishment, abuse, involuntary servitude, peonage or trafficking is strictly forbidden. A child who is below the age as set by the local Labour Law should not be employed. We also avoid engaging vendors of administrative supplies and services and contractors that are known to employ children or forced labour in their operations.

There were no non-compliance cases noted in relation to the labour standards laws and regulations during the Period.

B5. Supply Chain Management

We encourage suppliers to maintain a high standard of business ethics and conduct, with satisfactory environmental and social performance. During the selection and evaluation processes of suppliers for our household appliances and audio products, we adopt a fair basis with defined assessment criteria to ensure that only qualified suppliers are engaged with no conflict of interest.

To support sustainability, we apply strict environmental, social and ethical criteria to the suppliers of our business and we place basic standards on suppliers with basic principles as below:

- Operating as an equal opportunity employer and recognising the right to collective bargaining as well as minimum and prevailing wages and benefits;
- Maintaining probity and accountability standards;
- Minimising discrimination against small and medium-sized enterprises or local vendors;
- Providing a healthy and safe working environment, not employing forced or child labour, and refraining from harassment or abuse of employees; and
- Supporting sustainable development, acting responsibly with regard to the environment, observing environmental criteria to conserve resources, minimising the negative environmental effects of the production, application and disposal of products, and reducing the use of hazardous products as much as possible.

In the assessment process, we communicate with suppliers on their environmental and social responsibilities. The environmental friendliness of suppliers' practices and products are examined. Selected suppliers' performance is monitored through onsite factory assessments, quality reviews of products and customer feedback. Areas that do not adhere to the standards are evaluated with the suppliers to identify opportunities to improve their current environmental and social practices.

B. SOCIAL (continued)

B6. Product Responsibility

Responsible Procurement

The Company's goal is to maximize shareholders' value in the medium to long term. We believe that ESG factors have an influence on the overall performance of individual companies, in both positive and negative ways. Hence, in the process of creating returns, ESG is integrated into not only our operations but also our selection of supplier's process for long term value creation. As a responsible distributor, we aim to incorporate ESG aspects in our analysis and selection decisions, and continue to monitor the ESG performance of our suppliers and encourage them to make improvements on ESG issues. During the Period, there was no material non-compliance issues relating to health and safety, advertising, labelling and privacy matters relating to services provided by the Group.

Data Privacy

We ensure strict compliance with the statutory requirements to fully meet a high standard of security and confidentiality of personal data privacy protection. We highly respect personal data privacy and are firmly committed to preserving the data protection principles as follows:

- We only collect personal data that we believe to be relevant and required to conduct our business;

- We will use personal data only for the purpose for which data is collected or for a directly related purpose unless consent with a new purpose is obtained;

- We will not transfer or disclose personal data to any entity that is not a member of our Group without consent unless it is required by law or it was previously notified; and

- We maintain appropriate security systems and measures designed to prevent unauthorised access to personal data.

There were no non-compliance cases noted in relation to our supplier selection process and data privacy during the Period.

B. SOCIAL (continued)

B7. Anti-corruption

We aim to maintain the highest standards of openness, uprightness and accountability and all our staff are expected to observe the highest standards of ethical, personal and professional conduct. We do not tolerate corruption, bribery, extortion, money laundering and other fraudulent activities in connection with any of our business operations.

In addition to the code of conduct on anti-bribery and anti-corruption mentioned in the Group Company Handbook, we have issued relevant whistle-blowing procedures in setting up a private communication channel on reporting suspicious fraudulent actions to the Company's management directly. The Company has also adopted an internal control manual with an annual review in order to setup guidelines for staff's behavior and activities standards. Ongoing review of the effectiveness of the internal control systems is conducted on a regular basis in preventing the occurrence of corruption activities.

There were no non-compliance cases noted in relation to either corruption and/or the relevant laws and regulations during the Period.

B8. Community Investment

As a corporate citizen, we promote social contributions throughout members of the Group to the local communities in which we operate. We place great emphasis on cultivating social responsibility awareness amongst our staff and encourage them to better serve our community at work and during their personal time. We will try to maximize our social investment as much as possible in order to create a more favourable environment for our community and our business.

MOORE STEPHENS

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大華馬施雲
會計師事務所有限公司

Independent Auditor's Report to the Shareholders of
The Grande Holdings Limited
(Incorporated in the Cayman Islands and continued in Bermuda with limited liability)

DISCLAIMER OF OPINION

We were engaged to audit the consolidated financial statements of The Grande Holdings Limited (the "Company") and its subsidiaries (together the "Group") set out on pages 38 to 108, which comprise the consolidated statement of financial position as at 31 March 2017, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the period from 1 January 2016 to 31 March 2017, and notes to the consolidated financial statements, including a summary of significant accounting policies.

We do not express an opinion on the consolidated financial statements of the Group. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated financial statements, and whether the consolidated financial statements have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR DISCLAIMER OF OPINION

Scope limitation – Opening balances and corresponding figures

In respect of the consolidated financial statements of the Group for the year ended 31 December 2015, the predecessor auditor who were engaged to perform the audit had expressed a disclaimer of opinion as a result of the limitation of scope encountered in respect of their audit of (1) amounts due to former related companies, (2) amounts due to former associates and (3) accrued liabilities and other payables.

BASIS FOR DISCLAIMER OF OPINION (continued)

Scope limitation – Opening balances and corresponding figures (continued)

The predecessor auditor also disclaimed their opinion on the 2015 consolidated financial statements for scope limitations encountered by their predecessor auditor for the year ended 31 December 2013 in respect of the carrying amounts in the company level of the balances of several subsidiaries as at 31 December 2013, including the amount due from a subsidiary on the company level, as the audits of these several subsidiaries for the years ended 31 December 2011 and 2012 were not completed by the component auditors.

The opinion on the 2015 consolidated financial statements was disclaimed because of the possible effects of these matters on the figures presented in the consolidated financial statements.

In respect of the consolidated financial statements of the Group for the current financial period from 1 January 2016 to 31 March 2017, the matters which were the subject matter of the scope limitations referred to above no longer have possible effects on the figures presented in the consolidated statement of financial position of the Group as at 31 March 2017. However, as the figures in the consolidated statement of financial position of the Group as at 31 December 2015 formed the opening balances of the respective elements of the current period's consolidated financial statements. Any adjustments found to be necessary in respect of these matters may have significant effects on the results and cash flows of the Group for the current period ended 31 March 2017 and the related disclosures in the consolidated financial statements of the Group for the current period ended 31 March 2017. Furthermore, our opinion on the current period's consolidated financial statements is also disclaimed because of the possible effects of these matters on the comparability of the current period's figures and corresponding figures.

OTHER MATTER

The consolidated financial statements of the Group for the year ended 31 December 2015 were audited by another auditor who expressed a disclaimer of opinion as described above, on those statements on 22 April 2016.

RESPONSIBILITIES OF THE 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 Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants (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 the 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.

The directors are also responsible for overseeing the Group's financial reporting process. The Audit Committee assists the directors in discharging their responsibilities in this regard.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our responsibility is to conduct an audit of the Group's consolidated financial statements in accordance with Hong Kong Standards on Auditing issued by the HKICPA and to issue an auditor's report in accordance with the 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. However, because of the matters described in the Basis for Disclaimer of Opinion section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated financial statements.

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.

Moore Stephens CPA Limited
Certified Public Accountants

Law Yuen Man, Ida
Practising Certificate Number: P05878

Hong Kong, 30 June 2017

CONSOLIDATED INCOME STATEMENT

Fifteen months ended 31 March 2017

	Notes	**Period from 1 January 2016 to 31 March 2017 HK$ million**	Year Ended 31 December 2015 HK$ million (Restated)
REVENUE	10	**288**	444
Cost of sales		**(164)**	(321)
Gross profit		**124**	123
Other income	13	**25**	3
Distribution costs		**(4)**	(10)
Administrative expenses		**(100)**	(90)
Allowance for doubtful debts		**(1)**	(4)
Goodwill written off	23	**–**	(13)
Impairment loss recognised in respect of brands and trademarks, net	23	**(152)**	(213)
Gain on discharge of liabilities	11	**2,636**	–
Gain on deconsolidation of subsidiaries	35(a)	**131**	–
Provisional liquidators' fee	12	**(4)**	(10)
Restructuring costs	12	**(19)**	(18)
Other expenses		**(4)**	(3)
PROFIT/(LOSS) BEFORE TAXATION	13	**2,632**	(235)
Income tax credit/(charge)	16	**64**	(16)
PROFIT/(LOSS) FOR THE PERIOD/YEAR		**2,696**	(251)
PROFIT/(LOSS) FOR THE PERIOD/ YEAR ATTRIBUTABLE TO:			
Shareholders of the Company		**2,813**	(163)
Non-controlling interests		**(117)**	(88)
		2,696	(251)
EARNINGS/(LOSS) PER SHARE	18	**HK$**	HK$
Basic		**0.72**	(0.35)
Diluted		**0.72**	(0.35)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Fifteen months ended 31 March 2017

	Period from 1 January 2016 to 31 March 2017 HK$ million	Year Ended 31 December 2015 HK$ million (Restated)
PROFIT/(LOSS) FOR THE PERIOD/YEAR	**2,696**	(251)
OTHER COMPREHENSIVE (LOSS)/INCOME, NET OF TAX:		
Items that may be subsequently reclassified to profit or loss:		
Exchange differences on translation of financial statements of overseas subsidiaries	**(11)**	–
Reclassification adjustments relating to deconsolidation of overseas subsidiaries	**170**	–
	159	–
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD/YEAR	**2,855**	(251)
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD/YEAR ATTRIBUTABLE TO:		
Shareholders of the Company	**2,971**	(163)
Non-controlling interests	**(116)**	(88)
	2,855	(251)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 March 2017

	Notes	**As at 31 March 2017 HK$ million**	As at 31 December 2015 HK$ million (Restated)	As at 1 January 2015 HK$ million (Restated)
NON-CURRENT ASSETS				
Plant and equipment	19	**–**	1	1
Investment properties	20	**–**	1	1
Available-for-sale investments	21	**–**	–	–
Deferred tax assets	22	**8**	9	14
Brands and trademarks	23	**299**	450	663
Goodwill	23	**–**	–	13
Other assets	24	**1**	1	1
		308	462	693
CURRENT ASSETS				
Inventories	26	**6**	36	35
Accounts and bills receivable	27	**11**	37	109
Prepayments, deposits and other receivables	28	**10**	21	37
Tax recoverable		**7**	–	9
Pledged deposits with banks		**–**	4	4
Cash and bank balances	29	**502**	473	471
		536	571	665
CURRENT LIABILITIES				
Bank overdraft		**–**	2	2
Accounts and bills payable	30	**–**	8	16
Accrued liabilities and other payables	31	**77**	3,328	3,399
Tax liabilities		**19**	86	81
Provision for legal claims	32	**–**	452	452
		96	3,876	3,950
NET CURRENT ASSETS/(CURRENT LIABILITIES)		**440**	(3,305)	(3,285)
NON-CURRENT LIABILITIES				
Accrued liabilities with Deconsolidated Subsidiaries	33	**333**	33	33
NET ASSETS/(LIABILITIES)		**415**	(2,876)	(2,625)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 March 2017

	Notes	**As at 31 March 2017 HK$ million**	As at 31 December 2015 HK$ million (Restated)	As at 1 January 2015 HK$ million (Restated)
CAPITAL AND RESERVES				
Share capital	34	**55**	46	46
Share premium	34	**386**	1,173	1,173
Reserves		**(219)**	(4,404)	(4,241)
EQUITY/(DEFICIENCY OF EQUITY) ATTRIBUTABLE TO THE SHAREHOLDERS OF THE COMPANY		**222**	(3,185)	(3,022)
NON-CONTROLLING INTERESTS		**193**	309	397
TOTAL EQUITY/(DEFICIENCY OF EQUITY)		**415**	(2,876)	(2,625)

Hon Tak Kwong
Director

Michael Binney
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Fifteen months ended 31 March 2017

	Share capital HK$ million	Share premium HK$ million	Contributed reserve HK$ million	Exchange fluctuation deficits HK$ million	Other deficits HK$ million	Accu-mulated deficits HK$ million	Total reserves HK$ million	Equity/ (Deficiency of equity) attributable to the shareholders of the Company HK$ million	Non-controlling interests HK$ million	Total equity/ (Total deficiency of Equity) HK$ million
At 1 January 2016 (Restated)	46	1,173	193	(159)	(7)	(4,431)	(4,404)	(3,185)	309	(2,876)
Profit/(loss) for the period	–	–	–	–	–	2,813	2,813	2,813	(117)	2,696
Other comprehensive income	–	–	–	158	–	–	158	158	1	159
Total comprehensive income/(loss) for the Period	–	–	–	158	–	2,813	2,971	2,971	(116)	2,855
Capital reduction *(note 34)*	(41)	–	–	–	–	41	41	–	–	–
Share premium reduction *(note 34)*	–	(1,173)	–	–	–	1,173	1,173	–	–	–
Shares issued for open offer *(note 34)*	11	87	–	–	–	–	–	98	–	98
Shares issued for schemes *(note 34)*	39	299	–	–	–	–	–	338	–	338
At 31 March 2017	55	386	193	(1)	(7)	(404)	(219)	222	193	415
At 1 January 2015 (as originally stated)	46	1,173	193	(159)	(7)	(4,248)	(4,221)	(3,002)	400	(2,602)
Restatement of prior years figures *(note 5)*	–	–	–	–	–	(20)	(20)	(20)	(3)	(23)
At 1 January 2015 (Restated)	46	1,173	193	(159)	(7)	(4,268)	(4,241)	(3,022)	397	(2,625)
Loss for the year	–	–	–	–	–	(163)	(163)	(163)	(88)	(251)
Other comprehensive income	–	–	–	–	–	–	–	–	–	–
Total comprehensive loss for the year	–	–	–	–	–	(163)	(163)	(163)	(88)	(251)
At 31 December 2015 (Restated)	46	1,173	193	(159)	(7)	(4,431)	(4,404)	(3,185)	309	(2,876)

CONSOLIDATED STATEMENT OF CASH FLOWS

Fifteen months ended 31 March 2017

	Notes	**Period from 1 January 2016 to 31 March 2017 HK$ million**	Year Ended 31 December 2015 HK$ million (Restated)
OPERATING ACTIVITIES			
Profit/(loss) before tax		**2,632**	(235)
Adjustments for:			
Interest income		**(3)**	(2)
Allowance for doubtful debts		**1**	4
Provisional liquidators' fee		**4**	10
Restructuring costs		**19**	18
Goodwill written off	23	**–**	13
Impairment loss recognised in respect of brands and trademarks	23	**152**	213
Gain on discharge of liabilities	11	**(2,636)**	–
Gain on deconsolidation of subsidiaries	35(a)	**(131)**	–
Write back of long outstanding liabilities		**(18)**	–
Operating cash flows before working capital changes		**20**	21
Decrease/(increase) in inventories		**30**	(1)
Decrease in accounts and bills receivable		**26**	72
Decrease in prepayments, deposits and other receivables		**5**	13
Decrease in accounts and bills payable		**(3)**	(8)
Increase/(decrease) in accrued liabilities and other payables		**13**	(15)
Cash generated from operations		**91**	82
Overseas profits tax (paid)/refund		**(9)**	3
Net cash generated from operating activities		**82**	85
INVESTING ACTIVITIES			
Decrease in cash and bank balances arising from deconsolidation of subsidiaries	35(a)	**(5)**	–
Increase in bank certificates of deposit		**(39)**	(39)
Decrease in pledged deposits with banks		**4**	–
Provisional liquidators fee paid		**(14)**	(76)
Restructuring costs paid		**(31)**	(8)
Interest received		**3**	1
Net cash used in investing activities		**(82)**	(122)

CONSOLIDATED STATEMENT OF CASH FLOWS
Fifteen months ended 31 March 2017

	Notes	**Period from 1 January 2016 to 31 March 2017 HK$ million**	Year Ended 31 December 2015 HK$ million (Restated)
FINANCING ACTIVITIES			
Proceeds from issuance of shares under open offer		**98**	–
Payments under creditors' schemes of arrangement		**(106)**	–
Net cash used in financing activities		**(8)**	–
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(8)**	(37)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD/YEAR		**315**	352
CASH AND CASH EQUIVALENTS AT END OF PERIOD/YEAR		**307**	315
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash		**–**	1
Bank balances		**151**	195
Deposits with maturity date within three months		**156**	121
Cash and cash equivalents (excluding bank overdraft)	29	**307**	317
Bank overdraft		**–**	(2)
Cash and cash equivalents at end of Period/year		**307**	315

1. GENERAL

The Company was incorporated in the Cayman Islands and continued in Bermuda as an exempted company with limited liability under the Companies Law of Bermuda. The address of its registered office is Wessex House, 5th Floor, 45 Reid Street, Hamilton HM12, Bermuda. The principal place of business is 11th Floor, The Grande Building, 398 Kwun Tong Road, Kowloon, Hong Kong. The shares of the Company (the "Shares") are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

Prior to 26 May 2016, based on the total interests in shares of the Company held, the Company's immediate holding company was Barrican Investments Corporation, a company incorporated in the British Virgin Islands. After 26 May 2016, the Company's immediate holding company is Sino Bright, a company incorporated in the British Virgin Islands. The Company's ultimate holding company is Accolade (PTC) Inc., a company incorporated in the British Virgin Islands, being the trustee to a discretionary trust which owns the entire issued share capital of The Ho Family Trust Limited.

The Company is an investment holding company. The principal activities of the Company's major subsidiaries are holding and licensing of brands and trademarks on a worldwide basis, and distribution of household appliances and audio products in the United States of America.

The audited consolidated financial statements are presented in Hong Kong dollars, the functional currency of the Company, and all values are rounded to the nearest million (HK$ million) unless otherwise stated.

The Shares were suspended from trading since 30 May 2011. During the Period, the Company completed the restructuring of the Group and fulfilled all resumption conditions imposed by the Stock Exchange and trading in the Shares resumed on 30 May 2016. Major events relating to the restructuring and the resumption of trading in the Shares during the Period are summarised as follows:

9 March 2016	Dispatch of the resumption circular to the shareholders of the Company (the "Circular").
1 April 2016	Special general meeting held to approve the capital reorganisation, the open offer (the "Open Offer"), the schemes of arrangement (the "Schemes") with the scheme creditors of the Company, election and re-election of Directors; and adoption of new bye-laws.
15 April 2016	The Schemes were sanctioned by the High Court of the Hong Kong Special Administrative Region (the "High Court of Hong Kong") and the Supreme Court of Bermuda.
23 April 2016	Dispatch of the prospectus documents for the Open Offer.
9 May 2016	Valid acceptances and payment of the Open Offer were received.
9 May 2016	Orders granted by the High Court of Hong Kong regarding the permanent stay of the winding up of the Company and release and discharge of the provisional liquidators ("Provisional Liquidators") with effect from the completion of the Schemes, subject to certain conditions.
26 May 2016	1,150,568,300 new shares of HK$0.01 each in the Company were issued under the Open Offer (the "Offer Shares") and 3,881,437,269 new shares of HK$0.01 each in the Company were issued to creditors under the Schemes (the "Creditors Shares").

1. GENERAL (continued)

26 May 2016 Resumption conditions imposed by the Stock Exchange were fulfilled.

26 May 2016 Provisional Liquidators were released and discharged.

30 May 2016 The Shares resumed trading on the Stock Exchange.

For details of the fulfillment of the resumption conditions imposed by the Stock Exchange, please refer to the Company's announcement dated 26 May 2016.

2. GOING CONCERN BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

As mentioned in note 1 to the audited consolidated financial statements, the restructuring of the Group was completed on 26 May 2016 and the Group recorded net current assets of HK$440 million and net assets of HK$415 million as at 31 March 2017. The Directors of the Company have classified liabilities due to the Deconsolidated Subsidiaries of HK$333 million as long term liabilities as explained in note 33. Taking into account cash resources and funds receivable from its ongoing licensing activities, the Directors are of the view that the Group is able to meet in full its financial obligations as they fall due in the foreseeable future, and the audited consolidated financial statements have therefore been prepared on a going concern basis.

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

New and amended standards adopted by the Group

In the Period, the Group has adopted, the following new and revised Hong Kong Financial Report Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") which are effective for accounting periods beginning on or after 1 January 2016:

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

The adoption of the above does not have any significant impact to the Group's results for the Period and the Group's position as at 31 March 2017.

New standards and amendments to standards not yet adopted

A number of new standards and amendments to standards, that are relevant to the Group, have been issued but are not yet effective for financial periods beginning on 1 January 2016, and have not been applied in preparing these consolidated financial statements.

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (continued)

New standards and amendments to standards not yet adopted (continued)

Amendments to HKAS 7 (1)	Disclosure Initiative
Amendments to HKAS 12 (1)	Recognition of Deferred Tax Assets for Unrealised Losses
Amendments to HKAS 40 (2)	Transfer of Investment Property
Annual improvements to HKFRSs 2014 – 2016 Cycle (1) (2)	
Amendments to HKFRS 2 (2)	Share based Payment
HKFRS 9 (2014) (2)	Financial Instruments
Amendments to HKFRS 10 and HKAS 28 (4)	Sale on Contribution of Assets between an Investor and its Associate on Joint Venture
HKFRS 15 (2)	Revenue from Contracts with Customers
Amendments to HKFRS 15 (2)	Clarification to HKFRS 15 Revenue from Contracts with Customers
HKFRS 16 (3)	Leases
HK(IFRIC) – Int 22 (2)	Foreign Currency Transactions and Advanced Consideration

(1) Effective for annual periods beginning on or after 1 January 2017
(2) Effective for annual periods beginning on or after 1 January 2018
(3) Effective for annual periods beginning on or after 1 January 2019
(4) Effective date to be determined

The Group has already commenced an assessment of the impact of these new or revised HKFRSs, amendments to standards and annual improvements, of which certain of them will give rise to changes in presentation, disclosure and measurements of certain items in the financial statements.

Other than the new or revised HKFRSs explained below, other new and revised HKFRSs would not be expected to have a material impact on the Group.

HKFRS 15, "Revenue from contracts with customers"

The HKICPA has issued a new standard for the recognition of revenue. This will replace HKAS 18 which covers contracts for goods and services and HKAS 11 which covers construction contracts. The new standard is based on the principle that revenue is recognised when control of goods or services transfers to a customer. The standard permits either a full retrospective or a modified retrospective approach for the adoption.

Management is currently assessing the effects of applying the new standard on the Group's financial statements and has identified the following area that is likely to be affected:

- Revenue from licensing – the application of HKFRS 15 may result in the identification of separate performance obligations which could affect the timing of the recognition of revenue.

At this stage, the Group is not able to estimate the impact of the new rules on the Group's financial statements. The Group will undertake a more detailed assessment of the impact over the next twelve months.

HKFRS 15 is mandatory for financial years commencing on or after 1 January 2018. At this stage, the Group does not intend to adopt the standard before its effective date.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

The financial statements have been prepared in accordance with all applicable HKFRSs, which collective term includes all applicable individual HKFRSs, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by HKICPA, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Listing Rules. A summary of the significant accounting policies adopted by the Group is set out below.

The HKICPA has issued certain new and revised HKFRSs which are first effective or available for early adoption for the current accounting period of the Group. Note 3 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

(b) Change in financial year end

The financial year end date of the Company has been changed from 31 December to 31 March in order to align with the financial year end date with that of Emerson Radio Corp., a significant subsidiary of the Company whose shares are listed on the NYSE Alternext of the United States of America.

The financial statements now presented cover a period of fifteen months from 1 January 2016 to 31 March 2017. Accordingly, the comparative figures (which cover a period of twelve months from 1 January 2015 to 31 December 2015) for the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows and related notes are not comparable with those of the current period.

(c) Basis of preparation of the financial statements

The consolidated financial statements for the Period comprise the financial statements of the Company and its subsidiaries.

Items included in the financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). These financial statements are presented in Hong Kong dollars ("HK$"), rounded to the nearest million except for per share data. Hong Kong dollar is the Company's functional and the Group's presentation currency.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Basis of preparation of the financial statements (continued)

The consolidated financial statements have been prepared under the historical cost basis except for investment properties and certain financial instruments, which are measured at fair values at the end of each reporting period, as explained in the accounting policies set out below.

The preparation of consolidated financial statements in conformity with HKFRSs requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may 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.

Judgments made by management in the application of HKFRSs that have significant effect in the consolidated financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 6.

(d) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Subsidiaries and non-controlling interests (continued)

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated income statement and the consolidated statement of comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the shareholders of the Company. Total comprehensive income of subsidiaries is attributed to the shareholders of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance. Loans from holders of non-controlling interests and other contractual obligations towards these holders are presented as financial liabilities in the consolidated statement of financial position.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset or, when appropriate, the cost on initial recognition of an investment in an associate or joint venture.

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses, unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale).

(e) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

(i) Revenue from the sale of goods is recognised when the goods are delivered and title have passed, at which time all the following conditions are satisfied:

- The Group has transferred to the buyer the significant risks and rewards of ownership of the goods;

- The Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Revenue recognition (continued)

(i) (continued)

– The amount of revenue can be measured reliably;

– It is probable that the economic benefits associated with the transaction will flow to the Group; and

– The costs incurred or to be incurred in respect of the transaction can be measured reliably.

(ii) Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

(iii) Licensing income is recognised on a straight-line basis in accordance with the substance of the relevant agreement.

(f) (i) Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

• deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 *Incomes Taxes* and HKAS 19 *Employee Benefits* respectively;

• liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 *Share-based Payment* at the acquisition date; and

• assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that standard.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 March 2017

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) (i) Business combinations (continued)

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after re-assessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at their fair value or, when applicable, on the basis specified in another HKFRS.

Where the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with the corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the "measurement period" (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with HKAS 39 Financial Instruments: Recognition and Measurement, with the corresponding gain or loss being recognised in profit or loss.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) (ii) Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently whenever there is an indication that the unit may be impaired. If some or all of the goodwill allocated to a cash-generating unit was acquired in a business combination during the current annual period, that unit shall be tested for impairment before the end of the current annual period. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

(g) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's chief operating decision maker for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

(h) Plant and equipment

Plant and equipment are stated in the consolidated statement of financial position at cost less any accumulated depreciation and any accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of items of plant and equipment less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Plant and equipment (continued)

Historical cost includes expenditure that is directly attributable to the acquisition of the items. Cost may also include transfers from equity of any gains/losses on qualifying cash flow hedges of foreign currency purchases of plant and equipment.

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 in profit or loss during the financial period in which they are incurred.

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

Gains or losses arising from the retirement or disposal of an item of plant and equipment are determined as the difference between the net proceeds on disposal and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

(i) Investment properties

Investment properties are land and/or buildings which are owned or held under a leasehold interest to earn rental income and/or for capital appreciation. These include land held for a currently undetermined future use and property that is being constructed or developed for future use as investment property.

Investment properties are stated at fair value, unless they are still in the course of construction or development at the end of the reporting period and their fair value cannot be reliably measured at that time. Any gain or loss arising from a change in fair value or from the retirement or disposal of an investment property is recognised in profit or loss.

When the Group holds a property interest under an operating lease to earn rental income and/or for capital appreciation, the interest is classified and accounted for as an investment property on a property-by-property basis. Any such property interest which has been classified as an investment property is accounted for as if it were held under a finance lease *(see note 4(j))*, and the same accounting policies are applied to that interest as are applied to other investment properties leased under finance leases. Lease payments are accounted for as described in note 4(j).

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) Leases

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

(i) Classification of assets leased to the Group

Assets held by the Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases, with the following exceptions:

– property held under operating leases that would otherwise meet the definition of an investment property is classified as an investment property on a property-by-property basis and, if classified as investment property, is accounted for as if held under a finance lease *(see note 4(i))*; and

– land held for own use under an operating lease, the fair value of which cannot be measured separately from the fair value of a building situated thereon at the inception of the lease, is accounted for as being held under a finance lease, unless the building is also clearly held under an operating lease. For these purposes, the inception of the lease is the time that the lease was first entered into by the Group, or taken over from the previous lessee.

(ii) Operating lease charges

Where the Group has the use of assets under operating leases, payments made under the leases are charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged as expenses in the accounting period in which they are incurred.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

(i) Financial assets

The Group's financial assets are classified into one of the two categories, including loans and receivables and available for-sale financial assets. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation of convention in the marketplace.

Effective interest method
The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments.

Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade and other receivables and bank balances and cash) are measured at amortised cost using the effective interest method, less any impairment (see accounting policy in respect of impairment loss on financial assets below).

Interest income is recognised by applying the effective interest rate, except for short-term receivables where the recognition of interest would be immaterial.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Financial instruments (continued)

(i) Financial assets (continued)

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated as available-for-sale or are not classified as financial assets at fair value through profit or loss, loans and receivables or held-to-maturity investments.

Available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost less any identified impairment losses at the end of the reporting period (see accounting policy in respect of impairment loss on financial assets below).

(ii) Financial liabilities and equity instruments

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

Financial liabilities

Financial liabilities (including accounts, bills and other payables) are subsequently measured at amortised cost, using the effective interest method.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition. Interest expense is recognised on an effective interest basis.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Financial instruments (continued)

(ii) Financial liabilities and equity instruments (continued)

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

On derecognition of a financial asset other than in its entirety, the Group allocates the previous carrying amount of the financial asset between the part it continues to recognise, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain or loss allocated to it that had been recognised in other comprehensive income is recognised in profit or loss. A cumulative gain or loss that had been recognised in other comprehensive income is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relatives fair values of those parts.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

(l) Brands and trademarks

The brands and trademarks with indefinite useful lives are carried at cost less accumulated impairment losses.

Any conclusion that the useful life of brands and trademarks is indefinite is reviewed annually to determine whether events and circumstances continue to support the indefinite useful life assessment for that asset. If they do not, the change in the useful life assessment from indefinite to finite is accounted for prospectively from the date of change and in accordance with the policy for amortisation of intangible assets with finite lives.

Amortisation of intangible assets with finite useful lives is charged to the profit or loss on a straight-line basis over the assets' estimated useful lives.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(m) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the first-in, first-out basis and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

(n) Accounts, bills and other receivables

Accounts, bills and other receivables are initially recognised at fair value and thereafter stated at amortised cost using the effective interest method, less allowance for impairment of doubtful debts, except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment of doubtful debts *(see note 4(r))*.

(o) Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between the amount initially recognised and redemption value being recognised in profit or loss over the period of the borrowings, together with any interest and fees payable, using the effective interest method.

(p) Accounts, bills and other payables

Accounts, bills and other payables are initially recognised at fair value, and are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(q) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated statement of cash flows.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(r) Impairment of assets

(i) Impairment of receivables

Current and non-current receivables that are stated at cost or amortised cost are reviewed at the end of each reporting period to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the Group about one or more of the following loss events:

– significant financial difficulty of the debtor;

– a breach of contract, such as a default or delinquency in interest or principal payments;

– it becoming probable that the debtor will enter bankruptcy or other financial reorganisation;

– significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; and

– a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

If any such evidence exists, any impairment loss is determined and recognised as follows:–

– For available-for-sale securities which are stated at fair value, when a decline in the fair value has been recognised in other comprehensive income and there is objective evidence that the asset is impaired, the cumulative loss that had been recognised in other comprehensive income shall be reclassified from equity to profit or loss as a reclassification adjustment even though the financial asset has not been derecognised. The amount of the cumulative loss that is recognised in profit or loss is the difference between the acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss on that asset previously recognised in profit or loss.

  Impairment losses recognised in profit or loss in respect of available-for-sale equity securities are not reversed through profit or loss. Any subsequent increase in the fair value of such assets is recognised in other comprehensive income.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(r) Impairment of assets (continued)

(i) Impairment of receivables (continued)

– For unquoted equity securities carried at cost, the impairment loss is measured as the difference between the carrying amount of the financial asset and the estimated future cash flows, discounted at the current market rate of return for a similar financial asset where the effect of discounting is material. Impairment losses for equity securities carried at cost are not reversed.

– For accounts, bills and other current receivables and other financial assets carried at amortised cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material. This assessment is made collectively where these financial assets share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of trade receivables included within trade and other receivables, whose recovery is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When the Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against trade receivables directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(r) Impairment of assets (continued)

(ii) Impairment of other assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognised no longer exists or may have decreased:

– plant and equipment;

– intangible assets;

– goodwill; and

– investments in subsidiaries in the Company's statement of financial position.

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill and intangible assets that are not yet available for use and intangible assets that have indefinite useful lives, the recoverable amount is estimated annually whether or not there is any indication of impairment.

– Calculation of recoverable amount
  The recoverable amount of an asset is the greater of its fair value less costs of disposal 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 assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e., a cash-generating unit).

– Recognition of impairment losses
  An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable) or value in use (if determinable).

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(r) Impairment of assets (continued)

(ii) Impairment of other assets (continued)

– Reversals of impairment losses

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

(s) Translation of foreign currencies

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was measured.

The results of foreign operations are translated into HK$ at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Statement of financial position items are translated into HK$ at the closing foreign exchange rates at the end of the reporting period. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange fluctuation reserve.

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, a disposal involving loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of that operation attributable to the shareholders of the Company are reclassified to profit or loss.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(t) Employee benefits

(i) Short term employee benefits and contributions to defined contribution retirement plans

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

(ii) Termination benefits

Termination benefits are recognised at the earlier of when the Group can no longer withdraw the offer of those benefits and when it recognises restructuring costs involving the payment of termination benefits.

(u) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

(v) Provision and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group or the Company has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

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 an outflow of economic benefits is remote. Possible obligations, whose existence 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(w) Income Tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary differences or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination) and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

Where investment properties are carried at their fair value, the amount of deferred tax recognised is measured using the tax rates that would apply on sale of those assets at their carrying value at the reporting date unless the property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the property over time, rather than through sale. In all other cases, the amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(w) Income Tax (continued)

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

- In the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

- In the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

  - The same taxable entity; or

  - Different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(x) Related parties

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

(a) the party is a person or a close member of that person's family and that person –

(i) has control or joint control over the Group;

(ii) has significant influence over the Group;

(iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies –

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(vi) the entity is controlled or jointly controlled by a person identified in (a);

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to 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.

5. RESTATEMENT OF PRIOR YEARS FIGURES

As mentioned in note 1 to the consolidated financial statements, the new Board of Directors has been formed as of 30 May 2016 and regained the power to make decisions relating to relevant activities of the Company and its subsidiaries accordingly. In addition to focusing on putting the Group's operations back to normal, the Board also spent resources in handling restructuring work that were left behind by the Former Provisional Liquidators, such as placing certain excluded companies into liquidation, identifying dormant subsidiaries and placing them into liquidation or being struck off.

Management found that a deconsolidated subsidiary, Akai Sales Pte. Ltd ("ASPL") commenced liquidation since March 2013 and all the finalisation steps to liquidate ASPL were substantially completed as of the end of the reporting period. In this regard, ASPL should have been deconsolidated in 2013 with effect from the commencement of its liquidation rather than deconsolidated during the Period. However, its results and assets and liabilities were included in the consolidated financial statements for the years ended 31 December 2013, 2014 and 2015. Should ASPL have been deconsolidated in the year 2013, there would have been a loss on deconsolidation of ASPL of HK$23 million incurred in the consolidated income statement of the Group for the year ended 31 December 2013 and the assets and liabilities of ASPL should also have been excluded from the consolidated statement of financial position as at and with effect from 31 December 2013.

The following tables disclose the adjustments that have been made in order to reconcile adjustments to each of the line items in the consolidated income statement, the consolidated statement of comprehensive income and the consolidated statement of financial position as previously reported for the year ended 31 December 2015, and the consolidated statement of financial position at 1 January 2015.

Effect of the above restatement on the consolidated income statement and consolidated statement of comprehensive income for the year ended 31 December 2013

	31 December 2013 (as originally stated) HK$ million	Adjustments HK$ million	31 December 2013 (restated) HK$ million
Loss on deconsolidation of a subsidiary	–	(23)	(23)
Loss for the year	(224)	(23)	(247)
Non-controlling interests	5	3	8
Loss attributable to shareholders	(219)	(20)	(239)
Loss per share			
Basic	(0.48)	(0.04)	(0.52)
Diluted	(0.48)	(0.04)	(0.52)

5. RESTATEMENT OF PRIOR YEARS FIGURES (continued)

Effect of the above restatement on the consolidated statement of financial position as at 1 January 2015 and 31 December 2015

	As at 1 January 2015 (as originally stated) HK$ million	Adjustments HK$ million	As at 1 January 2015 (restated) HK$ million	As at 31 December 2015 (as originally stated) HK$ million	Adjustments HK$ million	As at 31 December 2015 (restated) HK$ million
Cash and bank balances	472	(1)	471	474	(1)	473
Accrued liabilities and other payables	(3,408)	9	(3,399)	(3,337)	9	(3,328)
Tax liabilities	(83)	2	(81)	(88)	2	(86)
Accrued liabilities with a deconsolidated subsidiary	–	(33)	(33)	–	(33)	(33)
Non-controlling interests	(400)	3	(397)	(312)	3	(309)
Total deficiency of equity	(2,602)	(23)	(2,625)	(2,853)	(23)	(2,876)

6. ACCOUNTING JUDGEMENTS AND ESTIMATES

a) Key sources of estimation uncertainty

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

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

Determining whether there is an impairment requires an estimation of recoverable amounts of the plant and equipment, intangible assets or the respective cash-generating unit ("CGU") in which plant and equipment and intangible assets belong, which is the higher of value in use and fair value less costs of disposal. If there is any indication that an asset may be impaired, then a recoverable amount shall be estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the Group shall determine the recoverable amount of the CGU to which the asset belongs. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the assets of CGUs and a suitable discount rate in order to calculate the present value. The discount rate represents a rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the future cash flow estimates have not been adjusted. Where the actual future cash flows or the revision of estimated future cash flows are less than the original estimated future cash flow, then a material impairment loss may arise.

6. ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

a) Key sources of estimation uncertainty (continued)

(ii) Write down of inventories

The Group performs regular review of the carrying amounts of inventories with reference to aged inventories analysis, expected future sales and management judgment. Based on this review, write down of inventories will be made when the carrying amount of inventories declines below the estimated net realisable value. However, actual sales may be different from estimation and the profit or loss could be affected by differences in this estimation.

(iii) Estimation of impairment of receivables

When there is objective evidence of impairment loss, then the Group takes into consideration the estimation of future cash flows. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31 March 2017, the carrying amount of trade receivable is HK$11 million (net of allowance for doubtful debts of HK$2 million) (2015: carrying amount of HK$37 million, net of allowance for doubtful debts of HK$20 million).

(iv) Gain on deconsolidation of subsidiaries and accrued liabilities with Deconsolidated Subsidiaries

As of 31 March 2017, 59 subsidiaries were classified as Deconsolidated Subsidiaries and excluded from the consolidated financial statements. Out of these 59 subsidiaries, the gain on deconsolidation of 58 subsidiaries was recognised in the consolidated income statement during the Period, with one subsidiary, ASPL, which was deconsolidated as a restatement of prior years figures in 2013. Based on management assessment and with reference to the latest status of each of the Deconsolidated Subsidiaries, save for ASPL which is disclosed in note 5 to the consolidated financial statements, the Company has lost control over these entities during the current Period.

The accrued liabilities with the Deconsolidated Subsidiaries are not expected to be settled within the next twelve months, details are set out in note 33 to the consolidated financial statements.

(v) Provisional liquidators' fee and restructuring costs

As mentioned in note 12, the Company has not received all the required information and analyses from the Former Provisional Liquidators regarding the total restructuring costs and provisional liquidators' fees incurred by the Company. The management of the Company has made a judgement that the total amounts that have been deposited in the High Court should cover the total amounts of provisional liquidators' fee and restructuring costs that the Company would incur up to the financial period ended 31 March 2017. Therefore, no further accrual of provisional liquidators' fees and restructuring costs have been made other than the amount retained by the High Court.

6. ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

b) Critical accounting judgements in applying the Group's accounting policies

In the process of applying the Group's accounting policies, management has made the following accounting judgements in addition to those disclosed elsewhere in the notes to the consolidated financial statements:

Taxation and deferred taxation

As an investment holding company, the Company is subject to income tax in Hong Kong and the Group is subject to various taxes in other jurisdictions. Significant judgement is required in determining the provision for taxation. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred tax provisions in the period in which such determination is made.

Deferred tax assets relating to certain temporary differences and certain tax losses are recognised as management considers it is probable that future taxable profit will be available against which the temporary differences or tax losses can be utilised. Where the expectation is different from the original estimate, such differences will impact the recognition of deferred tax assets and tax charge in the periods in which such estimate is changed.

As at 31 March 2017, deferred tax assets of HK$8 million (2015: HK$9 million) in relation to decelerated tax depreciation and unused tax losses has been recognised in the Group's consolidated statement of financial position. The realisation of the deferred tax assets mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future. In cases where the actual future profits generated are less than expected, a material reversal of deferred tax assets may arise, which would be recognised in the profit or loss for the period in which such a reversal takes place.

7. FINANCIAL INSTRUMENTS BY CATEGORIES

	As at 31 March 2017 HK$ million	As at 31 December 2015 HK$ million (Restated)
Financial assets –		
Available-for-sale investments	**–**	–
Loans and receivables (including cash and bank balances)	**515**	521
Financial liabilities –		
At amortised cost	**13**	3,767

8. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

The Group has exposure to currency risk, credit risk, liquidity risk and interest rate risk arising from financial instruments. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented in a timely and effective manner.

(a) Currency risk

(i) Exposure to currency risk

The Group is exposed to currency risk primarily through sales and purchases which give rise to receivables, payables and cash balances that are denominated in a foreign currency, i.e. a currency other than the functional currency of the operations to which the transactions relate. The currencies giving rise to this risk are primarily United States Dollars, Great Britain Pounds, Renminbi Yuan, New Taiwan Dollars and Japanese Yen.

The following table details the Group's exposure at the end of the reporting period to currency risk arising from recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate. For presentation purposes, the amounts of the exposure are shown in Hong Kong dollars, translated using the spot rate at the period end date.

	United States Dollar HK$ million	Great Britain Pound HK$ million	Renminbi Yuan HK$ million	New Taiwan Dollar HK$ million	Japanese Yen HK$ million
As at 31 March 2017					
Cash and bank balances	6	–	–	–	–
Accrued liabilities and other payables	(17)	–	–	–	–
Accrued liabilities with Deconsolidated Subsidiaries	(168)	–	–	–	(1)
	(179)	–	–	–	(1)

8. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

(a) Currency risk (continued)

(i) Exposure to currency risk (continued)

	United States Dollar HK$ million	Great Britain Pound HK$ million	Renminbi Yuan HK$ million	New Taiwan Dollar HK$ million	Japanese Yen HK$ million
As at 31 December 2015					
Prepayments, deposits and other receivables	1	–	–	–	–
Cash and bank balances and pledged deposits	14	–	1	3	–
Bank overdraft	(2)	–	–	–	–
Provision for legal claims	(452)	–	–	–	–
Accrued liabilities and other payables	(627)	(2)	(9)	–	–
	(1,066)	(2)	(8)	3	–

(ii) Sensitivity analysis:

The Group's major financial assets and liabilities are denominated in United States Dollar and Hong Kong Dollar. It is assumed that the pegged rate between the Hong Kong Dollar and the United States Dollar would be materially unaffected by any changes in movement in value of the United States Dollar against other currencies. The Directors of the Company considered that the Group's exposure to currency risk is not significant and accordingly, no sensitivity analysis has been presented.

(b) Credit risk

(i) Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties as a means of mitigating the risk of financial loss from defaults.

The Group's maximum exposure to credit risk in the event of the counterparties failure to perform their obligations as at 31 March 2017 and 31 December 2015 in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated statement of financial position. In order to minimise the credit risk, the management of the Group has delegated a team responsible for the determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the Directors consider that the Group's credit risk is significantly reduced.

8. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

(b) Credit risk (continued)

(ii) In respect of other receivables, the management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis. Credit evaluations of its debtors' financial position and condition are performed on each and every major debtor periodically. These evaluations focus on the debtor's past history of making payments when due and current ability to pay, and taking into account information specific to the debtor as well as pertaining to the economic environment in which the debtor operates. Normally, the Group does not require collateral in respect of its financial assets.

(iii) The Group has no significant concentration of credit risk, with exposure spread over a number of counterparties and customers.

(iv) The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from accounts and bills receivables are set out in note 27.

(c) Liquidity risk

Individual operating entities within the Group are responsible for their own cash management, including the short-term investment of cash surpluses and the raising of loans to cover expected cash demands, subject to the parent company's board approval. The Group's policy is to regularly monitor current and expected liquidity requirements and its compliance with lending covenants to ensure that it maintains sufficient amount of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

8. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

(c) Liquidity risk (continued)

The following tables set out the remaining contractual maturities at the end of the reporting period of the Group's non-derivative financial liabilities based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of the reporting period) and the earliest date the Group can be required to pay.

	Payable less than 1 year HK$ million	**Payable between 1 to 5 years** HK$ million	**Total contractual undiscounted cash flows** HK$ million	**Carrying amount** HK$ million
As at 31 March 2017				
Accrued liabilities and other payables	**13**	**–**	**13**	**13**
As at 31 December 2015 (Restated)				
Bank overdraft	2	–	2	2
Accounts and bills payable	8	–	8	8
Accrued liabilities and other payables	3,305	–	3,305	3,305
Provision for legal claims	452	–	452	452
	3,767	–	3,767	3,767

8. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

(d) Interest rate risk

The Group's bank balances have exposure to cash flow interest rate risk due to the fluctuation of the prevailing market interest rate on bank balances. The Directors of the Company consider the Group's exposure of the short-term bank deposits to interest rate risk is not significant as interest bearing bank balances are within short maturity periods. Accordingly, no sensitivity analysis on short-term bank deposits is presented.

(e) Fair value of financial assets and liabilities carried at other than fair value

The Directors consider that the carrying amounts of financial instruments carried at amortised cost are not materially different from their fair values as at 31 March 2017 and 31 December 2015 respectively.

9. MATERIAL RELATED PARTY TRANSACTIONS

In addition to those disclosed elsewhere in the notes to the consolidated financial statements, the Group had the following transactions with related parties during the Period:

(a) The underwriting agreement entered between the Company and Sino Bright on 4 March 2016. According to this agreement, Sino Bright undertook to subscribe for any untaken shares in the Open Offer that were offered to shareholders under the resumption proposal. For details of the resumption proposal, please refer to note 1 to the consolidated financial statements. The allotment and issuance of the untaken shares to Sino Bright in accordance with the underwriting agreement is, pursuant to Listing Rules 14A.92(2)(b), exempt from the reporting, announcement and independent shareholders' approval requirements.

(b) The Group was billed by The Grande Properties and LSSL for building management services fees and utility charges of HK$133,442 and HK$12,600 respectively for its rented office in Hong Kong during the Period. The Group had no outstanding amount due to The Grande Properties and LSSL in respect of these charges as at 31 March 2017.

9. MATERIAL RELATED PARTY TRANSACTIONS (continued)

(c) Key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid to the Directors as disclosed in note 14 and certain of the highest paid employees as disclosed in note 15, are as follows:

	Period from 1 January 2016 to 31 March 2017 HK$ million	Year Ended 31 December 2015 HK$ million
Salaries and other short-term employee benefits	**31**	12
Retirement benefit costs	**–**	–

10. REVENUE

Revenue represents the net invoiced value of goods sold after allowances for returns and trade discounts, and licensing income from the Group's brands and trademarks, but excludes intra-group transactions.

An analysis of the Group's revenue by principal activity for the Period/year is as follows:

	Period from 1 January 2016 to 31 March 2017 HK$ million	Year Ended 31 December 2015 HK$ million
By principal activity:		
Sales of goods	**194**	361
Licensing income	**94**	83
	288	444

11. GAIN ON DISCHARGE OF LIABILITIES

During the Period, as explained in note 1 of the consolidated financial statements and pursuant to the Schemes, all the liabilities of the Company totaling HK$3,080 million under the Schemes were discharged by cash consideration of approximately HK$106 million and the issuance of 3,881,437,269 Creditors Shares to the scheme creditors at an issue price of HK$0.087 per share. The gain on discharge of liabilities of HK$ 2,636 million represents the excess of liabilities discharged over the cash consideration of approximately HK$106 million and the issuance of Creditors Shares valued at approximately HK$338 million, such amount was derived from 3,881,437,269 Creditor Shares times the issue price of HK$0.087 per share, which is deemed as the shares' fair value.

12. PROVISIONAL LIQUIDATORS' FEE AND RESTRUCTURING COSTS

As at the date of this report, the Company has not received all the required information and analyses from the Former Provisional Liquidators regarding the total restructuring costs and provisional liquidators' fees incurred by the Company. The Company has had no option but to resort to legal action in the High Court of Hong Kong to obtain this required information and this matter is ongoing. Accordingly, the Company recorded all the unpaid invoices relating to the restructuring as restructuring costs or provisional liquidators' fees in the audited consolidated financial statements. In addition, the Former Provisional Liquidators had transferred a sum of HK$34 million from the bank account of the Group to the High Court of Hong Kong. It was also understood that Sino Bright, a creditor as defined in the Circular, has deposited HK$20 million with the High Court of Hong Kong to settle the restructuring costs, in return for Creditors Shares. The Company has accounted for these two amounts as part of the payment of provisional liquidators' fees and restructuring costs. Upon receipt of further documentary evidence from the Former Provisional Liquidators, the Company will conduct a review and make appropriate adjustments, if necessary, to ascertain the amounts of provisional liquidators' fees and restructuring costs to be included in future financial statements accordingly.

13. PROFIT/(LOSS) BEFORE TAXATION

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

	Period from 1 January 2016 to 31 March 2017 HK$ million	Year Ended 31 December 2015 HK$ million (Restated)
(a) Staff costs		
Directors' and Chief Executive Officer's emoluments	**10**	–
Other staff costs		
– Salaries and other benefits	**38**	44
– Retirement benefits costs	**7**	5
	55	49

13. PROFIT/(LOSS) BEFORE TAXATION (continued)

	Period from 1 January 2016 to 31 March 2017 HK$ million	Year Ended 31 December 2015 HK$ million (Restated)
(b) Other items		
Operating lease rentals in respect of land and buildings	**9**	9
Auditors' remuneration:		
– Current Period/year	**3**	5
Carrying amount of inventories sold	**158**	310
Write down of inventories *(note 26)*	**6**	11
Write back of long outstanding liabilities	**(18)**	–
Interest income	**(3)**	(2)

14. DIRECTORS' AND CHIEF EXECUTIVE OFFICER'S EMOLUMENTS

Directors' emoluments disclosed pursuant to section 383(1) of Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation and the Chief Executive Officer's emoluments are as follows:

	Fees HK$ million	Basic salaries, housing allowances and other benefits HK$ million	Discretionary bonuses HK$ million	Provident fund contribution HK$ million	Total emoluments HK$ million
Period from 1 January 2016 to 31 March 2017					
Christopher W. Ho	**–**	**–**	**–**	**–**	**–**
Michael Binney	**–**	**0.8**	**–**	**–**	**0.8**
Chen Xiaoping	**0.3**	**–**	**–**	**–**	**0.3**
Manjit Singh Gill	**–**	**0.3**	**–**	**–**	**0.3**
Hon Tak Kwong	**–**	**4.8**	**2.1**	**–**	**6.9**
Lau Ho Kit, Ivan	**0.3**	**–**	**–**	**–**	**0.3**
James Mailer	**0.3**	**–**	**–**	**–**	**0.3**
Eduard Will	**0.1**	**0.2**	**–**	**–**	**0.3**
Tang Hoi Nam	**–**	**0.5**	**–**	**–**	**0.5**
Kenneth Deayton	**–**	**–**	**–**	**–**	**–**
	1.0	**6.6**	**2.1**	**–**	**9.7**
Year Ended 31 December 2015					
Christopher W. Ho	–	–	–	–	–

14. DIRECTORS' AND CHIEF EXECUTIVE OFFICER'S EMOLUMENTS (continued)

No emoluments were paid by the Group to any of the Directors and Chief Executive Officer as an inducement to join or upon joining the Group or as compensation for loss of office during the Period (2015: Nil).

The remuneration package of the Directors are reviewed and approved by the Remuneration Committee. Details please see Corporate Governance Report on page 24.

None of the Directors and Chief Executive Officer has waived or agreed to waive any emoluments during the Period (2015: Nil).

Salaries, allowance and benefits in kind paid to or for the executive Directors are generally emoluments paid or payable in respect of those person's other services in connection with the management of the affairs of the Company and its subsidiaries.

15. INDIVIDUALS WITH HIGHEST EMOLUMENTS

During the Period, the five highest paid individuals include 1 (2015: Nil) Director, the details of whose emoluments are set out above. The emoluments of the remaining highest paid individuals were as follows:

	Period from 1 January 2016 to 31 March 2017 HK$ million	Year Ended 31 December 2015 HK$ million
Basic salaries, housing, other allowances and benefits in kind	**13**	12
Provident Fund contribution	**–**	–
Termination payment	**1**	–
	14	12

15. INDIVIDUALS WITH HIGHEST EMOLUMENTS (continued)

The number of non-Directors whose remuneration fell within the bands set out below is as follows:

HK$	**Period from 1 January 2016 to 31 March 2017 Number of non-Directors**	Year Ended 31 December 2015 Number of non-Directors
Nil – 1,000,000	**–**	2
2,000,001 – 2,500,000	**–**	2
2,500,001 – 3,000,000	**1**	–
3,000,001 – 3,500,000	**2**	–
4,500,001 – 5,000,000	**1**	–
5,500,001 – 6,000,000	**–**	1

Staff are entitled to receive a basic salary according to their contracts which are reviewed annually by the Group. In addition, staff are entitled to receive a discretionary bonus which is decided by the Group at its absolute discretion having regard to his/her performance.

16. INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT

No Hong Kong profits tax has been provided for the Period in the consolidated financial statements as there is no assessable profits arising in Hong Kong during the Period (2015: Nil).

	Period from 1 January 2016 to 31 March 2017 HK$ million	Year Ended 31 December 2015 HK$ million
Current tax		
Overseas	**(2)**	(2)
(Over)/under provision in prior year		
Overseas	**(63)**	13
Deferred tax *(note 22(a))*		
Overseas	**1**	5
Income tax (credit)/charge	**(64)**	16

Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

Reconciliation between tax (credit)/expenses and accounting profit/(loss) at Hong Kong profits tax rates is as follows:

	Period from 1 January 2016 to 31 March 2017 HK$ million	Year Ended 31 December 2015 HK$ million
Profit/(loss) before tax	**2,632**	(235)
Notional tax calculated at Hong Kong profits tax rate of 16.5%	**434**	(39)
Effect of different tax rates in overseas jurisdictions	**–**	(1)
Income and expenses not subject to tax	**(436)**	38
(Over)/under provision in prior year	**(63)**	13
Others	**1**	5
	(64)	16

17. DIVIDEND

The Directors do not recommend the payment of a final dividend for the Period (2015: Nil).

18. EARNINGS/(LOSS) PER SHARE

(a) Basic earnings/(loss) per share:

The calculation of basic earnings/(loss) per share is based on the following data:

	Period from 1 January 2016 to 31 March 2017 HK$ million	Year Ended 31 December 2015 HK$ million
Profit/(Loss):		
Profit/(Loss) attributable to shareholders of the Company used in the basic earnings/(loss) per share calculation	**2,813**	(163)

	Period from 1 January 2016 to 31 March 2017 Number of ordinary shares million	Year Ended 31 December 2015 Number of ordinary shares million
Shares:		
Weighted average number of ordinary shares for the purposes of calculating basic earnings/(loss) per share	**3,881.1**	460.2

(b) Diluted earnings/(loss) per share:

Diluted earnings/(loss) per share equals basic earnings/(loss) per share as there were no diluted potential ordinary shares outstanding during the Period and the Corresponding Year.

19. PLANT AND EQUIPMENT

	As at 31 March 2017 HK$ million	As at 31 December 2015 HK$ million
Cost:		
At 1 January	**111**	113
Foreign currency adjustment	**1**	(1)
Arising from deconsolidation of subsidiaries *(note 35(a))*	**(107)**	–
Disposals	**–**	(1)
At 31 March/31 December	**5**	111
Accumulated depreciation and impairment		
At 1 January	**110**	112
Foreign currency adjustment	**1**	(1)
Arising from deconsolidation of subsidiaries *(note 35(a))*	**(106)**	–
Disposals	**–**	(1)
At 31 March/31 December	**5**	110
Carrying values at 31 March/31 December	**–**	1

The above plant and equipment are depreciated on a straight-line basis at applicable rates which vary from 14.3% to 33.3% (2015: 14.3% to 33.3%) per annum.

20. INVESTMENT PROPERTIES

	As at 31 March 2017 HK$ million	As at 31 December 2015 HK$ million
Fair value at 1 January	**1**	1
Arising from deconsolidation of subsidiaries *(note 35(a))*	**(1)**	–
Fair value at 31 March/31 December	**–**	1

20. INVESTMENT PROPERTIES (continued)

Fair value measurement of properties

(i) Fair value hierarchy

The following table presents the fair value of the Group's properties measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13 Fair Value Measurement. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date

- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available

- Level 3 valuations: Fair value measured using significant unobservable inputs

There were no investment properties as at 31 March 2017.

	Fair value at 31 December 2015 HK$ million	Fair value measurements as at 31 December 2015 categorised into		
		Level 1 HK$ million	Level 2 HK$ million	Level 3 HK$ million
Recurring fair value measurements				
Investment properties:				
– Commercial – HK	1	–	1	–

During the year ended 31 December 2015, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

All of the Group's investment properties were revalued as at 31 December 2015.

(ii) Valuation techniques and inputs used in Level 2 fair value measurements

The fair value of investment properties located in Hong Kong is determined using the market comparison approach by reference to market evidence of transaction prices for similar properties which are publicly available.

21. AVAILABLE-FOR-SALE INVESTMENTS

	As at 31 March 2017 HK$ million	As at 31 December 2015 HK$ million
Unlisted investments outside Hong Kong:		
Interests in available-for-sale investments	**9**	9
Impairment loss recognised	**(9)**	(9)
At 31 March/31 December	**–**	–

The available-for-sale investments represent the Group's 40% shareholding interests in Sansui Electric Co., Ltd. ("SEC"), a company incorporated in Japan that was formerly listed on the First Section of the Tokyo Stock Exchange.

SEC was delisted from the Tokyo Stock Exchange on 3 May 2012 and had been put into the Civil Rehabilitation Procedures ("CRP") in Japan with effect from 15 May 2012. Following the commencement of the CRP, SEC had been administered under the supervision of a court appointed supervisor. On 27 December 2012, the Japan Court endorsed and approved the CRP and discharged the court supervisor.

On 4 July 2014, a bankruptcy petition was presented against SEC. On 9 July 2014, SEC was put into bankruptcy and Ms. Aizawa Mitsue was appointed its bankruptcy trustee on the same date.

The full impairment loss of HK$9 million was made during the financial year 2012.

22. INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(a) Deferred tax assets recognised:

The major components of deferred tax assets recognised in the consolidated statement of financial position and the movements during the Period/year are as follows:

	Decelerated tax depreciation HK$ million	Tax losses HK$ million	Total HK$ million
At 1 January 2015	9	5	14
Charged to profit or loss for the year *(note 16)*	(1)	(4)	(5)
At 31 December 2015 and 1 January 2016	8	1	9
Charged to profit or loss for the Period *(note 16)*	–	(1)	(1)
At 31 March 2017	8	–	8

(b) Deferred tax assets not recognised:

The deferred tax assets have not been recognised in respect of the following items:

	As at 31 March 2017 HK$ million	As at 31 December 2015 HK$ million
Tax losses carried forward	**18**	543
Decelerated depreciation allowances	**–**	41
	18	584

The above tax losses are available indefinitely for offsetting against future taxable profits of the subsidiaries.

In accordance with the accounting policy set out in note 4(w), the Group has not recognised deferred tax assets of approximately HK$3 million (2015: HK$98 million) in respect of total cumulative tax losses and decelerated depreciation allowances of HK$18 million (2015: HK$584 million). This is due to the fact that it is not probable that future taxable profits against which the losses can be utilised will be available in the relevant tax jurisdiction and entity. The above tax losses and decelerated depreciation allowances do not expire under the current tax legislation.

23. BRANDS AND TRADEMARKS, GOODWILL

	Brands and trademarks		**Goodwill**	
	As at 31 March 2017 HK$ million	As at 31 December 2015 HK$ million	**As at 31 March 2017 HK$ million**	As at 31 December 2015 HK$ million
Gross amount				
At 1 January	**2,001**	2,002	**13**	13
Foreign currency adjustment	**5**	(1)	**–**	–
At 31 March/31 December	**2,006**	2,001	**13**	13
Accumulated amortisation and impairment				
At 1 January	**1,551**	1,339	**13**	–
Foreign currency adjustment	**4**	(1)	**–**	–
Impairment loss recognised	**152**	213	**–**	13
At 31 March/31 December	**1,707**	1,551	**13**	13
Carrying amount at 31 March/31 December	**299**	450	**–**	–

Prior to 1 January 2005, brands and trademarks were amortised over their estimated useful lives but not more than 20 years and stated at their cost less accumulated amortisation and impairment losses. On 1 January 2005, the Group reassessed the useful lives of the brands and trademarks and concluded that all brands and trademarks have indefinite useful lives.

The various brands and trademarks held by the Group have been legally registered on a worldwide basis for many years and the trademarks registrations are renewable at minimal cost. The management of the Company is of the opinion that the Group will renew these trademarks continuously and has the ability to do so. Various assessments including product life cycle studies, market, competitive and environmental trends, and brand extension opportunities have been performed by the management of the Group. This supports that the trademarks have no foreseeable limit to the period over which the trademarked products are expected to generate net cash flows for the Group.

As a result, the brands and trademarks are considered by the management of the Group as having indefinite useful lives because they are expected to contribute to net cash inflows indefinitely. The trademarks will not be amortised until their useful lives are determined to be finite. Instead they will be tested for impairment annually or more frequently when there are indications of impairment. Particulars of the impairment testing are disclosed in note 25.

23. BRANDS AND TRADEMARKS, GOODWILL (continued)

The Group recorded a non-cash impairment charge of HK$12 million and HK$19 million associated with the partial provision of its Akai and Nakamichi trademarks respectively as at 31 December 2015. This was with reference to the valuation reports prepared by an independent professional valuer on the basis of the value in use under income approach.

The Group recorded a non-cash impairment charge reversal of HK$37 million and HK$3 million associated with the partial reversal for provision of its Akai and Nakamichi trademarks as at 31 March 2017. This was with reference to the valuation reports prepared by an independent professional valuer on the basis of the value in use under income approach.

The Group recorded a non-cash impairment charge of HK$192 million (2015: HK$182 million) associated with the partial provision of its Emerson trademark as at 31 March 2017. This was with reference to the valuation as at 30 June 2016 prepared by an independent professional valuer and then updated by the management with updated projections as at 31 March 2017. Both valuations were prepared on the basis of the value in use under Income approach. The goodwill associated with Emerson of HK$13 million was fully impaired as at 31 December 2015.

24. OTHER ASSETS

	As at 31 March 2017 HK$ million	As at 31 December 2015 HK$ million
Other deferred assets:		
Gross amount	**11**	11
Accumulated amortisation and impairment	**(11)**	(11)
Carrying amount of other deferred assets at beginning and end of Period/year	**–**	–
Other receivables	**1**	1
Total other assets at end of Period/year	**1**	1

25. IMPAIRMENT TESTING ON BRANDS AND TRADEMARKS, GOODWILL

Brands and trademarks, goodwill are allocated to the Group's cash-generating units ("CGU") identified according to operating segments as follows:

	Brands and trademarks		Goodwill	
	As at 31 March 2017 HK$ million	As at 31 December 2015 HK$ million	**As at 31 March 2017 HK$ million**	As at 31 December 2015 HK$ million
Emerson	**90**	281	**–**	–
Licensing				
Akai	**146**	109	**–**	–
Nakamichi	**44**	41	**–**	–
Sansui	**19**	19	**–**	–
	209	169	**–**	–
	299	450	**–**	–

The recoverable amount of the CGU is determined based on value-in-use calculations. Cash flow projections are used in these calculations, which are based on financial projections approved by management. The brands and trademarks are considered by management as having indefinite useful lives. The licensing operation will command a long-term commitment over a time horizon of more than five years in building, nurturing and growing the brand recognition and establishing and expanding the distribution network in any geographical region. A ten-year financial budget, based on management's approved long-term plans of product development and business expansion, is therefore used for testing the impairment of these brands and trademarks.

	As at 31 March 2017				As at 31 December 2015			
	Emerson	**Akai**	**Nakamichi**	**Sansui**	Emerson	Akai	Nakamichi	Sansui
Pre-tax discount rate	**12%**	**12% – 19.5%**	**12% – 19.5%**	**13% – 16%**	12.5%	10.5% – 20%	10.5% – 16%	13% – 16%
Growth rate	**3%**	**3%**	**3%**	**3%**	5%	3%	3%	3%

The pretax discount rate use for value-in-use calculations is based on the data and factors relevant to the economy of the regions for the use of trademark and the weighted average cost of capital. The growth rates used are consistent with the management projection in the forecast, and based on the management's past experience and its expectation of market development.

For the fifteen months ended 31 March 2017, the Emerson brand and trademark suffered an impairment loss of HK$192 million primarily as a result of severe market competition, and the loss of business from major customers in the US.

For the fifteen months ended 31 March 2017, the Akai and Nakamichi brands and trademarks have recorded a reversal of impairment losses of HK$37 million and HK$3 million respectively as a result of new licenses and renewal of expiring licenses.

26. INVENTORIES

The inventories represent finished goods stated at lower of cost and net realisable values.

The analysis of the amount of inventories recognised as an expense and included in profit or loss is as follows:

	Period from 1 January 2016 to 31 March 2017 HK$ million	Year Ended 31 December 2015 HK$ million
Carrying amount of inventories sold	**158**	310
Write down of inventories	**6**	11
	164	321

27. ACCOUNTS AND BILLS RECEIVABLE

The Group allows an average credit period of 30 to 60 days to its trade customers.

	As at 31 March 2017 HK$ million	As at 31 December 2015 HK$ million (Restated)
Gross amount	**13**	57
Less: allowance for doubtful debts	**(2)**	(20)
Net amount	**11**	37

The Directors considered that the carrying amounts of accounts and bills receivable approximate to their fair values.

The movement of allowance for doubtful debts is as follows:

	As at 31 March 2017 HK$ million	As at 31 December 2015 HK$ million (Restated)
At beginning of Period/year	**20**	21
Arising from deconsolidation of subsidiaries	**(15)**	–
Written off	**(3)**	(1)
At end of Period/year	**2**	20

27. ACCOUNTS AND BILLS RECEIVABLE (continued)

Included in the above allowance for doubtful debts is a provision for individually impaired accounts and bills receivable of HK$2 million (2015: HK$20 million). The individually impaired accounts and bills receivable in respect of receivables are not expected to be recovered.

The ageing analysis of accounts and bills receivable (net of allowance for doubtful debts) is presented based on the invoice dates as follows:

	As at 31 March 2017 HK$ million	As at 31 December 2015 HK$ million
0 – 3 months	**11**	37

In addition, some of the unimpaired accounts and bills receivable are past due as at the end of the reporting period. The aged analysis of accounts and bills receivable past due but not impaired is as follows:

	As at 31 March 2017 HK$ million	As at 31 December 2015 HK$ million
0 – 3 months	**2**	4

Before accepting any new customer, the management assesses the potential customer's credit quality with reference to the customer's reputation and market standing and defines the credit limits accordingly. Continuity of the credit limits to the customers is reviewed by management as and when necessary. Based on the aforesaid assessment, the above past due but not impaired accounts and bills receivable are still considered to be fully recoverable.

28. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	As at 31 March 2017 HK$ million	As at 31 December 2015 HK$ million
Prepayments	**9**	14
Deposits	**–**	1
Other receivables	**1**	6
	10	21

29. CASH AND BANK BALANCES

	As at 31 March 2017 HK$ million	As at 31 December 2015 HK$ million (Restated)
Cash	**–**	1
Bank balances	**151**	195
Money market deposit with maturity date within three months	**156**	121
Cash and cash equivalents (excluding bank overdraft)	**307**	317
Bank certificates of deposit with maturity date more than three months	**195**	156
	502	473

The interest rate on the cash of bank and deposits with banks ranged from 0% to 0.25%(2015: 0% to 0.25%) per annum.

30. ACCOUNTS AND BILLS PAYABLE

The ageing analysis of accounts and bills payable is as follows:

	As at 31 March 2017 HK$ million	As at 31 December 2015 HK$ million
0 – 3 months	**–**	3
3 – 6 months	**–**	–
Over 6 months	**–**	5
	–	8

31. ACCRUED LIABILITIES AND OTHER PAYABLES

	As at 31 March 2017 HK$ million	As at 31 December 2015 HK$ million (Restated)
Accrued expenses	**42**	89
Amount due to former associates *(Note (i))*	**–**	566
Amount due to former related companies *(Note (ii))*	**–**	2,306
Deferred income *(Note (iii))*	**32**	23
Other payables *(Note (iv))*	**3**	344
	77	3,328

31. ACCRUED LIABILITIES AND OTHER PAYABLES (continued)

Note (i)

The background of the amounts due to former associates in 2015 was as follow:

An aggregate sum of HK$539 million was allegedly due to Sansui Electric Co., Ltd. ("SEC"), a company incorporated in Japan and formerly listed on the First Section of the Tokyo Stock Exchange, and Sansui Sales Pte. Limited ("SSPL"), both former associate corporations of the Company (the "Alleged Outstanding Sum").

The Alleged Outstanding Sum was secured by a Share Pledge (defined below), and was non-interest bearing and had no fixed terms of repayment.

On 9 January 2014, the former Provisional Liquidators caused certain subsidiaries of the Company which are incorporated in the BVI, namely Sansui Electric Company Limited ("Sansui BVI"), The Alpha Capital Services Limited ("ACSL"), The Grande Capital Group Limited and The Grande (Nominees) Limited ("GNL") (together, the "Plaintiffs"), to commence legal proceedings in (HCA 48/2014) against (1) SEC; and (2) SSPL for, inter alia:

1. setting aside a share pledge entered into between Sansui BVI and SEC dated 3 March 2009 (the "Share Pledge"); and

2. a declaration that the debts and receivables secured by the Share Pledge did not exist.

Upon completion of the Company's restructuring on 26 May, 2016, ACSL and GNL were Excluded Companies (as defined in the Circular) and GNL had already been put into liquidation.

By the Share Pledge, Sansui BVI purportedly pledged all of its shares in Sansui Acoustics Research Corporation (the "SARC Shares"), a company registered in the BVI and a wholly owned subsidiary of the Group ("SARC"), to SEC. SARC owns worldwide rights to the Sansui trademarks.

Based on the information available at the time, the Former Provisional Liquidators were of the view that the debts and receivables purportedly secured by the Share Pledge are not genuine and bona fide, and therefore the Share Pledge should be rescinded or declared void. On this basis, the Former Provisional Liquidators applied for and obtained an injunction order on 8 January 2014 prohibiting SEC and SSPL from dealing with or exercising any right in the SARC Shares. The current Directors of the Company share the same view as the Former Provisional Liquidators as stated above.

On 9 December 2014, SEC and SSPL issued a Summons to dispute jurisdiction of the High Court of Hong Kong to try the proceedings in HCA 48/2014 (the "Jurisdiction Summons"). The Company subsequently agreed with all other Plaintiff's along with SEC, to discontinue this legal case with effect from 29 March 2017 and this released both the injunction order mentioned above and the injunction over the use of the Sansui funds. The Company will commence the appropriate legal procedures to retrieve the shares of SARC.

At the end of the reporting period, the amounts recorded by the Group as due to SEC and SSPL amounted to HK$27 million (2015: HK$566 million). According to a legal opinion received by management of the Group, the liabilities are legally discharged as of 31 March 2017. However, considering the uncertainties and contingencies as disclosed in note 36 to the consolidated financial statements, the Directors are of the view that the amounts should continue to be recognised as liabilities in the consolidated statement of financial position as of the end of the reporting period, until the disclosed contingencies no longer exist or the liquidation/strike-off of SEC and SSPL is completed. As such, the provision of HK$27 million is included in accrued expenses as of 31 March 2017.

31. ACCRUED LIABILITIES AND OTHER PAYABLES (continued)

Note (ii)

Included in the amounts due to former related companies were amounts of HK$2,293 million due to Sino Bright as at 31 December 2015 that were fully settled by the Schemes during the Period as mentioned in note 11.

Note (iii)

Deferred income represents licensing income received in advance in cash that relates to periods subsequent to 31 March 2017 and the Corresponding Year respectively.

Note (iv)

All other payables as at 31 December 2015 were fully discharged by the Schemes as detailed in Note 11.

An amount of approximately HK$3 million as at 31 March 2017 is a remaining provision for third party liabilities.

32. PROVISION FOR LEGAL CLAIMS

In 2005, certain plaintiffs obtained a default judgment against a defunct entity, GrandeTel Technologies, Inc., which was an associate of the Group before its disposal in 2004, for approximately US$37 million in the United States of America. In December 2006, an action was filed by these plaintiffs claiming that the Company should be responsible for the amount of the default judgment. The case went to trial in December 2010 and January 2011. On 16 May 2011, a Statement of Decision was handed down by the superior Court for the State of California, under which the Company was obliged to settle a total amount of US$48 million with interest at the rate of 10% per annum.

The amount was sold to an independent third party, by way of an assignment dated 10 January 2014, who then filed their claim against the Company in place of the aforesaid creditor. The amount was fully discharged by the Schemes as detailed in note 11.

33. ACCRUED LIABILITIES WITH DECONSOLIDATED SUBSIDIARIES

	As at 31 March 2017 HK$ million	As at 31 December 2015 HK$ million (Restated)
At 1 January	**33**	33
Arising from deconsolidation of subsidiaries *(note 35(a))*	**300**	–
At 31 March/31 December	**333**	33

The accrued liabilities with the Deconsolidated Subsidiaries are classified as non-current liabilities for the reason that the liquidation of these Deconsolidated Subsidiaries was still at the very initial stage and substantiation of claims will normally take quite some time to complete, as a result, these liabilities are not expected to be settled in the next twelve months.

34. SHARE CAPITAL AND SHARE PREMIUM

	Number of Shares	Share Capital HK$ million	Share Premium HK$ million
Authorised share capital:			
Ordinary shares of HK$0.1 each at 1 January 2015 and 31 December 2015	1,000,000,000	100	
Ordinary shares of HK$0.1 each cancelled	(539,772,680)	(54)	
	460,227,320	46	
Capital reduction (par value reduced to HK$0.01 each)	460,227,320	5	
Increase of capital	19,539,772,680	195	
Ordinary shares of HK$0.01 each at 31 March 2017	20,000,000,000	200	
Issued and fully paid share capital:			
Ordinary shares of HK$0.1 each at 1 January 2015 and 31 December 2015	460,227,320	46	1,173
Capital reduction (par value reduced to HK$0.01 each)	–	(41)	–
Share premium reduction	–	–	(1,173)
Share issued under Open Offer	1,150,568,300	11	87
Share issued under the Schemes	3,881,437,269	39	299
Ordinary shares of HK$0.01 each at 31 March 2017	5,492,232,889	55	386

35. NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Deconsolidation of subsidiaries

As mentioned and defined in the Circular, all the Excluded Companies have ceased to be subsidiaries or associated companies of the Company and their results, assets and liabilities are no longer consolidated into the Group's financial statements effective as of 31 March 2017. The Directors have, in addition to the Excluded Companies (as defined in the Circular), identified 25 dormant subsidiaries and commenced liquidation proceedings. These subsidiaries were also excluded from the consolidated financial statements and were classified with the Excluded Companies as the Deconsolidated Subsidiaries.

Summary of the effects on deconsolidation of subsidiaries

	Period from 1 January 2016 to 31 March 2017 HK$ million	Year Ended 31 December 2015 HK$ million
Net assets/(liabilities) deconsolidated of:		
Plant and equipment	**1**	–
Investment properties	**1**	–
Cash and bank balances	**5**	–
Prepayments, deposits and other receivables	**5**	–
Accounts and bills payables	**(5)**	–
Accrued liabilities and other payables	**(608)**	–
Release of reserves	**170**	–
	(431)	–
Gain on deconsolidation of subsidiaries *(Note (i))*	**131**	–
	(300)	–
Represented by:		
Accrued liabilities with Deconsolidated Subsidiaries *(Note (ii))*	**(300)**	–

35. NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

(a) Deconsolidation of subsidiaries (continued)

Note (i) In the Unaudited Pro Forma Financial Information of the Group attached as Appendix III to the Circular, the Company had shown a gain on deconsolidation of subsidiaries of HK$586 million. The difference between this gain and the HK$131 million gain as shown above, is largely due to the Directors' view that the Group still has a remaining liability due to the Deconsolidated Subsidiaries amounting to HK$ 333 million *(note 33)* and that this should be provided for, until such time as individual Deconsolidated Subsidiaries are fully liquidated or struck off.

Note (ii) The amounts due to Deconsolidated Subsidiaries recorded in the interim report for the six months 30 June 2016 was HK$490 million. One of the Deconsolidated Subsidiaries, ASPL, which was put into liquidation in March 2013 has substantially completed its liquidation by the end of the reporting period. As a result, the amount due to ASPL of HK$162 million was then written back in the gain on Deconsolidated Subsidiaries. The Directors expect that there will be a further write back in the consolidated income statement in the future when there are Deconsolidated Subsidiaries that are successfully dissolved or struck off.

The Deconsolidated Subsidiaries had no material effect on the operating profit and cashflow of the Group during the Period.

The analysis of net outflow of cash and cash equivalents in respect of the deconsolidation of subsidiaries is as follows:–

	Period from 1 January 2016 to 31 March 2017 HK$ million	Year Ended 31 December 2015 HK$ million
Cash and bank balances of the Deconsolidated Subsidiaries	**(5)**	–

35. NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

(b) Major non-cash transactions

(1) According to the Company's Restated Restructuring Agreement dated 14 December 2015, Sino Bright bears part of the restructuring costs of the Company for a total amount of HK$20 million, It paid this amount to the High Court on the basis that this would be treated as part of its admitted claim under the Schemes that qualified for exchange of Creditors Shares on 26 May 2016.

(2) According to the Creditors' Schemes of Arrangement, HK$3,080 million liabilities of the Company were discharged by cash payment of HK$106 million to the Company's creditors who accepted the cash alternative and issued 3,881,437,269 Creditors Shares to relevant creditors of the Company on 26 May 2016.

36. CONTINGENT LIABILITIES

Except for the cases set out below, the Group did not have significant contingent liabilities as of 31 March 2017 and up to the date of this report.

(a) In an Order made by the High Court of Hong Kong on 9th May 2016 in respect of case HCCW 177/2011 the Company is required to:

(i) Indemnify and keep indemnified the Former Provisional Liquidators in the event that the funds paid into Court (as set out in note 12), are insufficient to meet the taxed fees and expenses of the Former Provisional liquidators: and

(ii) Indemnify and keep indemnified Mr Fok Hei Yu, Vincent and FTI Consulting (Hong Kong) Limited in respect of the costs of the defence of proceedings HCA 92/2014 ("the Action"), subject to the final determination of the Action. HCA 92/2014 is a legal case filed in January 2014 in the High Court of Hong Kong by Sino Bright against Mr. Fok Hei Yu and FTI Consulting (Hong Kong) Limited for alleged misrepresentation and the case is ongoing.

As at the date of this report, the Company has received no such requests for such fees, costs and expenses.

(b) As set out in note 31 the legal case with the High Court of Hong Kong under HCA 48/2014 was discontinued. However, there still remains a potential claim by SEC and SSPL to exercise the Share Pledge that the claim is still in existence. However, the Company has the exact same view as the Former Provisional Liquidators that the debts and receivables purportedly secured by the Share Pledge are not genuine and bona fide, and therefore the Share Pledge should be rescinded or declared void. The Company will again rigorously defend this in Court should SEC and/or SSPL try and take action again, as they have unsuccessfully done in the past.

The management is of the view that no provision is necessary for any of the matters described above, after having considered their respective merits.

37. OPERATING LEASE COMMITMENTS

At 31 March 2017, the total of future minimum lease payments under non-cancellable operating leases are payable as follows:

	As at 31 March 2017 HK$ million	As at 31 December 2015 HK$ million
Not later than one year	**3**	2
Later than one year and not later than five years	**3**	1
	6	3

Operating lease payments represent rentals payable by the Group for certain of its office properties. Leases are negotiated for an average term of 3 years (2015: 2 years) and rentals are fixed for an average of 3 years (2015: 2 years). None of the leases includes contingent rentals.

38. BANKING AND OTHER BORROWING FACILITIES

Certain banking and other borrowing facilities granted to the Group in previous years were secured by assets for which the aggregate carrying values were as follows:

		As at 31 March 2017 HK$ million	As at 31 December 2015 HK$ million (Restated)
(a)	Pledge of unlisted shares of a subsidiary	**176**	153
(b)	Pledge of bank deposits	**–**	4
		176	157

The charge against the use of the Sansui funds was released as at 29 March 2017 as set out in note 31.

39. PROVIDENT FUND SCHEMES

All the staff of the Group in Hong Kong are offered the opportunity to join the Mandatory Provident Fund Scheme (the "MPF Scheme"), introduced by the Government of the Hong Kong Special Administrative Region. Under the MPF Scheme, both employees and the employers are required to contribute 5% of the employees' monthly salaries up to a maximum of HK$1,500 (the "Mandatory Contribution"), the employees can choose to make additional 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 staff in United States of America and Singapore enjoy their own provident fund schemes that have been set up in accordance with the local laws of their respective jurisdictions.

40. SEGMENT REPORTING

The Group currently organises its operations into the following reportable operating segments.

Operating segments	**Principal activities**
Emerson	Distribution of household appliances and audio products and licensing business – Comprising a group listed on the NYSE Alternext US
Licensing	Licensing business on a worldwide basis – Comprising the brands and trademarks, Akai, Sansui and Nakamichi

40. SEGMENT REPORTING (continued)

(a) Segment Information

	Emerson HK$ million	Licensing HK$ million	Inter-segment elimination HK$ million	Unallocated HK$ million	Consolidated HK$ million
Period from 1 January 2016 to 31 March 2017					
Revenue:					
Sale of goods to external customers	194	–	–	–	194
Licensing income from external customers	37	57	–	–	94
Total	231	57	–	–	288
Results:					
Segment results	(8)	42	–	–	34
Reconciliations:					
Unallocated corporate expenses				(14)	(14)
(Impairment loss)/reversal of impairment loss recognised in respect of brands and trademarks	(192)	40			(152)
Allowance for doubtful debts				(1)	(1)
Gain on discharge of liabilities				2,636	2,636
Gain on deconsolidation of subsidiaries				131	131
Write back of long outstanding liabilities				18	18
Provisional liquidators' fee				(4)	(4)
Restructuring costs				(19)	(19)
Interest income				3	3
Profit for the Period					2,632
Assets:					
Segment assets	709	3,172	(3,054)	17	844
Liabilities:					
Segment liabilities	579	2,627	(3,123)	346	429
Other information:					
Revenue from:					
– the first largest customer	125	–	–	–	125
– the second largest customer	37	–	–	–	37
Depreciation	–	–	–	–	–
Capital expenditure	–	–	–	–	–

40. SEGMENT REPORTING (continued)

(a) Segment Information (continued)

	Emerson HK$ million	Licensing HK$ million	Inter-segment elimination HK$ million	Unallocated HK$ million	Consolidated HK$ million
Year ended 31 December 2015 (Restated)					
Revenue:					
Sale of goods to external customers	361	–	–	–	361
Licensing income from external customers	39	44	–	–	83
Total	400	44	–	–	444
Results:					
Segment results	(6)	27	–		21
Reconciliations:					
Unallocated corporate expenses				–	–
Goodwill written off				(13)	(13)
Impairment loss recognised in respect of brands and trademarks	(182)	(31)		–	(213)
Allowance for doubtful debts				(4)	(4)
Provisional liquidators' fee				(10)	(10)
Restructuring costs				(18)	(18)
Interest income				2	2
Loss for the year					(235)
Assets:					
Segment assets	927	2,529	(2,457)	34	1,033
Liabilities:					
Segment liabilities	590	3,342	(3,453)	3,430	3,909
Other information:					
Revenue from:					
– the first largest customer	194	–	–	–	194
– the second largest customer	96	–	–	–	96
Depreciation	–	–	–	–	–
Capital expenditure	–	–	–	–	–

40. SEGMENT REPORTING (continued)

(b) Geographical Information

Information about the Group's revenue from external customers is presented based on the location of the operations. Information about the Group's non-current assets is presented based on the geographical location of the assets.

	Revenue		Carrying amount of Non-current assets	
	Period from 1 January 2016 to 31 March 2017 HK$ million	Year Ended 31 December 2015 HK$ million	**As at 31 March 2017 HK$ million**	As at 31 December 2015 HK$ million
Asia	**48**	34	**–**	1
North America	**235**	404	**9**	11
Europe	**5**	6	**–**	–
Unallocated	**–**	–	**299**	450
	288	444	**308**	462

41. PARTICULARS OF PRINCIPAL SUBSIDIARIES

The table below lists the subsidiaries of the Company which, in the opinion of the Directors, principally affected the results of the Period/year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would result in particulars of excessive length.

Name of subsidiaries	Place of incorporation/ registration	Nominal value of issued ordinary share/ registered capital	Percentage of equity attributable to the Group		Principal activities/ place of operation
			As at 31 March 2017	As at 31 December 2015	
Directly held by the Company:					
Grande N.A.K.S. Ltd	British Virgin Islands	US$10,000	**100%**	100%	Investment holding/ Hong Kong
Unijoy Limited	British Virgin Islands	US$1	**100%**	100%	Investment holding/ Hong Kong
Indirectly held by the Company:					
Innovative Capital Ltd	British Virgin Islands	US$100	**100%**	100%	Corporate finance and investment holding/ Hong Kong
TWD Industrial Company Limited	British Virgin Islands	US$1	**100%**	100%	Brands and trademarks holding and licensing/ Macao

41. PARTICULARS OF PRINCIPAL SUBSIDIARIES (continued)

Name of subsidiaries	Place of incorporation/ registration	Nominal value of issued ordinary share/ registered capital	Percentage of equity attributable to the Group As at 31 March 2017	As at 31 December 2015	Principal activities/ place of operation
Indirectly held by the Company: (continued)					
Sansui Acoustics Research Corporation	British Virgin Islands	US$1,000	**100%**	100%	Brands and trademarks holding and licensing/ Macao
Sky Bright Holdings Limited	Hong Kong	HK$1	**100%**	–	Provision of management services/Hong Kong
Capetronic Display Devices Holdings Limited	British Virgin Islands	US$100	**100%**	100%	Investment holding/ Hong Kong
Akai Electric Co., Ltd.	Japan	JPY10,000,000	**86.7%**	86.7%	Investment holding/Japan
Phenomenon Agents Limited	British Virgin Islands	US$50,000	**86.7%**	86.7%	Brands and trademarks holding and licensing/ Macao
S&T International Distribution Limited	British Virgin Islands	US$1	**100%**	100%	Investment holding/ Hong Kong
Emerson Radio Corp. #	United States of America	US$529,000	**56.3%**	56.2%	Distribution of household appliances and products/ United States of America

Listed on the NYSE Alternext US.

(a) The table below shows details of non-wholly owned subsidiaries of the Group that have material non-controlling interests:

Name of subsidiaries	Place of incorporation/ registration and operations	Proportion of ownership interests and voting rights held by non-controlling interests		Loss attributable to non-controlling interests		Other comprehensive Income attributable to non-controlling interests		Accumulated non-controlling interests	
		As at 31 March 2017	As at 31 December 2015	**Period from 1 January 2016 to 31 March 2017 HK$ million**	Year Ended 31 December 2015 HK$ million	**Period from 1 January 2016 to 31 March 2017 HK$ million**	Year Ended 31 December 2015 HK$ million	**As at 31 March 2017 HK$ million**	As at 31 December 2015 HK$ million (Restated)
Akai Electric Co., Ltd.	Japan	**13.3%**	13.3%	**(31)**	–	**–**	–	**(40)**	(9)
Emerson Radio Corp.	United States of America	**43.7%**	43.8%	**(86)**	(88)	**1**	–	**233**	318
				(117)	(88)	**1**	–	**193**	309

41. PARTICULARS OF PRINCIPAL SUBSIDIARIES (continued)

(b) Summarised financial information in respect of each of the Group's subsidiaries that has material non-controlling interests is set out below. The summarised financial information below represents amounts before intragroup eliminations.

	Akai Electric Co., Ltd.		Emerson Radio Corp.	
	As at 31 March 2017 HK$ million	As at 31 December 2015 HK$ million (Restated)	**As at 31 March 2017 HK$ million**	As at 31 December 2015 HK$ million
Non-current assets	**146**	109	**99**	291
Current assets	**277**	702	**441**	460
Current liabilities	**(1,027)**	(1,134)	**(7)**	(23)
Non-current liabilities	**(11)**	(63)	**–**	–
Net (liabilities)/assets	**(615)**	(386)	**533**	728
Revenue	**23**	17	**231**	400
Expenses	**(282)**	(22)	**(427)**	(585)
Tax	**26**	–	**–**	(15)
Loss for the Period/year	**(233)**	(5)	**(196)**	(200)
Total comprehensive loss for the Period/year	**(229)**	(5)	**(195)**	(200)
Net cash inflow from operating activities	**16**	11	**32**	65
Net cash outflow from investing activities	**(35)**	–	**(33)**	(38)
Net cash (outflow)/inflow	**(19)**	11	**(1)**	27

42. EVENTS AFTER THE REPORTING PERIOD

On 16 June 2017, Unijoy Limited, a wholly owned subsidiary of the Company, entered into an agreement to dispose of its 100% owned subsidiary, Tomei Kawa Electronics International Limited to a third party. This is not considered as a significant transaction.

43. COMPANY LEVEL – STATEMENT OF FINANCIAL POSITION

	As at 31 March 2017 HK$ million	As at 31 December 2015 HK$ million
NON-CURRENT ASSETS		
Amounts due from subsidiaries	**653**	1,260
CURRENT ASSETS		
Prepayments, deposits and other receivables	**1**	6
CURRENT LIABILITIES		
Amounts due to subsidiaries	**228**	266
Accounts due to former related companies	**–**	2,293
Accrued liabilities and other payables	**9**	264
Provision for legal claims	**–**	452
	237	3,275
NET ASSETS/(LIABILITIES)	**417**	(2,009)
CAPITAL AND RESERVES		
Share capital	**55**	46
Share premium	**386**	1,173
Reserves *(Note)*	**(24)**	(3,228)
TOTAL EQUITY/(DEFICIENCY OF EQUITY)	**417**	(2,009)

Note:

Reserve movement of the Company

	Contributed reserve HK$ million	**Accumulated deficits** HK$ million	**Total** HK$ million
At 1 January 2015	193	(3,392)	(3,199)
Loss for the year	–	(29)	(29)
At 31 December 2015 and 1 January 2016	193	(3,421)	(3,228)
Capital reduction	–	41	41
Share premium reduction	–	1,173	1,173
Profit for the Period	–	1,990	1,990
At 31 March 2017	193	(217)	(24)

Hon Tak Kwong
Director

Michael Binney
Director

44. COMPARATIVE FIGURES

As a result of the restatement of prior years figures, certain comparative figures have been adjusted to conform to the current Period's presentation. Further details of these restatements are disclosed in note 5. Furthermore, certain comparative figures have been reclassified to conform with the current Period's presentation.

The consolidated financial statements for the current financial period cover a period of fifteen months from 1 January 2016 to 31 March 2017 whereas the corresponding comparative amounts shown for the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows and related notes cover a twelve-month period from 1 January 2015 to 31 December 2015. Therefore they may not be comparable with the amounts shown for the current Period.

45. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the Board of Directors on 30 June 2017.

FIVE-YEAR FINANCIAL SUMMARY

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

RESULTS

	Period from 1 January 2016 to 31 March 2017 HK$ million	Year ended 31 December 2015 HK$ million	2014 HK$ million (Restated)	2013 HK$ million (Restated)	2012 HK$ million (Restated)
REVENUE	**288**	444	663	741	1,115
PROFIT/(LOSS) BEFORE TAX	**2,632**	(235)	(44)	(237)	(690)
Tax	**64**	(16)	(37)	(10)	(40)
PROFIT/(LOSS) BEFORE NON-CONTROLLING INTERESTS	**2,696**	(251)	(81)	(247)	(730)
Non-controlling interests	**117**	88	(12)	8	21
PROFIT/(LOSS) ATTRIBUTABLE TO SHAREHOLDERS	**2,813**	(163)	(93)	(239)	(709)

FIVE-YEAR FINANCIAL SUMMARY

ASSETS AND LIABILITIES

	As at 31 March 2017 HK$ million	As at 31 December 2015 HK$ million (Restated)	2014 HK$ million (Restated)	2013 HK$ million (Restated)	2012 HK$ million (Restated)
NON-CURRENT ASSETS	**308**	462	693	786	817
CURRENT ASSETS	**536**	571	665	698	706
TOTAL ASSETS	**844**	1,033	1,358	1,484	1,523
CURRENT LIABILITIES	**96**	3,876	3,950	3,941	3,784
NON-CURRENT LIABILITIES	**333**	33	33	33	–
TOTAL LIABILITIES	**429**	3,909	3,983	3,974	3,784
NET ASSETS/(LIABILITIES)	**415**	(2,876)	(2,625)	(2,490)	(2,261)
SHARE CAPITAL AND RESERVES	**222**	(3,185)	(3,022)	(2,926)	(2,683)
NON-CONTROLLING INTERESTS	**193**	309	397	436	422
TOTAL EQUITY/(DEFICIENCY OF EQUITY)	**415**	(2,876)	(2,625)	(2,490)	(2,261)