CHINA HEALTHWISE HOLDINGS LIMITED
中國智能健康控股有限公司

(Formerly known as "Haier Healthwise Holdings Limited 海爾智能健康控股有限公司")
(Incorporated in the Cayman Islands with limited liability)
Stock Code: 00348

ANNUAL REPORT
2016/2017

Contents

Corporate Information

EXECUTIVE DIRECTORS

Mr. Lei Hong Wai *(Chairman)*
Mr. Leung Alex *(Vice chairman)*
Mr. Tse Chi Keung
Mr. Lee Chan Wah
Ms. Lo Ming Wan

NON-EXECUTIVE DIRECTOR

Mr. Diao Yunfeng

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Wong Tak Chuen
Mr. Lai Hok Lim
Mr. Lien Wai Hung

AUDIT COMMITTEE

Mr. Wong Tak Chuen *(Chairman)*
Mr. Lai Hok Lim
Mr. Lien Wai Hung

NOMINATION COMMITTEE

Mr. Lei Hong Wai *(Chairman)*
Mr. Lai Hok Lim
Mr. Wong Tak Chuen
Mr. Lien Wai Hung

REMUNERATION COMMITTEE

Mr. Lai Hok Lim *(Chairman)*
Mr. Lei Hong Wai
Mr. Wong Tak Chuen
Mr. Lien Wai Hung

COMPANY SECRETARY

Ms. Lo Ming Wan

AUDITOR

BDO Limited
25/F Wing On Centre
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Hong Kong

LEGAL ADVISERS ON CAYMAN ISLANDS LAW

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LEGAL ADVISERS ON HONG KONG LAW

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REGISTERED OFFICE

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HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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Shun Tak Centre, West Tower
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PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Maples Fund Services (Cayman) Limited
P.O. Box 1093
Boundary Hall
Cricket Square
Grand Cayman
Cayman Islands
KY1-1102

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

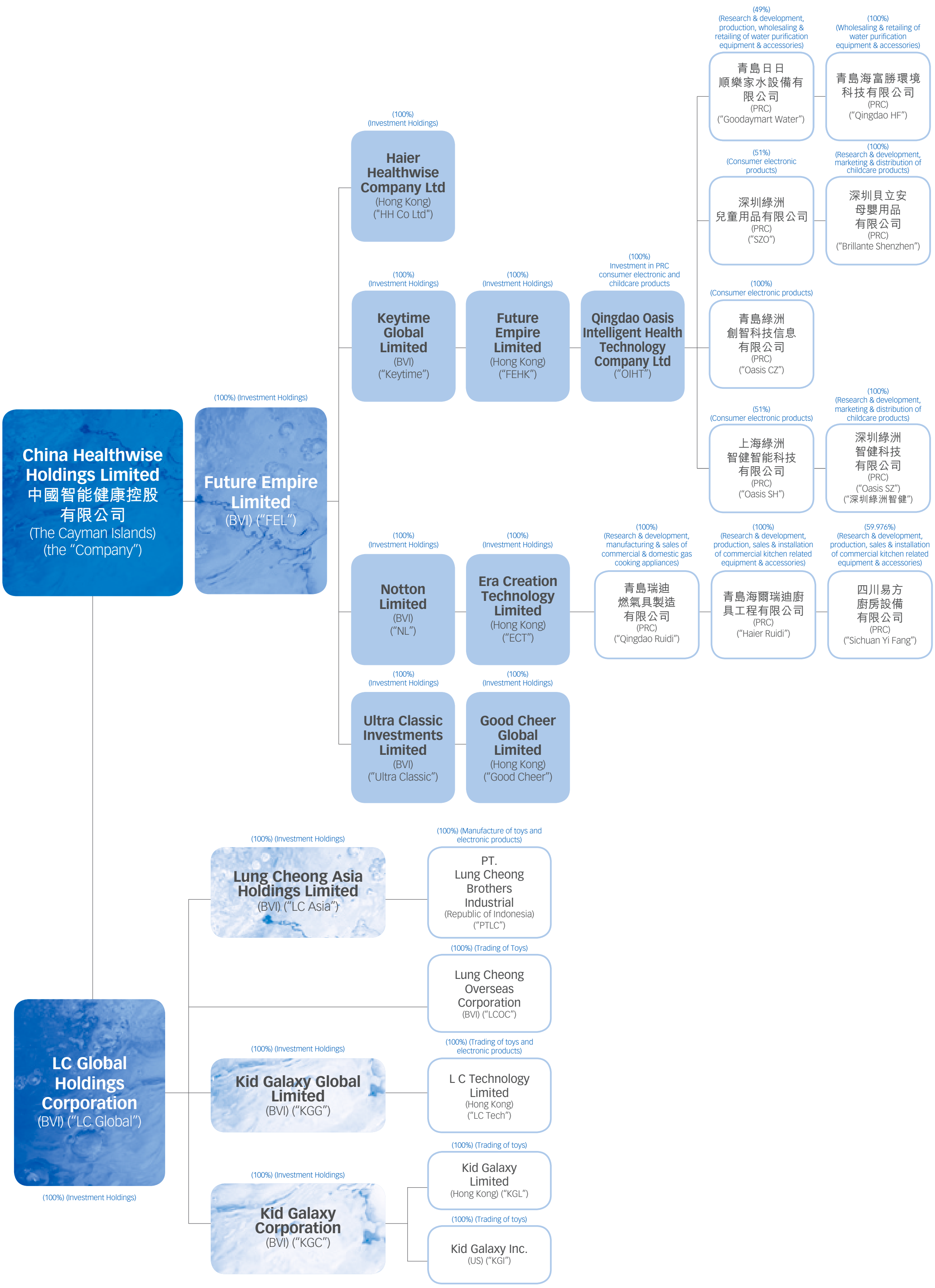
Tricor Abacus Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

LISTING INFORMATION

The Stock Exchange of Hong Kong Limited
Stock Code: 00348
Website: www.healthwisehk.com

Corporate Structure

(as at 29 June 2017)



Chairman's Statement

On behalf of the board of directors (the "Board" or "Directors") of China Healthwise Holdings Limited (the "Company") and its subsidiaries (together the "Group"), I present to you the annual results of the Company and the Group for the year ended 31 March 2017.

CORPORATE INFORMATION

On 15 December 2016, the name of the Company was changed from "Haier Healthwise Holdings Limited 海爾智能健康控股有限公司" to "China Healthwise Holdings Limited 中國智能健康控股有限公司" to better reflect the Company's new shareholding structure and business strategy.

On 5 April 2017, the principal place of business of the Company in Hong Kong has changed to Unit 3811, Shun Tak Centre, West Tower, 168-200 Connaught Road Central, Hong Kong and the telephone and facsimile numbers of the Company have changed to (852) 2268 8226 and (852) 2369 0981.

RESULTS

For the year ended 31 March 2017 (the "Year" or "Period" or "FY16/17"), the Group's turnover decreased by approximately ("approx.") 10% to approx. HK$319 million, compared with approx. HK$353 million for the year ended 31 March 2016 (the "FY15/16" or "Corresponding Period").

Gross profit margin for the Period was approx. 7% compared to approx. 18% in the Corresponding Period. Overall, loss attributable to owners of the Company was approx. HK$242 million compared with HK$81 million in the Corresponding Period. The Directors do not recommend the payment of any dividend for the year ended 31 March 2017 (FY15/16: Nil).

BUSINESS REVIEW

During the Year, sales decreased due to the sales decline on both toys and commercial kitchen products segments.

The Group recorded an increase in loss for the year ended 31 March 2017 as compared to the year ended 31 March 2016. The consolidated loss was primarily attributable to the impairment loss on goodwill, available-for-sales investments, trade and other receivables as well as the decrease in sales and decrease in gross profit margin as a result of the impairment loss on inventories in commercial kitchen products segment and the increase in labour costs, depreciation charges, additional production processes, extraordinary testing and sanitation expenses in toy segment during the year.

Commercial Kitchen Products

青島瑞迪燃氣具製造有限公司 ("Qingdao Ruidi") and its subsidiaries are the major commercial cooking appliances manufacturers in the PRC. Besides, cooking appliances manufacturing and sale, Qingdao Ruidi implemented commercial kitchen Equipment Procurement Construction ("EPC") projects with hotels, restaurants, schools, government agencies, etc. during the Year. Due to the PRC economic slowdown, some of the EPC projects we bid were delayed. In addition, given the macro-economic situation, the management of the Company ("Management") believes a healthy cash flow is essentially important for the Group's long term stability and growth. Therefore, we have been more prudent and cautious for partner choosing and project selection. The above objective and subjective reasons led to a revenue decline in this segment.

Consumer Electronic Products

Childcare Products

The market for childcare related products and services is huge and fast growing in China. The National Bureau of Statistics of China indicates that the number of newborn babies will increase by 2.5 million per year because of the effect of the two-child policy. Since the Group entered the childcare market, the Management has been working closely on R&D enhancement, product line expansion, distribution channel development and integration. Currently, the main products of the Group are Haier and Brillante branded small baby appliances (electric sterilizer, baby bottle & food warmer, baby food processor, baby hair cutter, baby air purifier, etc.).

During the Year, the Management continues to deploy the multi-brand and multi-product strategy to meet customers' comprehensive needs. So far, we have entered into partnerships with a few world-leading childcare brands, including Nuby, a world famous baby and infant feeding brand, Bébé Confort and Safety 1st, sub-brands of Dorel Group, a global childcare corporation specialising in strollers, car seats, baby travel gears, etc. to serve as their major distributor for childcare products in the PRC. During the Year, the above brands have generated sales and the Management expects that they will be important revenue generators for this segment in the near future.

Toys

The expended Indonesian factory contributed to the Group's overall sales. However, it exposed the weaknesses of the Original Equipment Manufacturing ("OEM") business segment of the Group as there was substantial decrease in sales by approx. 44%, further burdened by annual increased in labour and staff costs plus additional costs of fixed assets investments which led to an overall lower gross margin in the toy manufacturing segment. During the Year under review, the Group incurred additional production processes, testing and sanitation expenses at the Indonesian factory which further impacted this segment's contribution.

Chairman's Statement

The decrease in sales were mainly attributable to the fact that the Serang factory was not awarded products from our major US customer for toys relating to any major blockbuster movies for this financial year. Our Japanese customer also lowered its orders for a line of pre-school construction block sets destined for the Japan market. The rush to complete orders for electronic components of a popular brand licensed dolls that kept the Serang factory busy in the previous year did not repeat in the current year.

During the Year, the Group obtained a new banking facilities from one of the largest financial institutions in Asia to repay the previous local banking facility and invest to additional production equipment by pledging the Group's fixed assets in Indonesia and provide corporate guarantee resulting an increase in bank borrowing as at 31 March 2016 amount of HK$37 million to HK$64 million as at 31 March 2017.

The slowed but continued recovery of the North American market has not helped the sales of our Own Brand Manufacturing ("OBM") business. Kid Galaxy has recorded a decrease in sales by approx. 10% overall due to the competitive market condition in the United States and unable to maintain sales momentum in other previously growing markets such as Europe and Asia due to BREXIT, negative economic climate and weaker currencies.

Due to the lower OEM and OBM toy sales, account receivables for the toy segment decreased from HK$24 million as at 31 March 2016 to HK$19 million as at 31 March 2017.

PLANS AND PROSPECTS

Commercial Kitchen Products

The commercial kitchen products market is very fragmented in the PRC with no major players in the market. Market growth is driven by increasing demand for dining out as the living standard rises, higher environmental standard and motivation to save fuel costs. However, due to the PRC economic slowdown, the investment in fixed assets decreased during the Year, which caused negative effects on the commercial kitchen products market. The Management will control the financial risks with caution.

Consumer Electronic Products

Childcare Products

The Group has shifted from a single brand baby appliance producer into a multi-brand and multi-product childcare product and service provider. The strategic partnerships with Nuby, Bébé Confort, and Safety 1st are milestones for the Group. The Management expects that we would form similar partnerships with more international childcare brands in the near future. In addition, the Management will continue to spend great efforts on new product R&D to enrich the overall product portfolio.

Chairman's Statement

Toys

For the financial year ending 31 March 2018, the demand for toy products is expected to improve slightly with the Group obtaining orders to produce toy products for a planned October 2017 animated movie release. Our major Japanese customer is likely to increase orders to the Indonesian factory with additional new line of pre-school construction block sets which were strongly promoted in the recent Japan Toy Fair. Another Japanese customer is relocating additional production away from Mainland China to our Serang factory in the coming financial year. Sales to Korea are expected to increase due to the favourable market response to our toys related new animated Television Show and the stabilizing political situation in that country.

The Group had to face the annual minimum wages increase in Indonesia by more than 8% beginning January 2017. In view of the imminent interest rates hikes in the United States and the depreciating Chinese Yuan or Renminbi and other competing Asian currencies, in additional to the Indonesia local political situation, Rupiah are likely to be fluctuating in order to stay competitive which may further increase the Group's foreign currency risks. The lower Renminbi and other Asian currencies and lesser increase in other countries minimum salaries will make it tougher for the Group's Indonesian plant to compete as a viable production source for OEM customers.

Despite the competitive environment of the OEM toy manufacturing business, management consider that it is vital for the Group to continue to invest and broaden the Indonesian plant capabilities and upgrade the facilities in order to comply with customers' quality requirements and revised standards as well as local governments new regulations. Additional costs are expected to be spent on upkeeping and maintaining the factory condition as well as continuous training for the local staff and workers in order to improve our productivity and quality.

Kid Galaxy had showcased new products in the recent toy fairs in the early part of 2017 receiving positive responses. However, further capital investments in continuous product development, engineering, new product moulds plus additional marketing and promotion costs for new products will continue to affect the contribution to this segment's profitability. The Group will continue to seek alternative capital and financing to support the toy segment.

Chinese Health Products

The Directors have been actively exploring new investment opportunities from time to time in order to diversify the revenue sources of the Group. On 29 March 2017, the Company as purchaser entered into a sale and purchase agreement in respect of the Acquisition (as defined below).

Chairman's Statement

Ace Season Holdings Limited (the "Target Company") and its subsidiaries are principally engaged in the sales of Chinese and other medicines, pharmaceutical products, health products, ginseng and dried seafood products to wholesaler and retailer as well as Chinese clinical services. One of the subsidiary of the Target Company, Nam Pei Hong Sum Yung Drugs Company Limited engages in the business of trading and retail of "Sum Yung"（參茸）and dried seafood products since 1977 and the brand name of "Nam Pei Hong"（南北行）is highly recognised in Hong Kong and Southern Mainland China.

The Directors consider that the Acquisition represents a suitable opportunity to the Group to diversify its business into the retail business of "Sum Yung"（參茸）and dried seafood products in Hong Kong and broaden its revenue base, which is expected to have a positive future impact on the Group's performance given the positive outlook of such business.

GROUP RESOURCES AND LIQUIDITY

As at 31 March 2017, the Group's cash and bank balances were approx. HK$38 million (FY15/16: HK$126 million). The Group's total bank borrowings were approx. HK$64 million (FY15/16: HK$37 million). Gearing ratio, calculated as the total bank borrowings divided by shareholders' equity was approx. 22% as at 31 March 2017 (FY15/16: 7%). As at 31 March 2017, the Group recorded total current assets of approx. HK$215 million (FY15/16: HK$513 million) and total current liabilities of approx. HK$224 million (FY15/16: HK$163 million). The current ratio of the Group, calculated by dividing the total current assets by the current liabilities, was approx. 96% (FY15/16: 315%). The Group recorded a decrease in shareholders' fund from approx. HK$561 million as at 31 March 2016 to a net asset position of approx. HK$291 million as at 31 March 2017. The decrease was mainly due to the Group suffering from loss on its operations and the impairment loss on goodwill, available-for-sale investments, trade and other receivables and inventories.

APPRECIATION

In conclusion, I would like to sincerely thank my fellow Board members and senior management, and all the employees for their contribution and dedications to the Group, which enabled us to overcome the challenges encountered during the year of corporate realignment and reorganisation. My appreciations go to our investors, customers, financiers and suppliers for their support to the Group during the past year.

Lei Hong Wai
Chairman and Executive Director

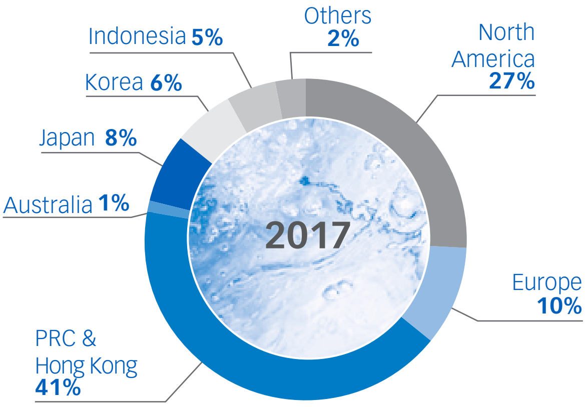
29 June 2017

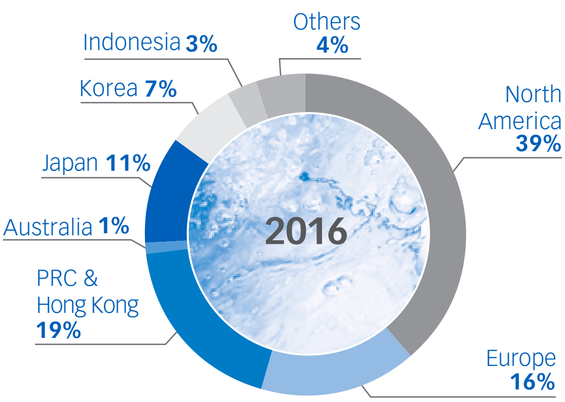
MARKET REVIEW

For the year ended 31 March 2017, North America remained one of our major export destination for the Group's toy products, with shipments amounting to approx. HK$85 million compared to approx. HK$137 million in FY15/16, accounted for approx. 27% (FY15/16: 39%) of the Group's total shipment. The decrease in dollar term sales in North America and Canada were mainly attributable to the lower OEM orders and tough competitions in the OBM sectors. Mainland China and Hong Kong account for approx. HK$130 million compared to approx. HK$67 million in FY15/16, accounted for approx. 41% (FY15/16: 19%) of the Group's revenue. The increase in sales in Mainland China and Hong Kong was mainly due to the increase in sales of consumer electronic products segments. Shipments to Europe were approx. HK$33 million as compared with approx. HK$56 million in FY15/16, accounted for approx. 10% (FY15/16: 16%) of the Group's revenue. Exports to Japan was less than that in the previous year at approx. HK$24 million (FY15/16: HK$40 million), accounted for approx. 8% of the Group's total revenue compared to approx. 11% in FY15/16 due to the lower-demand for the pre-school block playsets produced by the Group in the market. The TV licensed items produced by the Group's Indonesian factory were not selling as well as previous financial year, thus shipment to Korea was lowered approx. 6% of sales (FY15/16: 7%) during the Year.

Turnover by Geographical Segment

For the year ended 31 March





Review of Operations

PRODUCT REVIEW

Toys

The Group's toys segment recorded a decrease in sales of approx. 35% from approx. HK$293 million in FY15/16 to approx. HK$191 million in FY16/17, accounting for approx. 60% of the Group's turnover. The decrease in turnover of this category was attributable to a major reduction in orders of any major blockbuster movies related toys produced at our Indonesian factory.

Consumer Electronic Products

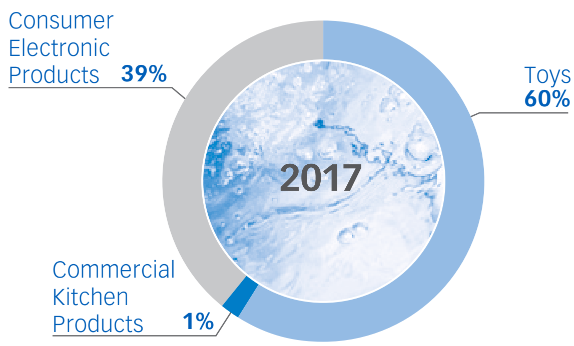
The consumer electronic products segment generated approx. HK$125 million in revenue and a loss before income tax of approx. HK$40 million in FY16/17 compared with HK$48 million and HK$30 million respectively in FY15/16. The loss of this segment is mainly due to the substantial advertising and marketing expenses was used in order to expand the market shares and strengthen our customers' base.

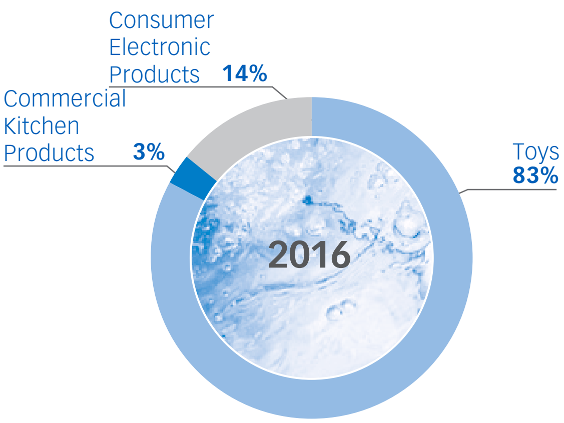
Commercial Kitchen Products

The commercial kitchen products segment contributed revenue of approx. HK$3 million and a loss before income tax of approx. HK$114 million in FY16/17 compared with approx. HK$12 million in revenue and loss before income tax HK$52 million in FY15/16. The loss of this segment mainly due to the slowdown of economic growth in the PRC lead to the delay of some sizable EPC projects which affect our turnover. Also, the impairment loss of goodwill approx. HK$56 million, the impairment loss of trade and other receivables, deposits and prepayment of approx. HK$23 million and the impairment loss of inventories approx. HK$14 million were recognised during the Year which lead this segment is suffering from loss.

Turnover by Product Type

For the year ended 31 March





DIVISIONAL AND RESOURCES REVIEW

Kid Galaxy

The Manchester operation of the Kid Galaxy Inc. ("KGI"), takes care of sales, marketing, product design, customer service and sales fulfillment functions for the North America market, being US and Canada. KGI and the international sales arm Kid Galaxy Limited ("KGL") have contributed sales of approx. HK$73 million for year ended 31 March 2017 compared to approx. HK$81 million in FY15/16. Its revenue derived mainly from own brands sales such as Radio Control ("R/C") Morphibians, Wilderness Explorers, Snap 'n' Soar, Soft Body vehicle and R/C construction vehicles.

In North America, the number of specialty stores continued to decrease from year to year, KGI was not able to maintain sales due to a decrease of specialty customers which Kid Galaxy had been selling to over the years. There were decreased sales to internet channels and other mass retail outlets and therefore it was not sufficient to match previous years' records. During FY16/17, Kid Galaxy enriched its product mix with new product lines such as R/C "Morphibians", "Soft Body and construction vehicles", just to name a few. These expanding product lines which were being introduced during the Year under review but in the US, KGI was finding it difficult to penetrate into the mass market and internet retail networks. The Group increased sourcing for new product ideas from different external suppliers during the Year.

Indonesia

During the Year, due to expansion in the Group's operations in South East Asia, the factory in Indonesia made lesser contributions to the Group's turnover. Competitions from Mainland China and other Asian Countries had prompted customers to place less orders with the Serang factory during the Year. With major customers reduced orders to and new customers starting to test our newly available capacity of the South East Asia facility, the Group was not able to take advantage of the local flexible labour structure and increased utilisation of the enlarged Serang factory. The Serang factory in Indonesia, at peak production stage during FY16/17, has employed over 2,400 seasonal contract labour. The revenue of Serang factory in Indonesia, have contributed with sales approx. HK$119 million in FY16/17 compared to approx. HK$213 million in FY15/16.

China

During the Year, the Group's consumer electronic products and commercial kitchen products segments focusing their business in China which contributed a turnover of approx. HK$128 million for the year ended 31 March 2017 compare with approx. HK$59 million in the Corresponding Period. The turnover of consumer electronic products was mainly attributed to the Haier and Brillante branded small and large baby appliances while the turnover of commercial kitchen products was mainly attributed to the minimum heat efficiency commercial kitchen appliances and some sizable EPC projects.

Review of Operations

EMPLOYEES

As at 31 March 2017, the Group had approx. 2,388 employees and contract workers based in Hong Kong headquarters, Macau office, PRC offices, the Indonesian factory and the U.S. sales office. The number of employees of the Group varies from time to time depending on production needs and they are remunerated based on industry practices.

APPRECIATION

On behalf of the Board, I would like to take this opportunity to express my sincere gratitude to all our long-term business partners for their continuous support over the past year. I would also like to extend my appreciation to our group management and staff for their effort and dedication, despite another challenging year we were facing.

Lei Hong Wai
Chairman and Executive Director
29 June 2017

Management Discussion and Analysis

FINANCIAL REVIEW

During the Year, the Group recorded a decrease in turnover for approx. 10% from HK$353 million for the year ended 31 March 2016 to approx. HK$319 million for the year ended 31 March 2017. This decrease is resulting from the substantial decrease in sales of the OEM business segment in toy business. Also, the slowdown of economic growth in the PRC lead to the delay of some sizable EPC projects which adversely affected the turnover in commercial kitchen products segments. The turnover of toy segment decreased from approx. HK$293 million to approx. HK$191 million and the turnover of commercial kitchen products segment decreased from approx. HK$12 million to approx. HK$3 million for the year ended 31 March 2017.

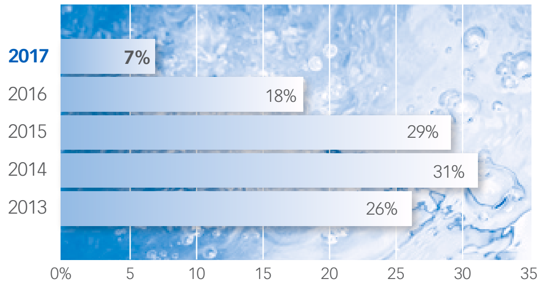
Cost of goods sold ("COGS"), increased approx. 2% compared to the previous financial year. The increase was attributable to the impairment loss on inventories in commercial kitchen products segment and the increase in labour costs, depreciation charges, additional production processes, extraordinary testing and sanitation expenses in toy segment during the Year. The COGS were approx. HK$297 million in FY16/17 compared with approx. HK$290 million in FY15/16.

The gross profit decreased to approx. HK$22 million for the Year versus approx. HK$63 million in FY15/16. Gross profit margin was at approx. 7% (FY15/16: 18%).

Selling and distribution expenses for the year ended 31 March 2017 increased to approx. HK$55 million, representing an increase of approx. 20% against approx. HK$46 million in the Corresponding Period. The increase in selling expenses mainly attributed to the increase in travelling expenses of approx. HK$2 million and marketing expenses of approx. HK$10 million mainly attributed to the consumer electronic segment.

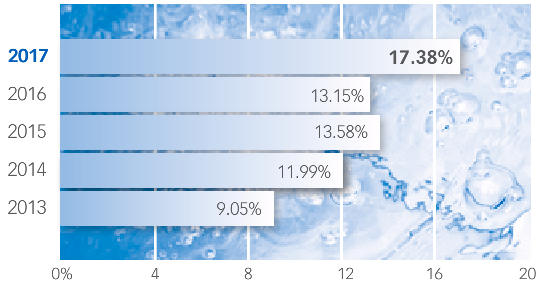
Gross Profit Ratio

For the year ended 31 March



Selling Expense/Turnover

For the year ended 31 March



Management Discussion and Analysis

General and Administrative ("G&A") expenses for the year ended 31 March 2017 amounted to approx. HK$106 million, resulting in an increase of approx. 8% as compared with the previous year (FY15/16: HK$99 million). The increase in G&A expenses mainly attributed to the increase in depreciation costs of approx. HK$1 million, products development costs of approx. HK$2 million and other miscellaneous expenses of approx. HK$5 million.

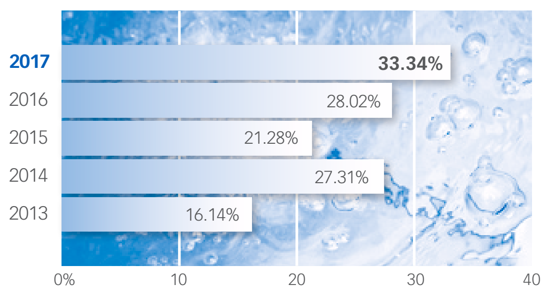
The goodwill of the Group was approx. HK$3 million as at 31 March 2017 compared with approx. HK$61 million in the Corresponding Year. The decrease was because of the impairment loss of HK$56 million in respect of the goodwill arising from the acquisition of Qingdao Ruidi recognised during the Year. Management will constantly review the carrying amount of the goodwill from the acquisition.

Finance costs incurred mainly for trade facilities for the toy segment during the Year under review was approx. HK$3 million as compared with approx. HK$2 million in FY15/16.

All in all, the Group recorded a loss attributable to shareholders of approx. HK$242 million in FY16/17 compared with approx. HK$81 million in FY15/16.

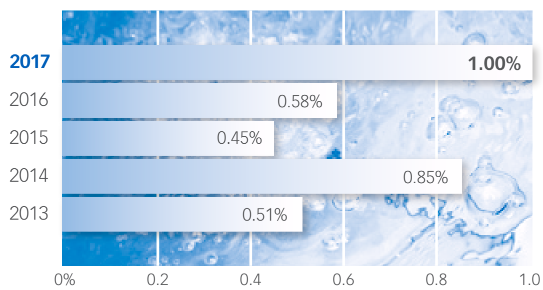
G&A/Turnover

For the year ended 31 March



Finance Costs/Turnover

For the year ended 31 March



Management Discussion and Analysis

GROUP RESOURCES AND LIQUIDITY

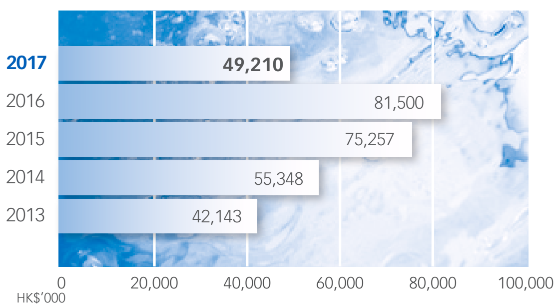
As at 31 March 2017, the non-current assets increased approx. 39% to approx. HK$317 million compare with approx. HK$228 million in the previous year. The increase in non-current assets was mainly due to the subscription of shares of Global Mastermind Holdings Limited and Global Mastermind Capital Limited which was classified as available-for-sale investments amounted to approx. HK$174 million during the Year.

Goodwill was approx. HK$3 million as at 31 March 2017. The impairment loss of approx. HK$56 million in respect of the goodwill arising from the acquisition of Qingdao Ruidi was recognised during the Year.

Management placed much emphasis on inventory control and will only authorise purchases in line with sales orders. The decrease in sales in toy segment led to the decrease in inventories of approx. 40% compared to the Corresponding period, value of stock decreased from approx. HK$82 million as at 31 March 2016 to approx. HK$49 million as at 31 March 2017. These stock are held mainly in the Indonesian factory, the PRC offices and by an independently managed warehouse in the US. Stock turnover days were lower at 81 days compared with 104 days in the Corresponding Period due to the sales decline during the Year.

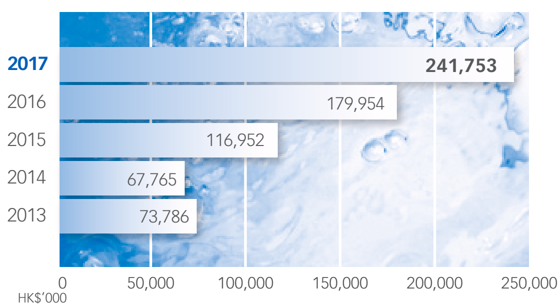
Inventories

As at 31 March



Total Liabilities

As at 31 March



Management Discussion and Analysis

The trade receivables recorded a decrease of approx. 51% as at 31 March 2017 to approx. HK$23 million, compared with approx. HK$47 million as at 31 March 2016. During the year, an impairment loss of approx. HK$9 million was recognised because the receivables mainly from the commercial kitchen segment were long overdue and the recoverability is consider remote. Debtor turnover days were lower at 40 days in FY16/17 compared with 58 days in FY15/16. During the Year, the top 5 customers accounted for approx. 37% of the Group's turnover, compared to approx. 61% in the previous financial year. The Management regularly evaluates the Group's customers, assesses their known financial position and the credit risks.

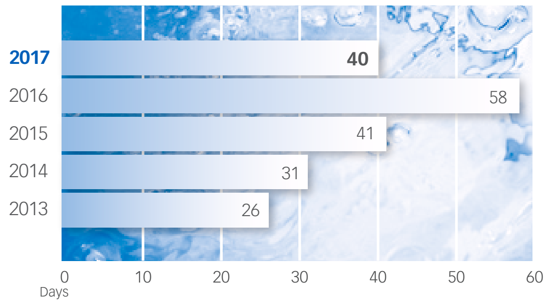
Cash and bank balance as at 31 March 2017 were approx. HK$38 million, compared with approx. HK$126 million as at 31 March 2016. The decrease in cash and balances were mainly due to the subscription of shares in Global Mastermind Holdings Limited and Global Mastermind Capital Limited for approx. HK$112 million and approx. HK$88 million respectively and a refundable deposit of HK$75 million paid in relation to the acquisition of the entire issued share capital of Ace Season Holdings Limited. The Group dealt with different revenue and expenditure currencies during the FY16/17 such as HK$, US$, RMB as well as Indonesian Rupiah.

Trade payables, other payable and accrued charges recorded an increase against the Corresponding Period. Trade payables, other payables and accrued charges were approx. HK$90 million as at 31 March 2017 compared with approx. HK$79 million as at 31 March 2016. The trade payables mainly consisted of payables relating to material purchases and the trading products. During the Year, the Management has increased the bargaining power and credit line with suppliers and it leads to an increase in trade payables. Creditor turnover days increased to 100 days from 61 days at the end of the previous year.

Borrowings under current liabilities increased to approx. HK$64 million as at 31 March 2017 from approx. HK$37 million as at 31 March 2016, mainly attributable to a banking loan and trade facility offered by an Asian financial institution to our Indonesian, Hong Kong and Macau subsidiaries. The trade facility is secured by the Group's corporate guarantee as well as Indonesian property, plant and equipment.

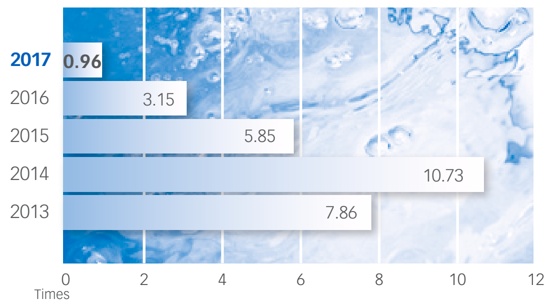
Debtor Turnover Days

As at 31 March



Current Ratio

As at 31 March



Management Discussion and Analysis

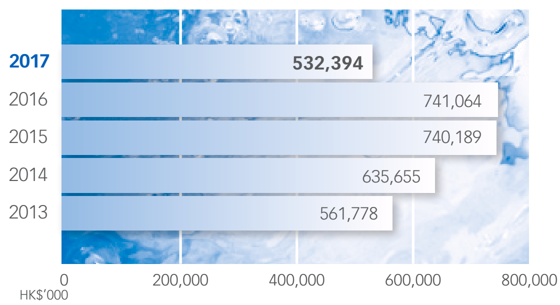
Taking into consideration certain set offs, the total amount due from related companies was approx. HK$15 million, while on the liability section, amount due to related parties which are being classified as current liabilities accounted to approx. HK$67 million. The net current liabilities of the Group to related companies as at 31 March 2017 was approx. HK$52 million.

As at 31 March 2017, the Group had total assets of HK$532 million which was financed by shareholders' fund, payables and financial institutions credit facilities. The Group mainly generated revenue and incurred costs in HK$, US$ and RMB and did not have any related hedges for the year ended 31 March 2017. No financial instrument was used for hedging purpose. The Group adopted a prudent funding and treasury policy and managed the fluctuation exposures of exchange rate and interest rate on specific transactions.

As at 31 March 2017, the Group's total borrowings amounted to approx. HK$64 million which was repayable on demand or within one year. All borrowings were denominated in either HK$, Rupiah or US$ and bore interest at floating rates. As at 31 March 2017, the Group recorded total current assets of approx. HK$215 million and total current liabilities of approx. HK$224 million. The current ratio of the Group, calculated by dividing the total current assets by total current liabilities, was 96%. The Group recorded a decrease in shareholders' funds from approx. HK$561 million as at 31 March 2016 to approx. HK$291 million as at 31 March 2017. The decrease mainly due to the Group suffering losses from its operations and the impairment loss on goodwill, available-for-sale investments, trade and other receivables and inventories during the Year.

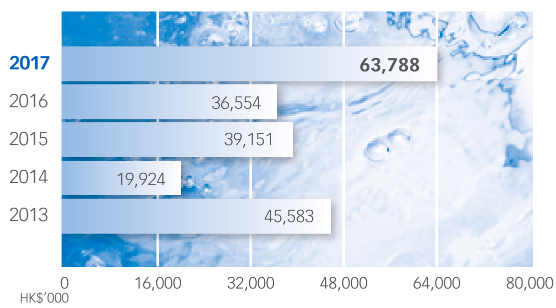
Total Assets

As at 31 March



Bank Borrowings

As at 31 March



Save as aforesaid or as otherwise disclosed herein, the Group did not have any debt securities issued and outstanding, or authorised or otherwise created but unissued, any term loans (secured, unsecured, guaranteed or not), any other borrowings or indebtedness in the nature of borrowing including bank overdrafts and liabilities under acceptances (other than normal trade bills) or acceptance credits, any mortgages or charges, or other material contingent liabilities or guarantee at the close of business on 31 March 2017. Foreign currency amounts have been translated at the approx. exchange rates prevailing at the close of business on 31 March 2017.

The Group's operation relied upon the support from suppliers and financial institutions. Facilities and credit terms are provided on the basis of which certain financial and operational undertakings are complied with. On behalf of the Board, the Directors are of the opinion that, after taking into accounts the Group's internal resources and cash flow from operations, the Group will have sufficient working capital to satisfy its present requirements for the next twelve months from the date of this report in the absence of unforeseen circumstances.

PRINCIPAL RISKS AND UNCERTAINTIES

The Group's financial performance, operations, businesses and prospects may be affected by a number of risks and uncertainties. The following highlights are the principal risks and uncertainties identified by the Group and it is not meant to be exhaustive. There may be other risks and uncertainties which are not known to the Group or which may not be material now but turn out to be material in the future.

Market Risks

The Management has made a strategic decision on toy business to focus on fewer, larger OEM customers with global brands, in which we consider as having the largest global potential. Due to continuous competition from China and other Asian countries, we may not be unable to sell and increase product offerings based on these brands, our future revenue and profits will then decline and our business performance may also be affected.

In addition to continuing to grow and develop our existing OBM brands, successfully executing our brand strategy may also require us to be able to successfully develop other brands and innovative new products to brand status. There is no guarantee that we will be able to do this.

Entertainment media, in forms such as television, motion pictures, digital products, digital shorts, DVD releases and other media, have become increasingly important platforms for consumers to experience OBM brands and our partners' brands and the success, or lack of success, of such media effort can significantly impact the demand for our products and our financial success. Not only our effort but also the effort of third parties will heavily impact the timing of media development, release dates and the ultimate consumer interest in and success of these media effort.

Our commercial kitchen products business is mainly focused on the kitchens within hotels, restaurants, schools and government agencies etc. in the PRC. Due to the economic growth slowdown and uncertainties, any delay or reduction in the number of the related projects will affect our performance during the Year.

Our consumer electronic products business is mainly focused on Haier, Brillante and other international branded childcare products in the PRC. We are facing significant challenge and competition against the peers and potential competitors. The Group may not be able to compete effectively against its competitors, gain or maintain our market share and profit margins. Failure to maintain the Group's competitive position may materially and adversely affect our performance.

Meanwhile, our consumer electronic products business also depends on our ability to innovate and make improvement on the existing products. If we fail to introduce new products or make improvement on the existing products, the Group may not be able to have significant growth.

Economic Risks

Our Group manufactures and markets a wide variety of entertainment, toy and consumer electronic products worldwide through sales to our customers. Our financial performance is impacted by the level of discretionary consumer spending in the markets in which we shipped to. Recessions, credit crisis and other economic downturns or disruptions in credit markets in the United States, the PRC and in other markets in which our products are marketed and sold can result in lower levels of economic activity, lower employment levels, less consumer disposable income and lower consumer confidence. Any of these factors can reduce the amount which consumers spend on the purchase of our products. This in turn can reduce our revenues and harm our financial performance and profitability.

In addition to experiencing potentially lower revenues from our products during times of economic difficulties, in an effort to maintain sales during such times we may need to reduce the price of our products. Those steps may lower our net revenues or increase our costs, thereby decreasing our operating margins and lowering our profitability.

Capital and Financial Risk

Our capital and financial risk management are set out in the Note 37 and Note 38 to the financial statements.

USE OF PROCEEDS

On 6 November 2012, the Company entered into a Placing Agreement relating to placing of new shares. Details of Placing of New Shares and Possible Offer were set out in the Company's announcements dated 19 November 2012 (the "2013 Placing") and the circular of the Company dated 26 February 2013 (the "2013 Placing Circular"). Pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), the 2013 Placing was approved by the Independent Shareholders at the Company's extraordinary general meeting ("EGM") held on 14 March 2013. All conditions precedent to the 2013 Placing as set out in the Placing Agreement has been fulfilled and net proceeds of approx. HK$389 million has been raised upon completion of the Placing on 2 April 2013. As at 31 March 2017, the proceeds from this placing has been fully utilised.

Management Discussion and Analysis

The Company set out below the update on the use of proceeds from the 2013 Placing.

Placing and Net proceeds	Intended use of proceeds from the 2013 Placing as mentioned in the 2013 Placing Announcement and the 2013 Placing Circular	Actual use of proceeds from the 2013 Placing as at the date of this report
The 2013 Placing Approximately HK$389 million	(a) Approximately HK$5 million will be used for the feasibility study of using the Company's current manufacturing and operations facilities or to expand and upgrade the current facilities in Indonesia (if necessary); approximately HK$75 million will be used for carrying out the suggestion made in the feasibility study.	Approximately HK$1 million has been used for the feasibility study. Approximately HK$79 million has been allocated to acquire 195,500,000 shares in a company listed on the Hong Kong Main board with an aim to participate in the business of the company as well as benefiting from the upside of the share price performance through this acquisition.
	(b) (i) Approximately HK$5 million will be used for performing a detail strategic review of the Company's operation;	Approximately HK$2.5 million has been used for performing a detail strategic review of the Company's operation.
	(ii) approximately HK$5 million will be used for the research and development of new lines of products and/or the related brand building or acquisitions, sales, marketing and promotion; and (iii) approximately HK$60 million will be used for the possible acquisition of new product lines.	Approximately HK$42.9 million has been used to set up a company, which is principally engaged in consumer electronic products; and approximately HK$12.7 million has been used to acquire 51% share interest in a company, which is principally engaged in the research and development, marketing & distribution of baby appliances in the PRC. Approximately HK$10.4 million has been used to set up a joint venture company, which is principally engaged in research and development, production, wholesaling, retailing of water purification equipment and accessories, installation and maintenance of water purification equipment and provision of relevant aftersales services in the PRC. The Directors believe that the business segment of baby appliances and water purifiers can complement the Group's existing business while further expand the Group's income base and add value to the shareholders of the Company.

Placing and Net proceeds	Intended use of proceeds from the 2013 Placing as mentioned in the 2013 Placing Announcement and the 2013 Placing Circular	Actual use of proceeds from the 2013 Placing as at the date of this report
		Approximately HK$1.5 million has been allocated to acquire 195,500,000 shares in a company listed on the Hong Kong Main board with an aim to participate in the business of the company as well as benefiting from the upside of the share price performance through this acquisition.
	(c) Approximately HK$150 million will be used for possible acquisitions.	Approximately HK$8 million has been paid as part of the consideration for the acquisition of Notton Limited to enter the commercial kitchen industry. Approximately HK$23.7 million has been used to expand the registered capital of Qingdao Ruidi, the operating subsidiary of Notton in the PRC. Approximately HK$12.5 million has been used to set up a new subsidiary under Qingdao Ruidi for commercial kitchen design, planning and project management. Approximately HK$10 million has been used to acquire 59.976% share interest of Sichuan Yi Fang Kitchen Equipment Co., Ltd. which is principally engaged in research and development, production, sale and installation of commercial kitchen related equipment and accessories in the PRC.
		Approximately HK$95.8 million has been used to acquire 800,000,000 shares in a company listed on the Hong Kong GEM board with an aim to benefit from the upside of the share price performance through this acquisition.

Placing and Net proceeds	Intended use of proceeds from the 2013 Placing as mentioned in the 2013 Placing Announcement and the 2013 Placing Circular	Actual use of proceeds from the 2013 Placing as at the date of this report
	(d) Approximately HK$88 million will be used for the working capital of the Group, of which approximately HK$50 million will be used to support the increase in stock to cope with the organic growth of the business of the Company and the balance of approximately HK$38 million will be used for carrying out the plan as described in (a), (b) or possible acquisition in (c) above.	Approximately HK$32 million has been used for the working capital of the Group. Approximately HK$16.2 million has been allocated to acquire 800,000,000 shares in a company listed on the Hong Kong GEM board with an aim to benefit from the upside of the share price performance through this acquisition. Approximately HK$7.5 million has been used to acquire 195,500,000 shares in a company listed on the Hong Kong Main board with an aim to participate in the business of the company as well as benefiting from the upside of the share price performance through this acquisition. Approximately HK$32.3 million has been paid as part of the deposit to acquire the shares in Ace Season Holdings Limited which principally engaged in the sales of Chinese and other pharmaceutical products, health products, ginseng and dried seafood products to wholesaler and retailer as well as Chinese clinical services.

As disclosed in the announcement of the Company dated 31 May 2013, the Company placed approx. HK$350 million in its private banking account with a Swiss based banking institute and approx. HK$344 million was invested in high yield bonds issued by listed issuers in the open bond market. As at 31 March 2017, all the high yield bonds has been released. As disclosed in the announcements of the Company dated 13 December 2016 and 19 December 2016, the Group has invested in two Hong Kong listed equities by an aggregate subscription cost of HK$199,975,000. The Group would continue to broaden its investment portfolio.

Movements in the Hong Kong listed equities held by the Group during the years ended 31 March 2017 are as follows:

	2017 HK$'000	2016 HK$'000
Carrying amount at 1 April	**199,017**	201,680
Acquisitions	**298,511**	28,166
(Loss)/Gain arising on change in fair value	**(17,269)**	13,168
Disposals	**(269,510)**	–
Redemption	**(39,250)**	(41,116)
Exchange differences	**2,881**	(2,881)
Carrying amount at 31 March	**174,380**	199,017

Details of the Hong Kong listed equities held by the Group at 31 March 2017 are as follows:

Name of Hong Kong listed equities	Number of shares held at 31 March 2017	Fair value at 31 March 2017 HK$'000	Fair value as compared to the consolidated total assets of the Group at 31 March 2017	Impairment loss arising on change in fair value recognised in the year ended 31 March 2017 HK$'000	Loss on other comprehensive income arising on change in fair value recognised in the year ended 31 March 2017 HK$'000
Global Mastermind Holdings Limited (stock code: 8063)	800,000,000	104,000	20%	–	(8,000)
Global Mastermind Capital Limited (stock code: 905)	195,500,000	70,380	13%	(17,595)	–
		174,380		(17,595)	(8,000)

Management Discussion and Analysis

EVENTS AFTER THE DATE OF THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

1. As announced on 29 March 2017, the Company has signed a sale and purchase agreement to acquire the entire issued share capital of Ace Season Holdings Limited and the related shareholder's loan at an aggregate consideration of HK$85 million (the "Acquisition"). As at the date of this report, the Acquisition has yet to complete. For more details, please refer the Company's announcement dated 29 March 2017 and the Company's circular dated 9 June 2017 in relation to the Acquisition.

2. On 2 May 2017, the Company had allotted and issued a total of 363,636,363 shares of the Company to a subscriber under the general mandate of the Company with net proceeds of approx. HK$59.9 million. The proceeds intended to be used by the Company for (i) the Acquisition and/or (ii) general working capital.

3. On 12 June 2017, the Company had placed and issued a total of 819,914,000 shares of the Company at the placing price of HK$0.14 per share of the Company to not less than six placees under the general mandate of the Company with net proceeds of approx. HK$110 million (the "Placing"). The Company intends to apply: (i) approx. HK$95 million of the proceeds from the Placing on future investment opportunities; and (ii) approx. HK$15 million of the proceeds from the Placing as general working capital required for the development of the trading and retail business of 參茸 (Sum Yung) and dried seafood products in Hong Kong following the Acquisition.

Corporate Governance Report

CORPORATE GOVERNANCE PRACTICES

The Company is committed to achieving and maintaining a high standard of corporate governance practices as set out in the Corporate Governance Code (the "CG Code") in Appendix 14 to the Listing Rules and the Company has complied with the code provisions set out in the CG Code save for the deviations from code provisions A.2.1 and E.1.2 which are explained in the relevant paragraphs in this Report.

CODE PROVISION E.1.2

Under code provision E.1.2 of the CG Code, the Chairman of the Board should attend the annual general meeting of the Company. The Chairman of the Board was absent from the Company's annual general meeting held on 30 September 2016 due to other business commitments.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding securities transactions by Directors on terms no less exacting than the required standard set out in Appendix 10 to The Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules") (the "Model Code"). The Company has made specific enquiry of its Directors. All Directors confirmed that they have complied with the required standard set out in the Model Code and the code of conduct regarding securities transactions by Directors adopted by the Company throughout the Year under review.

THE BOARD

The Board is responsible for providing leadership and control of the Company and monitoring the performance of the management, approving the financial statements and annual budgets. It focuses on the formulation of business strategy, policy and control. Day-to-day operations of the Company are delegated to the Executive Directors and senior management of the Group. The Board reviews and approves key matters affecting the Company's strategic policies, finances and shareholders, such as financial statements, dividend policy and major corporate activities. Decisions of the Board are communicated to the Management through Executive Directors who have attended Board meetings.

The Board currently comprises five Executive Directors, one Non-executive Director and three Independent Non-executive Directors. There is no relationship (including financial, business, family or other material/relevant relationship) among members of the Board. Their names and brief biographies are set out on pages 44 to 46 of this Annual Report.

The Independent Non-executive Directors are high calibre executives with diversified industry expertise and bring a wide range of skills and experience to the Company. One of the Independent Non-executive Directors possesses recognized professional qualifications in accounting. All Independent Non-executive Directors bring independent judgement on issues of strategy, performance, risk and people through their contribution at Board meetings.

Corporate Governance Report

The Board has received from each Independent Non-executive Director a written annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules. The Board considers that the three Independent Non-executive Directors, representing one-third of the Board, are independent in character and they also meet the independence guidelines as set out in Rule 3.13 of the Listing Rules.

Board meetings are scheduled at approx. quarterly intervals, and additional meetings will be held when required. The Directors have access to all relevant information as well as the advice and services of the Company Secretary of the Company. Independent professional advice may be taken by the Directors as required. There were sixteen Board meetings held during the year ended 31 March 2017.

Independent Non-executive Directors are appointed for a specific term of three years. All Directors are subject to retirement by rotation once every three years and are subject to re-election in accordance with the articles of association of the Company.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The roles of Chairman and Chief Executive Officer have been performed by Mr. Diao Yunfeng since 27 October 2014. Although under code provision A.2.1, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual, the combination of the roles of Chairman and Chief Executive Officer by Mr. Diao is considered to be in the best interests of the Company and its shareholders as a whole. The Board believes that combining the roles of both Chairman and Chief Executive Officer in the same person provides the Company with strong and consistent leadership for both the Board and Management enabling the Company to operate efficiently. The Board considers that such an arrangement will not impair the balance of power and authority between the Board and the Management.

On 11 October 2016, Mr. Diao was re-designated as a Co-Chairman of the Board upon the appointment of Mr. Lei Hong Wai as a Co-Chairman of the Board.

On 27 October 2016, Mr. Diao has resigned as a Co-Chairman of the Board and the Chief Executive Officer of the Company and was re-designated from an executive Director to a non-executive Director. On the same day, Mr. Lei Hong Wai was re-designated from a Co-Chairman to the Chairman of the Board.

Currently, the Board is led by the Chairman, Mr. Lei Hong Wai, and the Vice Chairman, Mr Leung Alex who was appointed on 20 March 2017.

BOARD COMMITTEES

The Board has established three committees, namely the Audit Committee, Remuneration Committee and Nomination Committee, to oversee particular aspects of the Company's affairs. All Board committees of the Company are established with defined written terms of reference. The terms of reference of the Board committees have been posted on the Company's website and the Stock Exchange's website and are available to shareholders upon request.

During the Year, there were changes in the board committees. The date of the event and the change of the committee members are set out on pages 51 to 53 of this Annual Report.

NUMBER OF MEETINGS ATTENDED/HELD

The attendance records of each Director at the meetings of the shareholders, the Board, Audit Committee, Remuneration Committee and Nomination Committee during the Year are set out below:

	Board	Remuneration Committee	Nomination Committee	Audit Committee	2016 Annual General Meeting ("AGM")	EGM
Executive Directors						
Mr. Lei Hong Wai *(Chairman)* [2]	13/13	–	–	–	–	1/1
Mr. Leung Alex *(Vice Chairman)* [10]	3/3	–	–	–	–	–
Mr. Tse Chi Keung[9]	4/4	–	–	–	–	–
Mr. Lee Chan Wah [11]	1/1	–	–	–	–	–
Ms. Lo Ming Wan [12]	1/1	–	–	–	–	–
Mr. Hu Yebi (resigned on 20 March 2017) [1]	11/11	–	–	–	–	0/1
Mr. Cheung Kwok Wai Elton (resigned on 16 December 2016) [6]	9/9	–	–	–	–	1/1
Mr. Leung Lun, M.H. (resigned on 30 March 2017) [16]	13/15	–	–	–	1/1	1/1
Ms. Fang Fang (resigned on 30 March 2017) [5]	14/15	3/3	3/3	–	0/1	1/1
Non-Executive Director						
Mr. Diao Yunfeng[3]	4/16	–	1/3	–	0/1	0/1
Independent Non-executive Directors						
Mr. Wong Tak Chuen [4]	13/13	–	–	1/1	–	1/1
Mr. Lai Hok Lim [7]	9/9	–	–	1/1	–	1/1
Mr. Lien Wai Hung [8]	8/9	–	–	1/1	–	1/1
Mr. Lai Yun Hung (resigned on 11 October 2016) [13]	3/3	3/3	3/3	1/1	1/1	–
Mr. Ye Tian Liu (resigned on 27 October 2016) [14]	1/6	1/3	1/3	1/1	0/1	–
Dr. Ko Peter, Ping Wah (resigned on 27 October 2016) [15]	6/6	3/3	3/3	1/1	1/1	–

Notes:

1. Mr. Hu Yebi was appointed as an executive Director and the Vice Chairman on 5 October 2016. Mr. Hu resigned on 20 March 2017.

2. Mr. Lei Hong Wai was appointed as an executive Director and Co-Chairman, a member of the nomination committee and the remuneration committee on 11 October 2016. Mr. Lei was re-designated from a Co-Chairman to Chairman of the Board and appointed as the chairman of the nomination committee on 27 October 2016.

3. Mr. Diao Yunfeng was re-designated as a Co-Chairman of the Board on 11 October 2016. Mr. Diao resigned as a Co-Chairman and Chief Executive Officer, a member and the chairman of the nomination committee and re-designated from an executive Director to a non-executive Director on 27 October 2016.

4. Mr. Wong Tak Chuen was appointed as an independent non-executive Director, a member and the chairman of the audit committee, a member of the nomination committee and the remuneration committee on 11 October 2016.

5. Ms. Fang Fang resigned as a member of nomination committee and the remuneration committee on 11 October 2016. Ms. Fang resigned as executive Director on 30 March 2017.

6. Mr. Cheung Kwok Wai Elton was appointed as an executive Director on 11 October 2016. Mr. Cheung resigned on 16 December 2016.

7. Mr. Lai Hok Lim was appointed as independent non-executive Director, a member of the audit committee and the nomination committee, and a member and the chairman of the remuneration committee on 27 October 2016.

8. Mr. Lien Wai Hung was appointed as independent non-executive Director, a member of audit committee, the nomination committee and the remuneration committee on 27 October 2016.

9. Mr. Tse Chi Keung was appointed as an executive Director on 16 December 2016.

10. Mr. Leung Alex was appointed as an executive Director and the Vice Chairman on 20 March 2017.

11. Mr. Lee Chan Wah was appointed as an executive Director on 30 March 2017.

12. Ms. Lo Ming Wan was appointed as an executive Director and the company secretary on 30 March 2017.

13. Mr. Lai Yun Hung resigned as an independent non-executive Director, a member and the chairman of the audit committee and a member of the nomination committee and the remuneration committee on 11 October 2016.

14. Mr. Ye Tian Liu resigned as an independent non-executive Director, a member of the audit committee and the nomination committee, and a member and the chairman of the remuneration committee on 27 October 2016.

15. Dr. Ko Peter, Ping Wah resigned an independent non-executive Director and a member of the audit committee, the nomination committee and the remuneration committee on 27 October 2016.

16. Mr. Leung Lun resigned as an executive Director and a member of the remuneration committee on 30 March 2017.

17. During the year ended 31 March 2017, the Company convened one EGM on 15 December 2016.

CONTINUOUS PROFESSIONAL DEVELOPMENT OF DIRECTORS

To assist Directors' continuing professional development, the Company recommends Directors to attend relevant seminars to develop and refresh their knowledge and skills to ensure that their contribution to the Board remains informed and relevant. During the year ended 31 March 2017, the Directors have participated in continuous professional development programmes, such as external seminars organised by qualified professionals, to develop and refresh their knowledge and skills in relation to their contribution to the Board. A record of the training received by the respective Directors are kept and updated by the Company.

The Directors also understand the importance of continuous professional development and are committed to participating any suitable training to develop and refresh their knowledge and skills.

According to the records provided by the Directors to the Company pursuant to the CG Code, all Directors have participated in appropriate continuous professional development activities during the Year under review. The individual training record of each Director for the year ended 31 March 2017 is summarised below:

	Directors' duties and responsibilities/ Corporate Governance/ Updates on Laws, Rules and Regulations			Business related/Accounting/ Financial/Management or other professional skills	
	Reading materials	Attending seminars/ conferences	In-house briefings	Reading materials	Attending seminars/ conferences
Executive Directors					
Mr. Lei Hong Wai *(Chairman)*	✓	✓	✓	✓	✓
Mr. Leung Alex *(Vice Chairman)*	✓	✓	✓	✓	✓
Mr. Tse Chi Keung	✓	✓	✓	✓	✓
Mr. Lee Chan Wah	✓	✓	✓	✓	✓
Ms. Lo Ming Wan	✓	✓	✓	✓	✓
Mr. Hu Yebi (resigned on 20 March 2017)	✓	✓	✓	✓	✓
Mr. Cheung Kwok Wai Elton (resigned on 16 December 2016)	✓	✓	✓	✓	✓
Mr. Leung Lun, M.H. (resigned on 30 March 2017)	✓	✓	✓	✓	✓
Ms. Fang Fang (resigned on 30 March 2017)	✓	✓	✓	✓	✓
Non-Executive Director					
Mr. Diao Yunfeng	✓	✓	✓	✓	✓
Independent Non-executive Directors					
Mr. Wong Tak Chuen	✓	✓	✓	✓	✓
Mr. Lai Hok Lim	✓	✓	✓	✓	✓
Mr. Lien Wai Hung	✓	✓	✓	✓	✓
Mr. Lai Yun Hung (resigned on 11 October 2016)	✓	✓	✓	✓	✓
Mr. Ye Tian Liu (resigned on 27 October 2016)	✓	✓	✓	✓	✓
Dr. Ko Peter, Ping Wah (resigned on 27 October 2016)	✓	✓	✓	✓	✓

DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

The Company has established a formal and transparent procedure for formulating policies on remuneration of Directors and senior management of the Company. Details of the remuneration of each of the Directors for the year ended 31 March 2017 are set out in Note 14 to the consolidated financial statements.

The details of the five individual with highest emoluments are set out in Note 14(b) to the consolidated financial statements.

The remuneration of the members of senior management by band are set out in Note 14(c) to the consolidated financial statements.

REMUNERATION COMMITTEE

The Company has established a Remuneration Committee in 2005. The Remuneration Committee currently consists of three Independent Non-executive Directors, namely Mr. Lai Hok Lim, Mr. Wong Tak Chuen and Mr. Lien Wai Hung and the Chairman, Mr. Lei Hong Wai. Mr. Lai Hok Lim is the Chairman of the Remuneration Committee. The function of the Remuneration Committee is to review and make recommendations to the Board on the Company's remuneration policy for all remuneration of Directors and senior management. The fees of the Non-executive Directors (including the Independent Non-executive Directors) are determined by the Board.

All members of the Remuneration Committee met three times during the year ended 31 March 2017 for a proposal on remuneration packages and employment contracts for submission to the Board for approval.

The Company adopts a competitive remuneration package for its employees. Promotion and salary increments are assessed based on a performance related basis in order to attract, retain and motivate talented executives/ employees to strive for future developments and expansion of the Company. To provide the Company with a flexible means of giving incentive to rewarding, remunerating, compensating and/or providing benefits to the executives/employees, a share option scheme was adopted by the Company in 2012. Details of the 2012 share option scheme are set out on pages 41 to 43 of this Annual Report.

NOMINATION COMMITTEE

The Company has established a Nomination Committee in 2006. The Nomination Committee currently consists of three Independent Non-executive Directors, namely Mr. Lai Hok Lim, Mr. Wong Tak Chuen and Mr. Lien Wai Hung and the Chairman, Mr. Lei Hong Wai. Mr. Lei Hong Wai is the Chairman of the Nomination Committee. The function of the Nomination Committee is to review the structure, size and composition (including the skills, knowledge and experience) of the Board on a regular basis and make recommendations to the Board regarding any proposed changes to complement the Group's corporate strategy.

The Company adopted a policy on board diversity on 25 June 2013. The review of effectiveness of the Board Diversity Policy was conducted by the Board and all findings are satisfactory.

In assessing the Board composition, the Nomination Committee will consider various aspects set out in the Board Diversity Policy, including but not limited to gender, age, cultural and educational background, ethnicity, professional qualifications, skills, knowledge, industry and regional experience and length of service.

On selection of candidates for directorship of the Company, the Nomination Committee would consider the candidate's character, qualifications, experience, independence and other relevant criteria necessary to complement the corporate strategy and achieve Board diversity. All appointment will be based on merit and contribution that the selected candidates would bring to the Board.

During the year ended 31 March 2017, the Nomination Committee conducted an annual review of the structure, size and composition of the Board and the independence pursuant to code provision A.5.2 of the CG Code.

During the year ended 31 March 2017, the Nomination Committee held three meetings.

AUDIT COMMITTEE

Pursuant to the Listing Rules, an Audit Committee was established on 14 March 2000. The Audit Committee currently consists of three Independent Non-executive Directors, namely Mr. Wong Tak Chuen, Mr. Lai Hok Lim and Mr. Lien Wai Hung. Mr. Wong Tak Chuen is the Chairman of the Audit Committee. The Chairman of the Audit Committee has appropriate professional qualifications and experience in financial matters.

By reference to "A Guide for the Formation of An Audit Committee" published by the Hong Kong Institute of Certified Public Accountants, written terms of reference which describe the authority and duties of the Audit Committee were prepared and adopted by the Board since the date of establishment. The principal activities of the Audit Committee include the review and supervision of the Group's financial reporting process (including the preparation of the interim and annual results, internal controls and corporate governance).

Two Audit Committee Meetings were held with full attendance during the year ended 31 March 2017 to review the interim and annual financial results and reports, financial reporting, report on the Company's internal control and risk management review and processes and the re-appointment of the external auditors.

The Company's annual results for the year ended 31 March 2017 has been reviewed by the Audit Committee.

The Audit Committee also met the external auditors twice during the year ended 31 March 2017 in the absence of the Executive Directors.

CORPORATE GOVERNANCE FUNCTIONS

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

The Board has reviewed and is satisfied with the Company's corporate governance policies and practices, training and continuous professional development of Directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, the compliance of the Model Code and the Company's compliance with the CG Code and disclosure in this Corporate Governance Report.

AUDITORS' REMUNERATION

During the year ended 31 March 2017, the remuneration paid or payable to the independent auditors for the audit services amounted to approx. HK$2,387,000 and non-audit services amounted to approx. HK$19,600.

FINANCIAL REPORTING

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 Directors acknowledge their responsibility for preparing the financial statements as set out on pages 68 to 152. The statement of the external auditors about its reporting responsibilities on the financial statements is set out on pages 63 to 67.

The Directors confirm that, to the best of their knowledge, information and belief, having made all reasonable enquiries, they are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

INTERNAL CONTROL AND RISK MANAGEMENT

The Board acknowledges that it has overall responsibility for the design and implementation of internal controls and risk management which covers financial reporting, operations, compliance and risk management of the Company, as well as continuous monitoring the effectiveness of such internal controls and risk management. The Board has delegated such responsibility to the management of the Company. The management, under the supervision of the Board, has established an on-going process for identifying, evaluating and managing significant risks faced by the Group.

The Audit Committee reviews the internal controls and risk management that are significant to the Group on an on-going basis. The Audit Committee also considers the adequacy of resources, qualifications and experience of staff of the Group's accounting and financial reporting function, as well as their training programmes and budgets.

(a) the process used to identify, evaluate and manage significant risks

The processes used to identify, evaluate and manage significant risks by the Group are summarised as follows:

Risk Identification

- Identifies risks that may potentially affect the Group's business and operations.

Risk Assessment

- Assesses the risks identified by using the assessment criteria developed by the management; and
- Considers the impact and consequence on the business and the likelihood of their occurrence.

Risk Response

- Prioritises the risks by comparing the results of the risk assessment; and
- Determines the risk management strategies and internal control processes to prevent, avoid or mitigate the risks.

Risk Monitoring and Reporting

- Performs ongoing and periodic monitoring of the risk and ensures that appropriate internal control processes are in place;
- Revises the risk management strategies and internal control processes in case of any significant change of situation; and
- Reports the results of risk monitoring to the management and the Board regularly.

(b) the main features of the risk management and internal control systems

Control procedures have been designed to safeguard assets against misappropriation and disposition; ensure compliance with relevant laws, rules and regulations; ensure proper maintenance of accounting records for provision of reliable financial information used within the business or for publication; and to provide reasonable assurance against material misstatement, loss or fraud.

(c) an acknowledgement by the board that it is responsible for the risk management and internal control systems and reviewing their effectiveness. It should also explain that 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

The Board is responsible for the risk management and internal control systems of the Company and reviewing their effectiveness. The Board oversees the overall risk management of the Group and endeavours to identify, control impact of the identified risks and facilitate implementation of coordinated mitigating measures. The risk management and internal control systems of the Company are designed to manage rather than eliminate the risk of failures to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

(d) the process used to review the effectiveness of the risk management and internal control systems and to resolve material internal control defects

The Company does not have an internal audit function and is currently of the view that there is no immediate need to set up an internal audit function within the Group in light of the size, nature and complexity of the Group's business. It was decided that the Board would be directly responsible for internal control of the Group and for reviewing its effectiveness.

The Board has engaged APAC Compliance Consultancy and Internal Control Services Limited as its risk management and internal control review adviser (the "Adviser") to conduct the annual review of the risk management and internal control systems for the year ended 31 March 2017. Such review is conducted annually and cycles reviewed are under rotation basis. The scope of review was previously determined and approved by the Board. The Adviser has reported findings and areas for improvement to the Audit Committee and management. The Board/Audit Committee are of the view that there are no material internal control defeats noted. All recommendations from the Adviser are properly followed up by the Group to ensure that they are implemented within a reasonable period of time. The Board therefore considered that the risk management and internal control systems are effective and adequate.

(e) the procedures and internal controls for the handling and dissemination of inside information

An information disclosure policy is in place to ensure potential inside information being captured and confidentiality of such information being maintained until consistent and timely disclosure are made in accordance with the Listing Rules. The policy regulates the handling and dissemination of inside information, which includes:

- Designated reporting channels from different operations informing any potential inside information to designated departments;
- Designated persons and departments to determine further escalation and disclosure as required; and
- Designated persons authorised to act as spokespersons and respond to external enquiries.

The Board is satisfied that the internal control system in place covering all material controls including financial, operational and compliance controls and risk management functions for the year under review and up to the date of issuance of the annual report is reasonably effective and adequate.

COMPANY SECRETARY

Mr. Mak Yee Chuen, Vincent, is the Company Secretary of the Group and has day-to-day knowledge of the Company's affairs. He reports to the Chairman and the Chief Executive Officer. Mr. Mak has confirmed that he has undertaken no less than 15 hours of relevant professional training during the Year.

On 30 March 2017,Mr. Mak has tendered his resignation as the Company Secretary of the Company. Upon Mr. Mak's resignation, Ms. Lo Ming Wan was appointed as the Company Secretary of the Company.

SHAREHOLDERS' RIGHTS

To safeguard shareholders' interests and rights, a separate resolution is proposed for each substantially separate issue at general meetings, including the election of individual directors. All resolutions put forward at general meetings will be voted on by poll pursuant to the Listing Rules and poll results will be posted on the websites of the Company and of the Stock Exchange after each general meeting.

The procedures for shareholders of the Company to propose a person for election as a Director of the Company are available on the Company's website (www.healthwisehk.com).

Procedures for shareholders to convene extraordinary general meeting and putting forward proposal at general meeting

There are no provisions allowing shareholders to propose new resolutions at the general meetings under the Cayman Islands Companies Law (2012 Revision) (the "Law"). However, shareholders are requested to follow Article 72 of the Articles of Association (the "Articles") of the Company. Pursuant to Article 72 of the Articles of the Company, general meetings shall be convened on the written requisition of any two or more members of the Company, or on the written requisition of any one member which is a recognised clearing house, deposited at the registered office specifying the objects of the meeting and signed by the requisitionists, provided that such requisitionists held as at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company which carries the right of voting at general meetings of the Company. Such meeting shall be held within two months after the deposit of such requisition. If the Board does not within 21 days from the date of deposit of the requisition proceed duly to convene the meeting, the requisitionists themselves or any of them representing more than one-half of the total voting rights of all of them, may convene the general meeting in the same manner, as nearly as possible, as that in which meetings may be convened by the Board provided that any meeting so convened shall not be held after the expiration of three months from the date of deposit of the requisition, and all reasonable expenses incurred by the requisitionists as a result of the failure of the Board shall be reimbursed to them by the Company.

PUTTING FORWARD ENQUIRIES TO THE BOARD

For putting forward any enquiries to the Board of the Company, shareholders may send written enquiries to the Company. The Company will not normally deal with verbal or anonymous enquiries.

Contact details

Shareholders may send their enquiries or requests as mentioned above to the Company:

Address:	Unit 3811, Shun Tak Centre, West Tower, 168-200 Connaught Road Central, Hong Kong (For the attention of the Company Secretary)
Fax:	(852) 2369 0981

For the avoidance of doubt, shareholders must deposit and send the original duly signed written requisition, notice or statement, or enquiry (as the case may be) to the above address and provide their full name, contact details and identification in order to give effect thereto. Shareholders' information may be disclosed as required by law.

INVESTOR RELATIONS

The Company highly values its relationship with its shareholders and other stakeholders. It has put in place an effective corporate communication system which provides transparent, regular and timely public disclosures to its shareholders and other stakeholders. The main features of the system are as follows:

- The Company maintains a corporate website (www.healthwisehk.com) on which comprehensive information about the Group, including core business, financial reports, public announcements, circulars and news of the Group, is disclosed. Shareholders can obtain corporate communication electronically via the Company's website.

- The Company establishes and maintains different communication channels with its shareholders and other stakeholders through annual reports, interim reports and other publication.

- AGM provides a useful forum for shareholders to exchange views with the Board. The respective chairmen of the Board and Audit, Remuneration and Nomination Committees (or in the absence of the chairmen of such Committees, another member of each Committee or failing this his duly appointed delegate) will endeavor to be available to answer questions raised by shareholders.

- Separate resolutions are proposed at general meetings for each substantially separate issue, including the election of individual Directors.

- Details of the proposed resolutions to be put forward at a general meeting are, where necessary or appropriate, included in a circular to the shareholders dispatched prior to the date of the relevant general meeting.

- All resolutions put to the vote of a general meeting are taken by poll. The poll results are published on the Stock Exchange's website at www.hkexnews.hk and on the Company's website in accordance with Rule 13.39(5) of the Listing Rules.

In addition, the Company has established the Investor Relations Department with designated senior management for maintaining regular dialogue with institutional investors and analysts to keep them abreast of the Company's developments. Enquiries from shareholders and other stakeholders are dealt with in an informative and timely manner.

Shareholders and other stakeholders may write directly to the Company at its principal place of business in Hong Kong for any enquiries.

Report of the Directors

The Directors submit their report together with the audited financial statements for the year ended 31 March 2017.

PRINCIPAL ACTIVITIES AND GEOGRAPHICAL ANALYSIS OF OPERATIONS

The principal activity of the Company is investment holding. The principal activities of its subsidiaries are development, engineering, manufacturing and sale of toys, commercial kitchen and consumer electronic products.

An analysis of the Group's turnover and segment information is set out in Note 6 to the financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the Year are set out in the consolidated statement of profit or loss and other comprehensive income on page 68.

BUSINESS REVIEW

The business review of the Group for the year ended 31 March 2017 is set out in Review of Operations and Management Discussion and Analysis on pages 9 to 24.

The Company has complied with all the relevant laws and regulations that have a significant impact on the Company. The Company will seek professional legal advice from legal advisers, where necessary, to ensure transactions and business to be performed by the Company are in compliance with the applicable laws and regulations.

DIVIDENDS

The Directors do not recommend any dividend in respect of the year ended 31 March 2017 (2016: Nil).

RESERVES

Movements in the reserves of the Group and of the Company during the Year are set out in page 71 and Note 32 to the financial statements.

SHARE CAPITAL

Details of the movements in share capital of the Company during the year ended 31 March 2017 are set out in Note 29 to the financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in Property, plant and equipment are set out in Note 15 to the financial statements.

EMOLUMENT POLICY

The Group's emolument policies are based on the salaries paid by comparable companies, employment conditions and responsibilities, and individual performance of the Directors, senior management and general staff and are reviewed by the Remuneration Committee periodically.

The emoluments of the Directors are recommended by the Remuneration Committee and are decided by the Board, having regard to the salaries paid by comparable companies, time commitment and responsibilities, and employment conditions elsewhere in the Group.

The Company has adopted a share option scheme to provide a flexible and effective means of incentivising, rewarding, remunerating, compensating to eligible participants who contribute the success of the Group. Details of the schemes are set out in the paragraph headed "Share Option Scheme" below and Note 30 to the financial statements.

None of the directors waived any emoluments during the year ended 31 March 2017.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Tuesday, 5 September 2017 to Friday, 8 September 2017 (both days inclusive), during which period no transfer of shares will be effected. In order to determine the entitlement to attend and vote at the 2017 AGM of the Company to be held on Friday, 8 September 2017, all transfers accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Abacus Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Monday, 4 September 2017.

INFORMATION ON SUBSIDIARIES

Particulars of the subsidiaries are set out in Note 18 to the financial statements.

FIVE YEARS FINANCIAL SUMMARY

The following is a summary of the consolidated results, assets and liabilities of the Group for each of the last five years ended 31 March 2017.

	2017	2016	2015	2014	2013
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Revenue	**319,221**	352,799	389,427	193,664	209,341
(Loss)/profit before income tax	**(263,838)**	(94,044)	16,957	2,608	1,181
Income tax credit/(expense)	**1,220**	106	(10,423)	687	1,048
(Loss)/profit for the year	**(262,618)**	(93,938)	6,534	3,295	2,229
Attributable to:					
Owners of the Company	**(241,937)**	(81,324)	17,037	5,287	2,229
Non-controlling interests	**(20,681)**	(12,614)	(10,503)	(1,992)	–
	(262,618)	(93,938)	6,534	3,295	2,229
Total assets	**532,394**	741,064	740,189	635,655	561,778
Total liabilities	**241,753**	179,954	116,952	67,765	73,786
Total equity	**290,641**	561,110	623,237	567,890	487,992

DISTRIBUTABLE RESERVES

As at 31 March 2016 and 2017, in the opinion of the directors, the Company has no distributable reserves.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

SHARE OPTION SCHEME

On 14 September 2012, the shareholders of the Company approved the adoption of a share option scheme ("the Scheme").

Details of the Scheme are as follows:

(1) Purpose

To provide a flexible and effective means of incentivising, rewarding, remunerating, compensating, to eligible participants who contribute the success of the Group.

(2) Eligible persons

Any person who is an employee (whether full time or part time) holding salaried office or employment under a contract of employment or service contract or terms of employment ("Contract") with the Group or is a Director (including executive and non-executive directors) of the Group or any adviser, consultant, agent, contractor, customer and supplier of any member of the Group or any subsidiaries of the Company.

(3) Maximum number of shares

The scheme mandate limit of the Scheme was approved by a shareholders' resolution passed in the EGM of the Company held on 14 September 2012, details of which have been set out in the circular dated 29 August 2012. Accordingly, the maximum number of shares available for issue under the Scheme is 345,775,799, representing 10% of the issued ordinary share capital of the Company as at the date of the EGM.

The total number of Shares which may be issued upon exercise of all outstanding Options granted and yet to be exercised under the Scheme and all outstanding options granted and yet to be exercised under any other Scheme shall not exceed 30% of the shares in issue from time to time. No options may be granted under the Scheme and no options may be granted under any other Schemes if this will result in the limit being exceeded. Subject to specific approval of the shareholders of the Company, the 10% limit may be refreshed with reference to the date of such specific approval of the shareholders of the Company.

(4) Maximum entitlement of each eligible person

Unless approved by shareholders, the total number of shares issued and to be issued upon exercise of the share options granted to each eligible person in any 12-month period must not exceed 1% of the shares of the Company in issue.

(5) Time of exercise of option

An option may be exercised during the periods to be determined and notified by the Directors to the grantees at the time of making offers to grant share options to them provided that such periods shall not exceed the period of ten years from the date of offer.

(6) Acceptance of offers

Offers for the grant of share options must be accepted within 21 days after the offer date. Offers for grant of share options have to be accepted together with remittance in favour of the Company of HK$1.00.

(7) Basis of determining the option exercise price

The subscription price for the Shares under the Scheme shall be a price determined by the Directors at its discretion, provided that it shall not be less than the whichever is the highest of (i) the closing price of the shares as stated in the daily quotation sheets issued by the Stock Exchange on the date of offer; (ii) the average closing price of the shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the offer date; and (iii) the nominal value of the shares. Details of the scheme are set out in the circular of the Company dated 29 August 2012.

(8) The remaining life of the Scheme

The Scheme will remain in force until 14 September 2022, being the date which falls ten years after the date of adoption of the Scheme.

Details of the share options movement and outstanding as at 31 March 2017 have been disclosed in Note 30 to the financial statements.

SHARE OPTION SCHEME

The Company operates a share option scheme (the "Scheme") for 10 years from 14 September 2012 to 14 September 2022 and for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operation. Further details of the Scheme are set out in the circular of the Company date 29 August 2012.

On 13 May 2014, share options of 100,000,000 were granted by the Company to the senior management and employees of the subsidiaries and associate, and consultants at exercise price HK$0.87 per share.

The following table lists the details of movement in the options granted and outstanding under the Scheme during the Period:

	Number of share options									
Category of participants	Outstanding as at 1 April 2016	Granted during the Period	Exercised during the Period	Forfeited during the Period	Outstanding as at 31 March 2017	Exercise price HK$	Closing price immediately before the date of grant HK$	Weighted average closing price immediately before exercise HK$	Date of grant	Exercise period
Senior management of the subsidiaries and associate (Note 1)	25,000,000	–	–	(20,842,400)	4,157,600	0.87	0.86	–	13 May 2014	13 May 2015 – 12 May 2017
Employees of the subsidiaries and associate (Note 1)	24,000,000	–	–	(20,512,000)	3,488,000	0.87	0.86	–	13 May 2014	13 May 2015 – 12 May 2017
Consultants (Note 1)	51,000,000	–	–	(47,380,000)	3,620,000	0.87	0.86	–	13 May 2014	13 May 2015 – 12 May 2017
Total	100,000,000	–	–	(88,734,400)	11,265,600					

Note:

1. The options are vested in two tranches in the proportion of 40% and 60% on 13 May 2015 and 13 May 2016 respectively.

Report of the Directors

DIRECTORS

The Directors during the year ended 31 March 2017 and up to the date of this report were:

Executive Directors:
Mr. Lei Hong Wai *(Chairman)*
Mr. Leung Alex *(Vice Chairman)*
Mr. Tse Chi Keung
Mr. Lee Chan Wah
Ms. Lo Ming Wan
Mr. Cheung Kwok Wai Elton (Resigned on 16 December 2016)
Mr. Hu Yebi (Resigned on 20 March 2017)
Mr. Leung Lun, M.H. (Resigned on 30 March 2017)
Ms. Fang Fang (Resigned on 30 March 2017)

Non-executive Director:
Mr. Diao Yunfeng (Re-designated as Co-Chairman on 11 October 2016,
Re-designated as non-executive Director on 27 October 2016)

Independent Non-executive Directors:
Mr. Wong Tak Chuen
Mr. Lai Hok Lim
Mr. Lien Wai Hung
Mr. Lai Yun Hung (Resigned on 11 October 2016)
Mr. Ye Tian Liu (Resigned on 27 October 2016)
Dr. Ko Peter, Ping Wah (Resigned on 27 October 2016)

In accordance with Article 116 of the Company's Articles, the Directors retiring by rotation at the 2017 AGM are Mr. Lei Hong Wai, Mr. Diao Yunfeng and Mr. Wong Tak Chuen. They will retire and, being eligible, offer themselves for re-election as Directors at the Annual General Meeting.

Biographical details of Directors and senior management are set out as follows:

Executive Directors

Mr. Lei Hong Wai, aged 49, has over 14 years of extensive experience in corporate management, investment and business development. Mr. Lei is currently the chairman of the board of directors and an executive director of Eternity Investment Limited ("Eternity"), a company listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") under stock code: 764. Mr. Lei is also currently the chairman of the board of directors and an executive director of Man Sang International Limited ("Man Sang"), a company listed on the Main Board of the Stock Exchange under stock code: 938. During the period from 10 April 2014 to 2 September 2015, Mr. Lei was the chairman of the board of directors and an executive director of Huanxi Media Group Limited ("Huanxi Media"), a company listed on the Main Board of the Stock Exchange under stock code: 1003 and formerly known as 21 Holdings Limited. In 2002, Mr. Lei was a director of The Chamber of Hong Kong Listed Companies Limited, which promotes interaction amongst its members which are listed companies in Hong Kong and the People's Republic of China.

Mr. Leung Alex, aged 38, obtained his Bachelor of Commerce degree from the University of Auckland, New Zealand in May 2000. Mr. Leung had worked in two international accounting firms from December 2000 to February 2012. He is a fellow member of both the Hong Kong Institute of Certified Public Accountants and the CPA Australia. He has more than 17 years of experience in auditing, accounting and corporate management as well as in the field of corporate finance, mergers and acquisition matters, financial and accounting management, corporate governance and compliance affairs. Mr. Leung is currently the chief financial officer, the company secretary and an executive director of Man Sang and an executive director of Affluent Partners Holdings Limited (a company listed on the Main Board of the Stock Exchange under stock code: 1466 and formerly known as Man Sang Jewellery Holdings Limited).

Mr. Tse Chi Keung, aged 36, obtained his Bachelor Degree of Accounting from The Hong Kong Polytechnic University in 2005. He is a member of the Hong Kong Institute of Certified Public Accountants. He has more than 11 years of experience in auditing, accounting and financial management gained from certain senior positions in an international accounting firm in Hong Kong and a company listed on the Main Board of the Stock Exchange in Hong Kong.

Mr. Lee Chan Wah, aged 48, obtained his Bachelor of Business Administration degree from the Hong Kong Baptist University. He is a member of the Hong Kong Institute of Certified Public Accountants and a member of the Association of Chartered Certified Accountants. He has over 20 years of experience in the field of auditing, accounting and finance. Mr. Lee is currently an executive director of SkyNet Group Limited (a company listed on the Growth Enterprise Market of the Stock Exchange under stock code: 8176).

Ms. Lo Ming Wan, aged 31, obtained her Bachelor of Business Administration in Accounting and Economics degree from The Hong Kong University of Science and Technology in 2007. She is a member of the Hong Kong Institute of Certified Public Accountants, The Institute of Chartered Secretaries and Administrators in the United Kingdom and The Hong Kong Institute of Chartered Secretaries. She has over 9 years of experience in auditing, accounting, company secretarial matters and financial management.

Report of the Directors

Non-executive Director

Mr. Diao Yunfeng, aged 44, obtained his EMBA degree from the China Europe International Business School in the People's Republic of China ("PRC") and a bachelor degree from the Southeast University of the PRC.

He was awarded as the "Outstanding Entrepreneur" of Shandong Province. Mr. Diao joined Haier Group in 1995 and is currently the vice president of Haier Group, responsible for the development and management of various emerging segments of Haier Group, including the global home electric appliances, childcare related products and intelligent healthcare products, etc.

Mr. Diao has held a number of senior positions including the director of overseas marketing management of the Haier Group and the general manager of Haier International Business Corporation Limited, and under his leadership, the overseas business of Haier achieved one milestone after another. Mr. Diao has been responsible for the development and planning of the home electric appliances business for Haier since 2011, during which he has established an innovative platform for Haier childcare related products and intelligent healthcare products.

Independent Non-executive Directors

Mr. Wong Tak Chuen, aged 52, has over 26 years of experience in auditing, financial management, mergers and acquisitions gained from certain senior finance related positions in an international accounting firm in Hong Kong, companies listed in Hong Kong and a company listed in the United States of America. He is currently the finance and compliance executive of a company listed on the Main Board of the Stock Exchange. He is a fellow member of both the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants in the United Kingdom, as well as a member of the Institute of Chartered Accountants in England and Wales. Mr. Wong is currently an independent non-executive director of Eternity, Huanxi Media and Man Sang.

Mr. Lai Hok Lim, aged 58, has been a practising solicitor in Hong Kong since 1989. He graduated from the University of Hong Kong with a Bachelor of Arts Degree and holds a Bachelor of Arts (Law) Degree from the University of Sussex in the United Kingdom and a Bachelor of Law Degree from Beijing University in the PRC. Mr. Lai is currently an independent non-executive director of Man Sang.

Mr. Lien Wai Hung, aged 53, has been a practising solicitor in Hong Kong since 1997. Mr. Lien is currently the chairman of the board of directors and an executive director of Zhi Cheng Holdings Limited, a company listed on the Growth Enterprise Market of the Stock Exchange under stock code: 8130.

Company Secretary

Ms. Lo Ming Wan, aged 31, obtained her Bachelor of Business Administration in Accounting and Economics degree from The Hong Kong University of Science and Technology in 2007. She is a member of the Hong Kong Institute of Certified Public Accountants, The Institute of Chartered Secretaries and Administrators in the United Kingdom and The Hong Kong Institute of Chartered Secretaries. She has over 9 years of experience in auditing, accounting, company secretarial matters and financial management.

Senior Management

Mr. Du Yilin, aged 41, is the general manager of the Childcare products. He joined the Haier Group in 1998. Mr. Du has held several senior positions such as the general manager of a branch centre; TV segment distribution channel i.e. Guomei（國美）; household appliances products for Haier Group. Mr. Du has 18 years of experience as senior management in the household appliance industry. He is knowledgeable in the development of domestic and foreign household appliances industry and well-experienced in corporate operations, internal control, sales and marketing, etc. He also has profound management experience in corporate strategic operational planning, building operating platform, developing operating system, integrating marketing planning, developing marketing system and brand management.

Mr. Wang Tian Guang, aged 49, is the general manager of the commercial kitchen business in Haier Ruidi. He joined the Group since May 2015. Mr. Wang has over 23 years of experience in production, design, management and after-sale service in the hotel kitchen and laundry equipment area. He is a college graduate in civil engineering from the Chongqing University.

Mr. Wong, Andy Tze On, aged 50, is the Director responsible for the overall management of the toy business as well as the OEM business development of the Indonesia subsidiary. He is also responsible for compliance, financier relationship and risk management of the toy segment. Mr. Wong holds a business degree in accounting from the Curtin University of Technology, Western Australia. He joined the Group in June 1993. He is a member of the Australian Society of Certified Practising Accountants. Mr. Wong was an executive Director of the Company for the period from August 1997 to September 2014. Mr. Wong served as a committee member of the Hong Kong Trade Development Council Toys Advisory Committee from July 2013 to March 2017.

DIRECTORS’ SERVICE CONTRACTS

All Executive Directors have entered into a service agreement with the Company for an initial term of three year commencing from the date of their first appointment and also subject to the general requirement of retirement by rotation and re-election at each annual general meeting of the Company under the Articles of Association. The service agreement shall continue unless terminated by either party by giving not less than two-month written notice or payment in lieu of notice to determine the same. Under the agreement, the Executive Directors will receive a Director’s fee of HK$120,000 per annum.

The Non-executive Director has entered into a service agreement with the Company for a term of three year commencing from 27 October 2016 and shall continue unless terminated by either party by giving a written notice. Under the agreement, the non-executive Director will receive an annual fee.

None of the Independent Non-executive Directors has entered into written service contract with the Company for a term of three years which will be automatically renewed for another term of three years until it is terminated. According to the verbal arrangements, it may be terminated at any time by the Independent Non-executive Director giving not less than three months’ prior written notice.

Apart from the above, none of the Directors has a service contract with the Company which is not terminable within one year without payment of compensation, other than statutory compensation.

PERMITTED INDEMNITY

Pursuant to the Articles, every Director shall be entitled to be indemnified out of the assets of the Company against all actions, costs, charges, damages, expenses, losses and liabilities which he/she may sustain or incur in the execution of his/her office or otherwise in relation thereto.

The Company has taken out insurance against the liability and costs associated with defending any proceedings which may be brought against Directors of the Group.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

As at 31 March 2017, apart from the Lung Cheong (BVI) Holdings Limited ("Disposal Group"), the Directors were not aware of any business or interest of each Director, management shareholder and their respective associate, that competes or may compete with the business of the Group and any other conflict of interest which any such person have or may have with the Group.

Save as mentioned above, no contracts of significance in relation to the Company's business to which the Company, any of its holding companies or subsidiaries was a party, and in which a Director had a material interest, whether directly or indirectly, or a controlling shareholder or any of its subsidiaries is a party, subsisted at the end of the Year or at any time during the Year.

DIRECTORS' INTERESTS IN EQUITY SECURITIES

As at 31 March 2017, none of the Directors or chief executive of the Company had or was deemed to have any interests or short position in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO), which had been recorded in the register maintained by the Company pursuant to section 352 of the SFO or which had been notified to the Company and the Stock Exchange pursuant to the Model Code.

Apart from the Scheme, at no time during the Period was the Company, its holding companies or its subsidiaries a party to any arrangements to enable the Directors, chief executives of the Company and their associates to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or its associated corporations (within the meaning of Part XV of the SFO).

SUBSTANTIAL SHAREHOLDERS

As at 31 March 2017, the following persons, other than a Director or chief executive of the Company, had an interest in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of Part XV of the SFO:

Name of substantial shareholder	**Number of ordinary shares of HK$0.10 each** (Note 1)	**Capacity**	**Approximate percentage on the issued share capital of the same class of securities**
Eternity Finance Group Limited	800,000,000 (L)	Beneficial owner	13.52%
Riche (BVI) Limited	800,000,000 (L) (Note 2)	Interest in a controlled corporation	13.52%
Eternity Investment Limited	800,000,000 (L) (Note 2)	Interest of controlled corporation	13.52%
Lung Cheong Investment Limited	775,332,240 (L)	Beneficial owner	13.10%
Rare Diamond Limited	775,332,240 (L) (Note 3)	Interest of controlled corporation	13.10%
Mr. Leung Lun, M.H.	775,332,240 (L) (Note 3)	Interest of controlled corporation	13.10%
Mr. Leung Chung Ming	775,332,240 (L) (Note 3)	Interest of controlled corporation	13.10%

Notes:

1. The letter "L" represents the entity's interests in the shares and underlying shares of the Company.

2. These Shares were registered in the name of Eternity Finance Group Limited, a wholly-owned subsidiary of Riche (BVI) Limited, which in turn is wholly-owned by Eternity Investments Limited, the shares of which are listed on the Main Board of the Stock Exchange under stock code: 764.

3. These shares were registered in the name of Lung Cheong Investment Limited, the entire issued share capital of which is wholly-owned by Rare Diamond Limited. Rare Diamond Limited is beneficially owned as to 70% by Mr. Leung Lun, M.H., a former executive Director of the Company, and 30% by Mr. Leung Chung Ming, who is the brother of Mr. Leung Lun, M.H.

Save as disclosed above, as at 31 March 2017, the Directors are not aware of any other person or corporation having an interest or short position in shares and underlying shares of the Company or its associated corporation(s) which would require to be recorded in the register required to be kept by the Company pursuant to section 336 of Part XV of the SFO.

PRE-EMPTIVE RIGHTS

In the event that the Company issues, otherwise than pursuant to the Old Scheme and the Scheme, for cash consideration of any new shares or securities (including options and warrants) in the Company convertible into ordinary shares (the "New Issue Securities"), the holders of the Company's preference shares (the "Preference Shares") are entitled to subscribe, or procure subscribers to subscribe, for all or part of the New Issue Securities. Any New Issue Securities not subscribed for by the holders of Preference Shares may be subscribed for by the holders of ordinary shares in the Company upon terms and conditions no more favourable than those offered to the holder of Preference Shares.

MANAGEMENT CONTRACTS

Other than the contracts of service with the Directors or any persons engaged in the full-time employment of the Group, no contracts concerning the management and administration of the whole or any substantial part of the business of the Group were entered into or existed during the Year.

MAJOR CUSTOMERS AND SUPPLIERS

The percentage of sales and purchases attributable to the Group's largest customers and suppliers are as follows:

	2017 **%**	2016 %
Sales		
– the largest customer	**10**	25
– five largest customers combined	**37**	61
Purchases		
– the largest supplier	**18**	19
– five largest suppliers combined	**53**	40

No Directors or their associates except for Disposal Group (as defined in the Listing Rules) and no shareholders (which to the knowledge of the directors own more than 5% of the Company's share capital) had an interest in the major suppliers or customers noted above.

AUDIT COMMITTEE

The Audit Committee had reviewed (together with the management and external auditor) the accounting principles and policies adopted by the Group and the audited consolidated financial statements for the year ended 31 March 2017.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received from each Independent Non-executive Director an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers that all of the Independent Non-executive Directors are independent.

BOARD OF DIRECTORS

The following changes were made to the composition of the Board and the Board Committees of the Company during the Year and up to the date of this report:

On 5 October 2016:

– Mr. Hu Yebi was appointed as an executive Director and the Vice Chairman of the Company.

On 11 October 2016:

– Ms. Fang Fang resigned as a member of the Nomination Committee and the Remuneration Committee of the Company but Ms. Fang Fang continues to serve the Company as an executive Director.

– Mr. Lai Yun Hung resigned as an Independent Non-executive Director, a member and the chairman of the Audit Committee and a member of the Nomination Committee and the Remuneration Committee of the Company.

– Mr. Lei Hong Wai was appointed as an executive Director, a Co-Chairman of the Board, and a member of the Nomination Committee and the Remuneration Committee of the Company.

– Mr. Diao Yunfeng was re-designated from the Chairman to a Co-Chairman of the Board upon the appointment of Mr. Lei as a Co-Chairman of the Board.

– Mr. Cheung Kwok Wai Elton was appointed as an executive Director of the Company.

– Mr. Wong Tak Chuen was appointed as an Independent Non-executive Director, a member and the chairman of the Audit Committee, and a member of the Nomination Committee and the Remuneration Committee of the Company.

Report of the Directors

On 27 October 2016:

- Mr. Ye Tian Liu resigned as an Independent Non-executive Director, a member of the Audit Committee and the Nomination Committee, and a member and the chairman of the Remuneration Committee of the Company.

- Dr. Ko Peter, Ping Wah resigned as an Independent Non-executive Director, a member of the Audit Committee, the Nomination Committee and the Remuneration Committee of the Company.

- Mr. Diao Yunfeng resigned as a Co-Chairman of the Board and the Chief Executive of the Company, and a member and the chairman of the Nomination Committee of the Company and was re-designated from an executive Director to a Non-executive Director.

- Mr. Lei Hong Wai was re-designated from a Co-Chairman to the Chairman of the Board and appointed as the chairman of the Nomination Committee of the Company.

- Mr. Lai Hok Lim was appointed as an Independent Non-executive Director, a member of the Audit Committee and the Nomination Committee, and a member and the chairman of the Remuneration Committee of the Company.

- Mr. Lien Wai Hung was appointed as an Independent Non-executive Director and a member of the Audit Committee, the Nomination Committee and the Remuneration Committee of the Company.

On 16 December 2016:

- Mr. Tse Chi Keung was appointed as an executive Director of the Company.

- Mr. Cheung Kwok Wai Elton resigned as an executive Director of the Company.

On 20 March 2017:

- Mr. Hu Yebi resigned as an executive Director and the Vice Chairman of the Company.

- Mr. Leung Alex was appointed as an executive Director and the Vice Chairman of the Company.

On 30 March 2017:

– Mr. Leung Lun, M.H. resigned as an executive Director and a member of Remuneration Committee of the Company.

– Ms. Fang Fang resigned as an executive Director of the Company.

– Mr. Mak Yee Chuen resigned as the Company Secretary of the Company.

– Mr. Lee Chan Wah was appointed as an executive Director of the Company.

– Ms. Lo Ming Wan was appointed as an executive Director and the Company Secretary of the Company.

CONTINUING CONNECTED TRANSACTIONS

At an EGM held on 26 May 2017, an ordinary resolution was passed by the independent shareholders which approved the master purchase agreement dated 3 April 2017 entered into between LC Global Holdings Corporation ("LC Global"), a subsidiary of the Company, and Lung Cheong (BVI) Holdings Limited which is owned as to 30% by Mr. Leung Chung Ming and 70% by Mr. Leung, Kenneth Yuk Wai who is a son of one of the Company's former executive Directors, Mr. Leung Lun, M.H., (the "Master Purchase Agreement") in relation to, among other matters, the supply of consumer electronic products, radio control/wireless products, electronic and plastic toys for a term up to 31 March 2020. The proposed annual caps in relation to the transactions under the Master Purchase Agreement for the period commencing from 1 April 2017 to 31 March 2020 and each of the years ending 31 March 2018, 31 March 2019 and 31 March 2020 would not exceed HK$66 million, HK$72 million and HK$80 million respectively.

For FY16/17, purchases from the Disposal Group amounted to approx. HK$43 million in line with the resolution approved by independent shareholders at the Company's EGM held on 5 January 2015.

In accordance with Rule 14A.37 of the Listing Rules, the Independent Non-executive Directors of the Company reviewed the continuing connected transactions in the paragraph above and confirmed that the transactions were entered into:

(i) In the ordinary and usual course of business of the Company;

(ii) Either on normal commercial terms or on terms no less favorable to the Company than terms available to or from (as appropriate) independent third parties; and

(iii) In accordance with the relevant agreement governing them on terms that were fair and reasonable and in the interests of the shareholders of the Company as a whole.

Pursuant to Rule 14A.38 of the Listing Rules, the Company's auditors, BDO Limited, were engaged to report on the Company's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants.

The auditors have issued an unqualified letter containing findings and conclusions in respect of the continuing connected transactions disclosed by the Group in the paragraph above in accordance with Rule 14A.38 of the Listing Rules. A copy of the auditors' letter has been provided by the Company to the Stock Exchange.

RELATIONSHIPS WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

The Company is committed to maintaining, and has maintained good relationships with, its employees, customers and suppliers with a view to fostering better mutual understanding and/or a sense of belonging towards the Company. This is conducive to implementing the Group's strategies and business objectives, as well as the Group's business development and sustainability in the long term.

ENVIRONMENTAL POLICIES AND PERFORMANCE

As a responsible corporation, the Company is committed to protecting the environment in the areas where we operate. To ensure our business development and sustainability, the Company endeavors to comply with the laws and regulations regarding environmental protection and to adopt effective measures to achieve efficient use of resources, energy saving and waste reduction.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of its Directors as at the latest practicable date prior to the issue of this report, the public float of the shares of the Company is sufficient to meet the minimum level as prescribed in the Listing Rules.

AUDITORS

The financial statements have been audited by BDO Limited who will retire and, being eligible, offer themselves for re-appointment. A resolution for the appointment of BDO Limited as auditors of the Company will be proposed at the forthcoming annual general meeting.

CORPORATE GOVERNANCE

The Company's corporate governance principles and practice are set out in the Corporate Governance Report on pages 25 to 37 of this Annual Report.

On behalf of the Board
China Healthwise Holdings Limited

Lei Hong Wai
Chairman and executive Director
29 June 2017

Environmental, Social and Governance Report

ABOUT THIS ESG REPORT

Reporting Principles

This is China Healthwise Holdings Limited's (referred to in this report as "China Healthwise" or the "Company" or collectively with its subsidiaries as the "Group") first annual Environmental, Social and Governance ("ESG") report ("ESG Report"). The ESG Report covers the financial year ended 31 March 2017 (the "Reporting Period") and discloses information on China Healthwise's ESG management approach, strategy, priorities and objectives.

Disclosures in the ESG Report are made in accordance with the ESG Reporting Guide in Appendix 27 to the Listing Rules. All information contained herein is from official documents or statistics of the Company and has been reviewed and approved by our Board of Directors.

For information about our corporate governance, please refer to pages 25 to 37 of Corporate Governance Report section in this annual report.

The Group offers external stakeholders updates on its operations through various communication channels, including financial reports, statutory disclosures, shareholder meeting, as well as other investor and media activities. We demonstrate in the ESG Report our performance in areas other than financial results and business operations.

We welcome stakeholders' feedback on the ESG Report. Please share you views with us via email at IR@healthwisehk.com to help improve our sustainability policies.

About the Group's Operations, Mission and Vision

Listed on the Main Board of the Stock Exchange, China Healthwise is mainly engaged in development, design, manufacture and sales of toys, consumer electronic products and commercial kitchen products.

We uphold high moral standard while pursuing business growth, with a view to help building a safe and healthy world, and achieving sustainable development of our business and the society. We constantly review our operating practices and standards in relations to health, safety and environmental protection, and make improvement in due course.

Policies on Corporate Society Responsibilities

Our objective is to support the development of local community against challenges. We endeavour to help the disadvantaged and strengthen their voice in our business decision making as we aim to achieve the objectives below to fulfill our corporate social responsibilities ("CSR"):

1. Respecting social and cultural diversities, as well as equality and pride that everyone deserves

2. Enhancing an inclusive and fair society, upholding the spirit of inclusiveness and accountability

3. Promoting our values of honesty and humanity, as well as business principles of transparency and consistency

We will continue to foster communication with stakeholders and incorporate their needs in our considerations and decision making, in order to formulate appropriate sustainability policies which balance interests among stakeholders.

Clear Instructions have been made that our daily operations must be in compliance of minimum legal standards. The Group's CSR policies are applicable to all directors, senior executives and other employees.

REPORTING ON ENVIRONMENTAL ASPECTS

Environment-related Policies and Guidelines

China Healthwise is committed to providing consumers with high-quality, safe smart products which are harmless to human and environment. We start from our manufacturing process by maintaining a good environment control. As regards manufacturing management, the Group has prepared a series of unequivocal and strict internal guidelines. Our employees' behaviour is bound by our environmental policies, which are also set out in employment contracts. Review of our environmental policies and relevant internal guidelines are coordinated regularly to ensure that we comply with relevant local laws and are aligned with the latest industry practices, thereby further improving our environmental standard.

The Group arranges and conducts various types of environmental training for employees to enhance their awareness of environmental management of production facilities, including training for implementing ISO 14001:2015 and other standards.

Environmental, Social and Governance Report

Energy Saving and Emission Reduction

Currently, the Group is setting up electricity and water usage monitoring system; whilst installing LED lighting system to reduce power consumption. We also encourage use of email and electronic documentation to achieve "paperless office". Generally, we donate functional but obsolete electronic devices to villagers near our production facilities or charity organisations. We hire professional third party to properly dispose of our impaired electronic wastes. We also work with licensed, professional organisations and companies to dispose of any harmful wastes produced from manufacturing processes.

Product and Production Facility Management

Since our products are sold to countries around the world, we closely monitor and comply with the latest changes in environmental laws and regulations in different countries or regions. We proactively apply new technologies and materials to raise the environmental levels of our products. More eco-friendly materials were put in use in manufacturing our products as we hire professional hygiene and environmental consultation firms to test our products, manufacturing facilities and energy efficiency at least four times a year. During the Reporting Period, CO level of our products was 60 times lower than the country's requirement. Meanwhile, we constantly improve product packaging as we intend to apply BPA-free packaging. We also continue to improve air condition of the production facilities through upgrading ventilation system. We perform major testing of air quality every six months, ensuring that the system is in function.

Our executives oversee the implementation of the above-mentioned measures and relevant policies. We are committed to assuring best environmental practice and legal compliance under rigid monitoring and guidance. We constantly review our policies and practices, and report to management. Improvement measures will be introduced when necessary.

REPORTING ON SOCIAL ASPECTS

Employment and Labour Practices

1. Employment

The Group had approximately 2,388 employees as at 31 March 2017. We undertake to provide an honest, fair workplace where our employees are respected. Our employment and labour practices were made in compliance with Hong Kong Employment Ordinance, the PRC Labour Law, the Indonesian Labour Law, as well as other regulations and common industry standards. All employees, upon joining the Group, have been given a set of employee handbooks which set out the Group's employment and labour policies and relevant internal guidelines. Our employees' behaviour is bound by these policies.

The Group makes reference to the market condition and industry benchmark, together with our operational performance, when fixing salaries and benefits of employees. We determine any salary adjustment and promotion based upon the results of their work appraisal. Annual discretionary bonuses are given to employees considering our business performance. In accordance with relevant laws, we provide other benefits to employees, such as mandatory provident fund, medical insurance and social insurance.

Management will hold regular meetings to understand employees' work condition. We also arrange training or issue internal announcement on latest changes in labour laws and standards for them. To help employees better understand our company and bolster their sense of belonging, we coordinate regular meeting with them to discuss our business objectives and promote our corporate vision and mission.

For termination of employment contract, regardless of reasons, the Group's human resources department will follow all procedures under our personnel management policies and applicable labour laws. Termination clauses are set out in all employees' contracts and other relevant documents. In case of complex situation, human resources department will consult our legal advisors and/or management to ensure such employment termination is compliance with applicable laws.

2. *Health and Safety*

The Group is dedicated to offering a healthy and safe workplace for our staff. We have built a comprehensive safety control system, which consists of various work safety and contingency guidelines, according to job nature.

Operating of machines are heavily involved in manufacturing processes and thus our employees might be exposed to certain occupational safety risks. The Group equips its staff with adequate protective gear and facilities, including first-aid equipment, first aid room, first aider, firefighting equipment and emergency response team. We perform regular check on production machines and equipment to make sure they function safely. Supervisors in production facilities will conduct safety talk before work every day to remind workers of their safety awareness. We arrange annual body check for workers and provide social insurance to cover any possible injuries and death from work accidents.

All employees (including old and new, permanent and contract-based staff) receive training about healthy and safe working environment every year, including HSE training, evacuation drill training, fire drill training, machine operating training and chemicals handling training.

As of today, our staff has only suffered minor injuries from workplace, which can be handled with simple medical treatment and have not caused any loss of working hours. In case of significant safety risks and accidents, employees and supervisors shall report to management and make necessary improvement measures.

3. *Development and Training*

The Group attaches high importance to employees' development. We will introduce talents who suit our operating condition and development needs. Through a series of development and training programs, we will nurture their growth. The Group organises and subsidises various internal and external staff training to enhance their skills and knowledge, including machine operating, work and production environment management, industry and market knowledge, business administration and so on. We encourage trained employees to share their knowledge with colleagues to promote learning in the Company. Meanwhile, we arrange training and provide information about corporate governance and sustainable taxation.

To retain talent and reward employee with good performance and high potential, we offer internal promotion prospects within the Group. We also encourage open communication and discussion between management and other employees about working condition, promotion and career goal, with a view to supporting their development and growth with the Company.

4. *Labour Standards*

The Group strictly comply with Hong Kong Employment Ordinance, the Regulations on Labor Security Supervision and Provisions on the Prohibition of Using Child Labour of the PRC, and other national or local laws. Reference has also been made to the international labour standards when preparing internal guidelines and system.

All recruitment process and staff promotion activities of the Group are governed by the above-mentioned labour system, and are under the watchful eye of our management, administration department and human resources department to prevent any child labour and forced labour, discrimination by gender, race, religion, age or disability, as well as harassment or bullying in workplace. We also prohibit all management of the Company and its subsidiaries from squeezing our labour for their interest or forced them to work by any form of threat or extortion.

Employee's code of conduct is set out in employment contract and employee handbook. We require stringent supervision over behaviour of our directors, senior management and other employees. Our staff is encouraged to report any misconduct to the supervisors, management and human resources department. We will promptly conduct investigation into the report and submit the results to management to seek appropriate punishment or termination of employment contract. In more serious cases, for instance, that bring substantial losses in reputation or money, we will obtain legal advices and take legal actions. Based on the violation, the Group will further improve its labour mechanism as suggested by the investigation report.

Supply Chain Management

The Group endeavours to maintain an appropriate and legitimate supply chain management to promote sound practices in our supply chain. The Group takes into consideration the costs, product quality and track record; whilst we stress the importance of integrity of our suppliers and business partners.

As far as we are concerned, our suppliers and business partners have a proven business record and there was no serious law violation or violation of business ethics. All supplier selection and procurement processes shall be done in accordance with internal guidelines to prevent suppliers or business partners from securing contracts through any form of transfer of interest.

We make strict assessment of our suppliers as they are required to fulfill their responsibilities under the procurement contracts. We also maintain close communication with our suppliers to align them with the Group's standards on legal compliance, labour, work safety and health, security (GSV and C-TPAT), product specifications. We will report on suppliers who do not meet our requirements or fail to fulfill contract liability to the management. These suppliers will be put on our blacklist and shall never be hired.

Product Liabilities

We value product quality, therefore we have formulated the following guidelines and policies:

1. Quality assurance procedures

2. Quality control procedures

3. Compliant handling procedures

4. Return procedures

5. Labeling procedures

6. Procedures of intellectual property protection

Through strict implementation of the above guidelines and policies, we undertake to provide best-quality products to consumers. In details, we carry out quality and safety assurance works for our products during manufacturing processes and upon finishing to ensure the products are able to pass the safety and environmental standards of respective sale regions (e.g. Consumer Product Safety Act, Federal Hazardous Substance Act, Consumer Product Safety Improvement Act and Child Safety Protection Act, ASTM F963, Toy Safety Directive enforced by the European Commission (2009/48/EC) and EU Toy Safety Testing (EN-71), etc) and cater to clients' needs. We will promptly handle and investigate all customer complaints to facilitate improvement of our service and product quality. All employees and suppliers, who are involved in handling products (in terms of, e.g., product design, patent technology, labeling) shall sign a confidentiality agreement regarding intellectual property. We have also established other relevant policies to safeguard clients' information and data. For instance, photograph, smartphones or mobile phones with photography function are banned in designated area.

We have strict guidelines over product sales, advertising and labeling. We comply with applicable laws and products are sold with appropriate labelling which shows clearly what they are made of, their usage and safety levels. During the Reporting Period, there is no product return, or any substantial damage claims/complaints on our products from clients or consumers.

Anti-corruption

The Group has set up control system according to laws and regulations from different countries and regions as we oblige our directors, senior executives and other employees to comply with relevant laws in operating in business and capital market to hamper any corruption, bribery, extortion, money-laundering and other frauds.

To reinforce corporate governance, we have formed an audit committee, while hiring external lawyers and auditors to offer opinions on our financial report and other compliance issues. Besides complying with Stock Exchange's corporate governance requirements on listed companies, we will continue to review and improve our internal control and corporate governance.

The Group has established an anonymous reporting mechanism. Whenever corruption or fraud cases are spotted, we encourage employees, suppliers, business partners and other external stakeholders to report through email, telephone and other channels. We promise to take confidential measures to safeguard our whistle-blowers. If we receive any report, we will promptly investigate and confirm internally before reporting to our management and Board of Directors, and, if necessary, the law enforcement authorities. As our business continues to develop, we will further improve our anti-corruption system and strengthen our monitoring efforts.

Community

The Group strives to fulfill our responsibilities as a corporate citizen and undertake to make positive contribution to society. The Group will continue to look into ways of promoting the spirit of corporate social responsibility within the Company by organising or participating in appropriate community activities, donations or scholarship programs. We, through this kind of events, aspire to create the idea of giving back from our employees, foster closer relationships among China Healthwise, our employees and the communities by caring for and helping the needy.

Independent Auditor's Report

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TO THE SHAREHOLDERS OF CHINA HEALTHWISE HOLDINGS LIMITED
(FORMERLY KNOWN AS HAIER HEALTHWISE HOLDINGS LIMITED)
(incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of China Healthwise Holdings Limited (formerly known as Haier Healthwise Holdings Limited) (the "Company") and its subsidiaries (together the "Group") set out on pages 68 to 152, which comprise the consolidated statement of financial position as at 31 March 2017, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 March 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

Independent Auditor's Report

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Impairment assessment of goodwill

(Refer to Note 16 to the consolidated financial statements and the Group's critical accounting estimates and judgements in relation to impairment of goodwill set out in Note 5)

The Group had goodwill of HK$2,500,000 as at 31 March 2017. Management have performed an impairment review under Hong Kong Accounting Standard 36 "Impairment of Assets". Recoverable amounts of cash-generating units are determined based on value in use calculations, which include significant assumptions and judgements made by management concerning the estimated future cash flows. Based on value in use calculations, an impairment loss of HK$55,729,000 (2016: HK$36,471,000) was recognised.

We identified the impairment assessment of goodwill as a key audit matter because of its significance to the consolidated financial statements and because this area involves a significant degree of judgement and estimation made by management, in particular the estimation of future cash flows and discount rate.

See Note 16 to the consolidated financial statements where the key assumptions used in the impairment model have been disclosed.

Our response:

Our procedures in relation to management's impairment assessment of goodwill included:

- Directors' responsibility for the consolidated financial statements;
- Assessing the reasonableness of key assumptions based on our knowledge of the business and industry and by considering the historical accuracy of budgeting; and
- Performing sensitivity analysis including assessing the effect of a reasonably possible change in discount rate.

OTHER INFORMATION IN THE ANNUAL REPORT

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

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

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

DIRECTORS' RESPONSIBILITIES 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 HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

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

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

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

BDO Limited
Certified Public Accountants

Ng Wai Man
Practising Certificate No. P05309

Hong Kong, 29 June 2017

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 March 2017

	Notes	2017 HK$'000	2016 HK$'000
Revenue	6	**319,221**	352,799
Cost of sales		**(297,054)**	(290,012)
Gross profit		**22,167**	62,787
Other revenue, gains and losses, net	7	**(41,158)**	23,280
Selling and distribution expenses		**(55,492)**	(46,389)
General and administrative expenses		**(106,434)**	(98,866)
Share of result of an associate	19	**(12,326)**	3,653
Finance costs	9	**(3,206)**	(2,038)
Impairment loss on goodwill	16	**(55,729)**	(36,471)
Impairment loss on property, plant and equipment		**(8,248)**	–
Impairment loss on intangible assets		**(3,412)**	–
Loss before income tax	8	**(263,838)**	(94,044)
Income tax credit	10	**1,220**	106
Loss for the year		**(262,618)**	(93,938)
Other comprehensive income, net of tax			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising from translation of foreign operations		**(7,794)**	(12,106)
Revaluation of available-for-sale investments		**(25,595)**	6,605
Reclassification adjustment upon impairment of available-for-sale investments		**17,595**	–
Reclassification to profit or loss upon disposal of available-for-sale investments		**6,271**	–
Others		**–**	(261)
Other comprehensive income for the year, net of tax		**(9,523)**	(5,762)
Total comprehensive income for the year		**(272,141)**	(99,700)
Loss for the year attributable to:			
Owners of the Company		**(241,937)**	(81,324)
Non-controlling interests		**(20,681)**	(12,614)
		(262,618)	(93,938)
Total comprehensive income for the year attributable to:			
Owners of the Company		**(253,884)**	(88,183)
Non-controlling interests		**(18,257)**	(11,517)
		(272,141)	(99,700)
Loss per share attributable to owners of the Company			
– Basic	12	**(4.09) cents**	(1.39) cents
– Diluted	12	**N/A**	N/A

Consolidated Statement of Financial Position

As at 31 March 2017

	Notes	2017 HK$'000	2016 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	15	**124,676**	133,288
Goodwill	16	**2,500**	60,594
Intangible assets	17	**3,784**	8,710
Interest in an associate	19	**8,102**	21,982
Available-for-sale investments	22	**174,380**	–
Deferred tax assets	28	**3,780**	3,197
		317,222	227,771
Current assets			
Inventories	20	**49,210**	81,500
Trade and other receivables, deposits and prepayments	21	**112,448**	84,334
Available-for-sale investments	22	**–**	199,017
Amounts due from related companies	23	**14,796**	13,123
Amount due from an associate	19	**–**	9,136
Tax recoverable		**252**	599
Pledged bank deposit	24	**361**	–
Cash and cash equivalents	24	**38,105**	125,584
		215,172	513,293
Current liabilities			
Trade and other payables and accrued charges	25	**90,306**	78,896
Borrowings	26	**63,788**	36,554
Amounts due to related companies	23	**66,770**	44,229
Tax payable		**2,967**	3,151
		223,831	162,830
Net current (liabilities)/assets		**(8,659)**	350,463
Total assets less current liabilities		**308,563**	578,234

Consolidated Statement of Financial Position

As at 31 March 2017

	Notes	2017 HK$'000	2016 HK$'000
Non-current liabilities			
Provision for long service payment	27	**4,559**	3,744
Deferred tax liabilities	28	**13,363**	13,380
		17,922	17,124
Net assets		**290,641**	561,110
EQUITY			
Share capital	29	**591,776**	591,776
Reserves		**(264,367)**	(10,483)
Equity attributable to owners of the Company		**327,409**	581,293
Non-controlling interests		**(36,768)**	(20,183)
Total equity		**290,641**	561,110

On behalf of the directors

Lei Hong Wai
Director

Tse Chi Keung
Director

Consolidated Statement of Changes in Equity

For the year ended 31 March 2017

	Share capital HK$'000 (Note 29)	Share premium HK$'000	Shares to be issued HK$'000	Share option reserve HK$'000 (Note 30)	Warrant reserve HK$'000	Exchange fluctuation reserve HK$'000	Investment revaluation reserve HK$'000	Land and buildings revaluation reserve HK$'000	Other reserve HK$'000	Accumulated losses HK$'000	Attributable to owners of the Company HK$'000	Non-controlling interest HK$'000	Total HK$'000
At 1 April 2015	564,776	259,932	41,000	6,164	2,969	(31,460)	(12,876)	49,993	–	(248,595)	631,903	(8,666)	623,237
Exchange differences arising on translation of foreign operations	–	–	–	–	–	(13,203)	–	–	–	–	(13,203)	1,097	(12,106)
Revaluation of available-for-sale investments	–	–	–	–	–	–	6,605	–	–	–	6,605	–	6,605
Others	–	–	–	–	–	–	–	–	(261)	–	(261)	–	(261)
Loss for the year	–	–	–	–	–	–	–	–	–	(81,324)	(81,324)	(12,614)	(93,938)
Total comprehensive income for the year	–	–	–	– –	–	(13,203)	6,605	–	(261)	(81,324)	(88,183)	(11,517)	(99,700)
Recognition of equity-settled share-based payment, net	–	–	–	(2,927)	–	–	–	–	–	–	(2,927)	–	(2,927)
Lapse of profit guarantee – share portion	–	–	(41,000)	–	–	–	–	–	–	41,000	–	–	–
Exercise of warrants	27,000	16,086	–	–	(2,586)	–	–	–	–	–	40,500	–	40,500
At 31 March 2016	591,776	276,018	–	3,237	383	(44,663)	(6,271)	49,993	(261)	(288,919)	581,293	(20,183)	561,110
Exchange differences arising on translation of foreign operations	–	–	–	–	–	(10,218)	–	–	–	–	(10,218)	2,424	(7,794)
Revaluation of available-for-sale investments	–	–	–	–	–	–	(25,595)	–	–	–	(25,595)	–	(25,595)
Reclassification adjustment upon impairment of available-for-sale investments	–	–	–	–	–	–	17,595	–	–	–	17,595	–	17,595
Reclassification to profit or loss upon disposal of available-for-sale investments	–	–	–	–	–	–	6,271	–	–	–	6,271	–	6,271
Loss for the year	–	–	–	–	–	–	–	–	–	(241,937)	(241,937)	(20,681)	(262,618)
Total comprehensive income for the year	–	–	–	–	–	(10,218)	(1,729)	–	–	(241,937)	(253,884)	(18,257)	(272,141)
Capital injection from non-controlling shareholders	–	–	–	–	–	–	–	–	–	–	–	1,672	1,672
Lapse of warrants	–	–	–	–	(383)	–	–	–	–	383	–	–	–
At 31 March 2017	591,776	276,018	–	3,237	–	(54,881)	(8,000)	49,993	(261)	(530,473)	327,409	(36,768)	290,641

Nature and purpose of reserves are disclosed in Note 32.

Consolidated Statement of Cash Flows

For the year ended 31 March 2017

	Notes	2017 HK$'000	2016 HK$'000
Operating activities			
Loss before income tax		**(263,838)**	(94,044)
Adjustments for:			
Interest income		**(10,246)**	(17,178)
Interest expenses		**3,206**	2,038
Share of result of an associate		**12,326**	(3,653)
Depreciation of property, plant and equipment		**16,320**	10,652
Amortisation of intangible assets		**1,600**	1,201
Impairment loss on inventories		**18,521**	4,416
Impairment loss on trade and other receivables, deposits and prepayments		**23,629**	1,950
Impairment loss on available-for-sale investments		**17,595**	–
Impairment loss on intangible assets		**3,412**	–
Impairment loss on goodwill		**55,729**	36,471
Impairment loss on property plant and equipment		**8,248**	–
Loss on disposal of property, plant and equipment		**8**	–
Gain on disposal of available-for-sale investments		**(3,345)**	(1,896)
Equity-settled share-based payment expenses, net		**–**	(2,927)
Addition to provision for long service payment		**821**	1,295
Operating cash flows before working capital changes		**(116,014)**	(61,675)
Decrease/(increase) in inventories		**13,769**	(10,659)
(Increase)/decrease in trade and other receivables, deposits and prepayments		**(51,743)**	8,911
Increase in amounts due from related companies		**(1,673)**	(12,892)
Decrease in amount due from an associate		**9,136**	11,999
Increase in trade and other payables and accrued charges		**11,409**	26,788
Increase in amounts due to related companies		**22,541**	39,225
Cash (used in)/generated from operations		**(112,575)**	1,697
Interest received		**10,246**	17,178
Income tax paid		**(22)**	(893)
Net cash (used in)/generated from operating activities		**(102,351)**	17,982

Consolidated Statement of Cash Flows

For the year ended 31 March 2017

	Notes	2017 HK$'000	2016 HK$'000
Investing activities			
Purchase of property, plant and equipment		**(16,525)**	(44,458)
Purchase of intangible assets		**(528)**	(22)
Purchase of available-for-sale investments		**(298,511)**	(28,166)
Increase in pledged bank deposit		**(361)**	–
Proceeds from disposal of property, plant and equipment		**192**	269
Proceeds from disposal of available-for-sale investments		**312,731**	41,204
Net cash used in investing activities		**(3,002)**	(31,173)
Financing activities			
Interest paid		**(3,206)**	(2,038)
Exercise of warrants		**–**	40,500
Proceeds from borrowings		**58,039**	89,455
Repayment of borrowings		**(36,548)**	(91,475)
Capital injection from non-controlling shareholders		**1,672**	–
Net cash generated from financing activities		**19,957**	36,442
Net (decrease)/increase in cash and cash equivalents		**(85,396)**	23,251
Effect of foreign exchange rate changes		**(7,832)**	(4,659)
Cash and cash equivalents at beginning of year		**125,584**	106,992
Cash and cash equivalents at end of year		**32,356**	125,584
Analysis of the balances of cash and cash equivalents			
Cash and cash equivalents	24	**38,105**	125,584
Bank overdraft	26	**(5,749)**	–
		32,356	125,584

Notes to the Financial Statements

31 March 2017

1. ORGANISATION AND OPERATIONS

China Healthwise Holdings Limited 中國智能健康控股有限公司 (formerly known as Haier Healthwise Holdings Limited 海爾智能健康控股有限公司) (the "Company") is a limited liability company incorporated in the Cayman Islands. Its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The address of its registered office is P.O. Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands, and the principal place of business of the Company is at Unit 3811, Shun Tak Centre, West Tower, 168-200 Connaught Road Central, Hong Kong.

The Company is an investment holding company and its subsidiaries (collectively as the "Group") are principally engaged in development, engineering, manufacture and sale of toys, consumer electronic products and commercial kitchen products during the year. The principal activities of its subsidiaries are set out in Note 18 to the financial statements. There were no significant changes in the Group's operations during the year.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

(a) Adoption of new/revised HKFRSs – Effective on 1 April 2016

HKFRSs (Amendments)	Annual Improvements 2012-2014 Cycle
Amendments to HKAS 1	Disclosure Initiative
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to HKAS 27	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 Interests in Joint Operations
HKFRS 14	Regulatory Deferral Accounts

The adoption of these new/revised HKFRSs has no material impact on these consolidated financial statements.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") – *Continued*

(b) New/revised HKFRSs that have been issued but are not yet effective

The following new/revised HKFRSs, potentially relevant to the Group's financial statements, have been issued, but are not yet effective and have not been early adopted by the Group. The Group's current intention is to apply these changes on the date they become effective.

Amendments to HKAS 7	Disclosure Initiative[1]
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Loss[1]
Amendments to HKFRS 2	Classification and Measurement of Share-Based Payment[3]
Amendments to HKFRSs	Annual Improvements 2014-2016 Cycle[2]
Amendments to HKAS 40	Transfers of Investment Property[3]
HKFRS 9	Financial Instruments[3]
HKFRS 15	Revenue from Contracts with Customers[3]
Amendments to HKFRS 15	Revenue from Contracts with Customers (Clarifications to HKFRS 15)[3]
HKFRS 16	Leases[4]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[5]
HK(IFRIC) – Int 22	Foreign Currency Transactions and Advance Consideration[3]

1 Effective for annual periods beginning on or after 1 January 2017
2 Effective for annual periods beginning on or after 1 January 2017 or 1 January 2018, as appropriate
3 Effective for annual periods beginning on or after 1 January 2018
4 Effective for annual periods beginning on or after 1 January 2019
5 The amendments were originally intended to be effective for periods beginning on or after 1 January 2016. The effective date has now been deferred/removed. Early application of the amendments continue to be permitted

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") – *Continued*

(b) New/revised HKFRSs that have been issued but are not yet effective – *Continued*

HKFRS 9 – Financial Instruments

HKFRS 9 introduces new requirements for the classification and measurement of financial assets. Debt instruments that are held within a business model whose objective is to hold assets in order to collect contractual cash flows (the business model test) and that have contractual terms that give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding (the contractual cash flow characteristics test) are generally measured at amortised cost. Debt instruments that meet the contractual cash flow characteristics test are measured at fair value through other comprehensive income ("FVTOCI") if the objective of the entity's business model is both to hold and collect the contractual cash flows and to sell the financial assets. Entities may make an irrevocable election at initial recognition to measure equity instruments that are not held for trading at FVTOCI. All other debt and equity instruments are measured at fair value through profit or loss ("FVTPL").

HKFRS 9 includes a new expected loss impairment model for all financial assets not measured at FVTPL replacing the incurred loss model in HKAS 39 and new general hedge accounting requirements to allow entities to better reflect their risk management activities in financial statements.

HKFRS 9 carries forward the recognition, classification and measurement requirements for financial liabilities from HKAS 39, except for financial liabilities designated at FVTPL, where the amount of change in fair value attributable to change in credit risk of the liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, HKFRS 9 retains the requirements in HKAS 39 for derecognition of financial assets and financial liabilities.

HKFRS 15 – Revenue from Contracts with Customers

The new standard establishes a single revenue recognition framework. The core principle of the framework is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. HKFRS 15 supersedes existing revenue recognition guidance including HKAS 18 Revenue, HKAS 11 Construction Contracts and related interpretations.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") – *Continued*

(b) New/revised HKFRSs that have been issued but are not yet effective – *Continued*

HKFRS 15 – Revenue from Contracts with Customers – *Continued*

HKFRS 15 requires the application of a 5 steps approach to revenue recognition:

Step 1: Identify the contract(s) with a customer
Step 2: Identify the performance obligations in the contract
Step 3: Determine the transaction price
Step 4: Allocate the transaction price to each performance obligation
Step 5: Recognise revenue when each performance obligation is satisfied

HKFRS 15 includes specific guidance on particular revenue related topics that may change the current approach taken under HKFRS. The standard also significantly enhances the qualitative and quantitative disclosures related to revenue.

Amendments HKFRS 15 – Revenue from Contracts with Customers (Clarifications to HKFRS 15)

The amendments to HKFRS 15 included clarifications on identification of performance obligations; application of principal versus agent; licenses of intellectual property; and transition requirements.

HKFRS 16 – Leases

HKFRS 16, which upon the effective date will supersede HKAS 17 " Leases " and related interpretations, introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more 12 months, unless the underlying asset is of low value. Specifically, under HKFRS 16, a lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Accordingly, a lessee should recognise depreciation of the right-of use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the statement of cash flows. Also, the right-of-use asset and the lease liability are initially measured on a present value basis. The measurement includes non-cancellable lease payments and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or to exercise an option to terminate the lease. This accounting treatment is significantly different from the lessee accounting for leases that are classified as operating leases under the predecessor standard, HKAS 17.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") – *Continued*

(b) New/revised HKFRSs that have been issued but are not yet effective – *Continued*

HKFRS 16 – Leases – *Continued*

In respect of the lessor accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

The Group is in the process of making an assessment of the potential impact of these new/revised HKFRSs and is not yet in a position to state whether substantial changes to the Group's accounting policies and presentation of the financial statements will be resulted.

3. BASIS OF PREPARATION

(a) Statement of compliance

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

(b) Basis of measurement and going concern assumption

The financial statements have been prepared under the historical cost basis except for the land and buildings and the available-for-sale investments, which are measured at fair values as explained in the accounting policies set out below.

During the year, the Group incurred a loss of HK$262,618,000 and at the end of reporting period, its current liabilities exceeded its current assets by HK$8,659,000. The consolidated financial statements have been prepared based on the assumption that the Group can operate as a going concern and will have sufficient working capital to finance its operation in the next twelve months from 31 March 2017.

3. BASIS OF PREPARATION – *Continued*

(b) Basis of measurement and going concern assumption – *Continued*

Management considered that an subscription of new shares under general mandate on 2 May 2017 with an aggregate of 363,636,363 subscription shares, were allotted and issued to the subscriber at the subscription price of HK$0.165 per subscription share; and a placing of new shares under general mandate on 12 June 2017 with 819,914,000 new ordinary shares were placed at HK$0.14 per placing share, the net proceeds from the share subscription and share placing were approximately HK$169.9 million in order to maintain the Group as a going concern. Accordingly, the Group should be able to meet in full its financial obligations as and when they fall due for the next twelve months from 31 March 2017 without significant curtailment of operations and the directors of the Company are satisfied that it is appropriate to prepare the consolidated financial statements on a going concern basis.

Should the Group be unable to continue in business as a going concern, adjustments would have to be made to the consolidated financial statements accordingly.

(c) Functional and presentation currency

The consolidated financial statements are presented in Hong Kong dollars ("HK$"), which is the same as the functional currency of the Company.

4. SIGNIFICANT ACCOUNTING POLICIES

(a) Business combination and basis of consolidation

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

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

4. SIGNIFICANT ACCOUNTING POLICIES – *Continued*

(a) Business combination and basis of consolidation – *Continued*

Acquisition of subsidiaries or businesses is accounted for using the acquisition method. The cost of an acquisition is measured at the aggregate of the acquisition-date fair value of assets transferred, liabilities incurred and equity interests issued by the Group, as the acquirer. The identifiable assets acquired and liabilities assumed are principally measured at acquisition-date fair value. The Group's previously held equity interest in the acquiree is re-measured at acquisition-date fair value and the resulting gains or losses are recognised in profit or loss. The Group may elect, on a transaction-by-transaction basis, to measure the non-controlling interest that represents a present ownership interest in the subsidiary either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs incurred are expensed. All other non-controlling interests are measured at fair value unless another measurement basis is required by HKFRSs. Acquisition-related costs incurred are expensed unless they are incurred in issuing equity instruments in which case the costs are deducted from equity.

Any contingent consideration to be transferred by the acquirer is recognised at acquisition-date fair value. Subsequent adjustments to consideration are recognised against goodwill only to the extent that they arise from new information obtained within the measurement period (a maximum of 12 months from the acquisition date) about the fair value at the acquisition date. All other subsequent adjustments to contingent consideration classified as an asset or a liability are recognised in profit or loss.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interest. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for in the same manner as would be required if the relevant assets or liabilities were disposed of.

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

4. SIGNIFICANT ACCOUNTING POLICIES – *Continued*

(b) Subsidiaries

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

In the Company's statement of financial position, interests in subsidiaries are stated at cost less impairment loss, if any. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

(c) Associates

An associate is an entity over which the investor has significant influence and that is neither a subsidiary nor joint arrangement. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

Associates are accounted for using the equity method whereby they are initially recognised at cost and thereafter, their carrying amount are adjusted for the Group's share of the post-acquisition change in the associate's net assets except that losses in excess of the Group's interest in the associate are not recognised unless there is an obligation to make good those losses.

Profits and losses arising on transactions between the Group and its associates are recognised only to the extent of unrelated investors' interests in the associate. The investor's share in the associate's profits and losses resulting from these transactions is eliminated against the carrying value of the associate. Where unrealised losses provide evidence of impairment of the asset transferred they are recognised immediately in profit or loss.

Any premium paid for an associate above the fair value of the Group's share of the identifiable assets, liabilities and contingent liabilities acquired is capitalised and included in the carrying amount of the associate. Where there is objective evidence that the investment in an associate has been impaired, the carrying amount of the investment is tested for impairment in the same way as other non-financial assets.

In the Company's statement of financial position, interest in an associate is carried at cost less impairment losses, if any. The result of the associate is accounted for by the Company on the basis of dividends received and receivable during the year.

4. SIGNIFICANT ACCOUNTING POLICIES – *Continued*

(d) Goodwill

Where the fair value of identifiable assets and liabilities exceed the aggregate of the fair value of consideration paid, the amount of any non-controlling interest in the acquiree and the acquisition date fair value of the acquirer's previously held equity interest in the acquiree, the excess is recognised in profit or loss on the acquisition date, after re-assessment.

Goodwill is measured at cost less impairment losses. For the purpose of impairment testing, goodwill arising from an acquisition is allocated to each of the relevant cash-generating units that are expected to benefit from the synergies of the acquisition. A cash-generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. A cash-generating unit to which goodwill has been allocated is tested for impairment annually, by comparing its carrying amount with its recoverable amount (see note 4(p)), and whenever there is an indication that the unit may be impaired.

For goodwill arising on an acquisition in a financial year, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that financial year. When the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated to reduce the carrying amount of any goodwill allocated to the unit first, and then to the other assets of the unit pro-rata on the basis of the carrying amount to each asset in the unit. However, the loss allocated to each asset will not reduce the individual asset's carrying amount to below its fair value less cost of disposal (if measurable) or its value in use (if determinable), whichever is the higher. Any impairment loss for goodwill is recognised in profit or loss and is not reversed in subsequent periods.

(e) Property, plant and equipment

Owner-occupied leasehold land and buildings are stated at valuation less accumulated depreciation. Revaluations are performed with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair values at the end of the reporting period. Increases in value arising on revaluation are recognised in other comprehensive income and accumulated in equity under the heading of properties revaluation reserve. Decreases in value arising on revaluation are first offset against increases on earlier valuations in respect of the same property and thereafter recognised in profit or loss. Any subsequent increases are recognised in profit or loss up to the amount previously charged and thereafter to the properties revaluation reserve.

4. SIGNIFICANT ACCOUNTING POLICIES – *Continued*

(e) Property, plant and equipment – *Continued*

Upon disposal, the relevant portion of the revaluation reserve realised in respect of previous valuations is released from the properties revaluation reserve to retained earnings.

Other property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

The cost of property, plant and equipment includes its purchase price and the costs directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are recognised as an expense in profit or loss during the financial period in which they are incurred.

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

Buildings	20 years
Leasehold improvements	Over the shorter of the lease terms and 5-50 years
Plant and machinery	5-10 years
Furniture, fixtures and equipment	2-5 years
Motor vehicles	5 years
Moulds	2-5 years

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

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

4. SIGNIFICANT ACCOUNTING POLICIES – *Continued*

(f) Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to lessee. All other leases are classified as operating leases.

The Group as lessee

Assets held under finance leases are initially recognised as assets at their fair value or, if lower, the present value of the minimum lease payments. The corresponding lease commitment is shown as a liability. Lease payments are analysed between capital and interest. The interest element is charged to profit or loss over the period of the lease and is calculated so that it represents a constant proportion of the lease liability. The capital element reduces the balance owed to the lessor.

The total rentals payable under the operating leases are recognised in profit or loss on a straight-line basis over the lease term. Lease incentives received are recognised as an integrated part of the total rental expense, over the term of the lease.

(g) Intangible assets (other than goodwill)

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

Amortisation is provided on a straight-line basis over their useful lives as follows. Intangible assets with indefinite useful lives are carried at cost less any accumulated impairment losses. The amortisation expense is recognised in profit or loss and included in administrative expenses.

Patents	5-10 years

4. SIGNIFICANT ACCOUNTING POLICIES – *Continued*

(g) Intangible assets (other than goodwill) – *Continued*

(ii) Internally generated intangible assets (research and development costs)

Expenditure on internally developed products is capitalised if it can be demonstrated that:

- it is technically feasible to develop the product for it to be sold;
- adequate resources are available to complete the development;
- there is an intention to complete and sell the product;
- the Group is able to sell the product;
- sale of the product will generate future economic benefits; and
- expenditure on the project can be measured reliably.

Capitalised development costs are amortised over the periods the Group expects to benefit from selling the products developed. The amortisation expense is recognised in profit or loss and included in cost of sales.

Development expenditure not satisfying the above criteria and expenditure on the research phase of internal projects are recognised in profit or loss as incurred.

(iii) Impairment

Intangible assets with finite lives are tested for impairment when there is an indication that an asset may be impaired. Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually, irrespective of whether there is any indication that they may be impaired. Intangible assets are tested for impairment by comparing their carrying amounts with their recoverable amounts (see note 4(p)).

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount.

An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as revaluation decrease to the extent of its revaluation surplus.

4. SIGNIFICANT ACCOUNTING POLICIES – *Continued*

(h) Financial Instruments

(i) Financial assets

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

Financial assets at fair value through profit or loss

These assets include financial assets held for trading. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments or financial guarantee contracts.

Subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value, with changes in fair value recognised in profit or loss in the period in which they arise.

Loans and receivables

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

Available-for-sale financial assets

These assets are non-derivative financial assets that are designated as available-for-sale or are not included in other categories of financial assets. Subsequent to initial recognition, these assets are carried at fair value with changes in fair value recognised in other comprehensive income, except for impairment losses and foreign exchange gains and losses on monetary instruments, which are recognised in profit or loss.

For 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 and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments, they are measured at cost less any identified impairment losses.

4. SIGNIFICANT ACCOUNTING POLICIES – *Continued*

(h) Financial Instruments – *Continued*

(ii) Impairment loss on financial assets

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

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

For loans and receivables

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

For available-for-sale financial assets

Where a decline in the fair value constitutes objective evidence of impairment, the amount of the loss is removed from equity and recognised in profit or loss.

Any impairment losses on available-for-sale debt investments are subsequently reversed in profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

For available-for-sale equity investment, any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income.

4. SIGNIFICANT ACCOUNTING POLICIES – *Continued*

(h) **Financial Instruments** – *Continued*

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

For available-for-sale financial assets – Continued

For available-for-sale equity investment that is carried at cost, the amount of impairment loss is measured as the difference between the carrying amount of the asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss is not reversed.

(iii) ***Financial liabilities***

The Group classifies its financial liabilities, depending on the purpose for which the liabilities were incurred. Financial liabilities at fair value through profit or loss are initially measured at fair value and financial liabilities at amortised costs are initially measured at fair value, net of directly attributable costs incurred.

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in profit or loss.

Where a contract contains one or more embedded derivatives, the entire hybrid contract may be designated as a financial liability at fair value through profit or loss, except where the embedded derivative does not significantly modify the cash flows or it is clear that separation of the embedded derivative is prohibited.

Financial liabilities may be designated upon initial recognition as at fair value through profit or loss if the following criteria are met: (i) the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the liabilities or recognising gains or losses on them on a different basis; (ii) the liabilities are part of a group of financial liabilities which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management strategy; or (iii) the financial liability contains an embedded derivative that would need to be separately recorded.

4. SIGNIFICANT ACCOUNTING POLICIES – *Continued*

(h) Financial Instruments – *Continued*

(iii) Financial liabilities – *Continued*

Financial liabilities at fair value through profit or loss – Continued

Subsequent to initial recognition, financial liabilities at fair value through profit or loss are measured at fair value, with changes in fair value recognised in profit or loss in the period in which they arise.

Financial liabilities at amortised cost

Financial liabilities at amortised cost including trade and other payables, borrowings, certain preference shares and the debt element of convertible loan note issued by the Group are subsequently measured at amortised cost, using the effective interest method. The related interest expense is recognised in profit or loss.

Gains or losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

(iv) Effective interest method

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

(v) Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

4. SIGNIFICANT ACCOUNTING POLICIES – *Continued*

(h) Financial Instruments – *Continued*

(vi) Derecognition

The Group derecognises a financial asset when the contractual rights to the future cash flows in relation to the financial asset expire or when the financial asset has been transferred and the transfer meets the criteria for derecognition in accordance with HKAS 39.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires.

Where the Group issues its own equity instruments to a creditor to settle a financial liability in whole or in part as a result of renegotiating the terms of that liability, the equity instruments issued are the consideration paid and are recognised initially and measured at their fair value on the date the financial liability or part thereof is extinguished. If the fair value of the equity instruments issued cannot be reliably measured, the equity instruments are measured to reflect the fair value of the financial liability extinguished. The difference between the carrying amount of the financial liability or part thereof extinguished and the consideration paid is recognised in profit or loss for the year.

(i) Inventories

Inventories are initially recognised at cost, and subsequently at the lower of cost and net realisable value. Cost comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Cost is calculated using the first-in first out method. Net realisable value represents 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.

(j) Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities, net of value-added tax rebates and discounts and after elimination of sales with the Group.

Revenue from sales of goods is recognised on transfer of risks and rewards of ownership, which is at the time of delivery and the title is passed to customer.

4. SIGNIFICANT ACCOUNTING POLICIES – *Continued*

(j) Revenue recognition – *Continued*

Service income is recognised when services are provided.

Interest income is accrued on a time basis on the principal outstanding at the applicable interest rate.

(k) Income taxes

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

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES – *Continued*

(l) Foreign currency

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

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised in other comprehensive income, in which case, the exchange differences are also recognised in other comprehensive income.

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

Goodwill and fair value adjustments on identifiable assets acquired arising on an acquisition of a foreign operation on or after 1 January 2005 are treated as assets and liabilities of that foreign operation and translated at the rate of exchange prevailing at the end of reporting period. Exchange differences arising are recognised in the foreign exchange reserve.

4. SIGNIFICANT ACCOUNTING POLICIES – *Continued*

(m) Employee benefits

(i) Short term employee benefits

Short term employee benefits are employee benefits (other than termination benefits) that are expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the related service. Short term employee benefits are recognised in the year when the employees render the related service.

(ii) Defined contribution retirement plan

Contributions to defined contribution retirement plans are recognised as an expense in profit or loss when the services are rendered by the employees.

(iii) Termination benefits

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

(n) Pension obligations

The Group participates in several defined contribution retirement benefit schemes. A defined contribution plan is a retirement benefit scheme under which the Group pays contributions, on a mandatory, contractual or voluntary basis, into a separate entity. The schemes are generally funded through payments to insurance companies or state/trustee-administered funds. The Group has no further payment obligations once the contributions have been paid. It has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

The contributions are recognised as employment costs when they are due and are reduced by contributions forfeited by those employees who leave the scheme prior to vesting fully in the contributions.

4. SIGNIFICANT ACCOUNTING POLICIES – *Continued*

(o) Share-based payments

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

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also recognised in profit or loss over the remaining vesting period.

The Group also operates a phantom share option scheme which is determined to be a cash-settled share-based payment transaction with employees. An option pricing model is used to measure the Group's liability at grant date and subsequently at the end of each reporting period, taking into account the terms and conditions on which the bonus is awarded and the extent to which employees have rendered service. Movements in the liability (other than cash payments) are recognised in profit or loss.

(p) Impairment of assets (other than financial assets)

At the end of each reporting period, the Group reviews the carrying amounts of the following assets to determine whether there is any indication that those assets have suffered an impairment loss or an impairment loss previously recognised no longer exists or may have decreased:

- property, plant and equipment; and
- interests in subsidiaries and an associate

If the recoverable amount (i.e. the greater of the fair value less costs of disposal and value in use) of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount under another HKFRS, in which case the impairment loss is treated as a revaluation decrease under that HKFRS.

4. SIGNIFICANT ACCOUNTING POLICIES – *Continued*

(p) Impairment of assets (other than financial assets) – *Continued*

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount under another HKFRS, in which case the reversal of the impairment loss is treated as a revaluation increase under that HKFRS.

Value in use is based on the estimated future cash flows expected to be derived from the assets, 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.

(q) Provisions and contingent liabilities

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

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

(r) Related parties

(a) A person or a close member of that person's family is related to the Group if that person:

- (i) has control or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of key management personnel of the Group or the Company's parent.

4. SIGNIFICANT ACCOUNTING POLICIES – *Continued*

(r) Related parties – *Continued*

(b) An entity is related to the Group if any of the following conditions apply:

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);

(iii) Both entities are joint ventures of the same third party;

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

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

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

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of key management personnel of the entity (or of a parent of the entity); 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 Group's parent.

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

(i) that person's children and spouse or domestic partner;

(ii) children of that person's spouse or domestic partner; and

(iii) dependents of that person or that person's spouse or domestic partner.

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, the directors are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results differ from these estimates.

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

(a) Critical judgments in applying accounting policies

(i) Useful lives, residual values and depreciation of property, plant and equipment

The Group's management determines the estimated useful lives, residual values and related depreciation charges for its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. Management will increase the depreciation charge where useful lives are less than previously estimated lives, it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold. Actual economic lives may differ from estimated useful lives; actual residual values may differ from estimated residual values. Periodic review could result in a change in depreciable lives and residual values and therefore depreciation expense in the future periods.

(ii) Impairment of property, plant and equipment

The impairment loss for property, plant and equipment is recognised for the amount by which the carrying amount exceeds its recoverable amount. The recoverable amount of the assets, or, where appropriate, the cash generating unit to which they belong, is the higher of its fair value less costs to sell and value in use. The recoverable amounts are determined based on fair value less costs to sell which are based on the best information available to reflect the amount obtainable at the end of reporting period, from the disposal of the asset in an arm's length transaction between knowledgeable and willing parties, after deducting the costs of disposal. For the estimation of value in use, the Group's management estimates future cash flows from the cash-generating units and chooses a suitable discount rate in order to calculate the present value of those cash flows.

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY – *Continued*

(a) Critical judgments in applying accounting policies – *Continued*

(iii) Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs of completion and variable selling expenses. These estimates are based on the current market condition and the historical experience of manufacturing and selling products of similar nature. It could change significantly as a result of changes in customer taste and competitor actions in response to severe industry cycle. Management reassesses the estimations at the end of each reporting period.

(iv) Impairment of trade and other receivables

The Group's management determines the provision for impairment of trade and other receivables based on an assessment of the recoverability of the receivables. This assessment is based on the credit history of its customers and other debtors and the current market condition. Management reassesses the provision at the end of each reporting period.

(v) Impairment of available-for-sale investments

The directors review available-for-sale investments at the end of each reporting period to assess whether they are impaired. The Group records impairment charges on available-for-sale equity investments when there has been a significant or prolonged decline in the fair value below their cost. The determination of what is significant or prolonged requires judgement. In making this judgement, the directors evaluate, among other factors, historical share price movements and the duration and extent to which the fair value of an investment is less than its cost.

(vi) Power to exercise significant influence

Where the Group holds over 20% of voting rights (but not over 50%) and the Group does not exercise significant influence, the investment is treated as an available-for-sale investment. Details are given in note 22.

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY – *Continued*

(b) Key sources of estimation uncertainty

In addition to information disclosed elsewhere in these financial statements, other key sources of estimation uncertainty that have a significant risk of resulting a material adjustment to the carrying amounts of assets and liabilities within next financial year are as follows:

(i) Impairment of goodwill

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

(ii) Fair value measurement

A number of assets and liabilities included in the Group's financial statements require measurement at, and/or disclosure of, fair value.

The fair value measurement of the Group's financial and non-financial assets and liabilities utilises market observable inputs and data as far as possible. Inputs used in determining fair value measurements are categorised into different levels based on how observable the inputs used in the valuation technique utilised are (the "fair value hierarchy"):

- Level 1: Quoted prices in active markets for identical items (unadjusted);
- Level 2: Observable direct or indirect inputs other than Level 1 inputs;
- Level 3: Unobservable inputs (i.e. not derived from market data).

The classification of an item into the above levels is based on the lowest level of the inputs used that has a significant effect on the fair value measurement of the item. Transfers of items between levels are recognised in the period they occur.

The Group measures a number of items at fair value:

- Revalued land and buildings – Property, plant and equipment (note 15); and
- Financial instruments – Available-for-sale investments (note 22)

For more detailed information in relation to the fair value measurement of the items above, please refer to the applicable notes.

6. REVENUE AND SEGMENT REPORTING

The Group determines its operating segments based on the reports reviewed by the chief operating decision-maker (the "CODM") that are used to make strategic decisions.

The Group has three reportable segments. The segments are managed separately as each business offers different products and requires different business strategies. The following summary describes the operations in each of the Group's reportable segments:

- Manufacturing and sale of toys
- Sale of consumer electronic products
- Manufacturing and sale of commercial kitchen products

Inter-segment transactions are priced with reference to prices charged to external customers for similar order. Corporate revenue and expenses are not allocated to the operating segments as they are not included in the measure of the segments' profit that is used by the chief operating decision-maker for assessment of segment performance.

(a) Segment revenue and results

For the year ended 31 March 2017

	Toys HK$'000	Consumer electronic products HK$'000	Commercial kitchen products HK$'000	Reportable segment total HK$'000
Revenue to external customers	191,421	125,100	2,700	319,221
Segment loss before income tax	(70,654)	(40,464)	(113,845)	(224,963)

6. REVENUE AND SEGMENT REPORTING – *Continued*

(a) Segment revenue and results – *Continued*

For the year ended 31 March 2016

	Toys HK$'000	Consumer electronic products HK$'000	Commercial kitchen products HK$'000	Reportable segment total HK$'000
Revenue to external customers	293,464	47,653	11,682	352,799
Segment loss before income tax	(16,070)	(29,765)	(52,489)	(98,324)

	2017 HK$'000	2016 HK$'000
Reportable segment loss	**(224,963)**	(98,324)
Interest income	**10,229**	17,018
Exchange (losses)/gains, net	**(8,437)**	37
Gain on disposal of available-for-sale investments	**3,345**	1,896
Impairment loss on available-for-sale investments	**(17,595)**	–
Share of result of an associate	**(12,326)**	3,653
Equity-settled share-based payment, net	**–**	778
Unallocated corporate expenses		
– Staff costs	**(5,971)**	(6,856)
– Legal and professional fee	**(4,240)**	(4,557)
– Consultancy service expense	**(3,601)**	(5,700)
– Others	**(279)**	(1,989)
Consolidated loss before income tax	**(263,838)**	(94,044)

6. REVENUE AND SEGMENT REPORTING – *Continued*

(b) Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by reportable segment:

	2017 HK$'000	2016 HK$'000
Segment assets		
Toys	**209,754**	221,099
Consumer electronic products	**36,075**	57,949
Commercial kitchen products	**12,780**	132,995
Segment assets	**258,609**	412,043
Available-for-sale investments	**174,380**	199,017
Interest in an associate	**8,102**	21,982
Unallocated corporate assets		
– Cash and cash equivalents	**16,293**	102,733
– Other receivables, deposits and prepayments	**75,000**	4,599
– Others	**10**	690
Consolidated total assets	**532,394**	741,064

	2017 HK$'000	2016 HK$'000
Segment liabilities		
Toys	**178,136**	132,673
Consumer electronic products	**39,531**	21,545
Commercial kitchen products	**23,741**	25,486
Segment liabilities	**241,408**	179,704
Unallocated corporate liabilities	**345**	250
Consolidated total liabilities	**241,753**	179,954

6. REVENUE AND SEGMENT REPORTING – *Continued*

(c) Other segment information included in segment results or segment assets

For the year ended 31 March 2017

	Toys HK$'000	Consumer electronic products HK$'000	Commercial kitchen products HK$'000	Unallocated HK$'000	Total HK$'000
Interest income	(14)	–	(3)	(10,229)	(10,246)
Interest expenses	2,947	–	259	–	3,206
Income tax (credit)/expense	(1,208)	(60)	48	–	(1,220)
Share of result of an associate	–	–	–	12,326	12,326
Depreciation of property, plant and equipment	13,524	2,225	571	–	16,320
Amortisation of intangible assets	–	571	1,029	–	1,600
Impairment loss on property, plant and equipment	–	4,122	4,126	–	8,248
Impairment loss on intangible assets	–	–	3,412	–	3,412
Impairment loss on available-for-sale investments	–	–	–	17,595	17,595
Impairment loss on inventories	–	4,586	13,935	–	18,521
Impairment loss on trade and other receivables, deposits and prepayments	246	127	23,256	–	23,629
Compensation payable	–	–	3,690	–	3,690
Impairment loss on goodwill	–	–	55,729	–	55,729
Gain on disposal of available-for-sale investments	–	–	–	(3,345)	(3,345)
Additions to property, plant and equipment	16,213	138	174	–	16,525
Additions to intangible assets	–	528	–	–	528

6. REVENUE AND SEGMENT REPORTING – *Continued*

(c) Other segment information included in segment results or segment assets – *Continued*

For the year ended 31 March 2016

	Toys HK$'000	Consumer electronic products HK$'000	Commercial kitchen products HK$'000	Unallocated HK$'000	Total HK$'000
Interest income	(14)	(52)	(94)	(17,018)	(17,178)
Interest expenses	2,038	–	–	–	2,038
Income tax (credit)/expense	(594)	332	156	–	(106)
Share of result of an associate	–	–	–	(3,653)	(3,653)
Depreciation of property, plant and equipment	7,840	2,381	431	–	10,652
Amortisation of intangible assets	–	605	596	–	1,201
Impairment loss on inventories	–	–	4,416	–	4,416
Impairment loss on trade and other receivables, deposits and prepayments	134	629	1,187	–	1,950
Impairment loss on goodwill	–	–	36,471	–	36,471
Gain on disposal of available-for-sale investments	–	–	–	(1,896)	(1,896)
Equity-settled share-based payment, net	–	(1,070)	(1,079)	(778)	(2,927)
Additions to property, plant and equipment	40,423	3,977	58	–	44,458
Additions to intangible assets	–	–	22	–	22

6. REVENUE AND SEGMENT REPORTING – *Continued*

(d) Geographical information

Information about the Group's revenue and non-current assets by geographical region, according to the location which the product is shipped and the location of assets, is as follows:

For the year ended 31 March 2017

	Revenue HK$'000	Non-current assets HK$'000 (Note (i))
United States of America and Canada	85,343	3,404
Europe (Note (ii))	33,116	–
China	128,822	18,357
Australia	1,930	–
Japan	23,994	–
Hong Kong	1,167	178,189
Korea	18,250	–
Indonesia	15,482	113,486
Others	11,117	6
	319,221	313,442

6. REVENUE AND SEGMENT REPORTING – *Continued*

(d) Geographical information – *Continued*

For the year ended 31 March 2016

	Revenue HK$'000	Non-current assets HK$'000 (Note (i))
United States of America and Canada	137,319	3,276
Europe (Note (ii))	55,765	–
China	65,809	106,471
Australia	1,869	–
Japan	39,625	–
Hong Kong	1,591	98
Korea	23,833	–
Indonesia	10,884	114,723
Others	16,104	6
	352,799	224,574

Note:

(i) Excluding deferred tax assets.

(ii) The products are first exported to one of the European countries ("Shipping Port Countries") and then distributed to different European countries by the customers. The information as to where the products are finally shipped is unavailable and the cost of obtaining such information would be excessive. The directors are of the opinion that disclosing the identities of the Shipping Port Countries is undesirable as such disclosure might be misleading.

6. REVENUE AND SEGMENT REPORTING – *Continued*

(e) Information on major customers:

Revenue from one customer (2016: two customers) of the corresponding years contributing over 10% of the total sales of the Group are as follows:

	2017 HK$'000	2016 HK$'000
Customer A from toys segment	**32,216**	86,794
Customer B from toys segment (Note)	**N/A**	60,498

Note: The corresponding revenue in the year ended 31 March 2017 for Customer B did not contribute over 10% of the Group's total revenue.

7. OTHER REVENUE, GAINS AND LOSSES, NET

	2017 HK$'000	2016 HK$'000
Interest income	**10,246**	17,178
Loss on disposal of property, plant and equipment	**(8)**	–
Gain on disposal of available-for-sale investments	**3,345**	1,896
Impairment loss on available-for-sale investments	**(17,595)**	–
Impairment loss on trade and other receivables, deposits and prepayments	**(23,629)**	(1,950)
Compensation payable	**(3,690)**	–
Exchange (losses)/gains, net	**(8,995)**	4,101
Others	**(832)**	2,055
	(41,158)	23,280

8. LOSS BEFORE INCOME TAX

Loss before income tax is arrived at after charging:

	2017 HK$'000	2016 HK$'000
Costs of inventories recognised as expenses	220,966	285,535
Impairment loss on inventories	18,521	4,416
Auditors' remuneration	2,387	2,433
Depreciation of property, plant and equipment	16,320	10,652
Amortisation of intangible assets	1,600	1,201
Employee costs (excluding directors' emoluments)	105,987	106,213
Directors' emoluments	3,991	3,708
Research and development costs (included in general and administrative expenses)	13,434	11,129
Minimum lease payments under operating lease	4,904	3,378

9. FINANCE COSTS

	2017 HK$'000	2016 HK$'000
Total interest expenses for financial liabilities that are not at fair value through profit or loss:		
Interests on bank loans and other borrowings	3,206	2,038

10. INCOME TAX CREDIT

No Hong Kong profits tax has been provided for the Company's subsidiaries in Hong Kong as they did not derive any assessable profits for the year (2016: Nil).

Enterprise income tax ("EIT") has been provided at the rate of 25% (2016: 25%) on the estimated assessable profits for the year arising from the People's Republic of China (the "PRC").

Overseas income tax has been provided at the appropriate rates in the countries in which they operate.

10. INCOME TAX CREDIT – *Continued*

The amount of income tax credit in the consolidated statement of comprehensive income represents:

	2017 **HK$'000**	2016 HK$'000
PRC enterprise income tax		
– under-provision in prior years	**2**	106
Overseas income tax		
– current year	**–**	210
Deferred tax credit	**(1,222)**	(422)
Income tax credit	**(1,220)**	(106)

The income tax credit for the year can be reconciled to the loss before income tax in the consolidated statement of profit or loss and other comprehensive income as follows:

	2017 **HK$'000**	2016 HK$'000
Loss before income tax	**(263,838)**	(94,044)
Tax calculated at the domestic tax rate of 16.5% (2016: 16.5%)	**(43,533)**	(15,517)
Effect of different tax rates of subsidiaries operating in other jurisdictions	**(15,428)**	(3,329)
Tax effect of revenue not taxable for tax purposes	**(3,421)**	(4,340)
Tax effect of expenses not deductible for tax purposes	**25,354**	8,769
Under-provision in respect of prior years	**2**	106
Tax effect of tax losses not recognised	**36,128**	13,815
Others	**(322)**	390
Income tax credit	**(1,220)**	(106)

11. DIVIDENDS

The directors do not recommend any dividend in respect of the year ended 31 March 2017 (2016: Nil).

12. LOSS PER SHARE

	2017 **HK cents**	2016 HK cents
Basic loss per share	**(4.09)**	(1.39)
Diluted loss per share (Note)	**N/A**	N/A

The calculation of basic loss per share attributable to owners of the Company is based on the following data:

	2017 **HK$'000**	2016 HK$'000
Loss for the year attributable to owners of the Company, used in the basic loss per share calculation	**(241,937)**	(81,324)

	2017	2016
Number of shares		
Weighted average number of ordinary shares for the purposes of basic loss per share	**5,917,757,997**	5,849,490,874

Note: No diluted loss per share is presented for the years ended 31 March 2017 and 2016 as the effect of all potential ordinary shares is anti-dilutive.

13. EMPLOYEE COSTS

Employee costs (excluding directors' emoluments) comprise:

	2017 HK$'000	2016 HK$'000
Wages and salaries	**97,547**	99,679
Short-term non-monetary benefits	**4,682**	4,457
Equity-settled share-based payment, net (Note 30)	**–**	(1,867)
Contributions on defined contribution retirement plans	**3,758**	3,944
	105,987	106,213

14. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

(a) Directors' emoluments

The aggregate amounts of emoluments paid and payable to the directors of the Company are as follows:

	2017 HK$'000	2016 HK$'000
Directors' fee	**523**	240
Other emoluments:		
Basic salaries, bonus, housing and other allowances and benefits in kind	**3,450**	3,450
Provident fund scheme contributions	**18**	18
	3,991	3,708

No emoluments have been paid by the Group to the directors as an inducement to join or upon joining the Group or as compensation for loss of office during the year. No directors waived their emoluments in respect of the years ended 31 March 2017 and 2016.

14. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS – *Continued*

(a) Directors' emoluments – *Continued*

The emolument of each director for the year ended 31 March 2017 is set out below:

Name of director		Fees HK$'000	Basic salaries and bonus HK$'000	Housing and other allowances and benefits in kind HK$'000	Provident fund scheme contributions HK$'000	Total HK$'000
Non-executive director						
Mr. Diao Yunfeng		120	–	–	–	120
Executive directors						
Mr. Leung Alex	(appointed on 20 March 2017)	3	–	–	–	3
Mr. Lo Ming Wan	(appointed on 30 March 2017)	1	–	–	–	1
Mr. Lee Chan Wah	(appointed on 30 March 2017)	1	–	–	–	1
Mr. Lei Hong Wai	(appointed on 11 October 2016)	56	–	–	–	56
Mr. Tse Chi Keung	(appointed on 16 December 2016)	35	–	–	–	35
Mr. Hu Yebi	(appointed on 5 October 2016 and resigned on 20 March 2017)	27	–	–	–	27
Mr. Cheung Kwok Wai Elton	(appointed on 11 October 2016 and resigned on 16 December 2016)	22	–	–	–	22
Mr. Leung Lun, M.H.	(resigned on 30 March 2017)	–	1,500	780	–	2,280
Ms. Fang Fang	(resigned on 30 March 2017)	–	1,170	–	18	1,188
Independent non-executive directors						
Mr. Lai Hok Lim	(appointed on 27 October 2016)	51	–	–	–	51
Mr. Lien Wai Hung	(appointed on 27 October 2016)	51	–	–	–	51
Mr. Wong Tak Chuen	(appointed on 11 October 2016)	56	–	–	–	56
Mr. Ye Tian Liu	(resigned on 27 October 2016)	34	–	–	–	34
Mr. Lai Yun Hung	(resigned on 27 October 2016)	32	–	–	–	32
Mr. Ko Peter Ping Wah	(resigned on 27 October 2016)	34	–	–	–	34
		523	2,670	780	18	3,991

14. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS – *Continued*

(a) Directors' emoluments – *Continued*

The emolument of each director for the year ended 31 March 2016 is set out below:

Name of director	Fees HK$'000	Basic salaries and bonus HK$'000	Housing and other allowances and benefits in kind HK$'000	Provident fund scheme contributions HK$'000	Total HK$'000
Executive directors					
Mr. Diao Yunfeng	60	–	–	–	60
Mr. Leung Lun, M.H.	–	1,500	780	–	2,280
Ms. Fang Fang	–	1,170	–	18	1,188
Independent non-executive directors					
Mr. Ye Tian Liu	60	–	–	–	60
Mr. Lai Yun Hung	60	–	–	–	60
Dr. Ko Peter, Ping Wah	60	–	–	–	60
	240	2,670	780	18	3,708

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include two (2016: two) directors whose emoluments are disclosed in the analysis presented above. The emoluments payable to the remaining three (2016: three) individuals during the year are as follows:

	2017 HK$'000	2016 HK$'000
Basic salaries, bonus, housing and other allowances and benefits in kind	**2,450**	1,969
Provident fund scheme contributions	**72**	77
	2,522	2,046

14. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS – *Continued*

(b) Five highest paid individuals – *Continued*

The emoluments paid or payable to the above individuals were within the following bands:

	2017 No. of Individuals	2016 No. of Individuals
Nil to HK$1,000,000	**2**	2
HK$1,000,001 to HK$1,500,000	**1**	1

(c) Senior management's emolument

The emoluments paid or payable to the senior managements were within the following band:

	2017 No. of Individuals	2016 No. of Individuals
Nil to HK$1,000,000	**2**	3
HK$1,000,001 to HK$1,500,000	**1**	1

15. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings HK$'000	Leasehold improvements HK$'000	Plant and machinery HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Moulds HK$'000	Total HK$'000
At 31 March 2015							
Cost or valuation	63,497	647	28,449	18,432	1,049	18,713	130,787
Accumulated depreciation and impairment	(142)	(643)	(14,346)	(9,100)	(570)	(5,074)	(29,875)
Net book value	63,355	4	14,103	9,332	479	13,639	100,912
Net book amount at 1 April 2015	63,355	4	14,103	9,332	479	13,639	100,912
Additions	11,982	710	21,516	4,973	153	5,124	44,458
Disposals	–	–	–	(43)	–	(226)	(269)
Depreciation charge	(1,125)	(106)	(3,712)	(2,465)	(149)	(3,095)	(10,652)
Exchange difference	(643)	(11)	183	(63)	(17)	(610)	(1,161)
Net book value at 31 March 2016	73,569	597	32,090	11,734	466	14,832	133,288
At 31 March 2016							
Cost or valuation	76,156	1,330	50,036	23,202	1,171	20,960	172,855
Accumulated depreciation and impairment	(2,587)	(733)	(17,946)	(11,468)	(705)	(6,128)	(39,567)
Net book value	73,569	597	32,090	11,734	466	14,832	133,288
Net book amount at 1 April 2016	73,569	597	32,090	11,734	466	14,832	133,288
Additions	1,358	70	7,658	2,028	202	5,209	16,525
Provision for impairment	–	–	(1,368)	(20)	(62)	(6,798)	(8,248)
Disposals	–	–	(1)	(7)	(192)	–	(200)
Depreciation charge	(671)	(242)	(8,201)	(3,447)	(107)	(3,652)	(16,320)
Exchange difference	(26)	(32)	77	(33)	154	(509)	(369)
Net book value at 31 March 2017	74,230	393	30,255	10,255	461	9,082	124,676
At 31 March 2017							
Cost or valuation	77,484	1,341	57,661	24,905	1,153	25,284	187,828
Accumulated impairment	–	–	(1,337)	(20)	(61)	(6,646)	(8,064)
Accumulated depreciation	(3,254)	(948)	(26,069)	(14,630)	(631)	(9,556)	(55,088)
Net book value	74,230	393	30,255	10,255	461	9,082	124,676

15. PROPERTY, PLANT AND EQUIPMENT – *Continued*

Notes:

(a) As at 31 March 2017 and 2016, the land and buildings represent a freehold land and certain factories situated in Indonesia.

(b) Borrowings of HK$5,749,000 (2016: HK$24,712,000) are secured by the Group's land and buildings.

(c) The Group's land and buildings were revalued at 31 March 2017. Valuation was made on the basis of open market value carried out by KJPP Husni, Joediono & Rekan, an independent firm of chartered surveyors. There were no material difference between the carrying amount and fair value of the land and buildings, thus, no surplus on revaluation recognized.

The fair value of land and buildings is a level 3 recurring fair value measurement. A reconciliation of the opening and closing fair value balance is provided below.

	2017 HK$'000	2016 HK$'000
Opening balance (level 3 recurring fair value)	**73,569**	63,355
Addition	**1,358**	11,982
Depreciation charge for the year	**(671)**	(1,125)
Exchange difference	**(26)**	(643)
Closing balance (level 3 recurring fair value)	**74,230**	73,569

The fair value of properties held for own use was estimated using a market comparison approach. Fair values are based on prices for recent market transactions in similar properties with significant adjustments for differences in the location or condition of the Group's properties. These adjustments are based on unobservable inputs.

Significant unobservable inputs	Range
(Discount)/premium on quality of properties	(24%) – 5% (2016: (15%) – 18%)

Higher premiums or discounts for the quality of the Group's properties compared to recent sales will result in correspondingly higher or lower fair values.

There were no changes to the valuation techniques during the period.

As at 31 March 2017 and 2016, management reassessed the fair value of the land and buildings by reference to the property market information and was of the opinion that the fair value of the land and buildings does not materially differ from its carrying amount.

(d) The carrying amount of the revalued land and buildings would have been HK$20,709,000 (2016: HK$20,047,000), they had been stated at cost less accumulated depreciation and accumulated impairment losses.

(e) During the year, an impairment loss of HK$8,248,000 was recognised to write down the carrying amount of those assets to its recoverable amount of HK$951,000 due to adverse condition of those assets. The recoverable amount was based on the fair value less costs of disposal of the machinery estimated by reference to recent market transactions in similar assets adjusted for differences in condition. The fair value less costs of disposal of the machinery is classified as a level 3 measurement.

16. GOODWILL

	2017 HK$'000	2016 HK$'000
Cost		
At 1 April	**100,731**	105,880
Exchange difference	**(6,095)**	(5,149)
At 31 March	**94,636**	100,731
Accumulated impairment		
At 1 April	**40,137**	3,523
Impairment loss recognised in the year	**55,729**	36,471
Exchange difference	**(3,730)**	143
At 31 March	**92,136**	40,137
At 31 March:		
Cost	**94,636**	100,731
Accumulated impairment	**(92,136)**	(40,137)
Net carrying amount	**2,500**	60,594

Goodwill acquired in business combination is allocated, at acquisition, to the cash-generating unit ("CGUs") that are expected to benefit from that business combination. As at 31 March 2017 and 2016, the goodwill arose from the acquisitions of CGUs which are engaged in manufacturing and sale of commercial kitchen products and sale of toys respectively, is as follows:

	2017 HK$'000	2016 HK$'000
Commercial kitchen products	**–**	58,094
Toys	**2,500**	2,500
	2,500	60,594

16. GOODWILL – *Continued*

Commercial kitchen products

The directors determined the respective recoverable amount of the CGUs of the commercial kitchen products as at 31 March 2017 from their value-in-use based on the valuations performed by an independent firm of professional valuer using the income approach method.

The income approach method is based on the projection of future cash flows of the commercial kitchen products segment derived from the financial budgets approved by the management of the Company ("Management") covering a five-year period. Cash flow beyond the five-year period are extrapolated as there is 3% growth in the commercial kitchen products segment in the PRC.

The discount rates of 23% (2016: 15% to 19%) adopted in the future cash flows projections of the CGUs of the commercial kitchen products are pre-taxed and reflect specific risks relating to the relevant markets.

In prior years, the Management expected the growth of commercial kitchen products segment will become obvious in these years because of the government policy regarding the heat efficiency requirement for commercial kitchen products. However, throughout the year, there was no news on the exact timeframe for the implementation of such new policy and the growth in demand of commercial kitchen products is not happened as expected. In addition, due to the recent slowdown in the economic growth in the PRC, leading to the delay of some potential and ongoing commercial kitchen equipment procurement projects, the Management has become more prudent and cautious for partner choosing and project selection. Therefore, in current year, the Management has reassessed and adjusted the revenue growth adopted in the five-year financial budgets. This had an adverse impact on the estimated value-in-use of those CGUs and an impairment loss on goodwill of HK$55,729,000 and an impairment loss on intangible assets of HK$3,412,000 was recognised. As the carrying amount of the CGUs has been reduced to their recoverable amount of HK$750,000, any adverse changes in the key assumptions used to calculate the recoverable amount would result in further impairment losses.

Toys

The recoverable amount of the CGU of the toys trading business in the USA is determined by the value-in-use calculation. The calculation was carried out by cash flow projection based on financial budget approved by the Management covering a five-year period. Cash flow beyond the five-year period is extrapolated using an estimated average growth rate of 3% (2016: 3%), which does not exceed the long-term growth rate for the industry in the corresponding country.

The discount rate of 21% (2016: 25%) adopted in the value-in-use calculation of the CGU of toys is pre-taxed and reflect specific risks relating to the relevant markets.

16. GOODWILL – *Continued*

Toys – *Continued*

The Management reassessed the recoverable amount of the CGU of toys as at 31 March 2017 by reference to the discounted cash flow calculations with the above estimations and was of the opinion that no impairment loss should be recognised as the carrying amount of the CGU of toys approximates to its recoverable amount.

17. INTANGIBLE ASSETS

Patents	HK$'000
Cost:	
At 1 April 2015	11,356
Additions	22
Exchange difference	(606)
At 31 March 2016	10,772
Additions	528
Exchange difference	(615)
At 31 March 2017	10,685
Accumulated amortisation:	
At 1 April 2015	937
Charge for the year	1,201
Exchange difference	(76)
At 31 March 2016	2,062
Provision for impairment	3,412
Charge for the year	1,600
Exchange difference	(173)
At 31 March 2017	6,901
Net book value:	
At 31 March 2017	3,784
At 31 March 2016	8,710

18. INTERESTS IN SUBSIDIARIES

Particulars of the subsidiaries of the Company at 31 March 2017 and 2016 are as follows:

Name of company	Place of incorporation and operations	Particulars of issued share capital/ registered capital	Effective percentage holding 2017	Effective percentage holding 2016	Nature of business
Shares held directly:					
LC Global Holdings Corporation	British Virgin Islands	Ordinary US$50,001	**100**	100	Investment holding
Future Empire Limited	British Virgin Islands	Ordinary US$50,000	**100**	100	Investment holding
Shares/investments held indirectly:					
PT. Lung Cheong Brothers Industrial	Republic of Indonesia	Rupiah 96,305,804,000	**100**	100	Manufacture of toys and electronic products
Kid Galaxy Global Limited	British Virgin Islands	Ordinary US$2	**100**	100	Investment holding
Kid Galaxy Corporation	British Virgin Islands	Ordinary US$11	**100**	100	Investment holding
Lung Cheong Asia Holdings Limited	British Virgin Islands	Ordinary US$50,001	**100**	100	Investment holding
Lung Cheong Overseas Corporation	British Virgin Islands	Ordinary US$50,000	**100**	100	Trading of toys
Kid Galaxy Inc.	United States of America ("USA")	Ordinary US$100,010	**100**	100	Trading of toys
LC Technology Limited	Hong Kong	Ordinary HK$30,010,000	**100**	100	Trading of toys and electronic products
Kid Galaxy Limited	Hong Kong	Ordinary HK$10,010,000	**100**	100	Trading of toys
Haier Healthwise Company Limited	Hong Kong	Ordinary HK$1	**100**	100	Investment holding
Ultra Classic Investments Limited	British Virgin Island	Ordinary US$1	**100**	100	Investment holding
Good Cheer Global Limited	Hong Kong	Ordinary HK$1	**100**	100	Investment holding
Keytime Global Limited	British Virgin Islands	Ordinary US$1	**100**	100	Investment holding
Future Empire Limited	Hong Kong	Ordinary HK$1	**100**	100	Investment holding
Notton Limited	British Virgin Islands	Ordinary US$1	**100**	100	Investment holding

18. INTERESTS IN SUBSIDIARIES – *Continued*

Name of company	Place of incorporation and operations	Particulars of issued share capital/ registered capital	Effective percentage holding 2017	Effective percentage holding 2016	Nature of business
Shares/investments held indirectly:					
Era Creation Technology Limited	Hong Kong	Ordinary HK$1	**100**	100	Investment holding
Qingdao Oasis Intelligent Health Technology Company Limited	The People Republic of China ("PRC")	Ordinary US$10,000,000	**100**	100	Trading of consumer electronic and childcare products
Qindao Ruidi Gas Appliances Manufacturing Limited ("Qingdao Ruidi")	PRC	Ordinary RMB30,000,000	**100**	100	Research, development, manufacturing & sales of commercial & domestic gas cooking appliances
Qingdao Haier Rudi Kitchen Appliances & Engineering Company Limited ("Haier Ruidi")	PRC	Ordinary RMB30,000,000	**100**	100	Research and development, production, sales and installation of commercial kitchen related equipment and accessories
Sichuan Yi Fang Kitchen Equipment Company Limited ("Sichuan Yi Fang")	PRC	Ordinary RMB16,000,000	**59.976**	59.976	Research and development, production, sales and installation of commercial kitchen related equipment and accessories
深圳綠州兒童用品有限公司 ("Shenzhen Oasis")	PRC	Ordinary RMB5,000,000	**51**	51	Trading of consumer electronic products
深圳貝立安母嬰用品有限公司 ("Shenzhen Brillante")	PRC	Ordinary RMB2,000,000	**51**	51	Research & development, marketing & distribution of childcare products
青島綠州創智科技信息有限公司 ("Oasis CZ")	PRC	Ordinary RMB10,000,000	**100**	100	Trading of consumer electronic products
上海綠洲智健智能科技有限公司 ("Oasis Shanghai")	PRC	Ordinary RMB5,000,000	**51**	51	Trading of consumer electronic products
深圳綠洲智健科技有限公司	PRC	Ordinary RMB5,000,000	**51**	51	Trading of consumer electronic products

19. INTEREST IN AN ASSOCIATE

	2017 HK$'000	2016 HK$'000
Share of net assets	**8,102**	21,982
Amount due from an associate	**–**	9,136

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

Particulars of the Group's associate are as follows:

Name of associate	Form of business structure	Place of incorporation	Percentage of ownership interest		Place of operation and principle activity
			2017	2016	
青島日日順樂家水設備有限公司 ("Goodaymart Water")	Corporation	PRC	**49%**	49%	Wholesaling and retailing, installation and maintenance of water purification equipment and accessories and provision of relevant aftersales services in PRC

The summarised financial information in respect of the associate held by the Group at the end of reporting period is set out below:

	2017 HK$'000	2016 HK$'000
Goodaymart Water		
Non-current assets	**–**	–
Current assets	**12,355**	58,407
Current liabilities	**(4,445)**	(23,753)
Net assets	**7,910**	34,654
Group's share of net assets of the associate (Note)	**8,102**	21,982

19. INTEREST IN AN ASSOCIATE – *Continued*

	2017 HK$'000	2016 HK$'000
Revenue	**3,889**	104,821
(Loss)/profit for the year	**(25,155)**	7,455
Group's share of result of the associate for the year	**(12,326)**	3,653

Note: Since the other shareholder of Goodaymart Water has not yet paid up their respective shares as at 31 March 2017 and 2016, the amount of the Group's share of net assets of the associate represents the total cash contribution by the Group at the incorporation date plus the subsequent change of net assets in share holding pro-rata basis.

20. INVENTORIES

	2017 HK$'000	2016 HK$'000
Raw materials	**20,414**	3,396
Work-in-progress	**3,945**	37,827
Finished goods	**24,851**	40,277
	49,210	81,500

21. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

The carrying amounts of trade and other receivables, deposits and prepayments are as follows:

	2017 HK$'000	2016 HK$'000
Trade receivables	**37,633**	53,739
Less: allowance for doubtful debts	**(14,968)**	(7,125)
	22,665	46,614
Other receivables, deposits and prepayments	**29,373**	37,720
Less: allowance for doubtful debts	**(14,590)**	–
	14,783	37,720
Refundable deposit paid for acquisition (Note (d))	**75,000**	–
	112,448	84,334

(a) The ageing analysis of the trade receivables, net of allowance for doubtful debts, is as follows:

	2017 HK$'000	2016 HK$'000
0-90 days	**19,345**	26,109
91-180 days	**532**	854
181-365 days	**2,770**	5,786
Over 365 days	**18**	13,865
	22,665	46,614

The Group's sales are on letter of credit or open account terms. Credit terms are reviewed on a regular basis. The normal trade terms include letter of credit, deposits before shipments and credit period ranging from 30 to 90 days but business partners with strong financial backgrounds may be offered longer credit terms.

21. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS – *Continued*

(b) Below is the ageing analysis of the carrying amounts of trade receivables that are past due at the end of the reporting period but for which the Group has not provided for impairment loss because the Management are of the opinion that the fundamental credit quality of the customers has not deteriorated:

	2017 **HK$'000**	2016 HK$'000
Within 30 days past due	**567**	279
31 to 90 days past due	**378**	5,403
Over 90 days past due	**2,906**	14,907
	3,851	20,589

Trade receivables that are neither past due nor impaired relate to customers for whom there is no recent history of default.

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

At 31 March 2017, trade receivables of HK$18,814,000 (2016: HK$26,025,000) were neither past due nor impaired. These related to a large number of diversified customers for whom there was no recent history of default.

21. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS – *Continued*

(c) The movements in the allowance for doubtful debts during the year, including both specific and collective loss components, are as follows:

Allowance of doubtful debts on trade receivables

	2017 **HK$'000**	2016 HK$'000
At beginning of year	**7,125**	5,613
Amounts written off for the year	**(246)**	(134)
Impairment loss recognised	**8,707**	1,950
Exchange difference	**(618)**	(304)
At end of year (Note)	**14,968**	7,125

Note:

Included in the above allowance for doubtful debts in respect of trade receivables is a provision for individually impaired trade receivables of HK$14,968,000 (2016: HK$7,125,000) with a carrying amount before provision of HK$19,628,000 (2016: HK$12,524,000).

Allowance of doubtful debts on other receivables

	2017 **HK$'000**	2016 HK$'000
At beginning of year	**–**	–
Impairment loss recognised	**14,922**	–
Exchange difference	**(332)**	–
At end of year (Note)	**14,590**	–

Note:

Included in the above allowance for doubtful debts in respect of other receivables is a provision for individually impaired other receivables of HK$14,590,000 (2016: Nil) with a carrying amount before provision of HK$14,590,000 (2016: Nil).

21. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS – *Continued*

(d) On 29 March 2017, the Group entered into a sale and purchase agreement (the "S&P Agreement") in relation to the acquisition of entire issued share capital of Ace Season Holdings Limited. Pursuant to the S&P Agreement, a refundable deposit of HK$75,000,000 had been paid by the Group as at 31 March 2017.

22. AVAILABLE-FOR-SALE INVESTMENTS

	2017 **HK$'000**	2016 HK$'000
Equity securities – at fair value		
– Listed in Hong Kong (notes b and c)	**174,380**	–
Debt securities – at fair value		
– Listed in Hong Kong	**–**	82,724
– Listed outside Hong Kong	**–**	116,293
	–	199,017
At 31 March	**174,380**	199,017

The fair value of the Group's listed equity securities in Hong Kong at the date of approval of the consolidated financial statements was HK$171,450,000.

(a) Listed equity securities are stated at fair value. Fair value of listed equity securities is determined based on quoted bid prices in the Stock Exchange.

(b) The Group's strategic investments are 28% interest in Global Mastermind Capital Limited ("GMC") and 23% interest in Global Mastermind Holdings Limited ("GMH"). These companies are not classified as subsidiaries or associates as the Group does not have the power to control or participate in its operating and financial policies, evidenced by the lack of any direct or indirect involvement at board level.

(c) At 31 March 2017, the Company re-measured its investment in 195,500,000 shares in GMC and 800,000,000 shares in GMH at the closing price of HK$0.36 per share and HK$0.13 per share respectively as quoted on the Stock Exchange on 31 March 2017.

23. AMOUNTS DUE FROM/(TO) RELATED COMPANIES

(a) Amounts due from related companies

	As at 31 March 2017 HK$'000	As at 31 March 2016 HK$'000	As at 1 April 2015 HK$'000	Maximum balances outstanding during the year ended 31 March 2017 HK$'000	Maximum balances outstanding during the year ended 31 March 2016 HK$'000
Companies controlled by a director's close family members					
Lung Cheong Digitech (HK) Company Limited	**10,277**	–	11	**30,805**	11
Dongguan Lung Cheong Toys Co., Ltd.	**–**	2,262	–	**–**	2,262
	10,277	2,262	11	**N/A**	N/A
Companies related to our substantial shareholders	**4,519**	10,861	220	**N/A**	N/A
	14,796	13,123	231	**N/A**	N/A

(b) Amounts due from/(to) related companies are unsecured, interest-free and repayable on demand.

24. PLEDGED BANK DEPOSIT/CASH AND CASH EQUIVALENTS

	2017 HK$'000	2016 HK$'000
Cash and bank balances	**38,466**	125,584
Less: pledged bank deposit	**(361)**	–
Cash and cash equivalents	**38,105**	125,584

Cash and cash equivalents represent the bank balances and cash which earn interest on floating rates based on daily bank deposit rates. The carrying amounts of the bank balances and cash approximate to their fair value.

Pledged bank deposit represents the Group's bank deposit pledged to secure designated banking facility and borrowing (Note 26) as at 31 March 2017.

25. TRADE AND OTHER PAYABLES AND ACCRUED CHARGES

	2017 HK$'000	2016 HK$'000
Trade payables	**42,723**	41,960
Other payables and accrued charges	**47,583**	36,936
	90,306	78,896

Included in trade payables are trade creditors with the following ageing analysis, based on invoice dates, as of the end of reporting period:

	2017 HK$'000	2016 HK$'000
0-90 days	**24,834**	29,652
91-180 days	**2,214**	4,839
181-365 days	**1,616**	3,843
Over 365 days	**14,059**	3,626
	42,723	41,960

26. BORROWINGS

	2017 HK$'000	2016 HK$'000
Bank loans – secured (note (b))	**8,190**	19,283
– unsecured (note (c))	**30,920**	1,702
	39,110	20,985
Bank overdraft – secured (note (b))	**5,749**	–
Trust receipt loans – secured (note (b))	**18,929**	15,569
	63,788	36,554

26. BORROWINGS – *Continued*

(a) As at 31 March 2017, except the borrowings of HK$5,749,000 (2016: HK$24,712,000) were interest-bearing at fixed rate of 13% (2016: 8%) per annum, other borrowings were interest-bearing at variable rate ranging from LIBOR plus 3% to LIBOR plus 4.23% per annum (2016: LIBOR plus 3% to LIBOR plus 3.25% per annum).

(b) As at 31 March 2017, certain of the Group's borrowings and banking facilities are secured by the following:

(i) Legal charge over the Group's land and buildings situated in Republic of Indonesia, with carrying value of HK$74,230,000 (2016: HK$73,569,000).

(ii) Pledge of a subsidiaries' plant and machinery, fixtures and equipment, inventories, trade receivables and bank deposit with carrying values of HK$9,901,000 (2016: Nil), HK$904,000 (2016: HK$775,000), HK$9,980,000 (2016: HK$8,991,000), HK$7,993,000 (2016: HK$5,135,000) and HK$361,000 (2016: Nil) respectively.

(c) As at 31 March 2017 and 2016, the unsecured borrowing was guaranteed by the Company and subsidiaries.

(d) As at 31 March 2017, the Group had a total banking facilities of approximately HK$80,433,000 (2016: HK$54,460,000) of which HK$16,645,000 (2016: HK$17,906,000) had not been utilised.

(e) At 31 March 2017, all borrowings of HK$63,788,000 (2016: HK$36,554,000) are scheduled to be repaid within one year or on demand and classified as current liabilities.

27. PROVISION FOR LONG SERVICE PAYMENT

	2017 **HK$'000**	2016 HK$'000
At beginning of year	**3,744**	2,451
Addition	**821**	1,295
Exchange difference	**(6)**	(2)
At end of year	**4,559**	3,744

The amounts represent the provision for long service payment for the Group's employees in Hong Kong and Indonesia. It is regulated by the Labour Law in Hong Kong and Indonesia respectively.

28. DEFERRED TAX

The movements in deferred tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, if any, were as follows:

Deferred tax assets:

	Available-for-sale investments HK$'000	**Cumulative tax losses** HK$'000	**Others** HK$'000	**Total** HK$'000
At 1 April 2015	2,544	2,013	1,018	5,575
Charge to profit or loss	–	(426)	848	422
Charge to other comprehensive income	(1,874)	–	87	(1,787)
Others	–	–	(750)	(750)
Exchange difference	–	(110)	(153)	(263)
At 31 March 2016	670	1,477	1,050	3,197
Charge to profit or loss	–	(18)	1,240	1,222
Reclassification to profit or loss	(670)	–	–	(670)
Charge to other comprehensive income	–	–	45	45
Exchange difference	–	(63)	49	(14)
At 31 March 2017	–	1,396	2,384	3,780

Deferred tax liabilities:

	Revaluation of properties HK$'000
At 1 April 2015	13,577
Exchange difference	(197)
At 31 March 2016	13,380
Exchange difference	(17)
At 31 March 2017	13,363

28. DEFERRED TAX – *Continued*

The following is the analysis of the deferred tax balances for the presentation of financial reporting purposes:

	2017 **HK$'000**	2016 HK$'000
Deferred tax assets	**3,780**	3,197
Deferred tax liabilities	**(13,363)**	(13,380)
	(9,583)	(10,183)

Deferred tax assets are recognised for estimated tax losses carry forward to the extent that the realisation of the related tax benefits through future taxable profits are probable. The Group did not recognise deferred tax assets in respect of estimated losses amounting to approximately HK$240,861,000 (2016: HK$81,665,000) that can be carried forward against future taxable income. All tax losses may be carried forward indefinitely except for the amounts of approximately HK$24,147,000 (2016: HK$5,072,000) which will expire from 2023 to 2034 (2016: 2022 to 2034) and HK$160,260,000 (2016: HK$69,183,000) which may be carried forward for a period of five years from their respective year of origination.

29. SHARE CAPITAL

	Authorised			
	Convertible cumulative redeemable preference shares of US$100,000 each		**Ordinary shares of HK$0.1 each**	
	Number of Shares		**Number of shares**	
		US$'000	'000	HK$'000
At 1 April 2015, 31 March 2016 and 2017	40	4,000	10,000,000	1,000,000

29. SHARE CAPITAL – *Continued*

	Issued and fully paid			
	Convertible cumulative redeemable preference shares of US$100,000 each		Ordinary shares of HK$0.10 each	
	Number of shares	US$'000	Number of shares '000	HK$'000
At 1 April 2015	–	–	5,647,758	564,776
Exercise of warrants	–	–	270,000	27,000
At 31 March 2016 and 2017	–	–	5,917,758	591,776

30. SHARE OPTION SCHEME

The Company operates a share option scheme (the "Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operation. The Scheme, which was adopted by an ordinary resolution of the shareholders on 14 September 2012, constitutes a share option scheme governed by Chapter 17 of the Listing Rules.

Under the Scheme, share options can be exercised at any time during the periods to be determined and notified by the directors of the Company to the grantees at the time of making offers to grant share options to them, provided that such periods shall not exceed the period of ten years from the date of grant. The scheme mandate limit of the Scheme was refreshed pursuant to a shareholders' resolution passed in the extraordinary general meeting of the Company last held on 14 September 2012 (the "EGM"). The maximum number of shares available for issue under the Scheme is 345,775,799, representing 10% of the issued ordinary share capital of the Company as at the date of the EGM, 14 September 2012 and thereafter. The subscription price for the shares under the Scheme shall be a price determined by the directors at its discretion, provided that it shall not less than the higher of (i) the closing price of the shares stated in the daily quotation sheets of Stock Exchange on the date of grant and (ii) the average closing price of the shares stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant of share options. A nominal consideration of HK$1 is payable for each of the share options granted.

30. SHARE OPTION SCHEME – *Continued*

On 13 May 2014, a total of 100,000,000 share options were granted by the Company to the senior management and employees of its subsidiaries and associate and consultants (together as the "Grantees") at the exercise price of HK$0.87 per share. The share options outstanding are subject to the achievement of individual and company level performance targets with below vesting timetable:

1. If both of the individual and company level performance targets are met on or before 13 May 2015, 40% of share options granted to the respective Grantee will be exercisable on 13 May 2015.

2. If both of the individual and company level performance targets are met on or before 13 May 2016, the remaining 60% of share options granted to the respective Grantee will be exercisable on 13 May 2016.

Grantee	Date of grant	Exercisable period	Exercise price per share HK$	Outstanding at 1.4.2015 and 31.3.2016	Granted during the year	Exercised during the year	Forfeited during the year	Outstanding at 31.3.2017
Category I: – Senior management	13.5.2014	13.5.2015 to 12.5.2017	0.87	25,000,000	–	–	(20,842,400)	4,157,600
Category II: – Employees	13.5.2014	13.5.2015 to 12.5.2017	0.87	24,000,000	–	–	(20,512,000)	3,488,000
Category III: – Consultants (Note i)	13.5.2014	13.5.2015 to 12.5.2017	0.87	51,000,000	–	–	(47,380,000)	3,620,000
Total for all categories				100,000,000	–	–	(88,734,400)	11,265,600
Exercisable at the end of the year				11,265,600				11,265,600
Weighted average exercise price				HK$0.87				HK$0.87
Weighted average remaining contractual life at the end of the year				1.12 years				0.12 years

Note:

(i) The Group granted share options to the consultants in return for their provision of management consultancy services to the Group.

During the year ended 31 March 2017, the Company did not recognised any expenses in relation to the share options granted by the Company (2016: reversal of expense amounting to HK$2,927,000).

31. NON-CONTROLLING INTERESTS

Shenzhen Oasis and its wholly-owned subsidiary, 51% owned by the Group, Oasis Shanghai and its wholly-owned subsidiary, 51% owned by the Group and Sichuan Yi Fang, 59.976% owned by the Group have material non-controlling interests ("NCI"). Summarised financial information in relation to the NCI of Shenzhen Oasis and its wholly-owned subsidiary, Shanghai Oasis and its wholly-owned subsidiary and Sichuan Yi Fang, before intra-group elimination are presented below:

	Year ended 2017 HK$'000	Year ended 2016 HK$'000
Shenzhen Oasis and its wholly-owned subsidiary		
Revenue	**2,544**	39,383
Loss for the year	**(10,285)**	(22,650)
Total comprehensive income for the year	**(8,071)**	(20,151)
Loss and total comprehensive income allocated to NCI	**(3,955)**	(9,874)
Cash flow used in operating activities	**(127)**	(7,544)
Cash flow used in investing activities	**–**	(2,984)
Net cash outflow	**(127)**	(10,528)

	2017 HK$'000	2016 HK$'000
As at 31 March		
Non-current assets	**2,542**	3,094
Current assets	**1,783**	35,276
Current liabilities	**(47,895)**	(79,218)
Net liabilities	**(43,570)**	(40,848)
Accumulated non-controlling interests	**(23,638)**	(19,681)

31. NON-CONTROLLING INTERESTS – *Continued*

	Year ended 2017 HK$'000	Year ended 2016 HK$'000
Oasis Shanghai and its wholly-owned subsidiary		
Revenue	**124,123**	–
Loss for the year	**(22,572)**	–
Total comprehensive income for the year	**(19,082)**	–
Loss and total comprehensive income allocated to NCI	**(9,350)**	–
Cash flow used in operating activities	**(1,058)**	–
Cash flow used in investing activities	**(627)**	–
Net cash outflow	**(1,685)**	–

	2017 HK$'000	2016 HK$'000
As at 31 March		
Non-current assets	**812**	–
Current assets	**24,401**	–
Current liabilities	**(47,302)**	–
Net liabilities	**(22,089)**	–
Accumulated non-controlling interests	**(9,470)**	–

31. NON-CONTROLLING INTERESTS – *Continued*

	2017 HK$'000	2016 HK$'000
Sichuan Yi Fang		
Revenue	**92**	4,509
Loss for the year	**(8,323)**	(3,787)
Total comprehensive income for the year	**(12,373)**	(4,106)
Loss and total comprehensive income allocated to NCI	**(4,952)**	(1,643)
Cash flow used in operating activities	**(279)**	(3,258)
Cash flow used in investing activities	**–**	(18)
Net cash outflow	**(279)**	(3,276)

	2017 HK$'000	2016 HK$'000
As at 31 March		
Non-current assets	**1,464**	5,931
Current assets	**5,682**	17,799
Current liabilities	**(15,857)**	(19,906)
Net (liabilities)/assets	**(8,711)**	3,824
Accumulated non-controlling interests	**(3,660)**	1,292

32. RESERVES

The Group

The natures and purposes of reserves are set out below:

Share premium
Under the Companies Law (Revised) Chapter 22 of the Cayman Islands, share premium of the Company is available for paying distributions and dividends to shareholders subject to the provisions of its Memorandum and Articles of Association and provided that immediately following the distributions or dividend payments, the Company is able to pay its debts as they fall due in the ordinary course of business.

Share option reserve
The share option reserve comprises the fair value of share options granted which are yet to be exercised, as further explained in the accounting policy for share-based payment transactions in Note 4(o) to the consolidated financial statements.

Warrant reserve
Warrant reserve represents the amount of proceeds on issue of warrants.

Exchange fluctuation reserve
Exchange fluctuation reserve represents foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policy set out in Note 4(l) to the financial statements.

Investment revaluation reserve
Investment revaluation reserve represents change in fair values of available-for-sale financial assets.

Land and buildings revaluation reserve
Land and buildings revaluation reserve represents the cumulative net change in the fair value of land and buildings held at the end of reporting period and are dealt with in accordance with the accounting policy in Note 4(e) to the financial statements.

Accumulated losses
It represents the cumulative net gains and losses recognised in profit or loss.

32. RESERVES – *Continued*

The Company

	Share premium HK$'000	Shares to be issued HK$'000	Share option reserve HK$'000	Warrant reserve HK$'000	Investment revaluation reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 April 2015	347,233	41,000	6,164	2,969	–	(390,698)	6,668
Profit for the year	–	–	–	–	–	2,268	2,268
Recognition of equity-settled share-based payment, net	–	–	(2,927)	–	–	–	(2,927)
Lapse of profit guarantee – share portion	–	(41,000)	–	–	–	41,000	–
Exercise of warrants	16,086	–	–	(2,586)	–	–	13,500
At 31 March 2016	363,319	–	3,237	383	–	(347,430)	19,509
Loss for the year	–	–	–	–	–	(313,245)	(313,245)
Revaluation of available-for-sale investments	–	–	–	–	(25,595)	–	(25,595)
Reclassification adjustment upon impairment of available-for-sales investments	–	–	–	–	17,595	–	17,595
Lapse of warrants	–	–	–	(383)	–	383	–
At 31 March 2017	363,319	–	3,237	–	(8,000)	(660,292)	(301,736)

33. HOLDING COMPANY STATEMENT OF FINANCIAL POSITION

	Notes	2017 HK$'000	2016 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Interests in subsidiaries	18	**41,231**	611,302
Available-for-sale investments	22	**174,380**	–
		215,611	611,302
Current assets			
Prepayments		**75,000**	–
Tax recoverable		**9**	9
Cash and cash equivalents		**232**	692
		75,241	701
Current liabilities			
Other payables and accrued charges		**812**	718
Net current assets/(liabilities)		**74,429**	(17)
Net assets		**290,040**	611,285
EQUITY			
Share capital	29	**591,776**	591,776
Reserves	32	**(301,736)**	19,509
Total equity		**290,040**	611,285

On behalf of the directors

Lei Hong Wai
Director

Tse Chi Keung
Director

34. CONTINGENT LIABILITIES

At 31 March 2017 and 2016, the Group had no contingent liabilities.

35. COMMITMENTS

(a) Capital commitment

	2017 HK$'000	2016 HK$'000
Commitment for the acquisition of equity interest in a subsidiary	**10,000**	–

(b) Operating lease commitments

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable leases in respect of rented premises which fall due as follows:

	2017 HK$'000	2016 HK$'000
The Group as lessee		
Not later than one year	**3,616**	4,243
Later than one year but not later than five years	**1,544**	4,319
	5,160	8,562

Operating lease payments represent rentals payable by the Group on its leased office premises. Leases are negotiated for terms ranging from two to five years (2016: two to five years) and rentals are fixed over the terms of the leases.

36. RELATED PARTY TRANSACTIONS

During the year, the Group had transactions and balances with related parties, some of which are also deemed to be connected parties pursuant to the Listing Rules. Besides, transactions between the Company and its subsidiaries have been eliminated on consolidation and are not disclosed in this note.

(a) During the year, the Group entered into the following material transactions with related parties:

Related party relationship	Types of transaction	Transaction amount	
		2017 HK$'000	2016 HK$'000
Companies related to the Group's substantial shareholders	Purchase	–	4,302
Companies related to the Group's substantial shareholders	Sales	**2,498**	4,139
Companies controlled by a director's close family members	Purchase (Note)	**43,436**	49,359
Companies controlled by a director's close family members	Sales	**721**	721
Companies related to the Group's substantial shareholders	Service expense	**150**	41
Companies controlled by a director's close family members	Rental expense	**1,000**	250
Companies controlled by a director's close family members	Research and developments costs	**2,880**	–

Transactions are conducted in the ordinary course of business at prices and terms based on mutual agreement.

Note: The related party transactions constitute connected transaction or continuing connected transaction as defined in Chapter 14A of the Listing Rules.

36. RELATED PARTY TRANSACTIONS – *Continued*

(b) Key management personnel compensation

The key management personnel includes the directors, whose emoluments is disclosed in Note 14(a) and key management of the Company during the year. The emoluments of the key management excluding directors were as follows:

	2017 HK$'000	2016 HK$'000
Short-term benefits	1,632	2,224
Post-employment benefits	161	192
	1,793	2,416

37. CAPITAL RISK MANAGEMENT

The Group's objective of managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce cost of capital.

The capital structure of the Group consists of net debts, comprising the borrowings disclosed in Note 26, less of cash and cash equivalents, pledged bank deposit and available-for-sale investments, and equity attributable to owners of the Company, comprising share capital and reserves as disclosed in Notes 29 and 32 respectively.

The Group's management reviews the capital structure periodically. As part of this review, management considers the cost of capital and the risks associated with each class of capital. Based on recommendations of management, the Group will balance its overall capital structure through the payment of dividends, issue of new share as well as new debts or redemption of existing debts.

37. CAPITAL RISK MANAGEMENT – *Continued*

The gearing ratio at the end of reporting period was as follows:

	2017 HK'000	2016 HK'000
Debts	**63,788**	36,554
Cash and cash equivalents	**(38,105)**	(125,584)
Pledged bank deposit	**(361)**	–
Available-for-sale investments	**(174,380)**	(199,017)
Net debts	**(149,058)**	(288,047)
Equity	**290,641**	561,110
Net debts to equity ratio	**N/A**	N/A

38. FINANCIAL RISK MANAGEMENT

Financial risk factors

The Group's activities expose it to a variety of financial risks: credit risk, liquidity risk, interest rate risk and foreign exchange risk.

(a) Credit risk

The Group's credit risk is primarily attributable to its cash and cash equivalents, trade and other receivables and available-for-sale investments. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The default risk of the industry and country in which customers operate also has an influence on credit risk but to a lesser extent. At the end of reporting period, the Group has a certain concentration of credit risk as 28% (2016: 13%) and 59% (2016: 41%) of the total trade receivables was due from the Group's largest debtor and the five largest debtors respectively.

38. FINANCIAL RISK MANAGEMENT – *Continued*

Financial risk factors – *Continued*

(a) *Credit risk* – *Continued*

In respect of trade and other receivables, individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customers as well as pertaining to the economic environment in which the customers operate.

In addition, the Group had concentration of credit risk on its liquid funds as 85% (2016: 86%) of bank balances were placed in five banks. However, the credit risk on liquid funds and available-for-sale investments is limited because the counterparties are banks and listed debt issuers with good reputation.

(b) *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 approval by the Company's board when the borrowings exceed certain predetermined levels of authority. The Group maintains availability of funding through an adequate amount of available credit facilities. The management aims to maintain flexibility in funding by keeping credit lines available.

38. FINANCIAL RISK MANAGEMENT – *Continued*

Financial risk factors – *Continued*

(b) Liquidity risk – *Continued*

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

	Carrying amount HK$'000	Total contractual undiscounted cash flow HK$'000	Within 1 year or on demand HK$'000	Over 1 year HK$'000
2017				
Trade and other payables and accrued charges	**90,306**	**90,306**	**90,306**	**–**
Borrowings	**63,788**	**63,788**	**63,788**	**–**
Amounts due to related companies	**66,770**	**66,770**	**66,770**	**–**
	220,864	**220,864**	**220,864**	**–**

	Carrying amount HK$'000	Total contractual undiscounted cash flow HK$'000	Within 1 year or on demand HK$'000	Over 1 year HK$'000
2016				
Trade and other payables and accrued charges	78,896	78,896	78,896	–
Borrowings	36,554	36,554	36,554	–
Amounts due to related companies	44,229	44,229	44,229	–
	159,679	159,679	159,679	–

38. FINANCIAL RISK MANAGEMENT – *Continued*

Financial risk factors – *Continued*

(b) Liquidity risk – *Continued*

The following table summarises the maturity analysis of bank borrowings with a repayment on demand clause based on agreed scheduled repayments set out in the loan agreements. The amounts include interest payments computed using contractual rates. As a result, these amounts were greater than the amounts disclosed in the "on demand" time band in the maturity analysis contained in above table. Taking into account the Group's financial position, the directors do not consider that it is probable that the bank will exercise its discretion to demand immediate repayment. The directors believe that such bank borrowings will be repaid in accordance with the scheduled repayment dates set out in the loan agreements.

	Carrying amount	Total contractual undiscounted cash flow	Within 1 year	More than 1 year but less than 2 years	More than 2 years but less than 5 years
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 31 March 2017	**63,788**	**64,028**	**64,028**	**–**	**–**
At 31 March 2016	36,554	38,590	38,590	–	–

(c) Interest rate risk

The Group's interest rate risk arises primarily from borrowings. Borrowings issued at variable rates and at fixed rates expose the Group to cash flow interest rate risk and fair value interest rate risk respectively. The interest rates and terms of repayment of the Group's borrowings are disclosed in Note 26 to the financial statements. The Group currently does not use any derivative contracts to hedge its exposure to interest rate risk. However, the management will consider hedging significant interest rate exposure should the need arise.

38. FINANCIAL RISK MANAGEMENT – *Continued*

Financial risk factors – *Continued*

(c) Interest rate risk – *Continued*

The following table details the interest rate profile of the Group's total debts at the end of reporting period.

	2017		2016	
	Effective interest rate %	HK$'000	Effective interest rate %	HK$'000
At fixed rate				
Bank overdraft	13	5,749	N/A	–
Bank loans	N/A	–	8	9,143
Trust receipt loans	N/A	–	8	15,569
		5,749		24,712
At variable rate				
Bank loans	3.09	39,110	4.65	11,842
Trust receipt loans	3.26	18,929		–
		58,039		11,842
Total		63,788		36,554
Net fixed rate borrowing as a percentage of total debts		9%		68%

At 31 March 2017, it is estimated that a general increase/decrease of 50 basis points in interest rates, with all other variables held constant, would increase/decrease the Group's loss before income tax by approximately HK$290,000 (2016: HK$59,000).

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the end of reporting period and had been applied to the exposure to interest rate risk for both derivative and non-derivative financial instruments in existence at that date. The 50 basis points increase/decrease represents management's assessment of a reasonably possible change in interest rates over the period until the next end of reporting period. The analysis is performed on the same basis for 2016.

38. FINANCIAL RISK MANAGEMENT – *Continued*

Financial risk factors – *Continued*

(d) Foreign exchange risk

The Group is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to United States dollars ("US$") and Renminbi ("RMB"). Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations. The Group currently does not hedge its foreign exchange exposure.

The following table details the Group's exposure at the end of reporting period to currency risk arising from forecast transactions or recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate.

	2017		2016	
	RMB'000	**US$'000**	RMB'000	US$'000
Trade and other receivables	**–**	**1,272**	–	2,540
Cash and cash equivalents	**1,958**	**621**	4,767	8,556
Available-for-sale investments	**–**	**–**	60,180	16,240
Borrowings	**–**	**(400)**	–	–
Overall net exposure	**1,958**	**1,493**	64,947	27,336

38. FINANCIAL RISK MANAGEMENT – *Continued*

Financial risk factors – *Continued*

(d) Foreign exchange risk – *Continued*

The following table indicates the approximate change in the Group's loss for the year in response to reasonably possible changes in the foreign exchange rates to which the Group has significant exposure at the end of reporting period.

	2017		2016	
	Increase/ (decrease) in foreign exchange rates	**Increase/ (decrease) in loss for the year HK$'000**	Increase/ (decrease) in foreign exchange rates	Increase/ (decrease) in loss for the year HK$'000
RMB	**5%**	**92**	5%	3,380
	(5%)	**(92)**	(5%)	(3,380)
US$	**5%**	**96**	5%	378
	(5%)	**(96)**	(5%)	(378)

The sensitivity analysis has been determined assuming that the change in foreign exchange rates had occurred at the end of reporting period and had been applied to each of the group entities; exposure to currency risk for both derivative and non-derivative financial instruments in existence at that date, and that all other variables, in particular interest rates, remain constant.

The stated changes represent management's assessment of reasonably possible changes in foreign exchange rates over the period until the end of next annual reporting period. In this respect, it is assumed that the pegged rate between the Hong Kong dollars and the United States dollars would be materially unaffected by any changes in movement in value of the United States dollars against Hong Kong dollars. Results of the analysis as presented in the above table represent an aggregation of the effects on each of the group entities' profit or loss for the year and equity measured in the respective functional currencies, translated into Hong Kong dollars at the exchange rate ruling at the end of reporting period for presentation purposes. The analysis is performed on the same basis for 2016.

39. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY

The carrying amounts of the Group's financial assets and financial liabilities as recognised at 31 March 2017 and 2016 may be categorised as follows:

	2017 HK$'000	2016 HK$'000
Financial assets		
Loans and receivables (including cash and cash equivalents)	**159,179**	207,415
Available-for-sale investments	**174,380**	199,017
	333,559	406,432
Financial liabilities		
Financial liabilities measured at amortised cost	**189,088**	148,879

The following table provides an analysis of financial instruments carried at fair value by level of fair value hierarchy:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	2017		
	Level 1 HK$'000	**Level 2 HK$'000**	**Level 3 HK$'000**
Available-for-sale investments	**174,380**	**–**	**–**

	2016		
	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000
Available-for-sale investments	199,017	–	–

40. EVENTS AFTER THE REPORTING DATE

(i) Major transaction in relation to acquisition of Ace Season Holdings Limited (the "Acquisition")

On 29 March 2017, the Company signed a sale and purchase agreement to acquire the entire issued share capital of Ace Season Holdings Limited and the related shareholder's loan at an aggregate consideration of HK$85 million. As at the date of this report, the Acquisition has yet to complete. For more details, please refer the Company's announcement dated 29 March 2017 and the Company's circular dated 9 June 2017 in relation to the Acquisition.

(ii) Subscription of new shares under general mandate (the "Share Subscription")

On 29 March 2017, the Company and the Subscriber entered into the Subscription Agreement, pursuant to which the Company conditionally agreed to allot and issue and the Subscriber conditionally agreed to subscribe for a total of 363,636,363 subscription shares at the subscription price of HK$0.165 per subscription share.

On 2 May 2017, an aggregate of 363,636,363 subscription shares, were allotted and issued to the Subscriber at the subscription price of HK$0.165 per subscription share. The net proceeds from the Share Subscription were approximately HK$59.9 million.

(iii) Placing of new shares under general mandate (the "Share Placing")

On 11 May 2017, the Company entered into a share placing agreement ("Share Placing Agreement") with Kingston Securities Limited ("Kingston Securities"). Pursuant to the Share Placing Agreement, Kingston Securities conditionally agreed to place, on a best effort basis, up to an aggregate of 819,914,000 new ordinary shares of the Company to not less than six placees at a price of HK$0.14 per placing share.

On 12 June 2017, 819,914,000 new ordinary shares were placed at HK$0.14 per placing share. The net proceeds from the Share Placing were approximately HK$110 million.

41. APPROVAL OF FINANCIAL STATEMENTS

These financial statements were approved and authorised for issue by the Board of Directors on 29 June 2017.

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