敏捷控股
NIMBLE HOLDINGS

(Incorporated in the Cayman Islands and continued in Bermuda with limited liability)

(Formerly known as The Grande Holdings Limited)

Stock code: 186

ANNUAL REPORT

2017/18

BUILDING ON EXCELLENCE

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS
EXECUTIVE DIRECTORS

Mr. Tan Bingzhao
Mr. Deng Xiangping

INDEPENDENT NON-EXECUTIVE DIRECTORS

Dr. Lin Jinying
Dr. Lu Zhenghua
Dr. Ye Hengqing

AUDIT COMMITTEE

Dr. Lu Zhenghua *(Chairman)*
Dr. Lin Jinying
Dr. Ye Hengqing

REMUNERATION COMMITTEE

Dr. Lin Jinying *(Chairman)*
Dr. Lu Zhenghua
Dr. Ye Hengqing

NOMINATION COMMITTEE

Mr. Tan Bingzhao *(Chairman)*
Dr. Lin Jinying
Dr. Ye Hengqing

COMPANY SECRETARY

Mr. Hui Yick Lok, Francis

ASSISTANT COMPANY SECRETARY

Ms. Linda Longworth
International Managers Bermuda Ltd.

LEGAL ADVISORS

Stephenson Harwood
Johnnie Yam, Jackie Lee & Co.

AUDITOR

Moore Stephens CPA Limited

REGISTERED OFFICE

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

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

SHARE REGISTRAR AND TRANSFER OFFICE

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

STOCK CODE

186

COMPANY'S WEBSITE

www.nimbleholding.com

CHAIRMAN'S STATEMENT

Dear shareholders,

I am pleased to present the annual report of Nimble Holdings Company Limited (the "Company") and its subsidiaries (together as the "Group") for the year ended 31 March 2018.

For the year ended 31 March 2018, the Group was primarily engaged in holding and licensing of brands and trademarks on a worldwide basis, and distribution of houseware products and audio products in the United States of America.

For the year ended 31 March 2018, the Group's revenue was approximately HK$171 million, representing a decrease of approximately 40.6% as compared to HK$288 million for the 15-month period last year. Licensing revenue and sales of goods contributed approximately 32.7% and 67.3% of the Group's revenue respectively, as compared to the contribution of approximately 32.6% and 67.4% for the 15 months ended 31 March 2017. While licensing revenue remained relatively stable, revenue from sales of goods declined by approximately 40.7% due to the decreasing sales of houseware products. For the year ended 31 March 2018, the Group recorded a profit of approximately HK$144 million, representing a significant decrease from the profit of approximately HK$2,696 million for the 15-month period last year. This was mainly attributable to the one-off gain of HK$2,636 million from the release of liabilities under the scheme of arrangement following the restructuring in last year, whereas there was no such gain for this year. Nonetheless, the Group's write back of accrued liabilities with Deconsolidated Subsidiaries (Definition see Note 1 to the Consolidated Financial Statements) during the year increased by approximately HK$75 million from the gain on the deconsolidation of subsidiaries during last period, and the impairment loss of brands and trademarks decreased by approximately HK$110 million from last period, which boosted the Group's profit by HK$185 million.

On 26 September 2017, I completed the acquisition of a total of 3,616,495,378 shares of the Company (the "Shares") through my wholly-owned company, namely Wealth Warrior Global Limited ("Wealth Warrior"). Coupled with the interests in 439,180,000 Shares held as the beneficiary of the trust and the valid acceptances in respect of 217,401 offer shares during the offer period, I am now interested in 4,055,892,779 Shares in aggregate, which represent approximately 73.85% of the total issued Shares of the Company. As a result, I have become the controlling shareholder of the Company. Following the restructuring of the board of directors (the "Board") of the Company, the new directors took office on 2 December 2017 and all former directors left office on 22 December 2017.

The name of the Company has been changed to "Nimble Holdings Company Limited" officially on 14 February 2018. The Board is of the view that the change of company name will provide the Group with a brand new corporate image, which will be in the interests of the Group and its future development.

Lastly, I would like to express my sincere gratitude to all new and former directors, the management and staff of the Group for their contribution and dedication over last year with the aim of maximizing the return for the Company and the shareholders. I would also like to take this opportunity to thank our shareholders, customers and business partners for their unwavering support.

Tan Bingzhao
Chairman

29 June 2018

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group recorded a revenue of HK$171 million for the year ended 31 March 2018 (the "Year") as compared to HK$288 million for the 15 months ended 31 March 2017 (the "Corresponding Period"), a decrease of 40.6%. The significant decrease in revenue was mainly due to the decrease in the revenue generated from the distribution of houseware products and the licensing income of Emerson Radio Corp ("Emerson"). The Group recorded an audited net profit attributable to shareholders of HK$175 million for the Year, as compared to HK$2,813 million for the Corresponding Period. The significant drop in the net profit was mainly due to (1) there was a significant gain of HK$2,636 million arising from the settlement of the Company's scheme creditors through the schemes of arrangement recorded in the Corresponding Period, which was an one-off event of the restructuring exercise of the Group that took place in May 2016 and no similar item occurred during the Year, (2) a net decrease in impairment loss of HK$110 million, mainly in relation to the trademark of Emerson; and (3) a net increase of HK$75 million in the write back of accrued liabilities with Deconsolidated Subsidiaries in the Year as compared with the gain on deconsolidation of subsidiaries in the Corresponding Period.

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

Emerson operations

The revenue generated from the distribution of houseware products and audio products of Emerson for the Year was HK$115 million as compared to HK$194 million for the Corresponding Period. The major elements which contributed to the overall decrease in net product sales of HK$79 million or 40.7% was a decrease in sales of Emerson-branded microwave ovens and compact refrigerators, partly offset by an increase in toaster ovens, wine products and clock radios. Emerson anticipates that the loss of these sales has had and is expected to continue to have a material adverse effect on Emerson's business and results of operations. Emerson will continue to expand the existing distribution channels and to develop and promote new products to regain shelf spaces in these retailers in the United States of America (the "USA"). Emerson is also investing in products and marketing activities to expand its sales through internet and ecommerce channels. These efforts will require investments in appropriate human resources, media marketing and development of products in various categories, in addition to the traditional home appliances and audio products which Emerson has historically focused on.

Licensing revenue of Emerson for the Year was HK$5 million as compared to HK$37 million for the Corresponding Period, a decrease of HK$32 million, or 86.5%. This is primarily due to the termination of Emerson's largest license agreement with Funai Corporation, Inc. ("Funai"), which ended on 31 December 2016. Emerson is continuing to find licensees and to negotiate for a replacement licensee to Funai. However, given the current status of the worldwide TV consumer market, it is doubtful as to when a new contract will be concluded. As a result, the loss of this licensing income has had and is expected to continue to have a material adverse effect on Emerson's business and results of operations. Emerson is analyzing the impacts to its business of these events and is identifying strategic courses of action for consideration.

Emerson continues to take active steps to further streamline its operations to reduce and control its operating costs. Excluding legal fees of HK$4 million attributable to an infringement suit taken by Emerson against a third party, the ongoing operating costs for the Year was reduced to HK$51 million as compared to HK$75 million for the Corresponding Period.

BUSINESS REVIEW (continued)

Emerson operations (continued)

Due to the Tax Cuts and Jobs Acts newly enacted by the United States Government, under Section 965, Emerson must include in the Year a one-time transition tax estimated at approximately HK$24 million on the deemed repatriation of Emerson's undistributed earnings of its foreign subsidiaries. In this respect, Emerson had to provide for the additional tax which is payable in eight instalments over eight years.

In December 2016, Emerson publicly announced the approval by its board of directors of the repurchase program of up to US$5 million of its common stock and intended to run the repurchase program through the end of 2017. In September 2017, Emerson's board of directors further approved an additional US$5 million, bringing the total authorised stock repurchase under the program to US$10 million and in June 2018 extended the program to 31 December 2018. Under the program, repurchases will be funded from Emerson's available working capital and any repurchased shares will be held in the treasury as authorised and issued shares available for general corporate purposes. As at 31 March 2018, Emerson has repurchased 4,330,744 shares of its common stock. In this respect, the deemed acquisition increased the Group's shareholding in Emerson from 56.3% as at 31 March 2017 to 66.9% as at the year end of 31 March 2018.

Licensing operations

The revenue generated from these operations was HK$51 million for the Year as compared to HK$57 million for the Corresponding Period. The operating profit of these operation for the Year was HK$37 million as compared to HK$42 million for the Corresponding Period which represented the net licensing income received from the licensees. Since the Corresponding Period consisted of 15 months, the level of revenue generated from the licensing operations for the Year, in fact, was approximately HK$5.4 million or 11.8% higher than the Corresponding Period if compared on a year on year basis. On the same basis, the operating profit of this operation for the Year was HK$3.4 million or 10.1% higher than the Corresponding Period.

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

BUSINESS REVIEW (continued)

Licensing operations (continued)

The Group is still subject to geo-political challenges in certain countries under political unrest, like the Middle-East. Currency fluctuation also effects those licensees operating with currencies depreciating against the US dollars, which is the currency of the fees under our licensing agreements. On the other hand, our licensees usually obtain their products from the People's Republic of China ("PRC") and as the RMB was relatively strong as compared to non-US denominated currencies, it also increased the cost of products for our licensees. The other major challenge comes from competitive consumer electronic brands offering licensing opportunities. However, we have built up and maintained a steady portfolio of licensees, with some licensees out and some new licensees in. In the past few years, we can always maintain a total of 30 contracts or above in force with licensees to distribute products in the brand names of Akai, Sansui and Nakamichi around the world. The Company believes that we can continue to maintain very strong relationships with our licensees and are ready to work with these licensing partners to tackle these challenges and strengthen their businesses.

BUSINESS PROSPECT

On 22 September 2017, the Company's former immediate holding company, Sino Bright Enterprises Co., Ltd. ("Sino Bright") entered into a sale and purchase agreement to sell 3,616,495,378 Shares to Wealth Warrior (the "Offeror"), a company wholly-owned by our Chairman, Mr. Tan Bingzhao. The transaction was completed on 26 September 2017. Since there was a change of control of the Company, under the Code on Takeovers and Merger, the Offeror was required to make a mandatory unconditional cash offer for all the issued Shares, other than those already owned and/or agreed to be acquired by the Offeror or parties acting in concert with it (the "Offer"). A composite document was then issued to the shareholders of the Company for the mandatory unconditional cash offer on 1 December 2017 (the "Composite Document").

As stated in the Composite Document, Mr. Tan Bingzhao has intended to continue the principal businesses of the Group and may look into business opportunities to enhance the long-term growth potential of the Group. As at the date of this report, Mr. Tan Bingzhao and the Board have decided to continue to support the operation of the principal businesses of the Group. However, no investment or business opportunities had yet been identified nor has the Company entered into any agreements, arrangements, undertakings or negotiation in relation to the injection of any assets or business into the Group.

LIQUIDITY AND FINANCIAL RESOURCES

The current ratio of the Group as at 31 March 2018 was 2.22 as compared to 5.58 as at 31 March 2017. The decrease in current ratio was due to (1) the accrued liabilities with Deconsolidated Subsidiaries of HK$127 million classified as long term liabilities as at 31 March 2017 was reclassified as short term liabilities as at 31 March 2018, based on the liquidation status of those Deconsolidated Subsidiaries; and (2) approximately HK$50 million cash was utilised to repurchase the common stock of Emerson.

The Group's working capital requirements were entirely financed by internal resources as the Group continued to generate cash from its licensing business and the distribution of electrical appliances. As at 31 March 2018, the Group had accumulated cash and bank balances amounting to HK$446 million as compared to HK$502 million as at 31 March 2017.

MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES AND AFFILIATED COMPANIES

Save for the disposal of the subsidiary, Tomei Kawa Electronics International Limited, on 16 June 2017, the Group did not make any material acquisition or disposal of subsidiaries and affiliated companies during the Year.

SIGNIFICANT INVESTMENT

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

FUTURE PLAN FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

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

GEARING

There were no interest-bearing borrowings recorded in the consolidated financial statements of the Group for the Year and for the Corresponding Period respectively.

CHARGES ON GROUP ASSETS

As at 31 March 2018, certain of the Group's assets with a total carrying value of approximately HK$196 million (approximately HK$176 million as at 31 March 2017) were pledged to secure other liabilities granted in previous years to certain Deconsolidated Subsidiaries and the Group.

TREASURY POLICIES

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

EMPLOYEES AND REMUNERATION

The number of employees of the Group as at 31 March 2018 and 31 March 2017 was 40. The Group remunerates its employees mainly based on industry practice, individual performance and experience. Apart from the basic remuneration, a discretionary bonus may be granted to eligible employees by reference to the Group's performance as well as to an individual's performance in the relevant financial year. Other benefits include medical and retirement schemes.

CONTINGENT LIABILITIES

Details of the contingent liabilities of the Group are set out in note 32 to the consolidated financial statements.

BIOGRAPHIES OF DIRECTORS

EXECUTIVE DIRECTORS

Mr. Tan Bingzhao

Mr. Tan Bingzhao ("Mr. Tan"), aged 54, has been appointed as an executive director, the chairman of the Board and the chief executive officer of the Company with effect from 2 December 2017. He is also the chairman of the Nomination Committee. He is currently the honourary chairman and was the president of 廣州市敏捷投資有限公司 (Guangzhou Nimble Investment Limited*) ("Guangzhou Nimble") from 2004 to 2014. Guangzhou Nimble is a company established in the People's Republic of China (the "PRC") in 2004 and principally engaged in property development and investment holding. Mr. Tan possesses extensive experience in property development and investment in the PRC as well as corporate management. Mr. Tan graduated from Guangdong Open University (previously known as "Guangdong Radio and TV University"*) in 1987, specialising in industrial building and civil construction.

Mr. Deng Xiangping

Mr. Deng Xiangping ("Mr. Deng"), aged 54, has been appointed as an executive director of the Company with effect from 2 December 2017. He is the assistant to the president of 廣州市敏捷投資有限公司 (Guangzhou Nimble Investment Limited*) ("Guangzhou Nimble"). He possesses extensive experience in real estate development and construction industries. Mr. Deng graduated from Guangzhou Institute of Technology (previously known as "Guangzhou Workers Amateur University"*) in 1989, specialising in economic management. Mr. Deng completed the executive program organised by Sun Yat-sen University in 2006.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Dr. Lin Jinying

Dr. Lin Jinying ("Dr. Lin"), aged 55, has been appointed as an independent non-executive director of the Company with effect from 2 December 2017. She is also the chairman of the Remuneration Committee and a member of each of the Audit Committee and Nomination Committee. She is currently an associate professor of College of Chemistry and Chemical Engineering of Guangzhou University. Dr. Lin obtained her bachelor's degree in chemistry from South China Normal University in 1984 and her postgraduate diploma in food engineering in Jiangnan University (previously known as "Wuxi Institute of Light Industry"*) in 1987. She received her doctorate degree in food engineering from South China University of Technology in 2010.

* *For identification purposes only*

INDEPENDENT NON-EXECUTIVE DIRECTORS (continued)

Dr. Lu Zhenghua

Dr. Lu Zhenghua ("Dr. Lu"), aged 55, has been appointed as an independent non-executive director of the Company with effect from 2 December 2017. She is also the chairman of the Audit Committee and a member of the Remuneration Committee. She is currently an associate professor of School of Business Administration of South China University of Technology ("SCUT"), engaging in educational work in accounting and finance. Dr. Lu obtained a bachelor's degree in accounting from Jiangxi University of Finance and Economics in 1986 and a master's degree in economics from Jinan University in 1998. She received a doctorate degree in business administration from Macau University of Science and Technology in 2008. Dr. Lu is currently a non-practising member of the Chinese Institute of Certified Public Accountants.

Dr. Lu is currently an independent non-executive director of Guangdong Yueyun Transportation Company Limited（廣東粵運交通股份有限公司）, a company listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (stock code: 3399). She is also an independent director of Guangzhou Hi-target Navigation Tech Co., Ltd.（廣州中海達衛星導航技術股份有限公司）, a company listed on ChiNext of Shenzhen Stock Exchange (stock code: 300177), Guangdong Guangxin Information Industry Holding Co., Ltd.（廣東廣新信息產業股份有限公司）, a company listed on the National Equity Exchange and Quotations System of the PRC (the "New Third Board") (stock code: 831813), and Guangdong Lilac Industrial Co., Ltd.（廣東紫丁香實業股份有限公司）, a company listed on the New Third Board (stock code: 835362). Dr. Lu was a director of Guangdong Dazhi Environmental Protection Technology Co., Ltd.（廣東達志環保科技股份有限公司）, a company listed on ChiNext of Shenzhen Stock Exchange (stock code: 300530), until August 2017.

Dr. Ye Hengqing

Dr. Ye Hengqing ("Dr. Ye"), aged 46, has been appointed as an independent non-executive director of the Company with effect from 2 December 2017. He is also a member of each of the Audit Committee, Nomination Committee and Remuneration Committee. He is currently an associate professor of Department of Logistics and Maritime studies in the Faculty of Business of The Hong Kong Polytechnic University. Prior to joining The Hong Kong Polytechnic University, Dr. Ye taught at the NUS Business School of National University of Singapore. Dr. Ye obtained a bachelor's degree and master's degree in applied mathematics from SCUT in 1993 and 1996 respectively. He received his doctorate degree in industrial engineering and engineering management from the Hong Kong University of Science and Technology in 2000.

REPORT OF THE DIRECTORS

The directors of the Company (the "Directors") are pleased to present the report together with the audited consolidated financial statements of the Group for the Year.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal activity of the Company is investment holding and the principal activities of the major subsidiaries are set out in note 37 to the consolidated financial statements. Further discussion and analysis of these activities as required by Schedule 5 to the Hong Kong Companies Ordinance, including a fair review of the business and a discussion of the principal risks and uncertainties facing the Group, particulars of important events affecting the Group that have occurred since the end of the Year, an indication of likely future development in the Group's business, and a discussion on the Company's environmental policies and performance, can be found in the "Management's Discussion and Analysis" section on pages 4 to 7, the "Corporate Governance Report" section on pages 18 to 30, the "Environmental, Social and Governance Report" section on pages 31 to 38 and note 6 to the consolidated financial statements on pages 74 to 77 of the Annual Report.

SEGMENT INFORMATION

Details of revenue and segmented information are set out in notes 8 and 36 to the consolidated financial statements respectively.

GROUP PROFIT

The Group's profit for the Year and the state of the Company's and the Group's financial affairs at that date are set out in the consolidated financial statements on pages 41 to 108.

DIVIDENDS

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

DONATIONS

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

EQUITY LINKED AGREEMENTS

No equity linked agreements were entered into by the Group during the Year or subsisted as at 31 March 2018 or as at 31 March 2017.

BANK AND OTHER BORROWINGS

No bank and other borrowings were additionally incurred by the Group during the Year and the 15 months ended 31 March 2017.

SUMMARY OF FINANCIAL INFORMATION

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

PLANT AND EQUIPMENT

Details of movements in the plant and equipment of the Group are set out in note 17 to the consolidated financial statements.

SUBSIDIARIES

Particulars of the Company's principal subsidiaries are set out in note 37 to the consolidated financial statements.

SHARE CAPITAL

Details of movement in the share capital of the Company during the Year are set out in note 30 to the consolidated financial statements.

DISTRIBUTABLE RESERVES

As at 31 March 2018 and 31 March 2017, the Company did not maintain any reserve available for distribution to shareholders, calculated under the provisions of the Companies Act 1981 of Bermuda.

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

MAJOR CUSTOMERS AND SUPPLIERS

In the Year under review, sales to the Group's largest customer and five largest customers accounted for approximately 43% and 70%, respectively, of the Group's total revenue for the Year.

Purchases from the Group's largest supplier and five largest suppliers accounted for approximately 60% and 99%, respectively, of the Group's total purchases for the Year.

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

REPORT OF THE DIRECTORS

DIRECTORS

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

Executive Directors:

Mr. Tan Bingzhao ("Mr. Tan")	(appointed with effect from 2 December 2017)
Mr. Deng Xiangping ("Mr. Deng")	(appointed with effect from 2 December 2017)
Mr. Hon Yung Kwong ("Mr. Hon")	(appointed with effect from 2 December 2017 and resigned with effect from 31 March 2018)
Mr. Michael Binney ("Mr. Binney")	(re-designated from executive Director to non-executive Director with effect from 2 December 2017; and resigned with effect from 22 December 2017)
Mr. Manjit Singh Gill ("Mr. Gill")	(re-designated from executive Director to non-executive Director with effect from 2 December 2017; and resigned with effect from 22 December 2017)
Mr. Hon Tak Kwong ("Mr. Duncan Hon")	(re-designated from executive Director to non-executive Director with effect from 2 December 2017; and resigned with effect from 22 December 2017)

Non-Executive Directors:

Mr. Eduard Will ("Mr. Will")	(re-designated from executive Director to non-executive Director with effect from 8 December 2016; and resigned with effect from 22 December 2017)
Mr. Binney	(re-designated from executive Director to non-executive Director with effect from 2 December 2017; and resigned with effect from 22 December 2017)
Mr. Duncan Hon	(re-designated from executive Director to non-executive Director with effect from 2 December 2017; and resigned with effect from 22 December 2017)
Mr. Gill	(re-designated from executive Director to non-executive Director with effect from 2 December 2017; and resigned with effect from 22 December 2017)

DIRECTORS (continued)

Independent Non-Executive Directors:

Dr. Lin Jinying (“Dr. Lin”)	(appointed with effect from 2 December 2017)
Dr. Lu Zhenghua (“Dr. Lu”)	(appointed with effect from 2 December 2017)
Dr. Ye Hengqing (“Dr. Ye”)	(appointed with effect from 2 December 2017)
Mr. Chen Xiaoping (“Mr. Chen”)	(Resigned with effect from 22 December 2017)
Mr. Lau Ho Kit, Ivan (“Mr. Lau”)	(Resigned with effect from 22 December 2017)
Mr. James Mailer (“Mr. Mailer”)	(Retired with effect from 16 August 2017)

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

In accordance with Bye-laws 83(2) of the Company’s Bye-laws (the “Bye-laws”), Mr. Tan, Mr. Deng, Dr. Lin, Dr. Lu and Dr. Ye shall hold office until the next following annual general meeting of shareholders (“AGM”) after their appointment and be subject to re-election at such meeting.

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

Biographies of the Directors of the Company are set out on pages 8 to 9 of the annual report.

DIRECTORS’ REMUNERATION

Details of the Directors’ remuneration are set out in note 12 to the consolidated financial statements.

DIRECTORS’ INTERESTS IN TRANSACTION, ARRANGEMENTS OR CONTRACTS

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

DIRECTORS’ INTERESTS IN COMPETING BUSINESSES

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

SERVICE CONTRACT OF DIRECTORS

All the executive Directors have entered into employment contracts with the subsidiaries of the Company signed on 29 June 2018 for a fixed term of three years with effect from the date of their respective dates of being appointed as Directors of the Company and to be continued thereafter.

All the existing independent non-executive Directors have entered into letters of appointment with the Company on 19 January 2018 for a fixed term of three years with effect from their respective dates of being appointed as Directors of the Company and subject to re-election.

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

As at 31 March 2018, the interests or short positions of the Directors and Chief Executive of the Company in the shares, underlying shares and debenture of the Company and any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register kept by the Company under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules, were as follows:

		Number of shares held				
Name of Director	**Nature of Interests**	**Corporate interests**	*Note*	**Other interests**	*Note*	**Percentage of total issued shares**
Mr. Tan	Interests in issued shares	3,616,712,779	*(ii)*	439,180,000	*(iii)*	73.85%

Note:

(i) As at 31 March 2018, the total number of issued shares of the Company was 5,492,232,889.

(ii) The 3,616,712,779 shares in which Mr. Tan is deemed to hold interests under the SFO are the shares held by Wealth Warrior, which is wholly-owned by Mr. Tan.

(iii) The 439,180,000 shares are owned by Merchant Link Holdings Limited and Rise Vision Global Limited, each of which holds 219,590,000 shares and they are indirectly owned by a discretionary trust. Mr. Tan is a director of both Merchant Link Holdings Limited and Rise Vision Global Limited and is the settlor and a discretionary beneficiary of the discretionary trust. In this respect Mr. Tan is deemed to hold interests of these shares under the SFO.

Save as disclosed above, none of the Directors or Chief Executive of the Company or any of their associates had, or were deemed to hold, any interests or short positions in any shares, underlying shares and debentures of the Company or any of it's associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code as at 31 March 2018.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

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

INDEMNITY OF DIRECTORS

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

INTERESTS OF SUBSTANTIAL SHAREHOLDERS

As at 31 March 2018, so far as known to any Directors or Chief Executive of the Company, the following persons (other than the Directors or Chief Executive of the Company) had interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO:

Name of substantial shareholder	Capacity	Number of issued ordinary shares of HK$0.01 each in the Company held	Percentage of the issued share capital
Wealth Warrior Global Limited	Beneficial owner	3,616,712,779 (L)	65.85%
Mr. Tan	Interest of controlled corporation	3,616,712,779 (L)	65.85%
Sino Bright Enterprises Co., Ltd.	Beneficial owner and person having a security interest in shares	1,023,463,423 (L) *(Note 1)*	18.63%
Accolade (PTC) Inc.	Trustee	1,428,573,488 (L) *(Note 1, 2)*	26.01%
Airwave Capital Limited	Interest of controlled corporation	405,088,388 (L) *(Note 3)*	7.38%
Barrican Investments Corporation	Beneficial owner, interest of controlled corporation	405,088,388 (L) *(Note 2, 4)*	7.38%
Splendid Brilliance (PTC) Limited	Trustee	439,180,000 (L) *(Note 5)*	8.00%

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

Notes:

(1) Sino Bright owns 23,463,423 Shares representing approximately 0.42% of the total issued share capital of the Company. Sino Bright Is deemed to be interested in 1,000,000,000 Shares pursuant to the legal charge under the share mortgage dated 26 September 2017 in favour of Sino Bright (as mortgagee) granted by Wealth Warrior (as mortgagor) as security for the deferred consideration of HK$587,851,913 under the sale and purchase agreement dated 22 September 2017.

INTERESTS OF SUBSTANTIAL SHAREHOLDERS (continued)

Notes: (continued)

(2) Accolade (PTC) Inc. ("Accolade") is deemed to have interests in 1,428,573,488 Shares as the trustee to the discretionary trust which owns the entire issued share capital of The Ho Family Trust Limited ("The Ho Family Trust"). The Ho Family Trust directly owns 15,939 Shares. The Ho Family Trust is deemed to be interested in the Shares held by Barrican Investments Corporation ("Barrican"), McVitie Capital Limited ("McVitie"), Grosvenor Fair Limited ("Grosvenor") and Sino Bright, which are wholly owned subsidiaries of The Ho Family Trust and directly own 335,042,717 Shares, 70,045,671 Shares, 5,738 Shares and 1,023,463,423 Shares, respectively.

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

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

(5) Splendid Brilliance (PTC) Limited ("Splendid Brilliance"), being a party acting in concert with Wealth Warrior, is deemed to have interests in 439,180,000 Shares as the trustee to the discretionary trust which indirectly owns the entire issued share capital of Merchant Link Holdings Limited and Rise Vision Global Limited, each of which holds 219,590,000 Shares. Mr. Tan is a director of both Merchant Link Holdings Limited and Rise Vision Global Limited and is the settlor and a discretionary beneficiary of the discretionary trust. Ms. He Guichai is the sole director and sole shareholder of Splendid Brilliance.

Save as disclosed above, as at 31 March 2018, none of the Directors nor Chief Executive of the Company was aware of any other person (other than the Directors or Chief Executive of the Company) or corporation who had an interest or short position in the shares or underlying shares of the Company which were required to be recorded in the register kept by the Company under section 336 of the SFO.

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

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

PRE-EMPTIVE RIGHTS

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

CONNECTED TRANSACTIONS

The Group was billed by The Grande Properties and Lafe Strategic Services Limited ("LSSL"), a wholly owned subsidiary of Lafe Corporation Limited, for building management services fees and utility charges of HK$124,278 and HK$15,120 respectively for its rented office in Hong Kong. The Group had no outstanding amount owed to The Grande Properties and LSSL in respect of these charges as at 31 March 2018. These connected transactions, should be classified as de minimis transactions under the Listing Rules 14A.76(1) and have been reviewed by the independent non-executive Directors who have confirmed that the transactions were entered into:

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

(b) on normal commercial terms or better; and

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

SUFFICIENCY OF PUBLIC FLOAT

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

AUDIT COMMITTEE

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

CORPORATE GOVERNANCE

Principal corporate governance practices adopted by the Company are set out in the Corporate Governance Report on pages 18 to 30.

EVENTS AFTER BALANCE SHEET DATE

Details of significant events that occurred after balance sheet date are set out in note 38 to the consolidated financial statements.

INDEPENDENT AUDITOR

The consolidated financial statements for the Year have been audited by Moore Stephens CPA Limited who retired and, being eligible, offered themselves for re-appointment as auditor at the forthcoming AGM of the Company.

On behalf of the Board

Tan Bingzhao
Chairman

Hong Kong
29 June 2018

CORPORATE GOVERNANCE REPORT

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

CORPORATE GOVERNANCE CODE

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

The Board confirmed that the Company has complied with all principles and code provisions in the CG Code during the Year, except for the code provisions of the CG Code as noted hereunder:

1. Mr. Mailer retired as an independent non-executive Directors with effect from the conclusion of the AGM of the Company held on 16 August 2017, and ceased to be a member of the audit committee of the Company. Since that date, the Company only has two independent non-executive Directors and two members in its audit committee, which according to the Rules 3.10(1) and 3.21 of the Listing Rules respectively, the minimum number of both cases should be three. Pursuant to Rules 3.11 and 3.23 of the Listing Rules, the Company should appoint a sufficient number of independent non-executive Directors and members of the audit committee of the Company within three months after failing to meet the requirements under Rules 3.10(1) and 3.21 of the Listing Rules respectively. The Company subsequently submitted a waiver application to the Stock Exchange in early November 2017. As disclosed in the Company's announcement dated 21 November 2017, in view of the change in the shareholding structure of the Company, the Stock Exchange granted a waiver to the Company from strict compliance with Rules 3.10 and 3.21 of the Listing Rules, and an extension of time to one month from the close of the Offer. Following the change to the composition of the Board and Board committees with effect from 2 December 2017, the Board comprises three executive Directors, four non-executive Directors, and five independent non-executive Directors, whereas the Audit Committee comprised three independent non-executive Directors, and accordingly, the Company is in compliance with Rules 3.10 and 3.21 of the Listing Rules.

2. Upon the change of the composition of the Board, as mentioned in the above, Mr. Tan was appointed as the Chairman of the Board and the Chief Executive Officer ("CEO") of the Company with effect from 2 December 2017, which according to code provision A.2.1, the roles of these two positions should be separate and should not be performed by the same individual.

   The Board has considered that the non-segregation would not result in concentration of power in one person and has the advantage of a strong and consistent leadership which is conducive to making and implementing decisions quickly and consistently.

   The primary role of the Chairman of the Board is to provide leadership for the Board and to ensure that it works effectively in the discharge of its responsibilities. The CEO is responsible for the day-to-day management of the Group's business. Their respective roles and responsibilities are set out in writing and have been approved by the Board. As mentioned above, the roles of the Chairman and the CEO have been performed by Mr. Tan. However, if the Board does find a suitable candidate for the position of CEO, the above roles will be separately discharged by different persons at that time.

BOARD COMPOSITION

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

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

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

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

– Publication of final and interim results of the Company

– Dividend distribution or other distribution

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

– Review on risk management and internal control systems

– Corporate governance functions

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

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

– Capital restructuring

– Financial assistance to the Directors

BOARD COMPOSITION (continued)

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

- Mr. Mailer retired as independent non-executive Directors of the Company with effect from 16 August 2017;
- Messrs. Duncan Hon, Binney and Gill were re-designated from executive Directors to non-executive Directors of the Company with effect from 2 December 2017;
- Messrs. Tan, Deng and Hon were appointed as executive Directors of the Company with effect from 2 December 2017;
- Dr. Lin, Dr. Lu and Dr. Ye were appointed as independent non-executive Directors of the Company with effect from 2 December 2017;
- Messrs. Duncan Hon, Binney, Gill and Will were resigned from non-executive Directors of the Company with effect from 22 December 2017;
- Messrs. Lau and Chen were resigned from independent non-executive Directors of the Company with effect from 22 December 2017; and
- Mr. Hon was resigned from an executive Director of the Company with effect from 31 March 2018.

As at the date of this report, the Board has 5 members composed as follows:

Executive Directors

Mr. Tan

Mr. Deng

Independent Non-Executive Directors

Dr. Lin

Dr. Lu

Dr. Ye

The biographical details of the Directors are set out from pages 8 to 9 of this Annual Report.

During the Year, except for the period from 16 August 2017 to 2 December 2017, the Company was in compliance with the requirement of Rule 3.10A of the Listing Rules, the Company has appointed, at least, three independent non-executive Directors representing more than one-third of the Board, of which one holds professional accounting qualifications. The Company received a confirmation from each of the independent non-executive Directors confirming independence under Rule 3.13 of the Listing Rules. The NC is of the view that all independent non-executive Directors are independent under the requirement of the Listing Rules.

BOARD COMPOSITION (continued)

Since 2 December 2017, Mr. Tan, the Chairman of the Board, has led the Board and ensured that the Board works effectively and that all-important matters are discussed in a timely manner. However, he was also appointed as the CEO of the Company on the same date to be responsible for the day-to-day management, administration and operations of the Group. The Board has considered that the non-segregation would not result in concentration of power in one person and has the advantage of a strong and consistent leadership which is conducive to making and implementing decisions quickly and consistently.

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

BOARD DIVERSITY

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

APPOINTMENT AND RE-ELECTION OF DIRECTORS

Each of the executive Directors of the Company is engaged on a service contract and each of the non-executive Directors (including independent non-executive Directors) are appointed for a specific term of three years. The appointment may be terminated by not less than three months' written notice.

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

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

INDUCTION AND CONTINUOUS PROFESSIONAL DEVELOPMENT FOR DIRECTORS

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

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

During the Corresponding Period, the Company has arranged for the Directors to attend an in-house training course with a distinguished speaker from a professional institution on the topics of legal, corporate governance and risk management. However, as the current Board was newly formed on 2 December 2017, they have already attended a comprehensive induction training conducted by our corporate lawyer, no separate training course was arranged since their appointment up to the end of the Year.

MODEL CODE FOR SECURITIES TRANSACTIONS

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

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

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

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

DIRECTORS AND OFFICERS INSURANCE

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

BOARD MEETINGS

Board Practices and Conduct of Meetings

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

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

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

BOARD MEETINGS (continued)

Board Practices and Conduct of Meetings (continued)

Fifteen meetings of the Board were held during the Year and the attendance records of the members of the Board are set out below:

Name of Directors	Number of Meeting(s) Attended/Eligible to Attend
Mr. Tan Bingzhao	3/3
Mr. Deng Xiangping	3/3
Dr. Lin Jinying	3/3
Dr. Lu Zhenghua	3/3
Dr. Ye Hengqing	3/3
Mr. Hon Yung Kwong	2/3
Mr. Michael Binney	12/14
Mr. Chen Xiaoping	13/14
Mr. Manjit Singh Gill	12/14
Mr. Hon Tak Kwong	12/14
Mr. Lau Ho Kit, Ivan	11/14
Mr. James Mailer	5/5
Mr. Eduard Will	13/14

Moreover, there was one AGM and one special general meetings held during the Year, the attendance records of the Board are set out below:

	Number of Meeting(s) Attended/Eligible to Attend	
Name of Directors	Annual General Meeting	Special General Meetings
Mr. Tan Bingzhao	0/0	1/1
Mr. Deng Xiangping	0/0	0/1
Dr. Lin Jinying	0/0	0/1
Dr. Lu Zhenghua	0/0	0/1
Dr. Ye Hengqing	0/0	1/1
Mr. Hon Yung Kwong	0/0	1/1
Mr. Chen Xiaoping	1/1	0/0
Mr. Michael Binney	1/1	0/0
Mr. Manjit Singh Gill	1/1	0/0
Mr. Hon Tak Kwong	1/1	0/0
Mr. Lau Ho Kit, Ivan	1/1	0/0
Mr. James Mailer	1/1	0/0
Mr. Eduard Will	1/1	0/0

BOARD COMMITTEES

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

Nomination Committee

Currently, the NC is chaired by Mr. Tan and comprises two additional members, namely Dr. Lin and Dr. Ye. All of them were appointed as members of the NC with effect from 2 December 2017. Except for Mr. Mailer who was retired on 16 August 2017, all the former members of the NC resigned with effect from 22 December 2017. The majority of the NC comprises of independent non-executive Directors.

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

During the Year, no nomination of Directors has been considered by the NC as the appointments of new Directors were all nominated by Mr. Tan, the new controlling shareholder of the Company. The appointments were approved by the Board. No NC meeting was held during the Year.

Remuneration Committee

Currently, the RC is chaired by Dr. Lin and comprises two additional members, namely Dr. Lu and Dr. Ye. All of them were appointed as members of the RC with effect from 2 December 2017. Except for Mr. Mailer who was retired on 16 August 2017, all the former members of the RC resigned with effect from 22 December 2017. The majority of the RC comprises of independent non-executive Directors.

BOARD COMMITTEES (continued)

Remuneration Committee (continued)

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

During the Year, the RC has reviewed the services contracts entered with the non-executive Directors, Dr. Lin, Dr. Lu, and Dr. Ye. The members of RC had abstained from approving his/her own services contract.

A meeting was held during the Year and the attendance records of the members are set out below:

Name of Directors	Number of Meeting(s) Attended/Eligible to Attend
Dr. Lin Jinying	1/1
Dr. Lu Zhenghua	1/1
Dr. Ye Hengqing	1/1
Mr. James Mailer	0/0
Mr. Chen Xiaoping	0/0
Mr. Hon Tak Kwong	0/0
Mr. Lau Ho Kit, Ivan	0/0

BOARD COMMITTEES (continued)

Audit Committee

Currently, the AC is chaired by Dr. Lu and comprises two additional members, namely Dr. Lin and Dr. Ye. All of them were appointed as members of the AC with effect from 2 December 2017. Except for Mr. Mailer who was retired on 16 August 2017, all the former members of the AC resigned with effect from 22 December 2017. All members of the AC are independent non-executive Directors.

The primary duties of the AC include the following:

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

  i) any changes in accounting policies and practices;

  ii) major judgmental areas;

  iii) significant adjustments resulting from audit;

  iv) the going concern assumptions and any qualifications;

  v) compliance with accounting standards; and

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

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

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

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

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

During the Year, the AC reviewed the audited consolidated financial statements for the fifteen months ended 31 March 2017 and the unaudited interim consolidated financial statements for the six months ended 30 September 2017 with recommendation to the Board for approval. Furthermore, the AC has approved the annual audit and non-audit services fees for the Year, and recommended the re-appointment of Moore Stephens CPA Limited as the external auditor of the Company to the Board for approval and subsequently approved by the shareholders.

BOARD COMMITTEES (continued)

Audit Committee (continued)

Three meetings were held during the Year and the attendance records of the members are set out below:

Name of Directors	Number of Meeting(s) Attended/Eligible to Attend
Dr. Lu Zhenghua	0/0
Dr. Lin Jinying	0/0
Dr. Ye Hengqing	0/0
Mr. Lau Ho Kit, Ivan	3/3
Mr. Chen Xiaoping	3/3
Mr. James Mailer	2/2

ACCOUNTABILITY AND AUDIT

Financial Reporting

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

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

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

Internal Controls and Risk Management

During the Year, the Company has followed the rules and regulations as stated in the Internal Control Manual to perform internal control and risk management. Board is overall responsible for evaluating and determining the nature and extent of the risks that it is willing to take in achieving the Company's strategic objectives, and ensuring that the Company has established and maintained appropriate and effective risk management and internal control systems. Such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

ACCOUNTABILITY AND AUDIT (continued)

Internal Controls and Risk Management (continued)

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

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

– Risk retention and reduction: accept the impact of risk or undertake actions by the Group to reduce the impact of the risks;

– Risk avoidance: change business progress or objective so as to avoid the risk;

– Risk sharing and diversification: diversify the effect of the risk or allocate to different location or product or market;

– Risk transfer: transfer ownership and liability to a third party.

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

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

ACCOUNTABILITY AND AUDIT (continued)

Internal Controls and Risk Management (continued)

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

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

Company Secretary

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

External Auditor and Auditor's remuneration

The financial statements have been audited by Moore Stephens CPA Limited who will be subject to re-appointment as the auditor of the Company at the forthcoming AGM. The audit and non-audit fee during the Year were HK$1.9 million and HK$0.1 million respectively. The non-audit service mainly included the performance of agreed upon procedures.

Constitutional Documents

There has been no changes in the Bye-Laws during the Year.

INVESTOR RELATIONS

During the Year, the Company held an AGM on 16 August 2017 and a special general meeting on 9 February 2018, in which the Directors welcomed questions from the shareholders. Moreover, the Company published its interim report for the six months results ended 30 September 2017 on 22 November 2017.

SHAREHOLDER RIGHTS

Procedures for Shareholders to Convene a General Meeting

Shareholders shall have the right to request the Board to convene a special general meeting of the Company. Pursuant to Bye-law 58 of the Bye-laws, shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board, to require a special general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two months after the deposit of such requisition.

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

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

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

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

INTRODUCTION

To comply with the requirements set forth in Appendix 27, Environmental, Social and Governance ("ESG") Reporting Guide of the Listing Rules (the "ESG Guide"), the Group hereby presents its second Environmental, Social and Governance Report (the "ESG Report") for the Year. This ESG Report covers the Group's overall performance for the Group's operations in the distribution of houseware products and audio products and licensing of trademarks.

The Board is responsible for the ESG strategy and reporting including evaluating and determining the ESG-related risks and ensuring that appropriate and effective ESG risk management and internal control systems are in place. The Group has engaged business functions to identify relevant ESG issues and to assess their materiality to our business as well as to our stakeholders, through reviewing the Group's operations and holding internal discussions. The management has provided a confirmation to the Board on the effectiveness of our ESG risk management and internal control systems.

This report outlines the Group's sustainability initiatives and selected Key Performance Indicators ("KPI") that are material to the Group and its stakeholders on ESG issues for the Year. This report supplements information disclosed elsewhere in this Annual Report.

MATERIALITY ASSESSMENT AND STAKEHOLDER ENGAGEMENT

Amongst various environmental and social issues based on the ESG Guide within the scope of sustainability, the below are the list of issues that are considered to be material and relevant to the Group. The priorities are set based on management's view as well as conclusions from stakeholders' engagement. Based on management's assessment, the aspects and KPIs relevant for this report's disclosure are set out as follows:

Material and relevant issues:

Product responsibility (Aspect B6) general disclosure, KPI B6.4, B6.5

Other relevant issues:

Emissions (Aspect A1) general disclosure

Use of resources (Aspect A2) general disclosure

The environment and natural resources (Aspect A3) general disclosure, KPI A3.1

Employment (Aspect B1) general disclosure, KPI B1.1

Development and training (Aspect B3) general disclosure, KPI B3.1

Supply chain management (Aspect B5) general disclosure

Anti-corruption (Aspect B7) general disclosure, KPI B7.2

Community investment (Aspect B8) general disclosure

All other aspects of KPI not mentioned above were concluded to be not relevant for disclosure.

A. ENVIRONMENTAL

The Board's view on sustainability encompasses our general approach towards environmental issues. We endeavor to:

– Observe relevant laws and regulations and aim to comply with all requirements;

– Prevent air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste;

– Make efficient use of resources, including energy, water and other raw materials;

– Minimize the impact of the Group's activities on the environment and natural resources; and

– Engage our staff, customers and suppliers to promote environmentally sustainable business practices and constantly re-assess our process to minimize environmental impact.

This report does not include the disclosure of all the environmental KPIs as they are not considered material or relevant as a conclusion of our stakeholder engagement as well as management's view. Instead, we have discussed our general approach and effort to reduce the Group's environmental footprint in various aspects.

A1. Emissions

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

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

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

A2. Use of Resources

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

A. ENVIRONMENTAL (continued)

A3. The Environment and Natural Resources

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

During the Year, electronic Board papers have been encouraged and printing of Board papers are no longer necessary as Directors brought their i-pad or portable computers to attend Board meetings. Based on our copier's meter count, we have used 63,451 sheets of paper for the Year, while for comparative twelve months for the period from 1 April 2016 to 31 March 2017, it was 84,751 sheets, a saving of 25.13%.

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

B. SOCIAL

B1. Employment

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

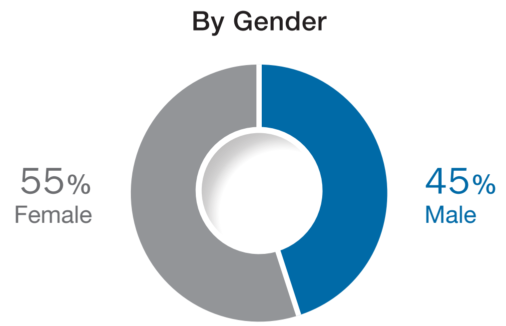
The level of compensation of our employees is reviewed annually on a performance basis with reference to the market standard. A wide range of benefits including comprehensive medical and life insurance, and retirement schemes are also provided to employees.

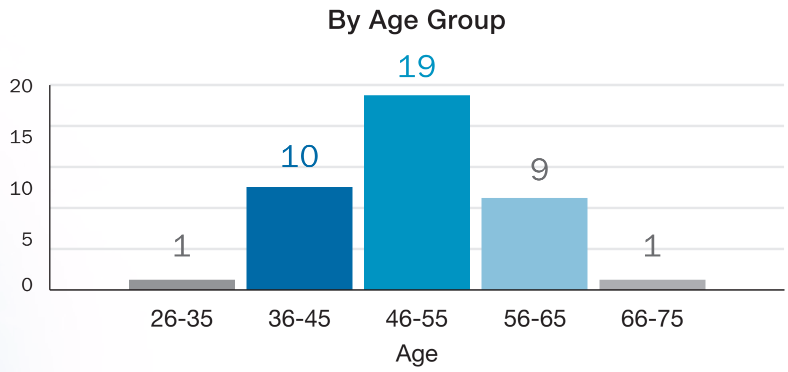
The Company respects cultural and individual diversity. We believe that no one should be treated less favourably on his/her personal characteristics (i.e. gender, pregnancy, marital status, disability, family status, and race, etc.). Opportunities for employment, training and career development are equally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

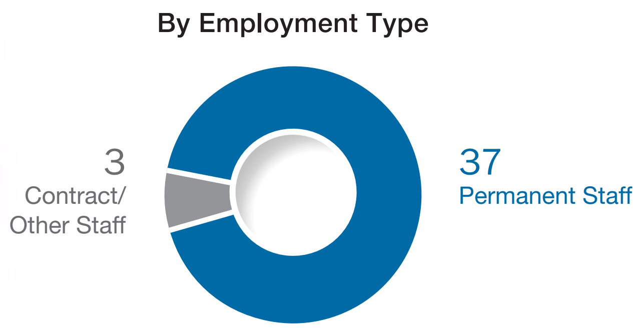
B. SOCIAL (continued)

B1. Employment (continued)

As at 31 March 2018, the Group employed a total of 40 staff (same as 31 March 2017) and the breakdowns of the staff are as follows:







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

B. SOCIAL (continued)

B2. Health and Occupational Safety

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

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

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

B3. Development and Training

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

Staff attended external training courses across the Group amounted to 50 hours in total in the Year. 80% were attended by male staff and the rest were attended by female staff. These external training courses were all attended by managerial staff.

B4. Labour Standards

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

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

B. SOCIAL (continued)

B5. Supply Chain Management

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

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

– Operating as an equal opportunity employer and recognising the right to collective bargaining as well as minimum and prevailing wages and benefits;

– Maintaining probity and accountability standards;

– Minimising discrimination against small and medium-sized enterprises or local vendors;

– Providing a healthy and safe working environment, not employing forced or child labour, and refraining from harassment or abuse of employees; and

– Supporting sustainable development, acting responsibly with regard to the environment, observing environmental criteria to conserve resources, minimising the negative environmental effects of the production, application and disposal of products, and reducing the use of hazardous products as much as possible.

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

B6. Product Responsibility

The Company's goal is to maximize shareholders' value in the medium to long term. We believe that ESG factors have an influence on the overall performance of individual companies, in both positive and negative ways. Hence, in the process of creating returns, ESG is integrated into not only our operations but also our selection of supplier's process for long term value creation. As a responsible distributor, we aim to incorporate ESG aspects in our analysis and selection decisions, and continue to monitor the ESG performance of our suppliers and encourage them to make improvements on ESG issues. In addition, we have also issued a code of conduct to our licensees asking them to pay attention to the code of conduct set out as follows:

B. SOCIAL (continued)

B6. Product Responsibility (continued)

The aim of this Code of Conduct is to assist with meeting the principles as set forth in the Environmental, Social and Governance Reporting Guide of the Rules Governing the Listing Hong Kong listed entities. These principles largely follow those set out by the United Nations in its Principles for Responsible Investment (https://www.unpri.org/). Hence, all licensees are asked to carry on business with the following principles in mind:

Environmental

1. To control air emissions, greenhouse gas emissions, discharges into water and generation of hazardous waste in order to support a precautionary approach to environmental challenges;

2. To implement various initiatives throughout the operations, such as controlling air-conditioners to a temperature that is feasible to the working environment, minimizing the use of paper and reducing water consumption; in order to promote greater environmental responsibility;

3. To recognize the responsibility in minimizing the negative environmental impact of business operations in order to achieve a sustainable development for generating long term values to stakeholders and the community as a whole. Moreover, we also encourage the development and diffusion of environmental friendly technologies;

Social

4. To ensure the level of compensation of employees is reviewed periodically on a performance basis with reference to the market standard and to ensure a wide range of benefits are also provided to employees in order to support and respect the protection of internationally proclaimed human rights;

5. To ensure employees are not complicit in human rights abuses;

6. To uphold the freedom of forming labor union and the effective recognition of the right to collective bargaining;

7. To prohibit any forced labour in any operations and services in order to eliminate all forms of forced and compulsory labour;

8. To prohibit any child labour in any operations and services in order to ensure effective abolition of child labour;

9. Respect cultural and individual diversity in order to eliminate any discrimination in respect of employment and occupation, and opportunities for employment, training and career development are equally open to all qualified employees;

10. To work against corruption in all its forms, including extortion and bribery.

We have sent out this code of conduct to all our licensees. Of 30 licensees, 25 of them have confirmed in writing that they follow the code of conduct. We are discussing and reviewing the status with those licensees who have not yet signed.

During the Year, there was no material non-compliance issues relating to health and safety, advertising, labelling and privacy matters relating to services provided by the Group.

B. SOCIAL (continued)

B6. Product Responsibility (continued)

Data Privacy

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

- We only collect personal data that we believe to be relevant and required to conduct our business;
- We will use personal data only for the purpose for which data is collected or for a directly related purpose unless consent with a new purpose is obtained;
- We will not transfer or disclose personal data to any entity that is not a member of our Group without consent unless it is required by law or it was previously notified; and
- We maintain appropriate security systems and measures designed to prevent unauthorised access to personal data.

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

B7. Anti-corruption

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

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

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

B8. Community Investment

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

MOORE STEPHENS

Moore Stephens CPA Limited
801-806 Silvercord, Tower 1,
30 Canton Road, Tsimshatsui,
Kowloon, Hong Kong

T +852 2375 3180
F +852 2375 3828

www.moorestephens.com.hk

大華馬施雲
會計師事務所有限公司

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

DISCLAIMER OF OPINION

We were engaged to audit the consolidated financial statements of Nimble Holdings Company Limited (formerly known as The Grande Holdings Limited) (the "Company") and its subsidiaries (together the "Group") set out on pages 41 to 108, which comprise the consolidated statement of financial position as at 31 March 2018, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

BASIS FOR DISCLAIMER OF OPINION

Scope limitation in respect of corresponding figures of financial performance, cash flows and relevant disclosures

As detailed in our auditor's report dated 30 June 2017 on the consolidated financial statements of the Group for the financial period from 1 January 2016 to 31 March 2017, the predecessor auditors who were engaged to perform the audit of the consolidated financial statements of the Group for the year ended 31 December 2015 had expressed a disclaimer of opinion as a result of limitation of scope in respect of their audit of certain account balances in the consolidated statement of financial position as at 31 December 2015. Since opening balances in consolidated statement of financial position affect the determination of the results of operations and hence cash flows, we were unable to determine whether adjustments to the results of operations and cash flows might be necessary for the financial period from 1 January 2016 to 31 March 2017. Hence our opinion on the consolidated financial statements of the Group for the financial period from 1 January 2016 to 31 March 2017 was disclaimed because of the possible effects of these matters.

BASIS FOR DISCLAIMER OF OPINION (continued)

Scope limitation in respect of corresponding figures of financial performance, cash flows and relevant disclosures (continued)

In respect of the consolidated financial statements of the Group for the financial year ended 31 March 2018, the matters which were the subject matter of the scope limitations referred to above do not have effects on the account balances presented in the consolidated statement of financial position of the Group as at 31 March 2017 and 31 March 2018 or the results and cash flows of the Group for the current year ended 31 March 2018, and the related disclosures in the consolidated financial statements. However, any adjustments found to be necessary in respect of these matters may have significant effects on the financial performance and cash flows of the Group for the period ended 31 March 2017, and the related disclosures in the consolidated financial statements, presented as corresponding figures in the consolidated financial statements. Hence our opinion on the current year's consolidated financial statements is also disclaimed because of the possible effects of the matters on the comparability of the current year's figures and the corresponding figures of the Group's financial performance, cash flows and relevant notes.

RESPONSIBILITIES OF THE DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

Our responsibility is to conduct an audit of the Group's consolidated financial statements in accordance with Hong Kong Standards on Auditing issued by the HKICPA and to issue an auditor's report in accordance with the terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. However, because of the matters described in the Basis for Disclaimer of Opinion section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated financial statements.

We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

Moore Stephens CPA Limited
Certified Public Accountants

Law Yuen Man, Ida
Practising Certificate Number: P05878

Hong Kong, 29 June 2018

CONSOLIDATED INCOME STATEMENT

Year ended 31 March 2018

	Notes	Year Ended 31 March 2018 HK$ million	Period from 1 January 2016 to 31 March 2017 HK$ million
REVENUE	8	**171**	288
Cost of sales		**(96)**	(164)
Gross profit		**75**	124
Other income		**13**	25
Distribution costs		**(4)**	(4)
Administrative expenses		**(77)**	(100)
Allowance for doubtful debts		**–**	(1)
Impairment loss recognised in respect of brands and trademarks, net	20	**(42)**	(152)
Write back of accrued liabilities with Deconsolidated Subsidiaries	29	**206**	–
Gain on discharge of liabilities	9	**–**	2,636
Gain on deconsolidation of subsidiaries	31	**–**	131
Provisional liquidators' fee	10	**–**	(4)
Reversal/(provision) of restructuring costs	10	**6**	(19)
Other expenses		**(1)**	(4)
PROFIT BEFORE TAXATION	11	**176**	2,632
Income tax (charge)/credit	14	**(32)**	64
PROFIT FOR THE YEAR/PERIOD		**144**	2,696
PROFIT FOR THE YEAR/ PERIOD ATTRIBUTABLE TO:			
Shareholders of the Company		**175**	2,813
Non-controlling interests		**(31)**	(117)
		144	2,696
EARNINGS PER SHARE	16	**HK$**	HK$
Basic		**0.03**	0.72
Diluted		**0.03**	0.72

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 March 2018

	Year Ended 31 March 2018 HK$ million	Period from 1 January 2016 to 31 March 2017 HK$ million
PROFIT FOR THE YEAR/PERIOD	**144**	2,696
OTHER COMPREHENSIVE INCOME/(LOSS), NET OF TAX:		
Items that may be subsequently reclassified to profit or loss:		
Exchange differences on translation of financial statements of overseas subsidiaries	**7**	(11)
Reclassification adjustments relating to deconsolidation of overseas subsidiaries	**–**	170
	7	159
TOTAL COMPREHENSIVE INCOME FOR THE YEAR/PERIOD	**151**	2,855
TOTAL COMPREHENSIVE INCOME FOR THE YEAR/PERIOD ATTRIBUTABLE TO:		
Shareholders of the Company	**180**	2,971
Non-controlling interests	**(29)**	(116)
	151	2,855

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 March 2018

	Notes	**2018 HK$ million**	2017 HK$ million
NON-CURRENT ASSETS			
Plant and equipment	17	**–**	–
Available-for-sale investments	18	**–**	–
Deferred tax assets	19	**4**	8
Brands and trademarks	20	**260**	299
Goodwill	20	**–**	–
Other assets	21	**1**	1
		265	308
CURRENT ASSETS			
Inventories	23	**25**	6
Accounts and bills receivable	24	**18**	11
Prepayments, deposits and other receivables	25	**6**	10
Tax recoverable		**2**	7
Cash and bank balances	26	**446**	502
		497	536
CURRENT LIABILITIES			
Accounts and bills payable	27	**1**	–
Accrued liabilities and other payables	28	**71**	77
Accrued liabilities with Deconsolidated Subsidiaries	29	**127**	–
Tax liabilities		**25**	19
		224	96
NET CURRENT ASSETS		**273**	440
NON-CURRENT LIABILITIES			
Tax liabilities		**22**	–
Accrued liabilities with Deconsolidated Subsidiaries	29	**–**	333
		22	333
NET ASSETS		**516**	415

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 March 2018

	Notes	**2018 HK$ million**	2017 HK$ million
CAPITAL AND RESERVES			
Share capital	30	**55**	55
Share premium	30	**386**	386
Reserves		**(17)**	(219)
EQUITY ATTRIBUTABLE TO THE SHAREHOLDERS OF THE COMPANY		**424**	222
NON-CONTROLLING INTERESTS		**92**	193
TOTAL EQUITY		**516**	415

Tan Bingzhao
Director

Deng Xiangping
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 March 2018

	Share capital HK$ million	Share premium HK$ million	Contributed reserve HK$ million	Exchange fluctuation reserve/ (deficits) HK$ million	Other reserve/ (deficits) HK$ million	Accu-mulated deficits HK$ million	Total deficits HK$ million	Equity/ (Deficiency of equity) attributable to the shareholders of the Company HK$ million	Non-controlling interests HK$ million	Total equity/ (Total deficiency of Equity) HK$ million
At 1 April 2017	55	386	193	(1)	(7)	(404)	(219)	222	193	415
Profit/(loss) for the year	–	–	–	–	–	175	175	175	(31)	144
Other comprehensive income	–	–	–	5	–	–	5	5	2	7
Total comprehensive income/(loss) for the year	–	–	–	5	–	175	180	180	(29)	151
Deemed acquisition of a listed subsidiary's equity interest#	–	–	–	–	22	–	22	22	(72)	(50)
At 31 March 2018	55	386	193	4	15	(229)	(17)	424	92	516
At 1 January 2016	46	1,173	193	(159)	(7)	(4,431)	(4,404)	(3,185)	309	(2,876)
Profit/(loss) for the period	–	–	–	–	–	2,813	2,813	2,813	(117)	2,696
Other comprehensive income	–	–	–	158	–	–	158	158	1	159
Total comprehensive income/(loss) for the period	–	–	–	158	–	2,813	2,971	2,971	(116)	2,855
Capital reduction *(note 30)*	(41)	–	–	–	–	41	41	–	–	–
Share premium reduction *(note 30)*	–	(1,173)	–	–	–	1,173	1,173	–	–	–
Shares issued for open offer *(note 30)*	11	87	–	–	–	–	–	98	–	98
Shares issued for schemes *(note 30)*	39	299	–	–	–	–	–	338	–	338
At 31 March 2017	55	386	193	(1)	(7)	(404)	(219)	222	193	415

\# According to repurchase program approved by the board of directors of Emerson, a significant subsidiary of the Company whose shares are listed on the NYSE American of the USA, Emerson shall repurchase its common stock up to US$10 million (equivalent to HK$77.5 million) as of 31 December 2018. During the Year, Emerson repurchased 4,266,764 of its own shares for approximately HK$50 million. It resulted in an increase in the Company's interests in Emerson from approximately 56.3% as of 31 March 2017 to approximately 66.9% as of 31 March 2018 and is regarded as a deemed acquisition of additional interest in a subsidiary and recorded as equity transaction in the consolidated statement of changes in equity.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 March 2018

	Notes	Year Ended 31 March 2018 HK$ million	Period from 1 January 2016 to 31 March 2017 HK$ million
OPERATING ACTIVITIES			
Profit before taxation		**176**	2,632
Adjustments for:			
Dividend income	11(b)	**(8)**	–
Interest income	11(b)	**(5)**	(3)
Allowance for doubtful debts		**–**	1
Provisional liquidators' fee		**–**	4
(Reversal)/provision of restructuring costs		**(6)**	19
Impairment loss recognised in respect of brands and trademarks	20	**42**	152
Write back of accrued liabilities with Deconsolidated Subsidiaries	29	**(206)**	–
Gain on discharge of liabilities	9	**–**	(2,636)
Gain on deconsolidation of subsidiaries	31	**–**	(131)
Write back of long outstanding liabilities	11(b)	**–**	(18)
Operating cash flows before working capital changes		**(7)**	20
(Increase)/decrease in inventories		**(19)**	30
(Increase)/decrease in accounts and bills receivable		**(7)**	26
Decrease in prepayments, deposits and other receivables		**4**	5
Increase/(decrease) in accounts and bills payable		**1**	(3)
Increase in accrued liabilities and other payables		**–**	13
Cash (used in)/generated from operations		**(28)**	91
Overseas profits tax refund/(paid)		**5**	(9)
Net cash (used in)/generated from operating activities		**(23)**	82
INVESTING ACTIVITIES			
Decrease in cash and bank balances arising from deconsolidation of subsidiaries	31	**–**	(5)
Decrease/(increase) in bank certificates of deposit		**67**	(39)
Decrease in pledged deposits with banks		**–**	4
Repurchases of a listed subsidiary's equity securities		**(50)**	–
Provisional liquidators fee paid		**–**	(14)
Restructuring costs paid		**–**	(31)
Dividend received		**8**	–
Interest received		**5**	3
Net cash generated from/(used in) investing activities		**30**	(82)

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 March 2018

	Notes	Year Ended 31 March 2018 HK$ million	Period from 1 January 2016 to 31 March 2017 HK$ million
FINANCING ACTIVITIES			
Proceeds from issuance of shares under open offer		**–**	98
Payments under creditors' schemes of arrangement		**–**	(106)
Net cash used in financing activities		**–**	(8)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**7**	(8)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR/PERIOD		**307**	315
Effect of foreign exchange rate changes, net		**2**	–
CASH AND CASH EQUIVALENTS AT END OF YEAR/PERIOD		**316**	307
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Bank balances		**316**	151
Deposits with maturity date within three months		**–**	156
Cash and cash equivalents at end of year/period	26	**316**	307

1. GENERAL

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

The Shares were suspended from trading during the period from 30 May 2011 to 27 May 2016. Pursuant to an order of the High Court of Hong Kong Special Administrative Region (the "High Court"), Mr. Fok Hei Yu and Mr. Roderick John Sutton, both of FTI Consulting (Hong Kong) Limited were appointed as the provisional liquidators of the Company (the "Former Provisional Liquidators") on 31 May 2011. During the Corresponding Period, the Company completed the restructuring of the Group and fulfilled all resumption conditions imposed by the Stock Exchange and trading in the Shares resumed on 30 May 2016. The Former Provisional Liquidators were discharged and released on 26 May 2016 by the High Court. For details of the restructuring and resumption of trading, please refer to the circular dated 9 March 2016 (the "Circular") and the announcement dated 26 May 2016 titled "Fulfilment of all resumption conditions and resumption of trading" issued by the Company.

During the Corresponding Period, in order to simplify the structure of the Group, the management has identified a number of dormant subsidiaries to be liquidated. These dormant subsidiaries and Excluded Companies (as defined in the Circular) are grouped together as deconsolidated subsidiaries ("Deconsolidated Subsidiaries").

Prior to 26 May 2016, the Company's immediate holding company was Barrican Investments Corporation, a company incorporated in the British Virgin Islands. Since 26 May 2016 and prior to 26 September 2017, the Company's immediate holding company was Sino Bright, a company incorporated in the British Virgin Islands. Prior to 26 September 2017, the Company's ultimate holding company was Accolade (PTC) Inc., a company incorporated in the British Virgin Islands, being the trustee to a discretionary trust which owns the entire issued share capital of The Ho Family Trust Limited.

Since 26 September 2017, being the completion date of the sale of 3,616,495,378 Shares from Sino Bright to Wealth Warrior, the Company's immediate holding company is Wealth Warrior, a company incorporated in the British Virgin Islands. Also since 26 September 2017, the Company's ultimate controlling shareholder is Mr. Tan, being the beneficial owner and sole director of Wealth Warrior. Upon the close of mandatory unconditional cash offer made by Wealth Warrior on 22 December 2017, Wealth Warrior holds 3,616,712,779 Shares. Mr. Tan is also deemed to be interested in 439,180,000 Shares through a discretionary trust.

The Company changed its name from The Grande Holdings Limited to Nimble Holdings Company Limited on 14 February 2018. The Directors consider that the change of company name will provide the Company with a fresh new corporate image and identity which will be in the interests of the Company and its future development.

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

1. GENERAL (continued)

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

During the Corresponding Period, the financial year end date of the Company has been changed from 31 December to 31 March in order to align with the financial year end date with that of Emerson, a significant subsidiary of the Company whose shares are listed on the NYSE American of the USA. Accordingly, the comparative figures which cover a period of fifteen months from 1 January 2016 to 31 March 2017 for the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows and related notes in the consolidated financial statements are not comparable with those of the current year.

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

New and amended standards adopted by the Group

During the Year, the Group has adopted the following revised Hong Kong Financial Reporting Standards ("HKFRSs") and Hong Kong Accounting Standards ("HKASs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") which are effective for accounting periods beginning on or after 1 January 2017:

Amendments to HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses
Amendments to HKFRS 12	Annual improvements to HKFRSs 2014 – 2016 Cycle

The adoption of the above does not have any significant impact to the Group's results for the Year and the Group's position as at 31 March 2018.

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

New standards and amendments to standards not yet adopted

The Group has not applied the following new and revised HKFRSs, HKASs and interpretations, which have been issued but are not yet effective, in the consolidated financial statements:

Amendments to HKAS 40 [(1)]	Transfer of Investment Property
Amendments to HKFRSs [(1)]	Annual improvements to HKFRSs 2014 – 2016 Cycle
Amendments to HKFRSs [(2)]	Annual improvements to HKFRSs 2015 – 2017 Cycle
Amendments to HKFRS 2 [(1)]	Classification and Measurement of Share-based Payment Transactions
HKFRS 9 [(1)]	Financial Instruments
Amendments to HKFRS 9 [(2)]	Prepayment Features with Negative Compensation
HKFRS 15 [(1)]	Revenue from Contracts with Customers
Amendments to HKFRS 15 [(1)]	Clarification to HKFRS 15 Revenue from Contracts with Customers
HKFRS 16 [(2)]	Leases
Amendments to HKFRS 10 and HKAS 28 [(3)]	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
HK(IFRIC) – Int 22 [(1)]	Foreign Currency Transactions and Advance Consideration
HK(IFRIC) – Int 23 [(2)]	Uncertainty over Income Tax Treatments

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

The Group has already commenced an assessment of the related impact of adopting the above new and revised HKFRSs, HKASs and interpretations. So far, it has concluded that the above new and revised HKFRSs, HKASs and interpretations will be adopted at the respective effective dates and the adoption of them is unlikely to have a significant impact on the consolidated financial statements of the Group except for the following:

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

HKFRS 9, "Financial Instruments"

HKFRS 9 has introduced new requirements for a) classification and measurement of financial assets, b) impairment of financial assets and c) general hedge accounting.

With regards to the classification and measurement of financial assets, financial assets that are within the scope of HKFRS 9 are subsequently measured at either amortised cost or fair value. Debt instruments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of each of the subsequent accounting periods. All other financial assets are measured at fair value at the end of each of the subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that are solely payments of principal and interest on the principal amount outstanding, are generally measured at fair value through other comprehensive income ("FVTOCI"). All other debt instrument, financial assets and equity investments are measured at their fair value at the end of subsequent accounting periods with changes in fair value recognized in profit or loss, except that the group may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is neither held for trading nor being contingent consideration recognised by an acquirer in a business combination to which HKFRS 3 applies) in other comprehensive income, with only dividend income generally recognised in profit or loss and the cumulative fair value changes will not be reclassified to profit or loss upon derecognition of the investment.

With regards to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of such changes in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. This differs from the accounting treatment under HKAS 39, whereby the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss is recognised in profit or loss.

With regards to impairment of financial assets, HKFRS 9 has adopted an expected credit loss model, as opposed to the incurred credit loss model required under HKAS 39. In general, the adoption of the expected credit loss model will require the group to assess at each reporting date whether there is a significant increase in credit risk of its financial assets since initial recognition and to recognise loss allowance equal to the lifetime or 12-month expected credit losses depending on whether or not there is a significant increase in credit risk.

With regards to the general hedge accounting requirements, HKFRS 9 retains the three types of hedge accounting mechanisms currently available in HKAS 39. HKFRS 9 will provide greater flexibility as to the types of transactions eligible for hedge accounting, specifically by broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about the Group's risk management activities have also been introduced.

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

HKFRS 9, "Financial Instruments" (continued)

For those available-for-sale assets that are measured at cost less any identified impairment losses at the end of the reporting period, this change in policy may possibly have impact on the Group's financial performance and financial position, and will increase volatility in profit or loss.

There will be no impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Group does not have any such liabilities. The derecognition rules have been transferred from HKAS 39 Financial Instruments: Recognition and Measurement and have not been changed.

HKFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. As a general rule, more hedge relationships might be eligible for hedge accounting, as the standard introduces a more principles-based approach. Currently, the Group does not have any hedging relationship, and accordingly the new standard will not have a significant impact.

The new impairment model requires the recognition of impairment provisions based on expected credit losses (ECL) rather than only incurred credit losses as is the case under HKAS 39. It applies to financial assets classified at amortised cost, debt instruments measured at FVOCI, contract assets under HKFRS 15, lease receivables, loan commitments and certain financial guarantee contracts. The Group considers the new model introduced by HKFRS 9 will generally result in earlier recognition of losses compared to the current incurred loss model of HKAS 39.

The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Group's disclosures about its financial instruments particularly in the year of the adoption of the new standard for the financial periods beginning after 1 April 2018.

Currently, the management are in the midst of assessing the financial impact of the application of HKFRS 9 and a reasonable estimate of the effect will be available once the detailed review is completed.

HKFRS 15, "Revenue from contracts with customers"

HKFRS 15 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 Revenue, HKAS 11 Construction Contracts and the related Interpretations when it becomes effective.

The core principle of HKFRS 15 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 or services. Specifically, HKFRS 15 introduces a 5-step approach to revenue recognition:

Step 1: Identify the contract(s) with a customer

Step 2: Identify the performance obligations in the contract

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

HKFRS 15, "Revenue from contracts with customers" (continued)

Step 3: Determine the transaction price

Step 4: Allocate the transaction price to the performance obligations in the contract

Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under HKFRS 15, the Group will recognise revenue when a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15. HKFRS 15 contains a number of transitional provisions as well as practical expedients to help preparers go through the transition. Please refer to HKFRS 15 for details.

Based on the preliminary assessment of management, the expected impacts arising from the adoption of HKFRS 15 on the Group are summarised as follows:

(a) *Sales of goods*

Upon the adoption of HKFRS 15, revenue will be recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the goods. The Group expects that there will be no material impact of the adoption of HKFRS 15 based on the current contracts terms as the management are of the view that the accounting for revenue recognition at the transfer of control is comparable to current practise in according to HKAS 18.

(b) *Licensing income*

Currently, revenue from licensing income is recognised on a straight-line basis in accordance with the substance of the relevant agreement. Under HKFRS 15, the Group expects that the licensing income shall be recognised at a single point in time as the Group believes that the right being granted to customers is a right to use rather than a right to access.

The presentation and disclosure requirements in HKFRS 15 are more detailed than those under the current HKAS 18. The presentation requirements represent a change from current practice and will increase the volume of disclosures required in the Group's financial statements.

The Directors intend to apply the modified retrospective method with cumulative effect of the initial application recognised in the opening balance of equity as at 1 April 2018.

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

HKFRS 16, "Leases"

HKFRS 16 addresses the definition of a lease, recognition and measurement of leases and establishes principles for reporting useful information to users of financial statements about the leasing activities of both lessees and lessors. A key change arising from HKFRS 16 is that most operating leases will be accounted for on balance sheet for lessees. The accounting for lessors will not significantly change.

The Group is a lessee of some buildings for office buildings, which are currently accounted for as operating leases under HKAS 17. HKFRS 16 provides new provisions for the accounting treatment of leases and will in future no longer allow lessees to recognise certain leases outside the consolidated statement of financial position. Instead, all non-current leases must be recognised in the form of an asset (for the right of use) and a financial liability (for the payment obligation). Thus, each lease will be reflected in the Group's consolidated statement of financial position. Short-term leases of less than twelve months and leases of low-value assets are exempted from the reporting obligation. The new standard will therefore result in an increase in right of use assets and an increase in payment obligation liabilities in the consolidated statement of financial position. In the statement of profit or loss and other comprehensive income, as a result, the operating lease expense under otherwise identical circumstances will decrease, while depreciation and amortisation and the interest expense will increase. The Group expects that certain right of use assets and payment obligation liabilities will be recognised in the Group's consolidated statement of financial position upon adoption HKFRS 16 for the financial periods after 1 April 2019. Total operating lease commitments of the Group in respect of office premises as at 31 March 2018 amounted to approximately HK$6 million. The directors expect the adoption of HKFRS 16 as compared with the current accounting policy would have an impact on the Group's results. It is expected that certain portion of these lease commitments will be required to be recognised in the consolidated statement of financial position as right-of-use assets and lease liabilities. In addition, the application of new requirement may result changes in measurement, presentation and disclosures as indicated above. Such an assessment may subject to change when the management performs a more detailed analysis.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

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

The HKICPA has issued certain revised HKFRSs and HKASs which are first effective or available for early adoption for the current accounting period of the Group. Note 2 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these consolidated financial statements.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Basis of preparation of the financial statements

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

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

The consolidated financial statements have been prepared under the historical cost as explained in the accounting policies set out below.

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

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

Judgments made by management in the application of HKFRSs that have significant effect in the consolidated financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 4.

(c) Subsidiaries and non-controlling interests

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

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

(d) Revenue recognition

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

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Revenue recognition (continued)

(i) (continued)

- The amount of revenue can be measured reliably;
- It is probable that the economic benefits associated with the transaction will flow to the Group; and
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

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

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

(e) Business combinations

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

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

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 Incomes Taxes and HKAS 19 Employee Benefits respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 Share-based Payment at the acquisition date; and
- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that standard.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Business combinations (continued)

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

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Goodwill

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

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

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

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

(g) Segment reporting

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

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

(h) Plant and equipment

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Plant and equipment (continued)

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

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

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

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

(i) Leases

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

Operating lease charges

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

(j) Financial instruments

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) Financial instruments (continued)

(i) Financial assets

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

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

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

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

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) Financial instruments (continued)

(ii) Financial liabilities and equity instruments

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

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

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

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) Financial instruments (continued)

(ii) Financial liabilities and equity instruments (continued)

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

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

(k) Brands and trademarks

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

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

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

(l) Inventories

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(m) Accounts, bills and other receivables

Accounts, bills and other receivables are initially recognised at fair value and thereafter stated at amortised cost using the effective interest method, less allowance for impairment of doubtful debts, except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment of doubtful debts *(see note 3(p))*.

(n) Accounts, bills and other payables

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

(o) Cash and cash equivalents

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

(p) Impairment of assets

(i) Impairment of receivables

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

– significant financial difficulty of the debtor;

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

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(p) Impairment of assets (continued)

(i) Impairment of receivables (continued)

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

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

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

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(p) Impairment of assets (continued)

(i) Impairment of receivables (continued)

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

(ii) Impairment of other assets

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

- plant and equipment;
- intangible assets;
- goodwill; and
- investments in subsidiaries in the Company's statement of financial position.

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

- Calculation of recoverable amount
  The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e., a cash-generating unit).

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(p) Impairment of assets (continued)

(ii) Impairment of other assets (continued)

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

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

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

(q) Translation of foreign currencies

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

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(r) Employee benefits

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

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

(ii) *Termination benefits*

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

(s) Provision and contingent liabilities

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

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

(t) Income Tax

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(t) Income Tax (continued)

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

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

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(t) Income Tax (continued)

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

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

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

  – The same taxable entity; or

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

Similar to deferred tax liability, current tax liability classified as non-current liability is not discounted to present value.

(u) Related parties

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

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

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

  (ii) has significant influence over the Group;

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

or

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

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

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

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(u) Related parties (continued)

(b) (continued)

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

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

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

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

4. ACCOUNTING JUDGEMENTS AND ESTIMATES

(a) Key sources of estimation uncertainty

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

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

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

(ii) Write down of inventories

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

4. ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

(a) Key sources of estimation uncertainty (continued)

(iii) Estimation of impairment of receivables

When there is objective evidence of impairment loss, then the Group takes into consideration the estimation of future cash flows. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31 March 2018, the carrying amount of trade receivable is HK$18 million (net of allowance for doubtful debts of HK$2 million) (2017: carrying amount of HK$11 million, net of allowance for doubtful debts of HK$2 million).

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

As of 31 March 2017, 59 subsidiaries were classified as Deconsolidated Subsidiaries and excluded from the consolidated financial statements. Based on management assessment and with reference to the latest status of each of the Deconsolidated Subsidiaries, the Company has lost control over these entities as of 31 March 2017.

As of 31 March 2018, according to the progress of the liquidations of the Deconsolidated Subsidiaries, the management considered that all liquidations of these Deconsolidated Subsidiaries are expected to be completed on or before the next financial year ending 31 March 2019, details are set out in note 29 to the consolidated financial statements.

(v) Provisional liquidators' fee and restructuring costs

As mentioned in note 10, the Company has not received all the required information and analyses from the Former Provisional Liquidators regarding the total restructuring costs and provisional liquidators' fees incurred by the Company. The management of the Company has made a judgement that the total amounts that have been deposited in the High Court should cover the total amounts of provisional liquidators' fee and restructuring costs that the Company would incur up to the financial period ended 31 March 2017. No further accrual of provisional liquidators' fees and restructuring costs have been made other than the amount retained by the High Court since the Corresponding Period.

4. ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

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

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

Taxation and deferred taxation

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

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

As at 31 March 2018, deferred tax assets of HK$4 million (2017: HK$8 million) in relation to decelerated tax depreciation and unused tax losses has been recognised in the Group's consolidated statement of financial position. The realisation of the deferred tax assets mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future. In cases where the actual future profits generated are less than expected, a material reversal of deferred tax assets may arise, which would be recognised in the profit or loss for the period in which such a reversal takes place.

5. FINANCIAL INSTRUMENTS BY CATEGORIES

	2018 HK$ million	2017 HK$ million
Financial assets –		
Available-for-sale investments	**–**	–
Loans and receivables (including cash and bank balances)	**466**	515
Financial liabilities –		
At amortised cost	**16**	13

6. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

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

(a) Currency risk

(i) Exposure to currency risk

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

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

	United States Dollar HK$ million	**Japanese Yen HK$ million**
As at 31 March 2018		
Cash and bank balances	**98**	**–**
Accrued liabilities and other payables	**(16)**	**–**
	82	**–**

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

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

(a) Currency risk (continued)

(ii) Sensitivity analysis

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

(b) Credit risk

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

The Group's maximum exposure to credit risk in the event of the counterparties failure to perform their obligations as at 31 March 2018 and 31 March 2017 in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated statement of financial position. In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the Directors consider that the Group's credit risk is significantly reduced.

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

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

(b) Credit risk (continued)

(iii) The group's exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry or country in which the customers operate and therefore significant concentrations of credit risk primarily arise when the group has significant exposure to individual customers. At the end of the reporting period, the Group has a certain level of concentration of credit risk as 58% (2017: 86%) and 81% (2017: 87%) of the total receivables, arose from the Group's largest customer and the three largest customers, respectively. In respect of trade receivables due from these customers, individual credit evaluations are performed on each of these customers. 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 customer as well as pertaining to the economic environment in which the customer operates. The management considers the credit risks arising from the abovementioned customers are not significant as the counterparties are well established companies which are listed companies or subsidiaries of listed companies with sound financial position. Trade receivables from these customers are due within 30-90 days from the date of billing. Normally, the Group does not obtain collateral from these customers.

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

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from accounts and bills receivable are set out in note 24.

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

(c) Liquidity risk

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

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

	Payable less than 1 year HK$ million	Payable between 1 to 5 years HK$ million	Total contractual undiscounted cash flows HK$ million	Carrying amount HK$ million
As at 31 March 2018				
Accounts and bills payable	1	–	1	1
Accrued liabilities and other payables	15	–	15	15
	16	–	16	16
As at 31 March 2017				
Accrued liabilities and other payables	13	–	13	13

(d) Interest rate risk

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

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

The Directors consider that the carrying amounts of financial instruments are not materially different from their fair values as at 31 March 2018 and 31 March 2017 respectively.

7. MATERIAL RELATED PARTY TRANSACTIONS

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

(a) The Group was billed by The Grande Properties and LSSL for building management services fees and utility charges of HK$124,278 and HK$15,120 (Corresponding Period: HK$133,442 and HK$12,600) respectively for its rented office in Hong Kong during the Year. The Group had no outstanding amount due to The Grande Properties and LSSL in respect of these charges as at 31 March 2018 and 31 March 2017.

(b) **Key management personnel remuneration**

Remuneration for key management personnel of the Group, including amounts paid to the Directors as disclosed in note 12 and certain of the highest paid employees as disclosed in note 13, are as follows:

	Year Ended 31 March 2018 HK$ million	Period from 1 January 2016 to 31 March 2017 HK$ million
Salaries and other short-term employee benefits	**20**	31
Retirement benefit costs	**–**	–

8. REVENUE

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

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

	Year Ended 31 March 2018 HK$ million	Period from 1 January 2016 to 31 March 2017 HK$ million
By principal activity:		
Sales of goods	**115**	194
Licensing income	**56**	94
	171	288

8. REVENUE (continued)

The Group's customer base is diversified and includes one customer (Corresponding Period: two customers) with whom transactions has exceeded 10% of the Group's revenue during the Year, in which HK$74 million or 43.2% (Corresponding Period: HK$162 million or 56.4%) of total revenue of the Group during the Year was derived from the single customer (Corresponding Period: two customers).

9. GAIN ON DISCHARGE OF LIABILITIES

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

10. PROVISIONAL LIQUIDATORS' FEE AND RESTRUCTURING COSTS

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

Based on a consent summons dated 29 January 2018 filed with the High Court and an order then issued by the High Court on the same date, the Former Provisional Liquidators and the Company agreed that a part of the restructuring costs with a sum of approximately HK$6 million which the Company had accrued in the Corresponding Period, should be paid out from the aforementioned deposit with the High Court. As a result, a write back of such restructuring costs has been made in the Year.

Upon receipt of further documentary evidence from the Former Provisional Liquidators, the Company will conduct a review and make appropriate adjustments, if necessary, to ascertain the amounts of provisional liquidators' fees and restructuring costs to be included in future financial statements accordingly.

11. PROFIT BEFORE TAXATION

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

		Year Ended 31 March 2018 HK$ million	Period from 1 January 2016 to 31 March 2017 HK$ million
(a)	**Staff costs**		
	Directors' and Chief Executive Officer's emoluments	**8**	10
	Other staff costs		
	– Salaries and other benefits	**29**	38
	– Retirement benefits costs	**5**	7
		42	55
(b)	**Other items**		
	Operating lease rentals in respect of land and buildings	**7**	9
	Auditor's remuneration:		
	– Current year/period	**2**	3
	Carrying amount of inventories sold	**96**	158
	Write down of inventories *(note 23)*	**–**	6
	Write back of long outstanding liabilities	**–**	(18)
	Dividend income	**(8)**	–
	Interest income	**(5)**	(3)

12. DIRECTORS' AND CHIEF EXECUTIVE OFFICER'S EMOLUMENTS

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

	Fees HK$ million	Basic salaries, housing allowances and other benefits HK$ million	Discretionary bonuses HK$ million	Provident fund contribution HK$ million	Total emoluments HK$ million
Year ended 31 March 2018					
Tan Bingzhao (appointed on 2 December 2017)	–	–	–	–	–
Deng Xiangping (appointed on 2 December 2017)	–	–	–	–	–
Lin Jinying (appointed on 2 December 2017)	0.04	–	–	–	0.04
Lu Zhenghua (appointed on 2 December 2017)	0.04	–	–	–	0.04
Ye Hengqing (appointed on 2 December 2017)	0.04	–	–	–	0.04
Hon Yung Kwong (appointed on 2 December 2017 and resigned on 31 March 2018)	–	–	–	–	–
Michael Binney (resigned on 22 December 2017)	–	2.0	–	–	2.0
Chen Xiaoping (resigned on 22 December 2017)	0.2	–	–	–	0.2
Manjit Singh Gill (resigned on 22 December 2017)	–	0.3	–	–	0.3
Hon Tak Kwong (resigned on 22 December 2017)	–	4.7	–	–	4.7
Lau Ho Kit, Ivan (resigned on 22 December 2017)	0.3	–	–	–	0.3
James Mailer (resigned on 16 August 2017)	0.1	–	–	–	0.1
Eduard Will (resigned on 22 December 2017)	0.3	–	–	–	0.3
	1.02	7.0	–	–	8.02
Period from 1 January 2016 to 31 March 2017					
Christopher W. Ho (resigned on 19 February 2016)	–	–	–	–	–
Michael Binney (appointed on 11 November 2016)	–	0.8	–	–	0.8
Chen Xiaoping (appointed on 30 May 2016)	0.3	–	–	–	0.3
Manjit Singh Gill (appointed on 30 May 2016)	–	0.3	–	–	0.3
Hon Tak Kwong (appointed on 30 May 2016)	–	4.8	2.1	–	6.9
Lau Ho Kit, Ivan (appointed on 25 July 2016)	0.3	–	–	–	0.3
James Mailer (appointed on 30 May 2016)	0.3	–	–	–	0.3
Eduard Will (appointed on 19 February 2016)	0.1	0.2	–	–	0.3
Tang Hoi Nam (appointed on 19 February 2016 and removed on 11 November 2016)	–	0.5	–	–	0.5
Kenneth Deayton (appointed on 30 May 2016 and resigned on 25 July 2016)	–	–	–	–	–
	1.0	6.6	2.1	–	9.7

No emoluments were paid by the Group to any of the Director and Chief Executive Officer (Mr. Hon Tak Kwong from 30 May 2016 to 2 December 2017, Mr. Tan Bingzhao since 2 December 2017, details set out in section "Corporate Governance Report" in the Annual Report) as an inducement to join or upon joining the Group or as compensation for loss of office during the Year (Corresponding Period: Nil).

The remuneration package of the Directors are reviewed and approved by the Remuneration Committee. Details please see Corporate Governance Report on pages 24-25.

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

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

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

13. INDIVIDUALS WITH HIGHEST EMOLUMENTS

During the Year, the five highest paid individuals included 2 (Corresponding Period: 1) Directors, the details of whose emoluments are set out above. The emoluments of the remaining highest paid individuals are as follows:

	Year Ended 31 March 2018 HK$ million	Period from 1 January 2016 to 31 March 2017 HK$ million
Basic salaries, housing, other allowances and benefits in kind	**7**	13
Bonuses paid and payable	**1**	–
Provident fund contribution	**–**	–
Termination payment	**–**	1
	8	14

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

HK$	**Year Ended 31 March 2018 Number of non-Directors**	Period from 1 January 2016 to 31 March 2017 Number of non-Directors
2,000,001 – 2,500,000	**2**	–
2,500,001 – 3,000,000	**–**	1
3,000,001 – 3,500,000	**1**	2
4,500,001 – 5,000,000	**–**	1

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

14. INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT

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

	Year Ended 31 March 2018 HK$ million	Period from 1 January 2016 to 31 March 2017 HK$ million
Current tax		
Overseas	**29**	(2)
Over provision in prior year/period		
Overseas	**(1)**	(63)
Deferred tax *(note 19(a))*		
Overseas	**4**	1
Income tax charge/(credit)	**32**	(64)

Included in the overseas' current tax during the Year, there is a tax provision of approximately HK$24 million in relation to the new tax legislation enacted by the United States Government in December 2017. In accordance with this legislation, the Group is able to elect to pay such tax liabilities over a period of up to eight years on an interest-free basis. Therefore, approximately HK$2 million is classified as current liabilities while the remaining HK$22 million is classified as non-current liabilities in the consolidated statement of financial position as of 31 March 2018 as it is not expected to be settled within twelve months since the end of the reporting period.

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

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

	Year Ended 31 March 2018 HK$ million	Period from 1 January 2016 to 31 March 2017 HK$ million
Profit before taxation	**176**	2,632
Notional tax calculated at Hong Kong profits tax rate of 16.5%	**29**	434
Effect of different tax rates in overseas jurisdictions	**32**	–
Income and expenses not subject to tax	**(32)**	(436)
Over provision in prior year/period	**(1)**	(63)
Others	**4**	1
	32	(64)

15. DIVIDEND

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

16. EARNINGS PER SHARE

(a) Basic earnings per share:

The calculation of basic earnings per share is based on the following data:

	Year Ended 31 March 2018 HK$ million	Period from 1 January 2016 to 31 March 2017 HK$ million
Profit:		
Profit attributable to shareholders of the Company used in the basic earnings per share calculation	**175**	2,813

	Year Ended 31 March 2018 Number of ordinary shares million	Period from 1 January 2016 to 31 March 2017 Number of ordinary shares million
Shares:		
Weighted average number of ordinary shares for the purposes of calculating basic earnings per share	**5,492.2**	3,881.1

(b) Diluted earnings per share:

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

17. PLANT AND EQUIPMENT

	2018 HK$ million	2017 HK$ million
Cost:		
At 1 April/1 January	**5**	111
Foreign currency adjustment	**–**	1
Arising from deconsolidation of subsidiaries *(note 31)*	**–**	(107)
Disposals	**(1)**	–
At 31 March	**4**	5
Accumulated depreciation and impairment		
At 1 April/1 January	**5**	110
Foreign currency adjustment	**–**	1
Arising from deconsolidation of subsidiaries *(note 31)*	**–**	(106)
Disposals	**(1)**	–
At 31 March	**4**	5
Carrying values at 31 March	**–**	–

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

18. AVAILABLE-FOR-SALE INVESTMENTS

	2018 HK$ million	2017 HK$ million
Unlisted investments outside Hong Kong:		
Interests in available-for-sale investments	**9**	9
Impairment loss recognised	**(9)**	(9)
At 31 March	**–**	–

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

18. AVAILABLE-FOR-SALE INVESTMENTS (continued)

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

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

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

19. INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(a) Deferred tax assets recognised:

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

	Decelerated tax depreciation HK$ million	**Tax losses** HK$ million	**Total** HK$ million
At 1 January 2016	8	1	9
Charged to profit or loss for the Corresponding Period *(note 14)*	–	(1)	(1)
At 31 March 2017 and 1 April 2017	8	–	8
Charged to profit or loss for the Year *(note 14)*	(4)	–	(4)
At 31 March 2018	4	–	4

(b) Deferred tax assets not recognised:

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

	2018 **HK$** **million**	2017 HK$ million
Tax losses carried forward	**16**	18

19. INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

(b) Deferred tax assets not recognised: (continued)

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

In accordance with the accounting policy set out in note 3(t), the Group has not recognised deferred tax assets of approximately HK$3 million (2017: approximately HK$3 million) in respect of total cumulative tax losses and decelerated depreciation allowances of HK$16 million (2017: HK$18 million). This is due to the fact that it is not probable that future taxable profits against which the losses can be utilised will be available in the relevant tax jurisdiction and entity. The above tax losses do not expire under current tax legislation.

20. BRANDS AND TRADEMARKS, GOODWILL

	Brands and trademarks		**Goodwill**	
	2018 HK$ million	2017 HK$ million	**2018 HK$ million**	2017 HK$ million
Gross amount				
At 1 April/1 January	**2,006**	2,001	**13**	13
Foreign currency adjustment	**20**	5	**–**	–
At 31 March	**2,026**	2,006	**13**	13
Accumulated amortisation and impairment				
At 1 April/1 January	**1,707**	1,551	**13**	13
Foreign currency adjustment	**17**	4	**–**	–
Impairment loss recognised	**42**	152	**–**	–
At 31 March	**1,766**	1,707	**13**	13
Carrying amount at 31 March	**260**	299	**–**	–

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

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

20. BRANDS AND TRADEMARKS, GOODWILL (continued)

As a result, the brands and trademarks are considered by the management of the Group as having indefinite useful lives because they are expected to contribute to net cash inflows indefinitely. The brands and trademarks will not be amortised until their useful lives are determined to be finite. Instead they will be tested for impairment annually or more frequently when there are indications of impairment. Particulars of the impairment testing are disclosed in note 22.

The Group recorded a non-cash impairment charge reversal of HK$Nil and HK$2 million (2017: HK$37 million and HK$3 million) associated with the partial reversal for provision of its Akai and Nakamichi trademarks respectively as at 31 March 2018. This was with reference to the valuation reports prepared by an independent professional valuer.

The Group recorded a non-cash impairment charge of HK$192 million associated with the partial provision of its Emerson trademark as at 31 March 2017. This was with reference to the valuation as at 30 June 2016 prepared by an independent professional valuer and then updated by the management with updated projections as at 31 March 2017.

The Group recorded a non-cash impairment charge of HK$44 million associated with the partial provision of its Emerson trademarks as at 31 March 2018. This was with reference to the valuation reports prepared by an independent professional valuer.

21. OTHER ASSETS

	2018 HK$ million	2017 HK$ million
Other deferred assets:		
Gross amount	**11**	11
Accumulated amortisation and impairment	**(11)**	(11)
Carrying amount of other deferred assets at beginning and end of year/period	**–**	–
Other receivables	**1**	1
Total other assets at end of year/period	**1**	1

22. IMPAIRMENT TESTING ON BRANDS AND TRADEMARKS, GOODWILL

Brands and trademarks, goodwill are allocated to the Group's CGU identified according to operating segments as follows:

	Brands and trademarks		Goodwill	
	2018 HK$ million	2017 HK$ million	**2018 HK$ million**	2017 HK$ million
Emerson	**47**	90	**–**	–
Licensing				
Akai	**148**	146	**–**	–
Nakamichi	**46**	44	**–**	–
Sansui	**19**	19	**–**	–
	213	209	**–**	–
	260	299	**–**	–

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

	2018				2017			
	Emerson	**Akai**	**Nakamichi**	**Sansui**	Emerson	Akai	Nakamichi	Sansui
Pre-tax discount rate	**11%**	**12.5% – 18.5%**	**12% – 19%**	**13% – 16%**	12%	12% – 19.5%	12% – 19.5%	13% – 16%
Growth rate	**3%**	**3%**	**3%**	**3%**	3%	3%	3%	3%

The following described each key assumptions on which management has based its cash flow projections to undertake the impairment testing:

The pre-tax discount rate use for value-in-use calculations are based on the data and factors relevant to the economy of the regions for the use of trademark and the weighted average cost of capital. The growth rate used are consistent with the management projection in the forecast, and based on the management's past experience and its expectation of market development. Operating expenses is estimated based on reference to the actual data of respective trademarks. Revenue projections are estimated by reference to the historical data and agreement terms.

22. IMPAIRMENT TESTING ON BRANDS AND TRADEMARKS, GOODWILL (continued)

The Group has performed a sensitivity analysis on key assumptions used for the impairment test of its brands and trademarks. A reasonably possible change in key assumptions used in the impairment test would cause the recoverable amounts of those CGUs which were impaired as of the end of the financial reporting period, i.e. Emerson, Akai and Nakamichi which valued at HK$47 million, HK$148 million and HK$46 million respectively as of the end of the reporting period, to be decreased and hence further impairment loss to be recognised in respect of the brands and trademarks intangible assets belonging to these CGUs, as follow:

	Reasonably possible change	**Impairment**
Pre-tax discount rate		
– Emerson	Increase 1%	approximately HK$5 million
– Akai	Increase 1%	approximately HK$5 million
– Nakamichi	Increase 1%	approximately HK$1 million
Growth rate		
– Emerson	Decrease 1%	approximately HK$3 million
– Akai	Decrease 1%	approximately HK$2 million
– Nakamichi	Decrease 1%	approximately HK$1 million
Revenue#		
– Emerson	Decrease 5%	approximately HK$2 million
– Akai	Decrease 5%	approximately HK$16 million
– Nakamichi	Decrease 5%	approximately HK$3 million

\# This refer to revenue for periods beyond the periods covered by the existing licensing agreements.

For Sansui trademark, in the opinion of the management, any reasonably possible change in the key assumptions on which the recoverable amount is based would not cause the carrying amount to exceed its recoverable amount.

The Group recorded a non-cash impairment charge reversal of HK$2 million associated with the partial reversal for provision of its Nakamichi trademark as at 31 March 2018. This was with reference to the valuation reports prepared by an independent professional valuer.

The Group recorded a non-cash impairment charge of HK$44 million associated with the partial provision of its Emerson trademarks as at 31 March 2018. This was with reference to the valuation report prepared by an independent professional valuer.

23. INVENTORIES

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

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

	Year Ended 31 March 2018 HK$ million	Period from 1 January 2016 to 31 March 2017 HK$ million
Carrying amount of inventories sold	**96**	158
Write down of inventories	**–**	6
	96	164

24. ACCOUNTS AND BILLS RECEIVABLE

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

	2018 HK$ million	2017 HK$ million
Gross amount	**20**	13
Less: allowance for doubtful debts	**(2)**	(2)
Net amount	**18**	11

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

The movement of allowance for doubtful debts is as follows:

	2018 HK$ million	2017 HK$ million
At 1 April/1 January	**2**	20
Arising from deconsolidation of subsidiaries	**–**	(15)
Written off	**–**	(3)
At 31 March	**2**	2

24. ACCOUNTS AND BILLS RECEIVABLE (continued)

Included in the above allowance for doubtful debts is a provision for individually impaired accounts and bills receivable of HK$2 million (2017: HK$2 million). The individually impaired accounts and bills receivable in respect of receivables are not expected to be recovered.

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

	2018 HK$ million	2017 HK$ million
0 – 3 months	**18**	11

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

	2018 HK$ million	2017 HK$ million
0 – 3 months	**4**	2

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

25. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2018 HK$ million	2017 HK$ million
Prepayments	**5**	9
Deposits	**1**	–
Other receivables	**–**	1
	6	10

26. CASH AND BANK BALANCES

	2018 HK$ million	2017 HK$ million
Bank balances	**316**	151
Money market deposit with maturity date within three months	**–**	156
Cash and cash equivalents in the consolidated statement of cash flows	**316**	307
Bank certificates of deposit with maturity date more than three months but less than one year	**130**	195
	446	502

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

27. ACCOUNTS AND BILLS PAYABLE

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

	2018 HK$ million	2017 HK$ million
0 – 3 months	**1**	–

28. ACCRUED LIABILITIES AND OTHER PAYABLES

	2018 HK$ million	2017 HK$ million
Accrued expenses *(Note (i))*	**39**	42
Deferred income *(Note (ii))*	**28**	32
Other payables *(Note (iii))*	**4**	3
	71	77

28. ACCRUED LIABILITIES AND OTHER PAYABLES (continued)

Note (i)

Included in the accrued expenses were amounts in aggregate of HK$27 million (2017: HK$27 million) which were provisions for liabilities to SEC and Sansui Sales Pte. Limited ("SSPL"), both former associate corporations of the Company. The background of the provisions was as follow:

An aggregate sum of HK$539 million was allegedly due to SEC and SSPL (the "Alleged Outstanding Sum") by the Group as at 31 December 2015.

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

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

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

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

Upon completion of the Company's restructuring on 26 May 2016, ACSL and GNL were Excluded Companies (as defined in the Circular) and GNL has since been dissolved.

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

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

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

According to a legal opinion received by management of the Group, the liabilities are legally discharged as of the end of the reporting period. However, considering the uncertainties and contingencies as disclosed in note 32 to the consolidated financial statements, the management are of the view that the amounts should continue to be recognised as liabilities in the consolidated statement of financial position as of the end of the reporting period, until the disclosed contingencies no longer exist or the liquidation/strike-off of SEC and SSPL is completed.

28. ACCRUED LIABILITIES AND OTHER PAYABLES (continued)

Note (ii)

Deferred income represents licensing income received in advance in cash that relates to periods subsequent to 31 March 2018 and the Corresponding Period respectively.

Note (iii)

An amount of approximately HK$4 million as at 31 March 2018 (2017: approximately HK$3 million) was a remaining provision for third party liabilities.

29. ACCRUED LIABILITIES WITH DECONSOLIDATED SUBSIDIARIES

	2018 HK$ million	2017 HK$ million
At 1 April/1 January	**333**	33
Arising from deconsolidation of subsidiaries *(note 31)*	**–**	300
Write back during the year	**(206)**	–
At 31 March	**127**	333
Represented by:		
Portion classified as current liabilities	**127**	–
Portion classified as non-current liabilities	**–**	333
Total	**127**	333

The accrued liabilities with the Deconsolidated Subsidiaries are classified as non-current liabilities as at 31 March 2017 for the reason that the liquidation of these Deconsolidated Subsidiaries was still at the very initial stage and substantiation of claims will normally take quite some time to complete, hence these liabilities were not expected to be settled in the next twelve months.

Attributable to the progress of liquidations of the Deconsolidated Subsidiaries during the Year, the balance of accrued liabilities with Deconsolidated Subsidiaries has been reduced to HK$127 million as at 31 March 2018. Also according to the progress of the liquidations of the Deconsolidated Subsidiaries, the management considered that all liquidations of these Deconsolidated Subsidiaries are expected to be completed on or before the next financial year ending 31 March 2019.

30. SHARE CAPITAL AND SHARE PREMIUM

	Number of Shares	Share Capital HK$ million	Share Premium HK$ million
Authorised share capital:			
Ordinary shares of HK$0.1 each at 1 January 2016	1,000,000,000	100	
Ordinary shares of HK$0.1 each cancelled	(539,772,680)	(54)	
	460,227,320	46	
Capital reduction (par value reduced to HK$0.01 each)	460,227,320	5	
Increase of capital	19,539,772,680	195	
Ordinary shares of HK$0.01 each at 31 March 2017 and 31 March 2018	20,000,000,000	200	
Issued and fully paid share capital:			
Ordinary shares of HK$0.1 each at 1 January 2016	460,227,320	46	1,173
Capital reduction (par value reduced to HK$0.01 each)	–	(41)	–
Share premium reduction	–	–	(1,173)
Shares issued under Open Offer (as defined in the Circular)	1,150,568,300	11	87
Shares issued under the Schemes	3,881,437,269	39	299
Ordinary shares of HK$0.01 each at 31 March 2017 and 31 March 2018	5,492,232,889	55	386

31. NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS

Deconsolidation of subsidiaries

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

Summary of the effects on deconsolidation of subsidiaries as of March 2017:

	Period from 1 January 2016 to 31 March 2017 HK$ million
Net assets/(liabilities) deconsolidated of:	
Plant and equipment	1
Investment properties	1
Cash and bank balances	5
Prepayments, deposits and other receivables	5
Accounts and bills payables	(5)
Accrued liabilities and other payables	(608)
Release of reserves	170
	(431)
Gain on deconsolidation of subsidiaries in consolidated income statement for the fifteen months ended 31 March 2017	131
	(300)
Represented by:	
Accrued liabilities with Deconsolidated Subsidiaries	(300)

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

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

Deconsolidation of subsidiaries (continued)

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

	Period from 1 January 2016 to 31 March 2017 HK$ million
Cash and bank balances of the Deconsolidated Subsidiaries	(5)

32. CONTINGENT LIABILITIES

Except for the cases set out below, the Group did not have significant contingent liabilities as of 31 March 2018 and up to the date of this report.

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

(i) Indemnify and keep indemnified the Former Provisional Liquidators in the event that the funds paid into Court (as set out in note 10), are insufficient to meet the taxed fees and expenses of the Former Provisional liquidators: and

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

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

(b) As set out in note 28 the legal case with the High Court under HCA 48/2014 was discontinued. However, there still remains a potential claim by SEC and SSPL to exercise the Share Pledge, that the claim is still in existence. However, the Company has the exact same view as the Former Provisional Liquidators that the debts and receivables purportedly secured by the Share Pledge are not genuine and bona fide, and therefore the Share Pledge should be rescinded or declared void. The Company will again rigorously defend this in Court should SEC and/or SSPL try and take action again, as they have unsuccessfully done in the past.

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

33. OPERATING LEASE COMMITMENTS

At 31 March 2018, the total of future minimum lease payments under non-cancellable operating leases are payable as follows:

	2018 HK$ million	2017 HK$ million
Not later than one year	3	3
Later than one year and not later than five years	3	3
	6	6

Operating lease payments represent rentals payable by the Group for certain of its office properties. Leases are negotiated for an average term of 3 years (2017: 3 years) and rentals are fixed for an average of 3 years (2017: 3 years). None of the leases includes contingent rentals.

34. OTHER BORROWING FACILITIES

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

	2018 HK$ million	2017 HK$ million
Pledge of unlisted shares of a subsidiary	196	176

The charge against the use of the funds maintained by SARC was released as at 29 March 2017 as set out in note 28.

35. PROVIDENT FUND SCHEMES

All the staff of the Group in Hong Kong are offered the opportunity to join the Mandatory Provident Fund Scheme (the "MPF Scheme"), introduced by the Government of the Hong Kong Special Administrative Region. Under the MPF Scheme, both employees and the employers are required to contribute 5% of the employees' monthly salaries up to a maximum of HK$1,500 (the "Mandatory Contribution"), the employees can choose to make additional contributions. The employees are entitled to 100% of the employer's Mandatory Contributions upon their retirement at the age of 65 years old, death or total incapacity.

The staff in USA and Singapore enjoy their own provident fund schemes that have been set up in accordance with the local laws of their respective jurisdictions.

36. SEGMENT REPORTING

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

Operating segments	Principal activities
Emerson	Distribution of houseware products and audio products and licensing business – Comprising a group listed on the NYSE American of the USA
Licensing	Licensing business on a worldwide basis – Comprising the brands and trademarks of Akai, Sansui and Nakamichi

36. SEGMENT REPORTING (continued)

	Emerson HK$ million	Licensing HK$ million	Unallocated HK$ million	Inter-segment elimination HK$ million	Consolidated HK$ million
Year ended 31 March 2018					
Revenue:					
Sales of houseware products to external customers	81	–	–	–	81
Sales of audio products to external customers	34	–	–	–	34
Licensing income from external customers	5	51	–	–	56
Total segment revenue	120	51	–	–	171
Results:					
Segment results	(31)	37	–	–	6
Reconciliations:					
Unallocated corporate expenses			(13)		(13)
(Impairment loss)/reversal of impairment loss recognised in respect of brands and trademarks	(44)	2	–		(42)
Write back of accrued liabilities with Deconsolidated Subsidiaries			206		206
Reversal of restructuring costs			6		6
Dividend income			8		8
Interest income			5		5
Profit for the Year before tax					176
Assets:					
Segment assets	599	1,227	8	(1,072)	762
Liabilities:					
Segment liabilities	586	1,572	86	(1,998)	246
Other information:					
Revenue from:					
– the first largest customer	74	–	–	–	74
– the second largest customer	15	–	–	–	15

36. SEGMENT REPORTING (continued)

	Emerson HK$ million	Licensing HK$ million	Unallocated HK$ million	Inter-segment elimination HK$ million	Consolidated HK$ million
Period from 1 January 2016 to 31 March 2017					
Revenue:					
Sales of houseware products to external customers	165	–	–	–	165
Sales of audio products to external customers	29	–	–	–	29
Licensing income from external customers	37	57	–	–	94
Total segment revenue	231	57	–	–	288
Results:					
Segment results	(8)	42	–	–	34
Reconciliations:					
Unallocated corporate expenses			(14)		(14)
(Impairment loss)/reversal of impairment loss recognised in respect of brands and trademarks	(192)	40	–		(152)
Allowance for doubtful debts			(1)		(1)
Gain on discharge of liabilities			2,636		2,636
Gain on deconsolidation of subsidiaries			131		131
Write back of long outstanding liabilities			18		18
Provisional liquidators' fee			(4)		(4)
Provision for restructuring costs			(19)		(19)
Interest income			3		3
Profit for the Corresponding Period before tax					2,632
Assets:					
Segment assets	709	3,172	17	(3,054)	844
Liabilities:					
Segment liabilities	579	2,627	346	(3,123)	429
Other information:					
Revenue from:					
– the first largest customer	125	–	–	–	125
– the second largest customer	37	–	–	–	37

36. SEGMENT REPORTING (continued)

(a) Segment results, assets and liabilities

For the purposes of assessing segment performance and allocating resources between segments, the management monitors the results, assets and liabilities attributable to each reportable segment on the following bases:

Segment assets include all tangible, intangible assets and current assets. Segment liabilities include all current and non-current liabilities managed directly by the segments.

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments.

The measure used for reporting segment profit is "adjusted EBITDA" i.e. "adjusted earnings before interest, taxes, depreciation and amortisation", where "interest" is regarded as including investment income and "depreciation and amortisation" is regarded as including impairment losses on non-current assets. To arrive at adjusted EBITDA the Group's earnings are further adjusted for items not specifically attributed to individual segments, such as directors' and auditors' remuneration and other head office or corporate administration costs.

In addition to receiving segment information concerning adjusted EBITDA, management is provided with segment information concerning interest income from cash balances managed directly by the segments, depreciation, amortisation and impairment losses and additions to non-current segment assets used by the segments in their operations.

36. SEGMENT REPORTING (continued)

(b) Geographical Information

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

	Revenue		Carrying amount of Non-current assets	
	Year Ended 31 March 2018 HK$ million	Period from 1 January 2016 to 31 March 2017 HK$ million	**2018 HK$ million**	2017 HK$ million
Asia	**40**	48	**–**	–
North America – USA and Canada	**124**	235	**5**	9
Europe	**7**	5	**–**	–
Unallocated	**–**	–	**260**	299
	171	288	**265**	308

37. PARTICULARS OF PRINCIPAL SUBSIDIARIES

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

Name of subsidiaries	Place of incorporation/ registration	Nominal value of issued ordinary share/ registered capital	Percentage of equity attributable to the Group		Principal activities/ place of operation
			2018	2017	
Directly held by the Company:					
Good Shinny Holdings Limited	British Virgin Islands	US$1	**100%**	–	Investment holding/ Hong Kong
Grande N.A.K.S. Ltd	British Virgin Islands	US$10,000	**100%**	100%	Investment holding/ Hong Kong

37. PARTICULARS OF PRINCIPAL SUBSIDIARIES (continued)

Name of subsidiaries	Place of incorporation/ registration	Nominal value of issued ordinary share/ registered capital	Percentage of equity attributable to the Group		Principal activities/ place of operation
			2018	2017	
Indirectly held by the Company:					
Glorious Standard Limited	Hong Kong	HK$1	**100%**	–	Investment holding/ Hong Kong
Swift Up Limited	Hong Kong	HK$1	**100%**	–	Provision of management services/Hong Kong
Unijoy Limited	British Virgin Islands	US$1	**100%**	100%	Investment holding/ Hong Kong
Innovative Capital Ltd	British Virgin Islands	US$100	**100%**	100%	Corporate finance and investment holding/ Hong Kong
TWD Industrial Company Limited	British Virgin Islands	US$1	**100%**	100%	Brands and trademarks holding and licensing/ Macao
Sansui Acoustics Research Corporation	British Virgin Islands	US$1,000	**100%**	100%	Brands and trademarks holding and licensing/ Macao
Sky Bright Holdings Limited	Hong Kong	HK$1	**100%**	100%	Provision of management services/Hong Kong
Capetronic Display Devices Holdings Limited	British Virgin Islands	US$100	**100%**	100%	Investment holding/ Hong Kong
Akai Electric Co., Ltd.	Japan	JPY10,000,000	**86.7%**	86.7%	Investment holding/Japan
Phenomenon Agents Limited	British Virgin Islands	US$50,000	**86.7%**	86.7%	Brands and trademarks holding and licensing/ Macao
S&T International Distribution Limited	British Virgin Islands	US$1	**100%**	100%	Investment holding/ Hong Kong
Emerson Radio Corp. #	USA	US$529,000	**66.9%**	56.3%	Distribution of houseware products and audio products/USA

Listed on the NYSE American of the USA.

37. PARTICULARS OF PRINCIPAL SUBSIDIARIES (continued)

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

Name of subsidiaries	Place of incorporation/ registration and operations	Proportion of ownership interests and voting rights held by non-controlling interests		Loss attributable to non-controlling interests		Other comprehensive Income attributable to non-controlling interests		Arising from deemed acquisition of equity interest		Accumulated non-controlling interests	
		2018	2017	**Year Ended 31 March 2018 HK$ million**	Period from 1 January 2016 to 31 March 2017 HK$ million	**Year Ended 31 March 2018 HK$ million**	Period from 1 January 2016 to 31 March 2017 HK$ million	**Year Ended 31 March 2018 HK$ million**	Period from 1 January 2016 to 31 March 2017 HK$ million	**2018 HK$ million**	2017 HK$ million
Akai Electric Co., Ltd.	Japan	**13.3%**	13.3%	**3**	(31)	**–**	–	**–**	–	**(37)**	(40)
Emerson Radio Corp.	USA	**33.1%**	43.7%	**(34)**	(86)	**2**	1	**(72)**	–	**129**	233
				(31)	(117)	**2**	1	**(72)**	–	**92**	193

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

	Akai Electric Co., Ltd.		Emerson Radio Corp.	
	2018 HK$ million	2017 HK$ million	**2018 HK$ million**	2017 HK$ million
Non-current assets	**148**	146	**52**	99
Current assets	**293**	277	**370**	441
Current liabilities	**(1,041)**	(1,027)	**(9)**	(7)
Non-current liabilities	**–**	(11)	**(22)**	–
Net (liabilities)/assets	**(600)**	(615)	**391**	533
Revenue	**22**	23	**120**	231
Other income	**8**	100	**4**	2
Expenses	**(5)**	(382)	**(194)**	(429)
Tax	**–**	26	**(27)**	–
Profit/(loss) for the year/period	**25**	(233)	**(97)**	(196)
Total comprehensive income/(loss) for the year/period	**15**	(229)	**(90)**	(195)
Net cash inflow/(outflow) from operating activities	**17**	16	**(43)**	32
Net cash (outflow)/inflow from investing activities	**(22)**	(35)	**75**	(33)
Net cash outflow from financing activities	**–**	–	**(50)**	–
Net cash outflow	**(5)**	(19)	**(18)**	(1)

38. EVENTS AFTER BALANCE SHEET DATE

There were no significant events occurred after the balance sheet date.

39. COMPANY LEVEL – STATEMENT OF FINANCIAL POSITION

	2018 HK$ million	2017 HK$ million
NON-CURRENT ASSETS		
Amounts due from subsidiaries, less impairment	423	653
CURRENT ASSETS		
Prepayments, deposits and other receivables	1	1
CURRENT LIABILITIES		
Amounts due to subsidiaries	–	228
Accrued liabilities and other payables	2	9
	2	237
NET ASSETS	422	417
CAPITAL AND RESERVES		
Share capital	55	55
Share premium	386	386
Reserves *(Note)*	(19)	(24)
TOTAL EQUITY	422	417

39. COMPANY LEVEL – STATEMENT OF FINANCIAL POSITION (continued)

Note:

Reserve movement of the Company

	Contributed reserve HK$ million	**Accumulated deficits** HK$ million	**Total** HK$ million
At 1 January 2016	193	(3,421)	(3,228)
Capital reduction	–	41	41
Share premium reduction	–	1,173	1,173
Profit for the Corresponding Period	–	1,990	1,990
At 31 March 2017 and 1 April 2017	193	(217)	(24)
Profit for the Year	–	5	5
At 31 March 2018	193	(212)	(19)

Tan Bingzhao
Director

Deng Xiangping
Director

FIVE-YEAR FINANCIAL SUMMARY

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

RESULTS

	Year Ended 31 March 2018 HK$ million	Period from 1 January 2016 to 31 March 2017 HK$ million	Year ended 31 December 2015 HK$ million	2014 HK$ million (Restated)	2013 HK$ million (Restated)
REVENUE	**171**	288	444	663	741
PROFIT/(LOSS) BEFORE TAX	**176**	2,632	(235)	(44)	(237)
Tax	**(32)**	64	(16)	(37)	(10)
PROFIT/(LOSS) BEFORE NON-CONTROLLING INTERESTS	**144**	2,696	(251)	(81)	(247)
Non-controlling interests	**31**	117	88	(12)	8
PROFIT/(LOSS) ATTRIBUTABLE TO SHAREHOLDERS	**175**	2,813	(163)	(93)	(239)

FIVE-YEAR FINANCIAL SUMMARY

ASSETS AND LIABILITIES

	As at 31 March		As at 31 December		
	2018 HK$ million	2017 HK$ million	2015 HK$ million (Restated)	2014 HK$ million (Restated)	2013 HK$ million (Restated)
NON-CURRENT ASSETS	**265**	308	462	693	786
CURRENT ASSETS	**497**	536	571	665	698
TOTAL ASSETS	**762**	844	1,033	1,358	1,484
CURRENT LIABILITIES	**224**	96	3,876	3,950	3,941
NON-CURRENT LIABILITIES	**22**	333	33	33	33
TOTAL LIABILITIES	**246**	429	3,909	3,983	3,974
NET ASSETS/(LIABILITIES)	**516**	415	(2,876)	(2,625)	(2,490)
SHARE CAPITAL AND RESERVES	**424**	222	(3,185)	(3,022)	(2,926)
NON-CONTROLLING INTERESTS	**92**	193	309	397	436
TOTAL EQUITY/(DEFICIENCY OF EQUITY)	**516**	415	(2,876)	(2,625)	(2,490)