Interim Report 2018

敏捷控股
NIMBLE HOLDINGS

NIMBLE HOLDINGS COMPANY LIMITED

(Incorporated in the Cayman Islands and continued in Bermuda with limited liability)
(Stock code: 186)

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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

Unit C01, 32/F, TML Tower
3 Hoi Shing Road
Tsuen Wan
New Territories
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

REPORT ON REVIEW OF CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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

To the Board of Directors of
Nimble Holdings Company Limited
(Incorporated in Cayman Islands and continued in Bermuda with limited liability)

INTRODUCTION

We have reviewed the condensed consolidated interim financial statements of Nimble Holdings Company Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 5 to 38, which comprise the condensed consolidated statement of financial position as of 30 September 2018, and the related condensed consolidated income statement, condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six-month period then ended, and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on condensed consolidated interim financial statements to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). The directors of the Company are responsible for the preparation and presentation of these condensed consolidated interim financial statements in accordance with HKAS 34.

Our responsibility is to express a conclusion on these condensed consolidated interim financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" ("HKSRE 2410") issued by the HKICPA. A review of these condensed consolidated interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated interim financial statements are not prepared, in all material respects, in accordance with HKAS 34.

OTHER MATTER

The comparative condensed consolidated income statement, condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows and the relevant explanatory notes for the six-month ended 30 September 2017 have not been reviewed in accordance with HKSRE 2410.

Moore Stephens CPA Limited
Certified Public Accountants

Law Yuen Man, Ida
Practising Certificate Number: P05878

Hong Kong, 30 November 2018

INTERIM RESULTS

The board of directors (the "Board") of Nimble Holdings Company Limited (the "Company") announces the unaudited condensed consolidated interim results of the Company and its subsidiaries (the "Group") for the six months ended 30 September 2018 (the "Period"), together with the comparative figures for the six months ended 30 September 2017 (the "Corresponding Period") and selected explanatory notes, are stated as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 September 2018

	Notes	(Unaudited) Six months ended 30 September 2018 HK$ million	30 September 2017 HK$ million
REVENUE	7	**50**	81
Cost of sales		**(29)**	(42)
Gross profit		**21**	39
Other income		**30**	2
Distribution costs		**(2)**	(2)
Administrative expenses		**(35)**	(39)
Change in fair value of financial assets at FVPL		**(1)**	–
Write back of accrued liabilities with deconsolidated subsidiaries		**–**	44
Other expenses		**–**	(2)
PROFIT BEFORE TAXATION	8	**13**	42
Income tax credit	9	**17**	1
PROFIT FOR THE PERIOD		**30**	43

CONDENSED CONSOLIDATED INCOME STATEMENT (continued)

For the six months ended 30 September 2018

		(Unaudited) Six months ended	
	Notes	**30 September 2018 HK$ million**	30 September 2017 HK$ million
PROFIT FOR THE PERIOD ATTRIBUTABLE TO:			
Shareholders of the Company		**32**	48
Non-controlling interests		**(2)**	(5)
		30	43
EARNINGS PER SHARE	10	**HK cents**	HK cents
Basic		**0.58**	0.87
Diluted		**0.58**	0.87

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 September 2018

	Notes	(Unaudited) Six months ended 30 September 2018 HK$ million	30 September 2017 HK$ million
PROFIT FOR THE PERIOD		**30**	43
OTHER COMPREHENSIVE (LOSS)/ INCOME, NET OF TAX:			
Items that may be subsequently reclassified to profit or loss:			
Exchange differences on translation of financial statements of overseas subsidiaries		**(1)**	3
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**29**	46
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD ATTRIBUTABLE TO:			
Shareholders of the Company		**31**	50
Non-controlling interests		**(2)**	(4)
		29	46

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2018

	Notes	**(Unaudited) As at 30 September 2018 HK$ million**	(Audited) As at 31 March 2018 HK$ million
NON-CURRENT ASSETS			
Deferred tax assets		**3**	4
Brands and trademarks	11	**259**	260
Available-for-sale investments	12	**–**	–
Financial assets at FVPL	12	**7**	–
Other assets		**2**	1
		271	265
CURRENT ASSETS			
Inventories		**25**	25
Accounts and bills receivable	13	**8**	18
Prepayments, deposits and other receivables	14	**15**	6
Tax recoverable		**1**	2
Cash and bank balances	15	**435**	446
		484	497
CURRENT LIABILITIES			
Accounts and bills payable	16	**1**	1
Accrued liabilities and other payables	17	**27**	71
Accrued liabilities with deconsolidated subsidiaries	18	**127**	127
Tax liabilities		**11**	25
		166	224
NET CURRENT ASSETS		**318**	273
NON-CURRENT LIABILITIES			
Tax liabilities		**20**	22
NET ASSETS		**569**	516

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

As at 30 September 2018

	Notes	(Unaudited) As at 30 September 2018 HK$ million	(Audited) As at 31 March 2018 HK$ million
CAPITAL AND RESERVES			
Share capital	19	**55**	55
Share premium		**386**	386
Reserves		**44**	(17)
EQUITY ATTRIBUTABLE TO THE SHAREHOLDERS OF THE COMPANY		**485**	424
NON-CONTROLLING INTERESTS		**84**	92
TOTAL EQUITY		**569**	516

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2018

	Share capital HK$ million	Share premium HK$ million	Contributed reserve HK$ million	Exchange fluctuation reserve HK$ million	Other reserve HK$ million	Accu-mulated deficits HK$ million	Equity attributable to the shareholders of the Company HK$ million	Non-controlling interests HK$ million	Total equity HK$ million
At 1 April 2018	**55**	**386**	**193**	**4**	**15**	**(229)**	**424**	**92**	**516**
Effect on initial adoption of HKFRS 9 (Notes 3(a) and (b))	**–**	**–**	**–**	**–**	**–**	**8**	**8**	**–**	**8**
Effect on initial adoption of HKFRS 15 (Notes 3(a) and (c))	**–**	**–**	**–**	**–**	**–**	**20**	**20**	**1**	**21**
At 1 April 2018 (adjusted)	**55**	**386**	**193**	**4**	**15**	**(201)**	**452**	**93**	**545**
Profit/(loss) for the period	**–**	**–**	**–**	**–**	**–**	**32**	**32**	**(2)**	**30**
Other comprehensive loss	**–**	**–**	**–**	**(1)**	**–**	**–**	**(1)**	**–**	**(1)**
Total comprehensive income/(loss) for the period	**–**	**–**	**–**	**(1)**	**–**	**32**	**31**	**(2)**	**29**
Deemed acquisition of a listed subsidiary's equity interests#	**–**	**–**	**–**	**–**	**2**	**–**	**2**	**(7)**	**(5)**
At 30 September 2018	**55**	**386**	**193**	**3**	**17**	**(169)**	**485**	**84**	**569**
At 1 April 2017	55	386	193	(1)	(7)	(404)	222	193	415
Profit/(loss) for the period	–	–	–	–	–	48	48	(5)	43
Other comprehensive income	–	–	–	2	–	–	2	1	3
Total comprehensive income/(loss) for the period	–	–	–	2	–	48	50	(4)	46
Deemed acquisition of a listed subsidiary's equity interests	–	–	–	–	13	–	13	(41)	(28)
At 30 September 2017	55	386	193	1	6	(356)	285	148	433

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 United States of America (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 Period, Emerson repurchased 489,111 of its own shares for approximately HK$5 million. It resulted in an increase in the Company's interests in Emerson from approximately 66.9% as of 31 March 2018 to approximately 68.3% as of 30 September 2018 and is regarded as a deemed acquisition of additional interest in a subsidiary and recorded as equity transaction in the condensed consolidated statement of changes in equity.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2018

	Notes	(Unaudited) Six months ended 30 September 2018 HK$ million	30 September 2017 HK$ million
Net cash used in operating activities		**(9)**	(20)
Net cash generated from/(used in) investing activities		**7**	(72)
Net cash used in financing activities		**–**	(28)
Net decrease in cash and cash equivalents		**(2)**	(120)
Cash and cash equivalents at 1 April		**316**	307
Effect of foreign exchange rate changes, net		**–**	2
Cash and cash equivalents at 30 September		**314**	189
Analysis of balances of cash and cash equivalents:			
Bank balances		**314**	149
Deposit with maturing date within three months		**–**	40
	15	**314**	189

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 September 2018

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 Unit C01, 32th Floor, TML Tower, 3 Hoi Shing Road, Tsuen Wan, New Territories, Hong Kong. The shares of the Company (the "Shares") are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Company's immediate holding company is Wealth Warrior Global Limited ("Wealth Warrior"), a company incorporated in the British Virgin Islands. The sole legal and beneficial owner and the sole director of Wealth Warrior is Mr. Tan Bingzhao ("Mr. Tan"). As such, the ultimate beneficial owner of the Company is Mr. Tan.

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.

The unaudited condensed consolidated interim 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.

2. BASIS OF PREPARATION

The unaudited condensed consolidated interim financial statements have been prepared in accordance with the applicable disclosure requirements of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") and the Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). The unaudited condensed consolidated interim financial statements should be read in conjunction with the annual consolidated financial statements for the year ended 31 March 2018, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

These unaudited condensed consolidated interim financial statements have been prepared in accordance with the accounting policies adopted in the Group's most recent annual consolidated financial statements for the year ended 31 March 2018, except for the adoption of new accounting policies as a result of the adoption of the new and amended HKFRSs as set out in note 3.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (continued)

For the six months ended 30 September 2018

3. CHANGES IN ACCOUNTING POLICIES

(a) *Overviews*

The HKICPA has issued a number of new HKFRSs and amendments to HKFRSs that are first effective for the current accounting period of the Group. Of these, the following developments are relevant to the Group's condensed consolidated interim financial statements:

- HKFRS 9, Financial instruments
- HKFRS 15, Revenue from contracts with customers

The Group has been impacted by HKFRS 9 in relation to classification of financial assets and measurement of credit losses, and impacted by HKFRS 15 in relation to timing of revenue recognition. Details of the changes in accounting policies are discussed in note 3(b) for HKFRS 9 and note 3(c) for HKFRS 15.

Under the transition methods chosen, the Group recognises cumulative effect of the initial application of HKFRS 9 and HKFRS 15 as an adjustment to the opening balance of equity at 1 April 2018. Comparative information is not restated. The following table gives a summary of the opening balance adjustments recognised for each line item in the condensed consolidated statement of financial position that has been impacted by HKFRS 9 and HKFRS 15:

	At 31 March 2018 HK$ Million (audited)	**Impact of initial application of HKFRS 9** HK$ Million (unaudited)	**Impact of initial application of HKFRS 15** HK$ Million (unaudited)	**At 1 April 2018** HK$ Million (unaudited)
Available-for-sale investments	–	–	–	–
Financial assets at FVPL	–	8	–	8
Total non-current assets	265	8	–	273
Accounts and bills receivables	18	–	(2)	16
Total current assets	497	–	(2)	495
Accrued liabilities and other payables	71	–	(26)	45
Tax liabilities	25	–	3	28
Total current liabilities	224	–	(23)	201
Net current assets	273	–	21	294
Total assets less current liabilities	538	8	21	567
Net assets	516	8	21	545
Reserves	(17)	8	20	11
Equity attributable to the shareholders of the Company	424	8	20	452
Non-controlling interests	92	–	1	93
Total equity	516	8	21	545

Further details of these changes are set out in sub-sections (b) and (c) of this note.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (continued)

For the six months ended 30 September 2018

3. CHANGES IN ACCOUNTING POLICIES (continued)

(b) HKFRS 9, Financial instruments

HKFRS 9 replaces HKAS 39, Financial instruments: recognition and measurement. It sets out the requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items.

The Group has applied HKFRS 9 retrospectively to items that existed at 1 April 2018 in accordance with the transition requirements. The Group has recognised the cumulative effect of initial application as an adjustment to the opening equity at 1 April 2018. Therefore, comparative information continues to be reported under HKAS 39.

The following table summarises the impact of transition to HKFRS 9 on accumulated deficits at 1 April 2018.

	HK$ million (unaudited)
Accumulated deficits	
Recognition of additional fair value relating to unlisted equity securities now measured at FVPL	8
Net decrease in accumulated deficits at 1 April 2018	8

Further details of the nature and effect of the changes to previous accounting policies and the transition approach are set out below:

(i) Classification of financial assets and financial liabilities

HKFRS 9 categorises financial assets into three principal classification categories: measured at amortised cost, at fair value through other comprehensive income ("FVOCI") and at fair value through profit or loss ("FVPL"). These supersede HKAS 39's categories of held-to-maturity investments, loans and receivables, available-for-sale financial assets and financial assets measured at FVPL. The classification of financial assets under HKFRS 9 is based on the business model under which the financial asset is managed and its contractual cash flow characteristics.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (continued)

For the six months ended 30 September 2018

3. CHANGES IN ACCOUNTING POLICIES (continued)

(b) HKFRS 9, Financial instruments (continued)

(i) Classification of financial assets and financial liabilities (continued)

An investment in equity securities is classified as FVPL unless the equity investment is not held for trading purposes and on initial recognition of the investment the Group makes an election to designate the investment at FVOCI (non-recycling) such that subsequent changes in fair value are recognised in other comprehensive income. Such elections are made on an instrument-by-instrument basis, but may only be made if the investment meets the definition of equity from the issuer's perspective. Where such an election is made, the amount accumulated in other comprehensive income remains in the fair value reserve (non-recycling) until the investment is disposed of. At the time of disposal, the amount accumulated in the fair value reserve (non-recycling) is transferred to retained earnings. It is not recycled through profit or loss. Dividends from an investment in equity securities, irrespective of whether classified as at FVPL or FVOCI (non-recycling), are recognised in profit or loss as other income.

The following table shows the original measurement categories for each class of the Group's financial assets under HKAS 39 and reconciles the carrying amounts of those financial assets determined in accordance with HKAS 39 to those determined in accordance with HKFRS 9.

	HKAS 39 carrying amount at 31 March 2018	**Reclassification**	**Remeasurement**	**HKFRS 9 carrying amount at 1 April 2018**
	HK$ million (audited)	HK$ million (unaudited)	HK$ million (unaudited)	HK$ million (unaudited)
Financial assets carried at amortised cost				
Accounts and bills receivable (Note (a))	18	–	(2)	16
Financial assets at FVPL				
Unlisted equity securities (Note (b))	–	–	8	8
Financial assets classified as available-for-sale investment under HKAS 39				
Unlisted equity securities (Note (b))	–	–	–	–

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (continued)

For the six months ended 30 September 2018

3. CHANGES IN ACCOUNTING POLICIES (continued)

(b) HKFRS 9, Financial instruments (continued)

(i) Classification of financial assets and financial liabilities (continued)

Note (a)

Accounts and bills receivable of HK$2 million were reclassified to accumulated deficits at 1 April 2018 as a result of the adoption of HKFRS 15. The timing of revenue recognition under HKFRS 15 in respect of licensing income as set out in note 3(c) is different to that of HKAS 18.

Note (b)

Under HKAS 39, equity securities not held for trading were classified as available-for-sale financial assets. These equity securities are classified as at FVPL under HKFRS 9, unless they are eligible for and designated at FVOCI by the Group. As at 1 April 2018, the Group has not designated its unlisted investments at FVOCI, hence these investments are classified as FVPL.

In the opinion of the directors of the Company (the "Directors"), the carrying amount of the unlisted equity securities, which was previously measured at cost less impairment under HKAS 39, was fully impaired as at 31 March 2018.

(ii) Expected credit losses

HKFRS 9 replaces the "incurred loss" model in HKAS 39 with the "expected credit losses" ("ECLs") model. The ECLs model requires an ongoing measurement of credit risk associated with a financial asset and therefore recognises ECLs earlier than under the "incurred loss" accounting model in HKAS 39.

The Group applies the new ECLs model to the financial assets measured at amortised cost (including other non-current assets, cash and bank balances, accounts and bills receivable, and deposit and other receivables).

Financial assets measured at fair value, including unlisted equity securities measured at FVPL are not subject to the ECLs assessment.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (continued)

For the six months ended 30 September 2018

3. CHANGES IN ACCOUNTING POLICIES (continued)

(b) HKFRS 9, Financial instruments (continued)

(ii) Expected credit losses (continued)

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the group in accordance with the contract and the cash flows that the Group expects to receive).

In measuring ECLs, the Group takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions. ECLs are measured on either of the following bases:

– 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date; and

– lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

Loss allowances for accounts and bills receivables are always measured at an amount equal to lifetime ECLs. ECLs on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date.

For all other financial assets, the Group recognises a loss allowance equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

The Group has quantified that no material ECLs should be recognised in the opening balance at 1 April 2018.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (continued)

For the six months ended 30 September 2018

3. CHANGES IN ACCOUNTING POLICIES (continued)

(c) HKFRS 15, Revenue from contracts with customers

Effect of the application of HKFRS 15

(i) Sales of goods

Upon the adoption of HKFRS 15, revenue will be recognised at the point in time when control of asset is transferred to the customer, generally on delivery of the goods. The Group has assessed the effects of applying the new standard and has not identified any significant impact to the Group.

(ii) Licensing income

The Group has entered into a number of agreements with individual licensees ("Licensees") under which the Group grants the Licensees rights to use the Group's intellectual properties (being the brands which produce electronic products ranging from audio-visual equipment to household appliances). In return, the Group is entitled to minimum annual payments, which generally are paid by Licensees before the commencement of the annual license periods.

HKFRS 15 requires an entity to determine whether an entity's promise to grant a license is a right to access the entity's intellectual property (with consideration being recognised as revenue over time) or a right to use the entity's intellectual property (with consideration being recognised as revenue at a particular point in time). Based on the specific requirements under HKFRS 15, an entity's promise to grant a license is a right to access the entity's intellectual property when all of the following criteria are met:

(a) the contract requires, or the customer reasonably expects, that the entity will undertake activities that significantly affect the intellectual property to which the customer has rights;

(b) the rights granted by the licence directly expose the customer to any positive or negative effects of the entity's activities identified in (a) above; and

(c) those activities do not result in the transfer of a good or a service to the customer as those activities occur.

Having assessed the terms of the related agreements and the specific facts and circumstances, the Directors concluded that not all of the abovementioned criteria are satisfied and hence the Directors concluded that the minimum annual payments should be recognised at a particular point in time (being the commencement of each annual license period). However, under HKAS 18, the minimum annual payment was recognised as revenue on a straight line basis.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (continued)

For the six months ended 30 September 2018

3. CHANGES IN ACCOUNTING POLICIES (continued)

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

Effect of the application of HKFRS 15 (continued)

(ii) Licensing income (continued)

The following tables summarise the impacts of the application of HKFRS 15 on the Group's condensed consolidated statement of financial position as at 30 September 2018 and the Group's condensed consolidated income statement and condensed consolidated statement of comprehensive income for the six months ended 30 September 2018.

	Amounts reported under HKFRS 15 HK$ million	**Hypothetical amounts under HKAS 18** HK$ million	**Difference: Estimated impact of adoption of HKFRS 15 for the Period** HK$ million
Line items in the condensed consolidated income statement for the six months ended 30 September 2018 impacted by the adoption of HKFRS 15:			
Revenue	50	63	(13)
Income tax credit	17	15	2
Profit for the Period attributable to:			
Shareholders of the Company	32	43	(11)
Non-controlling interests	(2)	(2)	–
Earnings per share			
Basic (HK cents)	0.58	0.78	(0.2)
Diluted (HK cents)	0.58	0.78	(0.2)
Line items in the condensed consolidated statement of comprehensive income for the six months ended 30 September 2018 impacted by the adoption of HKFRS 15:			
Total comprehensive income for the Period	29	40	(11)
Total comprehensive income for the Period attributable to:			
Shareholders of the Company	31	42	(11)
Non-controlling interests	(2)	(2)	–

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (continued)

For the six months ended 30 September 2018

3. CHANGES IN ACCOUNTING POLICIES (continued)

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

Effect of the application of HKFRS 15 (continued)

(ii) Licensing income (continued)

	Amounts reported under HKFRS 15 HK$ million	Hypothetical amounts under HKAS 18 HK$ million	Difference: Estimated impact of adoption of HKFRS 15 for the Period HK$ million
Line items in the condensed consolidated statement of financial position as at 30 September 2018 impacted by the adoption of HKFRS 15:			
Accounts and bills receivable	8	9	(1)
Accrued liabilities and other payables	27	39	(12)
Tax liabilities	11	13	(2)
Reserves	44	35	9
Equity attributable to the shareholders of the Company	485	476	9
Non-controlling interests	84	84	–

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The preparation of the unaudited condensed consolidated interim financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing the unaudited condensed consolidated interim financial statements, the critical accounting judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty are the same as those that were applied to the audited consolidated financial statements for the year ended 31 March 2018, except for the estimation in relation to the fair value of the financial assets at FVPL under HKFRS 9.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (continued)

For the six months ended 30 September 2018

5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The unaudited condensed consolidated interim financial statements do not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the audited consolidated financial statements for the year ended 31 March 2018.

There have been no changes in the policies on how to mitigate these risks since the year ended 31 March 2018.

6. SEGMENT INFORMATION

The Group currently organises its operations into the following reportable and 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

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (continued)

For the six months ended 30 September 2018

6. SEGMENT INFORMATION (continued)

(a) Unaudited revenue and results of the Group by operating segments:

For the six months ended 30 September 2018

	Emerson HK$ million	Licensing HK$ million	Unallocated HK$ million	Consolidated HK$ million
Revenue:				
Sale of goods to external customers	36	–	–	36
Licensing income from external customers	1	13	–	14
Total segment revenue	37	13	–	50
Results:				
Segment results	(12)	6		(6)
Reconciliations:				
Unallocated corporate expenses			(10)	(10)
Change in fair value of financial assets at FVPL			(1)	(1)
Write back of accrued liabilities			27	27
Interest income			3	3
Profit before taxation				13

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (continued)

For the six months ended 30 September 2018

6. SEGMENT INFORMATION (continued)

(a) *Unaudited revenue and results of the Group by operating segments: (continued)*

For the six months ended 30 September 2017

	Emerson HK$ million	Licensing HK$ million	Unallocated HK$ million	Consolidated HK$ million
Revenue:				
Sale of goods to external customers	51	–	–	51
Licensing income from external customers	3	27	–	30
Total segment revenue	54	27	–	81
Results:				
Segment results	(17)	19		2
Reconciliations:				
Unallocated corporate expenses			(6)	(6)
Write back of accrued liabilities with deconsolidated subsidiaries			44	44
Interest income			2	2
Profit before taxation				42

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (continued)

For the six months ended 30 September 2018

6. SEGMENT INFORMATION (continued)

(b) Geographical segments:

	(Unaudited) Six months ended 30 September 2018 HK$ million	30 September 2017 HK$ million
Revenue:		
Asia	**11**	21
North America		
– USA and Canada	**36**	56
Europe	**3**	4
Total	**50**	81

7. REVENUE

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

An analysis of the Group's revenue by principal activity for the Period, as well as the manner in which revenue is recognised, is as follows:

	(Unaudited) Six months ended 30 September 2018 HK$ million	30 September 2017 HK$ million
By principal activities:		
Sales of goods – point in time	**36**	51
Licensing income		
– point in time	**14**	–
– over time	**–**	30
	50	81

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (continued)

For the six months ended 30 September 2018

8. PROFIT BEFORE TAXATION

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

	Note	(Unaudited) Six months ended 30 September 2018 HK$ million	30 September 2017 HK$ million
(a) Staff costs			
Directors' and Chief Executive Officer's emoluments		**6**	5
Other staff costs:			
– Salaries and other benefits		**13**	14
– Retirement benefits costs		**1**	2
		20	21
(b) Other items			
Operating lease rentals in respect of land and buildings		**3**	3
Auditor's remuneration			
– current period		**1**	1
Carrying amount of inventories sold		**29**	42
Change in fair value of financial assets at FVPL		**(1)**	–
Write back of accrued liabilities	17(i)	**(27)**	–
Interest income		**(3)**	(2)

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (continued)

For the six months ended 30 September 2018

9. INCOME TAX CREDIT

No Hong Kong profits tax has been provided for the Period in the unaudited condensed consolidated interim financial statements as there is no assessable profits arising in Hong Kong during both periods ended 30 September 2018 and 2017.

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

	(Unaudited) Six months ended	
	30 September 2018 HK$ million	30 September 2017 HK$ million
The tax credit comprises:		
Current tax – Overseas	**1**	6
Over/(Under) provision in prior period		
– Overseas (Note (i))	**17**	(4)
Deferred tax – Overseas	**(1)**	(1)
	17	1

Note (i)

The write back of over-provision amounting to HK$17 million during the Period was mainly attributable to the strike-off of SSPL, details of which are set out in note 17(i).

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (continued)

For the six months ended 30 September 2018

10. EARNINGS PER SHARE

(a) Basic earnings per share:

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

	(Unaudited) Six months ended	
	30 September 2018 HK$ million	30 September 2017 HK$ million
Profit:		
Profit attributable to shareholders of the Company used in the basic earnings per share calculation	**32**	48

	30 September 2018 Number of ordinary shares million	30 September 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**	5,492.2

(b) Diluted earnings per share:

Diluted earnings per share equals basic earnings per share as the Company has no potential ordinary shares in existence during both periods ended 30 September 2018 and 2017.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (continued)

For the six months ended 30 September 2018

11. BRANDS AND TRADEMARKS

	(Unaudited) 30 September 2018 HK$ million	(Audited) 31 March 2018 HK$ million
Gross amount		
At 1 April	**2,026**	2,006
Foreign currency adjustment	**(4)**	20
At 30 September/31 March	**2,022**	2,026
Accumulated amortisation and impairment		
At 1 April	**1,766**	1,707
Foreign currency adjustment	**(3)**	17
Impairment loss recognised during the Period/year	**–**	42
At 30 September/31 March	**1,763**	1,766
Carrying amount at 30 September/31 March	**259**	260

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (continued)

For the six months ended 30 September 2018

11. BRANDS AND TRADEMARKS (continued)

Brands and trademarks are allocated to the Group's cash-generating units identified according to operating segments as follows:

	(Unaudited) 30 September 2018 HK$ million	(Audited) 31 March 2018 HK$ million
Emerson	**47**	47
Licensing		
Akai	**147**	148
Nakamichi	**46**	46
Sansui	**19**	19
Sub-total	**212**	213
Total	**259**	260

As there were no significant changes to the operation of the Group's licensing business for the Period, the Directors do not expect there to be any significant changes to the carrying amounts of the brands and trademarks as of 30 September 2018.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (continued)

For the six months ended 30 September 2018

12. FINANCIAL ASSETS AT FVPL/AVAILABLE-FOR-SALE INVESTMENTS

	(Unaudited) 30 September 2018 HK$ million	(Audited) 31 March 2018 HK$ million
Unlisted equity securities	**7**	–

Unlisted equity securities as of 1 April 2018 and 30 September 2018 are carried at fair value based on the adjusted net asset value method. Details of the classifications and measurements of the unlisted equity securities as of 31 March 2018, 1 April 2018 and 30 September 2018 are set out in notes 3(b) and 23.

13. ACCOUNTS AND BILLS RECEIVABLE

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

	(Unaudited) 30 September 2018 HK$ million	(Audited) 31 March 2018 HK$ million
Gross amount	**9**	20
Less: allowance for doubtful debts	**(1)**	(2)
Net amount	**8**	18

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

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (continued)

For the six months ended 30 September 2018

13. ACCOUNTS AND BILLS RECEIVABLE (continued)

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

	(Unaudited) 30 September 2018 HK$ million	(Audited) 31 March 2018 HK$ million
0 – 3 months	**8**	18

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:

	(Unaudited) 30 September 2018 HK$ million	(Audited) 31 March 2018 HK$ million
0 – 3 months	**2**	4

Before accepting any new customer, the management assesses the potential customer's credit quality with reference to the customer's reputation and market standing and defines the credit limits accordingly. Continuity of the credit limits to the customers is reviewed by management as and when necessary. Based on the aforesaid assessment and considerations of the ECLs measurement under HKFRS 9, the above accounts and bills receivable which are past due but not impaired are still considered to be fully recoverable.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (continued)

For the six months ended 30 September 2018

14. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	(Unaudited) 30 September 2018 HK$ million	(Audited) 31 March 2018 HK$ million
Prepayments (Note (i))	**14**	5
Deposits	**1**	1
	15	6

Note (i)

Included in prepayments are deposits for subsequent purchases advanced to suppliers amounting to approximately HK$9.5 million as of the end of reporting period (as of 31 March 2018: approximately HK$2.8 million). These deposits were non-interest bearing and covered 0-3 months of purchases.

15. CASH AND BANK BALANCES

	(Unaudited) 30 September 2018 HK$ million	(Audited) 31 March 2018 HK$ million
Cash and cash equivalents	**314**	316
Bank certificates of deposit with maturity date more than three months	**121**	130
	435	446

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (continued)

For the six months ended 30 September 2018

16. ACCOUNTS AND BILLS PAYABLE

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

	(Unaudited) 30 September 2018 HK$ million	(Audited) 31 March 2018 HK$ million
0 – 3 months	**1**	1

17. ACCRUED LIABILITIES AND OTHER PAYABLES

	(Unaudited) 30 September 2018 HK$ million	(Audited) 31 March 2018 HK$ million
Accrued expenses (Note (i))	**11**	39
Contract liabilities (Note (ii))	**16**	–
Deferred income (Note (iii))	**–**	28
Other payables	**–**	4
	27	71

Note (i)

Included in the accrued expenses were amounts in aggregate of HK$27 million as at 31 March 2018, which were provisions for liabilities to Sansui Electric Co., Ltd ("SEC") and Sansui Sales Pte. Limited ("SSPL"), both former associate corporations of the Company. During the Period, the dissolution of SEC was completed and SSPL has been struck-off. Taking into account the relevant facts and circumstances, management considered the Group's obligations in relation to the amounts due to both SEC and SSPL no longer exist and hence were fully written back during the Period.

In additions, there was a tax provision amounting to HK$17 million recorded under tax liabilities in the consolidated statement of financial position since the year ended 31 December 2011, arising from the previous licensing arrangement between the Group with SSPL. Following the execution of strike-off of SSPL during the Period, in the opinion of the management, the Group's obligations in relation to the tax provision no longer existed and hence were fully written back during the Period.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (continued)

For the six months ended 30 September 2018

17. ACCRUED LIABILITIES AND OTHER PAYABLES (continued)

Note (ii)

Contract liabilities represent the Group's obligation to transfer goods or services to a customer for which the Group has received consideration from the customer, before the Group transfers a good or service to the customer, which was previously recorded as deferred income at note (iii), reclassification was made since 1 April 2018 which is consistent with the terminology under HKFRS 15.

Note (iii)

Deferred income represents licensing income received in advance that relates to periods subsequent to 31 March 2018. Upon adoption of HKFRS 15, no deferred income is recognised by the Group, details are set out in note (ii) above.

18. ACCRUED LIABILITIES WITH DECONSOLIDATED SUBSIDIARIES

	(Unaudited) 30 September 2018 HK$ million	(Audited) 31 March 2018 HK$ million
At 1 April	**127**	333
Written back during the Period/year	**–**	(206)
At 30 September/31 March	**127**	127

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 financial year ending 31 March 2019.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (continued)

For the six months ended 30 September 2018

19. SHARE CAPITAL

	Number of Shares	Share Capital
	'000	HK$ million
Authorised:		
Ordinary shares of HK$0.01 each		
at 30 September 2018 and 31 March 2018	20,000,000	200
Issued and fully paid:		
Ordinary shares of HK$0.01 each		
at 30 September 2018 and 31 March 2018	5,492,233	55

20. CONTINGENT LIABILITIES

Except for the cases set out below, the Group did not have significant contingent liabilities as of 30 September 2018 and up to the date of this report.

(a) In an order made by the High Court of Hong Kong 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, are insufficient to meet the taxed fees and expenses of the former provisional liquidators; and

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

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (continued)

For the six months ended 30 September 2018

20. CONTINGENT LIABILITIES (continued)

(b) The legal case with the High Court of Hong Kong under HCA 48/2014 against the former associates of the Company, SEC and SSPL was discontinued in the preceding financial period. During the current period SEC has been dissolved and SSPL has been struck off.

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

21. OPERATING LEASE COMMITMENTS

	(Unaudited) 30 September 2018 HK$ million	(Audited) 31 March 2018 HK$ million
At the end of the reporting period, the total future minimum lease payments under non-cancellable operating leases are as follows:		
– Not later than one year	**2**	3
– Later than one year and not later than five years	**3**	3
	5	6

22. OTHER BORROWING FACILITIES

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

	(Unaudited) 30 September 2018 HK$ million	(Audited) 31 March 2018 HK$ million
Pledge of unlisted shares of a subsidiary	**Nil**	196

The charge against the use of the funds maintained by Sansui Acoustics Research Corporation, a company registered in the British Virgin Islands and a wholly owned subsidiary of the Company, was released as at 29 March 2017.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (continued)

For the six months ended 30 September 2018

23. FAIR VALUE MEASUREMENT

Financial assets and liabilities measured at fair value in the condensed consolidated statement of financial position are grouped into three Levels of a fair value hierarchy. The three Levels are defined based on the observability of significant inputs to the measurements, as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets and liabilities.

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: unobservable inputs for the asset or liability.

The level in the fair value hierarchy within which the financial asset or liability is categorised in its entirety is based on the lowest level of input that is significant to the fair value measurement.

	Fair value at 30 September 2018 HK$ million	**Fair value measurement using Level 3 HK$ million**
Recurring fair value measurement		
Financial assets:		
Financial assets at FVPL:		
– Unlisted equity securities	**7**	**7**

	Fair value at 31 March 2018 HK$ million	Fair value measurement using Level 3 HK$ million
Recurring fair value measurement		
Financial assets:		
Available-for-sale financial assets:		
– Unlisted equity securities (Note (i))	–	–

Note (i)

As set out in note 3(b), the carrying amount of the unlisted equity securities were previously measured at cost less impairment under HKAS 39 as at 31 March 2018.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (continued)

For the six months ended 30 September 2018

23. FAIR VALUE MEASUREMENT (continued)

Details of information about Level 3 fair value measurements are as follows:

	Valuation techniques	**Unobservable input**
Unlisted equity securities	Cost approach	Adjusted net asset value method

The management of the Group is responsible for determining the appropriate valuation techniques and inputs for fair value measurements. The management of the Group regularly reports to the Board in relation to the fair value measurements of the aforesaid financial assets.

The methods and valuation techniques used for the purpose of measuring fair values categorised in Level 3 are unchanged since the adoption of HKFRS 9 on 1 April 2018 (details set out in note 3(b)).

The movement during the Period in the balance of Level 3 fair value measurements is as follows:

	HK$ million (unaudited)
Unlisted equity securities:	
At 31 March 2018 (Audited)	–
Effect of initial adoption of HKFRS 9 at 1 April 2018 (Note 3(b))	8
Change in fair value of financial assets at FVPL	(1)
At 30 September 2018 (Unaudited)	7

24. MATERIAL EVENTS AFTER THE PERIOD

There were no significant events which occurred after the Period.

MANAGEMENT DISCUSSION AND ANALYSIS

30 September 2018

BUSINESS REVIEW AND PROSPECTS

The Group recorded a revenue of HK$50 million for the six months ended 30 September 2018 (the "Period") as compared to HK$81 million for the six months ended 30 September 2017 (the "Corresponding Period"), a decrease of 38.3%. The decrease in revenue was mainly due to (1) the decrease in the revenue generated from the distribution of houseware appliances of Emerson and the licensing income from the Licensing operations; and (2) the adoption of HKFRS 15 at the start of the Period on the timing of revenue recognition which, as set out on notes 3(a) and 3(c) of the condensed consolidated interim financial statements, had an effect on the revenue of the Group for the Period as part of the deferred income amounting to HK$26 million as of 31 March 2018 was credited directly to shareholders reserves since the adoption of HKFRS 15 on 1 April 2018.

The Group also recorded an unaudited net profit attributable to shareholders of HK$32 million for the Period, as compared to HK$48 million for the Corresponding Period. The drop in the net profit was mainly due to (1) decrease in gross profit of the Emerson and Licensing operations as a result of the decrease in total revenue; and (2) no write back of accrued liabilities with deconsolidated subsidiaries was recorded in the Period. The decrease was partly off set by the increases in other income and write back of prior years' tax provision.

Set out below are the results of the Group analysed as to Emerson operations and the Licensing operations.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

30 September 2018

Emerson operation

Emerson Radio Corp. ("Emerson"), a 71.0% owned subsidiary as at 9 November 2018 (68.3% as at 30 September 2018) whose shares are listed on the NYSE American in the USA, generated revenue through distribution of houseware products and audio products and licensing of its brand in North America. Its major customers include Wal-Mart, Amazon.com and Fred Meyer. Revenue generated from the distribution of houseware products and audio products of Emerson for the Period was HK$36 million as compared to HK$51 million for the Corresponding Period, a decrease of 29.4%. The revenue generated from licensing was HK$1 million for the Period as compared to HK$3 million for the Corresponding Period, a decrease of 66.7%. The major elements which contributed to the reduced revenue were a decrease in year over year sales of houseware products as a result of the discontinuation of purchase of microwave ovens by one of its customers from Emerson and the year-over year decrease of licensing revenue attributable to the non-renewal of one of the company's licensees which expired in December 2017.

Even though the overall sales of Emerson decreased by about 31.5%, active steps were taken to manage and control its operating costs and selling, general and administrative expenses. Emerson has managed to reduce its operating loss from HK$17 million in the Corresponding Period to HK$12 million in the Period.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

30 September 2018

Licensing operation

The Group also owns three internationally recognised consumer electronic brands namely, Akai, Sansui and Nakamichi. Through licensing of these brands to independent third parties, the operation generates steady income to the Group. Revenue generated from this operation for the Period was HK$13 million as compared to HK$27 million for the Corresponding Period, a decrease of 51.9%. The operating profit of this operation for the Period was HK$6 million as compared to HK$19 million for the Corresponding Period, a decrease of 68.4%. The significant decrease in licensing revenue and operating profit was mainly due to the adoption of HKFRS 15 at the start of the period on the timing of revenue recognition as set out in detail on notes 3(a) and 3(c) of the condensed consolidated interim financial statements, where part of the deferred income amounting to HK$26 million as of 31 March 2018 was credited directly to shareholders reserves since the adoption of HKFRS 15 on 1 April 2018.

Under the current licensing model, the brand owners of 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% to the brand owners, depending on the respective brand involved, on the gross value of purchases made during the license period.

As at 30 September 2018, there were a total of 29 contracts in force with licensees to distribute products in the brand names of Akai, Sansui and Nakamichi around the world.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

30 September 2018

Prospect

Emerson will continue to expand the existing distribution channels and to develop and promote new products to regain shelf spaces with retailers in the USA. Emerson is also investing in products and marketing activities to expand its sales through internet and ecommerce channels. These efforts 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 on which Emerson has historically focused. Emerson is also continuing its efforts to identify strategic courses of action related to its licensing activities, including seeking new licensing relationships.

The Company expects that recently announced US tariffs on certain imported goods from China, and the current US administration's public support for additional tariffs on imported goods from China, and China's retaliatory tariffs on certain goods imported from the US, as well as modifications to international trade policy, may affect its product costs going forward, which could require Emerson to take pricing action to offset the increasing costs; however, at this time the Company is unable to quantify this possible effect on its costs. Although the Company is monitoring the trade environment and working to mitigate the possible effect of tariffs through pricing and sourcing strategies, the Company cannot be certain how its customers and competitors will react to the actions taken, and some costs may be passed through to the Company's customers as product price increases in the future.

Even though the global economic environment is not quite favorable at the moment, management will endeavor to push the distribution and licensing business in the second half of the financial year ending 31 March 2019 in order to enhance the shareholders value of the Company.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

30 September 2018

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 September 2018, the Group had a current ratio of approximately 2.92 (2.22 as at 31 March 2018).

As at 30 September 2018, the Group had HK$435 million cash and bank balances (HK$446 million as at 31 March 2018). The Group's working capital requirements were mainly financed by internal resources.

The Group had inventories of approximately HK$25 million as at 30 September 2018 (HK$25 million as at 31 March 2018).

As at 30 September 2018, the Group had net current assets of HK$318 million as compared to net current assets of HK$273 million as at 31 March 2018.

MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES AND AFFILIATED COMPANIES

The Group did not make any material acquisition and disposal of subsidiaries and affiliated companies during the Period.

MATERIAL EVENTS AFTER THE PERIOD

There were no significant events which occurred after the Period.

SIGNIFICANT INVESTMENT

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

FUTURE PLAN FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

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

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

30 September 2018

GEARING RATIO

As the Group does not have any interest bearing debts, both the gearing ratios as at 30 September 2018 and 31 March 2018 were nil.

CONTINGENT LIABILITIES

Details of the contingent liabilities of the Group are set out in note 20 to the condensed consolidated interim financial statements.

CHARGES ON GROUP ASSETS

The Group did not have any charge on its assets as at 30 September 2018. Certain of the Group's assets with a total carrying value of approximately HK$196 million as at 31 March 2018 were pledged to secure other borrowing facilities 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 POLICIES

The number of employees of the Group as at 30 September 2018 was 45 (40 as at 31 March 2018). 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.

OTHER INFORMATION

30 September 2018

DIVIDENDS

The Directors do not recommend the payment of an interim dividend for the Period (Corresponding Period: nil).

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 September 2018, the interests or short positions of the Directors or Chief Executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "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				Percentage of
Name of Director	Nature of interests	Corporate interests	Note	Other interests	Note	total issued shares
Mr. Tan	Interests in issued shares	3,616,712,779	(ii)	439,180,000	(iii)	73.85%

(i) As at 30 September 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 position in any shares, underlying shares and debentures of the Company or any of its 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 30 September 2018.

OTHER INFORMATION (continued)

30 September 2018

SUBSTANTIAL SHAREHOLDERS' INTERESTS

As at 30 September 2018, so far as known to any Directors or Chief Executive of the Company, the following parties (other than the Directors or Chief Executives 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:

Long positions in ordinary shares of HK$0.01 each of the Company (the "Shares")

Name of Shareholder	Capacity	Number of Shares held/ interested	Approximate percentage of shareholding
Wealth Warrior Global Limited	Beneficial owner	3,616,712,779 (L)	65.85%
Tan Bingzhao	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)	7.48%
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.

OTHER INFORMATION (continued)

30 September 2018

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.

(2) Accolade (PTC) Inc. 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 holds 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 and Sino Bright, which are wholly-owned subsidiaries of The Ho Family Trust and directly hold 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 a 100% interest 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 30 September 2018, none of the Directors or 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.

OTHER INFORMATION (continued)

30 September 2018

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

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

CORPORATE GOVERNANCE PRACTICES

The Directors confirmed that the Company has complied with all principles and code provisions in the Corporate Governance Code and Corporate Governance Report (the "CG Code") as set out in Appendix 14 to the Listing Rules during the Period, except for the code provisions of the CG Code as noted hereunder.

Under code provision A.2.1 of the Code, the roles of the Chairman of the Board and the Chief Executive Officer should be separate and should not be performed by the same individual. However, since the appointment of Mr. Tan as a Director on 2 December 2017, he was also appointed as the Chairman of the Board and the Chief Executive Officer of the Company until now.

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.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transaction by Directors (the "Model Code") as its own code of conduct regarding securities transactions by the Directors. Specific enquiry has been made of all Directors and all of them have confirmed that they have complied with the required standards as set out in the Model Code during the Period.

OTHER INFORMATION (continued)

30 September 2018

CHANGES IN DIRECTORS' INFORMATION

Pursuant to Rule 13.51B(1) of the Listing Rules, changes in the Directors' information since the date of the annual report 2017/18 of the Company are set out below:

Name of Director	Details of Changes
Dr. Lin Jinying	– retired as an associate professor from College of Chemistry and Chemical Engineering of Guangzhou University in July 2018 and accepted the appointment as an associate professor of Guangzhou Nanyang College.
Dr. Lu Zhenghua	– retired as an independent director of Guangdong Lilac Industrial Co., Ltd.（廣東紫丁香實業股份有限公司）, a company listed on the National Equities Exchange and Quotations System of the PRC (stock code: 835362) in May 2018.

Save for the information disclosed above, there is no other information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

OTHER INFORMATION (continued)

30 September 2018

REVIEW OF INTERIM FINANCIAL REPORT

The Audit Committee has reviewed and confirmed with the management of the Company the unaudited consolidated results of the Group for the Period and the Corresponding Period, the accounting principles and practices adopted by the Group, and discussed risk management, internal controls and financial reporting matters. At the request of the Directors, the Company's external auditor, Moore Stephens CPA Limited, has carried out a review of the said unaudited condensed consolidated interim financial statements in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA.

By order of the Board
Nimble Holdings Company Limited
Tan Bingzhao
Chairman

Hong Kong, 30 November 2018