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)

ANNUAL REPORT
2018/19

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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

Flat C01, 32/F, TML Tower
3 Hoi Shing Road, Tsuen Wan
New Territories
Hong Kong

SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Tengis Limited
Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong

STOCK CODE

186

COMPANY'S WEBSITE

www.nimbleholding.com

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 2019 (the "Year").

For the Year, 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 (the "USA" or "US"). Due to the continuous decline in business of the US subsidiaries, in the Year, the management has started planning to develop trading business of household appliances and provide IT services in the People's Republic of China (the "PRC") and has prepared to step into real estate-related businesses, such as project management services and property development, etc. The household appliances trading has recorded revenue of approximately HK$ 1,000,000 before the year end date.

The Group's revenue was approximately HK$123,000,000 in the Year, representing a decrease of approximately 28.1% as compared to approximately HK$171,000,000 for the year ended 31 March 2018 (the "Corresponding Year"). Licensing revenue and sales of goods contributed approximately 44.7% and 55.3% of the Group's revenue for the Year, respectively, as compared to the contribution of approximately 32.7% and 67.3% for the Corresponding Year, respectively. While licensing revenue remained relatively stable, revenue from sales of goods declined by approximately 40.9% due to the decreasing sales of houseware products. For the Year, the Group recorded a profit after tax of approximately HK$73,000,000, representing a decrease of 49.3% as compared to approximately HK$144,000,000 for the Corresponding Year. This was mainly attributable to increase in the impairment loss recognised for brands and trademarks from HK$42,000,000 for the Corresponding Year to HK$94,000,000 for the Year and the decrease in write back of accrued liabilities with Deconsolidated Subsidiaries (as defined in note 27 to the consolidated financial statements) from HK$206,000,000 for the Corresponding Year to HK$127,000,000 for the Year.

In fact, due to the fierce competition in the distribution of houseware products and audio products, the Group recorded decreasing turnover from this business during the past few years. Coupled with the uncertainties existing in the Sino-US trade war, the US subsidiaries have witnessed continuous decline in their sales business in the Year. In view of this, the management has continued to explore online sales and electronic transactions for the distribution business of US subsidiaries, as well as developed new businesses in the PRC before the end of the Year, including selling household appliances, wires and cables in the PRC and developing information technology to provide related services. In addition, since the management and I have accumulated many years of practical experience in real estate-related business domestically, the management has begun to study how to carry out real estate-related businesses in the PRC by the year end, and may set up a team to prepare for project management business. The management is also looking for suitable property development projects. It is hoped that by launching these new businesses, the Group's income base will be enlarged, thereby creating greater value for shareholders in the long run.

Lastly, I would like to express my sincere gratitude to the board of directors, the management and staff of the Group for their contribution and dedication over the last year with the aim of maximising 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

28 June 2019

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group recorded a revenue of HK$123 million for the Year as compared to HK$171 million for the Corresponding Year, representing a decrease of 28.1%. The decrease in revenue was mainly due to the decrease in the revenue generated from the distribution of houseware products of Emerson Radio Corp. ("Emerson"). The Group recorded an audited net profit attributable to shareholders of HK$91 million for the Year, as compared to HK$175 million for the Corresponding Year. The significant drop in the net profit was mainly due to (1) a net increase in impairment loss of HK$52 million recognised in respect of brands and trademarks, as compared with the Corresponding Year; and (2) a net decrease of HK$79 million in the write back of accrued liabilities with the Deconsolidated Subsidiaries (as defined in note 27 to the consolidated financial statements) in the Year as compared with the Corresponding Year, which was partly offset by the increase of HK$27 million in the write back of accrued liabilities with former associated companies.

The operations of the Group include the Emerson operations, the licensing operations for Akai, Sansui and Nakamichi brands; and the trading of household appliances in the PRC.

Emerson operations

The revenue generated from the distribution of houseware products and audio products of Emerson for the Year was HK$67 million as compared to HK$115 million for the Corresponding Year. The major reason which contributed to the overall decrease in net product sales of HK$48 million or 41.7% was the decrease in sales of microwave ovens which was driven by a model discontinuation by one of the key customers. Emerson has continued to take active steps to further streamline its operations and reduce and control its operating costs. The operating costs of Emerson for the Year were reduced to HK$29.8 million as compared to HK$38.3 million for the Corresponding Year. As a result, the operating loss of Emerson for the Year was reduced to HK$27 million as compared to HK$31 million for the Corresponding Year.

Licensing revenue of Emerson for both the Year and the Corresponding Year was HK$5 million. In order to increase the licensing income, at the end of 2018, Emerson appointed Leveraged Marketing Corporation of America ("LMCA") as an agent to identify and procure licensing opportunities going forward.

Due to the uncertainties brought by the trade war between the USA and the PRC, the economic environment for the distribution of houseware products and audio products, which are mainly imported from the PRC, has deteriorated. In this respect, the value of the Emerson trademarks, which had already been impaired in previous years, has been further impaired by HK$23 million for the Year.

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 to 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. The program was extended to 30 June 2018, and subsequently to 31 December 2018 at which point it ended. Under the program, repurchases were funded by Emerson's available working capital and repurchased shares were held in the treasury as authorised and issued shares available for general corporate purposes. Upon the completion date of the program, Emerson has repurchased 6,087,180 shares of its common stock. In this respect, the deemed acquisition increased the Group's shareholding in Emerson from 66.9% as at 31 March 2018 to 72.4% as at 31 March 2019.

BUSINESS REVIEW (continued)

Licensing operations

The revenue generated from the licensing operations was HK$50 million for the Year as compared to HK$51 million for the Corresponding Year. The operating profit of these operations for the Year was HK$32 million as compared to HK$37 million for the Corresponding Year which represented the net licensing income received from the licensees. The performance of these operations has remained steady throughout the past few years.

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 trademarks. In return, the licensees will pay a licensing fee ranging from 2% to 6%, depending on the respective brands 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 exceeds the guaranteed minimum gross purchase.

Hong Kong Financial Reporting Standard 15 “Revenue from Contracts with Customers” has been effective for annual periods beginning on or after 1 January 2018, and affects the basis of recognition of licensing income. The Group has adopted this financial reporting standard since the beginning of the Year. Accordingly, we have reviewed the basis for the recognition of licensing income adopted by the Group in the previous years to see whether it complies with the new standard or not. As a result of the review, we have changed the basis of recognising the licensing income from over a period of time for previous years to at a point of time for the Year. This change of basis of recognition has a favourable impact of approximately HK$7 million on the total amount of licensing income recognised during the Year.

Although the licensing income generated for the Year is comparable to the Corresponding Year, the values of the brands and trademarks owned by the licensing operations have been impaired by HK$71 million for the Year, as compared to the impairment charge reversal of HK$2 million in the value of the brands and trademarks in the Corresponding Year. The significant impairment was due to (1) the uncertainty over the trade war between the USA and the PRC; (2) the unfavourable global economic outlook going forward; (3) the renewal of key customer contracts and negotiation with potential customers during the Year on such terms which were below the expectation of management; and (4) keen competition of the relevant markets.

Household appliances operation in the PRC

The Group has many years of experience in the distribution of houseware products and audio products in the USA. The management has decided to utilise this expertise and experience to expand its market in the PRC. A wholly owned subsidiary was therefore incorporated in the PRC in October 2018 to set up a new household appliances trading operation. Towards the end of the Year, this operation has generated approximately HK$1 million revenue. The products traded in this operation mainly include household appliances, wires and cables.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS PROSPECT

As mentioned above, the uncertainties brought by the trade war between the USA and the PRC negatively impacted the economic environment of the distribution of houseware products and audio products in the USA, as well as the expected licensing income of the Group. The management has therefore planned to develop three new operations in the PRC as new sources of income, namely, (1) household appliances operation, (2) information technology operation and (3) property development. By the end of the Year, trading transactions of household appliances have successfully commenced and attributed approximately HK$1 million revenue to the Group. The management expects that this operation may continue to generate steady income to the Group. Preparation work has been implemented for the information technology operation and property development during the Year, which will form new sources of income. The information technology operation includes the provision of services for various applications. The property development may include the provision of project management services to those property developers and acting as property developer in the PRC. The management expects these new business activities can maximise the shareholders' value of the Company in the long run.

Regarding the established operations, Emerson will continue to expand its existing distribution channels and to develop and promote new products to regain shelf spaces in these and other retailers in the USA. Emerson is also investing in products and marketing activities to expand its sales through internet and e-commerce 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 that Emerson has offered. Besides, Emerson continues putting efforts to identify strategic courses of action related to its licensing activities, and as previously mentioned has entered into a master license agreement with LMCA to procure potential licensees.

Emerson expects that the recently announced USA tariffs on certain imported goods from the PRC, and the current USA administration's public support for additional tariffs on imported goods from the PRC, and the PRC's retaliatory tariffs on certain goods imported from the USA, 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 Emerson is unable to quantify this possible effect on its costs. Although Emerson is monitoring the trade environment and working to mitigate the possible effect of tariffs through pricing and sourcing strategies, Emerson cannot be certain how its customers and competitors will react to the actions taken, and some costs may be passed through to Emerson's customers as product price increases in the future.

For the Group's licensing operations, the management expects to expand the footing of its licensing operations in developing countries, such as India and some other countries in Africa.

LIQUIDITY AND FINANCIAL RESOURCES

The current ratio of the Group as at 31 March 2019 was 16.03 as compared to 2.22 as at 31 March 2018. The increase in the current ratio was because (1) the accrued liabilities with the Deconsolidated Subsidiaries of HK$127 million as at 31 March 2018 was fully written back during the Year; and (2) approximately HK$27 million accrued liabilities with former associated companies brought forward from the Corresponding Year was also written back during the Year.

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 houseware products during the Year. As at 31 March 2019, the Group had accumulated cash and bank balances amounting to HK$424 million as compared to HK$446 million as at 31 March 2018.

MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES AND AFFILIATED COMPANIES

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 Year respectively.

CHARGES ON GROUP ASSETS

As at 31 March 2019, no assets were pledged to secure other borrowing facilities for the Group (approximately HK$196 million as at 31 March 2018).

TREASURY POLICIES

The Group's revenues are mainly in US dollars. The Group is not exposed to any significant currency risks since Hong Kong dollars have continued to be linked with the US dollars.

EMPLOYEES AND REMUNERATION

The numbers of employees of the Group as at 31 March 2019 and 31 March 2018 were 53 and 40 respectively. 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 29 to the consolidated financial statements.

BIOGRAPHIES OF DIRECTORS

EXECUTIVE DIRECTORS

Mr. Tan Bingzhao

Mr. Tan Bingzhao ("Mr. Tan"), aged 55, has been appointed as an executive director, the chairman of the board of directors and the chief executive officer of the Company with effect from 2 December 2017. Mr. Tan is also the chairman of the Nomination Committee of the Company. He serves as a director of certain subsidiaries of the Company since January 2018. 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 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 55, has been appointed as an executive director of the Company with effect from 2 December 2017. He serves as a director of certain subsidiaries of the Company since January 2018. He is the assistant to the president of 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 56, 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 of the Company. She is currently an associate professor of Guangzhou Nanyang College. 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 56, 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 of the Company. 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), and 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). 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. She was also 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 New Third Board (stock code: 835362), until May 2018.

Dr. Ye Hengqing

Dr. Ye Hengqing ("Dr. Ye"), aged 47, 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 of the Company. 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 34 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 17 to 28, the "Environmental, Social and Governance Report" section on pages 29 to 36 and note 6 to the consolidated financial statements on pages 87 to 93 of this report.

COMPLIANCE WITH LAWS AND REGULATIONS

The Company was incorporated in the Cayman Islands and continued in Bermuda as an exempted company with limited liability whose shares are listed on the Stock Exchange. The Group has compliance procedures in place to ensure adherence to applicable laws and regulations which have a significant impact on the Group. During the Year, so far as the Company is aware, the Group has complied with the relevant laws and regulations which have a significant impact on the Group in all material aspects, including, the Companies Act 1981 of Bermuda, the Hong Kong Companies Ordinance and the Listing Rules.

SEGMENT INFORMATION

Details of revenue and segmented information are set out in notes 8 and 33 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 42 to 120 of this report.

DIVIDENDS

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

DONATIONS

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

EQUITY LINKED AGREEMENTS

No equity linked agreements were entered into by the Group during the Year and the Corresponding Year, or subsisted as at 31 March 2019 or as at 31 March 2018.

BANK AND OTHER BORROWINGS

No bank and other borrowings were additionally incurred by the Group during the Year and the Corresponding Year.

REPORT OF THE DIRECTORS

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 121 to 122 of this report.

PLANT AND EQUIPMENT

Details of movements in the plant and equipment of the Group are set out in note 15 to the consolidated financial statements.

SUBSIDIARIES

Particulars of the Company's principal subsidiaries are set out in note 34 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 28 to the consolidated financial statements.

DISTRIBUTABLE RESERVES

As at 31 March 2019 and 31 March 2018, 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 29% and 60%, respectively, of the Group's total revenue for the Year.

Purchases from the Group's largest supplier and five largest suppliers accounted for approximately 70% and 96%, 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.

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. Deng Xiangping

Independent Non-Executive Directors:

Dr. Lin Jinying

Dr. Lu Zhenghua

Dr. Ye Hengqing

DIRECTORS (continued)

The Company has 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 84(1) of the Company's Bye-laws (the "Bye-laws"), Mr. Tan, and Mr. Deng will retire by rotation at forthcoming annual general meeting of the Company (the "AGM") and, being eligible, have offered themselves for re-election.

The Nomination Committee of the Company (the "Nomination Committee"), after reviewing the composition of the board of Directors ("Board"), the qualifications, skill and experience, time, commitment and contributions of the retiring Directors with reference to the Company's board diversity policy and corporate strategy, has recommended to the Board on the re-election of Mr. Tan and Mr. Deng as Directors at the forthcoming AGM. The Board accepted the recommendation from the Nomination Committee and proposes re-election of Mr. Tan and Mr. Deng as Directors at the forthcoming AGM.

None of the Directors proposed for 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 are set out on pages 8 to 9 of this report.

DIRECTORS' REMUNERATION

Details of the Directors' remuneration are set out in note 10 to the consolidated financial statements.

DIRECTORS' INTERESTS IN TRANSACTION, ARRANGEMENTS OR CONTRACTS

No Director or an entity connected with a Director 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 any time during the Year or as at the date of this report.

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 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 independent non-executive Directors and subject to re-election.

MANAGEMENT CONTRACTS

During the Year, no contract, other than employment contracts, concerning the management and administration of the whole or any substantial part of the Company's business was entered into or existed.

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

As at 31 March 2019, 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 (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				
Name of Director	**Nature of interests**	**Corporate interests**	Note	**Other interests**	Note	**Percentage of total issued shares**
Mr. Tan	Long position	3,616,712,779	(ii)	439,180,000	(iii)	73.85%

Notes:

(i) As at 31 March 2019, 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 Global Limited ("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 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 had, or were deemed to hold, any interests or short positions 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 31 March 2019.

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 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. The level of coverage is reviewed annually.

INTERESTS OF SUBSTANTIAL SHAREHOLDERS

As at 31 March 2019, so far as known to the 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	Beneficial owner	3,616,712,779 (L)	65.85%
Sino Bright Enterprises Co., Ltd. ("Sino Bright")	Beneficial owner and person having a security interest in shares	1,023,463,423 (L) *(Note 1)*	18.63%
Accolade (PTC) Inc. ("Accolade")	Trustee	1,428,573,488 (L) *(Notes 1, 2)*	26.01%
Airwave Capital Limited ("Airwave")	Interest of controlled corporation	405,088,388 (L) *(Note 3)*	7.38%
Barrican Investments Corporation ("Barrican")	Beneficial owner and interest of controlled corporation	405,088,388 (L) *(Notes 2, 4)*	7.38%
Splendid Brilliance (PTC) Limited ("Splendid Brilliance")	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, as beneficial owner, 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 between Sino Bright (as Vendor) and Wealth Warrior (as purchaser).

INTERESTS OF SUBSTANTIAL SHAREHOLDERS (continued)

Notes: (continued)

(2) 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, 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, 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 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 2019, 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.

REPORT OF THE DIRECTORS

CONNECTED TRANSACTIONS

During the Year, the Group had certain related party transactions, details of which are disclosed in note 7 to the consolidated financial statements. These transactions are de minimus transactions under Rule 14A.76(1) of the Listing Rules and therefore all of them are fully exempt from the independent shareholders' approval, annual review and all disclosure requirements under Chapter 14A of the Listing Rules.

SUFFICIENCY OF PUBLIC FLOAT

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

AUDIT COMMITTEE

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

CORPORATE GOVERNANCE

Principal corporate governance practices adopted by the Company are set out in the Corporate Governance Report on pages 17 to 28 of this report.

EVENTS AFTER BALANCE SHEET DATE

Details of significant events that occurred after balance sheet date are set out in note 35 to the consolidated financial statements.

INDEPENDENT AUDITOR

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

On behalf of the Board

Tan Bingzhao
Chairman

Hong Kong
28 June 2019

The Board 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 the code provisions of the Corporate Governance Code (the "Code") as set out in Appendix 14 to the Listing Rules.

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

Mr. Tan has been acting as the chairman of the Board (the "Chairman") and the Chief Executive Officer ("CEO") of the Company since his appointment as a Director on 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 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 respective terms of reference, which are published on the websites of the Company and the Stock Exchange. Further details about Board committees are discussed in the later part of this report.

BOARD COMPOSITION (continued)

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

During the Year and as at the date of this report, the Board has five members composed as follows:

Executive Directors

Mr. Tan Bingzhao

Mr. Deng Xiangping

Independent Non-Executive Directors

Dr. Lin Jinying

Dr. Lu Zhenghua

Dr. Ye Hengqing

The biographical details of the Directors are set out on pages 8 to 9 of this annual report.

BOARD COMPOSITION (continued)

During the Year, 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 requirements of the Listing Rules.

During the Year, Mr. Tan, the Chairman, has led the Board and ensured that the Board works effectively and that all-important matters are discussed in a timely manner. Mr. Tan also worked as the CEO of the Company and was responsible for the day-to-day management, administration and operations of the Group during the Year. 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 has adopted a board diversity policy (the "Board Diversity Policy") 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 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 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/re-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, the Hong Kong 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.

The existing Directors have already attended a comprehensive induction training conducted by our corporate lawyer upon their initial appointment in December 2017. No separate training course was arranged since their appointment up to the end of the Year. However, materials received from the Stock Exchange or corporate lawyer in relation to the duties of directors have been forwarded to the Directors for their information during 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 inside 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 the 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)

Four 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	4/4
Mr. Deng Xiangping	4/4
Dr. Lin Jinying	4/4
Dr. Lu Zhenghua	4/4
Dr. Ye Hengqing	4/4

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

Name of Directors	Number of meeting(s) attended/eligible to attend
Mr. Tan Bingzhao	1/1
Mr. Deng Xiangping	1/1
Dr. Lin Jinying	1/1
Dr. Lu Zhenghua	1/1
Dr. Ye Hengqing	1/1

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. 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 selecting or making recommendations to the Board on the selection of individuals nominated for directorships; (c) assessing the independence of independent non-executive Directors 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 CEO; (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 proposing objective performance criteria. Such performance criteria, that allow comparison with its industry peers, 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. A NC meeting with the attendance of all NC members was held before the publication of this report to consider the retirement and re-election of Directors.

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. All members of the RC are independent non-executive Directors.

BOARD COMMITTEES (continued)

Remuneration Committee (continued)

The major duties of the RC include (a) assessing, reviewing and making 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) making 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) considering 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) making recommendations to the Board on the Company's policy and structure for all Directors' (including non-executive Directors and independent non-executive Directors) and senior management's remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy, and placing recommendations before the Board concerning the total remuneration and/or benefits granted to the Directors from time to time; (e) determining the remuneration packages of individual executive Directors and senior management, or making 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) making recommendations to the Board on the remuneration of non-executive Directors; (g) reviewing and approving compensation payable to the 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) considering salaries paid by comparable companies, time commitment and responsibilities and employment conditions elsewhere in the Group; (i) ensuring that no Director or any of his associates is involved in deciding his own remuneration; (j) catering 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) conforming 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.

The remuneration paid to the senior management by the Board during the Year is disclosed in note 11 to the consolidated financial statements.

During the Year, a RC meeting with the attendance of all RC members was held to review the services contracts entered with the executive Directors, Mr. Tan and Mr. Deng; and the remunerations of the senior management. The members of RC had approved the services contracts and considered the remunerations of the senior management reasonable.

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. 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 corresponding year and the unaudited condensed consolidated interim financial statements for the six months ended 30 September 2018 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 to be considered and, if thought fit, approved by the shareholders at the forthcoming AGM.

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	3/3
Dr. Lin Jinying	3/3
Dr. Ye Hengqing	3/3

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

ACCOUNTABILITY AND AUDIT (continued)

Internal Control and Risk Management (continued)

The Board is responsible for maintaining an adequate internal control system to safeguard shareholder investments and the Company's 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 risks 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 is assessed and prioritised based on its relevant impacts and occurrence opportunities. The relevant risk management strategy would be applied to each type of risks according to the assessment results. Key risk management strategies are summarised as follows:

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

– 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 different types of risk inherent in the Group'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 Control 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 fees during the Year were HK$2.3 million and HK$0.3 million respectively. The non-audit services mainly included the performance of interim financial review.

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 30 August 2018, in which the Directors welcomed questions from the shareholders. Moreover, the Company published its interim report for the six months ended 30 September 2018 on 17 December 2018.

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:	Flat C01, 32/F, TML Tower, 3 Hoi Shing Road, Tsuen Wan, New Territories, Hong Kong
Telephone:	(852) 3950 4600
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 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 indicator(s) ("KPI(s)") that are material to the Group and our 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, KPIs B6.4 and 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

Health and Safety (Aspect B2) general disclosure

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

Labour standards (Aspect B4) general disclosure

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 KPIs 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 wastes;

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

– Minimise 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 minimise 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, distribution of houseware products and audio products in the USA, and trading of household appliances in the PRC, except for the company cars used by the management, 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.

The Group has continued to reduce the consumption of papers during the Year. Most of the documents or reports used internally were printed in two sides. Based on our copiers' meter counts, we have used 49,465 sheets of paper for the Year, while it was 63,451 sheets of paper for the Corresponding Year, a saving of 22.04%.

During the Year, the Company has consumed additionally 2,485 litres of fuel for the company cars. No fuel was consumed by the Group in the Corresponding Year as no company cars were maintained by the Group.

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 2019, the Group employed a total of 53 staffs (2018: 40) and the breakdowns of the staff are as follows:

Indicators		**2019**	2018
Number of employees		**53**	40
By gender:	Male	**26**	18
	Female	**27**	22
By type of employment:	Permanent	**50**	37
	Contract/Other Staff	**3**	3
By age group:	66 – 75	**1**	1
	56 – 65	**8**	9
	46 – 55	**18**	19
	36 – 45	**14**	10
	26 – 35	**12**	1
By geographical region:	PRC	**14**	–
	Hong Kong	**21**	20
	Overseas	**18**	20

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 to maintaining a vigorous and injury-free culture. Appropriate measures are taken to continuously improve the safety and health aspects in the workplace. Electrical installations are 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 100 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 on-site 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 maximise 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 the selection process of our suppliers 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 Listing Rules of Hong Kong applicable to 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, minimising the use of paper and reducing water consumption; in order to promote greater environmental responsibility;

3. To recognise the responsibility in minimising 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. To respect cultural and individual diversity in order to eliminate any discrimination in respect of employment and occupation, and to ensure 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 32 licensees, 30 of them have confirmed in writing that they follow the code of conduct. We will continue to discuss and review 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 purposes for which the data is collected or for directly related purposes 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 standard of openness, uprightness and accountability and all our staff are expected to observe the highest standard 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 or fraudulent actions to the Company's management directly. The Company has also adopted an internal control manual with an annual review in order to set up guidelines and standards for staff's behaviors and activities. Ongoing review of the effectiveness of the internal control systems is conducted on a regular basis to prevent 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 maximise our social investment as much as possible in order to create a more favourable environment for our community and our business.

MOORE STEPHENS

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大華馬施雲
會計師事務所有限公司

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

OPINION

We have audited the consolidated financial statements of Nimble Holdings Company Limited (the "Company") and its subsidiaries (together the "Group") set out on pages 42 to 120, which comprise the consolidated statement of financial position as at 31 March 2019, 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.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 March 2019, and of its consolidated performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

KEY AUDIT MATTERS (continued)

Impairment assessment of brands and trademarks with indefinite useful lives

Refer to Notes 18 and 20 to the consolidated financial statements

Key Audit Matter	How our audit addressed the Key Audit Matter
As at 31 March 2019, the Group had brands and trademarks of approximately HK$166 million. The Group is required to, at least annually, perform impairment testing of the brands and trademarks. For the purpose of assessing impairment, the Group appointed an independent external valuer ("Valuer") to assess the recoverable amounts of the brands and trademarks, which were determined by management based on the greater of its fair value less costs of disposal and value in use. We had identified impairment of brands and trademarks as a key audit matter because significant estimates and judgements were used to determine the key assumptions including budgeted revenue, gross margin and other related expenses, discount rate and growth rate. After the management assessment, an impairment loss of HK$94 million in respect of brands and trademarks has been recognised in profit or loss for the year.	Our audit procedures to address the impairment testing of brands and trademarks included the following: • Understanding the Group's estimation of the recoverable amounts of the brands and trademarks, including valuation model adopted, key assumptions used and the involvement of Valuer appointed by the Group; • Assessing the competence, capabilities and objectivity of the Valuer performing the valuation; • Involving our valuation expert to evaluate the appropriateness of the valuation methodology on brands and trademarks, and the discount rate and growth rate used; • Evaluating the reasonableness of the assumptions used in estimating budgeted revenue, gross margin and other related expenses, discount rate and growth rate with reference to the historical financial data, remaining contract terms of customers and the available industry and market data and economic outlook expected over the budget period; • Comparing the current year actual cash flows with the prior year cash flow projections to consider if the projections included assumptions that were overly optimistic; and • Assessing the sensitivity analysis on key assumptions being used in the cash flow projections (e.g. using a range of higher discount rates, lower growth rates and lower revenue).

OTHER INFORMATION

The directors of the Company (the "Directors") are responsible for the other information. The other information comprises the information included in the annual report, other than the consolidated financial statements and our auditors report thereon.

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

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

RESPONSIBILITIES OF 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 HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the Directors determine is necessary to enable the preparation of 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 objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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

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

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

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

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

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

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

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

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

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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

Moore Stephens CPA Limited
Certified Public Accountants

Law Yuen Man, Ida
Practising Certificate Number: P05878

Hong Kong, 28 June 2019

CONSOLIDATED INCOME STATEMENT

Year ended 31 March 2019

	Notes	2019 HK$ million	2018 HK$ million
REVENUE	8	**123**	171
Cost of sales		**(54)**	(96)
Gross profit		**69**	75
Other income		**36**	13
Distribution costs		**(5)**	(4)
Administrative expenses		**(76)**	(77)
Change in fair value of financial assets at FVTPL	6(b)	**(1)**	–
Impairment loss recognised in respect of brands and trademarks, net	18	**(94)**	(42)
Write back of accrued liabilities with Deconsolidated Subsidiaries	27	**127**	206
Reversal of restructuring costs		**–**	6
Other expenses		**–**	(1)
PROFIT BEFORE TAXATION	9	**56**	176
Income tax credit/(charge)	12	**17**	(32)
PROFIT FOR THE YEAR		**73**	144
PROFIT FOR THE YEAR ATTRIBUTABLE TO:			
Shareholders of the Company		**91**	175
Non-controlling interests		**(18)**	(31)
		73	144
EARNINGS PER SHARE	14	**HK cents**	HK cents
Basic		**1.66**	3.19
Diluted		**1.66**	3.19

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 March 2019

	2019 HK$ million	2018 HK$ million
PROFIT FOR THE YEAR	**73**	144
OTHER COMPREHENSIVE INCOME, NET OF TAX:		
Items that may be subsequently reclassified to profit or loss:		
Exchange differences on translation of financial statements of overseas subsidiaries	**–**	7
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**73**	151
TOTAL COMPREHENSIVE INCOME FOR THE YEAR ATTRIBUTABLE TO:		
Shareholders of the Company	**91**	180
Non-controlling interests	**(18)**	(29)
	73	151

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 March 2019

	Notes	2019 HK$ million	2018 HK$ million
NON-CURRENT ASSETS			
Plant and equipment	15	**1**	–
Available-for-sale investments	16	**–**	–
Financial assets at FVTPL	16	**7**	–
Deferred tax assets	17	**4**	4
Brands and trademarks	18	**166**	260
Goodwill	18	**–**	–
Other assets	19	**1**	1
		179	265
CURRENT ASSETS			
Inventories	21	**28**	25
Accounts receivable	22	**5**	18
Prepayments, deposits and other receivables	23	**7**	6
Tax recoverable		**1**	2
Cash and bank balances	24	**424**	446
		465	497
CURRENT LIABILITIES			
Accounts payable	25	**2**	1
Accrued liabilities and other payables	26	**13**	71
Accrued liabilities with Deconsolidated Subsidiaries	27	**–**	127
Tax liabilities		**14**	25
		29	224
NET CURRENT ASSETS		**436**	273
NON-CURRENT LIABILITIES			
Tax liabilities	12(i)	**17**	22
NET ASSETS		**598**	516

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 March 2019

	Notes	**2019 HK$ million**	2018 HK$ million
CAPITAL AND RESERVES			
Share capital	28	**55**	55
Share premium	28	**386**	386
Reserves		**109**	(17)
EQUITY ATTRIBUTABLE TO THE SHAREHOLDERS OF THE COMPANY		**550**	424
NON-CONTROLLING INTERESTS		**48**	92
TOTAL EQUITY		**598**	516

Tan Bingzhao
Director

Deng Xiangping
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 March 2019

	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 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)	(17)	424	92	516
Effect on initial adoption of HKFRS 9 *(Notes 2.1 and 2.3)*	–	–	–	–	–	8	8	8	–	8
Effect on initial adoption of HKFRS 15 *(Notes 2.2 and 2.3)*	–	–	–	–	–	20	20	20	1	21
At 1 April 2018 (as adjusted)	55	386	193	4	15	(201)	11	452	93	545
Profit/(loss) for the year	–	–	–	–	–	91	91	91	(18)	73
Other comprehensive income	–	–	–	–*	–	–	–	–	–*	–
Total comprehensive income/(loss) for the year	–	–	–	–	–	91	91	91	(18)	73
Deemed acquisition of a listed subsidiary's equity interest#	–	–	–	–	7	–	7	7	(27)	(20)
At 31 March 2019	55	386	193	4	22	(110)	109	550	48	598
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

* The amount is less than HK$1 million.

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 ended 31 March 2019 (the "Year"), Emerson repurchased 1,756,436 (2018: 4,266,764) of its own shares for approximately HK$20 million (2018: HK$50 million). It resulted in an increase in the Company's interests in Emerson from approximately 66.9% as of 31 March 2018 to approximately 72.4% as of 31 March 2019 and is regarded as an 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 2019

	Notes	2019 HK$ million	2018 HK$ million
OPERATING ACTIVITIES			
Profit before taxation		**56**	176
Adjustments for:			
Dividend income	9(b)	**–**	(8)
Interest income	9(b)	**(8)**	(5)
Reversal of restructuring costs		**–**	(6)
Change in fair value of financial assets at FVTPL	6(b)	**1**	–
Impairment loss recognised in respect of brands and trademarks	18	**94**	42
Write back of accrued liabilities with Deconsolidated Subsidiaries	27	**(127)**	(206)
Write back of accrued liabilities	26(i)	**(27)**	–
Operating cash flows before working capital changes		**(11)**	(7)
Increase in inventories		**(3)**	(19)
Decrease/(increase) in accounts receivable		**11**	(7)
(Increase)/decrease in prepayments, deposits and other receivables		**(1)**	4
Increase in accounts payable		**1**	1
Decrease in accrued liabilities and other payables		**(5)**	–
Cash used in operations		**(8)**	(28)
Overseas profits tax (paid)/refunded		**(1)**	5
Net cash used in operating activities		**(9)**	(23)
INVESTING ACTIVITIES			
Payments to acquire plant and equipment		**(1)**	–
(Increase)/decrease in short-term deposits with original maturities more than three months but less than one year		**(93)**	67
Repurchases of a listed subsidiary's equity securities		**(20)**	(50)
Dividend received		**–**	8
Interest received		**8**	5
Net cash (used in)/generated from investing activities		**(106)**	30

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 March 2019

	Notes	2019 HK$ million	2018 HK$ million
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		**(115)**	7
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		**316**	307
Effect of foreign exchange rate changes, net		**–**	2
CASH AND CASH EQUIVALENTS AT END OF YEAR		**201**	316
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Bank balances		**125**	316
Short-term deposits with original maturities within three months		**76**	–
Cash and cash equivalents at end of year	24	**201**	316

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.

Prior to 26 September 2017, based on the total interests in the Shares held, the Company's immediate holding company was Sino Bright Enterprises Co., Ltd. ("Sino Bright"), a company incorporated in the British Virgin Islands. On 26 September 2017, being the completion date of the sale of 3,616,495,378 Shares from Sino Bright to Wealth Warrior Global Limited ("Wealth Warrior"), the Company's immediate holding company is Wealth Warrior, a company incorporated in the British Virgin Islands. The Company's ultimate controlling shareholder is Mr. Tan Bingzhao ("Mr. Tan"), being the beneficial owner and sole director of Wealth Warrior. In addition, Mr. Tan is also interested in 439,180,000 Shares through a discretionary trust.

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, distribution of houseware products and audio products in the United States of America (the "USA"), and the trading of household appliances in the People's Republic of China (the "PRC").

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.

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 new and revised Hong Kong Financial Reporting Standards ("HKFRSs"), Hong Kong Accounting Standards ("HKASs") and interpretations issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") that are relevant to the operations to the Group and are effective for accounting periods beginning on or after 1 January 2018:

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers and the Related Amendments
HK(IFRIC) – Int 22	Foreign Currency Transactions and Advance Consideration
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014 – 2016 Cycle
Amendments to HKAS 40	Transfers of Investment Property

Except as described below, the application of the new and revised HKFRSs, HKASs and interpretations in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

2.1 HKFRS 9 Financial Instruments

HKFRS 9 replaced HKAS 39 Financial Instruments: Recognition and Measurement. HKFRS 9 sets out the requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items (for example, contract assets). In accordance with the specific transitional provisions set out in HKFRS 9, the Group has applied the classification and measurement requirements (including requirements relating to impairment under expected credit loss ("ECL") model) to items that existed as of the date of initial application (i.e. 1 April 2018) on a retrospective basis based on the facts and circumstances that existed as at 1 April 2018. However, the Group has decided not to restate the comparative figures. Accordingly, the comparative information continues to be presented based on the requirements of HKAS 39 and hence may not be comparable with the current year information. The cumulative effect of initial application of HKFRS 9 has been recognised as adjustments to the opening equity.

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

New and amended standards adopted by the Group (continued)

2.1 HKFRS 9 Financial Instruments (continued)

A. Classification and measurement of financial assets

In general, HKFRS 9 categorises financial assets into the following three classification categories:

- measured at amortised cost;
- at fair value through other comprehensive income ("FVTOCI"); and
- at fair value through profit or loss ("FVTPL").

These classification categories are different from those set out in HKAS 39 which included held-to-maturity investments, loans and receivables, available-for-sale financial assets and financial assets measured at FVTPL. 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.

The following table shows a reconciliation from how the Group's financial assets existed as of 1 April 2018 were classified and measured under HKAS 39 to how they are classified and measured under HKFRS 9:

	Old classification under HKAS 39	New classification under HKFRS 9	Carrying amounts under HKAS 39 at 31 March 2018	Reclassification	Remeasurement	Carrying amounts under HKFRS 9 at 1 April 2018
			HK$ million	HK$ million	HK$ million	HK$ million
Investments in unlisted equity securities	Available-for-sale financial assets (at cost less impairment)	FVTPL	–	–	8 *(Note a)*	8
Accounts receivable	Loans and receivables	Amortised cost	18	–	–	18
Deposits and other receivables	Loans and receivables	Amortised cost	1	–	–	1
Cash and bank balances	Loans and receivables	Amortised cost	446	–	–	446
Other non-current assets	Loans and receivables	Amortised cost	1	–	–	1

Note (a)

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

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

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

New and amended standards adopted by the Group (continued)

2.1 HKFRS 9 Financial Instruments (continued)

B. Impairment under ECL model

HKFRS 9 has introduced the "ECL model" to replace the "incurred loss" model under HKAS 39. The "ECL model" requires an ongoing measurement of credit risk associated with a financial asset. The Group has applied the "ECL model" to the following types of financial assets:

- financial assets that are subsequently measured at amortised cost (including other non-current assets, cash and bank balances, accounts receivable, and deposits and other receivables).

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

C. Effect on the Group's accumulated deficits as of 1 April 2018

The following table shows the impact of the application of HKFRS 9 on the Group's accumulated deficits as of 1 April 2018:

	Decrease in the Group's accumulated deficits HK$ million
Difference between the fair value of unlisted equity securities as of 1 April 2018 that were previously measured at cost less impairment under HKAS 39 and their aggregate carrying amount under HKAS 39	8

2.2 HKFRS 15 Revenue from Contracts with Customers and the Related Amendments

HKFRS 15 has replaced HKAS 11 Construction Contracts, HKAS 18 Revenue and other revenue-related interpretations. Under HKAS 11 and HKAS 18, revenue arising from construction contracts and provision of services was recognised over time whereas revenue from sale of goods was generally recognised at a point in time when the risks and rewards of ownership of the goods had passed to the customers. Under HKFRS 15, revenue is recognised when the customer obtains control of the promised good or service in the contract. This may be at a single point in time or over time. HKFRS 15 has introduced additional qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

Based on the specific transitional provisions set out in HKFRS 15, the Group had decided to use the cumulative effect transition method and had recognised the cumulative effect of initial application of HKFRS 15 as an adjustment to the opening balance of equity as at the date of initial application (i.e. 1 April 2018). Accordingly, comparative information has not been restated and continues to be presented under HKAS 11 and HKAS 18. Also, the Group has applied the HKFRS 15 requirements only to contracts that were not completed before 1 April 2018.

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

New and amended standards adopted by the Group (continued)

2.2 HKFRS 15 Revenue from Contracts with Customers and the Related Amendments (continued)

As disclosed in Note 33, the Group is engaged in the following operations:

- Distribution of houseware products and audio products
- Licensing business on a worldwide basis
- Trading of household appliances, wires and cables in the PRC

(i) Distribution of houseware products and audio products and trading of household appliances, wires and cables in the PRC

Upon the adoption of HKFRS 15, revenue is recognised at the point in time when control of asset is transferred to the customer, generally on delivery of the goods. The Group has determined that the application of the new standard has not resulted in 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). Previously, under HKAS 18, the minimum annual payment was recognised as revenue on a straight-line basis.

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

New and amended standards adopted by the Group (continued)

2.2 HKFRS 15 Revenue from Contracts with Customers and the Related Amendments (continued)

(ii) Licensing income (continued)

Summary of effects arising from initial application of HKFRS 15

The following table summarises the impacts of transition to HKFRS 15 on accumulated deficits at 1 April 2018:

	HK$ million
Decrease in deferred revenue under accrued liabilities and other payables	28
Increase in contract liabilities	(2)
Decrease in accounts receivable	(2)
Increase in income tax liabilities	(3)
Non-controlling interests	(1)
Impact at 1 April 2018	20

The Group recognises revenue for the sales-based royalty when those subsequent sales occur (i.e. excess of actual sales occurred).

The following adjustments were made to the amounts recognised in the consolidated statement of financial position at 1 April 2018. Line items that were not affected by the changes have not been included:

	Carrying amounts under HKAS 18 at 31 March 2018 HK$ million	Reclassification HK$ million	Remeasurement HK$ million	Carrying amounts under HKFRS 15 at 1 April 2018* HK$ million
Current Assets				
Accounts receivable	18	(2)	–	16
Current Liabilities				
Accrued liabilities and other payables	71	(26)	–	45
Tax liabilities	25	3	–	28
Capital and Reserves				
Reserves	(17)	20	–	3
Non-controlling interests	92	1	–	93

* The amounts in this column are before the adjustments from the application of HKFRS 9.

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

New and amended standards adopted by the Group (continued)

2.2 *HKFRS 15 Revenue from Contracts with Customers and the Related Amendments (continued)*

(ii) Licensing income (continued)

Summary of effects arising from initial application of HKFRS 15 (continued)

As mentioned above, the Group has adopted the cumulative effect transition method for transition to HKFRS 15. With such a method being adopted, the Group is required to make an additional disclosure that shows how the amount of each financial line item is affected in the current year by the application of HKFRS 15 as compared to those superseded standards including HKAS 11, HKAS 18 and the related interpretations. The tables below only show line items that are affected:

Impact on the consolidated statement of financial position

	Amounts reported under HKFRS 15 HK$ million	**Hypothetical amounts under HKAS 18** HK$ million	**Difference** HK$ million
Capital and Reserves			
Reserves	109	82	27
Non-controlling interests	48	48	–*
Current Liabilities			
Accrued liabilities and other payables	13	43	(30)
Tax liabilities	14	11	3

* The amount is less than HK$1 million.

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

New and amended standards adopted by the Group (continued)

2.2 HKFRS 15 Revenue from Contracts with Customers and the Related Amendments (continued)

(ii) Licensing income (continued)

Summary of effects arising from initial application of HKFRS 15 (continued)

Impact on the consolidated income statement

	Amounts reported under HKFRS 15 HK$ million	**Hypothetical amounts under HKAS 18** HK$ million	**Difference** HK$ million
Revenue	123	116	7
Gross profit	69	62	7
Profit before taxation	**56**	**49**	**7**
Income tax credit	17	17	–*
Profit for the Year	**73**	**66**	**7**
Profit for the Year attributable to:			
Shareholders of the Company	91	84	7
Non-controlling interests	(18)	(18)	–*
Earnings per share			
Basic (HK cents)	1.66	1.52	0.14
Diluted (HK cents)	1.66	1.52	0.14

* The amount is less than HK$1 million.

Impact on the consolidated statement of comprehensive income

	Amounts reported under HKFRS 15 HK$ million	**Hypothetical amounts under HKAS 18** HK$ million	**Difference** HK$ million
Total comprehensive income for the Year	**73**	**66**	**7**
Total comprehensive income for the Year attributable to:			
Shareholders of the Company	91	84	7
Non-controlling interests	(18)	(18)	–*

* The amount is less than HK$1 million.

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

New and amended standards adopted by the Group (continued)

2.2 HKFRS 15 Revenue from Contracts with Customers and the Related Amendments (continued)

(ii) Licensing income (continued)

Summary of effects arising from initial application of HKFRS 15 (continued)

Impact on the consolidated statement of cash flows

	Amounts reported under HKFRS 15 HK$ million	Hypothetical amounts under HKAS 18 HK$ million	Difference HK$ million
OPERATING ACTIVITIES			
Profit before taxation	**56**	**49**	**7**
(Decrease)/increase in accrued liabilities and other payables	(5)	25	(30)
Cash (used in)/generated from operations	**(8)**	**15**	**(23)**
Net cash (used in)/ generated from operating activities	**(9)**	**14**	**(23)**

The significant differences arise as a result of the changes in accounting policies described above, mainly attributable to the minimum annual payments of licensing income should be recognised at a particular point in time (being the commencement of each annual license period). Previously, under HKAS 18, the minimum annual payment was recognised as revenue on a straight-line basis.

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

New and amended standards adopted by the Group (continued)

2.3 Impacts on opening consolidated statement of financial position arising from the application of all new standards

As a result of the changes in the Group's accounting policies above, the opening consolidated statement of financial position had to be restated. The following table shows the adjustments recognised for each of the line items affected. Line items that were not affected by the changes have not been included.

	31 March 2018 (Audited) HK$ million	HKFRS 9 HK$ million	HKFRS 15 HK$ million	1 April 2018 (Restated) HK$ million
Available-for-sale investments	–	–	–	–
Financial assets at FVTPL	–	8	–	8
Total non-current assets	**265**	**8**	**–**	**273**
Accounts receivable	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**

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:

HKFRS 16[1]	Leases
HK(IFRIC) – Int 23[1]	Uncertainty over Income Tax Treatments
Amendments to HKFRSs[1]	Annual improvements to HKFRSs 2015 – 2017 Cycle
Amendments to HKFRS 3[3]	Definition of a Business
Amendments to HKFRS 9[1]	Prepayment Features with Negative Compensation
Amendments to HKFRS 10 and HKAS 28[2]	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
Amendments to HKAS 1 and HKAS 8[4]	Definition of Material
Amendments to HKAS 19[1]	Plant Amendment, Curtailment or Settlement
Amendments to HKAS 28[1]	Long-term Interests in Associates and Joint Ventures
Amendments to Conceptual Framework[4]	Conceptual Framework for Financial Reporting 2018

(1) Effective for annual periods beginning on or after 1 January 2019
(2) Effective date to be determined
(3) Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020
(4) Effective for annual periods beginning on or after 1 January 2020

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:

HKFRS 16, "Leases"

HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. HKFRS 16 will supersede HKAS 17 Leases and the related interpretations when it becomes effective.

HKFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. In addition, HKFRS 16 requires sale and leaseback transactions to be determined based on the requirements of HKFRS 15 as to whether the transfer of the relevant asset should be accounted as a sale. HKFRS 16 also includes requirements relating to subleases and lease modifications.

Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

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

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

HKFRS 16, "Leases" (continued)

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Group currently presents upfront prepaid lease payments as investing cash flows in relation to leasehold lands for owned use and those classified as investment properties while other operating lease payments are presented as operating cash flows. Upon application of HKFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing cash flows by the Group.

Other than certain requirements which are also applicable to lessor, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by HKFRS 16.

As at 31 March 2019, the Group has non-cancellable operating lease commitments of approximately HK$7 million. A preliminary assessment indicates that these arrangements will meet the definition of a lease. Upon application of HKFRS 16, the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases.

In addition, the Group currently considers refundable rental deposits paid of approximately HK$1 million and refundable rental deposits received of HK$Nil as rights and obligations under leases to which HKAS 17 applies. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the right to use the underlying assets, accordingly, the carrying amounts of such deposits may be adjusted to amortised cost. Adjustments to refundable rental deposits paid would be considered as additional lease payments and included in the carrying amount of right-of-use assets. Adjustments to refundable rental deposits received would be considered as advance lease payments.

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 HKFRSs, 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.

(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 when otherwise indicated. 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 basis except for the use of fair value basis for certain financial instruments, as explained in the accounting policies set out below.

The preparation of consolidated financial statements in conformity with HKFRSs requires management to make judgements, 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 judgements 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.

Judgements 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 disclosed in Note 4.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(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.

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).

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Revenue recognition (from 1 April 2018)

Revenue from contracts with customers (upon application of HKFRS 15 in accordance with transitions in Note 2.2)

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

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates and enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with HKFRS 9. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

A contract asset and a contract liability relating to a contract are accounted for and presented on a net basis.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Revenue recognition (from 1 April 2018) (continued)

Further details of the Group's revenue and other income recognition policies are as follows, and Notes 3(e) and 3(f) below:

(i) Sales of goods – Distribution of houseware products and audio products and trading of household appliances in the PRC

Details are set out in Note 2.2(i).

(ii) Licensing business on a worldwide basis

Details are set out in Note 2.2(ii).

(e) Revenue recognition (prior to 1 April 2018)

Revenue is measured at the fair value of the consideration received or receivable. Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, as follows:

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

(f) Revenue recognition (for both reporting periods)

(i) 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.

(ii) Dividend income from unlisted investments is recognised when the shareholders' rights to receive payment have been established.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) 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.

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Business combinations (continued)

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.

(h) 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 ("CGUs") (or groups of CGUs) that is expected to benefit from the synergies of the combination.

A CGU 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 CGU 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 CGU 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) 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.

(j) 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.

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) 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.

(l) Investments and other financial assets

Finance instruments

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

Financial assets and financial liabilities are initially measured at fair value except for accounts receivable arising from contracts with customers which are initially measured in accordance with HKFRS 15 since 1 April 2018. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and 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 asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(l) Investments and other financial assets (continued)

Financial assets

Classification and subsequent measurement of financial assets (upon application of HKFRS 9 in accordance with transitions in Note 2.1)

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets that meet the following conditions are subsequently measured at FVTOCI:

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at FVTPL, except that at the date of initial application/initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in OCI if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which HKFRS 3 *Business Combinations* applies.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

In addition, the Group may irrevocably designate a financial asset that are required to be measured at the amortised cost or FVTOCI as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(l) Investments and other financial assets (continued)

Financial assets (continued)

Classification and subsequent measurement of financial assets (upon application of HKFRS 9 in accordance with transitions in Note 2.1) (continued)

(i) Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit-impaired.

(ii) Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI or designated as FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial asset and is included in the consolidated income statement as a separate line item.

Impairment of financial assets (upon application HKFRS 9 with transitions in accordance with Note 2.1)

The Group recognises a loss allowance for ECL on financial assets which are subject to impairment under HKFRS 9 (including other non-current assets, cash and bank balances, accounts receivable, deposits and other receivables). The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for accounts receivable without significant financing component. The ECL on these assets are assessed collectively using a provision matrix with appropriate groupings of historical credit loss experience, average actual date of receipt and customers' background and forward-looking information.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(l) Investments and other financial assets (continued)

Financial assets (continued)

Impairment of financial assets (upon application HKFRS 9 with transitions in accordance with Note 2.1) (continued)

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

(i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor; and
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(I) Investments and other financial assets (continued)

Financial assets (continued)

Impairment of financial assets (upon application HKFRS 9 with transitions in accordance with Note 2.1) (continued)

(ii) Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events of default that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

(a) significant financial difficulty of the issuer or the borrower;

(b) a breach of contract, such as a default or past due event;

(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or

(e) the disappearance of an active market for that financial asset because of financial difficulties.

(iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of accounts receivable, when the amounts are over two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(l) Investments and other financial assets (continued)

Financial assets (continued)

Impairment of financial assets (upon application HKFRS 9 with transitions in accordance with Note 2.1) (continued)

(v) Measurement and recognition of ECL

ECLs are probability-weighted estimate of credit losses, which are measured at the present value of all expected cash shortfalls (i.e. difference between the cash flows due to the Group in accordance with the contracts and the cash flows that the Group expects to receive).

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on amortised cost of the financial asset.

The Group recognises an impairment gain or loss in consolidated income statement for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

Except for investments in equity instruments that are measured at FVTPL, the Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of other non-current assets, accounts receivable, and deposit and other receivables where the corresponding adjustment is recognised through a loss allowance account.

Initial recognition and measurement (before application of HKFRS 9 on 1 April 2018)

The Group's financial assets are classified, at initial recognition, into loans and receivables or available-for-sale financial investments, as appropriate. When financial assets are recognised initially, they are measured at fair value plus transaction costs that are attributable to the acquisition of the financial assets.

All regular way purchases or sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or 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 on 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 debt instrument, or, where appropriate, a shorter period.

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(I) Investments and other financial assets (continued)

Initial recognition and measurement (before application of HKFRS 9 on 1 April 2018) (continued)

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition such assets are carried at amortised cost using the effective interest method, less any identified impairment losses. The effective interest rate amortisation is included in other income and gains in the consolidated income statement. The loss arising from impairment is recognised in the consolidated income statement in finance costs for loans and in other expenses for receivables.

Available-for-sale financial investments

Available-for-sale financial investments are non-derivative financial assets in listed and unlisted equity securities and debt securities. Equity investments classified as available for sale are those which are neither classified as held for trading nor designated as at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in market conditions.

After initial recognition, available-for-sale financial investments are measured at fair value. Unrealised gains or losses (except for changes in exchange rates for monetary items, interest, dividends and impairment losses which are recognised in the consolidated income statement) are recognised in other comprehensive income until the financial asset is derecognised, at which time the cumulative gain or loss previously recognised in other comprehensive income is taken to the consolidated income statement. Interest and dividends earned whilst holding the available-for-sale financial investments are reported as interest income and dividend income, respectively and are recognised in the consolidated income statement as other income.

When the fair value of unlisted equity securities cannot be reliably measured because (a) the variability in the range of reasonable fair value estimates is significant for that investment or (b) the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value, such investments are stated at cost less any impairment losses.

The Group evaluates whether the ability and intention to sell its available-for-sale financial investments in the near term are still appropriate. When, in rare circumstances, the Group is unable to trade these financial assets due to inactive markets, the Group may elect to reclassify these financial assets if management has the ability and intention to hold the assets for the foreseeable future or until maturity.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(l) Investments and other financial assets (continued)

Initial recognition and measurement (before application of HKFRS 9 on 1 April 2018) (continued)

Subsequent measurement (continued)

Available-for-sale financial investments (continued)

For a financial asset reclassified from the available-for-sale category, the fair value carrying amount at the date of reclassification becomes its new amortised cost and any previous gain or loss on that asset that has been recognised in equity is amortised to the consolidated income statement over the remaining life of the investment using the effective interest rate. Any difference between the new amortised cost and the maturity amount is also amortised over the remaining life of the asset using the effective interest rate. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the consolidated income statement.

(m) Impairment of financial assets (before application of HKFRS 9 on 1 April 2018)

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that occurred after the initial recognition of the asset have an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

The amount of any impairment loss identified 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 yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition).

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in the consolidated income statement. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(m) Impairment of financial assets (before application of HKFRS 9 on 1 April 2018) (continued)

Financial assets carried at amortised cost (continued)

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to other expenses in the consolidated income statement.

Assets carried at cost

If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Impairment losses on these assets are not reversed.

Available-for-sale financial investments

For available-for-sale financial investments, the Group assesses at the end of each reporting period whether there is objective evidence that an investment or a group of investments is impaired.

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the consolidated income statement, is removed from other comprehensive income and recognised in the consolidated income statement.

In the case of equity investments classified as available for sale, objective evidence would include a significant or prolonged decline in the fair value of an investment below its cost. "Significant" is evaluated against the original cost of the investment and "prolonged" against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the consolidated income statement – is removed from other comprehensive income and recognised in the consolidated income statement. Impairment losses on equity instruments classified as available for sale are not reversed through the consolidated income statement. Increases in their fair value after impairment are recognised directly in other comprehensive income. The determination of what is "significant" or "prolonged" requires judgement. In making this judgement, the Group evaluates, among other factors, the duration or extent to which the fair value of an investment is less than its cost.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(n) Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

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

(o) Financial liabilities

Initial recognition and measurement

The Group's financial liabilities include accounts payable, accrued liabilities and other payables.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs. After initial recognition, they are subsequently measured at amortised cost using the effective interest rate method.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(o) Financial liabilities (continued)

Derecognition of financial liabilities

When the contractual terms of financial liability are modified such that the revised terms would result in a substantial modification from the original terms after considering qualitative factors (e.g. modifications of convertible instruments such as extending the tenure, change in exercise price of the underlying options).

When the contractual terms of financial liability are modified such that the revised terms would result in a substantial modification from the original terms, after taking into account all relevant facts and circumstances including qualitative factors, such modification is accounted for as derecognition of the original financial liability and the recognition of new financial liability. The difference between the carrying amount of financial liability derecognised and the fair value of consideration paid or payable, including any liabilities assumed and derivative components recognised, is recognised in consolidated profit or loss.

(p) 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.

(q) 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)

(r) 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.

(s) 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; and

– goodwill.

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 CGU).

– *Recognition of impairment losses*

An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the CGU 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 CGU (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).

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(s) Impairment of other assets (continued)

– *Reversals of impairment losses*

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

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

(t) 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.

(u) 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(v) Provision and contingent liabilities

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

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

(w) Income Tax

Income tax represents the sum of current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(w) Income Tax (continued)

Deferred tax assets are recognised for all deductible temporary differences, the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences, the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax is calculated, without discounting, at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

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

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(x) Related parties

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

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

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

(ii) has significant influence over the Group;

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

or

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

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

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

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

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

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

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

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(y) Fair value measurement

The Group measures its unlisted equity securities at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly.

Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

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 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 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. Further details are set out in Notes 18 and 20.

(ii) Fair value of financial instruments

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Group uses its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period. Further details are set out in Notes 6(b) and 16.

(iii) 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 judgement. 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.

(iv) Provision of ECL for accounts receivable

The Group makes provision for impairment of accounts receivable based on assumptions about risk of default and expected loss rate. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period. Further details are set out in Notes 6(a)(ii) and 22.

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 2019, deferred tax assets of HK$4 million (2018: HK$4 million) in relation to deductible temporary difference in respect of depreciation/amortisation 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. Further details are set out in Note 17.

5. FINANCIAL INSTRUMENTS BY CATEGORIES

	2019 HK$ million	2018 HK$ million
Financial assets –		
Available-for-sale investments	**–**	–
Financial assets at FVTPL	**7**	–
At amortised cost	**431**	–
Loans and receivables	**–**	466
	438	466
Financial liabilities –		
At amortised cost	**13**	16

6. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

(a) Financial risk management

The Group's principal financial instruments comprise cash and bank balances. The Group has various other financial assets and liabilities such as accounts receivable and accounts payable, which arise directly from its operations. Details of the financial instruments are disclosed in respective notes.

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.

(i) 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.

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	
	2019 HK$ million	2018 HK$ million
Cash and bank balances	**132**	98
Accrued liabilities and other payables	**–**	(16)
	132	82

(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 considered that the Group's exposure to currency risk is not significant and accordingly, no sensitivity analysis has been presented.

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

(a) Financial risk management (continued)

(ii) Credit risk and impairment assessment

As at 31 March 2019, the financial assets' carrying amounts best represent the maximum exposure to credit risk. The Group does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets.

The Group's internal credit risk grading assessment comprises the following categories:

Types of customer	Internal credit rating	Description	Accounts receivable	Other financial assets/ other items
Private sector – listed companies – private companies	Watch list	Debtor frequently repays after due dates but usually settle after due date	Lifetime ECL – not credit-impaired	12-month ECL
Private sector – listed companies – private companies	Loss	There is evidence indicating the asset is credit-impaired	Lifetime ECL – credit-impaired	Lifetime ECL – credit-impaired
Private sector – listed companies – private companies	Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off	Amount is written off

Accounts receivable arising from contracts with customers

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits and credit approvals. Monitoring procedures are in place to ensure that follow-up action is taken to recover overdue debts. In addition, the Group performs impairment assessment under ECL model upon application of HKFRS 9 (2018: incurred loss model) on trade balances individually or based on provision matrix. In this regard, the Directors consider that the Group's credit risk is significantly reduced.

To measure the ECLs, accounts receivable have been grouped based on shared credit risk characteristics and the days past due.

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

(a) Financial risk management (continued)

(ii) Credit risk and impairment assessment (continued)

Accounts receivable arising from contracts with customers (continued)

The estimated ECL loss rates are estimated with reference to the credit spread for each of the groupings (which taking into consideration of historical credit loss experience, average actual date of receipt, customers' background, listing status and size as groupings of various debtors), less risk-free rate, which reflect the credit risk of the debtors, over the expected life of the debtors and are adjusted forward-looking information that is available without undue cost or effort. The grouping is regularly reviewed by management to ensure debtors are appropriately grouped for ECL assessment purpose.

On that basis, the loss allowance as at 31 March 2019 was determined as follows for accounts receivable:

Internal credit rating	Average loss rate	Gross HK$ million	Loss allowance HK$ million	Net HK$ million
Private sector (watch list#)				
– listed companies	4%	4	–*	3
– private companies	5%	2	–*	2
Total loss allowance		6	1	5

Debtor frequently repays but may settle after due date.

* Each of the amount is less than HK$1 million.

Deposits and other receivables

The management of the Group considers that the credit risk arising from the deposits and other receivables to be low as the Group did not experience any material default by these miscellaneous debtors.

Bank balances

The credit risks on bank balances are limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

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

(a) Financial risk management (continued)

(ii) Credit risk and impairment assessment (continued)

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 44% (2018: 58%) and 73% (2018: 81%) of the total receivables, arose from the Group's largest customer and the two largest customers, respectively, in which the balances were due from customers with whom the Group has established long term trading relationship and who have good credit history with the Group and were past due within 3 months. The Group keeps monitoring the level of exposures to ensure that follow up actions and/or corrective action are taken promptly to lower the risk exposure or to recover the overdue balances.

(iii) 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.

Liquidity risk is the risk that an enterprise will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at close to its fair value. Prudent liquidity risk management implies maintaining sufficient cash. The Group monitors and maintains a level of bank balances deemed adequate to finance the Group's operations. All of the financial liabilities of the Group are repayable on demand or fall due within one year.

(iv) 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 consider the Group's exposure of the short-term bank deposits to interest rate risk is not significant as interest bearing bank balances and deposits are within short maturity period. Accordingly, no sensitivity analysis on short-term bank deposits is presented.

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

(b) Fair values of financial instruments

The carrying amounts and fair values of the Group's financial instruments, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

	2019		2018	
	Carrying amount HK$ million	**Fair value HK$ million**	Carrying amount HK$ million	Fair value HK$ million
Financial assets:				
Financial assets at FVTPL	**7**	**7**	–	–
Available-for-sale investments *(Note (i))*	**–**	**–**	–	–

Note (i)

As set out in Note 2.1, the carrying amount of the unlisted equity securities were previously measured at cost less impairment under HKAS 39 as at 31 March 2018.

Management has assessed that the fair values of cash and bank balances, accounts receivable, accounts payable, financial assets included in prepayments, deposits and other receivables and financial liabilities included in accrued liabilities and other payables approximate to their carrying amounts largely due to the short term maturities of these instruments.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The following methods and assumptions were used to estimate the fair values:

As at 31 March 2019, the fair value of financial assets at FVTPL (2018: available-for-sale investments) was determined using the cost approach based on the adjusted net asset value method (2018: cost less impairment).

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

(b) Fair values of financial instruments (continued)

Below is a summary of significant unobservable inputs to the valuation of financial instruments in Level 3 fair value measurements together with a quantitative sensitivity analysis as at 31 March 2019:

Financial instruments	Valuation technique	Significant unobservable input	Sensitivity of fair value to the input
Unlisted equity securities	Adjusted net asset approach	(1) Net asset value (2) Adjustments to book value of underlying assets not measured at fair value	(1) A 10% decrease in the adjusted net assets holding all other variables constant would decrease the carrying amounts of these unlisted equity securities by approximately HK$770,000 (2) A 10% decrease in the fair value of the underlying investment properties held by the investee would decrease the carrying amount by HK$150,000

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 of Directors 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 2.1).

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

(b) Fair values of financial instruments (continued)

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

	HK$ million
Unlisted equity securities:	
At 31 March 2018	–
Effect of initial adoption of HKFRS 9 at 1 April 2018 *(Notes 2.1 and 2.3)*	8
Change in fair value of financial assets at FVTPL	(1)
At 31 March 2019	7

7. MATERIAL RELATED PARTY TRANSACTIONS

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

(a) The Group was billed by Vigers Appraisal and Consulting Ltd. ("Vigers Appraisal") and Lafe Strategic Services Limited ("LSSL") for office rental, building management services fees, utility and charges of HK$590,801 and HK$46,842 (2018: Nil and HK$15,120) respectively for its rented offices in Hong Kong during the Year. Vigers Appraisal and LSSL are wholly owned subsidiaries of Lafe Corporation Limited, which is 76.04% indirectly owned by one of the key management personnel of the Group.

(b) Key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid to the Directors as disclosed in Note 10 and certain of the highest paid employees as disclosed in Note 11, are as follows:

	2019 HK$ million	2018 HK$ million
Salaries and other short-term employee benefits	**32**	20
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 from contracts of customers, by principal activities and by timing of recognition of revenue, for the Year is as follows:

	2019 HK$ million	2018 HK$ million
By principal activities:		
Sales of goods – a point in time	**68**	115
Licensing income		
– a point in time	**55**	–
– over time	**–**	56
	123	171

The Group's customer base is diversified and includes two customers (2018: one customer) with whom sales transactions' values have exceeded 10% of the Group's revenue during the Year, in which approximately HK$36 million or 29.3% (2018: HK$74 million or 43.2%) of total revenue of the Group during the Year was derived from a single customer and approximately HK$13 million or 10.6% of total revenue of the Group during the Year was derived from another single customer, all of which revenue were derived from the operating segment of Emerson. Details of segment information are disclosed in Note 33.

As at 31 March 2019, the aggregate amount of the transaction prices allocated to the performance obligations that were unsatisfied (or partially unsatisfied) as of the end of the reporting period, all of which related to the licensing operating segment, amounted to approximately HK$245.7 million. The Group expected to recognise these amounts as revenue when the performance obligations are satisfied. Based on the remaining contract terms, approximately HK$178.8 million and approximately HK$66.9 million are expected to be recognised within 1 to 5 years and 6-8 years, respectively, after the end of the current reporting period.

9. PROFIT BEFORE TAXATION

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

	Notes	2019 HK$ million	2018 HK$ million
(a) Staff costs			
Directors' and Chief Executive Officer's emoluments		**5**	8
Other staff costs:			
– Salaries and other benefits		**37**	29
– Retirement benefits costs		**3**	5
		45	42
(b) Other items			
Operating lease rentals in respect of land and buildings		**5**	7
Auditor's remuneration:			
– Current year		**2**	2
Carrying amount of inventories sold		**54**	96
Change in fair value of financial assets at FVTPL	6(b)	**1**	–
Write back of accrued liabilities#	26(i)	**(27)**	–
Dividend income#		**–**	(8)
Interest income#		**(8)**	(5)

Included in other income in the consolidated income statement

10. 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 2019					
Tan Bingzhao	**–**	**4.53**	**–**	**0.02**	**4.55**
Deng Xiangping	**–**	**0.38**	**–**	**–**	**0.38**
Lin Jinying	**0.12**	**–**	**–**	**–**	**0.12**
Lu Zhenghua	**0.12**	**–**	**–**	**–**	**0.12**
Ye Hengqing	**0.12**	**–**	**–**	**–**	**0.12**
	0.36	**4.91**	**–**	**0.02**	**5.29**
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
Chan 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

No emoluments were paid by the Group to any of the Directors and Chief Executive Officer as an inducement to join or upon joining the Group or as compensation for loss of office during the Year (year ended 31 March 2018 ("Corresponding Year"): Nil).

The remuneration packages of the Directors are reviewed and approved by the Remuneration Committee. Details please see Corporate Governance Report on pages 22 to 23.

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

11. INDIVIDUALS WITH HIGHEST EMOLUMENTS

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

	2019 HK$ million	2018 HK$ million
Basic salaries, housing, other allowances and benefits in kind	**15**	7
Bonuses paid and payable	**3**	1
Provident fund contribution	**–***	–*
	18	8

* The amounts are less than HK$1 million.

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

HK$	**2019 Number of non-Directors**	2018 Number of non-Directors
2,000,001 – 2,500,000	**1**	2
3,000,001 – 3,500,000	**1**	1
4,500,001 – 5,000,000	**1**	–
7,000,001 – 7,500,000	**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.

12. 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 Year: Nil).

	2019 HK$ million	2018 HK$ million
Current tax		
Overseas *(Note (i))*	**3**	29
Over provision in prior year		
Overseas *(Note (ii))*	**(20)**	(1)
Deferred tax		
Overseas	**–**	4
Income tax (credit)/charge	**(17)**	32

Note (i)

Included in the overseas' current tax for the Corresponding Year, there was a tax provision of approximately HK$24 million in relation to the provision of new tax legislation ("one-time transition tax") 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. As of 31 March 2019, such provision of one-time transition tax amounting to approximately HK$17 million (2018: HK$22 million) and approximately HK$2 million (2018: HK$2 million) were included in non-current portion and current portion of tax liabilities respectively.

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

Note (ii)

In relation to the one-time transition tax as described in Note (i) above, there were changes to the legislation during the Year and based on the final regulations, the one-time transition tax of the Group was reduced by approximately HK$3 million. The resulting reduction of HK$3 million is recognised in the Year as an over-provision in prior year.

In additions, a reversal of tax provision amounting to HK$17 million during the Year was mainly attributable to the release of tax provisions upon the strike-off of Sansui Sales Pte. Limited ("SSPL"), details of which are set out in Note 26(i).

12. INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT (continued)

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

	2019 HK$ million	2018 HK$ million
Profit before taxation	**56**	176
Notional tax calculated at Hong Kong profits tax rate of 16.5% (2018: 16.5%)	**9**	29
Effect of different tax rates in overseas jurisdictions	**(10)**	32
Income and expenses not subject to tax	**4**	(32)
Over provision in prior year	**(20)**	(1)
Others	**–**	4
	(17)	32

13. DIVIDEND

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

14. EARNINGS PER SHARE

(a) Basic earnings per share:

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

	2019 HK$ million	2018 HK$ million
Profit:		
Profit attributable to shareholders of the Company used in the basic earnings per share calculation	**91**	175

	2019 Number of ordinary shares million	2018 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 there were no diluted potential ordinary shares outstanding during the Year and the Corresponding Year.

15. PLANT AND EQUIPMENT

	2019 HK$ million	2018 HK$ million
Cost:		
At 1 April	4	5
Additions	1	–
Disposals	(1)	(1)
At 31 March	4	4
Accumulated depreciation		
At 1 April	4	5
Disposals	(1)	(1)
At 31 March	3	4
Carrying values at 31 March	1	–

The above plant and equipment are depreciated on a straight-line basis at applicable rates which vary from 14.3% to 50% (Corresponding Year: 14.3% to 33.3%) per annum.

16. AVAILABLE-FOR-SALE INVESTMENTS/FINANCIAL ASSETS AT FVTPL

	2019 HK$ million	2018 HK$ million
Non-current		
Available-for-sale investments		
– unlisted equity securities	–	–
Financial assets at FVTPL		
– unlisted equity securities	7	–

The carrying amount of the unlisted equity securities, which was previously measured at cost less impairment under HKAS 39, was fully impaired as of 31 March 2018.

Under HKFRS 9, unlisted equity securities as of 1 April 2018 and 31 March 2019 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 31 March 2019 are set out in Notes 2.1 and 6(b).

17. 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 Year are as follows:

	Deductible temporary difference in respect of depreciation/ amortisation HK$ million
At 1 April 2017	8
Charged to profit or loss for the Corresponding Year *(Note 12)*	(4)
At 31 March 2018 and 1 April 2018	4
Charged to profit or loss for the Year *(Note 12)*	–
At 31 March 2019	4

(b) Deferred tax assets not recognised:

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

	2019 HK$ million	2018 HK$ million
Tax losses carried forward	**16**	16

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(w), the Group has not recognised deferred tax assets of approximately HK$3 million (2018: approximately HK$3 million) in respect of total cumulative tax losses of HK$16 million (2018: HK$16 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. The above tax losses do not expire under current tax legislation.

18. BRANDS AND TRADEMARKS, GOODWILL

	Brand and trademarks		Goodwill	
	2019 HK$ million	2018 HK$ million	**2019 HK$ million**	2018 HK$ million
Gross amount				
At 1 April	**2,026**	2,006	**13**	13
Foreign currency adjustment	**–**	20	**–**	–
At 31 March	**2,026**	2,026	**13**	13
Accumulated amortisation and impairment				
At 1 April	**1,766**	1,707	**13**	13
Foreign currency adjustment	**–**	17	**–**	–
Impairment loss recognised	**94**	42	**–**	–
At 31 March	**1,860**	1,766	**13**	13
Carrying amount at 31 March	**166**	260	**–**	–

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 brands and trademarks have no foreseeable limit to the period over which the trademarked products are expected to generate net cash flows for the Group.

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

The Group recorded a non-cash impairment charge of HK$66 million (2018: Nil) associated with the Akai trademark as at 31 March 2019. This was with reference to the valuation report prepared by an independent professional valuer.

The Group recorded a non-cash impairment charge of HK$5 million (2018: non-cash impairment charge reversal of HK$2 million) associated with the Nakamichi trademark as at 31 March 2019. This was with reference to the valuation report prepared by an independent professional valuer.

The Group recorded a non-cash impairment charge of HK$23 million (2018: HK$44 million) associated with the Emerson trademarks as at 31 March 2019. This was with reference to the valuation report prepared by an independent professional valuer.

19. OTHER ASSETS

	2019 HK$ million	2018 HK$ million
Other receivables (mainly represent utility/rental deposits)	**1**	1

20. IMPAIRMENT TESTING ON BRANDS AND TRADEMARKS, GOODWILL

The carrying amounts of the brands and trademarks, which are identified according to the product line (i.e. brand name of each trademark), and goodwill are presented below according to the operating segments of the Group, as follows:

	Brands and trademarks		Goodwill	
	2019 HK$ million	2018 HK$ million	**2019 HK$ million**	2018 HK$ million
Emerson	**24**	47	**–**	–
Licensing				
Akai	**82**	148	**–**	–
Nakamichi	**41**	46	**–**	–
Sansui	**19**	19	**–**	–
	142	213	**–**	–
	166	260	**–**	–

For impairment testing purposes, the recoverable amounts of each of the trademarks of Emerson, Akai, Nakamichi and Sansui are determined on an individual basis.

The recoverable amount of each of the individual brand name and trademark intangible assets is determined based on its value-in-use using value-in-use calculations, which in the opinion of the Directors approximated its fair value. 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 has a long-term commitment over a time horizon 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 licensing operation, is therefore used for testing the impairment of these brands and trademarks.

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

	2019				2018			
	Emerson	**Akai**	**Nakamichi**	**Sansui**	Emerson	Akai	Nakamichi	Sansui
Pre-tax discount rate	**19%**	**15% – 25.5%**	**16% – 23.5%**	**20% – 24%**	11%	12.5% – 18.5%	12% – 19%	13% – 16%
Growth rate	**2%**	**2%**	**2%**	**2%**	3%	3%	3%	3%

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

The pre-tax discount rates used 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 rates shown above represent the growth rates used to extrapolate cash flow projections beyond the period covered by the forecasts, which also approximate the average growth rates during the period covered by the management projection in the forecast. The growth rates used in preparing the financial budget reflect 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 terms of the licensing agreements, likelihood of renewal of the licensing agreements, and the economic outlook expected over the budget period. Based on the aforesaid cash flow projections, the recoverable amounts of Emerson, Akai and Nakamichi are HK$24 million, HK$82 million and HK$41 million, respectively.

20. 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 individual assets which were impaired as of the end of the financial reporting period, i.e. Emerson, Akai and Nakamichi whose value-in-use were estimated at HK$24 million, HK$82 million and HK$41 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, as follow:

	Reasonably possible change	**Additional impairment**
Discount rate		
– Emerson	Increase 1%	approximately HK$2 million
– Akai	Increase 1%	approximately HK$5 million
– Nakamichi	Increase 1%	approximately HK$3 million
Growth rate		
– Emerson	Decrease 1%	approximately HK$2 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$4 million
– Nakamichi	Decrease 5%	approximately HK$2 million

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 of HK$66 million (2018: Nil) associated with the Akai trademark as at 31 March 2019. This was with reference to the valuation report prepared by an independent professional valuer. In the opinion of the Directors, the recognition of the impairment loss arose because the unfavourable and unstable global economic environment and keen competition of the relevant market as at the end of the reporting period, as well as the renewals of key customer contracts and negotiation with potential customers during the Year on terms which were below the expectations of management had unfavourable effects on the financial budget which, as described above, was prepared based on the past performance and management's expectations for the respective licensing business.

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

The Group recorded a non-cash impairment charge of HK$5 million (2018: non-cash impairment charge reversal of HK$2 million) associated with the Nakamichi trademark as at 31 March 2019. This was with reference to the valuation reports prepared by an independent professional valuer. In the opinion of the Directors, the recognition of the impairment loss arose because the unfavourable and unstable global economic environment and keen competition of the relevant market as at the end of the reporting period, as well as the negotiation with potential customers during the Year on terms which were below the expectations of management had unfavourable effects on the financial budget which, as described above, was prepared based on the past performance and management's expectations for the respective licensing business.

The Group recorded a non-cash impairment charge of HK$23 million (2018: HK$44 million) associated with the Emerson trademarks as at 31 March 2019. This was with reference to the valuation report prepared by an independent professional valuer. In the opinion of the Directors, the recognition of the impairment loss arose because management's expectations as at the end of the reporting period for the distribution and licensing businesses were adversely affected by the fluctuations in market demand for houseware/audio products in the current unfavourable economic environment, which in turn was adversely affected by the deteriorating market sentiment as a result of unstable economic conditions, keen competition of market and downturn of the distribution and licensing businesses in the USA, therefore management has revised downward the five year cash flow forecast compared to previous year.

21. 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:

	2019 HK$ million	2018 HK$ million
Carrying amount of inventories sold	**54**	96

22. ACCOUNTS RECEIVABLE

The Group allows an average credit period of 30 to 90 days to its trade customers.

	2019 HK$ million	2018 HK$ million
Gross amount	**6**	20
Less: allowance for doubtful debts	**(1)**	(2)
Net amount	**5**	18

Upon the initial application of HKFRS 15, an opening adjustment as at 1 April 2018 was made to recognise licensing income at a particular point in time. This has resulted in a decrease in accounts receivable and an increase in reserves as at that date (Note 2.2(ii)). The Directors considered that the carrying amounts of accounts receivable approximate to their fair values.

The closing loss allowances for accounts receivable as at 31 March 2019 reconcile to the opening loss allowances as follows:

	2019 HK$ million	2018 HK$ million
31 March and 1 April	**2**	2
Written off	**(1)**	–
Net amount	**1**	2

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

	2019 HK$ million	2018 HK$ million
0 – 3 months	**5**	18

Details of impairment assessment of accounts receivable for the Year are set out in Note 6 (a)(ii). Loss allowance for accounts receivable as at 1 April 2018 is HK$2 million.

As at 31 March 2018, included in the provision for impairment of accounts receivable are allowances for individually impaired accounts receivable of HK$2 million. The individually impaired receivables related to customers that were in financial difficulties and only a portion of the receivables is expected to be recovered.

23. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2019 HK$ million	2018 HK$ million
Prepayments *(Note (i))*	**6**	5
Deposits	**1**	1
Other receivables	**–***	–
	7	6

* The amount is less than HK$1 million.

Note (i)

Included in prepayments are deposits for subsequent purchases advanced to suppliers amounting to approximately HK$3.3 million as of the end of reporting period (Corresponding Year: approximately HK$2.8 million). These deposits were non-interest bearing and covered 0-3 months of purchases.

24. CASH AND BANK BALANCES

	2019 HK$ million	2018 HK$ million
Bank balances	**125**	316
Short-term deposits with original maturities within three months	**76**	–
Cash and cash equivalents in the consolidated statement of cash flows	**201**	316
Short-term deposits with original maturities more than three months but less than one year	**223**	130
	424	446

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The short-term deposits carry interest rate at 2.55% to 2.89% per annum (2018: 1.90% to 2.10% per annum).

As the end of the reporting period, the cash and bank balances of the Group denominated in Renminbi ("RMB") amounted to approximately HK$3.6 million (2018: Nil). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

25. ACCOUNTS PAYABLE

The ageing analysis of accounts payable is as follows:

	2019 HK$ million	2018 HK$ million
0 – 3 months	**2**	1

26. ACCRUED LIABILITIES AND OTHER PAYABLES

	2019 HK$ million	2018 HK$ million
Accrued expenses *(Note (i))*	**8**	39
Contract liabilities *(Note (ii))*	**2**	–
Deferred income *(Note (iii))*	**–**	28
Other payables	**3**	4
	13	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 SSPL, both former associate corporations of the Company. During the Year, 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 Year and recognised as other income in the consolidated income statement.

In addition, there was a tax provision amounting to HK$17 million included in current portion of tax liabilities in the consolidated statement of financial position as of 31 March 2018, was arising from the previous licensing arrangement between the Group with SSPL. Following the strike-off of SSPL during the Year, in the opinion of the management, the Group's obligations in relation to the tax provision no longer exist and hence were fully written back during the Year.

Note (ii)

Contract liabilities represent the Group's obligation to transfer goods or services to its 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.

27. ACCRUED LIABILITIES WITH DECONSOLIDATED SUBSIDIARIES

	2019 HK$ million	2018 HK$ million
At 1 April	**127**	333
Write back during the Year	**(127)**	(206)
At 31 March	**–**	127
Represented by:		
Portion classified as current liabilities	**–**	127

As a result of the restructuring that took place in 2016, management identified a number of dormant subsidiaries to be liquidated. These dormant subsidiaries and Excluded Companies (as defined in a circular dated 9 March 2016) were grouped together as deconsolidated subsidiaries ("Deconsolidated Subsidiaries"). All liquidations of Deconsolidated Subsidiaries have been completed as of 31 March 2019, which has resulted in HK$127 million being written back and recognised in the consolidated income statement during the Year (Corresponding Year: HK$206 million).

28. SHARE CAPITAL AND SHARE PREMIUM

	Number of Shares	**Share Capital** HK$ million	**Share Premium** HK$ million
Authorised share capital:			
Ordinary shares of HK$0.01 each at 31 March 2019 and 31 March 2018	20,000,000,000	200	
Issued and fully paid share capital:			
Ordinary shares of HK$0.01 each at 31 March 2019 and 31 March 2018	5,492,232,889	55	386

29. CONTINGENT LIABILITIES

Except for the cases set out below, the Group did not have significant contingent liabilities as of 31 March 2019 and up to the date of this report.

(a) 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. 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. 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 are insufficient to meet the taxed fees and expenses of the Former Provisional Liquidators; and

(ii) Indemnify and keep indemnified Mr. Fok Hei Yu 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 the related fees, costs and expenses.

(b) The legal case with the High Court under HCA 48/2014 against the former associates of the Company, SEC and SSPL was discontinued in the preceding financial period. During the Year, 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.

30. OPERATING LEASE COMMITMENTS

At 31 March 2019, the total of future minimum lease payments under non-cancellable operating leases are payable as follows:

	2019 HK$ million	2018 HK$ million
Not later than one year	**3**	3
Later than one year and not later than five years	**4**	3
	7	6

Operating lease payments represent rentals payable by the Group for certain of its office properties. Leases are negotiated for an average term of 2-4 years (2018: 2-3 years) and rentals are fixed for an average of 2-4 years (2018: 2-3 years). None of the leases includes contingent rentals.

31. 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:

	2019 HK$ million	2018 HK$ million
Pledge of unlisted shares of a subsidiary	**–**	196

32. PENSION SCHEME

The Group operates a defined contribution Mandatory Provident Fund Scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for all of its employees in Hong Kong. Contributions are made based on a percentage of the employees' basic salaries and are charged to the consolidated income statement as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund.

The employees of the subsidiaries within the Group which operate in the PRC are required to participate in the central pension scheme operated by the local municipal government. These PRC subsidiaries are required to contribute a percentage of their payroll costs to the central pension scheme as specified by the local municipal government. The contributions are charged to the consolidated income statement as they become payable in accordance with the rules of the central pension scheme.

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.

33. 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
PRC's Household Appliances	Trading of household appliances, wires and cables in the PRC*

* In order to diversify the businesses and markets of the Group, management of the Group commenced this new operating segment during the Year.

33. SEGMENT REPORTING (continued)

	Emerson HK$ million	Licensing HK$ million	PRC's Household Appliances HK$ million	Unallocated HK$ million	Inter-segment elimination HK$ million	Consolidated HK$ million
Year ended 31 March 2019						
Revenue:						
Sale of household appliances, wires and cables to external customers – a point in time	–	–	1	–	–	1
Sale of houseware products to external customers – a point in time	28	–	–	–	–	28
Sale of audio products to external customers – a point in time	39	–	–	–	–	39
Licensing income from external customers – a point in time	5	50	–	–	–	55
Total segment revenue	72	50	1	–	–	123
Results:						
Segment results	(27)	32	–	–	–	5
Reconciliations:						
Unallocated corporate expenses				(16)		(16)
Change in fair value of financial assets at FVPTL				(1)		(1)
Impairment loss recognised in respect of brands and trademarks	(23)	(71)		–		(94)
Write back of accrued liabilities				27		27
Write back of accrued liabilities with Deconsolidated Subsidiaries				127		127
Interest income				8		8
Profit before taxation						56
Assets:						
Segment assets	532	1,186	4	146	(1,224)	644
Liabilities:						
Segment liabilities	583	1,427	2	33	(1,999)	46
Other information:						
Revenue from customers contributing over 10% of total revenue of the Group:						
– Customer A	36	–	–	–	–	36
– Customer B	13	–	–	–	–	13

33. 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:					
Sale of houseware products to external customers	81	–	–	–	81
Sale 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 before taxation					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 customers contributing over 10% of total revenue of the Group:					
– Customer A	74	–	–	–	74
– Customer B*	N/A	N/A	N/A	N/A	N/A

* Revenue from this customer contributing less than 10% of total revenue of the Group during the Corresponding Year.

33. 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.

33. 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	
	2019 HK$ million	2018 HK$ million	**2019 HK$ million**	2018 HK$ million
PRC	**1**	–	**–**	–
Asia (exclude PRC)	**46**	40	**–**	–
North America				
– USA and Canada	**72**	124	**–**	–
Europe	**4**	7	**–**	–
Unallocated	**–**	–	**166**	260
	123	171	**166**	260

34. 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 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
			2019	2018	
Directly held by the Company:					
Good Shinny Holdings Limited	British Virgin Islands	US$1	**100%**	100%	Investment holding/ Hong Kong
Grande N.A.K.S. Ltd.	British Virgin Islands	US$10,000	**100%**	100%	Investment holding/ Hong Kong

34. 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
			2019	2018	
Indirectly held by the Company:					
Swift Up Limited	Hong Kong	HK$1	**100%**	100%	Provision of management services/Hong Kong
廣州敏捷家電貿易有限公司 (Guangzhou Nimble Household Appliances Trading Ltd. #)	PRC	RMB10,000,000	**100%**	–	Trading of household appliances, wires and cables/PRC
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/ Singapore
Sansui Acoustics Research Corporation	British Virgin Islands	US$1,000	**100%**	100%	Brands and trademarks holding and licensing/ Singapore
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/ Singapore
S&T International Distribution Limited	British Virgin Islands	US$1	**100%**	100%	Investment holding/ Hong Kong
Emerson Radio Corp. *	USA	US$529,000	**72.4%**	66.9%	Distribution of houseware products and audio products and licensing business/USA

For identification purposes only

* Listed on the NYSE American of the USA.

34. 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		Effect on initial adoption of HKFRS 15 *(Notes 2.2 and 2.3)*		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	
		2019	2018	**2019 HK$ million**	2018 HK$ million	**2019 HK$ million**	2018 HK$ million	**2019 HK$ million**	2018 HK$ million	**2019 HK$ million**	2018 HK$ million	**2019 HK$ million**	2018 HK$ million
Akai Electric Co., Ltd.	Japan	**13.3%**	13.3%	**1**	–	**(6)**	3	**–**	–	**–**	–	**(42)**	(37)
Emerson Radio Corp.	USA	**27.6%**	33.1%	**–**	–	**(12)**	(34)	**–**	2	**(27)**	(72)	**90**	129
				1	–	**(18)**	(31)	**–**	2	**(27)**	(72)	**48**	92

(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 intra-group eliminations.

	Akai Electric Co., Ltd.		Emerson Radio Corp.	
	2019 HK$ million	2018 HK$ million	**2019 HK$ million**	2018 HK$ million
Non-current assets	**82**	148	**29**	52
Current assets	**304**	293	**324**	370
Current liabilities	**(1,021)**	(1,041)	**(6)**	(9)
Non-current liabilities	**–**	–	**(17)**	(22)
Net (liabilities)/assets	**(635)**	(600)	**330**	391
Revenue	**19**	22	**72**	120
Other income	**9**	8	**7**	4
Expenses	**(72)**	(5)	**(122)**	(194)
Tax (charge)/credit	**(1)**	–	**3**	(27)
(Loss)/profit for the year	**(45)**	25	**(40)**	(97)
Total comprehensive (loss)/ income for the year	**(45)**	15	**(40)**	(90)
Net cash (outflow)/inflow from operating activities	**(6)**	17	**(25)**	(43)
Net cash (outflow)/inflow from investing activities	**–**	(22)	**(90)**	75
Net cash outflow from financing activities	**–**	–	**(20)**	(50)
Net cash outflow	**(6)**	(5)	**(135)**	(18)

35. EVENTS AFTER BALANCE SHEET DATE

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

36. COMPANY LEVEL – STATEMENT OF FINANCIAL POSITION

	2019 HK$ million	2018 HK$ million
NON-CURRENT ASSETS		
Amount due from a subsidiary, less impairment	**378**	423
CURRENT ASSETS		
Prepayments, deposits and other receivables	**1**	1
CURRENT LIABILITIES		
Amount due to a subsidiary	**4**	–
Accrued liabilities and other payables	**1**	2
	5	2
NET ASSETS	**374**	422
CAPITAL AND RESERVES		
Share capital	**55**	55
Share premium	**386**	386
Reserves *(Note)*	**(67)**	(19)
TOTAL EQUITY	**374**	422

Note:

Reserve movement of the Company

	Contributed reserve HK$ million	**Accumulated deficits** HK$ million	**Total** HK$ million
At 1 April 2017	193	(217)	(24)
Profit for the Corresponding Year	–	5	5
At 31 March 2018 and 1 April 2018	193	(212)	(19)
Loss for the Year	–	(48)	(48)
At 31 March 2019	193	(260)	(67)

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		Period from 1 January 2016 to 31 March	Year ended 31 December	
	2019	2018	2017	2015	2014
	HK$ million	HK$ million	HK$ million	HK$ million	HK$ million (Restated)
REVENUE	**123**	171	288	444	663
PROFIT/(LOSS) BEFORE TAX	**56**	176	2,632	(235)	(44)
Tax credit/(charge)	**17**	(32)	64	(16)	(37)
PROFIT/(LOSS) BEFORE NON-CONTROLLING INTERESTS	**73**	144	2,696	(251)	(81)
Non-controlling interests	**18**	31	117	88	(12)
PROFIT/(LOSS) ATTRIBUTABLE TO SHAREHOLDERS	**91**	175	2,813	(163)	(93)

FIVE-YEAR FINANCIAL SUMMARY

ASSETS AND LIABILITIES

	As at 31 March			As at 31 December	
	2019 HK$ million	2018 HK$ million	2017 HK$ million	2015 HK$ million (Restated)	2014 HK$ million (Restated)
NON-CURRENT ASSETS	**179**	265	308	462	693
CURRENT ASSETS	**465**	497	536	571	665
TOTAL ASSETS	**644**	762	844	1,033	1,358
CURRENT LIABILITIES	**29**	224	96	3,876	3,950
NON-CURRENT LIABILITIES	**17**	22	333	33	33
TOTAL LIABILITIES	**46**	246	429	3,909	3,983
NET ASSETS/(LIABILITIES)	**598**	516	415	(2,876)	(2,625)
SHARE CAPITAL AND RESERVES	**550**	424	222	(3,185)	(3,022)
NON-CONTROLLING INTERESTS	**48**	92	193	309	397
TOTAL EQUITY/(DEFICIENCY OF EQUITY)	**598**	516	415	(2,876)	(2,625)