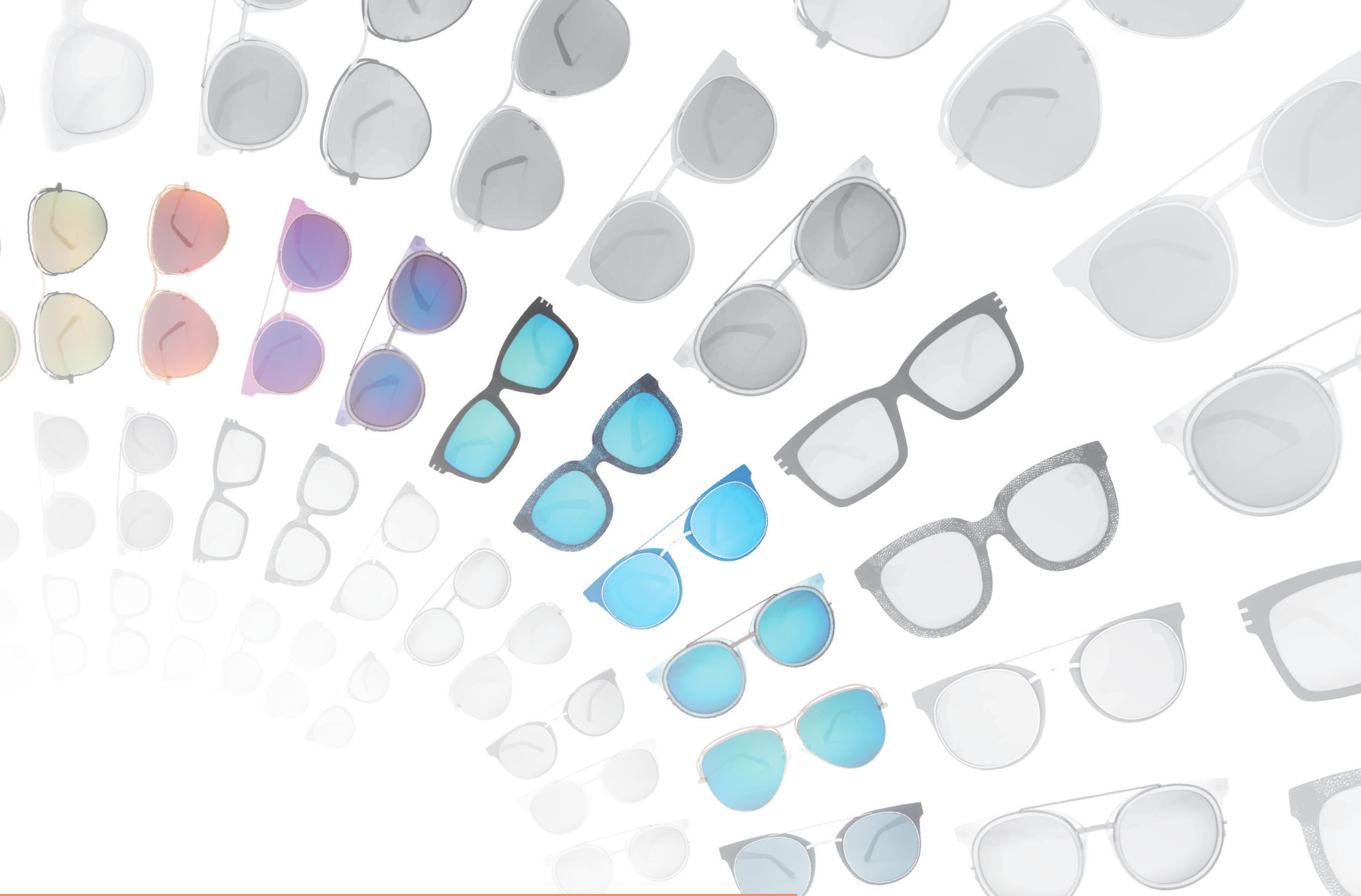
ELEGANCE OPTICAL INTERNATIONAL HOLDINGS LTD

高雅光學國際集團有限公司

(Incorporated in Bermuda with limited liability)

Stock Code: 907

ANNUAL REPORT 2018



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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Ms. WONG Chi Yan
Ms. LIU Shufeng (appointed on 9 October 2017)
Ms. MA Yilin (appointed on 16 October 2017)

Non- Executive Director

Mr. WANG Jijun (appointed on 17 April 2018)

Independent Non-Executive Directors

Mr. WAN Kin Man, Tony
Mr. CHAN Ming Kei (appointed on 26 April 2017)
Mr. CHEN Youchun (appointed on 16 October 2017)

AUDIT COMMITTEES

Mr. WAN Kin Man, Tony *(Chairman)*
Mr. CHAN Ming Kei (appointed on 26 April 2017)
Mr. CHEN Youchun (appointed on 16 October 2017)

NOMINATION COMMITTEES

Mr. WAN Kin Man, Tony *(Chairman)*
Mr. CHAN Ming Kei (appointed on 26 April 2017)
Mr. CHEN Youchun (appointed on 16 October 2017)

REMUNERATION COMMITTEES

Mr. CHEN Youchun *(Chairman)*
(appointed as the Chairman on 16 October 2017)
Mr. WAN Kin Man, Tony
(resigned as the Chairman on 16 October 2017)
Mr. CHAN Ming Kei (appointed on 26 April 2017)

PRINCIPAL BANKERS

DBS Bank (Hong Kong) Limited
Chong Hing Bank Limited

AUDITORS

Ernst & Young

COMPANY SECRETARY

Mr. YEUNG Man Chit Daniel
(appointed on 25 September 2017)

HONG KONG SHARE REGISTRAR

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

PRINCIPAL SHARE REGISTRAR

Conyers Corporate Services (Bermuda) Limited
Clarendon House,
2 Church Street,
Hamilton HM 11,
Bermuda

REGISTERED OFFICE

Clarendon House,
2 Church Street,
Hamilton HM 11,
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

26/F., COFCO Tower,
262 Gloucester Road,
Causeway Bay,
Hong Kong

WEBSITE

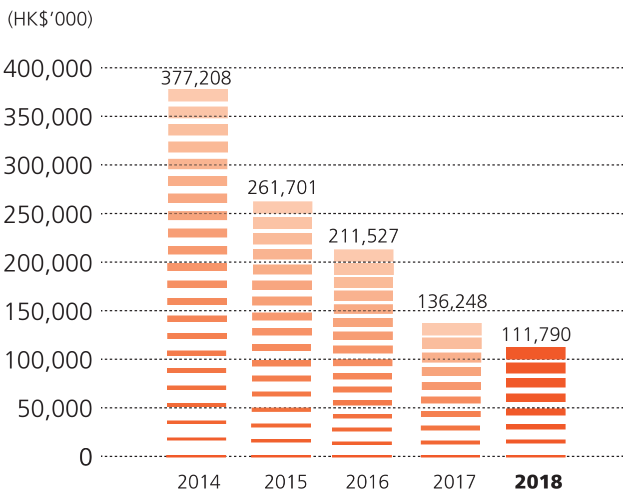
www.elegance-group.com

STOCK CODE

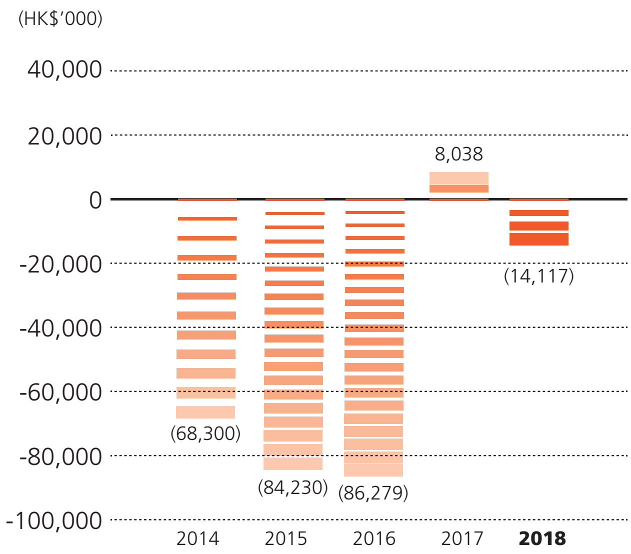
907

FINANCIAL HIGHLIGHTS

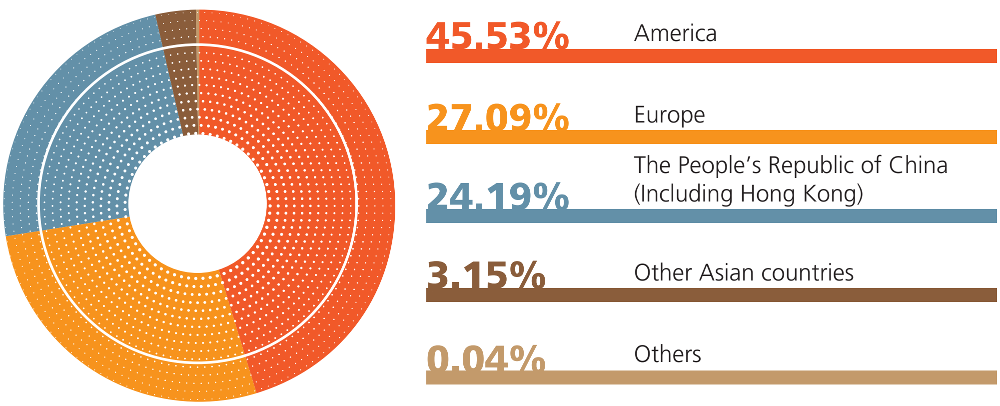
REVENUE



PROFIT/(LOSS) ATTRIBUTABLE TO OWNERS OF THE COMPANY



BREAKDOWN OF REVENUE BY GEOGRAPHICAL AREA FOR THE YEAR ENDED 31 MARCH 2018



MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

For the financial year ended 31 March 2018, Elegance Optical International Holdings Limited (the "Company") and its subsidiaries collectively referred to as (the "Group") recorded a loss before tax of approximately HK$13.9 million, including gain made from the disposal of a subsidiary amounting to approximately HK$62.7 million and an operating loss of approximately HK$76.6 million. The loss attributable to the owners of the Company for the year ended 31 March 2018 was approximately HK$14.1 million (2017: profit attributable to the owners of the Company of approximately HK$8.0 million).

Total revenue for the financial year was approximately HK$111.8 million. Compared to approximately HK$136.2 million recorded for the year ended 31 March 2017, it represents a decrease of approximately 18.0%. Total revenue was comprised of 5 segments, the manufacturing and trading of optical frames and sunglasses, property investment, debts and securities investment, money lending and film distribution. The lion's share of total revenue came from the sales of optical frames and sunglasses. This was reduced by approximately HK$38.1 million to approximately HK$91.5 million (2017: HK$129.6 million) or approximately 29.4%. For property investment, rental income decreased from approximately HK$5.6 million in 2017 to approximately HK$2.0 million in 2018, however, it remains relatively insignificant to the Group's operation. Eyewear sales noticeably declined due to weak market conditions and a downsizing in production. European customers, probably affected by the weaker Euro and the consistently poor Eurozone economies, bought approximately 47.7% less from the Group, comparing with last year. Sales from American customers were also examined and saw a reduction of approximately 19.5%. European sales accounted for 27.1% seconded by American sales at 45.5%.

During the financial year, the Group adopted a cost control policy and has focused on raising operation efficiency through work reorganization. As the Group had to spend on the one-off redundancy payment in the year (approximately HK$24 million) (which had resulted in the Group's number of employees decreased from 1,073 to 464 from 2017 to 2018) and that the Group has commenced business on more business segments, this led to the enlarged general and administrative expenses in the current year comparing to the previous year.

For investments in listed securities, gains of approximately HK$15.1 million (2017: HK$1.0 million) were recorded in the financial year under review. The fair value of the Group's securities investment amounted to approximately HK$10.9 million as at 31 March 2018. The management will continue to adopt prudent approach in investment and monitor the stock markets closely. The Group will cautiously search for investment opportunities.

The Group's money lending business has been steady since the acquisition of a subsidiary with a money lender's licence under the Money Lenders Ordinance (Chapter 163 of the Laws of Hong Kong) in April 2017. There was a loan portfolio in Hong Kong with an aggregate principal amount of HK$34.6 million as at 31 March 2018. The Group recognized interest income of approximately HK$2.5 million and a segment profit before tax of approximately HK$1.4 million in the year under review. The Group adopted a prudent management policy, with the money lending business continuously carrying out regular review of credit risk over the existing borrowers. The Group will proactively explore customers with good quality to expand its business scale, it will continue to adopt a prudent credit risk management strategy to ensure healthy development in its money lending business.

MANAGEMENT DISCUSSION AND ANALYSIS

In October 2017, the Group commenced a new business segment of film distribution through acquisition of the entire equity interest of Filmko Pictures (Hong Kong) Co. Limited ("Filmko Pictures"). During the year, the Group recorded a distribution income of approximately HK$0.8 million.

The Group completed the acquisition of the entire issued share capital of Gold & Silver Holdings Limited ("Gold & Silver"), which owns a residential property with a total gross floor area of approximately 4,200 square feet in Tai Po at a consideration of HK$35 million on 26 October 2017.

On 25 January 2018, the Company agreed to sell to Raising King Ventures Limited, a company incorporated in the British Virgin Islands with limited liability and wholly-owned by Mr. Hui Leung Wah ("Mr. Hui"), (a former chairman of the Board and a former executive director of the Company who resigned as chairman on 19 July 2018 and retired as executive director on 28 September 2017), the entire issued share capital in Grand River Investment Limited ("Grand River"), an indirect wholly-owned subsidiary of the Company, together with all obligations, liabilities and debts owing or incurred by Grand River to Elegance Optical Manufactory Limited, a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of the Company, amounted to approximately HK$17.9 million, at a total cash consideration of HK$79 million. The said transaction has been completed on 23 March 2018. For details of the aforesaid disposal, please refer to the announcements of the Company dated 25 January 2018, 14 February 2018, 23 March 2018, as well as the circular of the Company dated 5 March 2018.

PROSPECT

The eyewear business will remain to be run under a challenging environment. Apart from implementing cost cutting measures and improving production efficiency through work reorganization, the Group will continue to develop its own branded eyewear and accessories business with a view to broadening its client base and revenue source.

While the money lending business has been growing well with satisfactory return, the Group will adopt a prudent approach in granting loans on a selective basis with the aim of achieving an optimal balance between risk and return.

The film distribution business for Hong Kong and territories around the world except for the People's Republic of China (the "PRC") acquired in October 2017 showed good performance due to the distribution of the film "The Monkey King 3" 《西遊記之女兒國》 in February 2018. The Group believes the cultural/entertainment industry, in particular the film industry, in the PRC has vast growth potential as the box office of films in the PRC rose from approximately RMB17.1 billion in 2012 to approximately RMB55.9 billion in 2017, representing a compound annual growth rate of approximately 26.7%. As such, the Group announced to acquire 25% interest in Filmko Culture Limited, the holding company of a major film distributor in the PRC, in June 2018, and the acquisition was subsequently completed in July 2018. The Group believes that the acquisition can further broaden its existing business scope as well as enhancing its profitability, and provides the opportunity to enter into the PRC film market which has very exciting prospects. Further details of the acquisition are set out in the paragraph headed "Events After the Reporting Period" below. In order to tap into the fast growing cultural/entertainment market in the PRC, the Group made a small scale investment in a television programme series in the PRC with guarantee return. Should suitable opportunities arise, the Group intends to make further investments in other television programmes and films as well as other opportunities in the cultural/entertainment sector.

Going forward, the Group will continue to identify and explore other investments and business opportunities to broaden its asset and revenue base as well as to enhance its value to shareholders.

MANAGEMENT DISCUSSION AND ANALYSIS

EVENTS AFTER THE REPORTING PERIOD

On 21 June 2018, Pride Success Enterprises Limited (the "Purchaser"), a wholly-owned subsidiary of the Company, entered into the second supplemental agreement with Alex Film Limited (the "Vendor") and Mr. Wong Hoi Fung (the "Guarantor") to amend and supplement certain terms of the sales and purchase agreement dated 22 January 2018 (as amended by the first supplemental agreement dated 11 April 2018), pursuant to which the parties agreed in the second supplemental agreement to (i) amend the sale shares from 6,000 shares, representing 60% of all the shares issued by Filmko Culture Limited (the "Target Company") to 2,500 shares, representing 25% of all the shares issued by the Target Company and (ii) remove the sale and purchase of the shareholder's loan from the acquisition. Upon completion, the Purchaser holds 25% of all the shares issued by the Target Company and each member of the Target Company and its subsidiaries (the "Target Group") become an associated company of the Company. The Target Group is principally engaged in the business of film distribution in the PRC and has distributed various films produced or released by Filmko Pictures Co., Limited. The acquisition was subsequently completed on 11 July 2018. For further details of the aforesaid acquisition, please refer to the announcement of the Company dated 21 June 2018.

LIQUIDITY AND FINANCIAL RESOURCES

The Group's financial position with cash and cash equivalents of approximately HK$138.8 million (2017: HK$162.0 million), short-term borrowings of approximately HK$11.1 million (2017: HK$46.6 million) and the debt to equity ratio (expressed as a percentage of non-current liabilities over equity attributable to owners of the Company) is approximately 2.0% as at 31 March 2018 (2017: 1.0%). The non-current liabilities of the Company comprised of deferred tax liabilities, deposits received and deferred income and obligation under finance leases amounting to approximately HK$2.1 million, HK$4.6 million and HK$0.6 million respectively (2017: HK$2.6 million, HK$0.1 million and Nil) which came up a total amount of approximately HK$7.3 million as at 31 March 2018 (2017: HK$2.7 million). The Group's equity attributable to owners of the Company as at 31 March 2018 amounted to approximately HK$362.0 million (2017: HK$265.7 million).

CHARGES ON GROUP'S ASSETS

As at 31 March 2018, the Group's banking facilities (the "Banking Facilities") amounted to approximately HK$70 million, of which import loans of approximately HK$1 million were utilised at the end of the financial year, and were secured by a fixed deposit amounting to approximately HK$70 million provided by one of the subsidiaries' director. As at 31 March 2017, one of the Group's land and buildings with carrying amount and market value of approximately HK$17.6 million and approximately HK$79 million respectively was pledged to a bank for a general banking facilities to an extent of HK$60.0 million. The Company had provided corporate guarantees up to a maximum amount of HK$60.0 million to secure the general banking facilities granted to its subsidiaries and an amount of approximately HK$46.6 million had been utilised by its subsidiaries.

Subsequent to the end of the reporting period, in April 2018, the Banking Facilities were terminated and the Group negotiated for new banking facilities under which one of the subsidiaries' director provided a fixed deposit of HK$3 million to secure for a facility of HK$3 million granted to the Group.

SIGNIFICANT DISPOSALS

Disposal of Grand River, a wholly-owned subsidiary in Hong Kong, a connected transaction under the Listing Rules

At the special general meeting held on 21 March 2018, an ordinary resolution was passed by the independent shareholders which approved a connected transaction, in which Elegance Group Limited (the "Vendor"), a wholly-owned subsidiary of the Company incorporated in the British Virgin Island with limited liability, entered into the disposal agreement with Raising King Ventures Limited (the "Purchaser"), a company incorporated in the British Virgin Islands with limited liability and wholly-owned by Mr. Hui, in relation to the sale and purchase of all issued shares in Grand River and all obligations, liabilities and debts (the "Sale Loan") owing or incurred by Grand River to Elegance Optical Manufactory Limited at a total consideration of HK$79 million. The Sale Loan amounted to approximately HK$17.9 million. This transaction was completed on 23 March 2018.

CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

As at 31 March 2018, the Company had capital commitments of approximately HK$2.3 million, which were contracted but not provided for, in respect of acquisition of property, plant and equipment (2017: Nil). As at 31 March 2018, the Company had no contingent liabilities (2017: HK$57.2 million) in respect of corporate guarantees given to banks for the general banking facilities granted to its subsidiaries.

EMPLOYEES AND REMUNERATION POLICY

As at 31 March 2018, the Group employed 464 (2017: 1,073) full time employees in Mainland China and Hong Kong. Salaries, bonuses and benefits are determined with reference to market terms and performance, qualifications and experience of each individual employee, and are subject to review from time to time.

BUSINESS MODEL AND STRATEGY

Being one of the major manufacturers and exporters of optical frames, the Group has put its emphasis on product quality and production technology development. Putting the customers' needs on the highest priority, the Group always strives to provide customers with first class service and full satisfaction.

The Group is also actively identifying and exploring other investments and business opportunities to broaden its assets and revenue base. Potential acquisitions or mergers will be assessed by the board (the "Board") of directors (the "Directors") of the Company for expansion of the business segments of the Group. The Board believes diversified Investments could be beneficial to the interests of the Group and the shareholders as a whole.

MANAGEMENT DISCUSSION AND ANALYSIS

PRINCIPAL RISKS AND UNCERTAINTIES

Following are the principal risks and uncertainties facing the Company as required to be disclosed pursuant to the Companies Ordinance (Chapter 622 of the laws of Hong Kong) and are in addition to the matters referred to the Management Discussion and Analysis.

In the normal course of business, the Group's operations, business performance, financial position and prospects may be exposed to the following risks and uncertainties:

1. Economic Conditions and Market Risk

The impact of economic conditions on consumer confidence and buying habits would affect the sales, revenue and results of the Group. The economic growth or decline in respective geographical markets that affected consumer spending on our products would also affect the Group's business. The Group continues to implement its strategies to develop and strengthen penetration of different geographical markets thereby reducing its dependency on specific markets.

2. Credit Risk and Liquidity Risk

The Group's major financial instruments include trade and other receivables, loan and interest receivables, equity investments, amount due from a joint venture, bank balances and cash, trade and other payables, deposits received, deferred income, obligation under finance leases and interest-bearing bank and other borrowings. The management will closely monitor the risks attributable to those assets should there be any significant exposure arise in the future. Details of the Group's credit and liquidity risks are set out in note 40 to the consolidated financial statements.

3. Interest Rate Risk

The Group is exposed to interest rate risk through the impact of rate changes on interest-bearing financial assets and liabilities, mainly loan and interest receivables, interest-bearing bank and other borrowings and bank balances at prevailing market interest rates. The Group's interest rate risk relates primarily to its floating rate bank loans subject to negotiations at each renewal date. The Group currently does not use any derivative contracts to hedge its exposure to interest rate risk. However, the management will consider hedging significant interest rate risk should the need arise.

4. Commodities Risk

The Group is exposed to fluctuations in the prices of commodities used as raw materials in the manufacturing process, primarily cellulose acetate and potassium gold cyanide. While the Group may be able to partially offset these fluctuations with a flexible pricing policy, the Group bears the risks of fluctuation in the costs of these materials. Accordingly, rising prices for commodities has affected and is expected to continue to affect the Group's cost of goods sold in the form of higher raw materials prices. On the other hand, decreases in prices for commodities may affect the value of the Group's inventories. The Group currently does not use any derivative contracts to hedge its exposure to commodities risk. However, the management will consider hedging significant commodities risk should the need arise.

5. Foreign Currency Risk

The Group conducts its business transactions mainly in Hong Kong dollar, Renminbi ("RMB") and United Stated dollar ("USD"). As the Hong Kong dollar is pegged to the USD, the Group does not foresee any material exchange risk in this respect. The management closely monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

SIGNIFICANT INVESTMENTS HELD

As at 31 March 2018, the Group had securities investments with a market value of approximately HK$10.9 million (2017: HK$38.1 million), representing an investment portfolio of 3 listed securities in Hong Kong. The Group recorded an unrealized fair value gains of approximately HK$1.2 million (2017: HK$1.0 million) in respect of the securities investments at the end of financial year. The details of the securities investments as at 31 March 2018 are as follows:

Company name	Stock code	Number of shares held	% of shareholdings	Unrealized gain/(loss) on fair value change for the year HK$'000	Cost of acquisition/fair value brought forward from 31 March 2017 HK$'000	Fair value as at 31 March 2018 HK$'000	% of net asset of the Group as at 31 March 2018	Principal activities
金匯教育集團有限公司 Goldway Education Group Limited	8160	20,796,000	3.98%	1,248	9,566	10,814	2.99%	Provision of tutoring services to secondary school students and primary school students in Hong Kong.
電訊盈科有限公司 PCCW Limited	8	16,000	0.00%	(1)	73	72	0.0%	Provision of telecommunication services, internet and multimedia services, sales and rental of equipment and technical services. Investment in and development of infrastructure, properties and technology related business.
香港電訊信託與香港電訊有限公司 HKT Trust and HKT Limited	6823	694	0.00%	0	7	7	0.0%	Provision of telecommunications and related services which include local telephone, local data and broadband, international telecommunications, mobile, customers premises equipment sales, outsourcing, consulting and contract centers.
				1,247	9,646	10,893		

During the financial year under review, dividend of HK$144,000 were received from 4 listed securities.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

SCOPE AND REPORTING PERIOD

This report highlights its Environmental, Social, and Governance (the"ESG") performance by the Group, with disclosure reference made to the ESG Reporting Guide as described in Appendix 27 of the Listing Rules and guidance set out by The Stock Exchange of Hong Kong Limited.

This ESG report covers the Group's overall performance in two subject areas, namely, Environmental and Social of the business operations in the PRC and Hong Kong including the offices, 2 factories in the PRC, retail shops in the PRC and Hong Kong.

STAKEHOLDER ENGAGEMENT AND MATERIALITY

In order to identify the most significant aspects for the Group to report in this ESG report, key stakeholders including investors, shareholders and employees have been involved in regular engagement sessions to discuss and to review areas of attention which will help the Group meets its potential growth and be prepared for future challenges.

STAKEHOLDERS' FEEDBACK

The Group welcomes stakeholders' feedback on our environmental, social and governance approach and performance. Please give your suggestions or share your views with us via email at info@elegance-group.com.

SUSTAINABILITY VISION

Our vision and aspiration are:

1. To be a pioneer and a leader in the industry with a portfolio of transformative and innovative products for our customers;

2. To ensure that our business is sustainable and profitable providing healthy and long-term returns to our shareholders; and

3. To build a high-performance team with good business culture and robust engagement of internal and external stakeholders.

Our commitments are:

1. To do business in environmentally-friendly way to conserve resources;

2. To create a positive impact and contribute to our communities; and

3. To be an effective organization that enhances integrity and high operational standards.

A. ENVIRONMENTAL

Type of emissions the Group has involved in the reporting period was mainly electricity, gasoline, water, paper and waste.

The business does not involve in production related air and land pollutions which are regulated under the laws in Hong Kong and in the PRC.

Total floor area coverage for the Group was 479,722 sq.ft. (2017: 395,653 sq.ft.) and the Group accounts for 100% of emissions from its operations in the PRC and Hong Kong.

Greenhouse Gas Emission

Scope of Greenhouse Gas Emissions	Emission Sources	Emission (in tonnes of CO_2e) 31 March 2018	31 March 2017	Change in Emission (in percentage) 2018 vs.2017
Scope 1				
Direct Emission	Unleaded Petroleum Consumed by Company owned fleet	**103.2**	121.4	(15%)
Scope 2				
Indirect Emission	Purchased Electricity	**5,811**	7,310.6	(21%)
	Water Consumption	**88.6**	139.5	(36%)
	Sewage Consumption	**82.7**	129.8	(36%)
Scope 3				
Other Indirect Emission	Paper Consumption	**27.5**	36.3	(24%)
Total		**6,113**	7,737.6	

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Removal of Greenhouse Gas Emissions

	Unit	2018	2017 (Restated)
Total Greenhouse Gas Emitted (a)	tCO_2e	**6,113**	7,737.6
Total Floor Area Coverage (b)	ft^2	**479,722**	395,653
Annual Emission Intensity (c) = (a)/(b)	tCO_2e/ft^2	**0.01**	0.02

There was 6,113 tonnes of carbon dioxide equivalent greenhouse gases (mainly carbon dioxide, methane and nitrous oxide) emitted from the Group's operation in the reporting period. The annual emission intensity was 0.01 tCO_2e/ft^2 (2017: 0.02).

Water

Water consumption by the Group was 150,665 m^3 (2017: 237,184 m^3), with water intensity of 0.31 m^3/m^2 (2017: 0.60 m^3/m^2). The Group actively promotes water efficient practices so as to reduce water wastage caused by human error and unintentional switching mistake.

Electricity

The electricity consumption by the Group was 8,275,637 kWh (2017: 10,411,280 kWh), with an energy intensity of 17.3 kWh/m^2 dropped from last year (2017: 26.3 kWh/m^2) despite positive business growth. The Group continues its commitment in installing and switching to energy-saving lighting fixtures and sourcing energy efficient equipment to ensure functioning in optimal conditions and efficiency.

Gasoline

A total of 61,442 liters of gasoline (2017: 72,313 liters) was used for motor vehicles and production equipment in the reporting period, contributing to 103.2 tonnes of carbon dioxide equivalent (2017: 121.4 tonnes).

Paper

The Group continues to practice paper saving initiatives, such as default double-sided printing, reminder for staff to have environmentally friendly photocopying habit, and separated collection of waste paper for effective recycling. A total of 6.2 tonnes of paper (2017: 8.2 tonnes) has been used for daily office operations and advertising materials such as leaflet, catalogue, sales kit.

Non-Hazardous Wastes

Wastes from the Group's operation includes cellulose acetate sheets, packaging materials, scrap metal, scrap equipment and scrap papers for production and office use for sales and marketing purposes.

All of the aforesaid wastes have been collected by licensed recycling companies. Packaging materials such as paper boxes and carton containers used for packaging were also collected by licensed recycling companies

B. SOCIAL

Employment and Labour Practices

Employment

The Group had a total number of 464 employees as of 31 March 2018 (2017: 1,073), in which 100% was working as full time staff.

Employee's Age Distribution

	18–25	26–35	36–45	46–55	56 and above
2018	23%	25%	30%	18%	4%
2017	15%	26%	39%	18%	2%

The Group offers competitive remuneration, promotional opportunity, compensation and benefit packages to attract and retains talents. Salaries are reviewed and adjusted on a yearly basis based on performance appraisals and the market trend. Employees are entitled to year-end bonus, mandatory provident fund, medical insurance, various types of paid leave in addition to annual leave and sick leave.

The Group regularly reviews employee handbook which outlines the Group's key messages, policies, procedures, promotion channel, compensation and benefits, occupational health and safety, complaint and whistleblowing channels.

Annual Turnover Rate

	18–25	26–35	36–45	46–55	56 and above
2018	13%	20%	31%	22%	14%
2017	36%	34%	23%	7%	—

Occupational Health and Safety Data

	2018	2017
Work related fatality	**0**	0
Work injury cases > 3 days	**0**	9
Work injury < 3 days	**0**	3
The total days lost due to work injury	**0**	135

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Employee Health and Safety

The Group commits to ensure safe and healthy working environment for employees and to inspire and strengthens workforce regardless of their age, gender and ethnical backgrounds. With the aging population being a long-term demographic trend in Hong Kong, the Group has a sustainable workforce in this perspective.

The Group regularly reviews the employees' health and safety procedure to safeguard employees' well-being. Briefing, training, news and tips are provided to employee to raise their awareness on safety production process.

The total days lost due to work injury have decreased significantly from 135 to 0 lost days in this reporting period. The management will continue their effort in strengthening the Group's occupational health and safety performance.

Labour Standard

Neither child nor forced labour was in the Group's operations in the reporting period. It is in compliance with the Employment Ordinances, both in Hong Kong and the PRC in terms of employment management.

The recruitment process is strictly abided by the guidelines of the Group's Human Resource Department. Every job applicant is required to fill in their information in a recruitment questionnaire, which is checked by Human Resource Department to ensure information's accuracy. This also allows the Group to hire suitable candidate in accordance with the job requirements and candidates' expectations.

Employment Communication

The Group actively engages and motivates employees through various communication channels. The regular update on website keeps employees updated on corporate news and activities. The Group also organized annual dinner, festival-related celebration, sport and volunteer works, etc. to nourish a greater sense of belonging and to provide enhanced communication channels between senior management and general staff. The Group believes having better transparent governance and investing efforts and hours on our best asset, employees, is the key to success of a sustainable business.

Development and Training

Comprehensive professional training is provided to employees to deliver top services to our customers.

Equal Opportunity

Equal opportunities are given to employees in respect of recruitment, training and development, job advancement, and compensation and benefits. The employees are not discriminated against or deprived of such opportunities on the basis of gender, ethnic background, religion, colour, sexual orientation, age, marital status, family status, retirement, disability, pregnancy or any other discrimination prohibited by applicable law. The Group also appreciates the importance of cultural diversity in the development of the business, and employs employees in a wide range of ages, genders, and ethnicities.

Operating Practices

Supply Chain Management

A strict tendering process is also in place to provide a fair and transparent platform for securing the best supplier for procurement of all equipment, products and services.

Supplier

Suppliers for products, semi-products, spare parts, raw, treatment and packaging materials range from France, United Kingdom, Germany, Italy, Japan, Taiwan, the PRC and Hong Kong. They are selected based upon rational and clear criteria, such as production process, quality management system, regulatory requirement compliance, operating capacity, sample availability for testing, packaging, management's commitment, training policy and procedure, price, delivery assurance, and product recall policy, so as to procure superior goods and services from the most competitive sources. Additional information such as observation results after suppliers' production plant visits is used to evaluate the suppliers in order to have the best selected providers. The Group also monitors the overall performance of selected suppliers by conducting vendor audits with documented reports to substantiate the selection and on-going cooperation.

Product

To provide top quality services to customers, the Group carefully sourced its raw materials and equipment with standardized procurement procedure and policies. The Group's procurement policy and its comprehensive procurement management systems help screening out undesirable products in the aspects of raw materials and ingredients selection, product formulation, product packaging, quality management system in factories, transportation, etc.

Product Responsibility: Product recall policy

The Group maintains a good record of zero product recall this year, nevertheless the Group continues its commitment to consumer safety and protection by having product recall procedures and policy in place.

Consumer Data Protection and Privacy Policy

The Group's Information Technology Department has devised a comprehensive data protection policy to provide adequate protection and confidentiality of all corporate data and proprietary information. To comply with the Personal Data (Privacy) Ordinance, Chapter 486 of the Laws of Hong Kong and to protect the rights of employees, customers, and business partners, access control protocol is clearly defined to limiting the access to a system or to physical or virtual resources. The Group employs a comprehensive enterprise resources planning system for its finance-related operations to ensure privacy and maintain information confidentiality. The Group strictly abides with the regulation in the collection, usage, handling, and storage of data to ensure data integrity and safety.

Anti-corruption

The Group commits to manage all business without undue influence and has regarded honesty, integrity, and fairness as its core values. All directors and employees are required to strictly follow the Code of Conduct and Group's policy to prevent potential bribery, extortion, fraud and money laundering.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

DIRECTIONS FROM THE GROUP

The Group will continue actively sourcing energy-saving appliances, equipment and materials with careful selection and review of suppliers and their origins. Opportunities to work with other charity partners and more training and development in terms of raising staff's awareness on environmental and social impacts from the business will also be considered. The Group also recognizes the trend and possibilities with applying digital technologies in daily office operations and marketing strategy, therefore resource use and promotional tools in the future will be adapted to make the businesses more transformative, sustainable, as well as having greater capability to attractive future talents.

APPRECIATION

I would like to take this opportunity to express my deepest gratitude to all of our staff and fellow directors for their contributions, support and dedication. I would also like to thank our customers, shareholders, bankers, suppliers and other business partners for their continuous support.

Liu Shufeng
Executive Director

Hong Kong
28 June 2018

PROFILES OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Ms. WONG Chi Yan ("Ms. Wong")

Ms. Wong, aged 37, is currently the executive Director and an authorised representative of the Company. She was previously the company secretary of the Company from March 2017 to September 2017. She holds a Bachelor of Business Administration degree in Accounting awarded by Hong Kong Baptist University and a Master of Laws in International Corporate and Financial Law awarded by The University of Wolverhampton, the United Kingdom. She is an associate member of the Hong Kong Institute of Certified Public Accountants, and an associate member of the Hong Kong Institute of Chartered Secretaries and the Institute of Chartered Secretaries and Administrators. She has extensive experiences in auditing, accounting and financing as well as merger and acquisition.

She is also an independent non-executive director of Tech Pro Technology Development Limited (stock code: 3823), Ding He Mining Holdings Limited (stock code: 705), Huiyin Holdings Group Limited (formerly known as Share Economy Group Limited) (stock code: 1178), Success Dragon International Holdings Limited (stock code: 1182), and the company secretary and authorised representative of Flyke International Holdings Ltd. (stock code: 1998) and China Properties Investment Holdings Limited (stock code: 736), companies listed on the Main Board of The Stock Exchange of Hong Kong Limited.

Ms. Wong was an executive director of CHerish Holdings Limited (stock code: 2113), a company listed on the Main Board of The Stock Exchange of Hong Kong Limited from October 2017 to June 2018. She was an executive director and authorised representative of Aurum Pacific (China) Group Limited (stock code: 8148) from May 2015 to October 2017. She was also an executive director, company secretary and authorised representative of PPS International (Holdings) Limited (stock code: 8201) from June 2015 to July 2016, companies listed on the Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited. She was also the executive director of China Taifeng Beddings Holdings Limited (stock code: 873), a company listed on the Main Board of The Stock Exchange of Hong Kong Limited from July 2016 to August 2016. She was an independent non-executive director of China Brilliant Global Limited (formerly known as Prosten Health Holdings Limited) (stock code: 8026), a company listed on the GEM of The Stock Exchange of Hong Kong Limited from June 2015 to October 2015 and was also an independent non-executive director of Asia Television Holdings Limited (formerly known as CoProsperity Holdings Limited) (stock code: 707), a company listed on the Main Board of The Stock Exchange of Hong Kong Limited from October 2015 to January 2016. She was the company secretary and authorised representative of Fullsun International Holdings Group Co., Limited (formerly known as U-RIGHT International Holdings Limited) (stock code: 627), a company listed on the Main Board of The Stock Exchange of Hong Kong Limited from September 2013 to April 2016.

Ms. LIU Shufeng ("Ms. Liu")

Ms. Liu, aged 41, was appointed as an executive Director of the Company in October 2017. Ms. Liu has extensive experience in corporate business development, project investment and management. She holds a doctorate degree of Business Administration from the Victoria University (Switzerland). She served as a chief project development officer of China Eco-Farming Limited (Stock Code: 8166) ("China Eco-Farming"), a company listed on the GEM of The Stock Exchange of Hong Kong Limited and general manager of a subsidiary in Shenzhen of China Eco-Farming. Prior to joining China Eco-Farming, She acted as chief ecology development officer and general manager of the subsidiary in Shanxi and Beijing of China Agrotech Holdings Limited (stock code: 1073), a company listed on the Main Board of The Stock Exchange of Hong Kong Limited from 2010 to 2014.

Ms. MA Yilin ("Ms. Ma")

Ms. Ma, aged 34, was appointed as an executive Director of the Company in October 2017. She has several years of experience and very extensive network of media industry. She holds a Bachelor of TV Broadcasting and Hosting from Shanghai Theatre Academy. Since 2007, she has worked in Shanghai Media Group Limited, and hosted a number of well-known television programs. She has been a member of Zhongyue Technology Co., Ltd. (stock code: 834772), a company listed on National Equities Exchange and Quotations since October 2016. She is experienced in corporate strategy planning and corporate governance. Since October 2014, Ms. Ma served as a member of the Shanghai Youth Federation. Since October 2016, she has served as Deputy Secretary-General of the Changning Youth Federation.

PROFILES OF DIRECTORS AND SENIOR MANAGEMENT

NON-EXECUTIVE DIRECTOR

Mr. WANG Jijun ("Mr. Wang")

Mr. Wang, aged 45, was appointed as a non-executive Director of the Company in April 2018. He has over 23 years of extensive legal experience in economic, financial, securities and civil and commercial law. From 1995 to 2017, he served as a Judge, Chief Justice and Presiding Judge in the Supreme People's Court in People's Republic of China. Mr. Wang holds a bachelor in laws from China University of Political Science and Law and a master's degree in laws from Tsinghua University.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. WAN Kin Man, Tony ("Mr. Wan")

Mr. Wan, aged 37, was appointed as an independent non-executive Director of the Company in February 2017. He is a member of the Hong Kong Institute of Certified Public Accountants, the Institute of Chartered Accountants in England and Wales, a fellow of the Association of Chartered Certified Accountants and the Taxation Institute of Hong Kong. He is also a practicing certified public accountant, certified tax adviser (Hong Kong) and has extensive experience in auditing, financial management and taxation over 16 years. He holds a bachelor degree in Commerce (Accounting).

Mr. CHAN Ming Kei ("Mr. Chan")

Mr. Chan, aged 35, was appointed as an independent non-executive Director of the Company in April 2017. He is a member of the Hong Kong Institute of Certified Public Accountants and has extensive experiences in accounting, financial management and company secretarial works. He holds a Bachelor of Business Administration (Hons) majoring in Accounting from The Hong Kong University of Science and Technology. Mr. Chan is the company secretary and authorised representative of Fullsun International Holdings Group Co., Limited (stock code: 627), a company listed on the Main Board of The Stock Exchange of Hong Kong Limited. He also severed as the company secretary and financial controller of Kuangchi Science Limited (stock code: 439), a company listed on the Main Board of The Stock Exchange of Hong Kong Limited from 7 June 2012 to 30 September 2015. He also acted as the chief financial officer, company secretary and authorised representative of Sino Haijing Holdings Limited (stock code: 1106), a company listed on the Main Board of The Stock Exchange of Hong Kong Limited from October 2015 to December 2015. He also acted as i) a joint company secretary from 8 September 2016 to 6 November 2016; and ii) an executive director, company secretary, compliance officer and authorised representative from 7 November 2016 to 14 January 2018 of Evershine Group Holdings Limited (stock code: 8022), a company listed on the GEM of The Stock Exchange of Hong Kong Limited.

Mr. CHEN Youchun ("Mr. Chen")

Mr. Chen, aged 42, was appointed as an independent non-executive Director of the Company in October 2017. He has extensive experience in corporate finance, initial public offerings and mergers and acquisitions. He holds a degree in Bachelor of Laws from Southwest University of Political Science & Law in July 2000, a degree in Bachelor of Laws from the University of Northumbria in September 2011 and a Master's Degree in Civil and Commercial Law from Wuhan University (武漢大學) in June 2007. He is also an independent non-executive director of China Tangshang Holding Limited (stock code: 674), and China Soft Power Technology Holdings Limited (stock code: 139), both of the companies are listed on the Main Board of The Stock Exchange of Hong Kong Limited. He is also an independent non-executive director of Shenzhen Qixin Construction Group Co., Ltd. (深圳市奇信建設集團股份有限公司) (stock code: 002781) and Honz Pharmaceutical Co., Ltd. (康芝藥業股份有限公司) (stock code: 300086), both of the companies are listed on the Shenzhen Stock Exchange. He is a foreign lawyer registered with The Law Society of Hong Kong and is a partner in Shenzhen Office of Junzejun Law Offices.

PROFILES OF DIRECTORS AND SENIOR MANAGEMENT

SENIOR MANAGEMENT

Mr. TSE Wai Wang ("Mr. Tse")

Mr. Tse, aged 54, is the chief operation officer of the Company. Mr. Tse joined the Group in September 2017. He is responsible for strategic planning, investment planning, operations management and business development of the Group. He holds a Master in Business Administration from MURDOCH University in Australia. Mr. Tse served as chief operating officer and deputy general manager of a number of companies on the Main Board of The Stock Exchange of Hong Kong Limited. He has over 20 years of extensive experience in corporate governance, investment and management, mergers and acquisitions, market development and asset management.

Mr. CHAN Peng Kuan ("Mr. Tony Chan")

Mr. Tony Chan, aged 55, is the chief financial officer of the Company. Mr. Tony Chan joined the Group in September 2017. He holds a Master of Applied Finance from Macquarie University, Australia and Bachelor of Commerce from University of Canterbury, New Zealand. He is a Chartered Accountant of the Chartered Accountants Australia and New Zealand and a Certified Public Accountant of the Hong Kong Institute of Certified Public Accountants. He has over 25 years of experience in corporate finance, investment banking, IPO, cross-border M&A as well as financial management.

Mr. TSANG Tak Hung, Donald ("Mr. Tsang")

Mr. Tsang, aged 59, is one of the general managers of Elegance Optical Manufactory Limited, a wholly owned subsidiary of the Company. He is responsible for the management, strategic planning and corporate development of the manufacturing and trading of optical frames and sunglasses segment. Prior to joining the Group in 1994, he has over 12 years of management experience by serving in various financial institutions in Hong Kong and Canada including the Stock Exchange.

Mr. CHENG Wai Keung, Edmond ("Mr. Cheng")

Mr. Cheng, aged 58, is an assistant general manager supervising the Group's Production Department. He joined the Group in 1988 and has worked in various departments within the Group including the Marketing, Production and Purchasing Departments. Mr. Cheng now oversees the Group's manufacturing operation in the Shenzhen factory.

Ms. CHAN Wai Chu ("Ms. Chan")

Ms. Chan, aged 59, is the general manager of Filmko Pictures, joined the Group when Filmko Pictures was acquired by the Group in October 2017. She is responsible for the film distribution as well as other film related business of the Group. Ms. Chan has over 30 years of experience in the marketing, promotion and distribution of films in Hong Kong and China.

Mr. YEUNG Man Chit Daniel ("Mr. Yeung")

Mr. Yeung, aged 45, joined the Group in September 2017. He is the company secretary, financial controller and authorised representative of the Company. He is a member of both the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants. Mr. Yeung has extensive experience in auditing, finance and accounting functions for listed companies.

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES

The statement of corporate governance practices set out below and information incorporated by reference constitutes the Corporate Governance Report of the Company.

The Board is committed to applying high standard of corporate governance practices and procedures in fulfilling its responsibilities. It is the belief of the Board that shareholders can maximize their benefits from good corporate governance. The Company has always recognized the importance of transparency and accountability. The Group has adopted the code provisions as set out in the Corporate Governance Code (the "Code") contained in Appendix 14 to the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange of Hong Kong as its own code of corporate governance practices. The Directors of the Company consider that the Company has complied with the Code throughout the year ended 31 March 2018, except for the following deviations:

Code provision A.2.1 and E.1.2

Code provision A.2.1 and E1.2 stipulates that (i) the roles of chairman and chief executive should be separate and should not be performed by the same individual; and (ii) the chairman of the Board should attend the Annual General Meeting. The Company does not have any officer with the title "chief executive" under the Board. Mr. Hui assumed the role of both chairman and managing Director of the Company and he was in charge of the overall management of the Company as there were no separate chairman and managing Director up to his resignation and retirement as a chairman and an executive director on 19 July 2017 and 28 September 2017 respectively. Mr. Hui attended the Annual General Meeting on 28 September 2017.

Code provision A.2

The Board currently has not appointed any Director as its chairman. The Board will review the present situation in the coming regular meetings as appropriate.

Code provision A.4.1

Code provision A.4.1 stipulates that non-executive directors should be appointed for a specific term, subject to re-election. Each of the existing non-executive Directors of the Company does not have a specific term of appointment but is subject to retirement by rotation and re-election at the Annual General Meetings pursuant to the Bye-laws of the Company. The Bye-laws require that every director will retire from office no later than the third Annual General Meeting of the Company after he was last elected or re-elected. Further, any person appointed by the Board to fill a casual vacancy or as an additional director (including non-executive director) will hold office only until the next general meeting and will then be eligible for re-election. As such, the Board considers that such requirements are sufficient to meet the underlying objectives of the relevant code provision and therefore does not intend to take any remedial steps in this regard.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct (the "Code of Conduct") regarding directors' securities transactions on terms no less exacting than the required standard set out in the Model Code. Having made specific enquiry of all Directors of the Company, the Company has received confirmations from all of them that they have complied with the required standards set out in the Model Code and the Code of Conduct throughout the year ended 31 March 2018.

BOARD OF DIRECTORS

Board Composition

The Board currently comprises a total of seven Directors, including three executive Directors, namely Ms. Wong Chi Yan, Ms. Liu Shufeng and Ms. Ma Yilin, one non-executive Director, namely Mr. Wang Jijun and three independent non-executive Directors ("INEDs"), namely Mr. Wan Kin Man, Tony, Mr. Chan Ming Kei and Mr. Chen Youchun. As least one of the INEDs have appropriate professional qualifications or accounting or related financial management expertise as prescribed by Rule 3.10 of the Listing Rules.

The Company has received annual confirmations of independence from Mr. Wan Kin Man, Tony, Mr. Chan Ming Kei and Mr. Chen Youchun as at the date of this report and Mr. Chan Wei as at the date of his resignation pursuant to Rule 3.13 of the Listing Rules.

The composition of the Board will be reviewed regularly to ensure that it has a balance of skills and experience appropriate for the requirements of the business of the Group. The Directors' biographical details and the relationship among members of the Board are set out in the section "Profiles of Directors and Senior Management" of the annual report.

Appointment and re-election

According to the Bye-Laws of the Company, at each Annual General Meeting, one-third of the Directors for the time being (or, if their number is not a multiple of three, then the number nearest to but not less than one-third) shall retire from office by rotation. In addition, every Director shall retire from office no later than the third Annual General Meeting after he/she was last elected or re-elected or ceased to be a Director and been re-elected by a general meeting at or since either such Annual General Meeting. Further, any Director appointed by the Board to fill a casual vacancy or as an addition to the Board shall hold office only until the next following general meeting of the Company and shall then be eligible for re-election.

In accordance with the bye-laws of the Company, Ms. Wong Chi Yan, Mr. Wang Jijun, Mr. Wan Kin Man, Tony and Mr. Chan Ming Kei will retire from office and being eligible, offer themselves for re-election at the Annual General Meeting.

The Company has published the procedures for shareholders to propose a person for election as a Director on its website.

Duties of the Board

The Board formulates the overall policies and strategies, monitors the financial performance, oversees the management, and implements good corporate governance practices of the Group. The Board is collectively responsible for promoting the success of the Group by directing and supervising the Group's affairs.

The Directors meet regularly to review the financial and operational performance of the Group by discussing and formulating the Group's development plans. Daily operations and administration are delegated to the executive Directors and the Group's management. The members of the Board are mostly professionally qualified and widely experienced personnel who bring in valuable contribution providing different professional advice and consultation for the development of the Group. They provide strong support towards the effective discharge of the duties and responsibilities of the Board.

CORPORATE GOVERNANCE REPORT

Functions of the Board

During the financial year ended 31 March 2018, twenty-six Board meetings were held. The attendance records of each Director at the meetings of the Board, Audit Committee, Nomination Committee, Remuneration Committee and general meeting of the Company during the year ended 31 March 2018 are set out as follows:

	Number of meetings attended/held				
Name of directors	**Board**	**Audit Committee**	**Nomination Committee**	**Remuneration Committee**	**General Meeting**
Executive Directors					
Ms. Wong Chi Yan	26/26				2/2
Ms. Liu Shufeng *(appointed on 9 October 2017)*	7/8				1/1
Ms. Ma Yilin *(appointed on 16 October 2017)*	3/7				1/1
Mr. Chan Wai Kit *(appointed on 31 May 2017 and resigned on 17 April 2018)*	21/21				2/2
Mr. Hui Leung Wah *(retired on 28 September 2017)*	17/17				1/1
Mr. Poon Sui Hong *(resigned on 19 July 2017)*	11/11				–/–
Mr. Hui Chun Yuen *(resigned on 19 July 2017)*	11/11				–/–
Independent Non-Executive Directors					
Mr. Wan Kin Man, Tony	26/26	4/4	5/5	5/5	2/2
Mr. Chan Ming Kei *(appointed on 26 April 2017)*	24/24	3/3	3/3	5/5	2/2
Mr. Chen Youchun *(appointed on 16 October 2017)*	4/7	1/2	–/–	–/–	0/1
Mr. Chan Wei *(appointed on 26 April 2017 and resigned on 17 April 2018)*	22/24	3/3	3/3	5/5	1/2
Mr. Pang Sung Yuen *(resigned on 26 April 2017)*	2/2	1/1	1/1	1/1	–/–
Mr. Kwong Ping Man *(resigned on 26 April 2017)*	2/2	1/1	1/1	1/1	–/–

Note: Mr. Wang Jijun was appointed as Non-Executive Director on 17 April 2018.

All the regular Board meetings are scheduled in advance, and at least 14 days' notice is given to all Directors to give them an opportunity to attend. Agendas and accompanying Board papers are normally sent to all Directors at least three days in advance of every Board meeting to enable the Directors to make informed decisions on matters placed at the Board meetings. All Directors have been consulted about any matters proposed for inclusion in the agenda. With the support of the company secretary, all Directors are properly briefed on issues arising at Board meetings, so that Directors receive adequate, complete and reliable information in a timely manner.

Detailed minutes of Board meetings are kept by the company secretary and are open for inspection by any Director. All Directors have access to independent professional advice whenever deemed necessary by the Directors.

Directors' continuous professional development

The Directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills for discharging their duties and responsibilities as directors of the Company.

In addition, each newly appointed Director would be provided with an induction package covering the duties and responsibilities of directors under the Listing Rules, the Companies Ordinance and other related regulatory requirements.

The Company implemented a continuous alert program to provide updates and reading materials to keep them informed on a timely basis about the latest major developments of the Listing Rules and other applicable regulatory requirements affecting the Group or their duties and responsibilities as the Directors as well as the macro economics and general business environment in which the Group's major operations are operated. The Company, through such continuous alert program, enhances Directors' awareness and keeps them abreast of the essences and key areas of such updates and information. Such continuous alert program is an efficient and effective way which offers flexibility to the Directors by allowing them to access the information at a time suitable to them. All Directors are required to provide the Company with their training records on an annual basis. A summary of their training records during the year ended 31 March 2018 is as follow:

Name of directors	**Type of trainings activities**
Executive Directors	
Ms. Wong Chi Yan	A, B
Ms. Liu Shufeng	A, B
Ms. Ma Yilin	A, B
Mr. Chan Wai Kit *(appointed on 31 May 2017 and resigned on 17 April 2018)*	A, B
Mr. Hui Leung Wah *(retired on 28 September 2017)*	A, B
Mr. Poon Sui Hong *(resigned on 19 July 2017)*	A, B
Mr. Hui Chun Yuen *(resigned on 19 July 2017)*	A, B
Independent Non-Executive Directors	
Mr. Wan Kin Man, Tony	A, B
Mr. Chan Ming Kei	A, B
Mr. Chen Youchun	A, B
Mr. Chan Wei *(appointed on 26 April 2017 and resigned on 17 April 2018)*	A, B
Mr. Pang Sung Yuen *(resigned on 26 April 2017)*	A, B
Mr. Kwong Ping Man *(resigned on 26 April 2017)*	A, B

A: In-house training and/or seminars.

B: Reading newspapers and journals relating to directors' duties and responsibilities as well as updates on the Listing Rules and other applicable regulatory requirements.

Note:

(1) Mr. Wang Jijun was appointed as a Non-Executive Director on 17 April 2018. Accordingly, his training record has not been included above.

CORPORATE GOVERNANCE REPORT

RESPONSIBILITY OF DIRECTORS AND AUDITORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The Directors acknowledge their responsibilities for the preparation of the consolidated financial statements of the Group. The Board is responsible for presenting a balanced, clear and understandable assessment in annual and interim reports and other financial disclosures required by the Listing Rules and other regulatory requirements. Members of the Board are provided with monthly updates, including monthly management accounts and related analysis, which give the Directors a balanced and understandable assessment of the Group's performance, position and prospects. With the assistance of Finance Department, the Directors prepare the consolidated financial statements in accordance with statutory requirements and prevailing accounting standards. The Directors are responsible for timely publication of the consolidated financial statements of the Group. The Directors confirm that, to the best of their knowledge, having made all reasonable enquiries, they are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

The statement of the Auditors of the Company about their reporting responsibilities on the consolidated financial statements of the Group is set out in Independent Auditor's Report on pages 41 to 46 of the annual report.

REMUNERATION COMMITTEE

The remuneration committee of the Company (the "Remuneration Committee") was established in June 2005 and its terms of reference were amended on 29 March 2012. The Remuneration Committee currently comprises three independent non-executive directors, Mr. Chan Ming Kei, Mr. Wan Kin Man, Tony and Mr. Chen Youchun (Chairman). The major duties and functions of the Remuneration Committee include but not limited to making recommendations to the Board on the remuneration packages of individual directors and senior management of the Company. It is also mandated to review and approve compensation payable to the directors and senior management for any loss or termination of office to ensure that it is consistent with the contractual terms and is otherwise fair and not excessive.

The Remuneration Committee held five meetings during the reporting year and the attendance of each member is set out in the section headed "Functions of the Board" of this annual report.

The major roles and functions of the Remuneration Committee are summarized as follows:

1. to make recommendations to the Board on the Company's policy and structure for all directors' and senior management remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy;

2. to review and approve the management's remuneration proposals with reference to the Board's corporate goals and objectives;

3. to make recommendations to the Board on the remuneration packages of individual executive directors and senior management;

4. to make recommendations to the Board on the remuneration of non-executive directors;

5. to consider salaries paid by comparable companies, time commitment and responsibilities and employment conditions elsewhere in the Group;

6. to review and approve compensation payable to executive Directors and senior management for any loss or termination of office to ensure that it is consistent with contractual terms and is otherwise fair and not excessive;

7. to review and approve compensation arrangement relating to dismissal or removal of directors for misconduct to ensure that they are consistent with contractual terms and are otherwise reasonable and appropriate; and

8. to ensure that no director or any of his associates is involved in deciding his own remuneration.

During the reporting year, the Remuneration Committee has, among others things, reviewed the remuneration packages of all directors and senior management with reference to market terms, their duties and responsibilities and performance as assessed by the Remuneration Committee, and has made recommendation to the Board accordingly. Pursuant to B.1.5 of the Code, details of the annual remuneration of the members of senior management by band for the year ended 31 March 2018 are as follows:

	Number of employees
Nil to HK$1,000,000	5
HK$1,000,001 to HK$1,500,000	1
Total	6

Details of the emoluments of Directors are set out in Note 8 to the consolidated financial statements.

The Company had adopted a specific terms of reference of the Remuneration Committee as of 29 March 2012 in accordance with Rules 3.25 to 3.27 of the Listing Rules and has been posted on the websites of the SEHK and the Company.

NOMINATION COMMITTEE

The nomination committee of the Company (the "Nomination Committee") was established in June 2005 and its terms of reference were amended on 6 September 2013. The Nomination Committee currently comprises three independent non-executive directors, Mr. Chan Ming Kei, Mr. Wan Kin Man, Tony (Chairman) and Mr. Chen Youchun. Its main duties and functions include but not limited to review of the structure, size, composition and the diversity policy of the Board and the selection or recommendations to the Board for nomination on directors and senior management.

The Nomination Committee held five meetings during the reporting year and the attendance of each member is set out in the section headed "Function of the Board" of the annual report:

1. review the structure, size and composition (including the skills, knowledge and experience) of the Board and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy;

2. identify individuals suitably qualified to become board members and select or make recommendations to the Board on the selection of individuals nominated for directorships;

3. assess the independence of independent non-executive Directors;

CORPORATE GOVERNANCE REPORT

4. make recommendations to the Board on the appointment or re-appointment of directors and succession planning for directors, in particular the chairman of the Board and the chief executive of the Company;

5. review the board diversity policy of the Board or this Nomination Committee, as appropriate, considering factors including but not limited to gender, age, cultural and educational background and professional experience of Board members, and review the measurable objectives that the Board has set for implementing the board diversity policy, and the progress on achieving the objectives; and

6. conform to any requirement, direction and regulation that may from time to time be prescribed by the Board or contained in the constitutional documents of the Company or imposed by legislation, where appropriate.

A board diversity policy had been formulated and adopted by the Board in 2013. The Company recognizes the importance and values the benefits of having a diverse Board to enhance the quality of its performance. Appointments to the Board will largely be based on meritocracy with due regard for the benefits of diversity on the Board. Selection of candidates will generally be based on factors considered applicable and adopted by the Board, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills and knowledge. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board.

The Company had adopted a revised specific terms of reference of the Nomination Committee as of 6 September 2013 in compliance with the Code Provision A.5 and it has been posted on the websites of the SEHK and the Company.

AUDIT COMMITTEE

The audit committee of the Company (the "Audit Committee") was established in 1999 and its terms of reference were amended by the Board and became effective on 23 February 2016 and 1 March 2016, respectively. As at 31 March 2018, the Audit Committee currently consists of three independent non-executive Directors, namely, Mr. Wan Kin Man, Tony (Chairman), Mr. Chan Ming Kei and Mr. Chen Youchun. Mr. Wan Kin Man, Tony and Mr. Chan Ming Kei have appropriate professional qualifications or accounting or related financial management expertise as prescribed by the Listing Rules. None of them is employed by or otherwise affiliated with former or existing auditors of the company.

The main duties and functions of the Audit Committee include but not limited to review of the relationship between the Company and its external auditors, review of the Group's financial information, oversight of the Group's financial reporting system, risk management and internal control systems, and performance of the corporate governance functions delegated by the Board, assessment on any potential special risks to be encouraged by the Company and review of the effectiveness of the internal control system.

The Audit Committee held four meetings during the financial year. Minutes of the Audit Committee are kept by the duly appointed secretary of the Audit Committee and the copies of the minutes are sent to all members of the Audit Committee. The outcomes of the Audit Committee meetings were submitted to the Board for consideration and action where appropriate.

The accounting principles and practices adopted by the Group and the annual results for the year ended 31 March 2018 have been reviewed by the Audit Committee.

CORPORATE GOVERNANCE REPORT

During the meetings held in the year and up to the date of this report, the Audit Committee had performed the following work:

1. reviewed the Group's consolidated financial statements for the year ended 31 March 2017 and 2018 and the related annual results announcement with a recommendation to the Board for approval.

2. reviewed the relevant disclosures made in the Directors' Report of the Annual Report.

3. reviewed the Corporate Governance Report, which was included in the Annual Report.

4. met with the external auditors and discussed the audit findings reported by external auditors.

5. assessed broadly any special risks faced by the Group and reviewed the effectiveness of the internal control system of the Group through an engagement with an independent advisor. Based on the assessment and findings from the review conducted by the independent advisor as at the date of this report, it was concluded that the Group operated at a manageable risk level and kept on improving the management system.

6. reviewed the Group's consolidated financial statements for the six months ended 30 September 2017 and the interim results announcement with a recommendation to the Board for approval.

7. reviewed the Group's policies and practices on corporate governance and made recommendations to the Board.

8. reviewed the reports including the 2018 audit planning report and the management letters (if any) submitted by the external auditor.

9. considered the 2018 audit fees with a recommendation to the Board for approval.

10. considered those topics, which were requested by the Board and reviewed those relevant documents.

The terms of reference of the Audit Committee were amended and took effect by the Board on 23 February 2016 and 1 March 2016 respectively. Such amendments in compliance with the Corporate Governance Code under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited have been posted on the websites of the SEHK and the Company.

During the Audit Committee meeting on 28 June 2018, the Audit Committee reviewed the Group's consolidated financial statements for the year ended 31 March 2018, the disclosure in this corporate governance report and the annual results announcement with a recommendation to the Board for approval.

The Audit Committee recommended the re-appointment of Messrs. Ernst & Young as the external auditor of the Group for 2018/2019 and that the relevant resolution shall be put forth for consideration by the shareholders of the Company and their approval at the 2018 annual general meeting of the Company.

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE FUNCTION

The performance of the following corporate governance functions are delegated by the Board to the Audit Committee:

(a) to develop and review the Company's policies and practices on corporate governance and make recommendations to the Board;

(b) to review and monitor the training and continuous professional development of Directors and senior management;

(c) to review and monitor the Company's policies and practices in compliance with legal and regulatory requirements;

(d) to develop, review and monitor the code of conducts and compliance manual (if any) applicable to employees and Directors;

(e) to review the Company's compliance with the code and the disclosure in the Corporate Governance Report;

(f) to oversee the Company's risk management and internal control systems on an ongoing basis; and

(g) to review the internal control and disclose any significant areas of concern in the Corporate Governance Report.

All committees established under the Board are required to report back to the Board on their decisions or recommendations, unless there are legal or regulatory restrictions on their ability to do so (such as a restriction on disclosure due to regulatory requirements).

AUDITORS' REMUNERATION

For the year ended 31 March 2018, the remuneration paid or payable to the Company's auditors, Messrs. Ernst & Young, is set out as follows:

Services rendered	**Fees paid/payable** HK$'000
Audit services	1,220
Non-audit services	164
Total	1,384

COMPANY SECRETARY

Mr. Yeung Man Chit Daniel is the company secretary of the Company. During the reporting year, he undertook over 15 hours of relevant professional training to update his skills and knowledge. All Directors are entitled to have access to the advice and services of the company secretary, who is responsible for providing Board papers and related materials to Directors in order to ensure that Board procedures and all applicable law, rules and regulations are followed.

SHAREHOLDERS' RIGHTS

(1) Procedures for shareholders to convene a special general meeting

The Board shall, on a requisition in writing by any shareholder made in compliance with the applicable law to the Board or the Secretary of the Company holding not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company, forthwith proceed to convene a special general meeting in accordance with the Bye-Laws of the Company.

If within twenty-one days of such deposit the Board fails to proceed to convene the special general meeting as requisitioned, the requisitionist(s), or any of them representing more than one half of the total voting rights of all of them, may themselves do so but any meeting so convened shall not be held after the expiration of three months from the said date.

(2) Procedures for putting forward proposals at general meeting

Pursuant to the Company's Bye-Laws, shareholders can submit a written requisition to move a resolution at general meeting. The number of shareholders shall represent not less than one-twentieth of the total voting rights of all the shareholders having at the date of the requisition a right to vote at the general meeting, or shall not be less than one hundred shareholders.

The written requisition must state the resolution, accompanied by a statement of not more than one thousand words with respect to the matter referred to in any proposed resolution or the business to be dealt with at the general meeting. It must also be signed by all of the shareholders concerned and be deposited at the principal place of business of the Company in Hong Kong at 26/F., COFCO Tower, 262 Gloucester Road, Causeway Bay, Hong Kong for the attention of the company secretary not less than six weeks before the general meeting. In case of a requisition requiring a notice of the resolution, the requisition must serve to the Board not less than one week before the general meeting.

The shareholders concerned must deposit a sum of money reasonably sufficient to meet the Company's expenses in giving the notice of the resolution and circulating the statement submitted by the shareholders concerned under applicable laws and rules.

(3) Shareholders' enquiries

Shareholders should direct their questions about their shareholdings to the Company's Hong Kong branch share registrar, Tricor Tengis Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, and Hong Kong. Shareholders and the investment community may during office hours make a request for the Company's information to the extent that such information is publically available. Shareholders may also send their enquiries and concerns to the Board by addressing to the company secretary at the principal place of business of the Company or email to investors@elegance-group.com.

The above procedures reflect the current underlying legal basis. Shareholders should be mindful of subsequent legislative changes, if any, take effect after the despatch of this document that might result in material changes to the above procedures.

CONSTITUTIONAL DOCUMENTS

During the year ended 31 March 2018, there was no significant change in the Company's constitutional documents.

CORPORATE GOVERNANCE REPORT

COMMUNICATION WITH SHAREHOLDERS

The Board recognizes the importance of good communication with all shareholders. The Company establishes different communication channels with shareholders and investors: (i) the annual general meeting provides a forum for shareholders to raise comments and exchange views with the Board; (ii) updated key information of the Group are available on the websites of the SEHK and the Company; and (iii) the Company's website offers communication channel between the Company and its shareholders and investors.

The annual general meeting is a channel for the Board of Director and the sub-committees of the Board to address concern of shareholders. Shareholders are encouraged to attend the annual general meeting. Notice of the annual general meeting and related papers are sent to shareholders at least 20 clear business days before the meeting and the said notice is also published on the websites of the SEHK and the Company.

The Company has established dedicated personnel for liaison with investors and shareholders and answering their enquiries.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board, recognizing its overall responsibility in ensuring the system of internal controls of the Company and in reviewing its effectiveness, is committed to implementing an effective and sound internal control system to safeguard the interests of shareholders and the assets of the Group. Procedures have been designed to safeguard assets against unauthorized used or disposition, ensure the maintenance of proper accounting records for the provision of reliable financial information for internal use or for publication, and ensure compliance with applicable law, rules and regulations. The procedures provide a reasonable, but not absolute, assurance that material untrue statements or losses are prevented, potential interruption of the Group's management system is detected, and risks existing in the course of arriving at the Group's objectives are properly managed.

The Company does not have an internal audit function and is currently of the view that there is no immediate need to set up an internal audit function within the Group in light of the size, nature and complexity of the Group's business. Nevertheless the Board has engaged an external professional firm as its risk management and internal control review adviser ("the Adviser") to conduct the annual review of the risk management and internal control systems for the year ended 31 March 2018. Such review is conducted annually and cycles reviewed are under rotation basis. The scope of review was previously determined and approved by the Audit Committee. The Adviser has reported findings and areas for improvement to the Audit Committee and management. The Board and Audit Committee are of the view that there are no material internal control defeats noted. All recommendations from the Adviser shall be properly followed up by the Group as appropriate to ensure that they are implemented within a reasonable period of time. The Board therefore considered that the risk management and internal control systems are effective and adequate.

REPORT OF THE DIRECTORS

The directors present their report and the audited consolidated financial statements of the Company and its subsidiaries (collectively referred to the "Group") for the year ended 31 March 2018.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

During the year, the Company is an investment holding company and its subsidiaries are principally engaged in the manufacture and trading of optical frames and sunglasses, property investment; debts and securities investment, money lending business and film distribution.

Further discussion and analysis of the activities as required by schedule 5 to the Hong Kong Companies Ordinance, including a description of the principal risks and uncertainties facing by the Group and an indication of likely future development in the Group's business, can be found in the Management Discussion and Analysis set out on pages 4 to 9 of this annual report. The discussion forms part of this Directors' report.

RESULTS AND DIVIDEND

The Group's loss for the year ended 31 March 2018 and its financial position and the Group at that date are set out in the consolidated financial statements on pages 47 to 127.

The Board does not recommend payment of any dividend for the year ended 31 March 2018 (2017: Nil).

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed 4 business days prior to the date of the annual general meeting of the Company ("Annual General Meeting"), for the purpose of ascertaining shareholder's entitlement to attend and vote at the Annual General Meeting, during which the registration of transfers of shares will be suspended. In order to attend and vote at the Annual General Meeting, all transfers of shares accompanied by the relevant share certificates must be lodged for registration with the Company's branch share registrar in Hong Kong, Tricor Tengis Limited, at level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong no later than 4:30 pm, 5 business dates prior to the date of the Annual General Meeting.

SUMMARY FINANCIAL INFORMATION

A summary of the published results and assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the audited consolidated financial statements and restated as appropriate, is set out below. This summary does not form part of the audited consolidated financial statements.

REPORT OF THE DIRECTORS

Results

	Year ended 31 March				
	2018 HK$'000	2017 HK$'000	2016 HK$'000 (Restated)	2015 HK$'000 (Restated)	2014 HK$'000 (Restated)
REVENUE	**111,790**	136,248	211,527	261,701	377,208
PROFIT/(LOSS) FOR THE YEAR	**(17,057)**	5,646	(90,129)	(87,686)	(70,978)
Attributable to:					
Owners of the Company	**(14,117)**	8,038	(86,729)	(84,230)	(68,300)
Non-controlling interests	**(2,940)**	(2,392)	(3,400)	(3,456)	(2,678)
	(17,057)	5,646	(90,129)	(87,686)	(70,978)

Assets, liabilities and non-controlling interests

	As at 31 March				
	2018 HK$'000	2017 HK$'000	2016 HK$'000	2015 HK$'000	2014 HK$'000
TOTAL ASSETS	**450,019**	381,003	379,966	449,518	432,400
TOTAL LIABILITIES	**(88,741)**	(114,304)	(112,825)	(87,722)	(61,022)
NON-CONTROLLING INTERESTS	**768**	(984)	(4,509)	(9,004)	(8,806)
	362,046	265,715	262,632	352,792	362,572

PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

Details of movements in the property, plant and equipment and investment properties of the Group during the reporting year are set out in notes 11 and 12 to the consolidated financial statements, respectively.

SHARE CAPITAL AND SHARE OPTIONS

Details of the Company's share capital are set out in note 29 to the consolidated financial statements. In the reporting period, no new share option schemes have been adopted.

PRE-EMPTIVE RIGHTS

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

RESERVES

Details of movements in the reserves of the Company and the Group during the reporting year are set out in note 30 to the consolidated financial statements and in the consolidated statement of changes in equity set out on page 51 of this annual report, respectively.

DISTRIBUTABLE RESERVES

Under the Companies Act 1981 of Bermuda, the reserve of the Company amounting to approximately HK$126,062,000 (2017: HK$138,500,000) is available for distribution or paying dividends to the Company's shareholders subject to the provisions of its Bye-Laws and provided that immediately following the distribution or dividend, the Company is able to pay its debts as they fall due in the ordinary course of business.

DIRECTORS

The Directors of the Company during the year and up to the date of this report were:

Executive Directors

Ms. Wong Chi Yan	
Ms. Liu Shufeng	*(appointed on 9 October 2017)*
Ms. Ma Yilin	*(appointed on 16 October 2017)*
Mr. Chan Wai Kit	*(appointed on 31 May 2017 and resigned on 17 April 2018)*
Mr. Hui Leung Wah	*(retired on 28 September 2017)*
Mr. Hui Chun Yuen	*(resigned on 19 July 2017)*
Mr. Poon Sui Hong	*(resigned on 19 July 2017)*

Non- Executive Director

Mr. Wang Jijun	*(appointed on 17 April 2018)*

Independent non-executive directors

Mr. Wan Kin Man, Tony	
Mr. Chan Ming Kei	*(appointed on 26 April 2017)*
Mr. Chen Youchun	*(appointed on 16 October 2017)*
Mr. Chan Wei	*(appointed on 26 April 2017 and resigned on 17 April 2018)*

REPORT OF THE DIRECTORS

According to the Bye-Laws of the Company, at each Annual General Meeting, one-third of the Directors for the time being (or, if their number is not a multiple of three, then the number nearest to but not less than one-third) shall retire from office by rotation. In addition, every Director shall retire from office no later than the third Annual General Meeting after he/she was last elected or re-elected or ceased to be a Director and been re-elected by a general meeting at or since either such Annual General Meeting.

In accordance with the bye-laws of the Company, any Director appointed by the Board to fill a casual vacancy or as an addition to the Board shall hold office only until the next following general meeting of the Company and shall then be eligible for re-election. Accordingly, Ms. Wong Chi Yan, Mr. Wang Jijun, Mr. Wan Kin Man, Tony and Mr. Chan Ming Kei will retire by rotation at the forthcoming Annual General Meeting in accordance with the bye-laws of the Company. All of the abovementioned directors, being eligible, will offer themselves for re-election at the Annual General Meeting.

The Company has received annual confirmations of independence from Mr. Wan Kin Man, Tony, Mr. Chan Ming Kei, Mr. Chen Youchun as at the date of this report and Mr. Chan Wei as at the date of his resignation. The Board considers them to be independent.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the Directors of the Company and the senior management of the Group are set out on pages 17 to 19 of the annual report.

DIRECTORS' SERVICE CONTRACTS

None of the Directors has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

DIRECTORS' REMUNERATION

The Directors' fees are subject to shareholders' approval at general meetings. Other emoluments are determined by the Company's board of directors with reference to directors' duties, responsibilities and performance and the results of the Group.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 March 2018, the interests and short positions of the Directors and chief executive of the Company in the shares and underlying shares of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the SEHK pursuant to the Model Code contained in the Listing Rules, were as follows:

Long positions in ordinary shares of the Company:

Name of director	Number of shares held, capacity and nature of interest: Beneficial owner	Other interests	Total	Percentage of the issued share capital of the Company
Ms. Ma Yilin (Note)	1,100,000	94,199,123	95,299,123	24.54

Note: The 94,199,123 shares are held through Wealth China Worldwide Limited, a company incorporated in the British Virgin Islands with limited liability and is beneficially owned by Ms. Ma Yilin, the Executive Director and Ms. Sin Yuk Hung.

Save as disclosed above, as at 31 March 2018, none of the directors or their respective associates and the chief executive of the Company had any interests or short positions in the shares and underlying shares of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO")) as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the year was the Company or any of its subsidiaries a party to any arrangement to enable the Directors of the Company, their respective spouses 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.

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

Pursuant to Rule 8.10 of the Rules Governing the Listing of Security of the Stock Exchange of Hong Kong Limited, the interests of Directors of the Company in business which might compete with the Group during the year were as follows:

Ms. Wong Chi Yan ("Ms. Wong"), the executive Director of the Company, is also an independent non-executive director of Huiyin Holdings Group Limited ("Huiyin"), a company listed on the Main Board of The Stock Exchange of Hong Kong Limited. The business of Huiyin consists of provision of loan financing in Hong Kong. As Ms. Wong is not involved in the daily management and operation of Huiyin, no competition is considered to exist.

REPORT OF THE DIRECTORS

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Save as disclosed in the Related Party Transactions disclosures set out in note 37 to the consolidated financial statements, none of the Directors had a material interest, either directly or indirectly, in any transactions, arrangements or contracts of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the reporting year.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS IN SHARES AND UNDERLYING SHARES

As at 31 March 2018, the following interests of 5% or more of the issued share capital and share options of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

Long positions:

Name	Number of issued ordinary shares held	Capacity and nature of interest	Percentage of issued share capital of the Company
Sin Yuk Hung	94,199,123	Interest of the controlled corporation	24.26
Wealth China Worldwide Limited (Note 1)	94,199,123	Beneficial owner	24.26
Ma Yilin	95,299,123	Interest of the controlled corporation/Beneficial owner	24.54
Central China International Investment Company Limited (Note 2)	21,796,000	Beneficial owner	5.61
Central China Finance Holdings Limited (Note 2)	21,796,000	Interest of the controlled corporation	5.61
Central China International Financial Group Limited (Note 2)	21,796,000	Interest of the controlled corporation	5.61
Central China International Holdings Limited (Note 2)	21,796,000	Interest of the controlled corporation	5.61
Central China International Financial Holdings Company Ltd (Note 2)	21,796,000	Interest of the controlled corporation	5.61
Central China Securities Company Limited (Note 2)	21,796,000	Interest of the controlled corporation	5.61

Notes:

1. Wealth China Worldwide Limited is a company incorporated in the British Virgin Islands with limited liability and beneficially owned by Ms. Sin Yuk Hung and Ms. Ma Yilin.

2. Central China Securities Company Limited directly holds 100% of the issued share capital of Central China International Financial Holdings Company Limited, which in turn holds 100% of the issued share capital of Central China International Holdings Limited, which in turn holds 48% of the issued share capital of Central China International Financial Group Limited, which in turn holds 100% of the issued share capital of Central China Finance Holdings Limited, which in turn holds 100% of the issued share capital of Central China International Investment Company Limited. Therefore, Central China International Investment Company Limited, Central China Finance Holdings Limited, Central China International Financial Group Limited, Central China International Holdings Limited, Central China International Financial Holdings Company Ltd and Central China Securities Company Limited are deemed or taken to be interested in 21,796,000 Shares which are beneficially owned by Central China International Investment Company Limited.

Save as disclosed above, as at 31 March 2018, no person, other than the directors of the Company, whose interests are set out in the section "Directors' and chief executive's interests and short positions in shares and underlying shares" above, had registered an interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

USE OF PROCEEDS

On 26 September 2017, 64,720,000 ordinary shares were issued at the subscription price of HK$1.55 per share by way of placement for an aggregate consideration of HK$100,316,000. The net proceeds from the placing on 26 September 2017 (the "Listing Date") were approximately HK$97.4 million. The net proceeds from the Listing Date to 31 March 2018 had been applied as follows:

		Planned use of proceeds HK$ million	**Actual use of proceeds up to 31 March 2018** HK$ million
1.	Finance the balance of the consideration for the acquisition of a property as announced by the Company on 16 June 2017 and completed in March 2018	31.5	31.5
2.	General working capital/money lending business/future possible investment opportunities	65.9	42.7

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

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed shares during the year ended 31 March 2018.

MAJOR CUSTOMERS AND SUPPLIERS

During the reporting year, the Group's largest customer and the Group's five largest customers accounted for 26.2% and 48.5% of the Group's total sales, respectively.

During the reporting year, the Group's largest supplier and the Group's five largest suppliers accounted for 10.9% and 43.4% of the Group's total purchases, respectively.

Save as disclosed above, none of the directors of the Company or any of their associates or any shareholders, which to the best knowledge of the directors, own more than 5% of the Company's issued share capital had any beneficial interest in any of the Group's five largest customers or suppliers during the reporting year.

REPORT OF THE DIRECTORS

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

During the reporting year, the Company and the Group had the following connected and continuing connected transactions, certain details of which are disclosed in compliance with the requirements of Chapter 14A of the Listing Rules.

At the special general meeting held on 21 March 2018, an ordinary resolution was passed by the independent shareholders which approved a connected transaction, in which Elegance Group Limited (the "Vendor"), a wholly-owned subsidiary of the Company incorporated in the British Virgin Island with limited liability, entered into the disposal agreement with Raising King Ventures Limited (the "Purchaser"), wholly-owned by Mr. Hui, incorporated in the British Virgin Islands with limited liability in relation to the sale and purchase of all issued shares in Grand River (the "Disposal Company") and all obligations, liabilities and debts (the "Sale Loan") owing or incurred by the Disposal Company to Elegance Optical Manufactory Limited, a wholly owned subsidiary of the Company, at a total consideration of HK$79,000,000. The Sale Loan amounted to approximately HK$17,907,000. The above transaction was completed on 23 March 2018.

At the special general meeting held on 12 December 2016, an ordinary resolution was passed by the independent shareholders which approved a connected transaction, in which the entire share capital of Million Wave Limited ("Million Wave") were sold to Tycoon New Investment Limited, a BVI company which is wholly owned by Mr. Hui, in a consideration of HK$187,000,000. The consideration comprises of a loan due by Million Wave to Elegance Optical Investments Limited, a wholly owned subsidiary of the Company for an amount of HK$45,584,000 as well as the entire share capital of Million Wave amounting to HK$141,416,000, in which it possessed several properties in the PRC (note). The said transaction was completed on 17 January 2017.

Moreover, a tenancy agreement which was entered into between Million Wave and Elegance Optical Manufactory Limited, constitute a continuing connected transaction pursuant to Chapter 14A of the Listing Rules, in relation to lease back certain aforesaid disposed properties at a monthly rent of HK$372,000; in accordance with the Resolution, the aggregate rental values shall not exceed HK$0.93 million, HK$4.46 million and HK$3.53 million for each of the three years ended 31 March 2017, 2018 and 2019, respectively. This transaction is only subject to reporting, annual review and announcement requirement but is exempt from the approval by the independent shareholders pursuant to the Listing Rules.

The duration of the tenancy agreement is for two years commencing from 17 January 2017 to 16 January 2019 with a monthly rental of HK$372,000, inclusive of government land-use tax, which is equivalent to HK$4,464,000 per annum. Due to business restructure, Million Wave and Elegance Optical Manufactory Limited agreed to revise the monthly rental to HK$92,160 with effect from 15 October 2017.

The Directors, including the independent non-executive Directors of the Company have reviewed the continuing connected transaction set out above and in note 37(a) to the consolidated financial statements, and have confirmed that the tenancy agreement was approved by the board of directors and:

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

(b) was conducted on normal commercial terms;

(c) was entered into in accordance with the agreements governing such transactions, on terms that are fair and reasonable and in the interests of the Company's shareholders as a whole; and

(d) did not exceed HK$4,464,000 for the reporting year.

REPORT OF THE DIRECTORS

Ernst & Young, the Company's auditors, were engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information* and with reference to Practice Note 740 *Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules* issued by the Hong Kong Institute of Certified Public Accountants. Ernst & Young have issued their unqualified letter containing their findings and conclusions in respect of the continuing connected transactions disclosed above by the Group in accordance with Rule 14A.56 of the Listing Rules. A copy of the auditor's letter has been provided by the Company to the SEHK.

Note : the properties located at Zone B Factory, Zone B Dormitory, Zone C Factory and Zone C Dormitory, No. 1 Road Three, Jin Quan Ind. District, Liuyue Village, Heng Gang Town, Long Gang District, Shenzhen, PRC (中國深圳市龍崗區橫崗鎮六約社區金泉三路1號B區廠房、B區宿舍、C區廠房及C區宿舍)

Gold Strong Industrial Limited, a non-wholly-owned subsidiary of the Group, in their usual and ordinary course of business, had amounts due (to)/from the Company's several wholly-owned subsidiaries. The amounts due are unsecured and interest-bearing at the same interest rate charged by the Company's bank which is the same as the rate applied to the Company's wholly-owned subsidiaries, they are repayable on demand and the outstanding amounts are details below at the end of the balance sheet date:

	31 March 2018 HK$'000	31 March 2017 HK$'000
Gold Strong Industrial Limited	**(35,994)**	(42,486)
— amount due to Gold Strong by the Company's wholly-owned subsidiaries	**136**	132
— amount due by Gold Strong to the Company's wholly-owned subsidiaries	**(36,130)**	(42,618)

During the reporting year, a director's quarter was rented by the Group from Mr. Hui, for the use by Mr. Poon Sui Hong (the former executive Director of the Company, when upon resignation as an executive Director of the Company on 19 July 2017, remained as director of certain of the Company's subsidiaries) as a director's quarter. The total rental amounting to HK$444,000 for the year (2017: HK$444,000) was mutually agreed by both parties based on market value, of which HK$148,000 (2017: HK$444,000) has been included in directors' remuneration set out in note 37(b) to the consolidated financial statements as appropriate.

PERMITTED INDEMNITY PROVISION

Pursuant to Bye-law 189 of the Company, directors of the Company shall be indemnified and secured harmless out of the assets of the Company from and against all actions, costs, charges, losses, damages and expenses which he may incur or sustain by or about the execution of their duty in their offices or in relation thereto.

The Company has arranged appropriate directors' liability insurance coverage for the directors and the officers of the Company throughout the year.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors, at least 25% of the Company's total issued share capital was held by the public during the reporting year and up to the date of this report.

REPORT OF THE DIRECTORS

AUDITORS

Ernst & Young retire and a resolution for the re-appointment of Ernst & Young as auditor of the Company will be proposed at the forthcoming Annual General Meeting.

On Behalf of The Board

Liu Shufeng
Executive Director

Hong Kong
28 June 2018

INDEPENDENT AUDITOR'S REPORT

EY 安永

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To the shareholders of Elegance Optical International Holdings Limited
(Incorporated in Bermuda with limited liability)

OPINION

We have audited the consolidated financial statements of Elegance Optical International Holdings Limited (the "Company") and its subsidiaries (the "Group") set out on pages 47 to 127, which comprise the consolidated statement of financial position as at 31 March 2018, and the consolidated statement of profit or loss, 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 2018, and of its consolidated financial 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 ("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. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS (continued)

Key audit matter	How our audit addressed the key audit matter
Impairment of trade receivables and loan and interest receivables	
As at 31 March 2018, the Group recorded gross trade receivables of HK$14,426,000 before impairment provision of HK$309,000 and had loan and interest receivables amounted to HK$36,762,000. Management performs an impairment assessment for trade receivables and loan and interest receivables on a regular basis, with the impairment provision estimated by management through the application of judgement and use of highly subjective assumptions. Relevant disclosures are included in notes 3, 19 and 20 to the consolidated financial statements.	We reviewed the Group's processes relating to the monitoring of trade and loan and interest receivables and the granting of credit terms, and evaluated the inputs and assumptions used by management in their impairment assessment. We tested the trade receivables ageing analysis on a sampling basis and also assessed the impairment provision as of the end of the reporting period, taking into account factors such as the payment history of debtors, subsequent settlement of the receivables and other relevant information. For loan and interest receivables, we also evaluated management's impairment assessment by examining the background information and repayment capacity of the debtors such as reviewing the latest available financial information of the debtors and business performance of the debtors.

INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS (continued)

Key audit matter	How our audit addressed the key audit matter
Provision for obsolete inventories	
As at 31 March 2018, the Group recorded gross inventories of HK$75,924,000 before provision for impairment of HK$62,749,000. The write down of inventories to net realisable value is estimated by management through the application of judgement and use of highly subjective assumptions such as management's expectations for future sales and product promotion plans in identifying the obsolete and slow-moving inventory items, and estimating the allowance for inventories. Relevant disclosures are included in notes 3 and 18 to the consolidated financial statements.	We assessed management's controls over identifying and valuing obsolete, damaged, slow-moving, excess and other inventory items for which their costs may not be fully recoverable, and evaluated the Group's inventory provision policy with reference to historical sales transactions. We tested the inventories ageing analysis as at 31 March 2018 on a sampling basis. We also assessed the inventory provision by taking into account the subsequent usage of raw materials and work-in-progress and subsequent sales transactions of the inventories.
Impairment of property, plant and equipment and prepaid land lease payments	
During the year ended 31 March 2018, the Group recorded a loss for the year of HK$17,057,000. Management determined that indicators of impairment on the Group's property, plant and equipment and prepaid land lease payments existed and performed an impairment assessment. The management assessment process involved subjective judgements and assumptions, such as estimated market price per square metre of comparable properties nearby in determining the recoverable amounts of the relevant assets. To support management's determination of the fair value, the Group has engaged independent professionally qualified valuers to perform valuation on certain property, plant and equipment and prepaid land lease payments. The recoverable amounts of the Group's property, plant and equipment and prepaid land lease payment were estimated based on their respective fair values less costs of disposal. Relevant disclosures are included in notes 3, 11 and 14 to the consolidated financial statements.	We assessed the recoverable amounts and evaluated the inputs and assumptions included in management's impairment assessment by evaluating the data used as input for valuation, which included reference to the market price of comparable properties nearby. We also assessed the objectivity, independence and expertise of the valuers and involved our internal valuation specialists to assist us in evaluating the assumptions and methodologies.

INDEPENDENT AUDITOR'S REPORT

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

The directors of the Company 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 auditor's report thereon.

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

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

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors of the Company 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 of the Company either intend to liquidate the Group or to cease operations or have no realistic alternative but to do so.

The directors of the Company are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

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. Our report is made solely to you, as a body, in accordance with section 90 of the Bermuda Companies Act 1981, 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 scepticism 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.

INDEPENDENT AUDITOR'S REPORT

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.

The engagement partner on the audit resulting in this independent auditor's report is Ki Wing Yee, Winnie.

Ernst & Young
Certified Public Accountants
Hong Kong

28 June 2018

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 March 2018

	Notes	2018 HK$'000	2017 HK$'000
REVENUE	5	**111,790**	136,248
Cost of sales and services		**(97,290)**	(138,548)
Gross profit/(loss)		**14,500**	(2,300)
Other income	5	**5,620**	3,767
Selling and distribution expenses		**(4,050)**	(5,508)
Administrative expenses		**(90,538)**	(70,314)
Gain on disposal of subsidiaries	33	**62,662**	101,073
Other operating expenses, net	6	**(1,872)**	(4,506)
Finance costs	7	**(424)**	(1,199)
Share of profits/(losses) of a joint venture	15	**213**	(215)
PROFIT/(LOSS) BEFORE TAX	6	**(13,889)**	20,798
Income tax expense	9	**(3,168)**	(15,152)
PROFIT/(LOSS) FOR THE YEAR		**(17,057)**	5,646
Attributable to:			
Owners of the parent		**(14,117)**	8,038
Non-controlling interests		**(2,940)**	(2,392)
		(17,057)	5,646
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted	10	**HK(3.96) cents**	HK2.48 cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 March 2018

	Notes	2018 HK$'000	2017 HK$'000
PROFIT/(LOSS) FOR THE YEAR		**(17,057)**	5,646
OTHER COMPREHENSIVE INCOME/(LOSS)			
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods:			
Available-for-sale financial asset:			
Change in fair value	16	**(40)**	–
Share of other comprehensive income/(loss) of a joint venture	15	**65**	(37)
Exchange differences:			
Release of exchange fluctuation reserve upon disposal of a subsidiary	33(b)	**–**	(3,048)
Exchange differences on translation of foreign operations		**3,694**	(3,003)
		3,694	(6,051)
Net other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods		**3,719**	(6,088)
Other comprehensive income not to be reclassified to profit or loss in subsequent periods:			
Gain on property revaluation	11	**7,601**	–
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR, NET OF TAX		**11,320**	(6,088)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		**(5,737)**	(442)
Attributable to:			
Owners of the parent		**(3,985)**	3,083
Non-controlling interests		**(1,752)**	(3,525)
		(5,737)	(442)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 March 2018

	Notes	2018 HK$'000	2017 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	11	**61,878**	81,890
Investment properties	12	**75,357**	29,862
Prepaid land lease payments	14	**4,460**	4,143
Investment in a joint venture	15	**–**	–
Available-for-sale financial asset	16	**290**	360
Prepayments and deposits	21	**1,880**	663
Total non-current assets		**143,865**	116,918
CURRENT ASSETS			
Inventories	18	**13,175**	14,570
Trade receivables	19	**14,117**	18,238
Loan and interest receivables	20	**36,762**	–
Prepayments, deposits and other receivables	21	**92,425**	31,123
Equity investments at fair value through profit or loss	22	**10,893**	38,181
Cash and cash equivalents	23	**138,782**	161,973
Total current assets		**306,154**	264,085
CURRENT LIABILITIES			
Trade payables	24	**8,284**	8,821
Other payables, accruals, deposits received and deferred income	25	**44,429**	41,257
Obligation under finance leases	26	**366**	–
Interest-bearing bank and other borrowings	27	**11,063**	46,584
Tax payable		**17,244**	14,959
Total current liabilities		**81,386**	111,621
NET CURRENT ASSETS		**224,768**	152,464
TOTAL ASSETS LESS CURRENT LIABILITIES		**368,633**	269,382
NON-CURRENT LIABILITIES			
Deposits received and deferred income	25	**4,641**	92
Deferred tax liabilities	28	**2,109**	2,591
Obligation under finance leases	26	**605**	–
Total non-current liabilities		**7,355**	2,683
Net assets		**361,278**	266,699

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 March 2018

	Notes	2018 HK$'000	2017 HK$'000
EQUITY			
Equity attributable to owners of the parent			
Issued capital	29	**38,837**	32,365
Reserves	30	**323,209**	233,350
		362,046	265,715
Non-controlling interests		**(768)**	984
Total equity		**361,278**	266,699

LIU Shufeng
Director

WONG Chi Yan
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 March 2018

		Attributable to owners of the parent										
	Notes	Issued capital HK$'000	Share premium account HK$'000	Capital reserve HK$'000	Asset revaluation reserve# HK$'000	Available-for-sale financial asset revaluation reserve HK$'000	Goodwill eliminated against reserves HK$'000	Exchange fluctuation reserve HK$'000	Retained profits HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 April 2016		32,365	56,831	41,925	84,074	40	(152)	4,695	42,854	262,632	4,509	267,141
Profit for the year		–	–	–	–	–	–	–	8,038	8,038	(2,392)	5,646
Other comprehensive income/(loss) for the year:												
Share of other comprehensive loss of a joint venture		–	–	–	–	–	–	(37)	–	(37)	–	(37)
Release of exchange fluctuation reserve upon disposal of a subsidiary	33(b)	–	–	–	–	–	–	(3,048)	–	(3,048)	–	(3,048)
Exchange differences on translation of foreign operations		–	–	–	–	–	–	(1,870)	–	(1,870)	(1,133)	(3,003)
Total comprehensive income/(loss) for the year		–	–	–	–	–	–	(4,955)	8,038	3,083	(3,525)	(442)
Release of asset revaluation reserve upon disposal of a subsidiary		–	–	–	(69,701)	–	–	–	69,701	–	–	–
At 31 March 2017 and 1 April 2017		32,365	56,831*	41,925*	14,373*	40*	(152)*	(260)*	120,593*	265,715	984	266,699
Loss for the year		–	–	–	–	–	–	–	(14,117)	(14,117)	(2,940)	(17,057)
Other comprehensive income/(loss) for the year:												
Change in fair value of an available-for-sale financial asset		–	–	–	–	(40)	–	–	–	(40)	–	(40)
Share of other comprehensive income of a joint venture		–	–	–	–	–	–	65	–	65	–	65
Exchange differences on translation of foreign operations		–	–	–	–	–	–	2,506	–	2,506	1,188	3,694
Gain on property revaluation		–	–	–	7,601	–	–	–	–	7,601	–	7,601
Total comprehensive income/(loss) for the year		–	–	–	7,601	(40)	–	2,571	(14,117)	(3,985)	(1,752)	(5,737)
Issue of shares	29	6,472	93,844	–	–	–	–	–	–	100,316	–	100,316
At 31 March 2018		38,837	150,675*	41,925*	21,974*	–*	(152)*	2,311*	106,476*	362,046	(768)	361,278

* These reserve accounts comprise the consolidated reserves of HK$323,209,000 (2017: HK$233,350,000) in the consolidated statement of financial position.

The asset revaluation reserve arose from a change in use from owner-occupied properties to investment properties carried at fair value.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 March 2018

	Notes	2018 HK$'000	2017 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/(loss) before tax		**(13,889)**	20,798
Adjustments for:			
Finance costs	7	**424**	1,199
Share of losses/(profits) of a joint venture	15	**(213)**	215
Bank interest income	5	**(17)**	(478)
Dividend income from equity investments at fair value through profit or loss	5	**(144)**	(4)
Write-back of other payables	5	**(127)**	(1,242)
Loss/(gain) on disposal of items of property, plant and equipment	6	**(138)**	654
Changes in fair values of investment properties	6	**(1,996)**	(181)
Fair value gains on equity investments at fair value through profit or loss, net	5	**(14,962)**	(1,043)
Depreciation	6	**10,681**	15,832
Amortisation of prepaid land lease payments	6	**117**	243
Impairment of trade receivables	6	**1**	17
Provision for inventory obsolescence	6	**626**	2,625
Impairment losses on an available-for-sale financial asset, net	6	**30**	–
Impairment loss on investment in and loan to a joint venture	6	**466**	3,929
Gain on disposal of subsidiaries	33	**(62,662)**	(101,073)
Impairment of intangible asset	6	**1,690**	–
Impairment of goodwill	6	**1,569**	–
		(78,544)	(58,509)
Decrease in inventories		**769**	8,846
Decrease in trade receivables		**4,120**	18,687
Increase in loan and interest receivables		**(36,762)**	–
Decrease/(increase) in prepayments, deposits and other receivables		**(50,501)**	3,688
Decrease/(increase) in equity investments at fair value through profit or loss		**42,250**	(37,050)
Decrease in trade payables		**(410)**	(4,338)
Increase/(decrease) in other payables, accruals, deposits received and deferred income		**3,480**	(1,992)
Cash used in operations		**(115,598)**	(70,668)
Interest paid		**(412)**	(1,199)
Interest element of finance lease rental payments		**(12)**	–
Hong Kong profits tax paid		**(791)**	(188)
Overseas taxes paid		**–**	(35)
Dividend received from equity investments at fair value through profit or loss		**5**	4
Net cash flows used in operating activities		**(116,808)**	(72,086)

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 March 2018

	Notes	2018 HK$'000	2017 HK$'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		**17**	478
Dividend received from a joint venture		**–**	97
Dividend received from equity investments at fair value through profit or loss		**139**	–
Purchases of items of property, plant and equipment		**(2,880)**	(462)
Proceeds from disposal of items of property, plant and equipment		**139**	60
Disposal of subsidiaries	33	**79,000**	187,000
Advance of loan to a joint venture		**(188)**	–
Acquisitions of subsidiaries	32	**(45,896)**	–
Net cash flows from investing activities		**30,331**	187,173
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		**100,316**	–
New bank loans		**4,334**	17,096
New other loan		**10,000**	–
Repayment of bank loans		**(49,838)**	(15,777)
Repayment of other loan		**(17)**	–
Capital element of finance lease rental payments		**(157)**	–
Net cash flows from financing activities		**64,638**	1,319
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**(21,839)**	116,406
Cash and cash equivalents at beginning of year		**161,973**	44,965
Effect of foreign exchange rate changes, net		**(1,352)**	602
CASH AND CASH EQUIVALENTS AT END OF YEAR		**138,782**	161,973
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	23	**138,782**	161,973

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 March 2018

1. CORPORATE AND GROUP INFORMATION

Elegance Optical International Holdings Limited is a limited liability company incorporated in Bermuda. The registered office of the Company is located at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda.

During the year, the Group was engaged in the manufacture and trading of optical frames and sunglasses, property investment, investment in debts and securities, money lending business and film distribution business.

Information about subsidiaries

Particulars of the Company's principal subsidiaries are as follows:

Name	Place of incorporation/ registration and business	Issued ordinary/ registered paid-in capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Elegance Optical Investments Limited	Hong Kong	Ordinary HK$200 Non-voting deferred HK$20,000,000*	–	100	Investment holding and property investment
Elegance Optical Manufactory Limited	Hong Kong	Ordinary HK$2	–	100	Investment holding and trading of optical frames
Fortune Optical Limited ("Fortune Optical")**	The People's Republic of China ("PRC")/ Mainland China	HK$43,700,000	–	55	Trading and manufacture of optical frames
Gold Strong Industrial Limited ("Gold Strong")	Hong Kong	Ordinary HK$100	–	55	Investment holding and trading of optical frames
People by People Group Limited	Hong Kong	Ordinary HK$200	–	100	Trading of optical frames and bags in Hong Kong and Southeast Asia

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 March 2018

1. CORPORATE AND GROUP INFORMATION (continued)

Information about subsidiaries (continued)

Particulars of the Company's principal subsidiaries are as follows: (continued)

Name	Place of incorporation/ registration and business	Issued ordinary/ registered paid-in capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
高雅光學(深圳)有限公司 ("高雅深圳")**	The PRC/ Mainland China	RMB33,000,000	–	100	Trading and manufacture of optical frames
Brilliant Plan Global Limited**	British Virgin Islands ("BVI")	US$1	100	–	Securities investment
Capital Real Estate Development Limited ("Capital Real Estate")	Hong Kong	HK$10,000	–	100	Money lending
Filmko Pictures (Hong Kong) Co. Limited ("Filmko Pictures")	Hong Kong	HK$10,000,000	–	100	Film distribution

* The first HK$1,000,000,000,000 of the profits which the subsidiary may determine to distribute in any financial year must be distributed among the holders of ordinary shares where one half of the balance of the said profits is distributed among the holders of the non-voting deferred shares and the other half of such balance among the holders of ordinary shares. Moreover, the holders of the non-voting deferred shares have no other rights to dividends. The holders of the non-voting deferred shares have no right to attend or vote at general meetings, except for general meetings convened for the purpose of reducing the capital of the Company or altering their class rights. The non-voting deferred shares carry the right to receive one half of the balance of any surplus in a return of capital in a winding-up after the holders of the ordinary shares have received a total return of HK$5,000,000,000.

** Not audited by Ernst & Young, Hong Kong or another member firm of the Ernst & Young global network.

*** Fortune Optical and 高雅深圳 are registered as wholly-foreign-owned enterprises under PRC law.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 March 2018

2.1 BASIS OF PREPARATION

These consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties, an available-for-sale financial asset and equity investments at fair value through profit or loss, which have been measured at fair value. These financial statements are presented in Hong Kong dollars and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Group for the year ended 31 March 2018. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following revised HKFRSs for the first time for the current year's consolidated financial statements.

Amendments to HKAS 7	*Disclosure Initiative*
Amendments to HKAS 12	*Recognition of Deferred Tax Assets for Unrealised Losses*
Amendments to HKFRS 12 included in *Annual Improvements to HKFRSs 2014–2016 Cycle*	*Disclosure of Interests in Other Entities: Clarification of the Scope of HKFRS 12*

The nature and the impact of the amendments are described below:

(a) Amendments to HKAS 7 require an entity to provide disclosures that enable users of consolidated financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. Disclosure of the changes in liabilities arising from financing activities is provided in note 34(b) to the consolidated financial statements.

(b) Amendments to HKAS 12 clarify that an entity, when assessing whether taxable profits will be available against which it can utilise a deductible temporary difference, needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount. The amendments have had no impact on the financial position or performance of the Group as the Group has no deductible temporary differences or assets that are in the scope of the amendments.

(c) Amendments to HKFRS 12 clarify that the disclosure requirements in HKFRS 12, other than those disclosure requirements in paragraphs B10 to B16 of HKFRS 12, apply to an entity's interest in a subsidiary, a joint venture or an associate, or a portion of its interest in a joint venture or an associate that is classified as held for sale or included in a disposal group classified as held for sale. The amendments have had no impact on the Group's consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 March 2018

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

Amendments to HKFRS 2	*Classification and Measurement of Share-based Payment Transactions*[1]
Amendments to HKFRS 4	*Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts*[1]
HKFRS 9	*Financial Instruments*[1]
Amendments to HKFRS 9	*Prepayment Features with Negative Compensation*[2]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
HKFRS 15	*Revenue from Contracts with Customers*[1]
Amendments to HKFRS 15	*Clarifications to HKFRS 15 Revenue from Contracts with Customers*[1]
HKFRS 16	*Leases*[2]
HKFRS 17	*Insurance Contracts*[3]
Amendments to HKAS 19	*Plan Amendment, Curtailment or Settlement*[2]
Amendments to HKAS 28	*Long-term Interests in Associates and Joint Ventures*[2]
Amendments to HKAS 40	*Transfers of Investment Property*[1]
HK(IFRIC)-Int 22	*Foreign Currency Transactions and Advance Consideration*[1]
HK(IFRIC)-Int 23	*Uncertainty over Income Tax Treatments*[2]
Annual Improvements 2014–2016 Cycle	Amendments to HKFRS 1 and HKAS 28[1]
Annual Improvements 2015–2017 Cycle	Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23[2]

1 Effective for annual periods beginning on or after 1 January 2018
2 Effective for annual periods beginning on or after 1 January 2019
3 Effective for annual periods beginning on or after 1 January 2021
4 No mandatory effective date yet determined but available for adoption

Further information about those HKFRSs that are expected to be applicable to the Group is described below. The actual impacts upon adoption could be different to those below, depending on additional reasonable and supportable information being made available to the Group at the time of applying the standards.

The HKICPA issued amendments to HKFRS 2 in August 2016 that address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding a certain amount in order to meet an employee's tax obligation associated with the share-based payment; and accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash-settled to equity-settled. The amendments clarify that the approach used to account for vesting conditions when measuring equity-settled share-based payments also applies to cash-settled share-based payments. The amendments introduce an exception so that a share-based payment transaction with net share settlement features for withholding a certain amount in order to meet the employee's tax obligation is classified in its entirety as an equity-settled share-based payment transaction when certain conditions are met. Furthermore, the amendments clarify that if the terms and conditions of a cash-settled share-based payment transaction are modified, with the result that it becomes an equity-settled share-based payment transaction, the transaction is accounted for as an equity-settled transaction from the date of the modification. On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if they elect to adopt for all three amendments and other criteria are met. The Group will adopt the amendments from 1 April 2018. The amendments are not expected to have any significant impact on the Group's consolidated financial statements.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (continued)

In September 2014, the HKICPA issued the final version of HKFRS 9, bringing together all phases of the financial instruments project to replace HKAS 39 and all previous versions of HKFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. The Group will adopt HKFRS 9 from 1 April 2018. The Group will not restate comparative information and will recognise any transition adjustments against the opening balance of equity at 1 April 2018. During 2017, the Group has performed a detailed assessment of the impact of the adoption of HKFRS 9. The expected impacts relate to the classification and measurement and the impairment requirements and are summarised as follows:

(a) Classification and measurement

The Group does not expect that the adoption of HKFRS 9 will have a significant impact on the classification and measurement of its financial assets. It expects to continue measuring at fair value all financial assets currently held at fair value. Equity investments currently held as available for sale will be measured at fair value through other comprehensive income as the investments are intended to be held for the foreseeable future and the Group expects to apply the option to present fair value changes in other comprehensive income. Gains and losses recorded in other comprehensive income for the equity investments cannot be recycled to profit or loss when the investments are derecognised.

(b) Impairment

HKFRS 9 requires an impairment on debt instruments recorded at amortised cost or at fair value through other comprehensive income, lease receivables, loan commitments and financial guarantee contracts that are not accounted for at fair value through profit or loss under HKFRS 9, to be recorded based on an expected credit loss model either on a twelve-month basis or a lifetime basis. The Group will apply the simplified approach and record lifetime expected losses that are estimated based on the present values of all cash shortfalls over the remaining life of all of its trade receivables. Furthermore, the Group will apply the general approach and record twelve-month expected credit losses that are estimated based on the possible default events on its other receivables within the next twelve months.

Amendments to HKFRS 10 and HKAS 28 (2011) address an inconsistency between the requirements in HKFRS 10 and in HKAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to HKFRS 10 and HKAS 28 (2011) was removed by the HKICPA in January 2016 and a new mandatory effective date will be determined after the completion of a broader review of accounting for associates and joint ventures. However, the amendments are available for adoption now.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (continued)

HKFRS 15, issued in July 2014, establishes a new five-step model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in HKFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates. The standard will supersede all current revenue recognition requirements under HKFRSs. Either a full retrospective application or a modified retrospective adoption is required on the initial application of the standard. In June 2016, the HKICPA issued amendments to HKFRS 15 to address the implementation issues on identifying performance obligations, application guidance on principal versus agent and licences of intellectual property, and transition. The amendments are also intended to help ensure a more consistent application when entities adopt HKFRS 15 and decrease the cost and complexity of applying the standard. The Group plans to adopt the transitional provisions in HKFRS 15 to recognise the cumulative effect of initial adoption as an adjustment to the opening balance of retained earnings at 1 April 2018. In addition, the Group plans to apply the new requirements only to contracts that are not completed before 1 April 2018. The Group expects that the transitional adjustment to be made on 1 April 2018 upon initial adoption of HKFRS 15 will not be material. During 2017, the Group has performed an assessment on the impact of the adoption of HKFRS 15 and the amendments are not expected to have any significant impact on the Group's financial statements.

HKFRS 16, issued in May 2016, replaces HKAS 17 *Leases*, HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease*, HK(SIC)-Int 15 *Operating Leases — Incentives* and HK(SIC)-Int 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise assets and liabilities for most leases. The standard includes two elective recognition exemptions for lessees — leases of low-value assets and short-term leases. At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). The right-of-use asset is subsequently measured at cost less accumulated depreciation and any impairment losses unless the right-of-use asset meets the definition of investment property in HKAS 40, or relates to a class of property, plant and equipment to which the revaluation model is applied. The lease liability is subsequently increased to reflect the interest on the lease liability and reduced for the lease payments. Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will also be required to remeasure the lease liability upon the occurrence of certain events, such as change in the lease term and change in future lease payments resulting from a change in an index or rate used to determine those payments. Lessees will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. Lessor accounting under HKFRS 16 is substantially unchanged from the accounting under HKAS 17. Lessors will continue to classify all leases using the same classification principle as in HKAS 17 and distinguish between operating leases and finance leases. HKFRS 16 requires lessees and lessors to make more extensive disclosures than under HKAS 17. Lessees can choose to apply the standard using either a full retrospective or a modified retrospective approach. The Group expects to adopt HKFRS 16 from 1 April 2019. The Group is currently assessing the impact of HKFRS 16 upon adoption and is considering whether it will choose to take advantage of the practical expedients available and which transition approach and reliefs will be adopted.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 March 2018

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (continued)

As disclosed in note 35(b) to the consolidated financial statements, at 31 March 2018, the Group had future minimum lease payments under non-cancellable operating leases in aggregate of approximately HK$41,371,000. Upon adoption of HKFRS 16, certain amounts included therein may need to be recognised as new right-of-use assets and lease liabilities. Further analysis, however, will be needed to determine the amount of new rights of use assets and lease liabilities to be recognised, including, but not limited to, any amounts relating to leases of low-value assets and short term leases, other practical expedients and reliefs chosen, and new leases entered into before the date of adoption.

Amendments to HKAS 40, issued in April 2017, clarify when an entity should transfer property, including property under construction or development, into or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. The amendments should be applied prospectively to the changes in use that occur on or after the beginning of the annual reporting period in which the entity first applies the amendments. An entity should reassess the classification of property held at the date that it first applies the amendments and, if applicable, reclassify property to reflect the conditions that exist at that date. Retrospective application is only permitted if it is possible without the use of hindsight. The Group expects to adopt the amendments prospectively from 1 April 2018. The amendments are not expected to have any significant impact on the Group's consolidated financial statements.

HK(IFRIC)-Int 22, issued in June 2017, provides guidance on how to determine the date of the transaction when applying HKAS 21 to the situation where an entity receives or pays advance consideration in a foreign currency and recognises a non-monetary asset or liability. The interpretation clarifies that the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) is the date on which an entity initially recognises the non-monetary asset (such as a prepayment) or non-monetary liability (such as deferred income) arising from the payment or receipt of the advance consideration. If there are multiple payments or receipts in advance of recognising the related item, the entity must determine the transaction date for each payment or receipt of the advance consideration. Entities may apply the interpretation on a full retrospective basis or on a prospective basis, either from the beginning of the reporting period in which the entity first applies the interpretation or the beginning of the prior reporting period presented as comparative information in the consolidated financial statements of the reporting period in which the entity first applies the interpretation. The Group expects to adopt the interpretation prospectively from 1 April 2018. The amendments are not expected to have any significant impact on the Group's consolidated financial statements.

HK(IFRIC)-Int 23, issued in July 2017, addresses the accounting for income taxes (current and deferred) when tax treatments involve uncertainty that affects the application of HKAS 12 (often referred to as "uncertain tax positions"). The interpretation does not apply to taxes or levies outside the scope of HKAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The interpretation specifically addresses (i) whether an entity considers uncertain tax treatments separately; (ii) the assumptions an entity makes about the examination of tax treatments by taxation authorities; (iii) how an entity determines taxable profits or tax losses, tax bases, unused tax losses, unused tax credits and tax rates; and (iv) how an entity considers changes in facts and circumstances. The interpretation is to be applied retrospectively, either fully retrospectively without the use of hindsight or retrospectively with the cumulative effect of application as an adjustment to the opening equity at the date of initial application, without the restatement of comparative information. The Group expects to adopt the interpretation from 1 April 2019. The amendments are not expected to have any significant impact on the Group's consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 March 2018

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Investment in a joint venture

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The Group's investment in a joint venture are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses.

The Group's share of the post-acquisition results and other comprehensive income of a joint venture are included in the consolidated statement of profit or loss and consolidated other comprehensive income, respectively. In addition, when there has been a change recognised directly in the equity of the joint venture, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its joint venture are eliminated to the extent of the Group's investment in the joint venture, except where unrealised losses provide evidence of an impairment of the asset transferred. Goodwill arising from the acquisition of a joint venture is included as part of the Group's investment in a joint venture.

If an investment in an associate becomes an investment in a joint venture or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method. In all other cases, upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed 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. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 March 2018

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations and goodwill (continued)

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 March. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

Fair value measurement

The Group measures its investment properties, an available-for-sale financial asset and equity investments 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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 March 2018

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value measurement (continued)

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.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, financial assets and investment properties), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. 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. An impairment loss is charged to the statement of profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the consolidated statement of profit or loss in the period in which it arises.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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; or
- (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.

Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the statement of profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 March 2018

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment and depreciation (continued)

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Land and buildings	Shorter of the lease terms and 2%
Leasehold improvements	Shorter of the lease terms and the rates of 5% to 10%
Plant and machinery	10% to 20%
Furniture, fixtures and office equipment	10% to 20%
Motor vehicles	20%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the consolidated statement of profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Investment properties

Investment properties are interests in land and buildings (including the leasehold interest under an operating lease for a property which would otherwise meet the definition of an investment property) held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the end of the reporting period.

Gains or losses arising from changes in the fair values of investment properties are included in the consolidated statement of profit or loss in the year in which they arise.

Any gains or losses on the retirement or disposal of an investment property are recognised in the consolidated statement of profit or loss in the year of the retirement or disposal.

For a transfer to investment properties from owner-occupied properties, the deemed cost of a property for subsequent accounting is its fair value at the date of change in use. If a property occupied by the Group as an owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under "Property, plant and equipment and depreciation" up to the date of change in use, and any difference at that date between the carrying amount and the fair value of the property is accounted for as a revaluation in accordance with the policy stated under "Property, plant and equipment and depreciation" above. On disposal of a revalued asset, the relevant portion of the asset revaluation reserve realised in respect of previous valuations is transferred to retained profits as a movement in reserve.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 March 2018

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Distribution rights
Distribution rights are stated at cost less any impairment losses and are amortised on the straight-line basis over their estimated useful lives of 10 to 15 years.

Leases

Leases that transfer substantially all the rewards and risks of ownership of assets to the Group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased asset is capitalised at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalised finance leases, including prepaid land lease payments under finance leases, are included in property, plant and equipment, and depreciated over the shorter of the lease terms and the estimated useful lives of the assets. The finance costs of such leases are charged to the statement of profit or loss so as to provide a constant periodic rate of charge over the lease terms.

Assets acquired through hire purchase contracts of a financing nature are accounted for as finance leases, but are depreciated over their estimated useful lives.

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to the statement of profit or loss on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under operating leases net of any incentives received from the lessor are charged to the statement of profit or loss on the straight-line basis over the lease terms.

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms. When the lease payments cannot be allocated reliably between the land and buildings elements, the entire lease payments are included in the cost of the land and buildings as a finance lease in property, plant and equipment.

Sale and leaseback transaction

A sale and leaseback transaction involves the sale of an asset and the leasing back of the same asset. The lease payment and the sale price are usually interdependent because they are negotiated as a package. The accounting treatment of a sale and leaseback transaction depends upon the type of lease involved. If a sale and leaseback transaction results in a finance lease, any excess of sales proceeds over the carrying amount is deferred and amortised over the lease term. If a sale and leaseback transaction results in an operating lease, and it is clear that the transaction is established at fair value, any profit or loss is recognised immediately. If the sale price is below fair value, any profit or loss is recognised immediately except that, if the loss is compensated for by future lease payments at below market price, it is deferred and amortised in proportion to the lease payments over the period for which the asset is expected to be used. If the sale price is above fair value, the excess over fair value is deferred and amortised over the period for which the asset is expected to be used.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 March 2018

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, 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, except in the case of financial assets recorded at fair value through profit or loss.

All regular way purchases and 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 period generally established by regulation or convention in the marketplace.

Subsequent measurement

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

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments as defined by HKAS 39.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value presented as revenue in the statement of profit or loss. These net fair value changes do not include any dividends or interest earned on these financial assets, which are recognised in accordance with the policies set out for "Revenue recognition" below.

Financial assets designated upon initial recognition as at fair value through profit or loss are designated at the date of initial recognition and only if the criteria in HKAS 39 are satisfied.

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 measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in other income in the statement of profit or loss. The loss arising from impairment is recognised in the statement of profit or loss in other operating expenses for loans and receivables.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets in listed and unlisted equity investments 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets (continued)

Subsequent measurement (continued)

Available-for-sale financial assets (continued)

After initial recognition, available-for-sale financial assets are subsequently measured at fair value, with unrealised gains or losses recognised as other comprehensive income in the available-for-sale financial asset revaluation reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in the statement of profit or loss in other income, or until the asset is determined to be impaired, when the cumulative gain or loss is reclassified from the available-for-sale financial asset revaluation reserve to the statement of profit or loss in other operating expenses. Interest and dividends earned whilst holding the available-for-sale financial assets are reported as interest income and dividend income, respectively and are recognised in the statement of profit or loss as other income in accordance with the policies set out for "Revenue recognition" below.

The Group evaluates whether the ability and intention to sell its available-for-sale financial assets 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.

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.

Impairment of financial assets

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.

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets (continued)

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 statement of profit or loss. 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.

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 operating expenses in the statement of profit or loss.

Available-for-sale financial assets

For available-for-sale financial assets, 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 financial 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 statement of profit or loss, is removed from other comprehensive income and recognised in the statement of profit or loss.

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 statement of profit or loss — is removed from other comprehensive income and recognised in the statement of profit or loss. Impairment losses on equity instruments classified as available for sale are not reversed through the statement of profit or loss. Increases in their fair value after impairment are recognised directly in other comprehensive income.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets (continued)

Available-for-sale financial assets (continued)

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.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

The Group's financial liabilities include trade payables, other payables, accruals and deposits received and interest-bearing bank borrowings.

Subsequent measurement

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

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the statement of profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the statement of profit or loss.

Financial guarantee contracts

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. A financial guarantee contract is recognised initially as a liability at its fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount of the best estimate of the expenditure required to settle the present obligation at the end of the reporting period; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the statement of profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax

Income tax comprises 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 for the current and prior periods 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, associates and joint ventures, 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.

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 profit will be available against which the 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, associates and joint ventures, 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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 March 2018

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax (continued)

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed.

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

(a) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;

(b) interest income, on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset;

(c) rental income, on a time proportion basis over the lease terms;

(d) dividend income, when the shareholders' right to receive payment has been established;

(e) realised fair value gains or losses on investment in securities, on trade date basis, whilst unrealised fair value gains or losses on change in fair value at the end of the reporting period;

(f) distribution agency and commission income, when the materials have been delivered to the distributors and licensees; and

(g) accounting service fee, when the services are rendered.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Share-based payment transactions

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payment transactions, whereby employees render services as consideration for equity instruments.

No share options have been granted under the share option scheme since its adoption.

Other employee benefits

Paid leave carried forward

The Group provides paid annual leave to its employees under their employment contracts on an annual basis. Under certain circumstances, such leave which remains untaken as at the end of the reporting period is permitted to be carried forward and utilised by the respective employees in the following financial year. An accrual is made at the end of the reporting period for the expected future cost of such paid leave earned during the year by the employees and carried forward.

Pension schemes

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to the statement of profit or loss 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 Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

The employees of the Group's subsidiaries which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute a certain percentage of their payroll costs to the central pension scheme. The contributions are charged to the statement of profit or loss as they become payable in accordance with the rules of the central pension scheme.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 March 2018

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies

These consolidated financial statements are presented in Hong Kong dollars, which is the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the consolidated financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

The functional currencies of certain overseas subsidiaries, the joint venture and the associate are currencies other than the Hong Kong dollar. As at the end of the reporting period, the assets and liabilities of these entities are translated into Hong Kong dollars at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss are translated into Hong Kong dollars at the weighted average exchange rates for the year.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the statement of profit or loss.

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries are translated into Hong Kong dollars at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into Hong Kong dollars at the weighted average exchange rates for the year.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the consolidated financial statements:

Operating lease commitments — Group as lessor

The Group has entered into industrial property leases on its investment property portfolio. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, that it retains all the significant risks and rewards of ownership of these properties which are leased out on operating leases.

Classification between investment properties and owner-occupied properties

The Group determines whether a property qualifies as an investment property, and has developed criteria in making that judgement. Investment property is a property held to earn rentals or for capital appreciation or both. Therefore, the Group considers whether a property generates cash flows largely independently of the other assets held by the Group. Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions could be sold separately or leased out separately under a finance lease, the Group accounts for the portions separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as an investment property.

Impairment of assets

In determining whether an asset is impaired or the event previously causing the impairment no longer exists, the Group has to exercise judgement in the area of asset impairment, particularly in assessing: (1) whether an event has occurred that may affect the asset value or such event affecting the asset value has not been in existence; (2) whether the carrying value of an asset can be supported by the net present value of future cash flows which are estimated based upon the continued use of the asset or derecognition; and (3) the appropriate key assumptions to be applied in preparing cash flow projections including whether these cash flow projections are discounted using an appropriate rate. Changing the assumptions selected by management to determine the level of impairment, including the discount rates or the growth rate assumptions in the cash flow projections, could materially affect the net present value used in the impairment test.

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3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Estimation uncertainty

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

Impairment of non-financial assets

The Group assesses whether there are any indicators of impairment for all non-financial assets at the end of each reporting period. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

Provision for obsolete inventories

Management of the Group reviews the usage of the inventories at the end of each reporting period, and makes provision for obsolete items where events or changes in circumstances show that the balances of inventories may not be realised or certain items are no longer suitable for production use. In addition, physical counts on all inventories are carried out on a periodical basis in order to determine whether provision is needed to be made in respect of any obsolete inventories identified. The directors of the Company are satisfied that sufficient provision for obsolete inventories has been made in the consolidated financial statements. As at 31 March 2018, the carrying amount of inventories was HK$13,175,000, net of provision for obsolete inventories of HK$62,749,000 (2017: HK$14,570,000, net of provision for obsolete inventories of HK$57,209,000).

Impairment of trade receivables

The policy for impairment of trade receivables of the Group is based on the evaluation of collectability and ageing analysis of accounts and on management's judgement at the end of each reporting period whether there is any objective evidence that the trade receivables are impaired. A considerable amount of judgement is required in assessing the ultimate realisation of these receivables, including the current creditworthiness and the past collection history of each customer. If the financial conditions of customers of the Group were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required. As at 31 March 2018, the carrying value of trade receivables was HK$14,117,000, net of impairment of trade receivables of HK$309,000 (2017: HK$18,238,000, net of impairment of trade receivables of HK$308,000).

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Estimation uncertainty (continued)

Deferred tax assets

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The amount of unrecognised tax losses at 31 March 2018 was approximately HK$113,278,000 (2017: HK$96,227,000). Further details are contained in note 28 to the consolidated financial statements.

Useful lives and residual values of property, plant and equipment

In determining the useful lives and residual values of items of property, plant and equipment, the Group has to consider various factors, such as expected usage of the asset, expected physical wear and tear, the care and maintenance of the asset, and legal or similar limits on the use of the asset. The estimation of the useful life of the asset is based on the experience of the Group with similar assets that are used in a similar way. Additional depreciation is made if the estimated useful lives and/or the residual values of items of property, plant and equipment are different from previous estimates. Useful lives and residual values are reviewed at each financial year end date based on changes in circumstances.

Impairment of loan and interest receivables

When there is objective evidence of an impairment loss, the Group takes into consideration the estimation of future cash flows. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). Where the actual future cash flows are less than expected, a material impairment loss may arise. Further details of loan and interest receivables are included in note 20 to the consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 March 2018

4. SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has five reportable operating segments as follows:

(a) the manufacturing and trading segment engaged in manufacture and trading of optical frames and sunglasses;

(b) the property investment segment engaged in leasing of properties for rental income;

(c) the debts and securities investment segment engaged in investments in financial instruments and quoted shares;

(d) the money lending business segment engaged in provision of loan financing in Hong Kong; and

(e) the film distribution segment engaged in film right and movie distributions.

Due to the acquisition of money lending business and film distribution business during the year ended 31 March 2018, the Group has reassessed the operating performance which resulted in two new reporting operating segments, namely the money lending segment and film distribution segment.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/loss, which is a measure of adjusted profit/loss before tax. The adjusted profit/loss before tax is measured consistently with the Group's profit/loss before tax except that bank interest income, finance costs and unallocated gains as well as corporate and other unallocated expenses are excluded from such measurement.

Segment assets exclude other unallocated head office and corporate assets, including cash and cash equivalents and investment in and balances with a joint venture, as these assets are managed on a group basis.

Segment liabilities exclude other unallocated head office and corporate liabilities, including interest-bearing bank and other borrowings, tax payable and deferred tax liabilities, as these liabilities are managed on a group basis.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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4. SEGMENT INFORMATION (continued)

	Manufacturing and trading HK$'000	Property investment HK$'000	Debts and securities investment HK$'000	Film distribution HK$'000	Money lending HK$'000	Total HK$'000
Year ended 31 March 2018						
Segment revenue:						
Revenue from external customers	91,477	1,984	15,106	750	2,473	111,790
Segment results	(80,582)	(1,245)	10,165	(2,804)	1,368	(73,098)
Reconciliation:						
Bank interest income						17
Unallocated gains						62,875
Corporate and other unallocated expenses						(3,259)
Finance costs						(424)
Loss before tax						(13,889)
Segment assets	130,714	75,504	11,076	57,048	36,895	311,237
Reconciliation:						
Corporate and other unallocated assets						138,782
Total assets						450,019
Segment liabilities	51,732	354	250	5,989	–	58,325
Reconciliation:						
Corporate and other unallocated liabilities						30,416
Total liabilities						88,741
Other segment information:						
Share of profits of a joint venture	213	–	–	–	–	213
Depreciation and amortisation	(10,528)	(14)	(162)	(94)	–	(10,798)
Provision for inventory obsolescence	(626)	–	–	–	–	(626)
Impairment of trade receivables	(1)	–	–	–	–	(1)
Impairment losses on an available-for-sale financial asset, net	(30)	–	–	–	–	(30)
Impairment loss on investment in and loan to a joint venture	(466)	–	–	–	–	(466)
Impairment of goodwill	–	–	–	(969)	(600)	(1,569)
Impairment of intangible asset	–	–	–	(1,690)	–	(1,690)
Additions to items of property, plant and equipment	3,555	109	344	–	–	4,008

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 March 2018

4. SEGMENT INFORMATION (continued)

	Manufacturing and trading HK$'000	Property investment HK$'000	Debts and securities investment HK$'000	Total HK$'000
Year ended 31 March 2017				
Segment revenue:				
Revenue from external customers	129,622	5,579	1,047	136,248
Segment results	(81,690)	5,395	1,047	(75,248)
Reconciliation:				
Bank interest income				478
Unallocated gains				101,073
Corporate and other unallocated expenses				(4,306)
Finance costs				(1,199)
Profit before tax				20,798
Segment assets	150,627	29,862	38,541	219,030
Reconciliation:				
Corporate and other unallocated assets				161,973
Total assets				381,003
Segment liabilities	49,566	604	–	50,170
Reconciliation:				
Corporate and other unallocated liabilities				64,134
Total liabilities				114,304
Other segment information:				
Share of losses of a joint venture	(215)	–	–	(215)
Depreciation and amortisation	(16,075)	–	–	(16,075)
Provision for inventory obsolescence	(2,625)	–	–	(2,625)
Impairment of trade receivables	(17)	–	–	(17)
Impairment loss on investment in and loan to a joint venture	(3,929)	–	–	(3,929)
Additions to items of property, plant and equipment	892	–	–	892

4. SEGMENT INFORMATION (continued)

Geographical information

(a) Revenue from external customers

	2018 HK$'000	2017 HK$'000
Europe	30,290	57,970
America	50,897	63,238
The PRC (including Hong Kong)	27,040	11,236
Other Asian countries	3,519	3,057
Others	44	747
	111,790	136,248

The revenue information above is based on the locations of the customers. The PRC (including Hong Kong) segment mainly represents rental income from lessees located in the PRC (including Hong Kong), the sales of eyewear products to agents located in Hong Kong including sales made to local retailers, fair value gains on equity investments listed in Hong Kong Stock Exchange and interest income from loans made in Hong Kong. The directors believe that the agents in Hong Kong export the Group's products mainly to Europe and America.

(b) Non-current assets

All significant operating assets of the Group are located in the PRC (including Hong Kong). Accordingly, no geographical information of segment assets is presented.

Information about major customers attributable to manufacturing and trading segment

	2018 HK$'000	2017 HK$'000
Customer A	29,252	26,148
Customer B	N/A[1]	19,371
Customer C	N/A[1]	16,762
	29,252	62,281

1 The revenue derived from these customers amounted to less than 10% of the Group's revenue during the year ended 31 March 2018.

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5. REVENUE AND OTHER INCOME

Revenue represents the net invoiced value of goods sold, after allowances for returns and trade discounts, gross rental income, fair value gains on and dividend income from equity investments at fair value through profit or loss, interest income on money lending business and agency and commission income from film distribution.

An analysis of the Group's revenue and other income is as follows:

	2018 HK$'000	2017 HK$'000
Revenue:		
Sale of goods	91,477	129,622
Rental income	1,984	5,579
Interest income on money lending business	2,473	–
Film distribution agency and commission income	750	–
Fair value gains on equity investments at fair value through profit or loss, net	14,962	1,043
Dividend income from equity investments at fair value through profit or loss	144	4
	111,790	136,248
Other income:		
Sale of scrap materials	811	962
Accounting service fee	960	–
Bank interest income	17	478
Government grants	60	247
Write-back of other payables	127	1,242
Foreign exchange differences, net	3,085	–
Others	560	838
	5,620	3,767

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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6. PROFIT/(LOSS) BEFORE TAX

The Group's profit/(loss) before tax is arrived at after charging/(crediting):

	Notes	2018 HK$'000	2017 HK$'000
Cost of inventories sold*		96,537	135,558
Depreciation	11	10,681	15,832
Amortisation of prepaid land lease payments	14	117	243
Auditor's remuneration		1,220	1,110
Minimum lease payments under operating leases in respect of land and buildings		6,083	2,654
Employee benefit expense (excluding directors' and chief executive's remuneration):			
Wages, salaries and other benefits		57,557	77,886
Pension scheme contributions**		5,165	1,276
		62,722	79,162
Gross rental income		(1,984)	(5,579)
Less: Direct operating expenses (including repairs and maintenance) arising from rental-earning investment properties*		127	365
Net rental income		(1,857)	(5,214)
Provision for inventory obsolescence*		626	2,625
Foreign exchange differences, net		(3,085)	3,161
Other operating expenses, net:			
Impairment of trade receivables	19	1	17
Loss/(gain) on disposal of items of property, plant and equipment		(138)	654
Impairment losses on an available-for-sale financial asset, net		30	–
Changes in fair values of investment properties	12	(1,996)	(181)
Impairment loss on investment in and loan to a joint venture	15	466	3,929
Impairment of intangible asset	13	1,690	–
Impairment of goodwill	17	1,569	–
Others		250	87
		1,872	4,506

* Included in "Cost of sales and services" on the face of the consolidated statement of profit or loss.

** At the end of the reporting period, the Group had no forfeited pension scheme contributions available to reduce its contributions to the pension schemes in future years (2017: Nil).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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7. FINANCE COSTS

An analysis of finance costs is as follows:

	2018 HK$'000	2017 HK$'000
Interest on bank loans and other loan	412	1,199
Interest on finance leases	12	–
	424	1,199

8. DIRECTORS', CHIEF EXECUTIVE'S AND FIVE HIGHEST PAID EMPLOYEES' REMUNERATION

Directors' and chief executive's remuneration

Directors' and chief executive's remuneration for the year, disclosed pursuant to the Listing Rules, section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	2018 HK$'000	2017 HK$'000
Fees	417	374
Other emoluments:		
Basic salaries and bonuses	3,037	2,672
Housing benefit	428	1,344
Pension scheme contributions	58	49
	3,523	4,065
	3,940	4,439

In the current year, one (2017: one) of the director's quarters was rented from Mr. Hui for approximately HK$148,000 (2017: HK$444,000), which has been included in the amounts detailed above.

In the prior year, one of the directors occupied certain of the Group's properties rent free. The estimated value of the accommodation provided was approximately HK$900,000, which was included in the amounts detailed above.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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8. DIRECTORS', CHIEF EXECUTIVE'S AND FIVE HIGHEST PAID EMPLOYEES' REMUNERATION (continued)

Directors' and chief executive's remuneration (continued)

a. *Independent non-executive directors*

The fees paid to independent non-executive directors during the year were as follows:

	2018 HK$'000	2017 HK$'000
Poon Kwok Fai, Ronald	–	120
Pang Sung Yuen	9	120
Kwong Ping Man	9	120
Wan Kin Man, Tony	120	14
Chan Wei	112	–
Chan Ming Kei	112	–
Chen Youchun	55	–
	417	374

There were no other emoluments payable to the independent non-executive directors during the year (2017: Nil).

b. *Executive directors, non-executive directors and the chief executive*

	Basic salaries and bonuses HK$'000	Housing benefit HK$'000	Pension scheme contributions HK$'000	Total remuneration HK$'000
2018				
Executive directors:				
Hui Leung Wah	–	–	–	–
Poon Sui Hong	229	148	10	387
Hui Chun Yuen	145	–	6	151
Wong Chi Yan	960	–	18	978
Chan Wai Kit	803	–	15	818
Liu Shufeng	459	–	9	468
Ma Yilin	441	280	–	721
	3,037	428	58	3,523

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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8. DIRECTORS', CHIEF EXECUTIVE'S AND FIVE HIGHEST PAID EMPLOYEES' REMUNERATION (continued)

Directors' and chief executive's remuneration (continued)

b. Executive directors, non-executive directors and the chief executive (continued)

	Basic salaries and bonuses HK$'000	Housing benefit HK$'000	Pension scheme contributions HK$'000	Total remuneration HK$'000
2017				
Executive directors:				
Hui Leung Wah	1,200	900	–	2,100
Poon Sui Hong	818	444	31	1,293
Hui Chun Yuen	540	–	18	558
Wong Chi Yan	114	–	–	114
	2,672	1,344	49	4,065

There were no fees and other emoluments payable to the independent non-executive directors and chief executive during the year (2017: Nil).

There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the year.

Five highest paid employees' emoluments

The five highest paid individuals during the year included three (2017: two) directors, details of whose remuneration are disclosed above. Details of the remuneration of the two (2017: three) non-director, highest paid individuals for the year are set out below:

	2018 HK$'000	2017 HK$'000
Basic salaries and bonuses	**1,674**	2,397
Housing benefit	**252**	252
Pension scheme contributions	**68**	86
	1,994	2,735

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8. DIRECTORS', CHIEF EXECUTIVE'S AND FIVE HIGHEST PAID EMPLOYEES' REMUNERATION (continued)

Five highest paid employees' emoluments (continued)

The number of non-director, highest paid individuals whose remuneration fell within the following bands is as follows:

	Number of non-director, highest paid individuals	
	2018	2017
Nil to HK$1,000,000	**1**	2
HK$1,000,001 to HK$1,500,000	**1**	1
	2	3

One of the non-director, highest paid individuals occupied one of the Group's properties rent free during the year. The estimated value of the accommodation provided to him was HK$252,000 (2017: HK$252,000) for the year ended 31 March 2018, which has been included in the amounts detailed above.

9. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2017: 16.5%) on the estimated assessable profits arising in Hong Kong during the year. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

	2018 HK$'000	2017 HK$'000
Current — Hong Kong		
Charge for the year	**2,904**	–
Underprovision in prior years	**–**	43
Current — Elsewhere		
Charge for the year	**60**	14,167
Overprovision in prior years	**(37)**	(37)
Deferred	**241**	555
Withholding tax	**–**	424
Total tax expense for the year	**3,168**	15,152

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9. INCOME TAX (continued)

A reconciliation of the tax expense applicable to profit/(loss) before tax at the statutory rates for the jurisdictions in which the Company and the majority of its subsidiaries are domiciled to the tax expense at the effective tax rates is as follows:

	Hong Kong HK$'000	The PRC HK$'000	Total HK$'000
2018			
Profit/(loss) before tax	**47,506**	**(61,395)**	**(13,889)**
Tax at the statutory tax rate	**7,839**	**(15,349)**	**(7,510)**
Adjustments in respect of current tax of previous periods	**–**	**(37)**	**(37)**
Profits and losses attributable to a joint venture	**(35)**	**–**	**(35)**
Income not subject to tax	**(11,192)**	**(9)**	**(11,201)**
Expenses not deductible for tax	**3,581**	**15,557**	**19,138**
Estimated tax losses not recognised	**2,813**	**–**	**2,813**
Tax expense at the Group's effective rate	**3,006**	**162**	**3,168**
2017			
Profit/(loss) before tax	50,493	(29,695)	20,798
Tax at the statutory tax rate	8,331	(7,424)	907
Adjustments in respect of current tax of previous periods	43	(37)	6
Effect of withholding tax at 10% on rental income derived from the PRC	424	–	424
Profits and losses attributable to a joint venture	35	–	35
Income not subject to tax	(1,120)	(288)	(1,408)
Effect of different tax rates in other jurisdiction	–	93	93
Expenses not deductible for tax	5,967	7,578	13,545
Estimated tax losses not recognised	1,550	–	1,550
Tax expense/(credit) at the Group's effective rate	15,230	(78)	15,152

10. EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of basic earnings/(loss) per share amounts is based on the profit/(loss) for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 356,807,401 (2017: 323,649,123) in issue during the year.

The Group had no potentially dilutive ordinary shares in issue during the years ended 31 March 2018 and 2017.

The calculations of basic and diluted (loss)/earnings per share are based on:

	2018	2017
	HK$'000	HK$'000
Earnings/(loss)		
Profit/(loss) attributable to ordinary equity holders of the parent, used in the basic and diluted earnings/(loss) per share calculation	**(14,117)**	8,038

	Number of shares	
	2018	2017
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic and diluted earnings/(loss) per share calculation	**356,807,401**	323,649,123

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11. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings HK$'000	Leasehold improve- ments HK$'000	Plant and machinery HK$'000	Furniture, fixtures and office equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
31 March 2018						
At 31 March 2017 and at 1 April 2017:						
Cost	85,935	57,154	137,721	20,371	10,452	311,633
Accumulated depreciation and impairment	(26,625)	(46,935)	(128,118)	(18,145)	(9,920)	(229,743)
Net carrying amount	59,310	10,219	9,603	2,226	532	81,890
At 1 April 2017, net of accumulated depreciation and impairment	59,310	10,219	9,603	2,226	532	81,890
Additions	–	2,248	251	197	1,312	4,008
Disposals	–	–	(1)	–	–	(1)
Depreciation provided during the year	(1,731)	(2,409)	(5,304)	(712)	(525)	(10,681)
Gain on property revaluation	7,601	–	–	–	–	7,601
Transfer to investment properties (note 12)	(8,500)	–	–	–	–	(8,500)
Acquisition of a subsidiary (note 32(a))	–	–	–	1	–	1
Disposal of a subsidiary (note 33(a))	(17,040)	–	–	–	–	(17,040)
Exchange realignment	3,280	524	635	137	24	4,600
At 31 March 2018, net of accumulated depreciation and impairment	42,920	10,582	5,184	1,849	1,343	61,878
At 31 March 2018:						
Cost	60,917	31,887	37,498	6,592	11,321	148,215
Accumulated depreciation and impairment	(17,997)	(21,305)	(32,314)	(4,743)	(9,978)	(86,337)
Net carrying amount	42,920	10,582	5,184	1,849	1,343	61,878

11. PROPERTY, PLANT AND EQUIPMENT (continued)

	Land and buildings HK$'000	Leasehold improve-ments HK$'000	Plant and machinery HK$'000	Furniture, fixtures and office equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
31 March 2017						
At 1 April 2016:						
Cost	150,408	59,497	143,477	21,844	10,904	386,130
Accumulated depreciation and impairment	(42,082)	(46,265)	(124,892)	(18,488)	(9,737)	(241,464)
Net carrying amount	108,326	13,232	18,585	3,356	1,167	144,666
At 1 April 2016, net of accumulated depreciation and impairment	108,326	13,232	18,585	3,356	1,167	144,666
Additions	–	229	515	148	–	892
Disposals	–	(405)	(10)	(299)	–	(714)
Depreciation provided during the year	(3,223)	(2,350)	(8,795)	(867)	(597)	(15,832)
Disposal of a subsidiary (note 33(c))	(43,860)	–	–	–	–	(43,860)
Exchange realignment	(1,933)	(487)	(692)	(112)	(38)	(3,262)
At 31 March 2017, net of accumulated depreciation and impairment	59,310	10,219	9,603	2,226	532	81,890
At 31 March 2017:						
Cost	85,935	57,154	137,721	20,371	10,452	311,633
Accumulated depreciation and impairment	(26,625)	(46,935)	(128,118)	(18,145)	(9,920)	(229,743)
Net carrying amount	59,310	10,219	9,603	2,226	532	81,890

At 31 March 2018, certain of the Group's land and buildings with a net carrying amount of nil (2017: approximately HK$17,577,000 were pledged to secure general banking facilities granted to the Group (note 27).

During the year, land and building with carrying amount of HK$899,000 was transferred to investment property. The property has been revalued prior to the transfer to investment property and the related asset revaluation reserve of HK$7,601,000 has been frozen upon disposal of the related investment property.

The net carrying amounts of the Group's fixed assets held under finance leases included in the total amounts of motor vehicles at 31 March 2018 were HK$1,312,000.

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12. INVESTMENT PROPERTIES

	Notes	2018 HK$'000	2017 HK$'000
Carrying amount at beginning of year		**29,862**	96,763
Net gains from fair value adjustments	6	**1,996**	181
Acquisition of assets through acquisition of a subsidiary	32(a)	**34,999**	–
Transfer from property, plant and equipment	11	**8,500**	–
Disposal of a subsidiary	33(c)	**–**	(67,082)
Carrying amount at end of year		**75,357**	29,862

The Group's investment properties consist of three (2017: two) industrial properties, one (2017: Nil) residential property in Hong Kong and one (2017: one) industrial property in the PRC. The directors of the Company determined that the investment properties consist of two classes of asset, i.e., industrial and residential, based on the nature, characteristics and risks of each property. The Group's investment properties were revalued on 31 March 2018 based on valuations performed by Roma Appraisals Limited, independent professionally qualified valuers, at HK$75,357,000. Each year, the Group's financial controller decides, after approval from the audit committee, to appoint which external valuer to be responsible for the external valuations of the Group's properties. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. The Group's financial controller has discussions with the valuer on the valuation assumptions and valuation results once a year when the valuation is performed for annual financial reporting.

The investment properties are leased to third parties under operating leases, further summary details of which are included in note 35(a) to the consolidated financial statements.

Further particulars of the Group's investment properties are included on page 128.

Fair value hierarchy

All the Group's investment properties were classified under Level 3 in the fair value measurement hierarchy.

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 (2017: Nil).

12. INVESTMENT PROPERTIES (continued)

Fair value hierarchy (continued)

Reconciliation of fair value measurements categorised within Level 3 of the fair value hierarchy:

	Industrial properties HK$'000
Carrying amount at 1 April 2016	96,763
Net gain from a fair value adjustment recognised in other operating expenses, net in profit or loss	181
Disposal of a subsidiary	(67,082)
Carrying amount at 31 March 2017 and 1 April 2017	29,862
Net gains from fair value adjustments recognised in other operating expenses, net in profit or loss	1,996
Acquisition of assets through acquisition of a subsidiary	34,999
Transfer from property, plant and equipment	8,500
Carrying amount at 31 March 2018	75,357

Below is a summary of the significant inputs to the valuation of investment properties:

	Valuation techniques	Significant unobservable inputs	Weighted average 2018	Weighted average 2017
Industrial properties in Hong Kong	Market comparison approach	Price per square foot	**HK$4,029**	HK$4,213
Industrial properties in the PRC	Market comparison approach	Price per square metre	**HK$2,210**	HK$1,943
Residential property in Hong Kong	Market comparison approach	Price per square foot	**HK$12,887**	—

Under market comparison approach, the properties are valued on the market basis assuming sales in their existing state with the benefit of vacant possession and by reference to comparable sales evidence as available in the relevant markets. Comparison is based on prices realised in actual transactions or asking prices of comparable properties. Appropriate adjustments are then made to account for the differences between such properties in terms of age, time, location, floor level and other relevant factors.

A significant increase/(decrease) in price per square foot and price per square metre would result in a significant increase/(decrease) in the fair value of the investment properties.

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13. INTANGIBLE ASSET

	Distribution rights HK$'000
31 March 2018	
Acquisition of a subsidiary (note 32(b))	**1,690**
Impairment during the year	**(1,690)**
At 31 March 2018	**–**
At 31 March 2018:	
Cost	**1,690**
Accumulated impairment	**(1,690)**
Net carrying amount	**–**

Impairment testing of intangible asset

The directors had conducted impairment testing on the Group's intangible asset and they considered that the carrying amount of the intangible asset is in excess of its recoverable amount. The recoverable amount of the cash generating unit has been determined based on a value in use calculation using cash flow projections based on financial budgets covering a period of the remaining useful lives approved by senior management. The pre-tax discount rate applied to the cash flow projections was 15%. Accordingly, a provision for impairment of HK$1,690,000 (2017: Nil) was charged to the consolidated statement of profit or loss as at 31 March 2018 because of the decline of operating performance (note 6).

14. PREPAID LAND LEASE PAYMENTS

	Notes	2018 HK$'000	2017 HK$'000
Carrying amount at beginning of year		**4,255**	8,600
Recognised during the year	6	**(117)**	(243)
Disposal of a subsidiary	33(c)	**–**	(3,839)
Exchange realignment		**446**	(263)
Carrying amount at end of year		**4,584**	4,255
Current portion included in prepayments, deposits and other receivables		**(124)**	(112)
Non-current portion		**4,460**	4,143

15. INVESTMENT IN A JOINT VENTURE

	2018 HK$'000	2017 HK$'000
Share of net assets	**634**	356
Loan to a joint venture	**3,761**	3,573
	4,395	3,929
Provision for impairment	**(4,395)**	(3,929)
	–	–

The loan to a joint venture of HK$3,761,000 (2017: HK$3,573,000) included in the Group's non-current assets is unsecured, interest-free and is not repayable within one year from the end of the reporting period. In the opinion of the directors, the loan is considered as part of the Group's net investment in the joint venture.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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15. INVESTMENT IN A JOINT VENTURE (continued)

The directors had conducted impairment testing on the Group's investment in a joint venture and they considered that the carrying amounts of the investment in a joint venture are in excess of their recoverable amounts as a result of the continuing operating losses of the joint venture. Accordingly, a provision for impairment of HK$466,000 (2017: HK$3,929,000) was charged to the consolidated statement of profit or loss as at 31 March 2018 (note 6).

Particulars of the Group's joint venture are as follows:

			Percentage of			
Name	**Particulars of issued shares held**	**Place of registration and business**	**Ownership interest**	**Voting power**	**Profit sharing**	**Principal activities**
廣州佳視美光學眼鏡有限公司 ("佳視美")	Registered capital of RMB1,000,000	The PRC	27 (2017: 27)	27 (2017: 27)	27 (2017: 27)	Trading of optical frames

The financial statements of the above joint venture were not audited by Ernst & Young, Hong Kong or another member firm of the Ernst & Young global network and the above joint venture has a financial year end date of 31 December. The consolidated financial statements are adjusted for the material transactions of the above joint venture between 1 January and 31 March. The above joint venture uses 31 December as its financial year end date to comply with relevant regulations in the PRC.

The above joint venture has been accounted for using the equity method in these consolidated financial statements.

The above joint venture was registered as a Sino-foreign joint venture under the PRC law and is held through a wholly-owned subsidiary of the Company.

The following table illustrates the financial information of the Group's joint venture:

	2018 HK$'000	2017 HK$'000
Share of the joint venture's profits/(losses) for the year	**213**	(215)
Share of the joint venture's other comprehensive income/(loss)	**65**	(37)
Share of the joint venture's total comprehensive income/(loss)	**278**	(252)
Impairment loss on investment in and loan to a joint venture	**(466)**	(3,929)
Aggregate carrying amount of the Group's investment in the joint venture	**–**	–

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16. AVAILABLE-FOR-SALE FINANCIAL ASSET

	2018 **HK$'000**	2017 HK$'000
Unlisted debt investment, at fair value	**290**	360

The above investment was designated as an available-for-sale financial asset. The fair value of the club debenture is based on the recent market transaction price.

There was a significant decline in the market value of unlisted debt investment during the year. The directors consider that such a decline indicates that the unlisted debt investment has been impaired and an impairment loss of HK$30,000 (2017: Nil) and HK$40,000 (2017: Nil), has been recognised in the consolidated statement of profit or loss and the consolidated statement of other comprehensive income, respectively for the year.

17. GOODWILL

	2018 **HK$'000**
Cost and net carrying amount	
Acquisition of subsidiaries (note 32)	**1,569**
Impairment for the year	**(1,569)**
At 31 March 2018	**–**

Impairment testing of goodwill

Goodwill acquired through business combinations is allocated to the following cash-generating units for impairment testing:

- Film distribution cash-generating unit; and
- Money lending cash-generating unit.

Film distribution cash-generating unit

The recoverable amount of the film distribution cash-generating unit has been determined based on a value in use calculation using cash flow projections based on financial budgets covering a five-year period approved by senior management. The discount rate applied to the cash flow projections is 15.0%. The growth rate used to extrapolate the cash flows of the film distribution unit beyond the five-year period is 3.0%.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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17. GOODWILL (continued)

Impairment testing of goodwill (continued)

Money lending cash-generating unit

The recoverable amount of the money lending cash-generating unit has been determined based on a value in use calculation using cash flow projections based on financial budgets covering a five-year period approved by senior management. The discount rate applied to the cash flow projections is 18.0%. The growth rate used to extrapolate the cash flows of the money lending unit beyond the five-year period is 3.0%.

The carrying amount of goodwill allocated to each of the cash-generating units is as follows:

	Film Distribution		Money lending		Total	
	2018	2017	**2018**	2017	**2018**	2017
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Carrying amount of goodwill (before impairment for the year)	**969**	–	**600**	–	**1,569**	–

Assumptions were used in the value in use calculation of the film distribution and money lending cash-generating units for 31 March 2018. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

Budgeted gross margins — The basis used to determine the value assigned to the budgeted gross margins is the average gross margins achieved in the year immediately before the budget year, increased for expected efficiency improvements, and expected market development.

Discount rates — The discount rates used are before tax and reflect specific risks relating to the relevant units.

The value assigned to the key assumptions on market development of industries and discount rates are consistent with external information sources.

The directors had conducted impairment testing on the Group's goodwill and they considered that the carrying amount of the goodwill is in excess of its recoverable amount. The recoverable amounts of the cash generating units have been determined based on a value in use calculation using cash flow projections based on financial budgets covering a period of the remaining useful lives approved by senior management. The pre-tax discount rates applied to the cash flow projections was 15%–18%. Accordingly, a provision for impairment of HK$1,569,000 (2017: Nil) was charged to the consolidated statement of profit or loss as at 31 March 2018 because of the decline of operating performance (note 6).

18. INVENTORIES

	2018	2017
	HK$'000	HK$'000
Raw materials	**5,754**	4,892
Work in progress	**2,660**	5,525
Finished goods	**4,761**	4,153
	13,175	14,570

19. TRADE RECEIVABLES

	2018 HK$'000	2017 HK$'000
Trade receivables	**14,426**	18,546
Impairment	**(309)**	(308)
	14,117	18,238

The Group's trading terms with its customers are mainly on credit, except for new customers where payment in advance is normally required. The credit period is generally ranging from 45 to 120 days (2017: 45 to 120 days). Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables to minimise credit risk. Overdue balances are regularly reviewed by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

An aging analysis of the trade receivables as at the end of each reporting period, based on the invoice date and net of provisions, is as follows:

	2018 HK$'000	2017 HK$'000
Current to 90 days	**14,072**	18,236
91 to 180 days	**45**	1
181 to 360 days	**–**	1
	14,117	18,238

The movements in the provision for impairment of trade receivables are as follows:

	2018 HK$'000	2017 HK$'000
At beginning of year	**308**	364
Impairment losses recognised (note 6)	**1**	17
Amount written off as uncollectible	**–**	(73)
At end of year	**309**	308

Included in the above provision for impairment of trade receivables is a provision for individually impaired trade receivables of HK$309,000 (2017: HK$308,000) with a carrying amount before provision of HK$309,000 (2017: HK$308,000). The individually impaired trade receivables relate to customers that were in financial difficulties and only a portion of the receivables is expected to be recovered.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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19. TRADE RECEIVABLES (continued)

The aging analysis of the trade receivables that are not considered to be impaired is as follows:

	2018 HK$'000	2017 HK$'000
Neither past due nor impaired	12,036	16,920
Less than one month past due	1,765	853
One to three months past due	271	463
Over three months past due	45	2
	14,117	18,238

Receivables that were neither past due nor impaired relate to a large number of diversified customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, the directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

20. LOAN AND INTEREST RECEIVABLES

	2018 HK$'000	2017 HK$'000
Loan and interest receivables, unsecured	36,762	–

These loan receivables are stated at amortised cost at effective interest rates ranging from 10% to 20%. The credit terms of these loan receivables range from 3 months to 1 year. As these loan receivables relate to a number of different borrowers, the directors of the Company are of the opinion that there is no concentration of credit risk over these loan receivables. The grants of these loans were approved and monitored by the Group's management. The Group does not hold any collateral or other credit enhancement over its loan receivable balances. The carrying amounts of these loan receivables approximate to their fair values.

Included in the above is loan and interest receivables from a substantial shareholder of the Company amounted to HK$2,610,000 (2017: Nil), which bears interest at 18% per annum and repayable within 3 months.

20. LOAN AND INTEREST RECEIVABLES (continued)

The ageing analysis of the loan and interest receivables that are not considered to be impaired is as follows:

	2018 HK$'000	2017 HK$'000
Neither past due nor impaired	36,762	–

Receivables that were neither past due nor impaired relate to a large number of diversified customers for whom there was no recent history of default.

21. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2018 HK$'000	2017 HK$'000
Prepayments	1,332	634
Deposits and other receivables	92,973	31,152
	94,305	31,786
Less: Non-current portion	(1,880)	(663)
	92,425	31,123

Included in above is other receivable from the spouse of a director of certain of the subsidiaries of the Company amounted to HK$476,000 (2017: Nil), which is interest free and repayable on demand.

None of the above assets is either past due or impaired. The financial assets included in the above balances relate to receivables for which there was no recent history of default.

22. EQUITY INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2018 HK$'000	2017 HK$'000
Listed equity investments, at market value	10,893	38,181

The above equity investments at 31 March 2018 and 31 March 2017 were, upon initial recognition, designated by the Group as financial assets at fair value through profit or loss.

The market value of the Group's short term investments at the date of approval of these consolidated financial statements was approximately HK$12,557,000.

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23. CASH AND CASH EQUIVALENTS

	2018 HK$'000	2017 HK$'000
Cash and bank balances	**138,782**	161,973

At 31 March 2018, the aggregate cash and bank balances and deposits of the Group denominated in Renminbi ("RMB") amounted to HK$9,864,000 (2017: HK$8,285,000). 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.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The bank balances and deposits are deposited with creditworthy banks with no recent history of default.

24. TRADE PAYABLES

An ageing analysis of the trade payables as at the end of each reporting period, based on the payment due date, is as follows:

	2018 HK$'000	2017 HK$'000
Current to 90 days	**7,760**	8,074
91 to 180 days	**460**	311
181 to 360 days	**32**	46
Over 360 days	**32**	390
	8,284	8,821

Trade payables are non-interest-bearing and are normally settled on 90-day (2017: 90-day) terms.

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25. OTHER PAYABLES, ACCRUALS, DEPOSITS RECEIVED AND DEFERRED INCOME

	2018 HK$'000	2017 HK$'000
Other payables	**922**	1,686
Accruals	**7,863**	9,400
Deposits received	**35,868**	30,263
Deferred income	**4,417**	–
	49,070	41,349
Less: Non-current portion	**(4,641)**	(92)
	44,429	41,257

Other than the non-current portion of deposits received and deferred income which are non-interest-bearing and not repayable within one year, the remaining balances are non-interest-bearing and repayable on demand.

26. OBLIGATION UNDER FINANCE LEASES

The Group leases certain of its motor vehicles for its trading of optical frames and sunglasses business. These leases are classified as finance leases and have remaining lease terms ranging from two to five years.

At 31 March 2018, the total future minimum lease payments under finance leases and their present values were as follows:

	Minimum lease payments 2018 HK$'000	Minimum lease payments 2017 HK$'000	Present value of minimum lease payments 2018 HK$'000	Present value of minimum lease payments 2017 HK$'000
Amounts payable:				
Within one year	**398**	–	**366**	–
In the second year to fifth years, inclusive	**642**	–	**605**	–
Total minimum finance lease payments	**1,040**	–	**971**	–
Future finance charges	**(69)**	–		
Total net finance lease payables	**971**	–		
Portion classified as current liabilities	**(366)**	–		
Non-current portion	**605**	–		

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27. INTEREST-BEARING BANK AND OTHER BORROWINGS

	2018			2017		
	Effective interest rate (%)	Maturity	HK$'000	Effective interest rate (%)	Maturity	HK$'000
Current						
Bank loans — Secured	3.06–3.22	2018	1,080	2.68–3.40	2017	46,584
Other loan — Unsecured	12	2019	9,983			–
			11,063			46,584

	2018 HK$'000	2017 HK$'000
Analysed into:		
Bank loans repayable within one year	1,080	46,584
Other loan repayable within one year	9,983	–
	11,063	46,584

Notes:

(a) The Group's banking facilities (the "Banking Facilities") amounting to HK$70,000,000 (2017: HK$60,000,000), of which HK$1,080,000 (2017: HK$46,584,000) had been utilised as at the end of the reporting period, and were secured by a fixed deposit amounting to HK$70,000,000 provided by one of the subsidiaries' director (2017: pledged by certain of the Group's land and buildings located in Hong Kong with a net carrying amount of HK$17,577,000, and market value of HK$79,000,000 and a corporate guarantee given by the Company in favour of banks).

Subsequent to the end of the reporting period, in April 2018, the Banking Facilities were terminated and the Group negotiated for new banking facilities under which one of the subsidiaries' director provided a fixed deposit of HK$3,000,000 to secure for a facility of HK$3,000,000 granted to the Group.

(b) The Group's other loan is unsecured, bears interest at 12% and is repayable in full on 18 January 2019.

(c) Except for certain bank loans denominated in United States dollars amounted to HK$228,000, all bank and other borrowings were denominated in Hong Kong dollars.

28. DEFERRED TAX

The movements in deferred tax liabilities during the year are as follows:

	Depreciation allowance in excess of related depreciation HK$'000	Property revaluation HK$'000	Total HK$'000
At 1 April 2016	1,180	5,243	6,423
Deferred tax charged/(credited) to the statement of profit or loss during the year (note 9)	617	(62)	555
Disposal of a subsidiary (note 33(c))	–	(4,387)	(4,387)
Net deferred tax liabilities at 31 March 2017 and 1 April 2017	1,797	794	2,591
Deferred tax charged/(credited) to the statement of profit or loss during the year (note 9)	102	139	241
Disposal of a subsidiary (note 33(a))	(723)	–	(723)
Net deferred tax liabilities at 31 March 2018	1,176	933	2,109

At the end of the reporting period, the Group had estimated tax losses arising in Hong Kong of HK$113,278,000 (2017: HK$96,227,000) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. For the Group, the applicable rate is 5%. The Group is therefore liable for withholding taxes on dividends distributed by those subsidiaries and joint ventures established in Mainland China in respect of earnings generated from 1 January 2008.

At 31 March 2018, no deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's subsidiaries and joint venture established in Mainland China. In the opinion of the directors, it is not probable that these subsidiaries and joint venture will distribute such earnings in the foreseeable future. There were no temporary differences associated with investments in subsidiaries in Mainland China for which deferred tax liabilities have not been recognised at 31 March 2018 (2017: Nil).

There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

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29. SHARE CAPITAL

	2018 HK$'000	2017 HK$'000
Authorised:		
1,000,000,000 shares of HK$0.10 each	**100,000**	100,000
Issued and fully paid:		
388,369,123 (2017: 323,649,123) shares of HK$0.10 each	**38,837**	32,365

A summary of movements in the Company's share capital is as follows:

	Number of shares in issue	**Share capital** HK$'000
At 1 April 2016, 31 March 2017 and 1 April 2017	323,649,123	32,365
Issue of new shares upon placing (Note (a))	64,720,000	6,472
At 31 March 2018	388,369,123	38,837

Note:

(a) On 26 September 2017, 64,720,000 ordinary shares were issued at the subscription price of HK$1.55 per share by way of placement for an aggregate consideration of HK$100,316,000, of which HK$6,472,000 representing the par value of the shares of the Company, was credited to the Company's share capital and the remaining deemed consideration of HK$93,844,000 before issuing expenses was credited to share premium account.

30. RESERVES

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on page 51 of the consolidated financial statements.

The capital reserve of the Group represents (i) the excess of the nominal value of the shares of the subsidiaries acquired pursuant to the Group reorganisation on 8 February 1996, over the nominal value of the Company's shares issued in exchange therefor; and (ii) the premium arising on the subscription of shares of Elegance Group Limited ("EGL"), the then holding company of the Group's subsidiaries existing at that time, at an aggregate premium of HK$22,000,000 which was credited to the capital reserve. The Group reorganisation has resulted in EGL becoming a wholly-owned subsidiary of the Company.

Certain amounts of goodwill arising on the acquisition of subsidiaries in prior years remain eliminated against consolidated reserves.

31. PARTLY-OWNED SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS

Details of the Group's subsidiaries that have material non-controlling interests are set out below:

	2018	2017
Percentage of equity interest held by non-controlling interests:		
Gold Strong and its subsidiaries	**45%**	45%

	2018 **HK$'000**	2017 HK$'000
Loss for the year allocated to non-controlling interests:		
Gold Strong and its subsidiaries	**(2,940)**	(2,392)
Accumulated balance of non-controlling interests at the reporting dates:		
Gold Strong and its subsidiaries	**(768)**	984

The following tables illustrate the summarised financial information of the above subsidiaries. The amounts disclosed are before any inter-company eliminations:

Gold Strong and its subsidiaries

	2018 **HK$'000**	2017 HK$'000
Revenue	**50,412**	47,137
Total expenses	**(57,211)**	(54,000)
Loss for the year	**(6,532)**	(5,315)
Total comprehensive loss for the year	**(3,893)**	(7,832)
Current assets	**11,785**	16,636
Non-current assets	**57,137**	53,140
Current liabilities	**(69,695)**	(66,797)
Non-current liabilities	**(933)**	(794)
Net cash flows used in operating activities	**(2,168)**	(1,943)
Net cash flows used in investing activities	**(1,129)**	(154)
Net decrease in cash and cash equivalents	**(3,297)**	(2,097)

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32. ACQUISITION OF SUBSIDIARIES

(a) Acquisition of assets through acquisition of Gold & Silver Holdings Limited ("Gold & Silver")

On 16 June 2017, the Group entered into a non-legally binding memorandum of understanding with an independent third party vendor to acquire Gold & Silver, which holds a residential property located in Hong Kong, at a cash consideration of HK$35,045,000. The acquisition was completed in October 2017.

The above transaction was accounted for as purchase of assets and liabilities rather than as business combination because the acquired entity and assets did not constitute the carrying on of a business. The net outflow of cash and cash equivalents from the acquisition has been reflected in the consolidated statement of cash flows as part of the cash flow movement of the individual assets and liabilities acquired.

The fair values of the identifiable assets and liabilities of Gold & Silver as at the date of acquisition were as follows:

	Notes	2018 HK$'000
Property, plant and equipment	11	1
Investment property	12	34,999
Deposits		45
Total identifiable net assets at fair value		35,045
Satisfied by cash		35,045

An analysis of the net outflow of cash and cash equivalents in respect of the acquisition of Gold & Silver is as follows:

	2018 HK$'000
Cash consideration	35,045
Cash and bank balances acquired	–
Net outflow of cash and cash equivalents in respect of the acquisition of Gold & Silver	35,045

32. ACQUISITION OF SUBSIDIARIES (continued)

(b) Acquisition of Filmko Pictures

On 27 October 2017, the Group entered into a sale and purchase agreement with an independent third party to acquire Filmko Pictures, which is principally engaged in the film distribution business in Hong Kong, and holds the sole distributorship and rights in respect of four films in Hong Kong and the exclusive film distribution right around the world except for the PRC for fifteen years.

The fair values of the identifiable assets and liabilities of Filmko Pictures as at the date of acquisition were as follows:

	Notes	2018 HK$'000
Intangible asset	13	1,690
Due from the former holding company		11,939
Cash and bank balances		625
Deferred income		(4,074)
Tax payable		(149)
Total identifiable net assets at fair value		10,031
Goodwill	17	969
Satisfied by cash		11,000

An analysis of the net outflow of cash and cash equivalents in respect of the acquisition of Filmko Pictures is as follows:

	2018 HK$'000
Cash consideration	11,000
Cash and bank balances acquired	(625)
Net outflow of cash and cash equivalents in respect of the acquisition of Filmko Pictures	10,375

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32. ACQUISITION OF SUBSIDIARIES (continued)

(c) Acquisition of Capital Real Estate

On 25 April 2017, the Group entered into a sales and purchase agreement with independent third parties to acquire a target company, Capital Real Estate, which is principally engaged in the money lending business in Hong Kong by holding a money lender's licences, at a consideration of HK$607,000.

The fair values of the identifiable assets and liabilities of Capital Real Estate as at the date of acquisition were as follows:

	Notes	2018 HK$'000
Cash and bank balances		131
Deposit paid		43
Due to fellow subsidiaries		(167)
Total identifiable net assets at fair value		7
Goodwill	17	600
Satisfied by cash		607

An analysis of the net outflow of cash and cash equivalents in respect of the acquisition of Capital Real Estate is as follows:

	2018 HK$'000
Cash consideration	607
Cash and bank balances acquired	(131)
Net outflow of cash and cash equivalents in respect of the acquisition of Capital Real Estate	476

33. DISPOSAL OF SUBSIDIARIES

(a) Disposal of Grand River Investment Limited ("Grand River")

On 25 January 2018, the Group entered into a disposal agreement with an investment holding company wholly-owned by Mr. Hui Leung Wah, the former chairman of the Board and a former executive director of the Company ("Mr. Hui"), to dispose (the "Grand River Disposal") of its entire interest in Grand River, a wholly-owned subsidiary of the Company, for a total consideration of HK$79,000,000. The subsidiary owned a residential property in Hong Kong. The Grand River Disposal was completed in March 2018.

	Notes	2018 HK$'000
Net assets disposed of:		
Property, plant and equipment	11	17,040
Prepayments and deposits		21
Due to a fellow subsidiary		(17,907)
Deferred tax liabilities	28	(723)
		(1,569)
Assignment of the loan due from Grand River		17,907
		16,338
Gain on disposal of a subsidiary		62,662
Total consideration		79,000
Satisfied by:		
Cash and cash equivalents		79,000

An analysis of the net inflow of cash and cash equivalents in respect of the Grand River Disposal is as follows:

	HK$'000
Cash consideration	79,000
Cash and bank balances disposed of	–
Net inflow of cash and cash equivalents in respect of the Grand River Disposal	79,000

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33. DISPOSAL OF SUBSIDIARIES (continued)

(b) Disposal of Jet Kingdom Machinery Technology Company Limited ("Jet Kingdom")

During the year ended 31 March 2016, the Group entered into a sale and purchase agreement with an independent third party to dispose of its entire equity interest in Jet Kingdom (the "Jet Kingdom Disposal"), a wholly-owned subsidiary of the Company, for a consideration of RMB26,000,000 (equivalent to HK$31,078,000). The Jet Kingdom Disposal was completed in May 2016. Upon the completion, Jet Kingdom ceased to be a subsidiary of the Company. The net assets of Jet Kingdom at the date of disposal were as follows:

	2017 HK$'000
Net assets disposed of:	
Property, plant and equipment	6,433
Prepaid land lease payments	3,872
Inventories	1,946
Other payables and accruals	(431)
	11,820
Exchange fluctuation reserve	(3,048)
	8,772
Gain on disposal of a subsidiary	22,306
Consideration	31,078
Satisfied by:	
Cash and cash equivalents	31,078

An analysis of the net inflow of cash and cash equivalents in respect of the Jet Kingdom Disposal is as follows:

	HK$'000
Cash consideration	31,078
Cash and bank balances disposed of	–
Net inflow of cash and cash equivalents in respect of the Jet Kingdom Disposal	31,078

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33. DISPOSAL OF SUBSIDIARIES (continued)

(c) Disposal of Million Wave Limited ("Million Wave")

In October 2016, the Group entered into a disposal agreement with a company in which Mr. Hui is the beneficial owner (the "Purchaser"), to dispose (the "Million Wave Disposal") of its entire equity interests in Million Wave, a wholly-owned subsidiary of the Company, for a cash consideration of HK$187,000,000. The Group also entered into a leaseback agreement, whereby the Group leased the properties back from the Purchaser for its own use for 2 years commencing on the completion of the transaction in January 2017. The Million Wave Disposal was completed in January 2017. Upon completion, Million Wave ceased to be a subsidiary of the Company. The net assets of Million Wave at the date of disposal were as follows:

	Notes	2017 HK$'000
Net assets disposed of:		
Property, plant and equipment	11	43,860
Prepaid land lease payments	14	3,839
Investment properties	12	67,082
Prepayments and other receivables		218
Other payables and accruals		(1,732)
Due to shareholders		(45,584)
Tax payable		(647)
Deferred tax liabilities	28	(4,387)
		62,649
Assignment of shareholders' loan		45,584
		108,233
Gain on disposal of a subsidiary		78,767
Consideration		187,000
Satisfied by:		
Cash and cash equivalents		187,000

An analysis of the net inflow of cash and cash equivalents in respect of the Million Wave Disposal is as follows:

	HK$'000
Cash consideration	187,000
Cash and bank balances disposed of	–
Net inflow of cash and cash equivalents in respect of the Million Wave Disposal	187,000

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34. NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Major non-cash transactions

(i) During the year, the Group entered into finance lease arrangements in respect of property, plant and equipment with a total capital value at the inception of the leases of HK$1,128,000 (2017: Nil).

(ii) In the prior year, consideration for disposal of Jet Kingdom amounting to HK$31,078,000 was included in other receivables and could be offset with the deposit of RMB26,000,000 included in other payables received during the year ended 31 March 2016.

(b) Changes in liabilities arising from financing activities

	Bank and other loans HK$'000	**Finance lease payables** HK$'000
At 1 April 2017	46,584	–
Changes from financing cash flow	(35,521)	(157)
New finance leases	–	1,128
At 31 March 2018	11,063	971

35. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group leases its investment properties (note 12 to the consolidated financial statements) under operating lease arrangements, with the leases negotiated for terms ranging from two to three years. The terms of the leases also require the tenant to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions.

At 31 March 2018, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	2018 HK$'000	2017 HK$'000
Within one year	**1,951**	1,302
In the second to fifth years, inclusive	**1,249**	875
	3,200	2,177

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35. OPERATING LEASE ARRANGEMENTS (continued)

(b) As lessee

The Group leases certain of its office premises under operating lease arrangements. Leases for office premises are negotiated for terms ranging from one to fifty years.

At 31 March 2018, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2018 HK$'000	2017 HK$'000
Within one year	6,144	4,667
In the second to fifth years, inclusive	6,201	2,763
After five years	29,026	27,133
	41,371	34,563

36. COMMITMENTS

In addition to the operating lease commitments detailed in note 35(b) above, the Group had the following capital commitments at the end of the reporting period:

	2018 HK$'000	2017 HK$'000
Contracted, but not provided for:		
Motor vehicles	2,299	–

37. RELATED PARTY TRANSACTIONS

In addition to the transactions detailed elsewhere in these consolidated financial statements, the Group had the following transactions with related parties during the year:

(a) Leaseback of properties upon disposal of a subsidiary

In the prior year, further to note 33(c) to the consolidated financial statements, the Group entered into a disposal agreement with a company in which Mr. Hui, is the beneficial owner, for the disposal of the entire equity interests in Million Wave, a wholly-owned subsidiary of the Company, at a cash consideration of HK$187,000,000.

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37. RELATED PARTY TRANSACTIONS (continued)

(a) Leaseback of properties upon disposal of a subsidiary (continued)

In the prior year, upon the completion of the disposal, the Group leased the properties back from Million Wave for a monthly rental of HK$372,000 which was mutually agreed by both parties based on market value. The amount of rental paid by the Group for the current year in respect of leasing of the properties amounted to HK$2,925,000 (2017: HK$930,000), which has been included in "administrative expenses" on the face of the consolidated statement of profit or loss.

(b) Transactions with a director of certain of the subsidiaries of the Company

During the year, director's quarters were rented by the Group from Mr. Hui, for the use by Mr. Poon Sui Hong as director's quarters. The total rental amounting to HK$444,000 for the year (2017: HK$444,000) was mutually agreed by both parties based on market value, of which HK$148,000 (2017: HK$444,000) has been included in directors' remuneration in note 8 to the consolidated financial statements until resignation as an executive Director of the Company on 19 July 2017.

During the year, rental income of approximately HK$900,000 (2017:Nil) was received from Million Wave, a company ceased to be a subsidiary of the Company after completion of disposal to Mr. Hui's wholly owned subsidiary in January 2017 as detailed in note 33(c).

Further to note 33(a) to the consolidated financial statements, Grand River, a wholly owned subsidiary of the Company prior to 23 March 2018 was disposed to an investment holding company wholly owned by Mr. Hui, at a consideration of HK$79,000,000.

(c) Outstanding balances with a joint venture

Details of the loan to a joint venture granted by the Group as at the end of the reporting period are included in note 15 to the consolidated financial statements.

(d) Transactions with a substantial shareholder of the Company

During the year, included in loan and interest receivables was loan and interest receivable from Ms. Sin Yuk Hung, a substantial shareholder of the Company for approximately HK$2,610,000 (2017: Nil), which is unsecured and bears interest of 18% per annum.

During the year, motor vehicle was rented by the Group from Jestino Investment Limited which was wholly owned by Ms. Sin Yuk Hung. The annual rental amounted to HK$90,000 (2017: Nil).

(e) Outstanding balance with the spouse of a director of certain of the subsidiaries of the Company

Included in other receivables was amount due from the spouse of Mr. Hui of HK$476,000 (2017:Nil). The amount is unsecured, interest free and repayable on demand.

(f) Compensation of key management personnel of the Group

	2018 HK$'000	2017 HK$'000
Short term employee benefits	5,391	6,665
Post-employment benefits	126	135
Total compensation paid to key management personnel	5,517	6,800

37. RELATED PARTY TRANSACTIONS (continued)

(f) Compensation of key management personnel of the Group (continued)

Further details of directors' emoluments are included in note 8 to the consolidated financial statements.

The related party transactions as set out in (a) above also constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules.

38. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

2018

Financial assets

	Financial assets at fair value through profit or loss — held for trading HK$'000	Loans and receivables HK$'000	Available-for-sale financial assets HK$'000	Total HK$'000
Available-for-sale financial asset	–	–	290	290
Trade receivables	–	14,117	–	14,117
Loan and interest receivables	–	36,762	–	36,762
Financial assets included in prepayments, deposits and other receivables	–	92,973	–	92,973
Equity investments at fair value through profit or loss	10,893	–	–	10,893
Cash and cash equivalents	–	138,782	–	138,782
	10,893	282,634	290	293,817

Financial liabilities

	Financial liabilities at amortised cost HK$'000
Trade payables	8,284
Financial liabilities included in other payables, accruals, deposits received and deferred income	37,761
Obligation under finance leases	971
Interest-bearing bank and other borrowings	11,063
	58,079

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38. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows: (continued)

2017

Financial assets

	Financial assets at fair value through profit or loss — held for trading HK$'000	Loans and receivables HK$'000	Available-for-sale financial assets HK$'000	Total HK$'000
Available-for-sale financial asset	–	–	360	360
Trade receivables	–	18,238	–	18,238
Financial assets included in prepayments, deposits and other receivables	–	31,152	–	31,152
Equity investments at fair value through profit or loss	38,181	–	–	38,181
Cash and cash equivalents	–	161,973	–	161,973
	38,181	211,363	360	249,904

Financial liabilities

	Financial liabilities at amortised cost HK$'000
Trade payables	8,821
Financial liabilities included in other payables, accruals and deposits received	34,589
Interest-bearing bank borrowings	45,584
	89,994

39. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

Management has assessed that the fair values of cash and cash equivalents, current portion of a loan to a joint venture, trade receivables, loan and interest receivables, financial assets included in prepayments, deposits and other receivables, trade payables, interest-bearing bank and other borrowings and current portion of financial liabilities included in other payables, accruals, deposits received and deferred income and obligation under finance leases approximate to their carrying amounts largely due to the short-term maturities of these instruments.

The Group's finance team headed by the financial controller is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The finance team reports directly to the financial controller. At each reporting date, the finance team analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the financial controller. The valuation process and results are discussed with the audit committee twice a year for interim and annual financial reporting.

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:

The fair values of the non-current portion of a loan to a joint venture and the non-current portion of deposits received and deferred income have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities.

The Group's own non-performance risk for interest-bearing bank and other borrowings as at 31 March 2018 was assessed to be insignificant.

The fair values of listed equity investments and an unlisted available-for-sale financial asset are based on quoted market prices.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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39. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

Fair value hierarchy

The following table illustrates the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value:
As at 31 March 2018

	Fair value measurement using			
	Quoted prices in active markets (Level 1) HK$'000	Significant observable inputs (Level 2) HK$'000	Significant unobservable inputs (Level 3) HK$'000	Total HK$'000
Available-for-sale financial asset:				
Debt investment	290	–	–	290
Equity investments at fair value through profit or loss	10,893	–	–	10,893
	11,183	–	–	11,183

As at 31 March 2017

	Fair value measurement using			
	Quoted prices in active markets (Level 1) HK$'000	Significant observable inputs (Level 2) HK$'000	Significant unobservable inputs (Level 3) HK$'000	Total HK$'000
Available-for-sale financial asset:				
Debt investment	360	–	–	360
Equity investments at fair value through profit or loss	38,181	–	–	38,181
	38,541	–	–	38,541

The Group did not have any financial liabilities measured at fair value as at 31 March 2018 and 2017.

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities (2017: Nil).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise cash and cash equivalents. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

The main risks arising from the Group's financial instruments are foreign currency risk, credit risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

Foreign currency risk

The Group has transactional currency exposures. Such exposures arise from sales or purchases by operating units in currencies other than the units' functional currencies. Most of the Group's sales were denominated in United States dollars while expenditures incurred in the operations of manufacturing plants and capital expenditures were denominated in RMB. The Group currently does not have a foreign currency hedging policy. The Group will enter into a forward currency contract to manage its exchange rate exposures if needed. Management closely monitors foreign exchange exposure and will further consider hedging significant foreign currency exposure should the need arise.

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the RMB exchange rate, with all other variables held constant, of the Group's profit/(loss) before tax and the Group's equity (due to changes in the fair value of monetary assets and liabilities).

	Increase/ (decrease) in RMB rate %	Increase/ (decrease) in profit/(loss) before tax HK$'000	Increase/ (decrease) in equity* HK$'000
2018			
If Hong Kong dollar weakens against RMB	**5**	**(1,910)**	**(2,027)**
If Hong Kong dollar strengthens against RMB	**(5)**	**1,910**	**2,027**
2017			
If Hong Kong dollar weakens against RMB	5	(1,601)	(1,807)
If Hong Kong dollar strengthens against RMB	(5)	1,601	1,807

* Excluding retained profits

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 March 2018

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk

The Group trades only with recognised and creditworthy third parties and related parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

The credit risk of the Group's other financial assets, which comprise cash and cash equivalents, an available-for-sale financial asset, a loan to a joint venture and financial assets included in prepayments, deposits and other receivables, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

Since the Group trades only with recognised and creditworthy third parties and related parties, there is no requirement for collateral. At the end of the reporting period, the Group had certain concentrations of credit risk as 21% (2017: 24%) and 59% (2017: 66%) of the Group's trade receivables were due from the Group's largest customer and the five largest customers, respectively, within the Europe, America and the PRC (including Hong Kong) regions.

Further quantitative data in respect of the Group's exposure to credit risk arising from trade receivables are disclosed in note 19 to the financial statements.

Liquidity risk

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial instruments and financial assets (e.g., trade receivables) and projected cash flows from operations.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans. The Group's policy is to minimise borrowings.

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

	2018			2017		
	On demand or less than 12 months HK$'000	Over 1 year HK$'000	Total HK$'000	On demand or less than 12 months HK$'000	Over 1 year HK$'000	Total HK$'000
Trade payables	8,284	–	8,284	8,821	–	8,821
Financial liabilities included in other payables, accruals, deposits received and deferred income	33,212	4,549	37,761	34,497	92	34,589
Obligation under finance leases	398	642	1,040	–	–	–
Interest-bearing bank and other borrowings	12,080	–	12,080	46,639	–	46,639
	53,974	5,191	59,165	89,957	92	90,049

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 March 2018 and 2017.

41. EVENTS AFTER THE REPORTING PERIOD

On 21 June 2018, Pride Success Enterprises Limited (the "Purchaser"), a wholly-owned subsidiary of the Company, entered into the second supplemental agreement with Alex Film Limited (the "Vendor") and Mr. Wong Hoi Fung (the "Guarantor") to amend and supplement certain terms of the sales and purchase agreement dated 22 January 2018 (as amended by the first supplemental agreement dated 11 April 2018), pursuant to which the parties agreed in the second supplemental agreement to (i) amend the sale shares from 6,000 shares, representing 60% of all the shares issued by the Filmko Culture Limited (the "Target Company") to 2,500 shares, representing 25% of all the shares issued by the Target Company and (ii) remove the sale and purchase of the shareholder's loan from the acquisition. Upon completion, the Purchaser will hold 25% of all the shares issued by the Target Company and each member of the Target Company and its subsidiaries (the "Target Group") will become an associated company of the Company. The Target Group is principally engaged in the business of films distribution in the PRC and has distributed various films produced or released by Filmko Pictures Co., Limited. The acquisition was subsequently completed on 11 July 2018. For further details of the aforesaid acquisition, please refer to the announcement of the Company dated 21 June 2018.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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42. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2018 HK$'000	2017 HK$'000
NON-CURRENT ASSETS		
Property, plant and equipment	38	–
Investments in subsidiaries	507,089	308,147
Deposits	1,728	–
Total non-current assets	508,855	308,147
CURRENT ASSETS		
Prepayments and deposits	641	170
Cash and bank balances	13,984	107,075
Total current assets	14,625	107,245
CURRENT LIABILITIES		
Other payables and accruals	556	329
Interest-bearing other borrowing	9,983	–
Total current liabilities	10,539	329
NET CURRENT ASSETS	4,086	106,916
TOTAL ASSETS LESS CURRENT LIABILITIES	512,941	415,063
NON-CURRENT LIABILITIES		
Due to subsidiaries	197,367	187,367
Net assets	315,574	227,696
EQUITY		
Issued capital	38,837	32,365
Reserves (note)	276,737	195,331
Total equity	315,574	227,696

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 March 2018

42. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (continued)

Note:

A summary of the Company's reserves is as follows:

	Share premium account HK$'000	Contributed surplus HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 April 2016	56,831	146,973	(14,685)	189,119
Total comprehensive income for the year	–	–	6,212	6,212
At 31 March 2017 and 1 April 2017	56,831	146,973	(8,473)	195,331
Issue of shares	93,844	–	–	93,844
Total comprehensive loss for the year	–	–	(12,438)	(12,438)
At 31 March 2018	150,675	146,973	(20,911)	276,737

The Company's contributed surplus represents the difference between the consolidated net asset value of EGL on 8 February 1996, the day on which its entire issued share capital was acquired by the Company pursuant to the Group reorganisation referred to in note 30, and the nominal amount of the Company's shares issued in consideration for such acquisition. Under the Companies Act 1981 of Bermuda (as amended), the contributed surplus of the Company is distributable to shareholders under certain circumstances.

43. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the board of directors on 28 June 2018.

PARTICULARS OF PROPERTIES

31 March 2018

INVESTMENT PROPERTIES

Location	Use	Tenure	Applicable interest of the Group
B7, 3rd Floor, Block B, Mai Hing Industrial Building, 16–18 Hing Yip Street, Kwun Tong, Kowloon Hong Kong	Industrial	Medium	100%
B1&B2, 6th Floor, Block B, Mai Hing Industrial Building, 16–18 Hing Yip Street, Kwun Tong, Kowloon Hong Kong	Industrial	Medium	100%
B5, 4th Floor, Block B, Mai Hing Industrial Building, 16–18 Hing Yip Street, Kwun Tong, Kowloon Hong Kong	Industrial	Medium	100%
A factory located at Lan Ma Jiao, Tang Wen Qian, Xiejiang Town, Dongguan City, Guangdong Province, the PRC	Industrial	Medium	55%
House No. 203 and two car parking spaces, Boulevard Du Lac, The Beverly Hills, 23 Sam Mun Tsai Road, Tai Po, New Territories Hong Kong	Vacant	N/A	100%