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

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 348)**

## ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 MARCH 2019

### RESULTS

The board of directors (the "**Board**" or "**Directors**") of China Healthwise Holdings Limited (the "**Company**") hereby announces the audited consolidated results of the Company and its subsidiaries (the "**Group**") for the year ended 31 March 2019 together with the comparative figures for the year ended 31 March 2018 as follows:

### CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

*For the year ended 31 March 2019*

| | *Notes* | **2019** *HK$'000* | 2018 *HK$'000* (Re-presented) |
|---|---|---|---|
| **Continuing operations** | | | |
| Revenue | *3* | **451,615** | 561,190 |
| Cost of sales | | **(286,886)** | (399,530) |
| Gross profit | | **164,729** | 161,660 |
| Other revenue, gains and losses, net | *4* | **(46,524)** | (75,583) |
| Selling and distribution expenses | | **(86,697)** | (112,810) |
| General and administrative expenses | | **(81,736)** | (85,538) |
| Share of result of an associate | | **–** | (114) |
| Finance costs | *6* | **(8,839)** | (317) |
| Impairment loss on goodwill | | **(2,500)** | – |
| Impairment loss on property, plant and equipment | | **(10,145)** | (713) |
| Loss before income tax | *5(a)* | **(71,712)** | (113,415) |
| Income tax credit/(expense) | *7* | **1,967** | (987) |

| | Note | 2019<br>HK$'000 | 2018<br>HK$'000<br>(Re-presented) |
|---|---|---|---|
| Loss for the year from continuing operations | 5(b) | **(69,745)** | (114,402) |
| **Discontinued operations** | | | |
| Loss for the year from discontinued operations | | **(34,667)** | (83,535) |
| Loss for the year | | **(104,412)** | (197,937) |
| **Other comprehensive income, net of tax** | | | |
| *Item that will not be reclassified to profit or loss:* | | | |
| Surplus on revaluation of land and buildings | | **–** | 3,168 |
| *Items that may be reclassified subsequently to profit or loss:* | | | |
| Exchange differences arising from translation of foreign operations | | **1,668** | (1,650) |
| Revaluation of available-for-sale investments | | **–** | (48,225) |
| Reclassification adjustment upon impairment of available-for-sale investments | | **–** | 56,225 |
| Exchange difference reclassified to profit or loss upon de-registration of a subsidiary | | **19** | – |
| Exchange differences reclassified to profit or loss upon disposal of an associate | | **–** | 1,581 |
| Exchange difference reclassified to profit or loss upon disposal of subsidiaries | | **35,705** | – |
| Other comprehensive income for the year, net of tax | | **37,392** | 11,099 |
| **Total comprehensive income for the year** | | **(67,020)** | (186,838) |
| Loss for the year attributable to: | | | |
| Owners of the Company | | | |
| Loss for the year from the continuing operations | | **(60,649)** | (102,568) |
| Loss for the year from discontinued operations | | **(34,667)** | (83,535) |
| Loss for the year attributable to owners of the Company | | **(95,316)** | (186,103) |

| | Note | 2019 HK$'000 | 2018 HK$'000 (Re-presented) |
|---|---|---|---|
| Non-controlling interests | | | |
| Loss for the year from the continuing operations | | **(9,096)** | (11,834) |
| Loss for the year from discontinued operations | | **–** | – |
| Loss for the year attributable to non-controlling interests | | **(9,096)** | (11,834) |
| | | **(104,412)** | (197,937) |
| Total comprehensive income for the year attributable to: | | | |
| Owners of the Company | | **(58,028)** | (170,592) |
| Non-controlling interests | | **(8,992)** | (16,246) |
| | | **(67,020)** | (186,838) |
| Loss per share attributable to owners of the Company from continuing operations | | | |
| – Basic | | **(0.72) cents** | (1.48) cents |
| – Diluted | | **N/A** | N/A |
| Loss per share attributable to owners of the Company from discontinued operations | | | |
| – Basic | *9* | **(0.41) cents** | (1.21)cents |
| – Diluted | *9* | **N/A** | N/A |

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**
*As at 31 March 2019*

| | Notes | 2019 HK$'000 | 2018 HK$'000 |
|---|---|---|---|
| **ASSETS AND LIABILITIES** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | | **2,943** | 86,094 |
| Goodwill | | **614** | 3,114 |
| Intangible assets | | **5,094** | 5,094 |
| Financial assets at fair value through profit or loss | *10* | **38,905** | – |
| Available-for-sale investments | | **–** | 166,855 |
| Deferred tax assets | | **1,870** | 550 |
| Loans receivable | *11* | **60,000** | – |
| | | **109,426** | 261,707 |
| **Current assets** | | | |
| Inventories | | **71,740** | 95,829 |
| Trade and other receivables, deposits and prepayments | *12* | **61,901** | 103,260 |
| Loans receivable | *11* | **200,616** | 35,000 |
| Financial assets at fair value through profit or loss | *10* | **189,117** | 65,867 |
| Amount due from related company | | **10,027** | – |
| Tax recoverable | | **25** | 158 |
| Pledged bank deposit | | **–** | 494 |
| Cash and cash equivalents | | **54,940** | 57,857 |
| | | **588,366** | 358,465 |
| **Current liabilities** | | | |
| Trade and other payables and accrued charges | *13* | **92,068** | 133,213 |
| Borrowings | | **13,412** | 100,391 |
| Amounts due to related companies | | **89,737** | 88,290 |
| Tax payable | | **3,637** | 3,276 |
| | | **198,854** | 325,170 |
| **Net current assets** | | **389,512** | 33,295 |
| **Total assets less current liabilities** | | **498,938** | 295,002 |

| | Notes | **2019** **HK$'000** | 2018 HK$'000 |
|---|---|---|---|
| **Non-current liabilities** | | | |
| Convertible loan notes | *14* | **100,891** | – |
| Provision for long service payment | | **–** | 5,576 |
| Deferred tax liabilities | | **4,607** | 15,276 |
| | | **105,498** | 20,852 |
| Net assets | | **393,440** | 274,150 |
| **EQUITY** | | | |
| Share capital | *15* | **852,131** | 710,131 |
| Reserves | | **(396,685)** | (382,544) |
| Equity attributable to owners of the Company | | **455,446** | 327,587 |
| **Non-controlling interests** | | **(62,006)** | (53,437) |
| **Total equity** | | **393,440** | 274,150 |

## 1. ORGANISATION AND OPERATIONS

China Healthwise Holdings Limited 中國智能健康控股有限公司 (the "Company") is a limited liability company incorporated in the Cayman Islands. Its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The address of its registered office is P.O. Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands, and the principal place of business of the Company is at Unit 1209, Shun Tak Centre, West Tower, 168-200 Connaught Road Central, Hong Kong.

The Company is an investment holding company and principally engaged in investment in financial instruments. Its subsidiaries (together with the Company referred to as the "Group") are principally engaged in sale of toys, consumer electronic products and Chinese health products, money lending business and investment in financial instruments.

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

### (a) Adoption of new/revised HKFRSs – first effective on 1 April 2018

| | |
|---|---|
| Annual Improvements to HKFRSs 2014-2016 Cycle | Amendments to HKFRS 1, First-time Adoption of Hong Kong Financial Reporting Standards |
| Amendments to HKFRS 2 | Classification and Measurement of Share-based Payment Transactions |
| HKFRS 9 | Financial Instruments |
| HKFRS 15 | Revenue from Contracts with Customers |
| Amendments to HKFRS 15 | Revenue from Contracts with Customers (Clarifications to HKFRS 15) |
| HK(IFRIC)–Int 22 | Foreign Currency Transactions and Advance Consideration |

***Annual Improvements to HKFRSs 2014-2016 Cycle – Amendments to HKFRS 1, First-time Adoption of Hong Kong Financial Reporting Standards***

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to HKFRS 1, First-time Adoption of Hong Kong Financial Reporting Standards, removing transition provision exemptions relating to accounting periods that had already passed and were therefore no longer applicable.

The adoption of these amendments has no impact on these financial statements as the periods to which the transition provision exemptions related have passed.

***Amendments to HKFRS 2 – Classification and Measurement of Share-based Payment Transactions***

The amendments provide requirements on the accounting for the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments; share-based payment transactions with a net settlement feature for withholding tax obligations; and a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.

The adoption of these amendments has no impact on these financial statements as the Group does not have any cash-settled share-based payment transaction and has no share-based payment transaction with net settlement features for withholding tax.

***HKFRS 9 – Financial Instruments***

*(i) Classification and measurement of financial instruments*

HKFRS 9 replaces HKAS 39 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 April 2018, bringing together all three aspects of the accounting for financial instruments: (1) classification and measurement; (2) impairment and (3) hedge accounting. The adoption of HKFRS 9 from 1 April 2018 has resulted in changes in accounting policies of the Group and the amounts recognised in the consolidated financial statements.

The impact, net of tax, of transition to HKFRS 9 on the opening balance of reserves, accumulated losses and non-controlling interests ("NCI") as of 1 April 2018, if any, was not significant.

HKFRS 9 carries forward the recognition, classification and measurement requirements for financial liabilities from HKAS 39, except for financial liabilities designated at fair value through profit or loss ("FVTPL") where the amount of change in fair value attributable to change in credit risk of the liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, HKFRS 9 retains the requirements in HKAS 39 for derecognition of financial assets and financial liabilities. However, it eliminates the previous HKAS 39 categories for financial assets of held to maturity financial assets, loans and receivables and available-for-sale financial assets. The adoption of HKFRS 9 has no material impact on the Group's accounting policies related to financial liabilities and derivative financial instruments. The impact of HKFRS 9 on the Group's classification and measurement of financial assets is set out below.

Under HKFRS 9, except for certain trade receivables (that the trade receivables do not contain a significant financing component in accordance with HKFRS 15), an entity shall, at initial recognition, measures a financial asset at its fair value plus, in the case of a financial asset not at FVTPL, transaction costs. A financial asset is classified as: (i) financial assets at amortised cost ("amortised cost"); (ii) financial assets at fair value through other comprehensive income ("FVOCI"); or (iii) financial assets at FVTPL. The classification of financial assets under HKFRS 9 is generally based on two criteria: (i) the business model under which the financial asset is managed and (ii) its contractual cash flow characteristics (the solely payments of principal and interest criterion, also known as the "SPPI criterion"). Under HKFRS 9, embedded derivatives are no longer required to be separated from a host financial asset. Instead, the hybrid financial instrument is assessed as a whole for the classification.

A financial asset is measured at amortised cost if it meets both of the following conditions and it has not been designated as at FVTPL:

- It is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

- The contractual terms of the financial asset give rise on specified dates to cash flows that meet the SPPI criterion.

A debt investment is measured at FVOCI if it meets both of the following conditions and it has not been designated as at FVTPL:

- It is held within a business model whose objective is to be achieved by both collecting contractual cash flows and selling financial assets; and

- The contractual terms of the financial asset give rise on specified dates to cash flows that meet the SPPI criterion.

On initial recognition of an equity investment that is not held for trading, the Group could irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an investment-by-investment basis. All other financial assets not classified at amortised cost or FVOCI as described above are classified as financial assets at FVTPL. This includes all derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

The following accounting policies would be applied to the Group's financial assets as follows:

| | |
|---|---|
| FVTPL | Financial assets at FVTPL is subsequently measured at fair value. Changes in fair value, dividends and interest income are recognised in profit or loss. |
| Amortised cost | Financial assets at amortised cost are subsequently measured using the effective interest rate method. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss. |
| FVOCI (equity investments) | Equity investments at FVOCI are measured at fair value. Dividend income is recognised in profit or loss unless the dividend income clearly represents a recovery of part of the cost of the investments. Other net gains and losses are recognised in other comprehensive income and are not reclassified to profit or loss. |
| FVOCI (debt instruments) | Debt investments at FVOCI are subsequently measured at fair value. Interest income calculated using the effective interest rate method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss. |

As of 1 April 2018, certain investments in listed equity investments were reclassified from available-for-sale financial assets to financial assets at FVTPL when initially applying HKFRS 9. As a result, financial assets with a fair value of HK$166,855,000 were reclassified from available-for-sale financial assets at fair value to financial assets at FVTPL.

The following table summarises the original measurement categories under HKAS 39 and the new measurement categories under HKFRS 9 for each class of the Group's financial assets as at 1 April 2018:

| **Financial assets** | **Original classification under HKAS 39** | **New classification under HKFRS 9** | **Carrying amount as at 1 April 2018 under HKAS 39** *HK$'000* | **Carrying amount as at 1 April 2018 under HKFRS 9** *HK$'000* |
|---|---|---|---|---|
| Available-for-sale investments | Available-for-sale (at fair value) | FVTPL | 166,855 | 166,855 |
| Financial assets at fair value through profit or loss | FVTPL | FVTPL | 65,867 | 65,867 |
| Trade receivables | Loan and receivables | Amortised cost | 70,431 | 70,431 |
| Other receivables and deposits | Loan and receivables | Amortised cost | 23,841 | 23,841 |
| Loans receivable | Loan and receivables | Amortised cost | 35,000 | 35,000 |
| Pledged bank deposit | Loan and receivables | Amortised cost | 494 | 494 |
| Cash and cash equivalents | Loan and receivables | Amortised cost | 57,857 | 57,857 |

*(ii) Impairment of financial assets*

The adoption of HKFRS 9 has changed the Group's impairment model by replacing the HKAS 39 "incurred loss model" to the "expected credit loss ("ECL") model". HKFRS 9 requires the Group to recognise ECLs for trade receivables, financial assets at amortised cost, contract assets and debt investment at FVOCI earlier than HKAS 39. Pledged bank deposit, cash and cash equivalents are subject to ECL model but the impairment is immaterial for the current period.

Under HKFRS 9, the loss allowances are measured on either of the following bases: (1) 12-month ECLs: these are the ECLs that result from possible default events within the 12 months after the reporting date: and (2) lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

Measurement of ECLs

ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the assets' original effective interest rate.

The Group has elected to measure loss allowances for trade receivables using HKFRS 9 simplified approach and has calculated ECLs based on lifetime ECLs. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For other financial assets, the ECLs are based on the 12-month ECLs. The 12-month ECLs is the portion of the lifetime ECLs that results from default events on a financial instrument that are possible within 12 months after the reporting date. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECLs. When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Group considers a financial asset to be in default when: (1) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (2) the financial asset is more than 90 days past due.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

Presentation of ECLs

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

Impact of the ECL model

(a) Impairment of trade receivables

As mentioned above, the Group applies the HKFRS 9 simplified approach to measure ECLs which adopts lifetime ECLs for all trade receivables. To measure the ECLs, trade receivables have been grouped based on shared credit risk characteristics and the days past due. There was no significant change in loss allowance for trade receivables upon the transition to HKFRS 9 as of 1 April 2018. Applying the ECL model resulted in the recognition of ECLs of HK$3,505,000 for trade receivables for the year ended 31 March 2019.

(b) Impairment of other financial assets at amortised cost

The Group's other financial assets at amortised cost include loans receivables and other receivables. Applying ECL model did not result in the recognition of significant ECL for loans receivables on 1 April 2018 but ECLs of HK$5,109,000 for the year ended 31 March 2019. No additional loss allowance for other receivables was recognised on 1 April 2018 and for the year ended 31 March 2019 as the amount was not significant.

As a result, the impact of the new HKFRS 9 impairment model did not result in significant additional impairment allowance for Group's financial assets as of 1 April 2018.

*(iii) Hedge accounting*

Hedge accounting under HKFRS 9 has no impact on the Group as the Group does not apply hedge accounting in its hedging relationships.

*(iv) Transition*

The Group has applied the transitional provision in HKFRS 9 such that HKFRS 9 was generally adopted without restating comparative information. The reclassifications and the adjustments arising from the new ECL rules are therefore not reflected in the consolidated statement of financial position as at 31 March 2018, but are recognised in the consolidated statement of financial position on 1 April 2018. This means that differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of HKFRS 9 are recognised in accumulated losses and reserves as at 1 April 2018. Accordingly, the information presented for 2018 does not reflect the requirements of HKFRS 9 but rather those of HKAS 39.

The following assessments have been made on the basis of the facts and circumstances that existed at the date of initial application of HKFRS 9 (the "DIA"):

- The determination of the business model within which a financial asset is held;

- The designation and revocation of previous designations of certain financial assets and financial liabilities as measured at FVTPL; and

- The designation of certain investments in equity investments not held for trading as at FVOCI.

If an investment in a debt investment had low credit risk at the DIA, then the Group has assumed that the credit risk on the asset had not increased significantly since its initial recognition.

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

HKFRS 15 supersedes HKAS 11 Construction Contracts, HKAS 18 Revenue and related interpretations. HKFRS 15 has established a five-step model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at the amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The Group has adopted HKFRS 15 using the cumulative effect method without practical expedients. The Group has recognised the cumulative effect of initially applying HKFRS 15 as an adjustment to the opening balance of accumulated losses at the date of initial application (that is, 1 April 2018). As a result, the financial information presented for 2018 annual financial statements has not been restated.

The impact, net of tax, of transition to HKFRS 15 on the opening balances of accumulated losses and NCI as at 1 April 2018, if any, was not significant.

There was no material impact of adopting HKFRS 15 on the Group's consolidated statement of financial position as at 31 March 2019, and its consolidated statement of profit or loss and other comprehensive income, its consolidated statement of changes in equity and its consolidated statement of cash flows for the year ended 31 March 2019.

Details of the new significant accounting policies and the nature of the changes to previous accounting policies in relation to the Group's goods are set out below:

| **Product** | **Nature of the goods, satisfaction of performance obligations and payment terms** | **Nature of change in accounting policy and impact on 1 April 2018** |
|---|---|---|
| Toys, consumer electronic products and Chinese health products | Customers obtain control of the toys or products when the goods are delivered to and have been accepted. Revenue is thus recognised upon when the customers accepted the toys or products. There is generally only one performance obligation. Invoices are usually payable within 30 days. | **Impact**<br><br>HKFRS 15 did not result in significant impact on the Group's accounting policies. |

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

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

The adoption of these amendments has no impact on these financial statements as the Group had not previously adopted HKFRS 15 and took up the clarifications in this, its first, year.

***HK(IFRIC)–Int 22 – Foreign Currency Transactions and Advance Consideration***

The interpretation provides guidance on determining the date of the transaction for determining an exchange rate to use for transactions that involve advance consideration paid or received in a foreign currency and the recognition of a non-monetary asset or non-monetary liability. The interpretations specifies 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 thereof) is the date on which the entity initially recognises the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration.

The adoption of these amendments has no impact on these financial statements as the Group has not paid or received advance consideration in a foreign currency.

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

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

| | |
|---|---|
| HKFRS 16 | Leases[1] |
| HK(IFRIC)-Int 23 | Uncertainty over Income Tax Treatments[1] |
| Amendments to HKFRS 9 | Prepayment Features with Negative Compensation[1] |
| Amendments to HKAS 1 and HKAS 8 | Amendments to Definition of Material[2] |
| Amendments to HKAS 3 | Amendments to Definition of a Business[2] |
| Annual Improvements to HKFRSs 2015-2017 Cycle | Amendments to HKFRS 3, Business Combinations[1] |
| Annual Improvements to HKFRSs 2015-2017 Cycle | Amendments to HKAS 12, Income Taxes[1] |
| Annual Improvements to HKFRSs 2015-2017 Cycle | Amendments to HKAS 23, Borrowing Costs[1] |

1 Effective for annual periods beginning on or after 1 January 2019

2 Effective for annual periods beginning on or after 1 January 2020

***HKFRS 16 – Leases***

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

As at the reporting date, the Group has non-cancellable operating lease commitments of HK$11,632,000. Of these commitments, approximately HK$1,081,000 relate to short-term leases and HK$253,000 to low value leases which will both be recognised on a straight-line basis as expense in profit or loss.

***HK(IFRIC)-Int 23 – Uncertainty over Income Tax Treatments***

The interpretation supports the requirements of HKAS 12, Income Taxes, by providing guidance over how to reflect the effects of uncertainty in accounting for income taxes.

Under the interpretation, the entity shall determine whether to consider each uncertain tax treatment separately or together based on which approach better predicts the resolution of the uncertainty. The entity shall also assume the tax authority will examine amounts that it has a right to examine and have full knowledge of all related information when making those examinations. If the entity determines it is probable that the tax authority will accept an uncertain tax treatment, then the entity should measure current and deferred tax in line with its tax filings. If the entity determines it is not probable, then the uncertainty in the determination of tax is reflected using either the "most likely amount" or the "expected value" approach, whichever better predicts the resolution of the uncertainty.

***Amendments to HKFRS 9 – Prepayment Features with Negative Compensation***

The amendments clarify that prepayable financial assets with negative compensation can be measured at amortised cost or at FVOCI if specified conditions are met – instead of at FVTPL.

***Amendments to HKAS 1 and HKAS 8 – Amendments to Definition of Material***

The amendments clarify the definition of material and align the definition used across the standards. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users.

***Amendments to HKAS 3 – Amendments to Definition of a Business***

The amendments clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business.

***Annual Improvements to HKFRSs 2015-2017 Cycle – Amendments to HKFRS 3, Business Combinations***

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to HKFRS 3 which clarifies that when a joint operator of a business obtains control over a joint operation, this is a business combination achieved in stages and the previously held equity interest should therefore be remeasured to its acquisition date fair value.

***Annual Improvements to HKFRSs 2015-2017 Cycle – Amendments to HKAS 12, Income Taxes***

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to HKAS 12 which clarify that all income tax consequences of dividends are recognised consistently with the transactions that generated the distributable profits, either in profit or loss, other comprehensive income or directly in equity.

***Annual Improvements to HKFRSs 2015-2017 Cycle – Amendments to HKAS 23, Borrowing Costs***

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to HKAS 23 which clarifies that a borrowing made specifically to obtain a qualifying asset which remains outstanding after the related qualifying asset is ready for its intended use or sale would become part of the funds an entity borrows generally and therefore included in the general pool.

## 3. REVENUE AND SEGMENT REPORTING

An analysis of the Group's revenue from its principal activities for the year is as follows:

| | **2019** | 2018 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| | | (Re-presented) |
| **Continuing operations** | | |
| **Revenue from contracts with customers within the scope of HKFRS 15:** | | |
| Trading of | | |
| – OBM toys | **183,848** | 124,908 |
| – Consumer electronic products | **41,811** | 291,683 |
| – Chinese health products | **154,660** | 134,433 |
| – Others | **5,153** | 8,778 |
| | **385,472** | 559,802 |
| **Revenue from other sources:** | | |
| – Money lending business | **23,258** | 1,388 |
| – Investment in financial instruments | **42,885** | – |
| | **66,143** | 1,388 |
| | **451,615** | 561,190 |
| **Discontinued operations** | | |
| **Revenue from contracts with customers within the scope of HKFRS 15:** | | |
| – OEM toys | **79,061** | 121,358 |
| | **530,676** | 682,548 |

*Note:* The Group has initially applied HKFRS 15 using the cumulative effect method. Under this method, the comparative information is not restated and was prepared in accordance with HKAS 18.

**Disaggregation of revenue from contracts with customers**

| | For the year ended 31 March 2019 | | | | | | |
|---|---|---|---|---|---|---|---|
| | Continuing operations | | | | | Discontinued operations | |
| **Segments** | **OBM toys** | **Consumer electronic products** | **Chinese health products** | **Others** | **Total** | **OEM toys** | **Total** |
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| Types of goods | | | | | | | |
| Trading of | | | | | | | |
| – Toys | 183,848 | – | – | – | 183,848 | 79,061 | 262,909 |
| – Consumer electronic products | – | 41,811 | – | – | 41,811 | – | 41,811 |
| – Chinese health products | – | – | 154,660 | – | 154,660 | – | 154,660 |
| – Others | – | – | – | 5,153 | 5,153 | – | 5,153 |
| Total | 183,848 | 41,811 | 154,660 | 5,153 | 385,472 | 79,061 | 464,533 |

| | For the year ended 31 March 2019 | | | | | | |
|---|---|---|---|---|---|---|---|
| | Continuing operations | | | | | Discontinued operations | |
| **Segments** | **OBM toys** | **Consumer electronic products** | **Chinese health products** | **Others** | **Total** | **OEM toys** | **Total** |
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| Geographical market | | | | | | | |
| – United States of America and Canada | 172,998 | – | – | – | 172,998 | 13,440 | 186,438 |
| – Europe (Note) | 6,083 | – | – | – | 6,083 | 29,252 | 35,335 |
| – China | – | 41,811 | – | 5,153 | 46,964 | 3,163 | 50,127 |
| – Australia | 625 | – | – | – | 625 | 1,581 | 2,206 |
| – Japan | – | – | – | – | – | 18,975 | 18,975 |
| – Hong Kong | 2,987 | – | 154,660 | – | 157,647 | 12 | 157,659 |
| – Korea | – | – | – | – | – | 3,162 | 3,162 |
| – Indonesia | – | – | – | – | – | 1,768 | 1,768 |
| – Others | 1,155 | – | – | – | 1,155 | 7,708 | 8,863 |
| Total | 183,848 | 41,811 | 154,660 | 5,153 | 385,472 | 79,061 | 464,533 |

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

| | For the year ended 31 March 2019 | | | | | | |
|---|---|---|---|---|---|---|---|
| | Continuing operations | | | | | Discontinued operations | |
| **Segments** | **OBM toys** | **Consumer electronic products** | **Chinese health products** | **Others** | **Total** | **OEM toys** | **Total** |
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| Timing of revenue recognition | | | | | | | |
| – At a point in time | 183,848 | 41,811 | 154,660 | 5,153 | 385,472 | 79,061 | 464,533 |

| | For the year ended 31 March 2019 | | | | | | |
|---|---|---|---|---|---|---|---|
| | Continuing operations | | | | | Discontinued operations | |
| **Segments** | **OBM toys** | **Consumer electronic products** | **Chinese health products** | **Others** | **Total** | **OEM toys** | **Total** |
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| Sales channels/market or type of customers | | | | | | | |
| – Retail/individual customers | – | – | 107,729 | – | 107,729 | – | 107,729 |
| – Wholesale/corporate customers | 183,848 | 41,811 | 46,931 | 5,153 | 277,743 | 79,061 | 356,804 |
| Total | 183,848 | 41,811 | 154,660 | 5,153 | 385,472 | 79,061 | 464,533 |

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

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

**Continuing operations**

- OBM toys: sale of own-brand toys

- Consumer electronic products: sale of consumer electronic products

- Chinese health products: sale of Chinese health products

- Money lending business: granting loans

- Investment in financial instruments: investing in financial instruments

**Discontinued operations**

- OEM toys: manufacturing and sale of original equipment manufacturing toys

Segment revenue represents revenue generated from external customers. There were no inter-segment sales in current and prior years. Corporate revenue and expenses are not allocated to the operating segments as they are not included in the measure of the segments' profit or loss that is used by the CODM for assessment of segment performance.

The Group disposed of the OEM toys segment during the year to match its business strategy and focus changes. The CODM considered the necessity of reporting the OEM toys segment separately under discontinued operations in accordance with HKFRS 5.

With the changes in the structure and composition of the reportable segments, certain comparative figures in the segment information for the year ended 31 March 2018 has been re-presented to conform with current year's presentation.

## (a) Segment revenue and results

### For the year ended 31 March 2019

| | Continuing operations | | | | | | | Discontinued operations | |
|---|---|---|---|---|---|---|---|---|---|
| | **OBM toys** *HK$'000* | **Consumer electronic products** *HK$'000* | **Chinese health products** *HK$'000* | **Money lending business** *HK$'000* | **Investment in financial instruments** *HK$'000* | **Others** *HK$'000* | **Reportable segment total** *HK$'000* | **OEM toys** *HK$'000* | **Total** *HK$'000* |
| Revenue to external customers | **183,848** | **41,811** | **154,660** | **23,258** | **42,885** | **5,153** | **451,615** | **79,061** | **530,676** |
| Segment (loss)/profit before income tax | **(24,926)** | **(15,785)** | **1,733** | **7,971** | **(1,855)** | **(3,375)** | **(36,237)** | **(34,667)** | **(70,904)** |

### For the year ended 31 March 2018 (Re-presented)

| | Continuing operations | | | | | | | Discontinued operations | |
|---|---|---|---|---|---|---|---|---|---|
| | OBM toys *HK$'000* | Consumer electronic products *HK$'000* | Chinese health products *HK$'000* | Money lending business *HK$'000* | Investment in financial instruments *HK$'000* | Others *HK$'000* | Reportable segment total *HK$'000* | OEM toys *HK$'000* | Total *HK$'000* |
| Revenue to external customers | 124,908 | 291,683 | 134,433 | 1,388 | – | 8,778 | 561,190 | 121,358 | 682,548 |
| Segment (loss)/profit before income tax | (3,754) | (27,038) | 6,279 | 1,300 | (67,184) | (7,292) | (97,689) | (81,289) | (178,978) |

| | **2019** *HK$'000* | 2018 *HK$'000* (Re-presented) |
|---|---|---|
| Reportable segment loss | **(36,237)** | (97,689) |
| Segment loss from discontinued operations | **(34,667)** | (81,289) |
| | **(70,904)** | (178,978) |
| Unallocated interest income | **121** | 8 |
| Exchange losses, net | **–** | (49) |
| Share of result of an associate | **–** | (114) |
| Loss on disposal of an associate | **–** | (1,298) |
| Gain on deemed disposal of bonds | **2,410** | – |
| Unallocated finance costs | **(7,760)** | – |
| Unallocated corporate expenses | | |
| – Staff costs | **(23,145)** | (5,189) |
| – Legal and professional fee | **(5,220)** | (5,210) |
| – Consultancy service expense | **–** | (3,862) |
| – Others | **(1,881)** | (12) |
| Consolidated loss before income tax | **(106,379)** | (194,704) |

**(b) Segment assets and liabilities**

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

| | **2019** | 2018 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| | | (Re-presented) |
| **Segment assets** | | |
| OBM toys | **73,392** | 55,772 |
| OEM toys (discontinued operations) | **–** | 106,995 |
| Consumer electronic products | **6,928** | 63,359 |
| Chinese health products | **90,479** | 102,110 |
| Money lending business | **284,379** | 51,187 |
| Investment in financial instruments | **231,990** | 232,722 |
| Segment assets | **687,168** | 612,145 |
| Unallocated corporate assets | | |
| – Cash and cash equivalents | **9,821** | 7,081 |
| – Other receivables, deposits and prepayments | **485** | 413 |
| – Others | **318** | 533 |
| Consolidated total assets | **697,792** | 620,172 |

| | **2019** | 2018 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| | | (Re-presented) |
| **Segment liabilities** | | |
| OBM toys | **110,608** | 55,383 |
| OEM toys (discontinued operations) | **–** | 162,187 |
| Consumer electronic products | **55,520** | 95,276 |
| Chinese health products | **7,139** | 11,434 |
| Money lending business | **1,158** | 73 |
| Others | **22,329** | 20,447 |
| Segment liabilities | **196,754** | 344,800 |
| Unallocated corporate liabilities | | |
| – Convertible loan notes | **100,891** | – |
| – Others | **6,707** | 1,222 |
| Consolidated total liabilities | **304,352** | 346,022 |

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

### For the year ended 31 March 2019

| | Continuing operations | | | | | | | | Discontinued operations | |
|---|---|---|---|---|---|---|---|---|---|---|
| | OBM toys *HK$'000* | Consumer electronic products *HK$'000* | Chinese health products *HK$'000* | Money lending business *HK$'000* | Investment in financial instruments *HK$'000* | Others *HK$'000* | Unallocated *HK$'000* | Reportable segment total *HK$'000* | OEM toys *HK$'000* | Total *HK$'000* |
| Bank interest income | – | – | (3) | (427) | – | – | (121) | (551) | (2) | (553) |
| Interest expenses | 700 | 352 | 21 | – | – | 6 | 7,760 | 8,839 | 2,720 | 11,559 |
| Income tax credit | (192) | – | (918) | – | – | – | (857) | (1,967) | – | (1,967) |
| Depreciation of property, plant and equipment | 2,987 | – | 1,157 | – | – | – | – | 4,144 | 9 | 4,153 |
| Impairment loss on property, plant and equipment | 10,145 | – | – | – | – | – | – | 10,145 | – | 10,145 |
| Impairment loss on inventories | – | 8,008 | – | – | – | – | – | 8,008 | – | 8,008 |
| Impairment loss on loans receivable | – | – | – | 5,109 | – | – | – | 5,109 | – | 5,109 |
| Impairment loss on trade and other receivables | 3,505 | – | – | – | – | – | – | 3,505 | – | 3,505 |
| Gain on disposal of subsidiaries | – | – | – | – | – | – | – | – | (11,620) | (11,620) |
| Fair value loss on financial assets at FVTPL, net | – | – | – | – | 42,509 | – | – | 42,509 | – | 42,509 |
| Additions to property, plant and equipment | 6,360 | – | 247 | – | – | – | – | 6,607 | 505 | 7,112 |

For the year ended 31 March 2018 (Re-presented)

| | Continuing operations | | | | | | | | Discontinued operations | |
|---|---|---|---|---|---|---|---|---|---|---|
| | OBM toys *HK$'000* | Consumer electronic products *HK$'000* | Chinese health products *HK$'000* | Money lending business *HK$'000* | Investment in financial instruments *HK$'000* | Other *HK$'000* | Unallocated *HK$'000* | Reportable segment total *HK$'000* | OEM toys *HK$'000* | Total *HK$'000* |
| Bank interest income | – | – | (2) | – | – | – | (8) | (10) | (10) | (20) |
| Interest expenses | 317 | – | – | – | – | – | – | 317 | 3,134 | 3,451 |
| Income tax expense | 803 | 83 | – | – | – | 101 | – | 987 | 2,246 | 3,233 |
| Share of result of an associate | – | – | – | – | – | – | 114 | 114 | – | 114 |
| Depreciation of property, plant and equipment | 2,619 | 745 | 732 | – | – | – | – | 4,096 | 14,838 | 18,934 |
| Amortisation of intangible assets | – | 654 | – | – | – | 471 | – | 1,125 | – | 1,125 |
| Impairment loss on property, plant and equipment | – | 422 | – | – | – | 291 | – | 713 | 25,611 | 26,324 |
| Write off of property, plant and equipment | – | 1,393 | – | – | – | 988 | – | 2,381 | – | 2,381 |
| Write off of intangible assets | – | 2,591 | – | – | – | 464 | – | 3,055 | – | 3,055 |
| Impairment loss on available-for-sale investments | – | – | – | – | 56,225 | – | – | 56,225 | – | 56,225 |
| Impairment loss on inventories | – | 1,857 | – | – | – | – | – | 1,857 | – | 1,857 |
| Impairment loss on trade and other receivables | – | 713 | 403 | – | – | 7,284 | – | 8,400 | 615 | 9,015 |
| Gain on disposal of a subsidiary | – | (474) | – | – | – | – | – | (474) | – | (474) |
| Loss on disposal of an associate | – | – | – | – | – | – | 1,298 | 1,298 | – | 1,298 |
| Fair value loss on financial assets at FVTPL, net | – | – | – | – | 10,714 | – | – | 10,714 | – | 10,714 |
| Additions to property, plant and equipment | 3,734 | 448 | 2,308 | – | – | – | – | 6,490 | 1,529 | 8,019 |
| Additions to intangible assets | – | 198 | 5,094 | – | – | – | – | 5,292 | – | 5,292 |

**(d) Geographical information**

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

**For the year ended 31 March 2019**

| | **Revenue** *HK$'000* | **Non-current assets** *HK$'000* *(Note (i))* |
|---|---|---|
| **Continuing operations** | | |
| United States of America and Canada | **172,998** | **2,037** |
| Europe *(Note (ii))* | **6,083** | **–** |
| China | **46,964** | **–** |
| Australia | **625** | **–** |
| Hong Kong *(Note (iii))* | **223,790** | **6,614** |
| Indonesia | **1,155** | **–** |
| | **451,615** | **8,651** |
| **Discontinued operations** | | |
| United States of America and Canada | **13,440** | **–** |
| Europe *(Note (ii))* | **29,252** | **–** |
| China | **3,163** | **–** |
| Australia | **1,581** | **–** |
| Japan | **18,975** | **–** |
| Hong Kong | **12** | **–** |
| Korea | **3,162** | **–** |
| Indonesia | **1,768** | **–** |
| Others | **7,708** | **–** |
| | **79,061** | **–** |

For the year ended 31 March 2018 (Re-presented)

| | Revenue<br>*HK$'000* | Non-current assets<br>*HK$'000*<br>*(Note (i))* |
|---|---|---|
| **Continuing operations** | | |
| United States of America and Canada | **123,205** | 11,583 |
| Europe *(Note (ii))* | **1,209** | – |
| China | **300,461** | 125 |
| Hong Kong *(Note (iii))* | **136,146** | 7,281 |
| Others | **169** | – |
| | **561,190** | 18,989 |
| **Discontinued operations** | | |
| United States of America and Canada | **24,099** | – |
| Europe *(Note (ii))* | **24,478** | – |
| China | **5,526** | – |
| Australia | **3,487** | – |
| Japan | **29,520** | – |
| Hong Kong | **161** | – |
| Korea | **4,202** | – |
| Indonesia | **13,038** | 75,313 |
| Others | **16,847** | – |
| | **121,358** | 75,313 |

*Notes:*

(i) Excluding deferred tax assets and financial instruments

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

(iii) Revenue from interest income, dividend income and sale of financial instruments are disclosed by location of operations.

**(e) Information on major customers:**

None of the external customers contributed 10% or more of the Group's revenue during the year ended 31 March 2019 (2018: Nil).

## 4. OTHER REVENUE, GAINS AND LOSSES, NET

| | 2019 | 2018 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| | | (Re-presented) |
| **Continuing operations** | | |
| Bank interest income | **551** | 10 |
| Fair value loss on financial assets at FVTPL, net | **(42,509)** | (10,714) |
| Gain on disposal of subsidiaries | **–** | 474 |
| Gain on de-registration of a subsidiary | **(19)** | – |
| Gain on deemed disposal of bonds | **2,410** | – |
| Loss on disposal of an associate | **–** | (1,298) |
| Loss on disposal of property, plant and equipment | **(126)** | (5) |
| Impairment loss on available-for-sale investments | **–** | (56,225) |
| Impairment loss on loans receivable | **(5,109)** | – |
| Impairment loss on trade and other receivables | **(3,505)** | (8,400) |
| Exchange losses, net | **(100)** | (152) |
| Others | **1,883** | 727 |
| | **(46,524)** | (75,583) |
| **Discontinued operations** | | |
| Bank interest income | **2** | 10 |
| Impairment loss on trade and other receivables | **–** | (615) |
| Exchange losses, net | **(1,313)** | (2,409) |
| Others | **94** | 867 |
| | **(1,217)** | (2,147) |

## 5. LOSS BEFORE INCOME TAX

### (a) Continuing operations

Loss before income tax is arrived at after charging:

| | 2019 | 2018 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| | | (Re-presented) |
| Carrying amount of inventories sold | **278,878** | 397,673 |
| Impairment loss on inventories | **8,008** | 1,857 |
| Costs of inventories recognised as expenses | **286,886** | 399,530 |
| Auditor's remuneration | **1,880** | 1,790 |
| Depreciation of property, plant and equipment | **4,144** | 4,096 |
| Amortisation of intangible assets | **–** | 1,125 |
| Write-off of property, plant and equipment | **–** | 2,381 |
| Write-off of intangible assets | **–** | 3,055 |
| Employee costs (excluding directors' emoluments) | **54,778** | 126,640 |
| Directors' emoluments | **25,691** | 1,080 |
| Research and development costs (included in general and administrative expenses) | **10,209** | 11,039 |
| Operating lease payments recognised as expenses in respect of properties | **20,421** | 20,956 |

**(b) Discontinued operations**

On 14 December 2018, the Group entered into sale and purchase agreements to dispose of the entire equity interests in its subsidiaries (namely Lung Cheong Asia Holdings Limited, Kid Galaxy Global Limited and Lung Cheong Overseas Corporation, collectively the "Disposal Companies"). The disposal was completed on 30 January 2019, the date on which the control of the Disposal Companies and its subsidiaries (the "Disposal Group"), which engaged in manufacturing and sale of OEM toys passed to the acquirer. The sales, results and net assets of the Disposal Group were as follows:

| | **Period from 1 April 2018 to 30 January 2019** | Year ended 31 March 2018 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Revenue | **79,061** | 121,358 |
| Expenses | **(125,348)** | (202,647) |
| Loss before income tax | **(46,287)** | (81,289) |
| Gain on disposal of operations | **11,620** | – |
| Income tax expense | **–** | (2,246) |
| Loss for the period/year from discontinued operations | **(34,667)** | (83,535) |

The carrying amounts of the assets and liabilities of the Disposal Group at the date of completion of the disposal are disclosed in Note 16.

Reclassification of exchange difference to profit or loss of HK$35,705,000 were recognised upon the disposal of the Disposal Group, being the proceeds of disposal less the carrying amount of the Disposal Group's net liabilities. As a result, a gain of HK$11,620,000 was recognised. No tax charge or credit arose from the disposal.

For the purpose of presenting discontinued operations, the comparative consolidated statement of profit or loss and other comprehensive income and the related notes have been re-presented as if the operations discontinued during the year had been discontinued at the beginning of the comparative period.

## 6. FINANCE COSTS

| | **2019** | 2018 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Total interest expenses for financial liabilities that are not at FVTPL: | | |
| **Continuing operations** | | |
| Interests on borrowings | **1,079** | 317 |
| Interest on convertible loan notes *(Note)* | **7,760** | – |
| | **8,839** | 317 |
| **Discontinued operations** | | |
| Interest on borrowings | **2,720** | 3,134 |
| | **11,559** | 3,451 |

*Note:* For the year ended 31 March 2019, interest on convertible loan notes included interest expense of HK$1,157,000 for the straight bonds (Note 14).

## 7. INCOME TAX (CREDIT)/EXPENSE

No Hong Kong profits tax has been provided for the Company's subsidiaries in Hong Kong for the current and prior years as they either did not derive any assessable profits or had estimated tax losses brought forward to offset against the estimated assessable profits.

No enterprise income tax has been provided as the Company's subsidiaries in the PRC and did not derive any assessable profits for the current and prior years arising from the PRC.

The amount of income tax (credit)/expense in the consolidated statement of profit or loss and other comprehensive income represents:

| | **2019**<br>***HK$'000*** | 2018<br>*HK$'000*<br>(Re-presented) |
|---|---|---|
| **Continuing operations** | | |
| Deferred tax | | |
| – current year | **(1,967)** | 392 |
| – attributable to decrease in tax rate | **–** | 595 |
| Income tax (credit)/expense | **(1,967)** | 987 |
| **Discontinued operations** | | |
| Deferred tax | | |
| – current year | **–** | 2,246 |
| Income tax expense | **–** | 2,246 |

## 8. DIVIDENDS

The directors do not recommend any dividend in respect of the year ended 31 March 2019 (2018: Nil).

## 9. LOSS PER SHARE

| | **2019**<br>***HK cents*** | 2018<br>*HK cents* |
|---|---|---|
| **Continuing operations** | | |
| Basic loss per share | **(0.72)** | (1.48) |
| Diluted loss per share *(Note)* | **N/A** | N/A |
| **Discontinued operations** | | |
| Basic loss per share | **(0.41)** | (1.21) |
| Diluted loss per share *(Note)* | **N/A** | N/A |

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

| | **2019** | 2018 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Loss for the year attributable to owners of the Company from continuing operations, used in the basic loss per share calculation | **(60,649)** | (102,568) |
| Loss for the year attributable to owners of the Company from discontinued operations, used in the basic loss per share calculation | **(34,667)** | (83,535) |

| | **2019** | 2018 |
|---|---|---|
| **Number of shares** | | |
| Weighted average number of ordinary shares for the purposes of basic loss per share | **8,451,280,603** | 6,908,687,715 |

*Note:* No diluted loss per share is presented for the year ended 31 March 2019 as the effect of all potential ordinary shares from share options granted and convertible loan notes issued during the year is anti-dilutive, No diluted loss per share is presented for the year ended 31 March 2018 as the Company has no potential ordinary shares at that date.

## 10. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

| | **2019** | 2018 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Equity securities listed in Hong Kong – at fair value | | |
| – Non-current portion *(Note (a))* | **38,905** | – |
| – Current portion *(Note (b))* | **189,117** | 65,867 |

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

*Notes:*

(a) At 31 March 2019, the non-current portion of the Group's financial assets at FVTPL represented 28% interest in Global Mastermind Capital Limited ("GMC") (2018: 28% interest in GMC and 24% interest in Global Mastermind Holdings Limited ("GMH")) at the closing price as quoted on the Stock Exchange on year end date.

The Group's interests in these companies are not classified as subsidiaries or associates as the Group does not have the power to control or significantly influence to participate in their operating and financing policies, evidenced by lack of any direct or indirect involvement at board level.

(b) The equity securities are classified as financial assets at FVTPL as they have been acquired principally for the purpose of selling in near term, or are part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking. Changes in their fair values are recognised in profit or loss (Note 4).

## 11. LOANS RECEIVABLE

The carrying amount of loans receivable from money lending business of the Group was as follows:

| | 2019 | 2018 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Loans receivable arising from money lending business | **265,725** | 35,000 |
| Less: impairment | **(5,109)** | – |
| | **260,616** | 35,000 |

As at 31 March 2019, the loans receivable are unsecured, interest-bearing at fixed rates ranging from 8%-15% per annum (2018: 8%).

The maturity profile of the loans receivable, net of impairment loss recognised, if any, at the end of the reporting period, analysed by the remaining period to its contracted maturity, is as follows:

| | 2019 | 2018 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Within 1 year | **200,616** | 35,000 |
| Over 1 year | **60,000** | – |
| | **260,616** | 35,000 |

## 12. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

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

| | 2019 | 2018 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Trade receivables | **40,941** | 70,431 |
| Other receivables | | |
| – Deposits and other receivables | **10,860** | 23,841 |
| – Prepayments | **10,100** | 8,988 |
| | **61,901** | 103,260 |

(a) The ageing analysis of the trade receivables, net of allowance for doubtful debts, based on invoice date as of the end of reporting period, is as follows:

| | 2019 | 2018 |
|---|---|---|
| | *HK$'000* | *HK$'000* |
| 0-90 days | **38,184** | 61,951 |
| 91-180 days | **934** | 5,882 |
| 181-365 days | **167** | 1,019 |
| Over 365 days | **1,656** | 1,579 |
| | **40,941** | 70,431 |

The Group's sales are on letter of credit or open account terms. Credit terms are reviewed on a regular basis. The normal trade terms include letter of credit, deposits before shipments and credit period ranging from 30 to 90 days (2018: 30 to 90 days) but business partners with strong financial backgrounds may be offered longer credit terms.

(b) As at 31 March 2018, included in other receivables of HK$9,520,000 was amounts due from NCI, which were unsecured, interest-free and repayable on demand. The amount was fully settled during the year ended 31 March 2019.

(c) As at 31 March 2019, trade receivables of HK$29,450,000 (2018: HK$12,493,000) were pledged to secure designated banking facility and borrowing.

## 13. TRADE AND OTHER PAYABLES AND ACCRUED CHARGES

| | 2019 | 2018 |
|---|---|---|
| | *HK$'000* | *HK$'000* |
| Trade payables | **39,305** | 69,527 |
| Other payables and accrued charges | **52,763** | 63,686 |
| | **92,068** | 133,213 |

The Directors consider that the carrying amounts of trade payables, other payables and accrued charges approximate their fair value as at 31 March 2019 and 2018.

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

| | 2019 | 2018 |
|---|---|---|
| | *HK$'000* | *HK$'000* |
| 0-90 days | **10,597** | 50,530 |
| 91-180 days | **11,661** | 3,739 |
| 181-365 days | **1,777** | 392 |
| Over 365 days | **15,270** | 14,866 |
| | **39,305** | 69,527 |

## 14. CONVERTIBLE LOAN NOTES

On 8 October 2018 (the "**Issue Date**"), the Company issued initially 8% straight bonds with a principal amount of HK$120,000,000 with conditional conversion rights (the "**Conversion Rights**"). The bonds mature two years from the Issue Date at their principal amount, or subject to the satisfaction of certain conditions precedent in relation to the Conversion Rights (the "**CB Conditions Precedent**"), can be converted into ordinary shares of the Company at the holder's option (the "**Conversion Option**") at the fixed rate of HK$0.1 per share. On 22 November 2018 (the "**Change Date**"), the Conditions Precedent have been fulfilled and the straight bonds were changed to 6% convertible loan notes embedded with the rights of early redemption by the Company (the "**Redemption Rights**"). The convertible loan notes are denominated in Hong Kong dollars. Further details of the convertible loan notes were set out in the Company's announcements dated 8 October 2018 and 22 November 2018.

The convertible loan notes contain the Redemption Rights that allow the Company as the issuer to redeem the convertible loan notes at par together with accrued interests at any time during the life of the convertible loan notes. The redemption price is substantially equal to the amortised cost of the liability component of the convertible loan notes. Accordingly, the Redemption Rights are considered to be 'closely related' to the liability component of the convertible loan notes, and the Redemption Right is therefore not separately recognised from the liability component of the convertible loan notes.

The Management considered the terms of the convertible loan notes met the 'fixed-for-fixed' criterion. Therefore, the Conversion Option is recognised as equity component of the convertible loan notes.

The fair values of the liability component and the equity conversion component were determined at the Change Date. The fair value of the liability component, included in non-current financial liabilities, was calculated using a market interest rate for an equivalent non-convertible loan notes. The residual amount, representing the value of the equity conversion component, is included in shareholders' equity net of deferred income taxes.

The convertible loan notes recognised in the consolidated statement of financial position are calculated as follows:

| | **2019** |
|---|---|
| | ***HK$'000*** |
| Equity component of convertible loan notes on the Change Date | **19,835** |
| Equity component of convertible loan notes as at 31 March | **19,835** |
| Liability component on the Change Date | **94,288** |
| Interest expense | **6,603** |
| Liability component at 31 March | **100,891** |

Interest expense on the convertible bonds is calculated using the effective interest method by applying the effective interest rate of 9% to the liability component.

Prior to the Change Date, interest expense of HK$1,157,000 for the straight bonds was also recognised in profit or loss (Note 6).

## 15. SHARE CAPITAL

| | Authorised | | | |
|---|---|---|---|---|
| | Convertible cumulative redeemable preference shares of US$100,000 each | | Ordinary shares of HK$0.1 each | |
| | Number of Shares | | Number of shares | |
| | | *US$'000* | *'000* | *HK$'000* |
| At 1 April 2017, 31 March 2018 and 2019 | 40 | 4,000 | 10,000,000 | 1,000,000 |

| | Issued and fully paid | | | |
|---|---|---|---|---|
| | Convertible cumulative redeemable preference shares of US$100,000 each | | Ordinary shares of HK$0.10 each | |
| | Number of shares | | Number of shares | |
| | | *US$'000* | *'000* | *HK$'000* |
| At 1 April 2017 | – | – | 5,917,758 | 591,776 |
| Issue of shares upon subscription *(Note (a))* | – | – | 363,636 | 36,364 |
| Issuance of new shares upon placing *(Note (b))* | – | – | 819,914 | 81,991 |
| At 31 March 2018 | – | – | 7,101,308 | 710,131 |
| Issuance of new shares upon placing *(Note (c))* | – | – | 1,420,000 | 142,000 |
| At 31 March 2019 | – | – | 8,521,308 | 852,131 |

*Note:*

(a) During the year ended 31 March 2018, 363,636,363 new ordinary shares of par value of HK$0.1 each were issued at subscription price of HK$0.165 per share to the then independent third party of the Company at a proceed of HK$60,000,000, net of issuing expense directly attributable to the subscription, of which HK$36,364,000 was credited to share capital and the remaining balance of HK$23,636,000 was credited to the share premium account.

(b) During the year ended 31 March 2018, 819,914,000 new ordinary shares of par value of HK$0.1 each were issued at placing price of HK$0.14 per share to the then independent third parties of the Company at a proceed of HK$110,770,000, net of issuing expense directly attributable to the placing, of which HK$81,991,000 was credited to share capital and the remaining balance of HK$28,779,000 was credited to the share premium account.

(c) During the year ended 31 March 2019, 1,420,000,000 new ordinary shares of par value of HK$0.1 each were issued at placing price of HK$0.11 per share to the then independent third parties of the Company at a proceed of approximately HK$150,000,000, net of issuing expense directly attributable to the placing, of which HK$142,000,000 was credited to share capital and the remaining balance of HK$8,733,000 was credited to premium account.

## 16. DISPOSAL OF SUBSIDIARIES

As referred to in Note 5(b), on 30 January 2019, the Group disposed of the Disposal Group which engaged in manufacturing and sale of OEM toys. The net liabilities of OEM toys segment at the date of disposal were as follows:

| | **30 January 2019** *HK$* |
|---|---|
| Property, plant and equipment | **74,369** |
| Inventories | **18,882** |
| Trade and other receivables, deposits and prepayment | **31,621** |
| Cash and cash equivalents | **2,861** |
| Tax recoverable | **555** |
| Trade and other payables | **(109,866)** |
| Bank borrowings | **(51,310)** |
| Deferred tax liabilities | **(14,436)** |
| Net liabilities | **(47,324)** |
| Exchange differences reclassified to profit or loss | **35,705** |
| Gain on disposal of subsidiaries included in loss for the year from discontinued operations in the consolidated statement of profit or loss and other comprehensive income | **11,620** |
| Total consideration | **1** |
| Satisfied by: | |
| Cash | **1** |
| Net cash outflow arising on disposal: | |
| Cash consideration | **1** |
| Cash and bank balances disposed of | **(2,861)** |
| | **(2,860)** |

## CORPORATE INFORMATION

On 23 April 2018, the principal place of business of the Company in Hong Kong has changed to Unit 1209, Shun Tak Centre, West Tower, 168-200 Connaught Road Central, Hong Kong and the telephone and facsimile numbers of the Company have changed to (852) 2268 8248 and (852) 2548 5575.

## RESULTS

For the year ended 31 March 2019 (the "Year" or "Period" or "FY18/19"), the Group's turnover from continuing operations decreased by approximately ("approx.") 19% to approx. HK$452 million, compared with approx. HK$561 million for the year ended 31 March 2018 (the "FY17/18" or "Corresponding Period").

Gross profit margin from continuing operations for the Year was approx. 36% compared to approx. 29% in the Corresponding Period. Overall, loss attributable to owners of the Company was approx. HK$95 million compared with HK$186 million in the Corresponding Period. The Directors do not recommend the payment of any dividend for the year ended 31 March 2019 (FY17/18: Nil).

## BUSINESS REVIEW

During the Year, revenue from continuing operations decreased due to the net effect of (1) the substantially decrease in sales from consumer electronic products segment from approximately HK$292 million in FY17/18 to approximately HK$42 million in FY18/19 as a result of the expiry of contract with Haier in December 2017; and (2) the increase in revenue in the OBM toys, money lending and investment in financial instruments segments.

The Group recorded a decrease in loss for the year ended 31 March 2019 as compared to the year ended 31 March 2018. The decrease in loss was mainly due to (i) significant decrease in impairment loss and fair value loss on financial instruments; (ii) gain on disposal of subsidiaries engaged in the OEM toy business; (iii) decrease in segment losses of the consumer electronic products business; (iv) an improvement in results of the money lending segment of the Group; and partially offset by (v) the expenses incurred by the Group relating to the share options granted to the directors of the Company during the Year; and (vi) increase in the impairment loss on property, plants and equipment during the Year.

### Chinese Health Products

Chinese health products business engaged in the sales of Chinese and other pharmaceutical products, health products, ginseng and dried seafood products to wholesaler and retailer. Nam Pei Hong Sum Yung Drugs Company Limited, one of our subsidiaries, engages in the business of trading and retail of "Sum Yung"（參茸）and dried seafood products since 1977 and the brand name of "Nam Pei Hong"（南北行）is highly recognised in Hong Kong and Southern Mainland China.

During the Year, this segment had contributed revenue of approx. HK$155 million (period from 1 July 2017 to 31 March 2018: HK$134 million) and segment profit of approx. HK$2 million (period from 1 July 2017 to 31 March 2018: HK$6 million). As at 31 March 2019, there were 11 (31 March 2018: 11) retail shops of Nam Pei Hong.

**Consumer Electronic Products**

***Childcare Products***

The main childcare products of the Group are small baby appliances (electric sterilizer, baby bottle & food warmer, baby food processor, baby hair cutter, baby air purifier, etc.). The contract between the Group and Haier was expired during the Year which have a significant negative impact on the Group's revenue and profit.

The management streamlined the distribution networks to cope with the negative impact of contract expiry with Haier. We focused more on large distributors with extensive networks in the future. The streamline of the distribution networks facilitates network management and has reduced cost during the Year.

**OBM Toy Segment**

The strengthened and continued recovery of the North American market has positively impacted the sales of our Own Brand Manufacturing ("OBM") business. Kid Galaxy has recorded a sharp increase in sales by approximately 47% overall due to the much improved market condition in the United States and the favorable market respond to our new line of products. Sales for the year ended 31 March 2019 increased approx. 47% from approx. HK$125 million for the year ended 31 March 2018 to approx. HK$184 million for the year ended 31 March 2019.

The sales increase was mainly due to reducing prices and lowering margins in order to enlarge deliveries to North America's largest membership only retail warehouse club, largest discount retail chain stores as well as the largest online retailer, accounting for approx. 94% of the segment turnover (FY17/18: 99%).

For the year ended 31 March 2019, North America remained our major destination for the Group's OBM toys, with shipments amounting to approx. HK$173 million compared to HK$123 million for year ended 31 March 2018, accounted for approx. 38% (FY17/18: 22%) of the Group's total revenue from continuing operations.

In view of the increased OBM toy sales mainly in the United States of America, account receivables increased from approx. HK$14 million as at 31 March 2018 to approx. HK$31 million as at 31 March 2019.

**Money Lending**

During the Year, the Group's money lending business generated interest income on loans amounting to approximately HK$23 million (FY17/18: HK$1 million), and reported a segment profit (before taxation) of approximately HK$8 million (FY17/18: HK$1 million). The average monthly outstanding balance of loans receivables was approximately HK$221 million in the Year. During the Year, the Group granted new loans in the aggregate principal amount of approximately HK$453 million to 10 customers. The Group's customers made drawings in the aggregate principal amount of HK$400 million from the existing and new loans, and repaid HK$176 million to the Group. At the end of the Year, the directors assessed the collectability of the loans receivable. Although there was no objective evidence that the Group would not be able to collect its loans receivable, an allowance for expected credit losses on loans receivable of approximately HK$5 million was recognised based on a valuation prepared by an independent professional valuer. Such allowance for expected credit losses was made in accordance with the new impairment model of HKFRS 9 Financial Instruments and had no effect on the Group's cashflow.

**Investment in Financial Instruments**

During the Year, the Group's investment in financial instruments business generated dividend income and sale of financial instruments amounting to approximately HK$43 million (FY17/18: Nil), and reported a segment loss of approximately HK$2 million (FY17/18: HK$67 million) including (i) a loss of approximately HK$43 million (FY17/18: HK$67 million) arising on change in fair value of financial assets at fair value through profit or loss; and (ii) a realised gain of approximately HK$43 million (FY17/18: Nil) by disposal of certain listed equities. An investment advisor was engaged by the Group in July 2018 to further strengthen the Group's investment portfolio management.

Movements in the listed equities held by the Group during the years ended 31 March 2019 and 31 March 2018 are as follows:

| | **Audited 31 March 2019** ***HK$'000*** | Audited 31 March 2018 *HK$'000* |
|---|---|---|
| At beginning of year | **232,722** | 174,380 |
| Acquisitions | **196,304** | 117,281 |
| Loss arising on change in fair value | **(42,509)** | (58,939) |
| Disposals | **(158,495)** | – |
| At end of year | **228,022** | 232,722 |

Details of certain significant Hong Kong listed equities held by the Group at 31 March 2019 are as follows:

| **Name of Hong Kong listed equities** | **Number of shares held at 31 Mar 19** *'000* | **Fair value at 31 Mar 19** *HK$'000* | **Fair value as compared to the consolidated total assets of the Group at 31 Mar 19** | **Fair value gain/(loss) recognised during the year ended 31 Mar 19** *HK$'000* |
|---|---|---|---|---|
| IDG Energy Investment Limited (stock code: 650) | 40,000 | 45,600 | 7% | 1,600 |
| Global Mastermind Capital Limited (stock code: 905) | 195,500 | 38,906 | 6% | (17,791) |
| Yunfeng Financial Group Limitedd (stock code: 376) | 7,526 | 35,748 | 5% | 1,615 |
| Huanxi Media Group Limited (stock code: 1003) | 16,860 | 25,796 | 4% | 703 |
| Huayi Tencent Entertainment Company Limited (stock code: 419) | 77,480 | 15,651 | 2% | (10,779) |
| PacRay International Holdings Limited (stock code: 1010) | 5,000 | 11,000 | 2% | 1,000 |
| SuperRobotics Limited (stock code: 8176) | 1,840 | 9,200 | 1% | – |
| KuangChi Science Limited (stock code: 439) | 10,000 | 6,500 | 1% | (11,600) |
| CBK Holdings Limited (stock code: 8428) | 25,248 | 5,908 | 1% | 404 |
| Frontier Services Group Limited (stock code: 500) | 4,000 | 4,640 | 1% | (2,040) |
| Wuxi Biologics (Cayman) Inc. (stock code: 2269) | 60 | 4,595 | 1% | (384) |
| Lajin Entertainment Network Group Limited (stock code: 8172) | 23,580 | 2,924 | 1% | (5,329) |
| AIA Group Limited (stock code: 1299) | 32 | 2,532 | 1% | 89 |
| Swire Pacific Limited 'A' (stock code: 19) | 25 | 2,518 | 1% | 229 |
| Sun Hung Kai Properties Limited (stock code: 16) | 17 | 2,316 | 1% | 80 |

## FINANCIAL REVIEW

During the Year, the Group recorded a decrease in revenue from continuing operations for approx. 19% from approx. HK$561 million for the year ended 31 March 2018 to approx. HK$452 million for the year ended 31 March 2019. The decreased was due to the net effect of (1) the significant decrease in sales from consumer electronic products segment from approximately HK$292 million in FY17/18 to approximately HK$42 million in FY18/19 as a result of the contract expiry with Haier in December 2017; and (2) the increase in revenue in the OBM toys, money lending and investment in financial instruments segments.

Cost of goods sold ("COGS") from continuing operations decreased by approx. 28% compared to FY17/18. The decrease was attributable to the corresponding decrease in revenue as mentioned above during the Year. The COGS were approx. HK$287 million in FY18/19 compared with approx. HK$400 million in FY17/18.

The gross profit increased to approx. HK$165 million for the Year versus approx. HK$162 million in FY17/18. Gross profit margin increased to approx. 37% (FY17/18: 29%) because of the higher gross profit margin contributed from the money lending segment and the investment in financial instruments segment.

Other revenue, gains and losses, net from continuing operations for the year ended 31 March 2019 amounted to loss of approx. HK$47 million, resulting in a decrease of approx. 38% as compared with the Corresponding Period (FY17/18: loss of HK$76 million). Other revenue, gains and losses, net mainly included (1) fair value loss on financial assets at fair value through profit or loss of HK$43 million (FY17/18: HK$11 million); (2) impairment loss on trade and other receivables of HK$4 million (FY17/18: HK$8 million); and (3) impairment loss on available-for-sale investments of HK$56 million for the year ended 31 March 2018.

Selling and distribution expenses from continuing operations for the year ended 31 March 2019 decreased to approx. HK$87 million, representing a decrease of approx. 23% against approx. HK$113 million in the Corresponding Period. The decrease in selling and distribution expenses mainly attributed to the decrease in advertising and marketing expenses in the consumer electronic products segment which is in line with the corresponding decrease in the segment revenue.

General and Administrative ("G&A") expenses from continuing operations for the year ended 31 March 2019 amounted to approx. HK$82 million, resulting in a decrease of approx. 5% as compared with the previous year (FY17/18: HK$86 million).

The goodwill of the Group was approx. HK$1 million as at 31 March 2019 compared with approx. HK$3 million in the Corresponding Year. Impairment loss on goodwill of HK$2.5 million (FY17/18: Nil) was recognised during the Year as a result of the significant deteriorating profit margin of the OBM Toy segment. Management will constantly review the carrying amount of the goodwill.

Finance costs from continuing operations incurred mainly for convertible loan notes and bank borrowing for the toy segment during the Year was approx. HK$9 million as compared with approx. HK$1 million in FY17/18.

All in all, the Group recorded a loss attributable to shareholders of approx. HK$95 million in FY18/19 compared with approx. HK$186 million in FY17/18.

## RESULT OF DISCONTINUED OPERATION

Loss for the year from discontinued operation amounted to HK$35 million (FY17/18: HK$84 million), which represents (1) the results of the OEM Toys segment for the period from 1 April 2018 to 30 January 2019, being the date on which the Disposal Group ceased to be subsidiaries of the Company; and (2) gain on disposal of the OEM Toys segment of HK$12 million.

## PLANS AND PROSPECTS

### Chinese Health Products

In view of the increasing awareness in health and the aging of population in Hong Kong, demand for health care products, especially Chinese medicine, "Sum Yung"（參茸）and dried seafood in Hong Kong has grown steadily in recent years.

The Group will continue to invest in the health care business and to develop its retail business of "Sum Yung" (參茸) dried seafood products and other healthy food products in Hong Kong with an aim to broaden its revenue base especially to the youth generation and middle class consumers. The Group expects the increasing tourists to Hong Kong to have a positive future impact on the retail market of Hong Kong and the Group's performance on Chinese health products.

**Consumer Electronic Products**

***Childcare Products***

The Group adopts a multi-brand and multi-product strategy. However, there was no new supply from the Haier brands products following the contract expiry with Haier in December 2017. As such, the revenue of childcare products decreased significantly during the Year. Strong competition in the childcare products market and US-China trade war which lead to market uncertainties globally and have negative impact on the consumers' demand as well as this segment performance. The Group will maintain our multi-brand and multi-product and to strictly control cost to cope with this challenge.

**OBM Toys**

Kid Galaxy will ride on their recent successes thus showcased new concepts and other innovative product lines at the New York and Hong Kong toy fairs in the early part of 2019. Early indication from recent product previews with major customers received encouraging and positive responses. However further capital investments will be required in continuous product development, engineering, new product moulds plus additional marketing and promotion costs for the new products These expenses will continue to affect the contribution to this OBM segment's profitability.

The liquidation of a major toy retail chain stores in the United States and worldwide had minor impact on Kid Galaxy's sales as management will have to continue reducing prices and margins plus divert our markets in North America towards clubs, supermarkets and internet sales. With the right products at competitive prices, management expect these retail channels to continue contributing to our OBM sales segment for the coming years.

**Money Lending**

Despite certain uncertainties in the global economy such as the tightening of US-China trade relationship, the demand for money lending business remain strong during the Year and the Group's loans receivables together with accrued interest receivables increased sharply to HK$261 million (31 March 2018: HK$35 million), the Group will continue to develop this business cautiously by strengthening its credit policy and risk control policy.

**Investment in financial instruments**

The Group will closely monitor various factors such as global economy, investment sentiment and fundamentals of investors and their future prospects and protectively adjust our portfolio in order to improve our performance. The Group will change our equity portfolio mix from time to time and realise the equities held by the Group into cash as and when appropriate.

## GROUP RESOURCES AND LIQUIDITY

As at 31 March 2019, the Group's cash and bank balances were approx. HK$55 million (FY17/18: HK$58 million). The Group's total bank borrowings and convertible loan notes were approx. HK$13 million (FY17/18: HK$100 million) and HK$101 million (FY17/18: Nil), respectively. Gearing ratio, calculated as the total borrowings divided by shareholders' equity was approx. 29% as at 31 March 2019 (FY17/18: 37%). As at 31 March 2019, the Group recorded total current assets of approx. HK$588 million (FY17/18: HK$358 million) and total current liabilities of approx. HK$199 million (FY17/18: HK$325 million). The current ratio of the Group, calculated by dividing the total current assets by the current liabilities, was approx. 295% (FY17/18: 110%). The Group recorded an increase in shareholders' fund from approx. HK$274 million as at 31 March 2018 to a net asset position of approx. HK$393 million as at 31 March 2019. The increase was mainly due to shares placing during the Year.

## CONNECTED DISPOSAL OF SUBSIDIAIRIES AND THE SALE LOAN

On 14 December 2018, the Group disposed the entire issued share capitals in its subsidiaries (namely Lung Cheong Asia Holdings Limited, Kid Galaxy Global Limited and Lung Cheong Overseas Corporation, collectively the "Disposal Companies") to Shrewd Global Investments Limited (the "Purchaser") at an aggregate consideration of HK$1 (the "Disposal") resulting in a gain on disposal of approximately HK$12 million.

Given the continuous loss-making position of the Disposal Companies and its subsidiaries (the "Disposal Group") with net liabilities in recent financial periods, and the difficulties and uncertainties faced by the Indonesian factory of the Disposal Group, the Company considers that the Disposal will enable the Group to improve its financial position and eliminate any uncertainty arising from the OEM toy business with an aim to stabilising the future financial performance of the Group.

As the Purchaser is a connected person at the subsidiary level of the Company under Chapter 14A of the Listing Rules. Therefore, the Disposal also constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules. The Disposal was completed on 30 January 2019.

## CAPITAL STRUCTURE AND USE OF PROCEEDS FROM FUND RAISING ACTIVITIES

(a) On 19 April 2018, a total of 1,420,000,000 new shares of the Company were allotted and issued at the placing price of HK$0.11 per share. The net proceeds from the placing of approximately HK$150 million which were intended to be used for (i) approximately HK$120 million was intended to be used on money leading business; and (ii) approximately HK$30 million was intended to be used as general working capital and/or future investment opportunities. As at 31 March 2019, all net proceeds were used up as intended. Details of the placing were set out in the Company's announcements dated 21 March 2018 and 19 April 2018.

(b) On 8 October 2018, the Company entered into a subscription agreement with Heng Tai Finance Limited (the "Subscriber"), pursuant to which the Subscriber has conditionally agreed to subscribe, and the Company has conditionally agreed to issue a straight bond (the "Bond") in an aggregate principal amount of HK$120 million. On 22 November 2018, all the conditions precedent in relation to the right to convert the principal amount (or any part(s) thereof) of the Bond into the ordinary shares of the Company at HK$0.1 each before the second (2nd) anniversary of the date of issue of the Bond (the "Conversion Rights") had been fulfilled. Accordingly, the Conversion Rights attached to the Bond have become unconditional and irrevocable. The net proceeds from the issue of the Bonds of approximately HK$119.5 million which were intended to be used for (i) approximately HK$104.5 million on the money lending business; and (ii) approximately HK$15.0 million as general working capital and/or future investment opportunities. As at 31 March 2019, approximately HK$114.5 million was used up as intended and approximately HK$10.0 million will be utilised as intended on the money lending business. As at the date of this announcement, all net proceeds were used up as intended. Details of the issue of the Bonds were set out in the Company's announcements dated 8 October 2018, 15 November 2018 and 22 November 2018 and the circular of the Company dated 30 October 2018.

## EMPLOYEES

As at 31 March 2019, the Group had approx. 130 employees and contract workers based in Hong Kong headquarters, Macau office, PRC offices and the U.S. sales office. The number of employees of the Group varies from time to time depending on production needs and they are remunerated based on industry practices.

## CORPORATE GOVERNANCE CODE

The Company recognise the importance of achieving the highest standard of corporate governance consistent with the needs and requirements of its businesses and the best interest of all of its stakeholders, and the Board is fully committed to doing so. The Board believes that high standards of corporate governance provide a framework and solid foundation for the Group to manage business risks, enhance transparency, achieve high standard of accountability and protect stakeholders' interests.

The Group has adopted a corporate governance statement of policy which provides guidance on the application of the corporate governance principles on the Group, with reference to the Code on Corporate Governance Practices (the "CG Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

Save for the deviation from code A.6.7 which are explained below, in the opinion of the Directors, the Company has complied with all code provisions as set out in the CG Code throughout the year ended 31 March 2019.

## CODE PROVISION A.6.7

Under code provision A.6.7 of the CG Code, independent non-executive directors and other non-executive directors should attend general meetings and develop a balanced understanding of the views of shareholders. One non-executive director was absent from the Company's annual general meeting held on 4 September 2018 and extraordinary meetings held on 15 November 2018 and 14 January 2019 due to other business commitments.

## MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Listing Rules as the code of conduct for dealing in securities of the Company by the Directors. All Directors have confirmed, upon specific enquiries made by the Company, that they have complied with the required standard set out in the Model Code during the year ended 31 March 2019. To ensure Directors' dealings in the securities of the Company (the "Securities") are conducted in accordance with the Model Code and securities code of the Company, a Director is required to notify the Chairman in writing and obtain a written acknowledgement from the Chairman prior to any dealings in the Securities.

## PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

## DIVIDENDS

The Directors do not recommend any dividend in respect of the year ended 31 March 2019 (2018: Nil).

## AUDIT COMMITTEE

The Audit Committee had reviewed (together with the management and external auditor) the accounting principles and policies adopted by the Group and the audited consolidated financial statements for the year ended 31 March 2019.

## SCOPE OF WORK OF BDO LIMITED

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 March 2019 as set out in this preliminary announcement have been agreed by the Group's auditor, BDO Limited, to the amounts set out in the Group's audited consolidated financial statements for the Year. The work performed by BDO Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagement issued by the HKICPA and consequently no assurance has been expressed by BDO Limited on this preliminary announcement.

**PUBLICATION OF RESULTS ANNOUNCEMENT**

This results announcement is published on the website of Hong Kong Exchanges and Clearing Limited at www.hkexnews.hk and the website of the Company at www.healthwisehk.com.

By Order of the Board
**China Healthwise Holdings Limited**
**Lei Hong Wai**
*Chairman and Executive Director*

Hong Kong, 26 June 2019

*As at the date of this announcement, the executive Directors are Mr. Lei Hong Wai (Chairman), Mr. Leung Alex (Vice Chairman), Ms. Lo Ming Wan, Mr. Tse Chi Keung and Mr. Yuan Huixia; the non-executive Director is Mr. Diao Yunfeng; and the independent non-executive Directors are Mr. Lai Hok Lim, Mr. Lien Wai Hung and Mr. Wong Tak Chuen.*