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 2018

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 2018 together with the comparative figures for the year ended 31 March 2017 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2018

	Notes	**2018** **HK$'000**	2017 HK$'000
Revenue	3	**682,548**	319,221
Cost of sales		**(519,596)**	(297,054)
Gross profit		**162,952**	22,167
Other revenue, gains and losses, net	4	**(77,730)**	(41,158)
Selling and distribution expenses		**(121,506)**	(55,492)
General and administrative expenses		**(128,531)**	(106,434)
Share of result of an associate		**(114)**	(12,326)
Finance costs	6	**(3,451)**	(3,206)
Impairment loss on goodwill	10	**–**	(55,729)
Impairment loss on property, plant and equipment		**(26,324)**	(8,248)
Impairment loss on intangible assets		**–**	(3,412)
Loss before income tax	5	**(194,704)**	(263,838)
Income tax (expense)/credit	7	**(3,233)**	1,220
Loss for the year		**(197,937)**	(262,618)

	Note	2018 HK$'000	2017 HK$'000
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		**(1,650)**	(7,794)
Revaluation of available-for-sale investments		**(48,225)**	(25,595)
Reclassification adjustment upon impairment of available-for-sale investments		**56,225**	17,595
Reclassification to profit or loss upon disposal of available-for-sale investments		**–**	6,271
Exchange differences reclassified to profit or loss upon disposal of an associate		**1,581**	–
Other comprehensive income for the year, net of tax		**11,099**	(9,523)
Total comprehensive income for the year		**(186,838)**	(272,141)
Loss for the year attributable to:			
Owners of the Company		**(186,103)**	(241,937)
Non-controlling interests		**(11,834)**	(20,681)
		(197,937)	(262,618)
Total comprehensive income for the year attributable to:			
Owners of the Company		**(170,592)**	(253,884)
Non-controlling interests		**(16,246)**	(18,257)
		(186,838)	(272,141)
Loss per share attributable to owners of the Company			
– Basic	9	**(2.69) cents**	(4.09) cents
– Diluted	9	**N/A**	N/A

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2018

	Notes	2018 HK$'000	2017 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		**86,094**	124,676
Goodwill	*10*	**3,114**	2,500
Intangible assets		**5,094**	3,784
Interest in an associate		**–**	8,102
Available-for-sale investments	*12*	**166,855**	174,380
Deferred tax assets		**550**	3,780
		261,707	317,222
Current assets			
Inventories		**95,829**	49,210
Trade and other receivables, deposits and prepayments	*11*	**103,260**	112,448
Loan receivable	*13*	**35,000**	–
Financial assets at fair value through profit or loss	*14*	**65,867**	–
Amounts due from related companies		**–**	14,796
Tax recoverable		**158**	252
Pledged bank deposit		**494**	361
Cash and cash equivalents		**57,857**	38,105
		358,465	215,172
Current liabilities			
Trade and other payables and accrued charges	*15*	**133,213**	90,306
Borrowings		**100,391**	63,788
Amounts due to related companies		**88,290**	66,770
Tax payable		**3,276**	2,967
		325,170	223,831
Net current assets/(liabilities)		**33,295**	(8,659)
Total assets less current liabilities		**295,002**	308,563

	Note	2018 HK$'000	2017 HK$'000
Non-current liabilities			
Provision for long service payment		**5,576**	4,559
Deferred tax liabilities		**15,276**	13,363
		20,852	17,922
Net assets		**274,150**	290,641
EQUITY			
Share capital	*16*	**710,131**	591,776
Reserves		**(382,544)**	(264,367)
Equity attributable to owners of the Company		**327,587**	327,409
Non-controlling interests		**(53,437)**	(36,768)
Total equity		**274,150**	290,641

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 development, engineering, manufacture and sale of toys, consumer electronic products, commercial kitchen products, Chinese health products, money lending business and investment in financial instruments.

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

(a) Adoption of amendments to HKFRSs – Effective on 1 April 2017

Amendments to HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Loss
Annual Improvement to HKFRSs 2014-2016 Cycle	Amendments to HKFRS 12, Disclosure of Interests in Other Entities

Except for as explained below, the adoption of these amendments has no material impact on the Group's consolidated financial statements.

Amendments to HKAS 7 – Disclosure Initiative

The amendments introduce an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities.

The adoption of the amendments has led to the additional disclosure presented in the note to the cash flow statement. In addition, the transitional provision set out in the amendments has been applied and hence no comparative information is required.

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

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.

Amendments to HKFRSs	Annual Improvements to HKFRSs 2015-2017 Cycle[2]
Amendments to HKFRS 2	Classification and Measurement of Share-Based Payment Transactions[1]
HKFRS 9	Financial Instruments[1]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[2]
HKFRS 15	Revenue from Contracts with Customers[1]
Amendments to HKFRS 15	Revenue from Contracts with Customers (Clarifications to HKFRS 15)[1]
HKFRS 16	Leases[2]
HK(IFRIC)–Int 22	Foreign Currency Transactions and Advance Consideration[1]
HK(IFRIC)–Int 23	Uncertainty over Income Tax Treatments[2]

[1] Effective for annual periods beginning on or after 1 January 2018

[2] Effective for annual periods beginning on or after 1 January 2019

HKFRS 9 – Financial Instruments

HKFRS 9 introduces new requirements for the classification and measurement of financial assets. Debt instruments that are held within a business model whose objective is to hold assets in order to collect contractual cash flows (the business model test) and that have contractual terms that give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding (the contractual cash flow characteristics test) are generally measured at amortised cost. Debt instruments that meet the contractual cash flow characteristics test are measured at fair value through other comprehensive income ("FVTOCI") if the objective of the entity's business model is both to hold and collect the contractual cash flows and to sell the financial assets. Entities may make an irrevocable election at initial recognition to measure equity instruments that are not held for trading at FVTOCI. All other debt and equity instruments are measured at fair value through profit or loss ("FVTPL"). The Group has assessed that its financial assets currently measured at FVTOCI and FVTPL will continue with their respective classification and measurements upon the adoption of HKFRS 9.

The new impairment model in HKFRS 9 replaces the "incurred loss" model in HKAS 39 with an "expected credit loss" model. Under the expected credit loss model, it will no longer be necessary for a loss event to occur before an impairment loss is recognised. Instead, an entity is required to recognise and measure either a 12-month expected credit loss or a lifetime expected credit loss, depending on the asset and the facts and circumstances. The Group expects that the application of the expected credit loss model will result in earlier recognition of credit losses.

In addition, HKFRS 9 introduces new general hedge accounting requirements to allow entities to better reflect their risk management activities in consolidated financial statements. However, the Group currently does not have any hedge relationship and therefore it will not have any impact on the Group's consolidated financial statements.

HKFRS 9 carries forward the recognition, classification and measurement requirements for financial liabilities from HKAS 39, except for financial liabilities designated at 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. There will be no impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at FVTPL, where the amount of change in fair value attributable to change in credit risk and the Group does not have any such liabilities.

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 fair value through other comprehensive income if specified conditions are met – instead of at fair value through profit or loss.

HKFRS 15 – Revenue from Contracts with Customers

The new standard establishes a single revenue recognition framework. The core principle of the framework is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. HKFRS 15 supersedes existing revenue recognition guidance including HKAS 18 Revenue, HKAS 11 Construction Contracts and related interpretations.

HKFRS 15 requires the application of a 5-step approach to revenue recognition:

Step 1: Identify the contract(s) with a customer
Step 2: Identify the performance obligations in the contract
Step 3: Determine the transaction price
Step 4: Allocate the transaction price to each performance obligation
Step 5: Recognise revenue when each performance obligation is satisfied

HKFRS 15 includes specific guidance on particular revenue related topics that may change the current approach taken under HKFRS. The standard also significantly enhances the qualitative and quantitative disclosures related to revenue.

The Group is currently assessing the impacts of adopting HKFRS 15 on its consolidated financial statements and expects that the standard will not have significant impact, when applied, on the consolidated financial statements of the Group.

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.

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 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.

In respect of the lessor accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

HKFRS 16 will primarily affect the Group's accounting as a lessee of leases for offices and retail shops which are currently classified as operating leases. The application of the new accounting model is expected to lead an increase in both assets and liabilities and to impact on the timing of the expense recognition in the statement of profit or loss and other comprehensive income over the period of the lease. As at 31 March 2018, the Group's total future minimum lease payments under non-cancellable operating lease commitment is HK$9,376,000. The interest expense on the lease liability and the depreciation expense on the right-of-use asset under HKFRS 16 will replace the rental charge under HKAS 17. A preliminary assessment indicates that these arrangements will meet the definition of a lease under HKFRS 16, and hence the Group will recognise a right-of-use asset and a corresponding lease liability in respect of all the leases unless they qualify for low value or short-term leases upon the application of HKFRS 16. In addition, the application of new requirement may result changes in measurement, presentation and disclosure as indicated above.

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.

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.

3. REVENUE AND SEGMENT REPORTING

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 seven 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:

- OBM toys: sale of own-brand toys
- OEM toys: manufacturing and sale of original equipment manufacturing toys
- Consumer electronic products: sale of consumer electronic products
- Commercial kitchen products: manufacturing and sale of commercial kitchen products
- Chinese health products: sale of Chinese health products
- Money lending business: granting loans
- Investment in financial instruments: investing in financial instruments

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

To strengthen the investment strategy and portfolio management, management of the Group changed the internal reporting structure on toys segment by separating OBM toys and OEM toys to match its business strategy and focus changes. Moreover, with the continuous expansion of the investment in financial instruments segment, the CODM considered the necessity of separate reporting of this division, which was grouped under "Unallocated" in previous years.

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 2017 has been reclassified and revised to present segment results on a consistent basis.

(a) Segment revenue and results

For the year ended 31 March 2018

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

For the year ended 31 March 2017

	OBM toys	OEM toys	Consumer electronic products	Commercial kitchen products	Investment in financial instruments	Reportable segment total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Represented)	(Represented)			(Represented)	
Revenue to external customers	72,917	118,504	125,100	2,700	–	319,221
Segment loss before income tax	(11,134)	(59,520)	(40,464)	(113,845)	(12,257)	(237,220)

	2018	2017
	HK$'000	*HK$'000*
		(Represented)
Reportable segment loss	**(178,978)**	(237,220)
Interest income	**8**	271
Exchange losses, net	**(49)**	(483)
Share of result of an associate	**(114)**	(12,326)
Loss on disposal of an associate	**(1,298)**	–
Unallocated corporate expenses		
–Staff costs	**(5,189)**	(5,971)
–Legal and professional fee	**(5,210)**	(4,210)
–Consultancy service expense	**(3,862)**	(3,601)
–Others	**(12)**	(298)
Consolidated loss before income tax	**(194,704)**	(263,838)

(b) Segment assets and liabilities

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

	2018	2017
	HK$'000	*HK$'000*
		(Represented)
Segment assets		
OBM toys	**55,772**	36,443
OEM toys	**106,995**	173,311
Consumer electronic products	**63,359**	36,075
Commercial kitchen products	**533**	12,780
Chinese health products	**102,110**	–
Money lending business	**51,187**	–
Investment in financial instruments	**232,722**	174,380
Segment assets	**612,678**	432,989
Interest in an associate	**–**	8,102
Unallocated corporate assets		
– Cash and cash equivalents	**7,081**	16,293
– Other receivables, deposits and prepayments	**413**	75,000
– Others	**–**	10
Consolidated total assets	**620,172**	532,394

	2018	2017
	HK$'000	*HK$'000*
		(Represented)
Segment liabilities		
OBM toys	**55,383**	29,623
OEM toys	**162,187**	148,513
Consumer electronic products	**95,276**	39,531
Commercial kitchen products	**20,447**	23,741
Chinese health products	**11,434**	–
Money lending business	**73**	–
Investment in financial instruments	**–**	–
Segment liabilities	**344,800**	241,408
Unallocated corporate liabilities	**1,222**	345
Consolidated total liabilities	**346,022**	241,753

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

For the year ended 31 March 2018

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

For the year ended 31 March 2017

	OBM toys *HK$'000* (Represented)	OEM toys *HK$'000* (Represented)	Consumer electronic products *HK$'000*	Commercial kitchen products *HK$'000*	Investment in financial instruments *HK$'000* (Represented)	Unallocated *HK$'000* (Represented)	Total *HK$'000*
Interest income	–	(14)	–	(3)	(9,958)	(271)	(10,246)
Interest expenses	370	2,577	–	259	–	–	3,206
Income tax (credit)/expense	–	(1,208)	(60)	48	–	–	(1,220)
Share of result of an associate	–	–	–	–	–	12,326	12,326
Depreciation of property, plant and equipment	1,874	11,650	2,225	571	–	–	16,320
Amortisation of intangible assets	–	–	571	1,029	–	–	1,600
Impairment loss on property, plant and equipment	–	–	4,122	4,126	–	–	8,248
Impairment loss on intangible assets	–	–	–	3,412	–	–	3,412
Impairment loss on available-for-sale investments	–	–	–	–	17,595	–	17,595
Impairment loss on inventories	–	–	4,586	13,935	–	–	18,521
Impairment loss on trade and other receivables, deposits and prepayments	–	246	127	23,256	–	–	23,629
Compensation payable	–	–	–	3,690	–	–	3,690
Impairment loss on goodwill	–	–	–	55,729	–	–	55,729
Gain on disposal of available-for-sale investments	–	–	–	–	(3,345)	–	(3,345)
Additions to property, plant and equipment	5,730	10,483	138	174	–	–	16,525
Additions to intangible assets	–	–	528	–	–	–	528

(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 2018

	Revenue *HK$'000*	**Non-current assets** *HK$'000* *(Note (i))*
United States of America and Canada	**147,304**	**3,074**
Europe *(Note (ii))*	**25,687**	**–**
China	**305,987**	**–**
Australia	**3,487**	**–**
Japan	**29,520**	**–**
Hong Kong	**136,307**	**182,770**
Korea	**4,202**	**–**
Indonesia	**13,038**	**75,313**
Others	**17,016**	**–**
	682,548	**261,157**

For the year ended 31 March 2017

	Revenue *HK$'000*	Non-current assets *HK$'000* *(Note (i))*
United States of America and Canada	85,343	3,404
Europe *(Note (ii))*	33,116	–
China	128,822	18,357
Australia	1,930	–
Japan	23,994	–
Hong Kong	1,167	178,189
Korea	18,250	–
Indonesia	15,482	113,486
Others	11,117	6
	319,221	313,442

Note:

(i) Excluding deferred tax assets

(ii) The products are first exported to one of the European countries ("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.

(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 2018. For the year ended 31 March 2017, revenue of approximately HK$32,216,000 was derived from sales of OEM toys segment to an external customer, which contributed over 10% or more of the Group's revenue.

4. OTHER REVENUE, GAINS AND LOSSES, NET

	2018	2017
	HK$'000	*HK$'000*
Interest income	**20**	10,246
Fair value loss on financial assets at fair value through profit or loss, net	**(10,714)**	–
Gain on disposal of a subsidiary	**474**	–
Loss on disposal of an associate	**(1,298)**	–
Loss on disposal of property, plant and equipment	**(5)**	(8)
Gain on disposal of available-for-sale investments	**–**	3,345
Impairment loss on available-for-sale investments	**(56,225)**	(17,595)
Impairment loss on trade and other receivables, deposits and prepayments	**(9,015)**	(23,629)
Compensation payable	**–**	(3,690)
Exchange losses, net	**(2,561)**	(8,995)
Others	**1,594**	(832)
	(77,730)	(41,158)

5. LOSS BEFORE INCOME TAX

Loss before income tax is arrived at after charging:

	2018	2017
	HK$'000	*HK$'000*
Costs of inventories recognised as expenses	**517,739**	220,966
Impairment loss on inventories	**1,857**	18,521
Auditor's remuneration	**1,790**	2,387
Depreciation of property, plant and equipment	**18,934**	16,320
Amortisation of intangible assets	**1,125**	1,600
Write off of property, plant and equipment	**2,381**	–
Write off of intangible assets	**3,055**	–
Employee costs (excluding directors' emoluments)	**126,640**	105,987
Directors' emoluments	**1,080**	3,991
Research and development costs (included in general and administrative expenses)	**11,039**	13,434
Operating charge in respect of properties	**20,956**	4,904

6. FINANCE COSTS

	2018	2017
	HK$'000	*HK$'000*
Total interest expenses for financial liabilities that are not at fair value through profit or loss:		
Interests on borrowings	**3,451**	3,206

7. INCOME TAX EXPENSE/(CREDIT)

No Hong Kong profits tax has been provided for the Company's subsidiaries in Hong Kong as they did not derive any assessable profits for the current and prior years.

Enterprise income tax has been provided at the rate of 25% (2017: 25%) on the estimated assessable profits for the year arising from the People's Republic of China (the "PRC").

The amount of income tax expense/(credit) in the consolidated statement of comprehensive income represents:

	2018	2017
	HK$'000	*HK$'000*
PRC enterprise income tax		
– under-provision in prior years	**–**	2
Deferred tax		
– current year	**2,638**	(1,222)
– attributable to decrease in tax rate	**595**	–
	3,233	(1,222)
Income tax expense/(credit)	**3,233**	(1,220)

8. DIVIDENDS

The directors do not recommend any dividend in respect of the year ended 31 March 2018 (2017: Nil).

9. LOSS PER SHARE

	2018 *HK cents*	2017 *HK cents*
Basic loss per share	**(2.69)**	(4.09)
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:

	2018 *HK$'000*	2017 *HK$'000*
Loss for the year attributable to owners of the Company, used in the basic loss per share calculation	**(186,103)**	(241,937)

	2018	2017
Number of shares		
Weighted average number of ordinary shares for the purposes of basic loss per share	**6,908,687,715**	5,917,757,997

Note: 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. No diluted loss per share is presented for the year ended 31 March 2017 as the effect of all potential ordinary shares is anti-dilutive.

10. GOODWILL

	2018 *HK$'000*	2017 *HK$'000*
Cost		
At 1 April	**94,636**	100,731
Acquired through business acquisition *(Note 17)*	**614**	–
Exchange difference	**10,043**	(6,095)
At 31 March	**105,293**	94,636
Accumulated impairment		
At 1 April	**92,136**	40,137
Impairment loss recognised in the year *(Note (c))*	**–**	55,729
Exchange difference	**10,043**	(3,730)
At 31 March	**102,179**	92,136
At 31 March:		
Cost	**105,293**	94,636
Accumulated impairment	**(102,179)**	(92,136)
Net carrying amount	**3,114**	2,500

Goodwill acquired in business combination is allocated, at acquisition, to the cash-generating units ("CGUs") that are expected to benefit from that business combination. For the purpose of impairment testing, cost of goodwill is allocated to CGUs identified as follows:

	2018	2017
	HK$'000	*HK$'000*
OBM toys *(Note (a))*	**2,500**	2,500
Chinese health products *(Note (b))*	**614**	–
	3,114	2,500

(a) OBM toys

The recoverable amount of the CGU of OBM toys is determined by the value-in-use calculation. The calculation was carried out by cash flow projection based on financial budget approved by the management of the Company (the "Management") covering a five-year period. Cash flow beyond the five-year period is extrapolated using an estimated average growth rate of 3% (2017: 3%), which does not exceed the long-term growth rate for the industry in the corresponding country.

The discount rate of 14 % (2017: 21%) adopted in the value-in-use calculation of the CGU of OBM toys is pre-taxed and reflect specific risks relating to the relevant markets.

The Management reassessed the recoverable amount of the CGU of OBM toys as at 31 March 2018 by reference to the discounted cash flow calculations with the above estimations and was of the opinion that no impairment loss should be recognised as the carrying amount of the CGU of OBM toys approximates to its recoverable amount.

(b) Chinese health products

The recoverable amount of the CGU of the Chinese health products is determined by the value-in-use calculation. The calculation was carried out by cash flow projection based on financial budget approved by the Management covering a five-year period. Cash flow beyond the five-year period is extrapolated using an estimated average growth rate of 0%, which does not exceed the long-term growth rate for the industry in the corresponding country.

The discount rate of 16% adopted in the value-in-use calculation of the CGU of Chinese health products is pre-taxed and reflect specific risks relating to the relevant markets.

The Management reassessed the recoverable amount of the CGU of Chinese health products as at 31 March 2018 by reference to the discounted cash flow calculations with the above estimations and was of the opinion that no impairment loss should be recognised on its goodwill and trademarks as the carrying amount of the CGU of Chinese health products approximates to its recoverable amount.

(c) Commercial kitchen products

The directors determined the respective recoverable amount of the CGUs of the commercial kitchen products as at 31 March 2017 from their value-in-use based on the valuations performed by an independent firm of professional valuer using the income approach method.

The income approach method is based on the projection of future cash flows of the commercial kitchen products segment derived from the financial budgets approved by the Management covering a five-year period. Cash flow beyond the five-year period are extrapolated as there is 3% growth in the commercial kitchen products segment in the PRC.

The discount rate of 23% adopted in the future cash flows projections of the CGUs of the commercial kitchen products are pre-taxed and reflect specific risks relating to the relevant markets.

In prior years, the Management expected the growth of commercial kitchen products segment will become obvious in these years because of the government policy regarding the heat efficiency requirement for commercial kitchen products. However, throughout the prior year, there was no news on the exact timeframe for the implementation of such new policy and the growth in demand of commercial kitchen products is not happened as expected. In addition, due to the recent slowdown in the economic growth in the PRC, leading to the delay of some potential and ongoing commercial kitchen equipment procurement projects, the Management has become more prudent and cautious for partner choosing and project selection. Therefore, during the year ended 31 March 2017, the Management has reassessed and adjusted the revenue growth adopted in the five-year financial budgets. This had an adverse impact on the estimated value-in-use of those CGUs and an impairment loss on goodwill of HK$55,729,000 and an impairment loss on intangible assets of HK$3,412,000 was recognised. As the carrying amount of the CGUs has been reduced to their recoverable amount of HK$750,000, any adverse changes in the key assumptions used to calculate the recoverable amount would result in further impairment losses.

11. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

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

	2018	2017
	HK$'000	*HK$'000*
Trade receivables	**86,962**	37,633
Less: allowance for doubtful debts	**(16,531)**	(14,968)
	70,431	22,665
Other receivables, deposits and prepayments	**56,293**	29,373
Less: allowance for doubtful debts	**(23,464)**	(14,590)
	32,829	14,783
Refundable deposit paid for acquisition	**–**	75,000
	103,260	112,448

The ageing analysis of the trade receivables, net of allowance for doubtful debts, is as follows:

	2018	2017
	HK$'000	*HK$'000*
0-90 days	**61,951**	19,345
91-180 days	**5,882**	532
181-365 days	**1,019**	2,770
Over 365 days	**1,579**	18
	70,431	22,665

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 (2017: 30 to 90 days) but business partners with strong financial backgrounds may be offered longer credit terms.

12. AVAILABLE-FOR-SALE INVESTMENTS

	2018	2017
	HK$'000	*HK$'000*
Equity securities – at fair value		
–Listed in Hong Kong	**166,855**	174,380

(a) 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.

(b) As at 31 March 2018, the Group's available-for-sale investments represented 28% (2017: 28%) interest in Global Mastermind Capital Limited ("GMC") and 24% (2017: 23%) interest in Global Mastermind Holdings Limited ("GMH"). 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 participate in their operating and financing policies, evidenced by lack of any direct or indirect involvement at board level.

(c) At 31 March 2018, the Company re-measured its investment in 195,500,000 shares (2017: 195,500,000 shares) in GMC and 1,020,000,000 shares (2017: 800,000,000 shares) in GMH at the closing price of HK$0.29 (2017: HK$0.36) per share and HK$0.108 (2017: HK$0.13) per share respectively as quoted on the Stock Exchange on year end date.

There was a significant decline in the market value of certain listed equity investments during the year. The directors consider that such a decline indicates that the listed equity investments have been impaired and an impairment loss of HK$56,225,000 (2017: HK$17,595,000), which included a reclassification from other comprehensive income of HK$56,225,000 (2017: HK$17,595,000), has been recognised in profit or loss for the year.

(d) The fair value of the Group's listed equity securities in Hong Kong at the date of approval of the consolidated financial statements was HK$189,244,000 (2017: HK$171,450,000).

13. LOAN RECEIVABLE

As at 31 March 2018, the loan receivable is unsecured, interest-bearing at fixed rate of 8% per annum and repayable on 7 November 2018 in full together with the interest accrued thereon in one lump sum on the repayment date.

The maturity profile of the loan 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:

	2018	2017
	HK$'000	*HK$'000*
Within 1 year	**35,000**	–

The loan receivable has been reviewed by the Management to assess impairment which are based on the evaluation of collectability by assessing financial background of the borrower (the "Borrower"), who is an independent third party of the Group and its connected person, including but not limited to the fair value of properties held by the Borrower and the Borrower's wholly-owned company. As at 31 March 2018, the directors considered that no impairment loss on the loan receivable is necessary.

14. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2018	2017
	HK$'000	*HK$'000*
Equity securities–at fair value		
–Listed in Hong Kong	**65,867**	–

The above equity securities are classified as financial assets at fair value through profit or loss 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)*.

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.

15. TRADE AND OTHER PAYABLES AND ACCRUED CHARGES

	2018	2017
	HK$'000	*HK$'000*
Trade payables	**69,527**	42,723
Other payables and accrued charges	**63,686**	47,583
	133,213	90,306

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

	2018	2017
	HK$'000	*HK$'000*
0-90 days	**50,530**	24,834
91-180 days	**3,739**	2,214
181-365 days	**392**	1,616
Over 365 days	**14,866**	14,059
	69,527	42,723

16. 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 2016, 31 March 2017 and 2018	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 2016 and 31 March 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

Note:

(a) During the year, 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, 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.

17. BUSINESS ACQUISITION DURING THE YEAR

On 30 June 2017, the Group completed the acquisition of the entire issued share capital of Ace Season Holdings Limited ("Ace Season"), a company incorporated in the British Virgin Islands and the assignment of shareholder's loan owed by Ace Season to the vendor on completion at consideration of HK$85,000,000 (the "Acquisition").

Ace Season and its subsidiaries (the "Ace Season Group") are principally engaged in the sales of Chinese and other pharmaceutical products, health products, ginseng and dried seafood products to wholesaler and retailer in Hong Kong. The Acquisition was made with the aims to enhance the Group's exposure in developing Chinese health products business in Hong Kong.

The following table summarises the consideration paid for business acquisition completed in the current year, and the fair value of identifiable assets and liabilities of the Ace Season Group as at the date of acquisition:

	HK$'000
Property, plant and equipment	1,709
Intangible assets	5,094
Inventories	52,185
Trade and other receivables	11,425
Cash and cash equivalents	19,502
Trade and other payables	(5,112)
Deferred tax liabilities	(840)
Amount due to holding company	(92,724)
Total identifiable net liabilities	(8,761)
Non-controlling interests	423
Assignment of the shareholder's loan	92,724
The fair value of consideration transfer	
– Cash	85,000
Goodwill (Note 10)	614

The fair value of trade and other receivables is approximately HK$11,425,000. None of these receivables have been impaired and it is expected that the full contractual amounts can be collected.

The fair value of property, plant and equipment is approximately HK$1,709,000.

The fair value of intangible assets is approximately HK$5,094,000.

Acquisition-related costs of approximately HK$340,000 have been charged to general and administrative expenses in the consolidated statement of profit and loss and other comprehensive income for the year ended 31 March 2018.

The Group has recognised non-controlling interests at its proportionate share of net assets.

The goodwill of HK$614,000, which is not deductible for tax purposes, comprises the acquired workforce and the value of expected synergies arising from the combination of the acquired business with the existing operation of the Group.

Since the acquisition date, the Ace Season Group has contributed approximately HK$134,433,000 of revenue and HK$6,279,000 of profit for the year to the Group's revenue and loss for the year. If the Acquisition had occurred on 1 April 2017, the Group's revenue and loss for the year would have been approximately HK$710,307,000 and HK$190,942,000 respectively. This pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the Acquisition been completed on 1 April 2017, nor is it intended to be a projection of future performance.

18. EVENTS AFTER THE REPORTING DATE

(i) Placing of new shares under general mandate (the "Share Placing")

On 21 March 2018, the Company entered into a share placing agreement (the "Share Placing Agreement") with Kingston Securities Limited ("Kingston Securities"). Pursuant to the Share Placing Agreement, Kingston Securities conditionally agreed to place, on a best effort basis, up to an aggregate of 1,420,000,000 new ordinary shares of the Company to not less than six placees at a price of HK$0.11 per placing share.

On 19 April 2018, 1,420,000,000 new ordinary shares were placed at HK$0.11 per placing share. The net proceeds from the Share Placing were approximately HK$150 million.

Details of the Share Placing were set out in the Company's announcements dated 21 March 2018 and 19 April 2018.

(ii) Grant of share options (the "Share Options")

As disclosed in the Company's announcement dated 24 April 2018, the Company had resolved to grant a total of 340,000,000 Share Options with exercise price of HK$0.121 per share to eligible participant(s) (the "Grantees") to subscribe for a total of 340,000,000 ordinary shares of HK0.10 each in the share capital of the Company, subject to acceptance of the Grantees, under the share option scheme adopted by the Company on 24 April 2018.

(iii) Disposal of shares in Global Mastermind Holdings Limited (the "Disposal")

On 14 June 2018, the Group entered into an agreement with an independent purchaser (the "Purchaser"), pursuant to which the Group agreed to sell an aggregate of 1,020,000,000 shares in GMC to the Purchaser at an aggregate consideration of HK$153 million. The completion shall be completed on or before 30 June 2018 upon the fulfillment and/or waiver of the conditions precedent in the agreement.

Details of the Disposal were set out in the Company's announcement dated 14 June 2018.

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 2018 (the "Year" or "Period" or "FY17/18"), the Group's turnover increased by approximately ("approx.") 114% to approx. HK$683 million, compared with approx. HK$319 million for the year ended 31 March 2017 (the "FY16/17" or "Corresponding Period").

Gross profit margin for the Year was approx. 24% compared to approx. 7% in the Corresponding Period. Overall, loss attributable to owners of the Company was approx. HK$186 million compared with HK$242 million in the Corresponding Period. The Directors do not recommend the payment of any dividend for the year ended 31 March 2018 (FY16/17: Nil).

BUSINESS REVIEW

During the Year, sales increased due to (i) the sales increase in both OBM toys and consumer electronic products segments; and (2) the newly acquired Chinese health products segment has also contributed revenue of approx. HK$134 million.

The Group recorded a decrease in loss for the year ended 31 March 2018 as compared to the year ended 31 March 2017. The decrease in loss was primarily attributable to the net effect of (1) the abovementioned increase in sales and gross profit margin as a result of the newly acquired Chinese health products segment; (2) the one-off impairment loss on goodwill and intangible assets in FY16/17; and (3) the increase in impairment loss on property, plant and equipment during the Year.

Consumer Electronic Products

Childcare Products

The market for childcare related products and services is huge and fast growing in China. The National Bureau of Statistics of China indicates that the number of newborn babies will increase by 2.5 million per year because of the effect of the two-child policy. During the Year, the main products of the Group were Haier and Brillante branded small baby appliances (electric sterilizer, baby bottle & food warmer, baby food processor, baby hair cutter, baby air purifier, etc.). The sales of Haier branded baby air purifier was particularly good during the Year.

During the Year, the Management continues to deploy the multi-brand and multi-product strategy to meet customers' comprehensive needs. So far, we have entered into partnerships with a few world-leading childcare brands, including Bébé Confort and Safety 1st, sub-brands of Dorel Group, a global childcare corporation specialising in strollers, car seats, baby travel gears, etc. to serve as their distributor for childcare products in the PRC.

On the other hand, we further streamlined the distribution networks during the Year. We expect to focus more on large distributors with extensive networks in the future. The streamline of the distribution networks facilitates network management and reduces cost in the long run.

In addition, we have further enhanced Online to Offline ("O2O") strategy during the Year. Our products are currently available in various e-commerce channels and lots of mother & baby stores in most of the major cities in the PRC.

Chinese Health Products

On 29 March 2017, the Company entered into a sale and purchase agreement with an independent third party in relation to the acquisition of the entire issued share capital of Ace Season Holdings Limited ("Ace Season") and the sale loan owed by Ace Season to the vendor on completion at consideration of HK$85 million (the "Acquisition"). The Acquisition was completed on 30 June 2017. Ace Season and its subsidiaries are principally engaged in the sales of Chinese and other pharmaceutical products, health products, ginseng and dried seafood products to wholesaler and retailer. One of the subsidiaries of Ace Season, Nam Pei Hong Sum Yung Drugs Company Limited 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 period from 1 July 2017 to 31 March 2018, this segment had contributed revenue of approx. HK$134 million and segment profit of approx. HK$6 million. As at 31 March 2018, there were 11 retail shops of Nam Pei Hong.

OBM Toys

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 71% overall due to the much improved market condition in the United States and the favorable market respond to our new line Radio Control vehicles ('RCV"). Sales for the year increased approx. 71% from approx. HK$73 million for the year ended 31 March 2017 to approx. HK$125 million for the year ended 31 March 2018.

The sales increase was mainly due to enlarged 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. 22% of the Segment turnover (FY2016/17: 27%). However, Kid Galaxy was unable to translate the sales momentum in other markets such as Europe and Asia.

In view of the increased OBM toy sales mainly in the States, Account receivables increased from approx. HK$9 million as at 31 March 2017 to approx. HK$15 million as at 31 March 2018.

OEM Toys

The Indonesian factory made minor contribution to the Group's overall sales. However, it exposed the competitiveness of the Original Equipment Manufacturing ("OEM") business segment of the Group as this segment only manage to record a slight increase in sales by approximately 2%, from approx. HK$119 million for the year ended 31 March 2017 to approx. HK$121 million for the year ended 31 March 2018.

Again burdened by annual increased in labor and staff costs plus depreciation of fixed assets investments made in recent years led to an overall lower gross margin in the OEM toy manufacturing segment. During the year under review, due to certain production issues, the Group continued incurring additional reworking, excessive retesting and major quality improvements at the Indonesian factory which further impacted this segment's overall contribution. The increase in sales were not able to prevent the OEM segment from continued losses from previous years.

Overall North America remained the Group's major OEM toy export market accounting for approx. 22% of our sales for year ended 31 March 2018 compared to approx. 27% for the comparative period ended 31 March 2017. European deliveries were lesser, amounted to approx. 4% of sales compared to approx. 10% during the previous year ended 31 March 2017. Toys destined for the Japan market for the year ended 31 March 2018 was lowered to approx. 4% compared to approx. 8% in the previous year under review.

Money Lending

Good Cheer Global Limited ("Good Cheer", an indirect wholly-owned subsidiary of the Company) has obtained a money lenders licence under the Money Lenders Ordinance since September 2017 which enables Good Cheer to conduct money lending business in Hong Kong through the provision of secured and unsecured loans to customers. During the Year, this segment had contributed revenue of approx. HK$1 million and segment profit of approx. HK$1 million.

Investment in financial instruments

During the Year, the Group's investment in financial instruments business reported a segment loss of approximately HK$67 million including (i) a loss of approximately HK$11 million arising on change in fair value of financial assets at fair value through profit or loss and (ii) impairment loss of approximately HK$56 million (including HK$8 million recognised as investment revaluation reserve in the year ended 31 March 2017) arising on change in fair value of available for sale investment. The segment loss was because of the poor market sentiment on small-caps stocks during the Year.

During the Year, the Group developed its portfolio to 8 Hong Kong listed equities with an aggregate acquisition cost of approximately HK$117 million.

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

	2018	2017
	HK$'000	*HK$'000*
Carrying amount at 1 April	**174,380**	199,017
Acquisitions	**117,281**	298,511
Fair value loss and impairment loss recognised	**(58,939)**	(17,269)
Disposals	**–**	(269,510)
Redemption	**–**	(39,250)
Exchange differences	**–**	2,881
Carrying amount at 31 March	**232,722**	174,380

Details of the Hong Kong listed equities held by the Group at 31 March 2018 are as follows:

Name of Hong Kong listed equities	**Number of shares held at 31 March 2018**	**Fair value at 31 March 2018**	**Fair value as compared to the consolidated total assets of the Group at 31 March 2018**	**Fair value loss and impairment loss recognised during the year ended 31 March 2018**
		HK$'000		***HK$'000***
Available-for-sale investments				
Global Mastermind Holdings Limited (stock code: 8063)	1,020,000,000	110,160	18%	(34,540)
Global Mastermind Capital Limited (stock code: 905)	195,500,000	56,695	9%	(13,685)
Financial assets at fair value through profit or loss				
PacRay International Holdings Limited (stock code: 1010)	5,000,000	10,000	2%	1,000
KuangChi Science Limited (stock code: 439)	10,000,000	18,100	3%	(9,900)
Yunfeng Financial Group Limited (stock code: 376)	4,126,000	17,330	3%	(2,352)
Frontier Services Group Limited (stock code: 500)	4,000,000	6,680	1%	1,520
Lajin Entertainment Network Group Limited (stock code: 8172)	23,580,000	8,253	1%	(1,651)
CBK Holdings Limited (stock code: 8428)	25,248,000	5,504	1%	669
		232,722		(58,939)

Commercial Kitchen Products

青島瑞迪燃氣具製造有限公司 ("Qingdao Ruidi") and its subsidiaries are the major commercial cooking appliances manufacturers in the PRC. Besides cooking appliances manufacturing and sale, Qingdao Ruidi implemented commercial kitchen Equipment Procurement Construction ("EPC") projects with hotels, restaurants, schools, government agencies, etc. during the Year. Due to the PRC economic slowdown, the number of new EPC projects was decreased. In addition, given the macro-economic situation, the Management believes a healthy cash flow is essentially important for the Group's long term stability and growth. Therefore, we have been more prudent and cautious for partner choosing and project selection.

PLANS AND PROSPECTS

Consumer Electronic Products

Childcare Products

In late October 2015, the Chinese government decided to implement the "two-child policy" nationally. The Management expects this policy will enable the childcare product and service market to grow continuously in the next decade.

Regarding Brillante branded childcare products, the Management continues to spend great efforts on new product R&D to enrich the overall product portfolio. During the Year, several new small baby appliances models, including electric sterilizer, baby bottle & food warmer, baby food processor, baby hair cutter, and baby air purifier have been launched. In addition, the Management expects that new products covering different categories, such as feeding and nursery, health and safety, etc. will also be released gradually to enrich our product portfolio.

The Group has shifted from a single brand baby appliance producer into a multi-brand and multi-product childcare product and service provider. However, the Group has not managed to renew the contract with Haier, our largest childcare product brand during the Year, on 31 December 2017 which would have a significant negative impact on the revenue on this segment in the coming year. The Group will continue our multi-brand and multi-product strategy and to strictly control cost to cope with this challenge. The Management expects that we would form similar partnerships with more international childcare brands in the near future. This kind of partnership would not only expand our whole product portfolio but also further strengthen our distribution channels in the long run.

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. In addition, Mainland Chinese tourists are the fuel of Hong Kong's retail market. Hong Kong retail sales have increased significantly since July 2003 due to the enormous surge in demand by Chinese tourists towards luxury goods and health care products, for instances, Chinese medicine, "Sum Yung"（參茸）and dried seafood, which are heavily taxed and/or counterfeits are wide spreading in the PRC.

It is considered that the newly acquired Chinese health products segment represents a great opportunity to the Group to invest in the health care business and to diversify its business into the retail business of "Sum Yung"（參茸）and dried seafood products in Hong Kong with an aim to broaden its revenue base, which is expected to have a positive future impact on the Group's performance given the positive outlook of the health care business.

OBM Toys

Kid Galaxy will ride on their recent successes in the RCV thus showcased new RCV concepts and other innovative product lines at the New York and Hong Kong toy fairs in the early part of 2018. 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 recent liquidation of a major toy retail chain stores in the States and worldwide would have minor impact on Kid Galaxy's sales as management have diverted our markets in North America towards clubs, supermarkets and internet sales over the last couple of years. With the right products at competitive prices, management expect these retail channels to continue contributing to our OBM sales segment in the coming years.

OEM Toys

The demand for OEM toy products are expected to improve slightly with the Group acquiring new production techniques resulting in obtaining orders to produce a range of girls' toy items for the year ending 31 March 2019. However, our major OEM customer's sales may be affected by the inevitable liquidation of a major toy retail chain stores in North America and few other countries.

The Indonesia factory will have to face annual increase in minimum salaries. The Group's factory location close to Jakarta, the capital city continued to disadvantaged our competitiveness when compared to competitors with factory in the inland province or with factories in India and Vietnam. The weaknesses faced by the Serang factory will be further burdened by uncertainties created by recent bombings in the country as well as the next Presidential election, expected to be held in the first half of 2019.

Management will continue to monitor and review the viability of the Indonesia OEM factory as previous years' results have shown that it has not contributed to the Group's profitability and has been unable to recover investments made over recent years. In view of the competitive environment of the OEM toy manufacturing business, management has restructured the Indonesian plant management and upgrade the facilities in order to comply with customers' continuous quality requirements and revised standards as well as localization of senior management in order to stay competitive. Additional costs are necessary to upkeep and maintain the factory condition as well as continuous training for the local staff and workers in order to improve our productivity and quality.

Money Lending

It is expected that the newly established money lending business can diversify the income streams of the Group and will generate additional financial returns from the available funds of the Group from time to time. As money lending business generates a relatively higher gross profit margin, we will put more effort to develop while remain cautious in assessing customers' ability to repay and approving loans to our customers in order to reduce our credit risk.

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.

Commercial Kitchen Products

The commercial kitchen products market is very fragmented in the PRC with no major players in the market. Market growth is driven by increasing demand for dining out as the living standard rises, higher environmental standard and motivation to save fuel costs. However, due to the PRC economic slowdown, the investment in fixed assets decreased during the Year, which caused negative effects on the commercial kitchen products market. The commercial kitchen products business has been loss making since 2016. The Management will control the financial risks with caution and consider various strategies to reduce loss in the business.

GROUP RESOURCES AND LIQUIDITY

As at 31 March 2018, the Group's cash and bank balances were approx. HK$58 million (FY16/17: HK$38 million). The Group's total bank borrowings were approx. HK$100 million (FY16/17: HK$64 million). Gearing ratio, calculated as the total bank borrowings divided by shareholders' equity was approx. 37% as at 31 March 2018 (FY16/17: 22%). As at 31 March 2018, the Group recorded total current assets of approx. HK$358 million (FY16/17: HK$215 million) and total current liabilities of approx. HK$325 million (FY16/17: HK$224 million). The current ratio of the Group, calculated by dividing the total current assets by the current liabilities, was approx. 110% (FY16/17: 96%). The Group recorded a decrease in shareholders' fund from approx. HK$291 million as at 31 March 2017 to a net asset position of approx. HK$274 million as at 31 March 2018. The decrease was mainly due to the Group suffering from loss on its operations and the impairment loss on property, plant and equipment, available-for-sale investments, trade and other receivables and inventories.

CAPITAL STRUCTURE AND USE OF PROCEEDS FROM FUND RAISING ACTIVITIES

(a) On 2 May 2017, a total of 363,636,363 new shares of the Company were allotted and issued at the subscription price of HK$0.165 per share. The net proceeds from the subscription of approx. HK$60 million which were intended to be used for (i) the acquisition of the entire issued share capital of Ace Season Holdings Limited (the newly acquired Chinese health products business) and its shareholder's loan and/or (ii) general working capital. As at 31 March 2018, all net proceeds were used up as intended. Details of the subscription were set out in the Company's announcements dated 30 March 2017 and 2 May 2017.

(b) On 12 June 2017, a total of 819,914,000 new shares of the Company were allotted and issued at the placing price of HK$0.14 per share. The net proceeds from the placing of approximately HK$110 million which were Intended to be used for (i) approx. HK$95 million was intended to be used on future investment opportunities; and (ii) approx. HK$15 million was intended to be used as general working capital required for the development of the trading and retail business of 參茸(Sum Yung) and dried seafood products in Hong Kong (the "Nam Pei Hong Business") following the acquisition of Nam Pei Hong. As at 31 March 2018, approx. HK$95 million were used up as intended. And on 9 May 2018, the Company announced that HK$15 million originally allocated for the Nam Pei Hong Business was reallocated to money lending business as a result of the strong demand on money lending business. Details of the placing and change in use of proceeds were set out in the Company's announcements dated 11 May 2017, 24 May 2017, 12 June 2017 and 9 May 2018.

EMPLOYEES

As at 31 March 2018, the Group had approx. 1,300 employees and contract workers based in Hong Kong headquarters, Macau office, PRC offices, the Indonesian factory 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.

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 2018.

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 2018. 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 2018 (2017: 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 consolidated financial statements for the year ended 31 March 2018.

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 2018 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, 28 June 2018

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