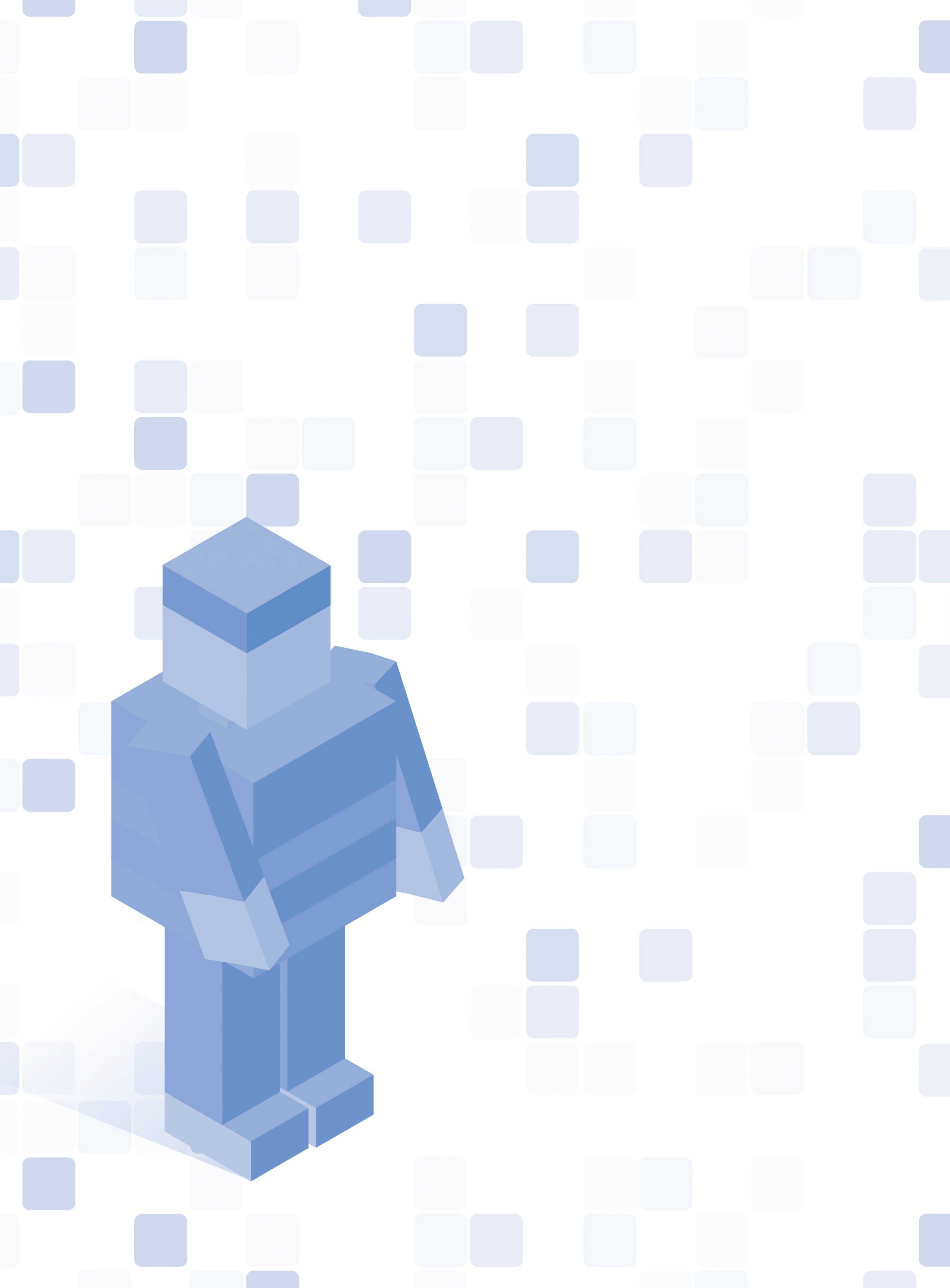
2013
ANNUAL REPORT

QUALI-SMART HOLDINGS LIMITED
滉達富控股有限公司*

(Incorporated in the Cayman Islands with limited liability)
Stock code : 1348
*For identification purpose only



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Board of Directors

Executive Directors
Mr. Lau Ho Ming, Peter *(Chief Executive Officer)*
Mr. Poon Pak Ki, Eric
Mr. Ng Kam Seng

Non-executive Directors
Madam Li Man Yee, Stella *(Chairperson)*
Mr. Tang Yu Ming, Nelson

Independent Non-executive Directors
Mr. Leung Po Wing, Bowen Joseph *GBS, JP*
Mr. Chan Siu Wing, Raymond
Mr. Chu, Raymond

Committees of the Board of Directors

Audit Committee
Mr. Chan Siu Wing, Raymond *(Chairman)*
Mr. Leung Po Wing, Bowen Joseph *GBS, JP*
Mr. Chu, Raymond

Remuneration Committee
Mr. Chu, Raymond *(Chairman)*
Mr. Chan Siu Wing, Raymond
Mr. Lau Ho Ming, Peter

Nomination committee
Mr. Leung Po Wing, Bowen Joseph *GBS, JP (Chairman)*
Mr. Chu, Raymond
Mr. Lau Ho Ming, Peter

Corporate Governance Committee
Mr. Chan Siu Wing, Raymond *(Chairman)*
Mr. Tang Yu Ming, Nelson
Mr. Ng Kam Seng

Company Secretary

Ms. Cheung Chung Yee, Fendi

Authorized Representatives

Mr. Ng Kam Seng
Ms. Cheung Chung Yee, Fendi

Compliance Adviser

Sun Hung Kai International Limited
42th Floor
The Lee Gardens
33 Hysan Avenue
Causeway Bay
Hong Kong

Auditor

BDO Limited
25th Floor, Wing On Centre
111 Connaught Road Central
Central
Hong Kong

Registered Office

Cricket Square, Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

Principal Place of Business in Hong Kong

Workshop 3 on 19th Floor
Cheung Tat Centre
No. 18 Cheung Lee Street
Chai Wan
Hong Kong

Principal Place of Business in the PRC

No. 38 South Guanhe Road
Guanyao, Shishan Town
Nanhai District
Foshan City
Guangdong Province
People's Republic of China

Principal Share Registrar and Transfer Office in the Cayman Islands

Codan Trust Company (Cayman) Limited
Cricket Square, Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

Hong Kong Branch Share Registrar and Transfer Office

Tricor Investor Services Limited
26th Floor, Tesbury Centre
28 Queen's Road East
Wanchai
Hong Kong

Principal Bankers

DBS Bank (Hong Kong) Limited
Hang Seng Bank Limited
The Hongkong and Shanghai Banking Corporation Limited
Industrial and Commercial Bank of China (Asia) Limited

Company's Website

www.quali-smart.com.hk

Biographical Details of Directors and Senior Management

Executive Directors

Mr. Lau Ho Ming, Peter

Mr. Lau Ho Ming, Peter, aged 58, was appointed as a Director on 14 March 2012. He is the chief executive officer of the Group (the "CEO") and one of the co-founders of the Group. He is a member of each of the Remuneration Committee and the Nomination Committee of the Board and is also a director of each subsidiary of the Company. Mr. Lau is responsible for formulating the overall business development strategies, management team development and daily operations of the Group. He is the husband of Madam Li Man Yee, Stella, the non-executive Director and Chairperson.

Mr. Lau has experience of more than 30 years in the toy manufacturing industry. He has held senior positions with Jetta-Victory Toys and Gifts Company Limited and Mattel Toys (HK) Ltd respectively before he founded the Group in 1996. Mr. Lau obtained the 1984 President's Award for innovative performance from Mattel Inc. during his service in Mattel Toys (HK) Ltd.

Mr. Lau obtained his Bachelor's Degree of Science in Engineering from the University of Hong Kong in November 1978 and a Master's Degree of Business Administration from the University of East Asia, Macau in February 1988.

Mr. Lau has been the vice president of The Toys Manufacturers' Association of Hong Kong since 2008. Mr. Lau was the advisor for 佛山市南海區玩具行業協會第二屆理事會 (The Second Council of the Toy Industry Association in Nanhai District, Foshan City*) in November 2007. Mr. Lau obtained an award from Guangdong government on his contribution to economic development in October, 1996 and obtained an 傑出企業家 (outstanding entrepreneur*) award from 中國玩具協會 (China Toys Association*) in October 2006. Mr. Lau donated a Peter H. M. Lau Industrial Scholarship to the Department of Industrial and Manufacturing Systems Engineering, Faculty of Engineering in the University of Hong Kong to award final year undergraduate students having excellent performances in projects related to industrial and logistic services.

Mr. Poon Pak Ki, Eric

Mr. Poon Pak Ki, Eric, aged 46, was appointed as an executive Director on 3 January 2013. He is responsible for the financial and accounting matters and general administration in the Group. Prior to joining the Group in November 1996, Mr. Poon worked for an audit firm as audit clerk from February 1987 to May 1990. He also has experience of 5 years in accounting and administration for a toy manufacturing company. Mr. Poon obtained his Bachelor's Degree in Accountancy from the Bolton Institute of Higher Education (now known as University of Bolton) in August 2004.

Mr. Ng Kam Seng

Mr. Ng Kam Seng, aged 32, was appointed as an executive Director on 3 January 2013 and he is a member of the Corporate Governance Committee of the Board. He is responsible for the corporate development and lean production strategy in the Group. Since he joined the Group in January 2010, Mr. Ng has been responsible for formulating and implementing the Group development strategies in conjunction with other senior management. In particular, he is the primary responsible person in working with the largest customer of the Group on lean and future development strategies, methods and production control techniques to ensure the production costs of the toys staying competitive. He is also leading a technical team of industrial engineers and manufacturing engineers to monitor and design the manufacturing methods for the production team to execute.

Mr. Ng obtained his Bachelor's Degree of Engineering in Industrial Management and Manufacturing Systems Engineering with first class honours from the University of Hong Kong in December 2003 and a Master's Degree of Philosophy from the University of Hong Kong in December 2006. Mr. Ng is pursuing his study in a Doctoral Degree of Philosophy in Engineering Science.

* *English translation is for identification purpose only*

Non-Executive Directors

Madam Li Man Yee, Stella

Madam Li Man Yee, Stella, aged 51, was appointed as a Director on 23 March 2012. Her role as a non-executive Director took effect on 3 January 2013. She is the Chairperson and one of the co-founders of the Group. She is also a director of each subsidiary of the Company. Madam Li is responsible for the overall management of the Board including provision of leadership to the Board and ensuring its effectiveness.

Madam Li has experience of around 20 years in toy business. She co-founded with Mr. Lau Ho Ming, Peter, an executive Director and the CEO, Qualiman Industrial Co. Limited, a subsidiary of the Company, in 1996. Madam Li is the wife of Mr. Lau. She obtained her Bachelor's Degree of Arts in Economics from York University in Toronto, Canada in November 1989.

Mr. Tang Yu Ming, Nelson

Mr. Tang Yu Ming, Nelson, aged 43, was appointed as a Director on 27 March 2012. His role as a non-executive Director took effect on 3 January 2013 and he is also a director of three subsidiaries of the Company, namely Turbo Gain Investments Limited, New Splendid Developments Limited and Next Horizon Holdings Limited. Mr. Tang is also a member of the Corporate Governance Committee of the Board.

Mr. Tang is currently a director of each of Silver Pointer Limited and Shikumen Special Situations Fund, two of the substantial shareholders of the Company. He is also the managing director of Shikumen Capital Management (HK) Limited ("Shikumen Hong Kong"), the investment manager and the sole voting member of Shikumen Special Situations Fund. Mr. Tang has experience of more than 15 years in financial asset management industry before founding Shikumen Hong Kong in 2007.

Mr. Tang graduated from Wharton School, University of Pennsylvania with a Bachelor's Degree of Science in Economics majoring in Finance and Accounting in December 1992.

Independent Non-Executive Directors

Mr. Leung Po Wing, Bowen Joseph *GBS, JP*

Mr. Leung Po Wing, Bowen Joseph *GBS, JP*, aged 63, was appointed as an independent non-executive Director on 3 January 2013. Mr. Leung is the chairman of the Nomination Committee of the Board, a member of each of the Audit Committee and the Remuneration Committee of the Board respectively.

Mr. Leung has served the government of Hong Kong for 32 years until his retirement as the director of the Office of the Government of the Hong Kong Special Administrative Region in Beijing ("Beijing Office") in November 2005. Mr. Leung joined the Administrative Service in June 1973 and rose to the rank of Administrative Officer Staff Grade A1 in June 1996. During his service in the Administrative Service, Mr. Leung had served in various policy bureaux and departments. Senior positions held by Mr. Leung included Deputy Secretary for District Administration (later retitled as Deputy Secretary for Home Affairs) from April 1987 to September 1990, Deputy Secretary for Planning, Environment and Lands from September 1990 to December 1992, Private Secretary, Government House from December 1992 to March 1995, Secretary for Planning, Environment and Lands from May 1995 to November 1998 and director of the Beijing Office from November 1998 to November 2005. Mr. Leung has extensive experience in corporate leadership and public administration. During his tenure as the director of the Beijing Office, he had made commendable efforts in promoting Hong Kong in the mainland China, as well as fostering closer links and co-operation between Hong Kong and the mainland China.

Mr. Leung obtained a Bachelor's Degree of Social Science from the University of Hong Kong in 1971. Mr. Leung is currently an independent non-executive director of each of Paliburg Holdings Limited (stock code: 617), PYI Corporation Limited (stock code: 498) and North Asia Resources Holdings Limited (stock code: 61), all of which are companies listed on the Stock Exchange of Hong Kong Limited (the "Stock Exchange").

Mr. Chan Siu Wing, Raymond

Mr. Chan Siu Wing, Raymond, aged 48, was appointed as an independent non-executive Director on 3 January 2013. Mr. Chan is the chairman of each of the Audit Committee and the Corporate Governance Committee of the Board and a member of the Remuneration Committee of the Board.

Mr. Chan has experience of over 20 years in the field of accounting, taxation, finance and trust. He currently is an executive director of ENM Holdings Limited (stock code: 128), a company listed on the Stock Exchange. Prior to that, Mr. Chan worked as the group chief operating officer of Chinachem Group from November 2008 to August 2011 and the financial controller and company secretary of Hua Xia Healthcare Holdings Limited (stock code: 8143), a company listed on the Stock Exchange from June 2005 to August 2008.

Mr. Chan obtained a Bachelor's Degree in Economics from the University of Sydney in April 1986. Mr. Chan is a certified public accountant of the Hong Kong Institute of Certified Public Accountants, a certified practicing accountant of the Australian Society of Certified Practicing Accountants, and a member of the Macau Society of Certified Practicing Accountants.

Mr. Chan has been an independent non-executive director of a number of companies listed in Hong Kong and overseas over the past 10 years. He currently holds the office of independent non-executive director of each of Phoenitron Holdings Limited (stock code: 8066) and China Flooring Holding Company Limited (stock code: 2083), companies whose shares are listed on the Stock Exchange.

Mr. Chu, Raymond

Mr. Chu, Raymond, aged 47, was appointed as our independent non-executive Director on 3 January 2013. He is the chairman of the Remuneration Committee of the Board and a member of each of the Audit Committee and the Nomination Committee of the Board.

Mr. Chu processed experience of more than 20 years in the financial industry. He is currently the chief operating officer of Guosen Securities (HK) Financial Holdings Co. Ltd. Prior to that, he was the managing director (Equity Derivatives Trading, Institutional Equity Asia Pacific) of The Bank of Nova Scotia from May 2010 to November 2011 and held senior positions with a number of reputable financial institutions between 2002 and 2010.

Mr. Chu obtained a Bachelor's Degree of Science in Business Administration (International Business) from The California State University in May 1989.

Senior Management

Mr. Hau Yiu Por

Mr. Hau Yiu Por, aged 56, is the general manager of the Group's China operation. Mr. Hau is responsible for the China operation. He joined the Group in January 1999. Mr. Hau leads a team of managers that organize production schedules, execute productions and coordinate shipping.

Mr. Hau has experience of over 20 years in the toy manufacturing industry. Prior to joining the Group, Mr. Hau has held senior production positions with international reputable toy companies for more than 10 years. Mr. Hau obtained a Higher Certificate in Textile Technology from the Hong Kong Polytechnic (now known as the Hong Kong Polytechnic University) in November 1981. He also obtained a Technician Certificate in Fashion & Clothing Manufacture from Technical Education and Industrial Training Department Hong Kong in July, 1982 and a Management Services Certificate (work study/O & M) from Institute of Management Services in August, 1983.

Mr. Kwong Ka Wing

Mr. Kwong Ka Wing, aged 51, is the general manager of engineering & quality of the Group. Mr. Kwong is responsible for product engineering development and quality assurance. He joined the Group in March 1999.

Mr. Kwong has experience of over 20 years in the toy manufacturing industry. Prior to joining the Group, Mr. Kwong has held senior positions in manufacturing and production companies for more than 10 years. Mr. Kwong obtained his Postgraduate Diploma in Computer Aided Engineering in October 2000 from University of Paisley. He obtained his Diploma in Management Studies jointly awarded by the Hong Kong Polytechnic (now known as the Hong Kong Polytechnic University) and Hong Kong Management Association in September 1993. He also obtained his Higher Diploma in Production and Industrial Engineering and his Certificate in Building Studies, both in November 1985 from the Hong Kong Polytechnic.

Chairperson's Statement

On behalf of the board of directors of the Company, I am pleased to present the first consolidated financial statements of the Group for the year ended 31 March 2013 following the successful listing of the Company's shares on the Main Board of the Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 23 January 2013.

An Important Milestone

Founded in 1996, the Group established solid foundation in its production technology and customer base. With the continuous efforts from our brilliant team of management and staff, the Company sought new expansion opportunity through the global offering in January 2013 ("Global Offering"). The responses to our Hong Kong public offering were overwhelming and it attracted oversubscription of approximately 721 times. The Company raised a net proceeds of HK$63.1 million from the Global Offering. The Company's shares were successfully listed on the Main Board of the Stock Exchange on 23 January 2013.

Challenge and Opportunity

The financial year 2013 was a challenging one. The economies of the countries where our major customers traded their products were declining. We worked very hard to expand our customer base to diversify the risk in relying on a few major customers. During the year under audit, we successfully explored a new major customer who became one of our top five customers. We strived to maintain our sales revenue at approximately HK$794.1 million which represents a decrease of 9.4% from last year.

Cost control is one of our top priority in our operational objective. With continuous improvement in the production procedures on lean and control techniques over the past two years, we are happy to note the improvement in production efficiency reflected in gross profit margin. The gross profit margin for the year ended 31 March 2013 increased from 11.3% to 12.3%.

The profit for the year, nethertheless, decreased by 52.4% from approximately HK$47.7 million to approximately HK$22.7 million. The decrease is mainly due to the non-recuring underwriting fees and expenses related to the Global Offering of approximately HK$16.1 million and the net results on foreign exchange forward contracts decreased to a loss of approximately HK$0.1 million for the year ended 31 March 2013 from a gain of approximately HK$8.2 million for last year.

Customer satisfaction is always one of our prime mission in business. We have developed long relationship with most of our major customers. Despite the unclear global economies, we expect that we are able to maintain our market share and business scale. With the extra resources from the Global Offering, expansion in our production plant and enhanced research and development capabilities, we are confident that we shall make a leap in the near future.

Appreciation

Last but not least, I would like to take this opportunity to express my sincere gratitude to all fellow directors, management and our staff for their dedication and contribution to our Group's development. I would also like to thank all of our shareholders, for their trust and continuous support over a challenging but rewarding year 2013. We commits to keeping our efforts to generate substantial returns to our shareholders.

Li Man Yee, Stella
Chairperson

Hong Kong, 21 June 2013

Corporate Governance Report

Corporate Governance Practices

The board of directors ("Directors") of the Quali-Smart Holdings Limited (the "Company", together with its subsidiaries as the "Group") (the "Board") is committed to maintaining high standards of corporate governance and recognises the importance of incorporating elements of good corporate governance practices in the management structures and internal control procedures of the Group so as to achieve effective accountability. Prior to the listing of the shares of the Company ("Shares") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 23 January 2013, the Company adopted the Corporate Governance Code set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") (the "Code") as its own code of corporate governance practice on 3 January 2013. Throughout the period from 23 January 2013 to 31 March 2013 (the "Reporting Period"), the Company has complied with all applicable code provisions under the Code.

Directors' Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 of the Listing Rules as the code of conduct regarding securities transactions by the Directors. Having made specific enquiries of all Directors, all the Directors have complied with the required standard set out in the Model Code during the Reporting Period and up to the date of this report.

Details of the interests and short positions of the Directors in the shares and underlying shares of the Company is stated in the Directors' Report of this Annual Report on pages 23 to 30.

Board of Directors

The Board is responsible for the leadership and control of the Group and oversees the Group's businesses, strategic decisions and performance. The Board has delegated the day-to-day responsibility to the executive Directors and the senior management who perform their duties under the leadership of the Chief Executive Officer.

During the Reporting Period and up to the date of this report, the Board comprised eight members as follows:

Executive Directors
Mr. Lau Ho Ming, Peter *(Chief Executive Officer)*
Mr. Poon Pak Ki, Eric
Mr. Ng Kam Seng

Non-executive Directors
Madam Li Man Yee, Stella *(Chairperson)*
Mr. Tang Yu Ming , Nelson

Independent Non-executive Directors
Mr. Leung Po Wing, Bowen Joseph *GBS, JP*
Mr. Chan Siu Wing, Raymond
Mr. Chu, Raymond

One of the independent non-executive Directors ("INEDs") has the professional and accounting qualifications as required by the Listing Rules.

Each executive Directors has entered into a service contract with the Company with a term of 3 years while the non-executive Directors including the INEDs were appointed with a fixed term of 1 year. Pursuant to the article of association of the Company ("Articles of Association"), all Directors are subject to retirement by rotation at an annual general meeting of the Company at least once every three years. All retiring Directors shall be eligible for re-election. The Company has arranged appropriate insurance cover for the Directors in respect of legal action against them.

The Board members have no financial, business, family or other material/relevant relationship with each other save as disclosed in the section "Biographical Details of Directors and Senior Management" of this annual report. Given the nature and business objectives of the Company, the Board has a balance of skill and experience appropriate for the requirements of the business of the Company. The biography of each Director was set out in the section "Biographical Details of Directors and Senior Management" on pages 4 to 7 of this Annual Report.

Continuous Professional development

All Directors provided information to the Company with their participation in continuous professional development which is relevant to develop and refresh their knowledge and skills. The Company arranged induction programs to all Directors. The program contains an overview of directors' responsibilities and obligations of a listed issuer, and is designed to further their knowledge and understanding of the Group's culture and operations. Development and training of Directors is an ongoing process so that they can perform their duties appropriately. The Company Secretary regularly circulated details of training courses which may be of interest to Directors. All Directors are encouraged to attend relevant training courses at the Company's expense.

Board Proceedings

The Board has convened two regular meetings since the listing of the Company. Notices of not less than 14 days were given to all Directors and each Director was invited to include matters in the agenda. The Company Secretary assisted the Chairperson in establishing the meeting agenda. Detailed agenda and related meeting materials were circulated to all Directors at least three days before the date of the regular meetings.

Minutes were recorded in sufficient detail and draft minutes have been circulated to all Directors for comments. Finalised minutes were also sent to all Directors for their records within reasonable time after the meetings. All minutes were kept by the Company Secretary and were open for inspection by the Directors.

Chairman and Chief Executive

The roles of the Chairperson and the Chief Executive Officer (the "CEO") are clearly separated. The Chairperson is mainly responsible for the management of the Board while the CEO is responsible for business development strategy and the day-to-day management of business.

The responsibility of the Chairperson includes but not limited to:

- Provision of leadership to the Board
- Ensuring effectiveness of the Board
- Fostering better relationships between Directors

The responsibility of the CEO includes but not limited to:

- Development of strategies for the Board's approval
- Execution of the strategies agreed by the Board
- Monitor and management of the Group's operations

The Chairperson held a meeting with all non-executive Directors, without presence of any executive Directors, during the Reporting Period, to review the performance of the executive Directors and communicated among the non-executive Directors their concerns on the operations and control procedures.

Board Committees

Our Board has established four committees, namely the (i) audit committee; (ii) remuneration committee; (iii) nomination committee and (iv) corporate governance committee. Each committee was delegated with appropriate authority and was accountable to the Board within the committee's scope of duties. Each committee adopted proper terms of reference stating clearly its duties, responsibilities and authority. All the terms of reference were disclosed on the Company's and the Stock Exchange's websites.

Members of each committee are as follows:

Audit Committee

Mr. Chan Siu Wing, Raymond *(Chairman)*
Mr. Leung Po Wing, Bowen Joseph *GBS, JP*
Mr. Chu, Raymond

Remuneration Committee

Mr. Chu, Raymond *(Chairman)*
Mr. Chan Siu Wing, Raymond
Mr. Lau Ho Ming, Peter

Nomination Committee

Mr. Leung Po Wing, Bowen Joseph *GBS, JP (Chairman)*
Mr. Chu, Raymond
Mr. Lau Ho Ming, Peter

Corporate Governance Committee

Mr. Chan Siu Wing, Raymond *(Chairman)*
Mr. Tang Yu Ming, Nelson
Mr. Ng Kam Seng

Each Board committee met during the Reporting Period pursuant to the respective terms of reference. The proceedings of those meetings were the same as for the regular meetings of the Board.

Number of meetings of the Board, including regular and non-regular meetings, and Board committees held during the Reporting Period and up to the date of this report and the attendance of Directors and Board committee members are as follows:

	Board	Non-executive Directors	Audit Committee	Remuneration Committee	Nomination Committee	Corporate Governance Committee
Executive Directors						
Lau Ho Ming, Peter	3/3	N/A	N/A	1/1	1/1	N/A
Poon Pak Ki, Eric	3/3	N/A	N/A	N/A	N/A	N/A
Ng Kam Seng	3/3	N/A	N/A	N/A	N/A	1/1
Non-executive Directors						
Li Man Yee, Stella	2/3	1/1	N/A	N/A	N/A	N/A
Tang Yu Ming, Nelson	3/3	1/1	N/A	N/A	N/A	1/1
INEDs						
Leung Po Wing, Bowen Joseph	3/3	1/1	2/2	N/A	1/1	N/A
Chan Siu Wing, Raymond	3/3	1/1	2/2	1/1	N/A	1/1
Chu, Raymond	3/3	1/1	2/2	1/1	1/1	N/A

Audit Committee

The Company established an audit committee of the Board (the "Audit Committee") on 3 January 2013 pursuant to a resolution of the Directors passed on 3 January 2013 with written terms of reference in compliance with Rules 3.21 and 3.22 of the Listing Rules. The written terms of reference of the Audit Committee was adopted pursuant to paragraph C3 of the Code. The chairman of the Audit Committee, Mr. Chan Siu Wing, Raymond, has the appropriate professional qualifications. The primary duties of the Audit Committee are, among other things, to review and supervise the financial reporting process and internal control systems of the Group.

The Audit Committee held two meetings since its establishment. The work of the Audit Committee was summarized as follows:

1. Approved and recommended to the Board the engagement of the auditor of the Company ("Auditor") for the year ended 31 March 2013;

2. approved the Auditor's fee for the year ended 31 March 2013;

3. reviewed and adopted the statutory audit scope of the Auditor for the year ended 31 March 2013;

4. reviewed the Group's internal control, financial controls and risk management systems;

5. reviewed the adequacy of resources, staff qualifications and experience, training programs and budget of the Company's accounting and financial reporting function;

6. Reviewed the Auditor's significant findings and management letter points and management's response to the recommendations raised;

7. Reviewed the continuing connected transactions;

8. Reviewed the consolidated financial statements for the year ended 31 March 2013.

Continuing Connected Transactions

The Stock Exchange conditionally granted a waiver to the Company from strict compliance with the announcement requirement under Chapter 14A of the Listing Rules with respect to certain continuing connected transactions as referred to in the prospectus of the Company dated 11 January 2013 ("Prospectus"). The transactions are summarized as follows:

	Date of agreement	Nature of transactions	Connected person	Annual rental amount paid for the year ended 31 March 2013 HK$'000	2012 HK$'000
(a)	27 June 2012	Leasing of a property from a Director for workshop use	*(i)*	**144**	96
(b)	27 June 2012	Leasing of a property from a Director for workshop use	*(i)*	**144**	120
(c)	9 July 2012	Leasing of a property from a Director for car parking space	*(ii)*	**42**	42
(d)	27 June 2012	Leasing of a property from a related company for workshop use	*(iii)*	**144**	120
(e)	27 June 2012	Leasing of a property from a related company for storage facilities	*(iv)*	**144**	112
(f)	27 June 2012	Leasing of a property from a related company for Directors' quarter	*(v)*	**1,176**	—
Total				**1,794**	490

Connected person:

(i) Madam Li Man Yee, Stella ("Madam Li"), the non-executive Chairperson

(ii) Mr. Lau Ho Ming, Peter ("Mr. Lau"), an executive Director and the CEO

(iii) Goldrich International Limited, a company principally owned by Madam Li and Mr. Lau as to 30% and 70% respectively

(iv) Goldrich International Properties Limited, a company wholly owned by Mr. Lau

(v) Loyal Gold (Hong Kong) Limited, a company indirectly wholly owned by Madam Li

A lease agreement for each of the above continuing connected transaction was entered into between the Group and the related connected person for a term of three years expiring 31 March 2015. In case a lease agreement is early terminated by the Group, the Group shall be required to pay compensation to the related connected person equivalent to the total rent for the remaining term. Either party of the lease agreements shall give at least one month's written notice to the other party in case such party intends not to renew the related lease agreement upon its expiry.

The Auditor was engaged to review the above continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. A letter of confirmation has been issued to the Board, of which a copy would be provided to the Stock Exchange, confirming that :

1. nothing has come to their attention that caused them to believe that the disclosed continuing connected transactions have not been approved by the Board;

2. nothing has come to their attention that caused them to believe that the transactions were not entered into, in all material respects, in accordance with the relevant agreements governing such transactions;

3. with respect to the aggregate amount of the disclosed continuing connected transactions, nothing has come to their attention that caused them to believe that the disclosed continuing connected transactions have exceeded the maximum aggregate annual value disclosed in the Prospectus in respect of the disclosed continuing connected transactions.

The Audit Committee, comprising all three INEDs, reviewed the above continuing connected transactions and confirmed that:

1. the transactions disclosed above were entered into in the Group's ordinary and usual course of business and conducted on normal commercial terms or on terms no less favourable than terms from independent third parties;

2. the transactions disclosed above were conducted in accordance with the relevant agreements governing them on terms that were fair and reasonable and in the interests of shareholders of the Company as a whole;

3. the annual amount of the above continuing connected transactions for the year ended 31 March 2013 did not exceed the proposed annual cap amount of HK$1,794,000 as disclosed in the Prospectus.

Review of the Consolidated Financial Statements for the year ended 31 March 2013

The Audit Committee reviewed the consolidated financial statements for the year ended 31 March 2013 in conjunction with the Auditors. Based on the review and discussions with management, the Audit Committee was satisfied that the consolidated financial statements were prepared in accordance with applicable accounting standards, and fairly presented the Group's financial position and results for the year ended 31 March 2013.

Internal Control

The Company has no internal audit function and the Audit Committee is responsible for organizing regular review of internal control with assistance from external advisers, if necessary.

In March 2012, a review on the internal control system of the Group were conducted by an independent internal control advisor (the "Internal Control Advisor"). The Internal Control Adviser has reviewed the internal control system of the Group according to the agreed scope, which mainly covered corporate governance practice and structure, risk assessment and management, operational and financial control procedures, communication procedures with internal and external parties. The Internal Control Adviser has recommended measures to improve and rectify significant weakness of the internal control systems identified during the review.

The Board acknowledged the deficiencies and weaknesses in the internal control systems previously identified and implemented appropriate measures subsequently during the year under audit, especially those for compliance with the Listing Rules. The Audit Committee and the Board are of the view that the internal control measures are adequate and effective to enhance the internal control of the Group.

Remuneration Committee

The Company established a remuneration committee ("Remuneration Committee") on 3 January 2013 pursuant to a resolution of the Directors passed on 3 January 2013 with written terms of reference in compliance with Rules 3.25 and 3.26 of the Listing Rules. The written terms of reference of the Remuneration Committee was adopted pursuant to paragraph B1 of the Code. The primary duties of the Remuneration Committee are, among other things, to review and make recommendations to the Board on terms of remuneration packages, bonuses and other compensation payable to Directors and senior management of the Group. The Remuneration Committee shall also ensure that no Director or any of his/her associate is involved in deciding his/her own remuneration.

The Remuneration Committee held one meeting during the Reporting Period and performed the following duties:

1. Reviewed the remuneration policies of the Directors and senior management and the general staff;

2. Approved and recommended the revise of the fee of Mr. Tang Yu Ming, Nelson, a non-executive Director, from HK$180,000 per annum to HK$400,000 per annum with effect from 8 March 2013 to reflect his contribution and time committed to the Group.

By resolutions in writing of the Remuneration Committee passed on 21 June 2013, the Remuneration Committee:

1. approved and recommended a fee of HK$180,000 per annum payable to Mr. Chu Sheng Yu, a non-executive Director to be in the office with effect from 22 June 2013;

2. approved and recommended the increment of salaries of HK$3,000 per month for each of the three executive Directors, namely, Mr. Lau Ho Ming, Peter, Mr. Poon Pak Ki, Eric and Mr. Ng Kam Seng with effect from 1 April 2013 retrospectively.

Nomination Committee

The Company established a nomination committee ("Nomination Committee") on 3 January 2013 pursuant to a resolution of the Directors passed on 3 January 2013 with written terms of reference in compliance with paragraphs A.5.1 and A.5.2 of the Code. The primary duties of the Nomination Committee are, among other things, to make recommendations to the Board on the appointment of Directors and the management of the Board succession.

During the Reporting Period, the Nomination Committee held one meeting and performed the followings:

1. reviewed the structure, size and composition of the Board;

2. reviewed the independence of the INEDs;

3. reviewed and evaluated non-executive Directors' performance.

The Nomination Committee was satisfied that the non-executive Directors have given sufficient time and attention to the affairs of the Group. Each executive Director is suitably qualified for his position, and has sufficient experience to hold the position so as to carry out his duties effectively and efficiently.

Independence of INEDs

The Company received a written confirmation from each of the INEDs confirming his independence during the Reporting Period and up to the date of this report. The Nomination Committee together with the Board considered each INEDs to be independent.

Appointment of a non-executive Director

By resolutions in writing of the Nomination Committee passed on 21 June 2013, the Nomination Committee approved the recommendation of appointment of Mr. Chu Sheng Yu, Lawrence as a non-executive Director with effect from 22 June 2013 and reviewed the related letter of appointment to ensure the expected time commitment and other terms of appointment are set out clearly.

Corporate Governance Committee

The Company established a corporate governance committee ("Corporate Governance Committee") on 3 January 2013 pursuant to a resolution of the Directors passed on 3 January 2013 with written terms of reference in compliance with paragraphs D.2 and D.3 of the Code. The primary duties of the Corporate Governance Committee are, among other things, to develop and review the Company's policies and practices on corporate governance and make recommendations to the Board and to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements.

During the Reporting Period, the Corporate Governance Committee held one meeting and summary of its work is as follows:

1. reviewed the corporate governance manual adopted by the Board on 3 January 2013;

2. reviewed the corporate governance work done during the year by the Board;

3. approved and recommended the appointment of the designated director for the purpose of receiving written notifications from other Directors who intend to deal in securities of the Company.

Auditor's Remuneration

Apart from provision of annual audit services for the year ended 31 March 2013, the Auditor was also the reporting accountant of the Company in connection with the listing of Shares on the Stock Exchange.

For the year ended 31 March 2013, the fees paid and payable to the Auditor in respect of audit and non-audit services provided is set out below:

Services rendered	**Fees paid/payable** HK$'000
Audit services:	
— annual audit	855
— audit and review of the financial information for the years/period as disclosed in the Accountant's Report set out in Appendix I to the Prospectus	2,900
Non-audit services:	
— issue of letter of confirmation in respect of the continuing connected transactions	10
— taxation services	80
	3,845

Accountability

The Board is responsible for overseeing the preparation of annual financial statements which give a true and fair view of the Group's state of affairs, results, and cash flows for the year. Management provided the Board with management accounts and updates on a monthly basis to give a balanced and understandable assessment of the Group's performance, financial position, and prospects to enable the Board as a whole and each Director to discharge their duties. In preparing the financial statements for the year ended 31 March 2013, the Board:

(a) have adopted suitable accounting policies and applied them consistently.

(b) have made judgements and estimates prudently and reasonably; and

(c) assumed the Company will continued in business and prepared the financial statements on a going concern basis.

Company Secretary

All Directors have access to the advice and services of the Company Secretary. The Company Secretary reports to the Chairperson and the CEO on board governance matters, and is responsible for ensuring that Board and Board committees procedures are followed, and for facilitating communications among Directors, senior management as well as with shareholders of the Company. During the financial year ended 2013, the Company Secretary undertook over 15 hours of professional training to update her skills and knowledge.

Communications with Shareholders and Investors

The Company valued the views and comments from its shareholders (the "Shareholder"). The Board gives priority to clear and transparent communications with all Shareholders to understand the Group's performance and prospects. Shareholders' right in nominating Director and the communication policies are published in the Company's website.

According to the Articles of Association, any one or more Shareholder holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Company Secretary or the Board , to require a general meeting, other than an annual general meeting, to be called by the Board for the transaction of any business specified in such requisition. The written requisition shall be sent to the Company Secretary to the following address:

Company Secretary
Quali-Smart Holdings Limited
Workshop 3 on 19th Floor
Cheung Tat Centre
No. 18 Cheung Lee Street
Chai Wan
Hong Kong

Shareholders are encouraged to participate in general meetings or to appoint proxies to attend and vote at meetings for and on their behalf if they are unable to attend the meetings. The process of the Company's general meeting will be monitored and reviewed on a regular basis, and, if necessary, changes will be made to ensure that Shareholders' needs are best served.

Appropriate arrangements for the forthcoming annual general meetings of the Company shall be in place to encourage Shareholders' participation.

The revised Articles of Association as adopted pursuant to written resolutions passed on 3 January 2013 were published in the Company's and the Stock Exchange's websites.

On behalf of the Board

Lau Ho Ming, Peter
Executive Director and Chief executive Officer

Hong Kong, 21 June 2013

Management Discussion and Analysis

Business Review

The Group is a toy manufacturer offering services primarily on an OEM basis. The Group manufactures products for its customers according to their specifications, and the products are sold by its customers under their own brand names. Same as in previous years, the Group's key customers mainly comprise internationally reputable toy brands. Headquartered in Hong Kong, the Group has a production base which is located in Foshan, Guangdong Province, the People's Republic of China ("PRC").

Aiming to provide the customers with one-stop development services, the Group offers its customers a wide spectrum of manufacturing services encompassing design, prototyping, mould making, product validation, multi-skilled manufacturing processes, general assembly and packaging. Equipped with multi-production lines and multi-disciplinary engineering experience, the Group is capable of manufacturing diversified product classes in its production operations with focus on toy products for infants aged 3 or below which require very stringent safety standards. The key manufacturing capabilities of the Group include plastics processing such as injection moulding, metal tube forming, electronic assembly such as printed circuit board assembly, sewing operation for handling different types of fabric products, decoration process such as silk-screen printing and spray coating.

During the year ended 31 March 2013, the Group expanded its customer base by bringing in a new major customer which became one of its top 5 customers for the year ended 31 March 2013. The Group will continue to look for opportunities to expand its customer base through collaboration in product development and marketing, as well as through referral by our existing customers.

Financial Review

The Group's revenue for the year ended 31 March 2013 amounted to approximately HK$794.1 million, representing a decrease of 9.4% from that of last year of approximately HK$876.7 million. The decrease in revenue was mainly due to the decrease in sales orders from several existing customers which adopted a more conservative approach in placing orders with their suppliers, including the Group. This was mitigated by the introduction of a new major customer which became one of the top 5 customers of the Group by revenue.

Revenue from North America decreased from approximately HK$498.2 million to approximately HK$415.7 million for the year ended 31 March 2013 due to the more conservative approach adopted by customers from that region in placing orders, while the revenue from Western Europe remained stable at approximately HK$245.2 million for the year ended 31 March 2013 as compared to that of last year of HK$243.9 million.

Gross profit of the Group for the year ended 31 March 2013 slightly decreased by 1.8% to approximately HK$97.6 million from that of last year of approximately HK$99.4 million. The impact of the decrease in revenue was mitigated by an increase in the gross profit margin from approximately 11.3% for the year ended 31 March 2012 to 12.3% for the year ended 31 March 2013.

The Group's net profit for the year ended 31 March 2013 decreased by 52.4% from approximately HK$47.7 million to approximately HK$22.7 million which is mainly due to the one-off financial impact from the expenses and underwriting fees related to the global offering of 60,000,000 new shares of the Company ("Shares") ("Global Offering") of approximately HK$16.1 million ("Listing Expenses") and net loss on derivative financial instruments of approximately HK$0.1 million for dealing with the Renminbi ("RMB") exchange risk arising from normal operations of the Group as compared with net gain of approximately HK$8.2 million in the previous financial year.

Selling expenses mainly consisted of transportation fees and declaration fees. Selling expenses for the year ended 31 March 2013 decreased by 9.4% from approximately HK$22.3 million to approximately HK$20.2 million, which was in line with the decrease in revenue of the Group for the year.

Administrative expenses mainly consisted of salaries to employees, rents and rates for office spaces, depreciation on property, plant and equipment and other administrative expenses. Administrative expenses for the year under audit increased by 60.7% from approximately HK$32.6 million to approximately HK$52.4 million, which was primarily due to the one-off financial impact from the Listing Expenses of HK$16.1 million.

Other income and gains mainly consisted of moulding income, net gain/loss on derivative financial instruments, interest income and others. Other income and gains decreased by 33.3% from approximately HK$15.6 million for the year ended 31 March 2012 to approximately HK$10.4 million for the year ended 31 March 2013, which was primarily due to a net loss on derivative financial instruments of approximately HK$0.1 million for dealing with the RMB exchange risk arising from normal operations of the Group as compared with a net gain of approximately HK$8.2 million in the previous financial year and was partially offset by an increase in moulding income.

Finance costs mainly consisted of interest on the Group's interest-bearing bank borrowings and factoring arrangement from banks. Finance costs for the year ended 31 March 2013 increased by 5.3% from approximately HK$1.9 million to approximately HK$2.0 million, which was primarily due to an increase in banking facilities in the form of factoring arrangement from the banks.

The Group is subject to income tax on an entity basis on profit arising in or derived from the jurisdiction in which members of the Group are domiciled and operate. The income tax expense remained stable at approximately HK$10.8 million for the year ended 31 March 2013, as compared with that of last year of approximately HK$10.5 million. Despite the decrease in net profit, the income tax expense remained stable primarily due to the non-tax deductible nature of the Listing Expenses.

The inventory of the Group decreased by 5.3% to approximately HK$153.6 million as at 31 March 2013 from that of last year of approximately HK$162.2 million, which was primarily due to the decrease in revenue of our Group. The inventory days, as calculated by dividing the average closing inventories by the cost of sales for the year and multiplied by 365 days, increased from 69.5 days for the year ended 31 March 2012 to 82.7 days for the year ended 31 March 2013, which was due to a decrease in revenue for the year ended 31 March 2013 while inventory position of raw materials remained at similar level to cope with the anticipated sales in the upcoming peak season from June to July.

Trade receivables as at 31 March 2013 decreased from approximately HK$83.8 million to approximately HK$58.5 million, which was primarily due to decrease in revenue for the year under audit and a non-recourse factoring arrangement with some of the customers. It is the Group's policy to grant interest free credit periods ranging from 30 to 75 days, in general, to its customer from the invoice date. The Group seeks to maintain strict control over outstanding receivables to minimise credit risk. Overdue balances are reviewed regularly by senior management. The trade receivables turnover days, as calculated by dividing the average closing trade receivables by the revenue for the year and multiplied by 365 days, for the year ended 31 March 2013 was 32.7 days as compared with 29.2 days for the year ended 31 March 2012, which is in general within the credit period granted by us to the customers.

Trade payables as at 31 March 2013 decreased from approximately HK$83.0 million to approximately HK$51.0 million, which was primarily due to the decrease in revenue for the year. The trade payables turnover days, as calculated by dividing the average closing trade payables by the cost of sales for the year and multiplied by 365 days, for the year ended 31 March 2013 were 35.1 days as compared with 37.1 days for the year ended 31 March 2012. This is in line with the Group's working capital management policy in trying to shorten its cash conversion cycle to ensure cash disbursements are made after receipts from customers in general.

Liquidity and Financial Resources

The Group has adopted a prudent financial management approach toward its treasury policies and thus maintained a healthy liquidity position during the year ended 31 March 2013. The Group strived to reduce exposure to credit risk by performing ongoing credit assessments and evaluations of the financial status of its customers. To manage liquidity risk, the Board closely monitors the Group's liquidity position to ensure that the liquidity structure of the Group's assets, liabilities and other commitments can meet its funding requirements from time to time.

During the year ended 31 March 2013, the Group mainly financed its working capital by internal resources and bank borrowings. As at 31 March 2013, cash and cash equivalents amounted to approximately HK$80.4 million (2012: approximately HK$40.5 million). The increase was mainly due to the additional capital of HK$63.1 million raised from the Global Offering with an offsetting effect from less bank borrowings drawn during the year. Accordingly, interest-bearing bank borrowings dropped to approximately HK$50.9 million as at 31 March 2013 (2012: approximately HK$76.2 million). Approximately HK$50.4 million of the total bank borrowings would be due for repayment within one year while the remaining of HK$0.5 million would be due for repayment after one year. The current ratio of the Group, as calculated by total current assets over total current liabilities, was approximately 2.2 as at 31 March 2013 (2012: approximately 1.3). As at 31 March 2013, all bank borrowings were subject to floating interest rates.

As a result of a decrease in bank borrowings and the issuance of new Shares under the Global Offering conducted during the year, the debt to equity ratio of the Group, calculated as the ratio of the closing debt balance of the year (debts are defined as payables not arising in the ordinary course of business, which includes interest-bearing bank borrowings, amount due to a Director and loan from a Director in this case) divided by the closing total equity of the year, was approximately 25.2% as at 31 March 2013 (2012: approximately 91.4%).

Charge of Assets

As at 31 March 2012 and prior to the listing of the Company on the Stock Exchange on 23 January 2013, certain of the Group's banking facilities were secured by the pledge and rental assignment of the related companies' property, plant and equipment. The related companies are controlled by an executive Director, Mr. Lau Ho Ming, Peter and the non-executive chairperson, Madam Li Man Yee, Stella.

Subsequent to the Listing, all securities provided by the related companies have been released and replaced by the Group's leasehold land and properties located in Hong Kong. Details of the securities for the banking facilities are stated in note 26 to the consolidated financial statements.

Global Offering

In January 2013, the Company allotted and issued 60,000,000 new Shares at an offer price of HK$1.50 per Share pursuant to terms and conditions of the Global Offering. Net proceeds raised therefrom were approximately HK$63.1 million after deducting the Listing Expenses.

By a resolution in writing of all the Shareholder passed on 3 January 2013, 80,000,000 new Shares were allotted, issued and credited as fully paid by capitalising a sum of US$8,000 (equivalent to HK$62,000) standing to the credit of the share premium account of the Company upon completion of the Global Offering. Movements of share capital and reserves are stated in notes 27 and 28 to the consolidated financial statements.

Contingent Liabilities

As at 31 March 2013, the Group had no contingent liabilities (2012: HK$21,346,000).

Operating Lease Arrangements

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

As at 31 March 2013, the Group had total future minimum lease payments under non-cancellable operating leases of approximately HK$4.1 million, of which approximately HK$2.2 million would fall due within one year and approximately HK$1.9 million would fall due in the second to fifth year, inclusive.

Capital Commitments

As at 31 March 2013, the commitments of the Group for the acquisition of property, plant and equipment amounted to HK$634,000 (2012: HK$8,351,000) which has been contracted, but not provided for in the consolidated financial statements.

Employees and Remuneration Policy

As at 31 March 2013, the Group had a total of 801 employees. Total staff costs were approximately HK$50.2 million for the year ended 31 March 2013 as compared to approximately HK$44.2 million for last year.

Remuneration policies in respect of the Directors and senior management of the Group are reviewed regularly by the Remuneration Committee and the Directors, respectively. Remuneration packages of the Group were determined with reference to its remuneration policy based on position, duties and performance of the employees. Employees' remuneration varies according to their positions, which may include salary, overtime allowance, bonus and various subsidies. The performance appraisal cycle varies according to the positions of the employees. Performance appraisal of staff is conducted annually. The performance appraisal is supervised by the chief executive officer of the Group. Staff employed by a subsidiary established in the PRC are also provided with pension funds, medical insurance, unemployment insurance and other relevant insurance in accordance with the prevailing regulatory requirements of the PRC.

Pursuant to a written resolution of the Shareholders on 3 January 2013, the Company has adopted a share option scheme (the "Share Option Scheme") for the purpose of rewarding eligible participants for their contribution to the Group. No share options have been granted by the Company since the adoption of the Share Option Scheme.

Significant Investment Held

Except for investments in subsidiaries, the Group did not hold any significant investment in equity interest in any other company during the year ended 31 March 2013.

Material Acquisitions and Disposals of Subsidiaries and Affiliated Companies

During the year ended 31 March 2013, the Group did not have any material acquisitions and disposals of subsidiaries and affiliated companies.

Use of Proceeds

In January 2013, the Company completed the Global Offering and raised total net proceeds of approximately HK$63.1 million after deducting the Listing Expenses. As at 31 March 2013, the Group has utilised HK$23.1 million of the net proceeds from the listing according to the intended purposes, and approximately HK$40.0 million of the unused net proceeds were deposited in licensed banks in Hong Kong. Set out below is the intended use of proceeds as set out in the section headed "Future plans and use of proceeds" in the prospectus of the Company dated 11 January 2013 ("Prospectus"), utilised amount and unutilised amount of the net proceeds as at 31 March 2013.

		As at 31 March 2013	
Intended use of proceeds	**Net proceeds**	**Utilised amount**	**Unutilised amount**
	HK$ million	HK$ million	HK$ million
Acquisition of major equipment and machinery	33.1	7.5	25.6
Construction of the new factory building operated by Foshan Haoda	18.9	9.3	9.6
Recruiting additional employees to reorganise our existing design team and enhance our research and development capabilities	4.8	—	4.8
Working capital and other general corporate purposes	6.3	6.3	—
	63.1	23.1	40.0

Foreign Currency Exposures

Substantially all the transactions of the Group's subsidiaries in Hong Kong are carried out in United States dollar ("US$") and Hong Kong dollar ("HK$"). As HK$ is linked to US$, the Group does not have material exchange rate risk on such currency. The expenses or expenditures incurred in the operations of the Group's subsidiary in the PRC were denominated in RMB, which expose the Group to foreign currency risk.

The Group had outstanding non-deliverable forward contracts with a notional amount of US$10.0 million (2012: US$28.6 million) to manage the foreign currency risk arising from fluctuation in exchange rate of the RMB against the US$. The Group implemented a foreign currency forward contract policy in relation to the foreign currency contracts during the year. The Group performed cash flow analysis, ongoing monitoring and review of the foreign currency forward contracts on a monthly basis in accordance with the Group's risk management policy. Foreign exchange exposure reports were presented to the Board for review on a quarterly basis. The foreign currency forward contract policy was also reviewed by the Board to ensure it remains consistent with the overall objectives of our Group and the current financial trends in the market.

Major terms of the foreign currency forward contracts outstanding as at 31 March 2013 are summarised as follows:

Notional amount	Forward contract rates	Commencement date	Maturity date
2 contracts to buy RMB in total of US$5,000,000	US$1 to RMB6.3050	12 September 2011	12 September 2013
1 contract to buy RMB in total of US$5,000,000	US$1 to RMB6.4000	30 September 2011	9 October 2013

Note : No gain or loss has been realised for these contracts as at year ended 31 March 2013.

Future Plans for Material Investments and Capital Assets

Save as disclosed in the Prospectus, the Group did not have other plans for material investments and capital assets.

Prospects

The Group's key customers mainly comprise internationally reputable toy brands which mainly distribute their products in North America and Western Europe. Based on the current market situations, the Group's current production level and the on-going business relationship with the existing customers, the Directors expect the revenue of the Group would remain stable in the next financial year. With the aim of further developing the business of the Group and continuing its growth, the Group will continue to focus on further expanding its production capacity, improving the production efficiency, strengthening and expanding the customer base, and enhancing the design and product development capabilities.

Directors' Report

The directors of the Company ("the Directors") is pleased to present its report together with the audited consolidated financial statements of the Group for the year ended 31 March 2013.

Principal Activities

The principal activity of the Company is investment holding and the provision of management services. Details of the principal activities of its subsidiaries are set out in note 17 to the consolidated financial statements.

Results and Appropriations

The results of the Group for the year ended 31 March 2013 are set out in the consolidated statement of comprehensive income on page 33.

The board of Directors ("Board") does not recommend the payment of a final dividend for the year ended 31 March 2013 (2012: Nil).

Use of Net Proceeds from the Company's Global Offering

As at 31 March 2013, the Company has utilised HK$23.1 million out of the net proceeds of HK$63.1 million raised from the Global Offering in accordance with the intended use of proceeds set out in the Prospectus. Detail of the intended use, utilised amount and unutilised amount are set out on page 21.

Reserves

Movements in the reserves for the year are set out in the consolidated statement of changes in equity on page 36 and note 28 to the consolidated financial statements respectively.

Distributable Reserves

Distributable reserves of the Company as at 31 March 2013 calculated under the Company Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands, amounted to approximately HK$88.7 million (2012: HK$25.0 million).

Share Capital

Details of the movement in share capital of the Company during the year is set out in note 27 to the consolidated financial statements.

Property, Plant and Equipment and Prepaid Land Lease Payments

Details of the movements in property, plant and equipment and prepaid land lease payments during the year are set out in notes 15 and 16 to the consolidated financial statements respectively.

Interest-Bearing Bank Borrowings

Details of the interest-bearing bank borrowings as at the end of the year are set out in note 26 to the consolidated financial statements.

Charitable Contributions

During the year, the Group did not made charitable contributions (2012: Nil).

Four-Year Financial Summary

A summary of the results and of the assets and liabilities of the Group for the last four financial years is set out on page 80.

Major Customers and Suppliers

For the financial year ended 31 March 2013, the Group's sales to the largest customer and the five largest customers accounted for 46.2% and 84.9% of the Group's turnover respectively. The Group's purchases from the largest supplier and the five largest suppliers accounted for 6.3% and 23.1% of the Group's purchases respectively.

Mr. Lau Ho Ming, Peter, an executive Director, and Madam Li Man Yee, Stella, the non-executive Chairperson and the spouse of Mr. Lau, together with their family member, have indirect interests of 15.55% in Catalana de Investigacion y Desarrollo de Electronica S.L. ("CIDE"), one of the top five customers of the Group with sales accounting for 8.5% (2012: 7.0%) of the Group's turnover for the financial year ended 31 March 2013. Despite the interests held by Mr. Lau, Madam Li and their family member, CIDE is considered independent to the Group as the interest held by Mr. Lau, Madam Li and their family member in CIDE is not a controlling interest and none of the Company's controlling shareholders nor their associates hold any position in CIDE.

Save as the above and otherwise disclosed, none of the Directors or any of their associates or any shareholders of the Company (the "Shareholders") (which, to the best knowledge of the Directors, own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest customers and suppliers.

Directors

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

Executive Directors

Mr. Lau Ho Ming, Peter (redesignated as the Chief Executive Officer on 3 January 2013)
Mr. Poon Pak Ki, Eric (appointed on 3 January 2013)
Mr. Ng Kam Seng (appointed on 3 January 2013)

Non-executive Directors

Madam Li Man Yee, Stella (redesignated as the Chairperson on 3 January 2013)
Mr. Tang Yu Ming , Nelson (redesignated as non-executive Director on 3 January 2013)

Independent Non-executive Directors ("INEDs")

Mr. Leung Po Wing, Bowen Joseph *GBS, JP* (appointed on 3 January 2013)
Mr. Chan Siu Wing, Raymond (appointed on 3 January 2013)
Mr. Chu, Raymond (appointed on 3 January 2013)

The appointments of Mr. Lau Ho Ming, Peter, Madam Li Man Yee, Stella and Mr. Tang Yu Ming, Nelson as Directors on 14 March 2012, 23 March 2012 and 27 March 2012 respectively were subsequently approved, confirmed and ratified by a resolution in writing of the Shareholders passed on 3 January 2013.

The appointments of Mr. Poon Pak Ki, Eric, Mr. Ng Kam Seng, Mr. Leung Po Wing, Bowen Joseph *GBS, JP*, Mr. Chan Siu Wing, Raymond and Mr. Chu, Raymond as Directors were approved by a resolution in writing of the Shareholders passed on 3 January 2013.

All the INEDs appointed in the financial year have met the independence guidelines set out in Rule 3.13 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") and the Board considered each INED independent.

On 21 June 2013, Mr. Tang Yu Ming, Nelson tendered his resignation as a non-executive Director with effect from 22 June 2013 and Mr. Chu Sheng Yu, Lawrence was appointed as a non-executive Director with effect from 22 June 2013. Mr. Chu shall hold office until the next general meeting pursuant to the articles of association of the Company ("Articles of Association"), and being eligible, offer himself for re-election.

In accordance with the Articles of Association, Messrs. Lau Ho Ming, Peter, Poon Pak Ki, Eric and Chan Siu Wing, Raymond shall retire at the forthcoming annual general meeting ("2013 AGM") and, being eligible, offer themselves for re-election. The remaining Directors shall continue in office.

Directors' Service Contracts

Each of the executive Directors has entered into a service contract with the Company with a term of 3 years which shall be terminated by either party by serving no less than three months' notice in writing subject to the terms and conditions of such service contract.

Each of the non-executive Directors, including the INEDs has signed an appointment letter with a fixed appointment term of 1 year subject to an automatic renewal of a further period of 1 year.

Save as disclosed above, no Director proposed for re-election at 2013 AGM whose contract is not determinable by the Company within 1 year without payment of compensation, other than statutory compensation

Biographical Details of Directors and Senior Management

Biographical details of Directors and senior management are set out on pages 4 to 7.

Pre-Emptive Rights

There are no provisions for pre-emptive rights under the Articles of Association or the laws of the Cayman Islands, being the jurisdiction in which the Company was incorporated, which would oblige the Company to offer new Shares on a pro rata basis to existing Shareholders unless otherwise required by The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

Purchase, Sale or Redemption of the Company's Listed Securities

Neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities from 23 January 2013, the date on which the Shares listed on the Stock Exchange up to 31 March 2013.

Public Float

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

Management Contracts

No contracts, other than employment contracts, concerning the management and administration of the whole and any part of the Company's business were entered into or existed during the year.

Directors' Interests in Shares and Underlying Shares of the Company

As at 31 March 2013, the interests or short positions of the Directors in the shares, underlying shares or debentures of the Company and associated corporations (within the meaning of Part XV of the Securities Futures Ordinance (Charter 571 of the Laws of Hong Kong) ("SFO")) as recorded in the register to be kept under which have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO) or which is required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein or which is required to notify the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") contained in the Listing Rules, is as follows:

Long positions

	Number of Shares held					
Name of Director	**Personal interest**	**Corporate interests**	**Family interests**	**Other interests**	**Total**	**Percentage of issued share capital**
Lau Ho Ming, Peter	—	115,920,000 *(Note)*	—	—	115,920,000	48.3%
Li Man Yee, Stella	—	—	115,920,000 *(Note)*	—	115,920,000	48.3%

Note:

These Shares are registered in the name of Smart Investor Holdings Limited ("Smart Investor"), a company owned as to 67.4% by Mr. Lau Ho Ming, Peter and 32.6% by Madam Li Man Yee, Stells respectively. As Mr. Lau controls more than one-third of the voting power of Smart Investor, by virtue of the provisions in Part XV of the SFO, Mr. Lau is deemed to be interested in all the Shares held by Smart Investor. Madam Li is the spouse of Mr. Lau. By virtue of the provisions of Part XV of the SFO, Madam Li is deemed to be interested in all the Shares in which Mr. Lau is interested or deemed to be interested.

Save as those disclosed above, as at 31 March 2013, none of the Directors had any interests or short positions in the shares, underlying shares, or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Substantial Shareholders

As at 31 March, 2013, the interests or short positions of substantial shareholders, other than the Directors or the chief executives of the Company whose interests and short positions in the Shares of the Company and of its associated corporations (within the meaning of Part XV of the SFO) as set out above, had 5% or more interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be maintained by the Company under Section 336 of the SFO were as follows:

Long Positions

Name	**Capacity**	**Total number of Shares held**	*Notes*	**Percentage of shareholding**
Smart Investor	Beneficial Owner	115,920,000	*1*	48.3%
Silver Pointer Limited	Beneficial Owner	54,000,000		22.5%
Shikumen Special Situations Fund	Interest of controlled corporation	54,000,000	*2*	22.5%
Shikumen Capital Management (HK) Limited	Investment manager	54,000,000	*3*	22.5%
Crosby Capital Limited	Interest of controlled corporation	54,000,000	*4*	22.5%

Notes:

1. *These Shares were registered in the name of Smart Investor, a company owned as to 67.4% by Mr. Lau Ho Ming, an executive Director and the Chief Executive Officer, and as to 32.6% by Madam Li Man Yee, Stella, the non-executive Chairperson respectively.*

2. *These Shares were registered in the name of Silver Pointer Limited ("Silver Pointer"), a company wholly owned by Shikumen Special Situations Fund. By virtue of the provisions of Part XV of the SFO, Shikumen Special Situations Fund is deemed to be interested in all the Shares held by Silver Pointer.*

3. *These Shares are registered in the name of Silver Pointer. As stated in note 2 above, Shikumen Special Situations Fund is deemed to be interested in all the Shares held by Silver Pointer. Pursuant to an investment management agreement entered into between Shikumen Special Situations Fund and Shikumen Capital Management (HK) Limited, Shikumen Capital Management (HK) Limited is the investment manager of Shikumen Special Situations Fund and the sole voting member of Shikumen Special Situations Fund and controls 100% of the voting rights of Shikumen Special Situations Fund. By virtue of the provisions of Part XV of the SFO, Shikumen Capital Management (HK) Limited is deemed to be interested in all the Shares in which Shikumen Special Situations Fund is interested or deemed to be interested.*

4. *These Shares are registered in the name of Silver Pointer which is wholly owned by Shikumen Special Situations Fund. As stated in note 3 above, Shikumen Capital Management (HK) Limited is deemed to be interested in all the Shares in which Shikumen Special Situations Fund is interested. Shikumen Capital Management (HK) Limited is wholly-owned by Crosby Capital Limited. By virtue of the provisions of Part XV of the SFO, Crosby Capital Limited is deemed to be interested in all the Shares in which Shikumen Capital Management (HK) Limited is interested.*

Share Option Scheme

The Company adopted a share option scheme pursuant to a resolution in writing passed by the Shareholders on 3 January 2013 (the "Share Option Scheme") as incentives or rewards for eligible participants who contribute to the Group.

As at 31 March 2013, there has been no any share option granted, exercised, lapsed and cancelled. Summary of major terms of the Share Option Scheme are as follows:

(i) Purposes of the scheme

The purpose of the Share Option Scheme is to enable the Group to grant options to selected participants as incentives or rewards for their contribution to our Group. The Directors consider the Share Option Scheme will enable the Group to reward the employees, the Directors and other selected participants for their contribution to our Group.

(ii) The Participants

The following persons of the Company, any member of the Group or of an entity ("Invested Entity") in which the Group holds an equity interest may be invited by the Directors to take up options to subscribe for Shares at the Directors' absolute discretion:

(a) employees and directors;

(b) suppliers and customers;

(c) persons or entities that provides research, development or other technological support;

(d) holders of any securities;

(e) advisers (professional or otherwise) or consultants to any area of business or business development; and

(f) any other group or classes of participants who have contributed or may contribute by way of joint venture, business alliance or other business arrangement to the development and growth of the Group.

(iii) Maximum number of Shares

As at 31 March 2013, the maximum total number of Shares may be allotted and issued upon exercise of all options was 24,000,000, representing 10% of the Shares in issued as at 23 January 2013 on which dealings in the Shares firstly commenced on the Stock Exchange.

(iv) Maximum entitlement of each participant

The total number of Shares issued and to be issued upon exercise of the options granted to each participant other than a Director, chief executive or substantial shareholders of the Company who accepts the offer for the grant of an option under the Share Option Scheme in any 12-month period shall not exceed 1% of the issued share capital of the Company. Any further grant of options in excess of this limit is subject to Shareholders' approval in a general meeting.

Options granted to a Director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval by the INEDs. Where any grant of options to a substantial shareholder or an INED of the Company, or to any of their associates, in excess of 0.1% of the Shares in issue at the date of grant and with an aggregate value (based on the closing price of the Shares at the date of each grant) in excess of HK$5 million, within any 12-month period, are subject to Shareholders' approval in a general meeting.

(v) Time of acceptance and exercise of option

An offer of the grant of the option may be accepted by a participant within 21 days from the date of the offer of grant of the option.

An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period to be determined and notified by the Directors to each grantee ("Option Period"), which period may commence on the date upon which the offer for the grant of options is made but shall end in any event not later than 10 years from the date of grant of the option subject to the provisions for early termination thereof. Holders of the options granted under the Share Option Scheme may only exercise their options in the following manner:

Maximum percentage of options exercisable	Exercise Period
30%	From the date immediately after the first anniversary of the offer date until the last day of the option period
30%	From the date immediately after the second anniversary of the offer date until the last day of the option period
40%	From the date immediately after the third anniversary of the offer date until the last day of the option period

Outstanding and unexercised options at the end of each vesting period may be rolled over to the next vesting period and exercisable during the option period.

(vi) Subscription price for Shares and consideration for the option

The subscription price for Shares will be a price determined by the Directors, but shall not be less than the highest of (i) the closing price of Shares as stated in the Stock Exchange's daily quotations sheet for trade in one or more board lots of the Shares on the date of the offer of grant, which must be a business day; (ii) the average closing price of Shares as stated in the Stock Exchange's daily quotations sheet for the five trading days immediately preceding the date of the offer of grant; and (iii) the nominal value of the Shares.

A nominal consideration of HK$1.00 is payable on acceptance of the grant of an option.

(vii) Period of the Share Option Scheme

The Share Option Scheme will remain in force for a period of 10 years commencing on the date on which the Share Option Scheme is adopted.

Directors' Rights to Acquire Shares or Debentures

Neither the Company nor any of its subsidiaries was a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate at any time during the year or at the end of the year.

Continuing Connected Transactions

The Group entered into certain transactions which constituted continuing connected transactions of the Group pursuant to Chapter 14A of the Listing Rules during the year under audit. A conditional waiver pursuant to Rule 14A.42(3) of the Listing Rules from compliance with the announcement requirement under Chapter 14A of the Listing Rules was granted by the Stock Exchange. Details of the continuing connected transactions are summarized in the Corporate Governance Report on pages 9 to 17 and note 29 to the consolidated financial statements.

Material Related Party Transactions

During the year ended 31 March 2013, the Group entered into certain transactions with related parties as defined under the applicable accounting standard. Those related party transactions that also fell under the definition of "connected transactions" or "continuing connected transactions (as the case may be) in Chapter 14A of the Listing Rules and were subject to the related disclosure requirements were set out in the Corporate Governance Report on pages 9 to 17. Details of the related party transactions are disclosed in note 29 to the consolidated financial statements.

Contracts of Significance

Save as the aforementioned continuing connected transaction and those otherwise disclosed, no contracts of significance in relation to the Group's business to which the Company or its subsidiaries was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at any time during the year or at the end of the year.

As at 31 March 2013, no contract of significance had been entered into between the Company, or any of its subsidiaries, and the controlling shareholders of the Company or any of its subsidiaries.

Deed of Non-Competition

The controlling shareholders of the Company entered into a deed of non-competition in favour of the Company dated 10 January 2013 ("Deed of Non-Competition") as set out in the section of Connected Transactions and Relationship with the Controlling Shareholders under the Prospectus. The controlling shareholders confirmed their compliance of all the undertakings provided under the Deed of Non-competition

Tax Relief and Exemption

The Directors are not aware of any tax relief and exemption available to the Shareholders by reason of their holding the Company's securities.

Corporate Governance

In the opinion of the Directors, the Company has complied with the Code on Corporate Governance Practices as set out in Appendix 14 to the Listing Rules for the period from 23 January 2013, the date on which the Shares listed on the Stock Exchange, to 31 March 2013. The Corporate Governance Report is set out on pages 9 to 17.

Auditor

The consolidated financial statements for the year ended 31 March 2013 have been audited by BDO Limited which retires, and being eligible, offer itself for re-appointment at 2013 AGM. A resolution to re-appoint BDO Limited and to authorize the Directors to fix its remuneration will be proposed at 2013 AGM.

On behalf of the Board

Lau Ho Ming, Peter
Executive Director and Chief Executive Officer

Hong Kong, 21 June 2013

Independent Auditor's Report

BDO

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TO THE SHAREHOLDERS OF QUALI-SMART HOLDINGS LIMITED
(Incorporated in Cayman Islands with limited liability)

We have audited the consolidated financial statements of Quali-Smart Holdings Limited (the "Company") and its subsidiaries (collectively the "Group") set out on pages 32 to 79, which comprise the consolidated and company statements of financial position as at 31 March 2013, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 March 2013, and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

BDO Limited
Certified Public Accountants

Li Yin Fan
Practising Certificate Number P03113
Hong Kong, 21 June 2013

Consolidated Income Statement

	Notes	Year ended 31 March 2013 HK$'000	2012 HK$'000
REVENUE	*8*	**794,098**	876,667
Cost of sales		**(696,458)**	(777,295)
Gross profit		**97,640**	99,372
Other income and gains	*8*	**10,383**	15,648
Selling expenses		**(20,163)**	(22,306)
Administrative expenses		**(52,384)**	(32,646)
Finance costs	*10*	**(1,985)**	(1,900)
PROFIT BEFORE INCOME TAX EXPENSE	*9*	**33,491**	58,168
Income tax expense	*12*	**(10,800)**	(10,492)
PROFIT FOR THE YEAR		**22,691**	47,676

Consolidated Statement of Comprehensive Income

	Note	Year ended 31 March **2013** **HK$'000**	 2012 HK$'000
PROFIT FOR THE YEAR		**22,691**	47,676
Other comprehensive income:			
Exchange differences on translating foreign operations		**58**	780
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**22,749**	48,456
Earnings per share for profit attributable to the owners of the Company	*14*		
— Basic (HK cents)		**11.87**	26.49
— Diluted (HK cents)		**N/A**	N/A

Consolidated Statement of Financial Position

	Notes	At 31 March 2013 HK$'000	2012 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	*15*	**34,659**	25,849
Prepaid land lease payments	*16*	**7,782**	7,962
Total non-current assets		**42,441**	33,811
CURRENT ASSETS			
Inventories	*18*	**153,579**	162,153
Trade receivables	*19*	**58,473**	83,829
Prepayments, deposits and other receivables	*20*	**2,834**	2,881
Derivative financial instruments	*21*	**1,014**	6,191
Amount due from a related company	*25*	**—**	7,740
Cash and cash equivalents	*22*	**80,391**	40,485
Total current assets		**296,291**	303,279
CURRENT LIABILITIES			
Trade payables	*23*	**50,969**	83,025
Receipts in advance, accruals and other payables	*24*	**32,691**	57,244
Amount due to a director	*25*	**—**	52
Interest-bearing bank borrowings	*26*	**50,937**	76,164
Loan from a director	*25*	**—**	15,000
Income tax payable		**2,396**	5,795
Total current liabilities		**136,993**	237,280
NET CURRENT ASSETS		**159,298**	65,999
TOTAL ASSETS LESS CURRENT LIABILITIES		**201,739**	99,810
Net assets		**201,739**	99,810
EQUITY			
Share capital	*27*	**187**	2,178
Reserves	*28*	**201,552**	97,632
Total equity		**201,739**	99,810

On behalf of the Board

Lau Ho Ming, Peter
Director

Poon Pak Ki, Eric
Director

Statement of Financial Position of the Company

	Notes	At 31 March 2013 HK$'000	2012 HK$'000
NON-CURRENT ASSETS			
Interests in subsidiaries	*17*	**—**	—
CURRENT ASSETS			
Amounts due from subsidiaries	*17*	**29,730**	25,000
Amount due from a shareholder		**—**	54
Cash and cash equivalents	*22*	**59,890**	—
Total current assets		**89,620**	25,054
CURRENT LIABILITIES			
Accruals	*24*	**570**	—
Income tax payable		**160**	—
Total current liabilities		**730**	—
NET CURRENT ASSETS		**88,890**	25,054
Net assets		**88,890**	25,054
EQUITY			
Share capital	*27*	**187**	78
Reserve	*28*	**88,703**	24,976
Total equity		**88,890**	25,054

On behalf of the Board

Lau Ho Ming, Peter
Director

Poon Pak Ki, Eric
Director

Consolidated Statement of Changes in Equity

	Attributable to the owners of the Company							
	Share capital HK$'000	Share premium HK$'000	Capital reserve HK$'000	Statutory reserve HK$'000	Translation reserve HK$'000	Other reserve HK$'000	Retained earnings HK$'000	Total HK$'000
At 1 April 2011	2,100	—	9,271	355	3,626	—	64,902	80,254
Shares issued	78	24,977	—	—	—	—	—	25,055
Dividends paid	—	—	—	—	—	—	(53,955)	(53,955)
Profit for the year	—	—	—	—	—	—	47,676	47,676
Other comprehensive income								
Exchange differences arising on translation of foreign operations	—	—	—	—	780	—	—	780
Total comprehensive income for the year	—	—	—	—	780	—	47,676	48,456
Transfer to statutory reserve	—	—	—	124	—	—	(124)	—
At 31 March 2012 and 1 April 2012	**2,178**	**24,977**	**9,271**	**479**	**4,406**	**—**	**58,499**	**99,810**
Reduction in share premium upon Reorganisation *(note 27(b)(i))*	**—**	**(54)**	**—**	**—**	**—**	**—**	**—**	**(54)**
Issuance of ordinary shares in connection with the Global Offering *(note 27(c))*	**47**	**89,953**	**—**	**—**	**—**	**—**	**—**	**90,000**
Share capitalisation *(note 27(d))*	**62**	**(62)**	**—**	**—**	**—**	**—**	**—**	**—**
Reduction in capital upon Reorganisation	**(2,100)**	**—**	**—**	**—**	**—**	**2,100**	**—**	**—**
Share issue expenses	**—**	**(10,766)**	**—**	**—**	**—**	**—**	**—**	**(10,766)**
Profit for the year	**—**	**—**	**—**	**—**	**—**	**—**	**22,691**	**22,691**
Other comprehensive income								
Exchange differences arising on translation of foreign operations	**—**	**—**	**—**	**—**	**58**	**—**	**—**	**58**
Total comprehensive income for the year	**—**	**—**	**—**	**—**	**58**	**—**	**22,691**	**22,749**
Transfer to statutory reserve	**—**	**—**	**—**	**105**	**—**	**—**	**(105)**	**—**
At 31 March 2013	**187**	**104,048**	**9,271**	**584**	**4,464**	**2,100**	**81,085**	**201,739**

Consolidated Statement of Cash Flows

	Notes	Year ended 31 March 2013 HK$'000	2012 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before income tax expense		**33,491**	58,168
Adjustments for:			
Interest income	*8*	**(146)**	(212)
Interest expenses	*10*	**1,985**	1,900
Depreciation of property, plant and equipment	*9*	**8,589**	7,768
Amortisation of prepaid land lease payments	*9*	**202**	200
Net loss/(gain) on derivative financial instruments	*8*	**107**	(8,221)
Gain on disposal of property, plant and equipment	*8*	**—**	(60)
		44,228	59,543
Decrease/(increase) in inventories		**8,574**	(28,446)
Decrease/(increase) in trade receivables		**25,356**	(27,593)
Decrease in prepayments, deposits and other receivables		**47**	21,242
(Decrease)/increase in trade payables		**(32,056)**	8,216
Decrease in receipts in advance, accruals and other payables		**(24,605)**	(21,752)
Repayment from directors		**—**	419
Cash generated from operations		**21,544**	11,629
Income taxes paid		**(14,214)**	(4,454)
Net cash flows from operating activities		**7,330**	7,175
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		**146**	212
Purchases of property, plant and equipment		**(17,339)**	(13,225)
Increase in derivative financial instruments		**5,070**	5,593
Proceeds from sale of property, plant and equipment		**—**	60
Advance to related parties		**—**	(18,048)
Repayment from related parties		**7,740**	7,291
Net cash flows used in investing activities		**(4,383)**	(18,117)

Consolidated Statement of Cash Flows (Continued)

	Notes	Year ended 31 March 2013 HK$'000	2012 HK$'000
CASH FLOWS FROM FINANCING ACTIVITIES			
Net proceeds from issue of ordinary shares		**79,234**	25,000
Proceeds from bank borrowings		**434,254**	488,999
Repayment of bank borrowings		**(459,481)**	(463,980)
Repayment to related parties		**—**	(3,220)
Repayment to a director		**(15,000)**	(1,821)
Interests paid		**(1,985)**	(1,900)
Dividends paid		**—**	(600)
Net cash flows from financing activities		**37,022**	42,478
NET INCREASE IN CASH AND CASH EQUIVALENTS		**39,969**	31,536
Cash and cash equivalents at beginning of year		**40,485**	8,107
Effect of foreign exchange rate changes, net		**(63)**	184
CASH AND CASH EQUIVALENTS AT END OF YEAR		**80,391**	39,827
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and cash equivalents as stated in the consolidated statement of financial position	*22*	**80,391**	40,485
Less: Bank overdraft	*26*	**—**	(658)
Cash and cash equivalents as stated in the consolidated statement of cash flows		**80,391**	39,827

1. Corporate Information

Quali-Smart Holdings Limited (the "Company") was incorporated as an exempted company with limited liability in the Cayman Islands on 14 March 2012 under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The Company's registered office is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands and its principal place of business in Hong Kong is located at Workshop 3 on 19th Floor, Cheung Tat Centre, No. 18 Cheung Lee Street, Chai Wan, Hong Kong. The ordinary shares of the Company (the "Shares") have been listed on the Main Board of the Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 23 January 2013.

The principal activity of the Company is investment holding and the provision of management advisory services. Details of the principal activities of the Company's subsidiaries are set out in note 17 to the consolidated financial statements.

The consolidated financial statements were approved and authorised for issue by the board of directors of the Company on 21 June 2013.

2. The Reorganisation Exercise and Basis of Presentation

Pursuant to a reorganisation scheme to rationalise the structure of the Group in preparation for the listing of the Shares on the Main Board of the Stock Exchange ("Reorganisation"), the Company became the holding company of the companies now comprising the Group on 16 April 2012.

Details of the Reorganisation are set out in the section headed "History, Reorganisation and Group Structure" in the prospectus of the Company dated 11 January 2013 (the "Prospectus").

The Reorganisation upon completion is accounted for as reorganisation under common control using the principle of merger accounting in accordance with the Accounting Guideline 5 "Merger Accounting for Common Control Combinations" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The consolidation financial statements as set out in this report for the year ended 31 March 2012 have been prepared by adopting the merger basis of accounting. The consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows of the Group for the year ended 31 March 2012 include the results and cash flows of all companies now comprising the Group, as if the current structure had been in existence throughout the period of 2012, or since their respective dates of acquisition or incorporation/establishment, where this is a shorter period. The consolidated statements of financial position of the Group as at 31 March 2012 and 31 March 2013 have been prepared to present the state of affairs of the Group as if the current structure had been in existence at these dates or since their respective dates of acquisition or incorporation/establishment, whichever is the shorter period.

3. Adoption of New or Revised Hong Kong Financial Reporting Standards ("HKFRSs")

(a) Adoption of amendments to HKFRSs effective on 1st January 2012

The Group has adopted the following amendments to HKFRSs for the first time for the financial year beginning 1 January 2012:

Amendments to HKFRS 1 "Severe Hyper Inflation and Removal of Fixed Dates for First-time Adopters"

Amendments to HKFRS 7 "Disclosures — Transfers of Financial Assets"

Amendments to HKAS 12 "Deferred Tax: Recovery of Underlying Assets"

The adoption of these amendments has no significant impact on the Group's consolidated financial statements.

3. Adoption of New or Revised Hong Kong Financial Reporting Standards ("HKFRSs") *(continued)*

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

The following new/amended 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.

Amendments to HKFRSs	Annual Improvements to HKFRSs 2009-2011 Cycle[2]
Amendments to HKAS 1 (Revised)	Presentation of financial statements — Presentation of items of other comprehensive income[1]
Amendments to HKAS 32	Financial instruments — Presentation — Offsetting financial assets and financial liabilities[3]
Amendments to HKFRS 7	Financial instruments: Disclosures — Offsetting financial assets and financial liabilities[2]
HKFRS 9	Financial instruments[4]
HKFRS 10	Consolidated financial statements[2]
HKFRS 11	Joint arrangements[2]
HKFRS 12	Disclosure of interests in other entities[2]
HKFRS 13	Fair value measurements[2]
HKAS 19 (2011)	Employee benefits[4]
HKAS 27 (2011)	Separate financial statements[2]
HKAS 28 (2011)	Investments in associates and joint ventures[2]

1 *Effective for annual periods beginning on or after 1 July 2012*
2 *Effective for annual periods beginning on or after 1 January 2013*
3 *Effective for annual periods beginning on or after 1 January 2014*
4 *Effective for annual periods beginning on or after 1 January 2015*

The directors of the Company (the "Directors") anticipate that all of the pronouncements will be adopted in the Group's accounting policy for the first period beginning after the effective date of the pronouncements. Information on new or amended HKFRSs that are expected to have impact on the Group's accounting policies is provided below. Certain other new or amended HKFRSs have been issued but are not expected to have a material impact on the Group's consolidated financial statements.

Amendments to HKAS 1 (Revised) — Presentation of Items of Other Comprehensive Income

The amendments to HKAS 1 (Revised) require the Group to separate items presented in other comprehensive income into those that may be reclassified to profit and loss in the future (for example revaluations of available-for-sale financial assets) and those that may not (for example revaluations of property, plant and equipment). Tax on items of other comprehensive income is allocated and disclosed on the same basis. The amendments will be applied retrospectively.

HKFRS 9 — Financial Instruments

Under HKFRS 9, financial assets are classified into financial assets measured at fair value or at amortised cost depending on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. Fair value gains or losses will be recognised in profit or loss except for those non-trade equity investments, which the entity will have a choice to recognise the gains and losses in other comprehensive income. HKFRS 9 carries forward the recognition, classification and measurement requirements for financial liabilities from HKAS 39, except for financial liabilities that are designated at fair value through profit or loss, where the amount of change in fair value attributable to change in credit risk of that 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.

3. Adoption of New or Revised Hong Kong Financial Reporting Standards ("HKFRSs") *(continued)*

(b) New/amended HKFRSs that have been issued but not yet effective *(continued)*

Amendments to HKAS 32 — Offsetting Financial Assets and Financial Liabilities

The amendments clarify the offsetting requirements by adding appliance guidance to HKAS 32 which clarifies when an entity "currently has a legally enforceable right to set off" and when a gross settlement mechanism is considered equivalent to net settlement.

Amendments to HKFRS 7 — Offsetting Financial Assets and Financial Liabilities

HKFRS 7 is amended to introduce disclosures for all recongnised financial instruments that are set off under HKAS 32 and those that are subject to an enforceable master netting agreement or similar arrangement, irrespective of whether they are set off under HKAS 32.

HKFRS 10 — Consolidated Financial Statements

HKFRS 10 introduces a single control model for consolidation of all investee entities. An investor has control when it has power over the investee (whether or not that power is used in practice), exposure or rights to variable returns from the investee and the ability to use the power over the investee to affect those returns. HKFRS 10 contains extensive guidance on the assessment of control. For example, the standard introduces the concept of "de facto" control where an investor can control an investee while holding less than 50% of the investee's voting rights in circumstances where its voting interest is of sufficiently dominant size relative to the size and dispersion of those of other individual shareholders to give it power over the investee. Potential voting rights are considered in the analysis of control only when these are substantive, i.e. the holder has the practical ability to exercise them. The standard explicitly requires an assessment of whether an investor with decision making rights is acting as principal or agent and also whether other parties with decision making rights are acting as agents of the investor. An agent is engaged to act on behalf of and for the benefit of another party and therefore does not control the investee when it exercises its decision making authority. The implementation of HKFRS 10 may result in changes in those entities which are regarded as being controlled by the Group and are therefore consolidated in the financial statements. The accounting requirements in the existing HKAS 27 on other consolidation related matters are carried forward unchanged. HKFRS 10 is applied retrospectively subject to certain transitional provisions.

HKFRS 12 — Disclosure of Interests in Other Entities

HKFRS 12 integrates and makes consistent the disclosures requirements about interests in subsidiaries, associates and joint arrangements. It also introduces new disclosure requirements, including those related to unconsolidated structured entities. The general objective of the standard is to enable users of financial statements to evaluate the nature and risks of a reporting entity's interests in other entities and the effects of those interests on the reporting entity's financial statements.

HKFRS 13 — Fair Value Measurement

HKFRS 13 provides a single source of guidance on how to measure fair value when it is required or permitted by other standards. The standard applies to both financial and non-financial items measured at fair value and introduces a fair value measurement hierarchy. The definitions of the three levels in this measurement hierarchy are generally consistent with HKFRS 7 "Financial Instruments: Disclosures". HKFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (i.e. an exit price). The standard removes the requirement to use bid and ask prices for financial assets and liabilities quoted in an active market. Rather the price within the bid-ask spread that is most representative of fair value in the circumstances should be used. It also contains extensive disclosure requirements to allow users of the financial statements to assess the methods and inputs used in measuring fair values and the effects of fair value measurements on the financial statements. HKFRS 13 can be adopted early and is applied prospectively.

The Group is in the process of making an assessment of the potential impact of these pronouncements. The Directors so far concluded that the application of these new pronouncements will have no material impact on the Group's financial statements.

4. Basis of Preparation

(a) Statement of compliance

The consolidated financial statements have been prepared in accordance with HKFRSs, which collective terms include all applicable individual HKFRSs, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the HKICPA. The consolidated financial statements also include the applicable disclosures requirements of the Hong Kong Companies Ordinance and applicable Rules Governing the Listing of Securities on the Main Broad of the Stock Exchange (the "Listing Rules").

(b) Basis of measurement

The consolidated financial statements have been prepared under the historical cost basis except for derivative financial instruments, which are stated at fair values as explained in the accounting policies set out below. The significant accounting policies that have been used in the preparation of the consolidated financial statements are disclosed in note 5. Item included in the financial statements of each of the Group's companies are measured using the currency of the primary economic environment in which the entity operates. The consolidated financial statements are presented in Hong Kong dollars ("HK$"), which is the functional currency of the Company. All values are rounded to the nearest thousand except when otherwise indicated.

5. Summary of Significant Accounting Policies

(a) Basis of combination

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries. Inter-company transactions and balances between group companies together with unrealised profits are eliminated in full in preparing the consolidated financial statements. Unrealised losses are also eliminated unless the transaction provides evidence of impairment on the asset transferred, in which case the loss is recognised in profit or loss.

The results of subsidiaries acquired or disposed of during the year (if any) are included in the consolidated statement of comprehensive income from the dates of acquisition or up to the dates of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

(b) Subsidiaries

A subsidiary is an entity over which the Company is able to exercise control. Control is achieved where the Company, directly or indirectly, has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that are presently exercisable are taken into account.

In the Company's statement of financial position, investments in subsidiaries are stated at cost less impairment loss, if any. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

(c) Related parties

A related party is a person or entity that is related to the Group.

(a) A person or a close member of that person's family is related to the Group if that person:

- (i) has control or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of key management personnel of the Group or the parent of the Company.

5. Summary of Significant Accounting Policies *(continued)*

(c) Related parties *(continued)*

(b) An entity is related to the Group if any of the following conditions apply:

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);

(iii) Both entities are joint ventures of the same third party;

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

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

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

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

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

(i) that person's children and spouse or domestic partner;

(ii) children of that person's spouse or domestic partner; and

(iii) dependents of that person or that person's spouse or domestic partner.

(d) Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the consolidated statement of income in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciation.

5. Summary of Significant Accounting Policies *(continued)*

(d) Property, plant and equipment and depreciation *(continued)*

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

Leasehold land and buildings in Hong Kong	Over the unexpired or shorter of the lease terms
Leasehold land and buildings in the People's Republic of China (the "PRC")	Over the shorter of the lease terms and 4.5%
Leasehold improvements	Over the shorter of the lease terms and 35%
Plants and machinery	9.5% or 35%
Fixtures, furniture and office equipment	35%
Motor vehicles	18% or 35%

An asset is written down immediately to its recoverable amount if its carrying amount is higher than the asset's estimated recoverable amount.

Construction in progress is stated at cost less impairment losses. Cost comprises direct costs of construction as well as borrowing costs capitalised during the periods of construction and installation. Capitalisation of these costs ceases and the construction in progress is transferred to the appropriate class of property, plant and equipment when substantially all the activities necessary to prepare the assets for their intended use are completed. No depreciation is provided for in respect of construction in progress until it is completed and ready for its intended use.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets, or where shorter, the term of the relevant lease.

The gain or loss on disposal of an item of property, plant and equipment is the difference between the net sale proceeds and its carrying amount, and is recognised in profit or loss on disposal.

(e) Prepaid land lease payments

Prepaid land lease payments represent up-front payments to acquire long-term interests in lessee-occupied properties. These payments are stated at cost and are amortised over the period of the lease on a straight-line basis as an expense.

(f) Impairment of non-financial assets

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

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the consolidated statement of income in the period in which it arises.

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

5. Summary of Significant Accounting Policies *(continued)*

(g) Leases

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

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor to sub-lease the leased assets under operating lease, such rentals receivable under the operating leases are credited to the consolidated income statement on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under operating leases net of any incentive received from the lessor are charged to the consolidated income statement on the straight-line basis over the lease terms.

(h) Financial Instruments

(i) Financial assets

The Group classifies its financial assets at initial recognition, depending on the purpose for which the asset was acquired. Financial assets at fair value through profit or loss are initially measured at fair value and all other financial assets are initially measured at fair value plus transaction costs that are directly attributable to the acquisition of the financial assets. Regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned.

Financial assets at fair value through profit or loss

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

Financial assets may be designated upon initial recognition as at fair value through profit or loss if the following criteria are met: (i) the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or recognising gains or losses on them on a different basis; (ii) the assets are part of a group of financial assets which is managed and its performance evaluated on a fair value basis according to a documented management strategy; or (iii) the financial asset contains an embedded derivative that would need to be separately recorded.

Loans and receivables

These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers (trade debtors), and also incorporate other types of contractual monetary asset. Subsequent to initial recognition, they are carried at amortised cost using the effective interest method, less any identified impairment losses.

5. Summary of Significant Accounting Policies *(continued)*

(h) Financial Instruments *(continued)*

(ii) Impairment loss on financial assets

The Group assesses, at the end of each reporting period, whether there is any objective evidence that financial asset is impaired. Financial asset is impaired if there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset that can be reliably estimated. Evidence of impairment may include:

— significant financial difficulty of the debtor;

— a breach of contract, such as a default or delinquency in interest or principal payments;

— granting concession to a debtor because of debtor's financial difficulty;

— it becoming probable that the debtor will enter bankruptcy or other financial reorganisation.

Loans and receivables

An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. The carrying amount of financial asset is reduced through the use of an allowance account. When any part of financial asset is determined as uncollectible, it is written off against the allowance account for the relevant financial asset.

(iii) Financial liabilities

Financial liabilities at amortised cost including trade payables, accruals and other payables, amount due to a director, and borrowings, are subsequently measured at amortised cost, using the effective interest method. The related interest expense is recognised in profit or loss.

Gains or losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

(iv) Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial asset or liability, or where appropriate, a shorter period.

(v) Equity instruments

Equity instruments issued by the Group are recorded at the proceeds received, net of direct issue costs.

(vi) Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. A financial guarantee contract issued by the Group and not designated as at fair value through profit or loss is recognised initially at its fair value less transaction costs that are directly attributable to the issue of the financial guarantee contract. Subsequent to initial recognition, the Group measures the financial guarantee contact at the higher of: (i) the amount determined in accordance with HKAS 37 Provisions, Contingent Liabilities and Contingent Assets; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with HKAS 18 Revenue.

5. Summary of Significant Accounting Policies *(continued)*

(h) Financial Instruments *(continued)*

(vii) Derecognition

The Group derecognises a financial asset when the contractual rights to the future cash flows in relation to the financial asset expire or when the financial asset has been transferred and the transfer meets the criteria for derecognition in accordance with HKAS 39.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires.

(i) Inventories

Inventories are initially recognised at cost, and subsequently at the lower of cost and net realisable value. Cost comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Cost is calculated using the first-in first out method. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

(j) Revenue recognition

Revenue from sales of goods and moulding income are recognised on transfer of risks and rewards of ownership, which is at the time of delivery and the title is passed to customer.

Interest income is accrued on a time basis on the principal outstanding at the applicable interest rate.

(k) Income taxes

Income taxes for the year comprise current tax and deferred tax.

Current tax is based on the profit or loss from ordinary activities adjusted for items that are non-assessable or disallowable for income tax purposes and is calculated using tax rates that have been enacted or substantively enacted at the end of reporting period.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding amounts used for tax purposes. Except for goodwill and recognised assets and liabilities that affect neither accounting nor taxable profits, deferred tax liabilities are recognised for all temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Deferred tax is measured at the tax rates expected to apply in the period when the liability is settled or the asset is realised based on tax rates that have been enacted or substantively enacted at the end of reporting period.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Income taxes are recognised in profit or loss except when they relate to items recognised in other comprehensive income in which case the taxes are also recognised in other comprehensive income.

(l) Foreign currency

Transactions entered into by the group entities in currencies other than the currency of the primary economic environment in which they operate (the "functional currency") are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the end of reporting period. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

5. Summary of Significant Accounting Policies *(continued)*

(l) Foreign currency *(continued)*

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised in other comprehensive income, in which case, the exchange differences are also recognised in other comprehensive income.

On consolidation, income and expense items of foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the rates approximating to those ruling when the transactions took place are used. All assets and liabilities of foreign operations are translated at the rate ruling at the end of reporting period. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity as foreign exchange reserve (attributed to minority interests as appropriate). Exchange differences recognised in profit or loss of group entities' separate financial statements on the translation of long-term monetary items forming part of the Group's net investment in the foreign operation concerned are reclassified to other comprehensive income and accumulated in equity as foreign exchange reserve.

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

(m) Cash and cash equivalents

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

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

(n) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, which will probably result in an outflow of economic benefits that can be reasonably estimated.

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

(o) Employee benefits

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

5. Summary of Significant Accounting Policies *(continued)*

(o) Employee benefits *(continued)*

The employees of the Group's subsidiary which operates in Mainland China are required to participate in a central pension scheme operated by the local municipal government. The subsidiary operating in Mainland China are required to make contributions for their employees who are registered as permanent residents in Mainland China. The contributions are charged to the consolidated income statement as they become payable in accordance with the rules of the central pension scheme.

6. Significant Accounting Judgements and Estimates

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

Judgements

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

(i) Determination of functional currency

The Group measures foreign currency transactions in the respective functional currencies of the Group and its subsidiaries. In determining the functional currencies of the group entities, judgement is required to determine the currency that mainly influences sales prices for goods and services and of the country whose competitive forces and regulations mainly determines the sales prices of its goods and services. The functional currencies of the group entities are determined based on management's assessment of the economic environment in which the entities operate and the entities' process of determining sales prices.

(ii) Determination of the accounting treatment for revenue

The Group is principally engaged in the manufacture and trading of toy products. The Group manufactures finished products for customers according to their specifications and the products are sold by customers under their own brand names. The major customer of the Group may be involved in the raw materials procurement procedures and under such circumstances will make settlement to the suppliers on behalf of the Group. The amounts settled by the major customer will be set off against the trade receivable from the major customer. In determining whether the revenue shall be recorded on a net basis or gross basis, the Group has made reference to indicators and requirements stated in the requirement in HKAS 18 paragraph 8 and HKAS 18 Appendix paragraph 21 and consider the economic substance of the transactions. Determining whether an entity is acting as a principal or as an agent requires judgement and consideration of all relevant facts and circumstances, and the Group considers itself does not has an agency relationship with the customer under HKAS 18 by assessing the following features that are arising from its operations:

— The Group is the primary obligor to the customer, as the Group is responsible for fulfillment and customer remedies in the event of dissatisfaction;

— The Group has general inventory risk as a result of taking title and maintaining inventory;

— The Group has complete latitude to set the prices for the products; and

— The Group has credit risk for financing amounts billed to major customer as accounts receivable.

The Group also considers that the economic substance of the raw materials purchase transaction and the sales transaction with Customer A is not a linked transacton, it should be dealt with as separate transaction. As a result, trading revenue is presented on a gross basis.

6. Significant Accounting Judgements and Estimates *(continued)*

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period are discussed below.

(i) Provision for obsolete and slow-moving inventories

Management of the Group reviews an aging analysis at the end of each reporting period, and makes allowance for obsolete and slow-moving items. These estimates are based on the current market conditions and the historical experience of selling merchandise of similar nature. It could change as a result of changes in market conditions. Such changes will have impact on the carrying amounts of inventories and the allowance of the inventories in the period in which such estimates have been changed. The Group reassesses these estimates at the end of each reporting period.

(ii) Depreciation

The Group depreciates property, plant and equipment over the estimated useful life, and after taking into account of their estimated residual value, using the straight-line method, from 3 years to 30 years, commencing from the date on which the assets are available for use. The estimated useful life reflects the management's estimations of the periods that the Group intends to derive future economic benefits from the use of the Group's property, plant and equipment.

(iii) Provision for impairment of trade receivables

The policy for the provision for impairment of trade receivables of the Group is based on the evaluation of collectability and ageing analysis of accounts and on management's judgement. A considerable amount of judgement is required in assessing the ultimate realisation of these receivables, including the current creditworthiness and the past collection history of each customer. If the financial conditions of customers of the Group were to deteriorate, resulting in an impairment of their ability to make payments, additional provision for impairment may be required.

(iv) Fair value of other financial instruments

The Directors use their judgement in selecting an appropriate valuation technique for financial instruments not quoted in an active market. Valuation techniques commonly used by market practitioners are applied. For derivative financial instruments, assumptions are made based on quoted market rates adjusted for specific features of the instrument. Other financial instruments are valued using a discounted cash flow analysis based on assumptions supported, where possible, by observable market prices or rates. The estimation of fair value of unlisted shares includes some assumptions not supported by observable market prices and rates.

7. Operating Segment Information

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

(a) Reportable segments

No separate business segment information is presented as the Group has only one business segment which is the manufacture and sale of toys.

(b) Geographical information

The following table sets out information about the geographical location of (i) the Group's revenue from external customers and (ii) the Group's property, plant and equipment and prepaid land lease payments ("specified non-current assets"). The geographical location of customers is based on the location at which the services were provided or the goods were delivered. The geographical location of the specified non-current assets is based on the physical location of the assets in the case of property, plant and equipment.

7. Operating Segment Information *(continued)*

(b) Geographical information *(continued)*

(i) Revenue from external customers

	Year ended 31 March 2013 HK$'000	2012 HK$'000
North America *(note 1)*	**415,742**	498,166
Western Europe		
— United Kingdom	**81,406**	86,197
— France	**39,191**	51,154
— Netherland	**19,896**	27,037
— Others *(note 2)*	**104,705**	79,532
South America	**24,565**	21,070
PRC and Taiwan	**32,216**	41,545
Australia, New Zealand and Pacific Islands	**23,879**	18,053
Central America, Caribbean and Mexico	**21,084**	24,750
Others *(note 3)*	**31,414**	29,163
Total	**794,098**	876,667

Notes:

1 North America includes United States of America and Canada.

2 Others include Germany, Belgium, Italy, Ireland and Spain.

3 Others include Africa, India, Japan, Korea, Mediterranean, Russia and Southeast Asia.

(ii) Specified non-current assets

	Year ended 31 March 2013 HK$'000	2012 HK$'000
Mainland China, the PRC	**41,505**	31,921
Hong Kong	**936**	1,890
Total	**42,441**	33,811

7. Operating Segment Information *(continued)*

(c) Information about major customers

Revenue from major customers, each of whom amounted to 10% or more of the Group's revenue, is set out below:

	Year ended 31 March	
	2013	2012
	HK$'000	HK$'000
Customer A	**366,793**	448,982
Customer B	**130,494**	104,431
Customer C*	**N/A**	109,734

* *The customer contributed less than 10% of the Group's revenue during the year ended 31 March 2013.*

8. Revenue, Other Income and Gains

Revenue, which is also the Group's turnover, represents the net invoiced value of goods sold, after allowances for returns and trade discounts. An analysis of revenue, other income and gains is as follows:

	Year ended 31 March	
	2013	2012
	HK$'000	HK$'000
Revenue		
Sale of goods	**794,098**	876,667
Other income and gains		
Moulding income	**9,333**	4,124
Net (loss)/gain on derivative financial instruments	**(107)**	8,221
Interest income		
— from bank deposits	**17**	3
— from interest-bearing loan	**—**	140
— from other loan	**—**	69
Exchange gains, net	**279**	1,769
Gain on disposal of property, plant and equipment	**—**	60
Others	**861**	1,262
	10,383	15,648

9. Profit Before Income Tax Expense

The Group's profit before income tax expense is arrived at after charging:

	Year ended 31 March	
	2013	2012
	HK$'000	HK$'000
Cost of inventories sold	**696,458**	777,295
Depreciation	**8,589**	7,768
Amortisation of prepaid land lease payments	**202**	200
Employee benefits expenses (excluding Directors' remuneration *(note 11(a))*):		
Wages and salaries	**38,302**	34,685
Pension scheme contributions	**3,766**	2,577
Other benefits	**3,775**	3,881
	45,843	41,143
Auditor's remuneration	**855**	460
Operating lease charges in respect of land and buildings	**2,204**	1,814

10. Finance Costs

	Year ended 31 March	
	2013	2012
	HK$'000	HK$'000
Interest on bank advance and other borrowings:		
— Wholly repayable within five years	**1,985**	1,900
— Not wholly repayable within five years	**—**	—
	1,985	1,900

The analysis shows the finance costs of bank borrowings, including term loans which contain a repayment on demand clause, in accordance with the agreed scheduled repayment dates set out in the loan agreements. For the year ended 31 March 2013, the interest on bank borrowings which contain a repayment on demand clause amounted to HK$1,985,000 (2012: HK$1,828,000).

11. Directors' Remuneration and Five Highest Paid Employees

(a) Directors' remuneration

The remuneration of the Directors is as follows:

Year ended 31 March 2013	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Pension scheme contributions HK$'000	Total HK$'000
Executive Directors				
Mr. Lau Ho Ming, Peter	—	2,143	39	2,182
Mr. Ng Kam Seng	—	959	36	995
Mr. Poon Pak Ki	—	913	35	948
	—	4,015	110	4,125
Non-executive Directors				
Madam Li Man Yee, Stella	59	—	—	59
Mr. Tang Yu Ming, Nelson	58	—	—	58
	117	—	—	117
Independent non-executive Directors				
Mr. Leung Po Wing, Bowen Joseph	51	—	—	51
Mr. Chan Siu Wing, Raymond	44	—	—	44
Mr. Chu, Raymond	44	—	—	44
	139	—	—	139
Total	256	4,015	110	4,381

11. Directors' Remuneration and Five Highest Paid Employees *(continued)*

(a) Directors' remuneration *(continued)*

Year ended 31 March 2012	Fees	Salaries, allowances and benefits in kind	Pension scheme contributions	Total
	HK$'000	HK$'000	HK$'000	HK$'000
Executive Directors				
Mr. Lau Ho Ming, Peter	—	1,443	37	1,480
Mr. Ng Kam Seng	—	738	34	772
Mr. Poon Pak Ki	—	724	31	755
	—	2,905	102	3,007
Non-executive Directors				
Madam Li Man Yee, Stella	—	—	—	—
Mr. Tang Yu Ming, Nelson	—	—	—	—
	—	—	—	—
Independent non-executive Directors				
Mr. Leung Po Wing, Bowen Joseph	—	—	—	—
Mr. Chan Siu Wing, Raymond	—	—	—	—
Mr. Chu, Raymond	—	—	—	—
	—	—	—	—
Total	—	2,905	102	3,007

11. Directors' Remuneration and Five Highest Paid Employees *(continued)*

(b) Five highest paid employees

The five individuals whose remuneration were the highest in the Group for the year ended 31 March 2013 included 3 Directors (2012: 2) and their remuneration are reflected in note 11(a). The remuneration of the remaining 2 highest paid individuals (2012: 3) for the year ended 31 March 2013 are as follows:

	Year ended 31 March	
	2013	2012
	HK$'000	HK$'000
Salaries, allowances and benefits in kind	**2,052**	2,679
Pension scheme contributions	**71**	88
	2,123	2,767

The number of non-Director, highest paid employees whose remuneration fell within the bands is as follows:

	Year ended 31 March	
	2013	2012
Nil to HK$1,000,000	**—**	2
HK$1,000,001 to HK$1,500,000	**2**	1
	2	3

During the year, no remuneration was paid by the Group to the Directors or any of the five highest paid employees of the Group as an inducement to join or upon joining the Group or as compensation for loss of office (2012: Nil). None of the Directors nor the five highest paid employees has waived or agreed to waive any remuneration during the year (2012: Nil).

The remuneration paid or payable to members of senior management were within the following brands:

	Year ended 31 March	
	2013	2012
Nil to HK$1,000,000	**1**	1
HK$1,000,001 to HK$1,500,000	**1**	1
	2	2

12. Income Tax Expense

Hong Kong profits tax has been provided on the estimated assessable profit arising in Hong Kong at the rate of 16.5% during the year (2012: 16.5%). Taxes on profits assessable elsewhere have been calculated at the rate of tax prevailing in the locations in which the Group operates.

The PRC corporate income tax rate of the Group's subsidiary operating in the PRC during the year was 25% on its taxable profit (2012: 25%).

The major components of the income tax expense for the year are as follows:

	Year ended 31 March	
	2013	2012
	HK$'000	HK$'000
Current — Hong Kong		
Charge for the year	**10,451**	10,114
Over provision in prior years	**—**	(30)
	10,451	10,084
Current — PRC		
Charge for the year	**349**	408
Total tax charge for the year	**10,800**	10,492

The income tax expense for the year can be reconciled to the profit before income tax expense per the consolidated statement of comprehensive income as follows:

	Year ended 31 March	
	2013	2012
	HK$'000	HK$'000
Profit before income tax expense	**33,491**	58,168
Tax at the applicable tax rate of 16.5% (2012: 16.5%)	**5,526**	9,598
Effect of different tax rate of a subsidiary operating in other jurisdiction	**4**	(139)
Tax effect of revenue not taxable for tax purposes	**(34)**	(256)
Tax effect of expenses not deductible for tax purposes	**5,064**	979
Tax effect of temporary difference not recognised	**240**	340
Over provision in respect of prior years	**—**	(30)
Income tax expense	**10,800**	10,492

As at 31 March 2013, no deferred tax asset has been recognised in respect of the deductible temporary differences of HK$240,000 (2012: HK$340,000) as the amounts are immaterial to the Group. In addition, no deferred tax liabilities of HK$4,875,000 as at 31 March 2013 (2012: HK$3,972,000) has been recognised for withholding taxes that would be repayable on the unremitted earnings of the Group's subsidiary established in the PRC. It is because in the opinion of the Directors, it is not probable that this subsidiary will distribute its earnings accrued from 1 January 2008 to 31 March 2013 in the foreseeable future. Accordingly no deferred tax liabilities have been recognised as at 31 March 2013.

13. Dividends

No dividends have been declared or paid by the Company during year (2012: HK$53,955,000).

14. Earnings Per Share Attributable to Owners of the Company

The calculation of basic earnings per share is based on the profit attributable to owners of the Company for the year ended 31 March 2013 of approximately HK$22,691,000 (2012: HK$47,676,000), and of the weighted average number of 191,178,082 (2012: 180,000,000, being the number of Shares immediately prior to the listing of the Shares on the Main Board of the Stock Exchange) Shares issued.

No diluted earnings per share are presented as the Group has no potential Shares in issue for the year (2012: Nil).

15. Property, Plant and Equipment

Group

	Leasehold land and buildings HK$'000	Leasehold improvements HK$'000	Plants and machinery HK$'000	Fixtures, furniture and office equipment HK$'000	Motor vehicles HK$'000	Construction in progress HK$'000	Total HK$'000
31 March 2012							
Cost:							
At 1 April 2011	10,002	211	64,436	5,354	7,032	—	87,035
Additions	—	—	6,274	212	490	6,249	13,225
Disposals	—	—	(1,276)	—	—	—	(1,276)
Exchange differences	336	—	26	4	46	—	412
At 31 March 2012	10,338	211	69,460	5,570	7,568	6,249	99,396
Accumulated depreciation:							
At 1 April 2011	1,850	211	54,953	5,252	4,686	—	66,952
Depreciation charge for the year	439	—	6,031	106	1,192	—	7,768
Disposals	—	—	(1,276)	—	—	—	(1,276)
Exchange differences	66	—	5	1	31	—	103
At 31 March 2012	2,355	211	59,713	5,359	5,909	—	73,547
Net book value:							
At 31 March 2012	7,983	—	9,747	211	1,659	6,249	25,849
At 31 March 2011	8,152	—	9,483	102	2,346	—	20,083

15. Property, Plant and Equipment *(continued)*

Group *(continued)*

	Leasehold land and buildings HK$'000	Leasehold improvements HK$'000	Plants and machinery HK$'000	Fixtures, furniture and office equipment HK$'000	Motor vehicles HK$'000	Construction in progress HK$'000	Total HK$'000
31 March 2013							
Cost:							
At 1 April 2012	10,338	211	69,460	5,570	7,568	6,249	99,396
Additions	—	—	7,614	654	494	8,577	17,339
Disposals	—	—	—	(85)	—	—	(85)
Transfer	14,826	—	—	—	—	(14,826)	—
Exchange differences	65	—	3	1	4	—	73
At 31 March 2013	25,229	211	77,077	6,140	8,066	—	116,723
Accumulated depreciation:							
At 1 April 2012	2,355	211	59,713	5,359	5,909	—	73,547
Depreciation charge for the year	428	—	6,807	230	1,124	—	8,589
Disposals	—	—	—	(85)	—	—	(85)
Exchange differences	9	—	1	—	3	—	13
At 31 March 2013	2,792	211	66,521	5,504	7,036	—	82,064
Net book value:							
At 31 March 2013	22,437	—	10,556	636	1,030	—	34,659
At 31 March 2012	7,983	—	9,747	211	1,659	6,249	25,849

The Group's leasehold land and buildings are located in Hong Kong and the PRC and are held under medium term leases.

No property, plant and equipment was pledged to the bank for banking facilities granted to the Group (2012: Nil).

16. Prepaid Land Lease Payments

Group

The Group's interests in land use rights represent prepaid operating lease payments and the movements in their net carrying amounts are analysed as follows:

	At 31 March	
	2013	2012
	HK$'000	HK$'000
At 1 April	**7,962**	7,874
Amortisation	**(202)**	(200)
Exchange differences	**22**	288
At 31 March	**7,782**	7,962

The land use rights are located in the PRC and held under medium-term lease.

17. Interests In Subsidiaries

Company

	At 31 March	
	2013	2012
	HK$'000	HK$'000
Investments in subsidiaries		
— Unlisted shares, at cost *	**—**	—

* *The aggregate investment costs in subsidiaries were less than a thousand dollar.*

Balances with subsidiaries are unsecured, interest-fee and repayable on demand.

17. Interests In Subsidiaries *(continued)*

Company *(continued)*

Company name	Place and date of incorporation/ establishment	Particulars of issued and fully paid share capital/registered capital	Percentage of equity attributable to the Company Direct %	Indirect %	Place of operation and principal activities
Subsidiaries					
Turbo Gain Investments Limited[1]	British Virgin Islands, 2 March 2012	1 share of United States dollar ("US$") 1each	100	—	Investment holding in British Virgin Islands
New Splendid Developments Limited[1]	British Virgin Islands, 20 January 2012	1 share of US$1each	100	—	Investment holding in British Virgin Islands
Next Horizon Holdings Limited[1]	British Virgin Islands, 6 March 2012	1 share of US$1each	100	—	Investment holding in British Virgin Islands
Qualiman Industrial Co. Limited[2]	Hong Kong, 14 November 1996	1,000,000 shares of HK$ 1 each	—	100	Manufacture and trading of toys and other products in Hong Kong and the People's Republic of China
Qualiman Technology & Products Co. Limited[2]	Hong Kong, 26 January 2000	1,000,000 shares of HK$1 each	—	100	Manufacture and trading of toys and other products in Hong Kong and the People's Republic of China
Sunmart Company Limited[2]	Hong Kong, 15 August 2003	100,000 shares of HK$1 each	—	100	Manufacture and trading of toys and other products in Hong Kong and the People's Republic of China
佛山市南海浩達精密玩具有限公司 Foshan Nanhai Haoda Precision Toys Co., Ltd*[3]	The People's Republic of China, 15 March 2001	HK$15,000,000	—	100	Manufacture and trading of toys and other products in the People's Republic of China

Notes:

1 *No statutory audited financial statements have been prepared for this subsidiary since the date of its incorporation as there is no statutory requirements and the subsidiary has not yet been involved in any significant business transactions.*

2 *The statutory financial statements for the year ended 31 March 2013 were audited by BDO Limited, a certified public accountants registered in Hong Kong.*

3 *Registered as a wholly-foreign-owned enterprise under the laws of the PRC. The statutory financial statements for the year ended 31 December 2012 were audited by Foshan Zhuoxin Certified Public Accountants Limited, a certified public accountants registered in the PRC.*

4 *None of the subsidiaries had issued any debt securities at the end of the year.*

* *The English translation of the name is for reference only, its official name is in Chinese.*

18. Inventories

Group

	At 31 March 2013 HK$'000	2012 HK$'000
Raw materials	110,279	108,440
Work in progress	11,570	14,834
Finished goods	31,730	38,879
	153,579	162,153

19. Trade Receivables

Group

The credit period on sales of goods ranges 30–75 days from the invoice date. An aged analysis of the trade receivables at the end of the reporting period, based on the invoice date, is as follows:

	At 31 March 2013 HK$'000	2012 HK$'000
Current to 30 days	35,837	41,024
31 to 60 days	9,014	15,880
61 to 90 days	7,043	15,151
Over 90 days	6,579	11,774
	58,473	83,829

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

	At 31 March 2013 HK$'000	2012 HK$'000
Neither past due nor impaired	47,438	52,183
Less than 1 month past due	5,826	10,214
1 to 3 months past due	3,484	18,043
Over 3 months past due	1,725	3,389
	58,473	83,829

Receivables that were neither past due nor impaired relate to the customers for which there was no recent history of default.

19. Trade Receivables *(continued)*

Group *(continued)*

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

20. Prepayments, Deposits and other Receivables

Group

	At 31 March	
	2013	2012
	HK$'000	HK$'000
Prepayments	**582**	710
Deposits	**789**	92
Other receivables	**1,463**	2,079
	2,834	2,881

As 31 March 2013, the balances of deposits and other receivables were neither past due nor impaired. Financial assets included in the above balances relate to receivables for which there was no recent history of default.

21. Derivative Financial Instruments

Group

The derivative financial instruments represent certain RMB/US$ foreign exchange forward contracts held by the Group, of which the contract periods were within 25 months (2012: 25 months). The Group would sell US Dollars to the bank in exchange for Renminbi ("RMB") at the agreed forward rate.

As at 31 March 2013, the notional amount of the outstanding forward contracts were US$10.0 million (2012: US$28.6 million).

The fair values of foreign currency forward contracts are measured using quoted forward exchange rates and yield curves derived from quoted interest rates, with the assumptions that there will be no material change in the political, legal, fiscal, technological, market and economic conditions that will materially affect the price of the underlying currencies of the foreign exchange forward contracts and the interest rates and exchange rates will not differ materially from those of present or expected.

The sensitivity analysis on the potential loss resulting from fluctuation of the underlying currencies is set out in note 34.

21. Derivative Financial Instruments *(continued)*

Group *(continued)*

The below table reconciled the moment of the derivative financial instruments during the year.

	At 31 March	
	2013	2012
	HK$'000	HK$'000
Balance as at 1 April	**6,191**	3,563
Net (loss)/gain on derivative financial instruments during the year	**(107)**	8,221
Settlements during the year	**(5,070)**	(5,593)
Balance as at 31 March	**1,014**	6,191

22. Cash and Cash Equivalents

Group and Company

	Group		Company	
	At 31 March		At 31 March	
	2013	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000
Cash and cash equivalents were denominated in:				
HK$	**76,183**	29,797	**59,890**	—
RMB	**1,399**	9,169	**—**	—
US$	**2,809**	1,519	**—**	—
	80,391	40,485	**59,890**	—

RMB is not freely convertible into other currencies. Under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default.

23. Trade Payables

Group

The Group normally obtains credit terms of 15–90 days from its suppliers. Trade payables are interest-free.

An aged analysis of the trade payables at the end of the reporting period, based on the invoice date, is as follows:

	At 31 March	
	2013	2012
	HK$'000	HK$'000
Current to 30 days	**28,375**	37,318
31 to 60 days	**13,801**	22,357
61 to 90 days	**7,351**	22,240
Over 90 days	**1,442**	1,110
	50,969	83,025

24. Receipts in Advance, Accruals and Other Payables

Group and Company

	Group At 31 March		Company At 31 March	
	2013	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000
Receipts in advance	**1,252**	936	**—**	—
Accruals and other payables	**31,439**	23,710	**570**	—
Dividend payable	**—**	32,598	**—**	—
	32,691	57,244	**570**	—

25. Balances With a Director and a Related Company

Group

(a) Amount due from a related company

	At 31 March	
	2013	2012
	HK$'000	HK$'000
Amount due from a related company: QM (Hong Kong) Limited	**—**	7,740

The related company is controlled by a Director, Mr. Lau Ho Ming, Peter and the non-executive Chairperson, Madam Li Man Yee, Stella.

The amount is unsecured, interest-free and repayable on demand.

25. Balances With a Director and a Related Company *(continued)*

Group *(continued)*

(a) Amount due from a related company *(continued)*

Amount due from a related company of the Group disclosed pursuant to Section 161B of the Hong Kong Companies Ordinance are as follows:

	At 1 April 2011 HK$'000	Maximum amount outstanding during the year HK$'000	At 31 March 2012 HK$'000
Amount due from a related company:			
QM (Hong Kong) Limited	—	7,740	7,740

	At 1 April 2012 HK$'000	**Maximum amount outstanding during the year HK$'000**	**At 31 March 2013 HK$'000**
Amount due from a related company:			
QM (Hong Kong) Limited	**7,740**	**7,740**	**—**

(b) Amount due to a director

The amount due to a Director — Mr. Lau Ho Ming, Peter is unsecured, interest-free and repayable on demand.

(c) Loan from a director

Loan from a Director, Mr. Lau Ho Ming, Peter is unsecured, interest-free and repayable on demand.

26. Interest-Bearing Bank Borrowings

Group

	At 31 March	
	2013 HK$'000	2012 HK$'000
Current		
Secured		
— bank overdraft	**—**	658
— bank loans due for repayment within one year	**50,437**	73,806
— bank loans due for repayment after one year which contain a repayment on demand clause	**500**	1,700
	50,937	76,164

26. Interest-Bearing Bank Borrowings *(continued)*

Group *(continued)*

The Group's banking facilities and its interest-bearing bank borrowings are secured by:

(i) the pledge of the related companies' (King Wealth International Limited, Goldrich International Limited and Loyal Gold (Hong Kong) Limited) property, plant and equipment. The related companies are controlled by a Director, Mr. Lau Ho Ming, Peter and the non-executive Chairperson, Madam Li Man Yee, Stella;

(ii) personal guarantee by one of a Director, Mr. Lau Ho Ming, Peter;

(iii) corporate guarantee by related companies, Goldrich International Limited, Goldrich International Properties Limited, Loyal Gold (Hong Kong) Limited and King Wealth International Limited. The related companies are controlled by a Director, Mr. Lau Ho Ming, Peter and the non-executive Chairperson, Madam Li Man Yee, Stella;

(iv) guarantee duly issued by The Government of the Hong Kong Special Administrative Region in favour of the bank in respect of the facilities under the Special Loan Guarantee Scheme;

(v) rental assignment of property, plant and equipment owned by related companies, Goldrich International Limited and Loyal Gold (Hong Kong) Limited. The related companies are controlled by a Director, Mr. Lau Ho Ming, Peter and the non-executive Chairperson, Madam Li Man Yee, Stella; and

(vi) During the year, the guarantees by the Director and related companies in notes (ii) and (iii) were replaced by the Company's corporate guarantees and cross guarantees from the Company's subsidiaries, which are Qualiman Industrial Co. Limited, Qualiman Technology & Products Co. Limited and Sunmart Company Limited. As at 31 March 2013, the Group was in the process of completing the documents for releasing securities as mentioned in notes (i) and (v) and replaced by the pledge of certain leasehold land and buildings of the Group, which were subsequently completed on 31 May 2013.

At 31 March 2013, total current and non-current bank borrowings and overdraft were scheduled to be repaid as follows:

	At 31 March	
	2013	2012
	HK$'000	HK$'000
On demand or within one year	**50,437**	74,464
More than one year, but not exceeding two years	**500**	1,200
More than two years, but not exceeding five years	**—**	500
	50,937	76,164

Note: The amounts due are based on the scheduled repayment dates in the loan agreements and ignore the effect of any repayment on demand clause.

Certain of the banking facilities are subject to the fulfillment of covenants relating to certain of the Group's financial position ratios, which are to maintain (i) the combined tangible net worth at not less than certain amount; and (ii) specific gearing ratio of the Group as are commonly found in lending arrangements with financial institutions. If the Group breaches the covenants, the drawn down facilities shall become repayable on demand. In addition, certain of the Group's term loan agreements contain clauses which give the lender the right at its sole discretion to demand immediate repayment at any time irrespective of whether the Group has complied with the covenants and met the scheduled repayment obligations.

26. Interest-Bearing Bank Borrowings *(continued)*

Group *(continued)*

The Group regularly monitors its compliance with these covenants and does not consider it probable that the bank will exercise its discretion to demand repayment for so long as the Group continues to meet these requirements. Further details of the Group's management of liquidity risk are set out in note 34. As at 31 March 2013, none of the covenants relating to drawn down facilities had been breached (2012: Nil).

27. Share Capital

Group

The Reorganisation was completed on 16 April 2012, hence, share capital as at 31 March 2012 represents the combined share capital of the companies comprising the Group. As at 31 March 2013, share capital represents the Company's issued share capital after elimination of the Company's investments in subsidiaries.

Company

The movements in the issued ordinary share capital during the year are as follows:

		2013		2012	
	Notes	**Number of Shares**	**HKD'000**	Number of Shares	HKD'000
Authorised:					
Ordinary Shares of US$0.0001 each					
At 1 April or date of incorporation	*(a)*	**500,000,000**	**389**	500,000,000	389
At 31 March		**500,000,000**	**389**	500,000,000	389
Issued and fully paid:					
Ordinary Shares of US$0.0001 each					
At 1 April or date of incorporation		**100,000,000**	**78**	1	—
Arising from the Reorganisation	*(b)*	**—**	**—**	99,999,999	78
Issuance of ordinary Shares in connection with the Global Offering	*(c)*	**60,000,000**	**47**	—	—
Share capitalisation	*(d)*	**80,000,000**	**62**	—	—
At 31 March		**240,000,000**	**187**	100,000,000	78

27. Share Capital *(continued)*

Company *(continued)*

Notes:

(a) On 14 March 2012, the Company was incorporated in the Cayman Islands with an authorised capital of US$50,000 divided into 500,000,000 ordinary shares of US$0.0001 each. One subscriber Share was issued at par for cash.

(b) As part of the Reorganisation:

(i) on 23 March 2012, the Company allotted and issued 69,999,999 new Shares as nil-paid which were subsequently credited as fully paid on 16 April 2012.

(ii) On 27 March 2012, the Company allotted and issued 30,000,000 new Shares at an aggregate subscription price of HK$25,000,000 in cash.

(c) In connection with the Company's global offering completed on 23 January 2013 ("Global Offering"), the Company issued 60,000,000 Shares of US$0.0001 each at a price of HK$1.5 per Share for a total subscription price (before related fees and expenses) of HK$90,000,000. Dealings in the Shares on the Main Board of the Stock Exchange commenced on 23 January 2013.

(d) Pursuant to a resolution in writing of all shareholders of the Company (the "Shareholders") passed on 3 January 2013, 80,000,000 Shares were allotted and issued and credited as fully paid at par to the Shareholders whose names appeared on the register of members of the Company on such date in proportion to their then existing respective shareholdings by way of capitalising a sum of US$8,000 (equivalent to HK$62,000) standing to the credit of the share premium account of the Company, immediately following the completion of the Global Offering. All the Shares allotted and issued pursuant to this resolution ranked pari passu in all respects with the then existing issued Shares.

28. Reserves

Group

Details of the movements in the reserves of the Group during the year are set out in the consolidated statement of changes in equity.

Share premium

The share premium account of the Group represents the premium arising from the issuance of Shares at premium.

Capital reserve

Capital reserve represents the difference between issued share capital of the Company and the aggregate nominal value of the respective share capital/paid-in capital of the companies now comprising the Group. The capital reserve also resulted from the acquisition of additional interest in a subsidiary which represents the difference between fair value of the considerations given and the carrying amount of the net assets attributable to the additional interest in a subsidiary acquired from non-controlling interests.

Statutory reserve

In accordance with the Company Law of the PRC, the Company's subsidiary registered in the PRC is required to appropriate 10% of the annual statutory net profit after taxation (after offsetting any prior years' losses) to the statutory reserve fund. When the balance of the statutory reserve fund reaches 50% of the entity's registered capital, any further appropriation is optional. The statutory reserve fund can be utilised to offset prior years' losses or to increase the registered capital. However, such balance of the statutory reserve fund must be maintained at a minimum of 50% of the registered capital after such usages.

Translation reserve

The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of the Group's presentation currency. Movements in this account are set out in the consolidated statement of changes in equity.

28. Reserves *(continued)*

Company

	Share premium HKD'000	Accumulated losses HKD'000	Total HKD'000
At date of incorporation (14 March 2012)	—	—	—
Shares issued	24,977	—	24,977
Loss for the period and total comprehensive income for the period	—	—	—
At 31 March 2012 and 1 April 2012	**24,977**	**—**	**24,977**
Reduction in share premium upon Reorganisation *(note 27 (b)(i))*	**(54)**	**—**	**(54)**
Issuance of ordinary shares in connection with the Global Offering *(note 27 (c))*	**89,953**	**—**	**89,953**
Share capitalisation *(note 27 (d))*	**(62)**	**—**	**(62)**
Share issue expenses	**(10,766)**	**—**	**(10,766)**
Loss for the year and total comprehensive income for the year	**—**	**(15,345)**	**(15,345)**
At 31 March 2013	**104,048**	**(15,345)**	**88,703**

29. Related Party Transactions

(i) In addition to the transactions detailed elsewhere in this Annual Report, the Group had the following material transactions with related parties during the year:

Relationship/name of related party	Nature of transaction	Year ended 31 March 2013 HK$'000	2012 HK$'000
Companies controlled by Mr. Lau Ho Ming, Peter and the non-executive Chairperson, Madam Li Man Yee, Stella or their close family member			
King Wealth International Limited	Rental expenses (a)	**—**	600
Goldrich International Limited	Rental expenses (a)	**144**	120
Goldrich International Properties Limited	Rental expenses (a)	**144**	112
First Investor Limited	Rental expenses (a)	**—**	240
Loyal Gold (Hong Kong) Limited	Rental expenses (a)	**1,176**	—
		1,464	1,072
Directors/Non-executive Chairperson			
Mr. Lau Ho Ming, Peter	Rental expenses (a)	**42**	42
Madam Li Man Yee, Stella	Rental expenses (a)	**288**	258
		330	300
Key Management			
Mr. Kwong Ka Wing	Interest expense (b)	**—**	75

29. Related Party Transactions *(continued)*

(i) *(continued)*

(a) The rental expenses paid to King Wealth International Limited, Goldrich International Limited, Goldrich International Properties Limited, First Investor Limited, Loyal Gold (Hong Kong) Limited, Mr. Lau Ho Ming, Peter and the non-executive Chairperson, Madam Li Man Yee, Stella were mutually agreed between the Group and the related parties.

(b) Interest was paid by the Group at the rate of 10% per annum.

(ii) Compensation of key management personnel of the Group, including Directors' remuneration as disclosed in note 11(a) to the consolidated financial statements, is as follows:

	Year ended 31 March	
	2013	2012
	HK$'000	HK$'000
Salaries, allowances and benefits in kind	**6,011**	4,564
Pension scheme contributions	**165**	154
	6,176	4,718

(iii) As at 31 March 2012, the banking facilities and interest-bearing bank borrowings of the Group were supported by personal guarantees executed by one of the Directors, Mr. Lau Ho Ming, Peter (note 26) and corporate guarantee by related companies (note 26). During the year, the guarantees by the Director and related companies were replaced by the Company's corporate guarantees and cross guarantees from the Company's subsidiaries, which are Qualiman Industrial Co. Limited, Qualiman Technology & Products Co. Limited and Sunmart Company Limited.

(iv) Details of the Group's balances with related parties are disclosed in note 25 to the consolidated financial statements.

The Group has not made any provision on impairment for bad or doubtful debts in respect of related parties debtors nor has any guarantee been given or received during the year regarding related party balances.

(v) As at 31 March 2012, the Group has provided financial guarantees to related companies, Loyal Gold (Hong Kong) Limited, Goldrich International Limited, and Goldrich International Properties Limited for obtaining mortgage loans. The related companies are controlled by a Director, Mr. Lau Ho Ming, Peter and the non-executive Chairperson, Madam Li Man Yee, Stella. The financial guarantee contracts were cancelled during the year. Details are disclosed in note 30 to the consolidated financial statements.

30. Contingent Liabilities

Group

As at 31 March 2012, the Group has executed financial guarantees in respect of bank loans of related companies of the Group. Pursuant the financial guarantee contracts, the Group would be liable to repay the bank loans if the loans are irrecoverable. The financial guarantee contracts were subsequently cancelled during the year. At 31 March 2012, the outstanding balances of the bank loans were HK$21,346,000. The Group's maximum exposure under the financial guarantee contracts was equivalent to the amount outstanding at the end of the reporting period. No provision for the Group's obligation under the financial guarantee contracts has been made as the financial guarantee contracts were cancelled during the year (2012: Nil).

Company

The Company has granted a guarantee to secure the loans of its subsidiaries as at 31 March 2013 (2012: Nil).

31. Operating Lease Arrangements

Group

As lessee

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

As at 31 March 2013, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	At 31 March	
	2013	2012
	HK$'000	HK$'000
Within one year	**2,170**	—
In the second to fifth years, inclusive	**1,919**	—
	4,089	—

Company

The Company did not have any minimum lease payments under non-cancellable operating leases as at 31 March 2013 (2012: Nil).

32. Capital Commitments

Group

As at 31 March 2013, the commitments for the acquisition of property, plant and equipment:

	At 31 March	
	2013	2012
	HK$'000	HK$'000
Contracted, but not provided for, in respect of acquisition of property, plant and equipment	**634**	8,351

Company

The Company did not have any significant capital commitment as at 31 March 2013 (2012: Nil).

33. Financial Instruments by Category

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

Financial assets

	Group At 31 March	
	2013	2012
	HK$'000	HK$'000
Held for trading at fair value through profit or loss:		
Derivative financial instruments	**1,014**	6,191
Loans and receivables:		
Trade receivables	**58,473**	83,829
Deposits and other receivables	**2,252**	2,171
Amounts due from a related company	**—**	7,740
Cash and cash equivalents	**80,391**	40,485
	142,130	140,416

	Company At 31 March	
	2013	2012
	HK$'000	HK$'000
Loans and receivables:		
Amounts due from subsidiaries	**29,730**	25,000
Amount due from a shareholder	**—**	54
Cash and cash equivalents	**59,890**	—
	89,620	25,054

33. Financial Instruments by Category *(continued)*

Financial liabilities

The Group's financial liabilities at the end of the reporting period which are categorised as financial liabilities at amortised cost are as follows:

	Group At 31 March 2013 HK$'000	Group At 31 March 2012 HK$'000
Financial liabilities measured at amortised cost:		
Trade payables	**50,969**	83,025
Accruals and other payables	**31,439**	56,308
Amount due to a director	**—**	52
Loan from a director	**—**	15,000
Interest-bearing bank borrowings	**50,937**	76,164
	133,345	230,549

	Company At 31 March 2013 HK$'000	Company At 31 March 2012 HK$'000
Financial liabilities measured at amortised cost:		
Accruals	**570**	—
	570	—

34. Financial Risk Management Objectives and Policies

The Group's principal financial instruments comprise trade and other receivables, cash and cash equivalents, trade payables, accruals and other payables and bank borrowings. The Group has various other financial assets and liabilities such as derivative financial instruments and balances with related party and a Director.

It is, and has been, through the year, the Group's policy that no trading in financial instruments shall be undertaken.

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

Foreign currency risk

Substantially all the transactions of the Group's subsidiaries in Hong Kong are carried out in US$ and HK$. As HK$ is linked to US$, the Group does not have material exchange rate risk on such currency.

The expenses or expenditures incurred in the operations of the Group's subsidiary in the PRC were denominated in RMB, which expose the Group to foreign currency risk.

34. Financial Risk Management Objectives and Policies *(continued)*

Foreign currency risk *(continued)*

As at 31 March 2013, the carrying amounts of significant monetary assets and monetary liabilities denominated in currencies other than the Group's functional currency are as follows:

	Year ended 31 March	
	2013	2012
	HK$'000	HK$'000
Liabilities		
United States Dollars	**4,562**	5,143
Renminbi	**15,557**	15,210
	20,119	20,353
Assets		
United States Dollars	**37,620**	58,090
Renminbi	**2,389**	9,723
	40,009	67,813

The RMB is not a freely convertible currency. Future exchange rates of the RMB could vary significantly from the current or historical exchange rates as a result of controls that could be imposed by the PRC government. The exchange rates may also be affected by economic developments and political changes domestically and internationally, and the demand and supply of the RMB. The appreciation or devaluation of RMB against HK$ and US$ may have impact on the operating results of the Group.

The following table demonstrates the sensitivity analysis of the carrying amounts of significant monetary assets and monetary liabilities denominated in RMB at the end of the reporting period if there was a 5% change in the exchange rate of HK$ against RMB, with all other variables held constant, of the Group's profit after tax.

	Increase/ (decrease) in RMB rate	**Increase/ (decrease) in profit after tax**
	%	HK$'000
31 March 2013		
If HK$ weakens against RMB	**5%**	**(550)**
If HK$ strengthens against RMB	**(5%)**	**550**
31 March 2012		
If HK$ weakens against RMB	5%	(229)
If HK$ strengthens against RMB	(5%)	229

34. Financial Risk Management Objectives and Policies *(continued)*

Foreign currency risk *(continued)*

The Group has non-deliverable forward contracts to manage the foreign currency risk arising from fluctuation in exchange rates of the RMB against the US$. The Group implemented a foreign currency forward contract policy in relation to the foreign currency forward contracts during the year. The Group performed analysis for entering into the monitoring of the foreign currency forward contracts. As ongoing monitoring and control of the risk exposure, the management would review the existing forward contracts, perform the cash flow analysis and evaluate the gain and loss positions of the forward contracts on a monthly basis in accordance with the Group's risk management policy. The foreign exchange exposure reports would be presented to the Board for review on a quarterly basis.

The following table demonstrates the sensitivity analysis of the foreign currency forward contracts denominated in US$ at the end of the reporting period if there was 5% change in the exchange rate of the RMB against the US$, with all other variables held constant, of the Group's profit after tax.

	Increase/ (decrease) in RMB rate %	Increase/ (decrease) in profit after tax HK$'000
31 March 2013		
If RMB weakens against US$	**(5%)**	**(2,712)**
If RMB strengthens against US$	**5%**	**5,120**
31 March 2012		
If RMB weakens against US$	(5%)	(46,678)
If RMB strengthens against US$	5%	8,417

As at 31 March 2013, the notional amount of these outstanding forward contracts were US$10.0 million (2012: US$28.6 million).

Credit risk

The Group's credit risk is primarily attributable to its trade receivables. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

In respect of trade receivables, individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customers as well as pertaining to the economic environment in which the customers operate. Ongoing credit evaluation is performed on the financial condition of trade customers and, where appropriate, credit guarantee insurance cover is purchased. Normally, the Group does not obtain collateral from customers. The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The default risk of the industry and country in which customers operate also has an influence on credit risk but to a lesser extent. As at 31 March 2013, the trade receivables from the five largest debtors represented 86% (2012: 89%) of the total trade receivables, while the largest debtor represented 39% (2012: 35%) of the total trade receivables. Given the credit worthiness and reputation of the major debtors, management believes the risk arising from concentration is manageable and not significant.

34. Financial Risk Management Objectives and Policies *(continued)*

Liquidity risk

The Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

The following tables show the remaining contractual maturities at the end of the reporting period of the Group's financial liabilities, based on undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the reporting date) and the earliest date the Company can be required to pay.

	Carrying amount HK$'000	Total contractual undiscounted cash flow HK$'000	Within 1 year or on demand HK$'000
Group			
31 March 2013			
Trade payables	50,969	50,969	50,969
Accruals and other payables	31,439	31,439	31,439
Interest-bearing bank borrowings subject to a repayment on demand clause	50,937	50,937	50,937
	133,345	133,345	133,345
Company			
31 March 2013			
Accruals	570	570	570

	Carrying amount HK$'000	Total contractual undiscounted cash flow HK$'000	Within 1 year or on demand HK$'000
Group			
31 March 2012			
Trade payables	83,025	83,025	83,025
Accruals and other payables	56,308	56,308	56,308
Amount due to a director	52	52	52
Loan from a director	15,000	15,000	15,000
Bank overdraft	658	658	658
Interest-bearing bank borrowings subject to a repayment on demand clause	75,506	75,506	75,506
	230,549	230,549	230,549

34. Financial Risk Management Objectives and Policies *(continued)*

Liquidity risk *(continued)*

Specifically, for bank borrowings which contain a repayment on demand clause which can be exercised at the bank's sole discretion, the above analysis shows the cash outflow based on the earliest period in which the Group can be required to pay, that is if the lenders were to invoke their unconditional rights to call the loans with immediate effect.

The table that follows summarises the maturity analysis of bank borrowings with a repayment on demand clause based on agreed scheduled repayment dates set out in the loan agreements. The amounts include interest payments computed using contractual rates. As a result, these amounts were greater than the amounts disclosed in the "within 1 year or on demand" time band in the maturity analysis above. Taking into account the Group's financial position, the Directors do not consider that it is probable that the bank will exercise its discretion to demand immediate repayment. The Directors believe that such bank borrowings will be repaid in accordance with the scheduled repayment dates set out in the loan agreements.

	Maturity analysis — bank loans subject to repayment on demand clause based on scheduled repayments			
	Within 1 year HK$'000	**More than 1 year but less than 2 years** HK$'000	**More than 2 years but less than 5 years** HK$'000	**Total contractual undiscounted cash flow** HK$'000
At 31 March 2013	**51,164**	**502**	**—**	**51,666**
At 31 March 2012	74,068	1,218	502	75,788

Interest rate risk

Interest-bearing financial assets are mainly bank balances which are all short-term in nature. Interest-bearing financial liabilities are mainly bank loans with fixed interest rates which expose the company to fair value interest rate risk. The interest rates and terms of repayment of the bank borrowings are disclosed in note 26 to the consolidated financial statements.

Fair values

The financial assets measured at fair value in the consolidated statement of financial position in accordance with the fair value hierarchy are described below. The hierarchy groups financial assets into three levels based on the relative reliability of significant inputs used in measuring the fair value of these financial assets. The fair value hierarchy has the following levels:

— Level 1: quoted prices (unadjusted) in active markets for identical assets;

— Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

— Level 3: inputs for the asset that are not based on observable market data (unobservable inputs).

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

The Group's derivative financial instruments in the consolidated statement of financial position of approximately HK$1,014,000 as at 31 March 2013 (2012: HK$6,191,000) are grouped into level 2 of the fair value hierarchy.

34. Financial Risk Management Objectives and Policies *(continued)*

Fair values *(continued)*

The fair values of foreign currency forward contracts are measured using quoted forward exchange rates and yield curves derived from quoted interest rates.

Capital management

The capital structure of the Group consists of debts, which includes amount due to a director and loan from a director disclosed in note 25, the borrowings disclosed in note 26 and equity attributable to the owners of the Company, comprising share capital and reserves as disclosed in notes 27 and 28 respectively. The Group's risk management reviews the capital structure on a semi-annual basis. As part of this review, the management considers the cost of capital and the risks associated with each class of capital.

	At 31 March	
	2013	2012
	HK$'000	HK$'000
Debt	**50,937**	91,216
Equity	**201,739**	99,810
Debt to equity ratio	**25.2%**	91.4%

Four-Year Financial Summary

A summary of the results and of the assets and liabilities of the Group for the last four financial years is prepared on the basis set out in the notes below:

Results

	Year ended 31 March			
	2013	2012	2011	2010
	HK$'000	HK$'000	HK$'000	HK$'000
REVENUE	**794,098**	876,667	729,776	803,432
Cost of sales	**(696,458)**	(777,295)	(650,682)	(713,240)
Gross profit	**97,640**	99,372	79,094	90,192
Other income and gains	**10,383**	15,648	12,396	5,580
Selling expenses	**(20,163)**	(22,306)	(22,141)	(36,473)
Administrative expenses	**(52,384)**	(32,646)	(35,715)	(31,672)
Loss on liquidation of an associate	**—**	—	(17,149)	—
Share of profits of an associate	**—**	—	—	6,149
Finance costs	**(1,985)**	(1,900)	(760)	(700)
PROFIT BEFORE INCOME TAX EXPENSE	**33,491**	58,168	15,725	33,076
Income tax expense	**(10,800)**	(10,492)	(6,229)	(6,314)
PROFIT FOR THE YEAR	**22,691**	47,676	9,496	26,762

Assets and Liabilities

	As at 31 March			
	2013	2012	2011	2010
	HK$'000	HK$'000	HK$'000	HK$'000
TOTAL ASSETS	**338,732**	337,090	276,930	243,006
TOTAL LIABILITIES	**(136,993)**	(237,280)	(196,676)	(173,197)
	201,739	99,810	80,254	69,809

Notes:

(i) *The summary of the consolidated results of the Group for each of the two years ended 31 March 2010 and 2011 and of the assets and liabilities as at 31 March 2010 and 2011 have been extracted from the Prospectus dated 11 January 2013. Such summary was prepared as if the current structure of the Group had been in existence throughout these financial years.*

(ii) *The consolidated results of the Group for each of the two years ended 31 March 2012 and 2013 and the consolidated assets and liabilities of the Group as at 31 March 2012 and 2013 are those set out on pages 32 to 34 of this Annual Report. Such summary was prepared as if the current structure of the Group had been in existence throughout these financial years.*

The financial information for the year ended 31 March 2009 was not disclosed as consolidated financial statements for the Group have not been prepared for that year. The summary above does not form part of the audited financial statements.