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

(Incorporated in the Cayman Islands with limited liability)
Stock code : 1348

Annual Report **2014**

* For identification purpose only

Contents

Corporate Information

BOARD OF DIRECTORS

Executive Directors

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

Non-executive Directors

Madam Li Man Yee, Stella
Mr. Chu Sheng Yu, Lawrence

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. Chu Sheng Yu, Lawrence
Mr. Ng Kam Seng

COMPANY SECRETARY

Ms. Cheung Chung Yee, Fendi

AUTHORIZED REPRESENTATIVES

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

COMPLIANCE ADVISER

Guosen Securities (HK) Capital Company Limited
Unit 1604–6
Infinitus Plaza
199 Des Voeux Road Central
Hong Kong

AUDITOR

BDO Limited
25th Floor, Wing On Centre
111 Connaught Road 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
PRC

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

Corporate Information

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
Level 22, Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

COMPANY'S WEBSITE

www.quali-smart.com.hk

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

Biographical Details of Directors and Senior Management

EXECUTIVE DIRECTORS

Mr. Lau Ho Ming, Peter

Mr. Lau Ho Ming, Peter, aged 59, was appointed as a Director on 14 March 2012. He is the Executive Chairman 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, a non-executive Director.

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 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 outstanding entrepreneur award from 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 47, 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 33, 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.

NON-EXECUTIVE DIRECTORS

Madam Li Man Yee, Stella

Madam Li Man Yee, Stella, aged 52, was appointed as a Director on 23 March 2012. Her role as a non-executive Director took effect on 3 January 2013. She is one of the co-founders of the Group and also a director of each subsidiary of the Company.

Madam Li has experience of around 20 years in toy business. She co-founded with Mr. Lau Ho Ming, Peter, the Executive Chairman, 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. Chu Sheng Yu, Lawrence

Mr. Chu Sheng Yu, Lawrence, aged 34, was appointed as a non-executive Director with effect from 22 June 2013. He is also a member of the Corporate Governance Committee of the Board. He is currently the co-founder and Managing Partner of BlackPine Zheng He Capital Management Limited. He serves as a member of the board of directors of AMTD Asia (Holdings) Limited, a subsidiary of Cheung Kong Holdings (stock code: 0001). Mr. Chu previously worked as a portfolio manager at UBS O'Connor in Hong Kong. Prior to UBS O'Connor, Mr. Chu was a strategy executive in the Chairman's office of EMI Music. He began his career at UBS Warburg in the technology and M&A investment banking groups in London and Hong Kong.

Mr. Chu graduated from University of Chicago with a Bachelor of Arts in Economics. He is a member of the Hong Kong United Youth Association, Hong Kong Private Equity and Venture Capital Association serving on the Venture Committee, and the Chinese General Chamber of Commerce serving on the Young Executive's Committee. Mr. Chu is a governor-elect of the Alumni Board of Governors at the University of Chicago in the United States, serves on the board of governors of the Chinese International School in Hong Kong, and is a member of the board of directors of the Tung Wah Group of Hospitals in Hong Kong.

INDEPENDENT NON-EXECUTIVE DIRECTORS

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

Mr. Leung Po Wing, Bowen Joseph *GBS, JP*, aged 64, 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.

Mr. Chan Siu Wing, Raymond

Mr. Chan Siu Wing, Raymond, aged 49, 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.

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, including Orient Energy and Logistics Holdings Limited (which was delisted from the Frankfurt Stock Exchange on 15 December 2012) for the period from June 2011 to September 2011. He currently holds the office of an independent non-executive director of each of Phoenitron Holdings Limited (stock code: 8066), a company listed on the Growth Enterprise Market of the Stock Exchange, Nature Flooring Holding Company Limited (formerly known as China Flooring Holding Company Limited) (stock code: 2083) and Hong Kong Finance Group Limited (stock code: 1273), both companies whose shares are listed on the Main Board of the Stock Exchange.

Mr. Chu, Raymond

Mr. Chu, Raymond, aged 48, was appointed as the 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 managing director and head of Sales and Trading Division under Guosen Securities (HK) Brokerage Company Limited. 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 57, 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 in January 1999, Mr. Hau 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 52, is the general manager of engineering & quality of the Group. Mr. Kwong is responsible for our product engineering development and the quality assurance of the products. 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 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.

Chairman's Statement

On behalf of the Board, I am pleased to present the consolidated financial statements of the Group for the year ended 31 March 2014. Despite the severe competition and the weak economies in the North America and the Western Europe and new operating challenges posed by the increasing popularity of e-commerce, the Group strived to control the production costs and other operating expenses and maintained a stable financial position.

PERFORMANCE

The sales revenue for the year ended 31 March 2014 was approximately HK$773.2 million, representing a minor decrease of 2.6% from last financial year. We faced great pressure in maintaining the gross profit margin as result of the appreciation of Renminbi, the increase in material and production labour costs and a general tightening of pricing of our customers arising from competitions from e-commerce distribution channels. Nevertheless, we managed to stream line the other production costs and administrative expenses. The profit for the year ended 31 March 2014 decreased by approximately HK$2.5 million from approximately HK$22.7 million to HK$20.2 million.

North America was still our largest market which accounted for more than 50% of our total sales revenue. We are pleased to note that the confidence from the customers in North America resumed gradually and we explored two new prosperous customers to expand our customer base during the financial year.

With the stable liquidity of the Group, the Board is pleased to propose a final dividend for the year ended 31 March 2014 of HK cents 2 per share. Inclusive of the interim dividends of HK cents 5 per share declared and paid during the year, the total dividends declared by the Company for the year ended 31 March 2014 amounted to HK cents 7 per share, representing a payout ratio of about 83%.

DEVELOPMENT, CHALLENGE AND OPPORTUNITY

The office space in the current Hong Kong headquarters is very limited and due to the expansion of the Group, it has become necessary for the Group to locate a new headquarters in Hong Kong. I would like to take this opportunity to thank our shareholders for their support and approval on the acquisition of a new property which allows foreseeable expansion of the group after the listing.

Looking ahead, the markets where our major customers do their businesses are still uncertain that our sales volume and margins are under pressure. Distribution channels through Internet e-commerce websites put a substantial of pricing pressure on our customers' products, which effects filter through the supply chain. We will reallocate more resources to those customers which generate better margins. The increasing prevalence of e-commerce means that we will need to be more nimble in our manufacturing capabilities and be able to respond to changes in the markets quickly and an extension of the traditional "low" season for manufacturing, which will increase our overheads burden. On the other hand, the decrease in Renminbi exchange rate in early 2014 and the expected steadiness in the remaining 2014 is favourable to slow down the inflation in our production costs. We will continue to improve our efficiency, explore new customers, and increase automation in production to reduce reliance on labours. In addition, we also commit to be a responsible corporate citizen. Resources would be allocated to contribute to the community and help protect the environment.

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 the year. We commit to keep our efforts to generate substantial returns to our shareholders.

Lau Ho Ming, Peter
Executive Chairman

Hong Kong, 24 June 2014

CORPORATE GOVERNANCE PRACTICES

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. The Company adopted the Corporate Governance Code set out in Appendix 14 (the "Code") of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules") as its own code of corporate governance practice. Throughout the year ended 31 March 2014 (the "Financial Year"), the Company has complied with all applicable code provisions under the Code with the exception discussed herein below.

Code A.2.1

Pursuant to the code provision under the Code, the roles of chairman and chief executive should be separate and should not be performed by the same individual. The post of chief executive officer of the Group has been vacant since the redesignation of Mr. Lau Ho Ming, Peter as the Executive Chairman of the Company with effect from 25 November 2013. He ceased to act as the chief executive officer of the Group ("CEO") since then. The role of chief executive has been borne by all executive Directors. The Directors believe such arrangement would achieve a better balance of power and responsibilities.

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, each Director has complied with the required standards set out in the Model Code during the Financial Year 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.

THE BOARD

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 senior management who perform their duties.

During the Financial Year and up to the date of this report, the Board comprised the following:

Executive Directors

Mr. Lau Ho Ming, Peter *(Executive Chairman, redesignated with effect from 25 November 2013)*
Mr. Poon Pak Ki, Eric
Mr. Ng Kam Seng

Non-executive Directors

Madam Li Man Yee, Stella *(resigned as the Chairperson with effect from 25 November 2013)*
Mr. Chu Sheng Yu, Lawerence *(appointed with effect from 22 June 2013)*
Mr. Tang Yu Ming , Nelson *(resigned with effect from 22 June 2013)*

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 Director has entered into a service contract with the Company with a term of 3 years, subject to renewal, while the non-executive Directors and INEDs were appointed with a fixed term of 12 months, subject to renewal. Pursuant to the Article of Association of the Company, one-third of the Directors are subject to retirement at annual general meeting of the Company at least once every three years. All retiring Directors shall be eligible for re-election. At the annual general meeting of the Company held on 23 August 2013 ("2013 AGM"), Messrs. Lau Ho Ming, Peter, Poon Pak Ki, Eric, Chan Siu Wing Raymond and Chu Sheng Yu, Lawrence retired and were re-elected as a Director by the shareholders of the Company ("Shareholders"). 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" 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 program to the newly appointed Directors upon their appointment. The program contained an overview of directors' responsibilities and obligations of a listed issuer, and was designed to further their knowledge and understanding of the Group's culture and operations. An induction program was held for Mr. Chu Sheng Yu, Lawrence, who joined the Board as a non-executive Director on 22 June 2013. On-going development and training of Directors is encouraged so that they can perform their duties appropriately. The company secretary of the Company (the "Company Secretary") regularly circulated details of training courses which may be of interest to Directors. Directors are encouraged to attend relevant training courses at the Company's expense.

Board Proceedings

The Board convened four regular meetings in the Financial Year with intervals of not more than 4 months. 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 Chairman 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 Board members 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 Directors.

CHAIRMAN AND CHIEF EXECUTIVE

Before the redesignation of directorship of Mr. Lau Ho Ming, Peter and Madam Li Man Yee, Stella in November 2013, the roles of the Chairperson and the CEO was clearly separated. The Chairperson was 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.

With effect from 25 November 2013, Mr. Lau Ho Ming, Peter was redesignated as the Executive Chairman and ceased to act as the CEO. The post of CEO has been vacant and the role of chief executive is taken up by all the executive Directors to ensure a balance of power and responsibilities has been maintained.

The Executive Chairman held a meeting with non-executive Directors, without presence of other executive Directors, during the Financial Year, to review the performance of the executive Directors and communicated among the non-executive Directors their concerns on the operations and control procedures. The Board adopted the recommendation from the non-executive Directors.

BOARD COMMITTEES

The 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 websites of the Company and Hong Kong Exchanges and Clearing Limited.

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. Chu Sheng Yu, Lawrence *(appointed effective 22 June 2013)*
Mr. Tang Yu Ming, Nelson *(resigned effective 22 June 2013)*
Mr. Ng Kam Seng

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

Number of regular meetings of the Board and Board committees held during the Financial Year and the attendance of Directors and Board committee members are as follows:

	Meetings Attended/Held					
	Board	Non-executive Directors	Audit Committee	Remuneration Committee	Nomination Committee	Corporate Governance Committee
Executive Directors						
Lau Ho Ming, Peter	4/4	1/1	N/A	1/1	1/1	N/A
Poon Pak Ki, Eric	4/4	N/A	N/A	N/A	N/A	N/A
Ng Kam Seng	4/4	N/A	N/A	N/A	N/A	1/1
Non-executive Directors						
Li Man Yee, Stella	3/4	0/1	N/A	N/A	N/A	N/A
Chu Sheng Yu, Lawrence*	3/3	1/1	N/A	N/A	N/A	1/1
Tang Yu Ming, Nelson*	1/1	N/A	N/A	N/A	N/A	N/A
Independent Non-executive Directors						
Leung Po Wing, Bowen Joseph	4/4	1/1	2/2	N/A	1/1	N/A
Chan Siu Wing, Raymond	1/1	4/4	1/1	2/2	1/1	N/A
Chu, Raymond	4/4	1/1	2/2	1/1	1/1	N/A

* *Mr. Tang Yu Ming, Nelson resigned as a non-executive Director and a member of the Corporate Governance Committee with effect from 22 June 2013 and Mr. Chu Sheng Yu, Lawrence was appointed as a non-executive Director and a member of the Corporate Governance Committee with effect from 22 June 2013.*

AUDIT COMMITTEE

The Company established an audit committee of the Board (the "Audit Committee") 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 Audit Committee should hold at least 2 regular meetings in each financial year. The chairman of the Audit Committee, Mr. Chan Siu Wing, Raymond, has the appropriate professional qualifications and all members of the Audit Committee are INEDs. 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 work of the Audit Committee during the Financial Year was summarized as follows:

1. reviewed the continuing connected transactions for the year ended 31 March 2013;

2. reviewed the consolidated financial statements for the year ended 31 March 2013;

3. approved and recommended the engagement of BDO Limited, the auditor of the Company (the "Auditor") to perform agreed-upon procedures review services;

4. reviewed the condensed consolidated financial statements for the interim period ended 30 September 2013;

5. reviewed the independence of the Auditor;

6. approved the Auditor's remuneration and other terms of engagement for the year ended 31 March 2014;

7. reviewed and adopted the scope of statutory audit for the year ended 31 March 2014;

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

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

10. reviewed the Auditor's significant findings and management letter points and management's response to the recommendations raised.

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.

The Audit Committee and the Board reviewed the effectiveness of the Group's internal control systems and are of the view that the internal control systems are adequate and effective to safeguard Shareholders' investment and assets of the Group.

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 of the Group. The transactions are summarized as follows:

	Date of agreements	Nature of transactions	Connected persons	For the year ended 31 March 2014 HK$'000	2013 HK$'000
(a)	27 June 2012	Leasing of a property from a Director for workshop use	*(i)*	**144**	144
(b)	27 June 2012	Leasing of a property from a Director for workshop use	*(i)*	**144**	144
(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**	144
(e)	27 June 2012	Leasing of a property from a related company for storage facilities	*(iv)*	**144**	144
(f)	27 June 2012	Leasing of a property from a related company for Directors' quarter	*(v)*	**1,176**	1,176
Total				**1,794**	1,794

Connected persons:

(i) Madam Li Man Yee, Stella ("Madam Li"), a non-executive Director

(ii) Mr. Lau Ho Ming, Peter ("Mr. Lau"), the executive Chairman

(iii) Goldrich International Limited, a company principally interested 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

The Auditor reviewed the above continuing connected transactions and issued a letter of confirmation to the Board, a copy of which would be provided to the Stock Exchange, confirming that:

1. nothing has come to its attention that causes it to believe that the disclosed continuing connected transactions have not been approved by the Board;

2. nothing has come to its attention that causes it to believe that the disclosed continuing connected transactions were not entered into, in all material respects, in accordance with the relevant agreements governing such transactions; and

3. with respect to the aggregate amount of the disclosed continuing connected transactions, nothing has come to its attention that causes it to believe that the disclosed continuing connected transactions have exceeded the maximum aggregate annual value disclosed in the Prospectus issued by the Company 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 continuing connected 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 continuing connected 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 as a whole; and

3. the annual amount of the above continuing connected transactions for the year ended 31 March 2014 did not exceed the proposed annual cap amount of HK$1,794,000 as disclosed in the Prospectus.

The Company confirms that it has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules.

Review of the Consolidated Financial Statements for the year ended 31 March 2014

On the date of this report, the Audit Committee reviewed the consolidated financial statements for the year ended 31 March 2014 (the "2014 Financial Statements") in conjunction with the Auditors and management. Based on the review and discussions with management, the Audit Committee was satisfied that the 2014 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 2014.

Re-appointment of the Auditor

The Audit Committee was satisfied with the Auditor's work, its independence and objectivity and therefore recommended the re-appointment of the Auditor for the Shareholders' approval at the forthcoming annual general meeting.

REMUNERATION COMMITTEE

The Company established a remuneration committee of the Board ("Remuneration Committee") 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 Remuneration Committee should hold at least one regular meeting in each financial year. 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 performed the following duties during the Financial Year:

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

2. approved and recommended the revise in salaries of the executive Directors, namely Messrs. Lau Ho Ming, Peter, Poon Pak Ki, Eric and Ng Kam Seng, and the senior management to reflect their contribution and prevailing marketing condition to the Group;

3. approved and recommended the discretionary bonus to the executive Directors and the senior management paid in the Financial Year; and

4. approved and recommended the grant of options pursuant to the terms and conditions of the share option scheme of the Company adopted on 3 January 2013.

Remuneration of Directors

The remuneration of Directors and the five highest paid employees for the year ended 31 March 2014 as required to be disclosed pursuant to Appendix 16 to the Listing Rules are set out in Notes 10(a) and 10(b) to the financial statement.

NOMINATION COMMITTEE

The Company established a nomination committee of the Board ("Nomination Committee") with written terms of reference in compliance with paragraphs A.5.1 and A.5.2 of the Code. The Nomination Committee should hold at least one regular meeting in each financial year. 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 Financial Year, the Nomination Committee performed the followings:

1. reviewed the reason for Mr. Tang Yu Ming, Nelson's resignation as a non-executive Director;

2. recommended the appointment of Mr. Chu Sheng Yu, Lawrence as a non-executive Director and a member of the Corporate Governance Committee (as defined below) and reviewed his letter of appointment;

3. reviewed and recommended the adoption of the Board Diversity Policy and the objectives and targets set for implementing the Board Diversity Policy;

4. reviewed and recommended the adoption of revised terms of reference of the Nomination Committee with reference to the Board Diversity Policy;

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

6. reviewed the independence of the INEDs; and

7. reviewed the time commitment of non-executive Directors.

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. The Nomination Committee was also satisfied that the Board composition has met all the diversity criteria, namely the age, gender and professional background of the Directors, as set in the objectives and targets adopted by the Company on 22 November 2013.

Independence of INEDs

To ensure objective and constructive opinion and viewpoints from the INEDs, the independence of the INEDs would be assessed upon appointments and reviewed annually and at any other time where the circumstances suggest appropriate. The Company also received a written confirmation from each of the INEDs confirming his independence during the Financial Year and up to the date of this report. The Nomination Committee together with the Board considered each of the INEDs to be independent.

Board Diversity Policy

The Board Diversity Policy was adopted by the Board on 22 November 2013. Under such policy, Board appointments will continue to be made on a merit basis and candidates will be considered against objective criteria, with due regard for the benefits of diversity on the Board. A diversity of perspectives shall be achieved through consideration of a number of factors, including but not limited to gender, age, cultural and educational background and professional experience. In forming its perspective on diversity, the Company will also take into consideration factors based on its own business and specific needs from time to time. The Board believes that such merit-based appointments will enable the Company to serve its customers, employees, Shareholders and other stakeholders well.

CORPORATE GOVERNANCE COMMITTEE

The Company established a corporate governance committee of the Board ("Corporate Governance Committee") with written terms of reference in compliance with paragraphs D.2 and D.3 of the Code. The Corporate Governance Committee should hold at least one regular meeting in each financial year. 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 our Board and to review and monitor our Company's policies and practices on compliance with legal and regulatory requirements.

During the Financial Year, the work of the Corporate Governance Committee is summarised as the follows:

1. reviewed and recommended the adoption of revised corporate governance manual;

2. reviewed the exception in compliance of the Code; and

3. reviewed the continuous professional development training obtained by the Directors.

AUDITOR'S REMUNERATION

During the Financial Year, the Group was charged HK$950,000 for auditing services and HK$165,000 for non-auditing services by the Auditors.

Services rendered	**Fees paid/payable** HK$'000
Audit services — annual audit	950
Non-audit services:	
— agreed-upon procedures review	80
— issue of letter of confirmation in respect of the continuing connected transactions	10
— taxation services	75
	1,115

ACCOUNTABILITY

The Board is responsible for overseeing the preparation of 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 regularly 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 2014 Financial Statements, the Board:

1. have adopted suitable accounting policies and applied them consistently;

2. have made judgments and estimates prudently and reasonably; and

3. 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 Chairman 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. During the Financial Year, 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 the Shareholders. 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.

Convening extraordinary general meeting on requisition by the Shareholders

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, to require an extraordinary 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 at 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.

Procedures for directing Shareholders' enquiries to the Board

Shareholders may at any time contact the Company Secretary at the principle place of business in Hong Kong for the Company's information to the extent such information is publicly available. The Company will endeavor to respond to their queries in a timely manner. Shareholders may also make enquiries with the Directors at their general meetings.

In addition, the Shareholders can contact Tricor Investor Services Limited, the Company's Hong Kong branch share registrar and transfer office, if they have any enquiries about their shareholdings and entitlements to dividends.

Procedures for putting forward proposals at general meetings by the Shareholders

A Shareholder may nominate person, other than a retiring Director and the Shareholder himself/herself, to be appointed as a Director ("Proposed Director") by submitting a duly signed written notice ("Nomination Notice") together with the Proposed Director's CV with contact details, a written record of Proposed Director's willingness to be elected, copy of identification documents, information and other details (including but not limited to details as required by Rule 13.51(2) of the Listing Rules or other applicable rules) of the Proposed Director, to the Company Secretary at the principle place of business in Hong Kong.

The period for lodgment of the Nomination Notice shall commence no earlier than the day after the despatch of the notice of a general meeting and end no later than 7 days prior to the date of such general meeting.

Other than the above concerning a proposal of a person for election as Director, Shareholders may follow the procedures set out in paragraph "Convening of extraordinary general meeting on requisition by Shareholders" above to convene an extraordinary general meeting for any business specified in such written requisition.

2013 AGM

All Directors attended 2013 AGM to hear views and to answer questions from the Shareholders. At 2013 AGM, separate resolutions were proposed on each substantial issue. All resolutions were passed by way of a poll and verified by the independent scrutineer, Tricor Investor Services Limited, the Company's Hong Kong branch registrar and transfer office.

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.

CHANGES AFTER THE FINANCIAL YEAR

This report takes into account the changes that have occurred since the Financial Year end and to the date of this report.

On behalf of the Board

Chan Siu Wing, Raymond
Chairman of the Corporate Governance Committee

Hong Kong, 24 June 2014

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.

The Group's revenue and net profit for the year ended 31 March 2014 were HK$773.2 million and HK$20.2 million, respectively, representing a modest decrease of 2.6% and 11.0% over the previous year. While the Group managed to expand its customer base by bringing in 2 new major customers, business environments remained challenging for the Group as labour costs and material costs continued to increase, leading to a decrease in gross margin from 12.3% for the year ended 31 March 2013 to 11.3% for the year ended 31 March 2014. The Group will continue to look for opportunities to expand its customer base, focus on clients that generate better margins and control its production costs.

FINANCIAL REVIEW

The Group's revenue for the year ended 31 March 2014 amounted to approximately HK$773.2 million, representing a minor decrease of 2.6% from that of last year of approximately HK$794.1 million. The decrease in revenue was mainly due to the decrease in sales orders from one of the top 10 customers last year and several other smaller customers which discontinued placing orders with their suppliers, including the Group. Nevertheless, the Group's revenue remained stable and the revenue from other top 10 customers recorded a slight increase.

Revenue from North America increased from approximately HK$415.7 million to approximately HK$430.4 million for the year ended 31 March 2014 due to a recovery from the rather conservative approach adopted by customers from that region in placing orders in 2013, while the revenue from Western Europe remained stable at approximately HK$243.2 million for the year ended 31 March 2014 as compared to that of last year of HK$245.2 million.

Gross profit of the Group for the year ended 31 March 2014 decreased by 10.6% to approximately HK$87.3 million from that of last year of approximately HK$97.6 million, which was mainly due to the difference of product mix and strong RMB appreciation, spiraling material costs and increasing labor costs.

The Group's net profit for the year ended 31 March 2014 decreased by 11.0% from approximately HK$22.7 million to approximately HK$20.2 million, which was mainly due to the decrease of gross profit and the write-off of an amount due from an insolvent customer of approximately HK$2.3 million.

Selling expenses mainly consisted of transportation fees and declaration fees. Selling expenses for the year ended 31 March 2014 slightly increased by 1.4% from approximately HK$20.2 million to approximately HK$20.4 million, which was mainly due to an increase in transportation cost and the frequency of transportation.

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 decreased by 6.3% from approximately HK$52.4 million to approximately HK$49.1 million, which was primarily due to the absence of the one-off financial impacts from the listing expenses which incurred for the global offering (the "Global Offering") set out in the prospectus of the Company dated 11 January 2013 (the "Prospectus") in the previous year.

Other income and gains mainly consisted of moulding income, net gain/loss on derivative financial instruments, interest income and others. Other income and gains remained stable at approximately HK$10.3 million for the year ended 31 March 2014, as compared to approximately HK$10.4 million for the year ended 31 March 2013.

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 2014 increased by 24.1% from approximately HK$2.0 million to approximately HK$2.5 million, which was primarily due to an increase in banking facilities in the form of factoring arrangement and the new banking facilities arising from financing the purchase of the Group's new headquarters.

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 for the year under audit decreased by 49.8% from approximately HK$10.8 million for the year ended 31 March 2013 to approximately HK$5.4 million, which was primarily due to lower taxable profit for the year ended 31 March 2014 and the absence of non-tax deductible expenses incurred for the Global Offering last year.

The inventories of the Group increased by 2.7% to approximately HK$157.7 million as at 31 March 2014 from that of last year of approximately HK$153.6 million, which was primarily due to the maintenance of inventories to cope with the anticipated sales in the upcoming peak season from June to July. The inventories turnover days, as calculated by dividing the average closing inventories by the cost of sales for the year and multiplied by 365 days, remained stable at 82.8 days for the year ended 31 March 2014, as compared with 82.7 days for the year ended 31 March 2013.

Trade receivables as at 31 March 2014 decreased from last year of approximately HK$58.5 million to approximately HK$28.2 million, which was primarily due to a non-recourse factoring arrangement with some of the customers which transferred the credit risks of the corresponding trade receivables to the banks providing the factoring facilities. 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. During the year ended 31 March 2014, a customer became insolvent and filed a bankruptcy case in the United States of America. Hence, the Group- wrote off the full amount of approximately HK$2.3 million due from this customer. The trade receivables turnover days, calculated as dividing the average closing trade receivables by the revenue for the year and multiplied by 365 days, for the year ended 31 March 2014 was 20.5 days as compared with 32.7 days for the year ended 31 March 2013. The decrease is in line with the Group's credit policy and the factoring arrangement.

Trade payables as at 31 March 2014 decreased from approximately HK$51.0 million to approximately HK$45.5 million, which was primarily due to the utilization of new banking facilities of import trade loans to settle payables according to the invoices in a timely fashion via lending banks during the year. The trade payables turnover days, calculated as 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 2014 were 25.7 days as compared with 35.1 days for the year ended 31 March 2013. The trade payables turnover days for the current year was shortened as compared to that of last year due to the utilization of new banking facilities of import trade loans to settle payables to our suppliers directly according to the invoices in a timely fashion via lending banks as a result faster on average then to settle payables via internal working capital according to the respective credit period agreed with the suppliers in the previous year.

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 2014. 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 2014, the Group mainly financed its working capital by internal resources and bank borrowings. As at 31 March 2014, cash and cash equivalents amounted to approximately HK$75.2 million (2013: approximately HK$80.4 million). The decrease was mainly due to the acquisition of the Group's new headquarters. Interest-bearing bank borrowings increased to approximately HK$108.5 million as at 31 March 2014 (2013: approximately HK$50.9 million) mainly as a result of new banking facilities obtained to finance the acquisition of the Group's new headquarters. As a result of an increase in bank borrowings during the year, the debt to equity ratio of the Group, calculated as the ratio of the closing debt balance divided by the closing total equity of the year, was approximately 51.6% as at 31 March 2014 (2013: approximately 25.2%). As at 31 March 2014, all bank borrowings were subject to floating interest rates.

The current ratio of the Group, calculated as dividing total current assets by total current liabilities, was approximately 1.8 as at 31 March 2014 (2013: approximately 2.2). Such decrease is mainly due to less trade receivables and higher bank borrowings due within 1 year, which is a mainly a result of new factoring facilities described above and the corresponding accounting treatments.

CHARGE ON ASSETS

As at 31 March 2014, certain of the Group's banking facilities and its interest-bearing bank borrowings are secured by properties of the Group located in Hong Kong with an aggregate net book value of HK$70,170,000 (2013: Nil). Details of the securities for the banking facilities are stated in note 25 to the consolidated financial statements.

CONTINGENT LIABILITIES

As at 31 March 2014, the Group had no contingent liabilities (2013: Nil).

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 2014, the Group had total future minimum lease payments under non-cancellable operating leases of approximately HK$1.9 million (2013: approximately HK$4.1 million), of which approximately HK$1.9 million (2013: approximately HK$2.2 million) would fall due within one year.

CAPITAL COMMITMENTS

As at 31 March 2014, the commitments of the Group for the leasehold improvements amounted to approximately HK$1.3 million (2013: approximately HK$0.6 million for property, plant and equipment) which has been contracted, but not provided for in the consolidated financial statements.

EMPLOYEES AND REMUNERATION POLICY

As at 31 March 2014, the Group had a total of 797 employees. Total staff costs, including Directors' remuneration, were approximately HK$54.5 million for the year ended 31 March 2014 as compared to approximately HK$50.2 million for last year. Remuneration policies in respect of the Directors and senior management of the Group are reviewed regularly by the remuneration committee of the Board 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. All Directors and employees are entitled to participate in a share option scheme of the Company adopted on 3 January 2013 (the "Share Option Scheme").

On 17 March 2014, share options were granted to certain individuals to subscribe for a total of 10,800,000 Shares at a subscription price of HK$1.00 per Share, subject to adjustment. The fair value of the share options of approximately HK$0.1 million has been recognised in the profit and loss for the year ended 31 March 2014 under the employee benefits expenses. Details of the Share Option Scheme are stated in the Directors' Report in this Annual Report and in note 28 to the consolidated financial statements.

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 2014.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

During the year, the Group acquired the entire issued share capital of Gold Prospect Capital Resources Limited ("Gold Prospect") from Mr. Lau and Madam Li, both Directors of the Company, and caused Gold Prospect to settle all its debts and liabilities at an aggregate consideration of HK$69,888,000 (the "Transaction"). The consideration of the Transaction was funded by internal resources of the Group and bank facilities granted to the Group and Gold Prospect secured by the Property (as defined below) and guaranteed by the Group. Upon completion of the Transaction on 29 January 2014, Gold Prospect became an indirect, wholly-owned subsidiary of the Company. Gold Prospect is an investment holding company incorporated in Hong Kong with limited liability and its principal asset is a workshop unit with an aggregate gross floor area of about 12,883 sq.ft. and three car parking spaces located at TML Tower, 3 Hoi Shing Road, Tsuen Wan, Hong Kong (the "Property"), which will be used by the Group as its new headquarters.

Save as disclosed otherwise, the Group did not have any material acquisitions and disposals of subsidiaries and affiliated companies during the year ended 31 March 2014.

USE OF PROCEEDS

As at 31 March 2014, the Group has utilised HK$52.3 million of the net proceeds from the Global Offerings of approximately HK$63.1 million in January 2013 according to the intended purposes as set out in the section headed "Future Plans and Use of Proceeds" in the Prospectus. Set out below is the intended use of proceeds, utilised amount and unutilised amount of the net proceeds as at 31 March 2014:

		As at 31 March 2014	
Intended use of proceeds	**Net Proceeds**	**Utilised amount**	**Unutilised amount**
	HK$ million	HK$ million	HK$ million
Acquisition of major equipment and machinery	33.1	29.9	3.2
Construction of the new factory building operated by Foshan Haoda	18.9	14.2	4.7
Recruiting additional employees to reorganise our existing design team and enhance our research and development capabilities	4.8	1.9	2.9
Working capital and other general corporate purposes	6.3	6.3	—
	63.1	52.3	10.8

The unutilised net proceeds of approximately HK$10.8 million were deposited in licensed banks in Hong Kong.

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 Company's subsidiary in the PRC were denominated in RMB, which expose the Group to foreign currency risk. As at 31 March 2014, the Group had no outstanding non-deliverable forward contracts (2013: US$10.0 million).

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 that customers in the western developed markets will continue to be cautious in placing orders and the Group will continue to face pressures in both sales volume and margins. The increasing prevalence of e-commerce has also fundamentally changed the supply chain landscape, resulting in a need to be able to respond to changes in the markets quickly and an extension of the traditional "low" season for manufacturing. To maintain the performance of the Group, we will seek to focus on clients which generate better margins for the Group instead of focusing on volume. While labour costs and material costs for the Group are expected to remain high especially during peak seasons, there is a modest mitigating factor that the inflationary pressure on the RMB seems decreasing in the coming year, which is expected to have a positive impact on the production costs in the PRC for the Group. The Group will continue to focus on improving the production efficiency, increasing automation in production to reduce reliance on labour and overhead costs, upgrading the customer mix while continuing to tighten the cost control.

Directors' Report

The Directors of the Company are pleased to present their report together with the audited consolidated financial statements of the Group for the year ended 31 March 2014.

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 financial results of the Group for the year ended 31 March 2014 are set out in the consolidated statement of comprehensive income on page 34.

The Directors declared an interim dividend of HK cents 5 per share (2013: Nil), totalling HK$12,000,000 on 22 November 2013 for the year ended 31 March 2014 which was paid in December 2013.

The Directors recommended the payment of a final dividend of HK cents 2 per share (2013: Nil), totalling HK$4,800,000 for the year ended 31 March 2014. The proposed final dividend will be payable to the Company's shareholders (the "Shareholders") whose names appear on the register of members of the Company on Wednesday, 3 September 2014.

USE OF NET PROCEEDS FROM THE COMPANY'S GLOBAL OFFERING

As at 31 March 2014, the Company has utilised HK$52.3 million out of the net proceeds of HK$63.1 million raised from the global offering of 60,000,000 ordinary shares in the Company in accordance with the intended use of proceeds set out in the prospectus of the Company dated 11 January 2013 (the "Prospectus"). Details of the intended use, utilised amount and unutilised amount are set out in the section "Management Discussion and Analysis" of this Annual Report.

RESERVES

Movements in the reserves for the year are set out in the consolidated statement of changes in equity on page 37 and note 27 to the consolidated financial statements respectively.

DISTRIBUTABLE RESERVES

Distributable reserves of the Company as at 31 March 2014 calculated under the Company Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands, amounted to approximately HK$93.5 million (2013: HK$88.7 million).

SHARE CAPITAL

Details of the movement in share capital of the Company during the year is set out in note 26 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 borrowings as at the end of the year are set out in note 25 to the consolidated financial statements.

CHARITABLE CONTRIBUTIONS

During the year, the Group did not make any charitable contributions (2013: Nil).

BUSINESS REVIEW

A review of the Group's business, financials and prospects is set out in the section "Management Discussion and Analysis" of this Annual Report.

FIVE-YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 86.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 March 2014, the Group's sales to the largest customers and the five largest customers accounted for 36.2% and 86.9% of the Group's turnover. The Group's purchases from the largest suppliers and the five largest suppliers purchases accounted for 10.2% and 29.8% of the Group's purchases.

Mr. Lau Ho Ming, Peter, the Executive Chairman, and Madam Li Man Yee, Stella, a non-executive Director 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 10.7% of the Group's turnover for the year ended 31 March 2014. Despite the interest 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 Group's controlling shareholders nor their associates hold any position in CIDE.

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

DIRECTORS

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

Executive Directors

Mr. Lau Ho Ming, Peter *(Executive Chairman, redesignated with effect from 25 November 2013)*
Mr. Poon Pak Ki, Eric
Mr. Ng Kam Seng

Non-executive Directors

Madam Li Man Yee, Stella *(resigned as the Chairperson with effect from 25 November 2013)*
Mr. Chu Sheng Yu, Lawrence *(appointed with effect from 22 June 2013)*
Mr. Tang Yu Ming, Nelson *(resigned with effect from 22 June 2013)*

Independent Non-executive Directors

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

All the independent non-executive Directors ("INEDs") 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 (the "Stock Exchange") (the "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 retired and was re-elected by the Shareholders at the annual general meeting of the Company held on 23 August 2013 ("2013 AGM") pursuant to the articles of association of the Company (the "Articles of Association").

In accordance with the Articles of Association, Mr. Ng Kam Seng and Madam. Li Man Yee, Stella and Mr. Leung Po Wing, Bowen Joseph, *GBS, JP* shall retire at the forthcoming annual general meeting ("2014 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 3 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 automatic renewal of a further period of 1 year.

Save as disclosed above, no Director proposed for re-election at 2014 AGM whose contract is not determinable by the Company within 1 year without payment of compensation, other than statutory compensation.

BIOGRAPHIES OF DIRECTORS

Biographies of Directors are set out in the section "Biographical Details of Directors and Senior Management" of this Annual Report.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Apart from disclosed under the headings of "Directors' Interests in Shares and Underlying Shares of the Company" and "Share Option Scheme" in this report and otherwise in the Annual Report, 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.

DIRECTORS' INTERESTS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 31 March 2014, 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) (the "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 (the "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**	**Number of underlying shares** *(Note 1)*	**Total**	**Percentage of issued share capital**
Lau Ho Ming, Peter	—	120,716,000 *(Note 2)*	—	—	4,800,000 *(Note 3)*	125,516,000	52.3%
Li Man Yee, Stella	—	—	120,716,000 *(Note 2)*	—	4,800,000 *(Note 3)*	125,516,000	52.3%
Poon Pak Ki, Eric	—	—	—	—	500,000	500,000	0.2%
Ng Kam Seng	—	—	—	—	800,000	800,000	0.3%
Chu Sheng Yu, Lawrence	—	—	—	—	240,000	240,000	0.1%
Leung Po Wing, Bowen Joseph	—	—	—	—	240,000	240,000	0.1%
Chan Siu Wing, Raymond	—	—	—	—	240,000	240,000	0.1%
Chu, Raymond	—	—	—	—	240,000	240,000	0.1%

Notes:

1. *This interest represents the interests in the underlying shares in respect of share options granted by the Company to the Directors as beneficial owners.*

2. *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, Stella. 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 in or deemed to be interested in.*

3. *Share options were granted to Mr. Lau and Madam Li to subscribe for 2,400,000 Shares each, totalling 4,800,000 Shares. By virtue of the provisions of Part XV of the SFO, Mr. Lau and Madam Li are deemed to be interested in the underlying shares of each other.*

Save as those disclosed above, as at 31 March 2014, 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, 2014, 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 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	Percentage of shareholding
Smart Investor *(Note)*	Beneficial Owner	120,716,000	50.3%
Silver Pointer Limited	Beneficial Owner	33,600,000	14.0%

Note:

These shares were registered in the name of Smart Investor, a company owned as to 67.4% by Mr. Lau Ho Ming, the Executive Chairman, and as to 32.6% by Madam Li Man Yee, Stella, a non-executive Director.

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. Details of the Share Option Scheme are disclosed in note 28 to the consolidated financial statements.

On 17 March 2013 (the "Offer Date"), options (the "Option(s)") were granted to certain individuals (the "Grantees") to subscribe for a total of 10,800,000 shares at a subscription price of HK$1.00 per share, subject to adjustment. The closing price per share immediately before the Offer Date was HK$0.90. Details of the Options granted during the year under the Share Option Scheme and outstanding as at 31 March 2014 were as follows:

Grantees	Number of shares issuable under the Options granted and as at 31 March 2014	Option period
Directors		
Lau Ho Ming, Peter	2,400,000	17 March 2014 — 16 March 2024
Poon Pak Ki, Eric	500,000	17 March 2014 — 16 March 2024
Ng Kam Seng	800,000	17 March 2014 — 16 March 2024
Li Man Yee, Stella	2,400,000	17 March 2014 — 16 March 2024
Chu Sheng Yu, Lawrence	240,000	17 March 2014 — 16 March 2024
Leung Po Wing, Bowen Joseph	240,000	17 March 2014 — 16 March 2024
Chan Siu Wing, Raymond	240,000	17 March 2014 — 16 March 2024
Chu, Raymond	240,000	17 March 2014 — 16 March 2024
Subtotal	7,060,000	
Continuous contract employee	120,000	17 March 2014 — 16 March 2024
Continuous contract employees	2,420,000	17 March 2014 — 16 March 2019
Consultants	1,200,000	17 March 2014 — 16 March 2024
Total	10,800,000	

Upon acceptance of the Options, the Company received the consideration of HK$1.00 from each of the Grantees. The Options will be vested in 3 tranches: (i) 30% of the Options shall be exercisable from the date immediately after the first anniversary of the Offer Date until the last day of the respective option period; (ii) 30% of the Options shall be exercisable from the date immediately after the second anniversary of the Offer Date until the last day of the respective option period; and (iii) 40% of the Options shall be exercisable from the date immediately after the third anniversary of the Offer Date until the last day of the respective option period.

Save as the above, there has been no options granted, exercised, lapsed and cancelled during the year.

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 contributions to the 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 join the Share Option Scheme 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) Number of shares available for issue

As at the date of this report, the total number of Shares may be allotted and issued upon exercise of the outstanding Options was 10,800,000, representing 4.5% of the issued share capital.

(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, or to any of their associates, in excess of 0.1% of the shares in issue at any time and with an aggregate value (based on the price of the Company's shares at the date of 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, 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 an option period
30%	From the date immediately after the second anniversary of the offer date until the last day of an option period
40%	From the date immediately after the third anniversary of the offer date until the last day of an 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 was adopted.

CONNECTED TRANSACTION

On 11 December 2013, Mr. Lau Ho Ming, Peter ("Mr. Lau"), the Executive Chairman, and Madam Li Man Yee, Stella ("Madam Li"), a non-executive Director and the spouse of Mr. Lau, (collectively, the "Vendors") and the Company entered into a sale and purchase agreement (the "Agreement") pursuant to which the Vendors agreed to sell and the Company agreed to procure one of its wholly-owned subsidiaries to purchase the entire issued share capital of Gold Prospect Capital Resources Limited ("Gold Prospect") and cause Gold Prospect to settle all its debts and liabilities for a total aggregate consideration of HK$69,888,000 (the "Transaction"). Gold Prospect was interested as to 70% by Mr. Lau and 30% by Madam Li before completion of the Transaction.

The Group currently owns approximately 1,061 square feet of gross floor area in a 20-year old industrial building in Chai Wan, Hong Kong and rents another approximately 3,344 square feet of gross floor area in the same building from the associates of Mr. Lau and Madam Li as the headquarters of the Group in Hong Kong for workshop and ancillary office purpose. The office space in the current Hong Kong headquarters is very limited and due to the expansion of the Group, it has become necessary for the Group to locate a new headquarters in Hong Kong.

Gold Prospect is an investment holding company which holds a workshop unit located at Workshop C on 19/F, TML Tower, 3 Hoi Shing Road, Tsuen Wan, Hong Kong with an aggregate gross floor area of approximately 12,883 square feet and certain car parking spaces in TML Tower. The Directors consider the Transaction as an opportunity to obtain a more long-term premise for the Group in a new industrial building in Hong Kong which will cater for its future development after becoming a listed company in Hong Kong and help protect the Group from being subject to future rental fluctuations in Hong Kong. The Group will also save on rental expenses arising from renting the existing workshop space in its current Hong Kong headquarters.

The Transaction constituted a connected transaction under Chapter 14A of the Listing Rules as the Vendors are Mr. Lau, the Executive Chairman and a controlling Shareholder, and Madam Li, a non-executive Director and a controlling Shareholder and the spouse of Mr. Lau, and was subject to the reporting, announcement and independent Shareholders' approval requirements under the Listing Rules.

An extraordinary general meeting of the Company was held on 22 January 2014 (the "EGM") to approve the Transaction. As each of Mr. Lau and Madam Li had material interests in the Transaction, Smart Investor, of which Mr. Lau and Madam Li were or deemed to be the controlling Shareholders, and which owns 50.3% of the issued share capital of the Company as at the date of the EGM, abstained from voting at the EGM. The resolution proposed at the EGM for approving the Transaction was duly passed by the independent Shareholders by way of poll.

Gold Prospect became an indirect wholly-owned subsidiary of the Company after the completion of the Transaction which took place on 29 January 2014.

CONTINUING CONNECTED TRANSACTIONS

The Group had certain transactions which constituted continuing connected transactions of the Group pursuant to Chapter 14A of the Listing Rules during the year ended 31 March 2014. A conditional waiver pursuant to Rule 14A.42(3) of the Listing Rules from strict 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 section "Corporate Governance Report" in this Annual Report and note 29 to the consolidated financial statements.

MATERIAL RELATED PARTY TRANSACTIONS

During the year ended 31 March 2014, the Group had 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 as set out in this Annual Report. Details of the related party transactions are set out in note 29 to the consolidated financial statements.

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.

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 for the year ended 31 March 2014.

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 Group's business were entered into or existed during the year.

CONTRACTS OF SIGNIFICANCE

Save as the aforementioned connected Transaction, continuing connected transactions 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 2014, no contract of significance had been entered into between the Company, or any of its subsidiaries, and the controlling Shareholders or any of its subsidiaries.

DEED OF NON-COMPETITION

The controlling Shareholders, namely Mr. Lau Ho Ming, Peter, Madam Li Man Yee, Stella and Smart Investor, entered into a deed of non-competition in favour of the Company dated 10 January 2013 (the "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 during the year ended 31 March 2014 and up to the date of this report.

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 throughout the year under audit with an exception as set out in the section "Corporate Governance Report" of this Annual Report.

AUDITOR

The consolidated financial statements for the year ended 31 March 2014 have been audited by BDO Limited which retires, and being eligible, offers itself for re-appointment at 2014 AGM. A resolution to re-appoint BDO Limited and to authorize the Directors to fix its remuneration will be proposed at 2014 AGM.

On behalf of the Board

Lau Ho Ming, Peter
Executive Chairman

Hong Kong, 24 June 2014

Independent Auditor's Report

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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 33 to 85, which comprise the consolidated and company statements of financial position as at 31 March 2014, 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 2014, 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, 24 June 2014

Consolidated Income Statement

		Year ended 31 March	
		2014	2013
	Notes	**HK$'000**	HK$'000
REVENUE	*7*	**773,235**	794,098
Cost of sales		**(685,903)**	(696,458)
Gross profit		**87,332**	97,640
Other income and gains	*7*	**10,264**	10,383
Selling expenses		**(20,449)**	(20,163)
Administrative expenses		**(49,068)**	(52,384)
Finance costs	*9*	**(2,464)**	(1,985)
PROFIT BEFORE INCOME TAX EXPENSE	*8*	**25,615**	33,491
Income tax expense	*11*	**(5,426)**	(10,800)
PROFIT FOR THE YEAR		**20,189**	22,691

Consolidated Statement of Comprehensive Income

	Note	Year ended 31 March 2014 HK$'000	2013 HK$'000
PROFIT FOR THE YEAR		**20,189**	22,691
Other comprehensive income attributable to the owners of the Company may be classified to profit or loss in subsequent periods:			
Exchange differences on translating foreign operations		**371**	58
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**20,560**	22,749
Earnings per share	*14*		
— Basic (HK cents)		**8.41**	11.87
— Diluted (HK cents)		**8.41**	N/A

Consolidated Statement of Financial Position

	Notes	At 31 March 2014 HK$'000	2013 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	*15*	**122,025**	34,659
Prepaid land lease payments	*16*	**7,718**	7,782
Total non-current assets		**129,743**	42,441
CURRENT ASSETS			
Inventories	*18*	**157,747**	153,579
Trade receivables	*19*	**28,203**	58,473
Prepayments, deposits and other receivables	*20*	**3,920**	2,834
Derivative financial instruments	*21*	**—**	1,014
Tax recoverable		**1,807**	—
Cash and cash equivalents	*22*	**75,240**	80,391
Total current assets		**266,917**	296,291
CURRENT LIABILITIES			
Trade payables	*23*	**45,539**	50,969
Receipts in advance, accruals and other payables	*24*	**32,210**	32,691
Interest-bearing bank borrowings	*25*	**68,119**	50,937
Income tax payable		**—**	2,396
Total current liabilities		**145,868**	136,993
NET CURRENT ASSETS		**121,049**	159,298
TOTAL ASSETS LESS CURRENT LIABILITIES		**250,792**	201,739
NON-CURRENT LIABILITY			
Interest-bearing bank borrowings	*25*	**40,400**	—
Total non-current liability		**40,400**	—
Net assets		**210,392**	201,739
EQUITY			
Share capital	*26*	**187**	187
Reserves	*27*	**210,205**	201,552
Total equity		**210,392**	201,739

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 2014 HK$'000	2013 HK$'000
NON-CURRENT ASSET			
Interests in subsidiaries	*17*	—	—
CURRENT ASSETS			
Amounts due from subsidiaries	*17*	38,695	29,730
Prepayments	*20*	60	—
Cash and cash equivalents	*22*	56,912	59,890
Total current assets		95,667	89,620
CURRENT LIABILITIES			
Accruals	*24*	892	570
Income tax payable		1,082	160
Total current liabilities		1,974	730
NET CURRENT ASSETS		93,693	88,890
Net assets		93,693	88,890
EQUITY			
Share capital	*26*	187	187
Reserves	*27*	93,506	88,703
Total equity		93,693	88,890

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	Share option reserve HK$'000	Retained earnings HK$'000	Proposed final dividend HK$'000	Total HK$'000
At 1 April 2012	2,178	24,977	9,271	479	4,406	—	—	58,499	—	99,810
Reduction in share premium upon Reorganisation *(note 26(b)(i))*	—	(54)	—	—	—	—	—	—	—	(54)
Issuance of ordinary shares in connection with the Global Offering *(note 26(c))*	47	89,953	—	—	—	—	—	—	—	90,000
Share capitalisation *(note 26(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 and 1 April 2013	**187**	**104,048**	**9,271**	**584**	**4,464**	**2,100**	**—**	**81,085**	**—**	**201,739**
Dividend paid *(note 13)*	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**(12,000)**	**—**	**(12,000)**
Equity settled share-based transactions *(note 28)*	**—**	**—**	**—**	**—**	**—**	**—**	**93**	**—**	**—**	**93**
Profit for the year	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**20,189**	**—**	**20,189**
Other comprehensive income										
Exchange differences arising on translation of foreign operations	**—**	**—**	**—**	**—**	**371**	**—**	**—**	**—**	**—**	**371**
Total comprehensive income for the year	**—**	**—**	**—**	**—**	**371**	**—**	**—**	**20,189**	**—**	**20,560**
Transfer to statutory reserve	**—**	**—**	**—**	**112**	**—**	**—**	**—**	**(112)**	**—**	**—**
Final dividend proposed *(note 13)*	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**(4,800)**	**4,800**	**—**
At 31 March 2014	**187**	**104,048**	**9,271**	**696**	**4,835**	**2,100**	**93**	**84,362**	**4,800**	**210,392**

Consolidated Statement of Cash Flows

	Notes	Year ended 31 March 2014 HK$'000	2013 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before income tax expense		**25,615**	33,491
Adjustments for:			
Interest income	*7*	**(21)**	(146)
Interest expenses	*9*	**2,464**	1,985
Depreciation of property, plant and equipment	*8*	**11,293**	8,589
Amortisation of prepaid land lease payments	*8*	**207**	202
Net (gain)/loss on derivative financial instruments	*7*	**(1,776)**	107
Equity settled share-based payment expenses	*28*	**93**	—
Operating profit before working capital changes		**37,875**	44,228
(Increase)/decrease in inventories		**(4,168)**	8,574
Decrease in trade receivables		**30,270**	25,356
(Increase)/decrease in prepayments, deposits and other receivables		**(1,086)**	47
Decrease in trade payables		**(5,430)**	(32,056)
Decrease in receipts in advance, accruals and other payables		**(481)**	(24,605)
Cash generated from operations		**56,980**	21,544
Income taxes paid		**(9,629)**	(14,214)
Net cash flows from operating activities		**47,351**	7,330
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		**21**	146
Purchases of property, plant and equipment		**(98,246)**	(17,339)
Receive from derivative financial instruments		**2,790**	5,070
Repayment from related parties		**—**	7,740
Net cash used in investing activities		**(95,435)**	(4,383)

Consolidated Statement of Cash Flows

		Year ended 31 March	
		2014	2013
	Notes	**HK$'000**	HK$'000
CASH FLOWS FROM FINANCING ACTIVITIES			
Net proceeds from issue of ordinary shares		**—**	79,234
Proceeds from bank borrowings		**333,223**	434,254
Repayment of bank borrowings		**(275,641)**	(459,481)
Repayment to a director		**—**	(15,000)
Interests paid		**(2,464)**	(1,985)
Dividend paid		**(12,000)**	—
Net cash flows from financing activities		**43,118**	37,022
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		**(4,966)**	39,969
Cash and cash equivalents at beginning of year		**80,391**	40,485
Effect of foreign exchange rate changes, net		**(185)**	(63)
CASH AND CASH EQUIVALENTS AT END OF YEAR		**75,240**	80,391

Notes to the Consolidated Financial Statements

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 in the capital of the Company (the "Shares") are listed on the Main Board of the Stock Exchange of Hong Kong Limited (the "Stock Exchange").

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 financial statements.

The consolidated financial statements were approved and authorised for issue by the board of directors of the Company on 24 June 2014.

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

(a) Adoption of new/revised HKFRSs

The Group has adopted the following new/revised HKFRSs for the first time for the financial year beginning 1 April 2013:

HKFRSs (Amendments)	Annual Improvements to HKFRSs 2009–2011 Cycle
Amendments to HKAS 1 (Revised)	Presentation of financial statements — Presentation of items of other comprehensive income
Amendments to HKFRS 7	Financial instruments: Disclosures — Offsetting financial assets and financial liabilities
HKFRS 10	Consolidated financial statements
HKFRS 12	Disclosure of interests in other entities
HKFRS 13	Fair value measurements
HKAS 19 (2011)	Employee benefits
HKAS 27 (2011)	Separate financial statements

The adoption of these amendments has no significant 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 Group has adopted the amendments retrospectively for the financial year ended 31 March 2014. The comparative information has been restated to comply with the amendments. As the amendments affect presentation only, there are no effects on the Group's financial position or performance.

Amendments to HKFRS 7 — Offsetting Financial Assets and Financial Liabilities

HKFRS 7 is amended to introduce disclosures for all recognised 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 and those that are subject to an enforceable master netting agreement or similar arrangement, irrespective of whether they are set off under HKAS 32. The adoption of the amendments has no impact on these financial statements as the Group has not offset financial instruments, nor has it entered into a master netting agreement or a similar arrangement.

2. ADOPTION OF NEW OR REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (continued)

(a) Adoption of new/revised HKFRSs (continued)

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 accounting requirements in HKAS 27 (2008) on other consolidation related matters are carried forward unchanged. The Group has changed its accounting policy in determining whether it has control of an investee and therefore is required to consolidate that interest (see note 4(b)).

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.

HKFRS 13 did not materially affect any fair value measurements of the Group's assets and liabilities and therefore has no effect on the Group's financial position and performance.

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

2. 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 in the financial year and have not been early adopted by the Group.

Amendments to HKAS 32	Financial instruments — Presentation — Offsetting financial assets and financial liabilities[1]
HKFRS 9	Financial instruments*
Amendments to HKAS 19 (2011)	Defined Benefit Plans: Employee contributions[2]

1 *Effective for annual periods beginning on or after 1 January 2014*

2 *Effective for annual periods beginning on or after 1 July 2014*

* *No mandatory effective date yet determined but is available for immediate adoption*

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 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.

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.

Amendments to HKAS 19 (2011) — Defined Benefit Plans : Employee Contributions

The amendments permit contributions that are independent of the number of years of service to be recognised as a reduction in the service cost in the period in which the service is rendered instead of allocating the contributions to periods of service.

3. 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").

3. BASIS OF PREPARATION (continued)

(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 4. Item included in the financial statements of each of the Company's subsidiaries 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.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of consolidation

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.

Except for those acquisitions which qualify as common control combination, which accounted for using merger accounting, acquisition of subsidiaries or businesses is accounted for using the acquisition method. The cost of an acquisition is measured at the aggregate of the acquisition-date fair value of assets transferred, liabilities incurred and equity interests issued by the Group, as the acquirer. The identifiable assets acquired and liabilities assumed are principally measured at acquisition-date fair value. The Group's previously held equity interest in the acquiree is re-measured at acquisition-date fair value and the resulting gains or losses are recognised in profit or loss. The Group may elect, on a transaction-by-transaction basis, to measure the non-controlling interests that represent present ownership interests in the subsidiary either at fair value or at the proportionate share of the acquiree's identifiable net assets. All other non-controlling interests are measured at fair value unless another measurement basis is required by HKFRSs. Acquisition-related costs incurred are expensed unless they are incurred in issuing equity instruments in which case the costs are deducted from equity.

Any contingent consideration to be transferred by the acquirer is recognised at acquisition-date fair value. Subsequent adjustments to consideration are recognised against goodwill only to the extent that they arise from new information obtained within the measurement period (a maximum of 12 months from the acquisition date) about the fair value at the acquisition date. All other subsequent adjustments to contingent consideration classified as an asset or a liability are recognised in profit or loss.

Changes in the Group's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the Group's interest and the non-controlling interest are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interest. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for in the same manner as would be required if the relevant assets or liabilities were disposed of.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Basis of consolidation (continued)

Subsequent to acquisition, the carrying amount of non-controlling interests that represent present ownership interests in the subsidiary is the amount of those interests at initial recognition plus such non-controlling interest's share of subsequent changes in equity. Total comprehensive income is attributed to such non-controlling interests even if this results in those non-controlling interests having a deficit balance.

(b) Subsidiaries

A subsidiary is an investee over which the Company is able to exercise control. The Company controls an investee if all three of the following elements are present: power over the investee, exposure, or rights, to variable returns from the investee, and the ability to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

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.

(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).

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Related parties (continued)

(c) 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

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.

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.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(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.

(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.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Financial Instruments (continued)

(i) Financial assets (continued)

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.

Subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value, with changes in fair value recognised in profit or loss in the period in which they arise.

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.

(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, other payables 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.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Financial Instruments (continued)

(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 Company 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.

(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.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Income taxes (continued)

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.

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.

On disposal of a foreign operation, the cumulative exchange differences recognised in the foreign exchange reserve relating to that operation up to the date of disposal are reclassified to profit or loss as part of the profit or loss on disposal.

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(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.

The employees of the Company's subsidiaries which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. The subsidiaries 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.

(p) Share-based payments

Where share options are awarded to employees and others providing similar services, the fair value of the options at the date of grant is recognised in profit or loss over the vesting period with a corresponding increase in share option reserve within equity. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at the end of each reporting period so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. Market vesting conditions are factored into the fair value of the options granted.

As long as all other vesting conditions are satisfied, a charge is made irrespective of whether the market vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition.

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also recognised in profit or loss over the remaining vesting period.

Where equity instruments are granted to persons other than employees and others providing similar services, the fair value of goods or services received is recognised in profit or loss unless the goods or services qualify for recognition as assets. A corresponding increase in equity is recognised. For cash-settled share based payments, a liability is recognised at the fair value of the goods or services received.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(p) Share-based payments (continued)

Upon exercise of share options, the amount previously recognised in share option reserve and the proceeds received net of a directly attributable transaction costs up to the nominal value of the share issued are reallocated to share capital with any excess being recorded as share premium. When the share options are lapsed, forfeited or still not exercised at the expiry date, the amount previously recognised in share option reserve will be transferred to retained profits.

(q) Dividends

Interim dividends are recognised as a liability in the period in which they are declared. Final dividends proposed by the directors are classified as a separate allocation of retained profits within the equity, until they have been approved by the shareholders in a general meeting. When these dividends have been approved by the shareholders and declared, they are recognised as liability.

5. 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.

5. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Judgements (continued)

(ii) Determination of the accounting treatment for revenue (continued)

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 transaction, it should be dealt with as separate transaction. As a result, trading revenue is presented on a gross basis.

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 35 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.

The fair value measurement of the derivative financial instruments utilises market observable inputs and data as far as possible. Inputs used in determining fair value measurements are categorised into different levels based on how observable the inputs used in the valuation technique utilised are (the "fair value hierarchy"):

- Level 1: Quoted prices in active markets for identical items (unadjusted);
- Level 2: Observable direct or indirect inputs other than Level 1 inputs;
- Level 3: Unobservable inputs (i.e. not derived from market data).

The classification of an item into the above levels is based on the lowest level of the inputs used that has a significant effect on the fair value measurement of the item. Transfers of items between levels are recognised in the period they occur.

For more detailed information in relation to the fair value measurement of the derivative financial instruments, please refer to the note 34.

6. 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.

(i) Revenue from external customers

	Year ended 31 March	
	2014	2013
	HK$'000	HK$'000
North America *(note 1)*	**430,385**	415,742
Western Europe		
— United Kingdom	**96,922**	81,406
— France	**34,788**	39,191
— Netherland	**19,672**	19,896
— Others *(note 2)*	**91,800**	104,705
South America	**13,884**	24,565
PRC and Taiwan	**21,722**	32,216
Australia, New Zealand and Pacific Islands	**22,909**	23,879
Central America, Caribbean and Mexico	**16,299**	21,084
Others *(note 3)*	**24,854**	31,414
Total	**773,235**	794,098

Note 1: North America includes United States of America and Canada.

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

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

6. OPERATING SEGMENT INFORMATION (continued)

(b) Geographical information (continued)

(ii) Specified non-current assets

	Year ended 31 March	
	2014	2013
	HK$'000	HK$'000
Mainland China, the PRC	**59,413**	41,505
Hong Kong	**70,330**	936
Total	**129,743**	42,441

(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	
	2014	2013
	HK$'000	HK$'000
Customer A	**279,556**	366,793
Customer B	**183,182**	130,494
Customer C*	**82,900**	N/A

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

7. 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	
	2014	2013
	HK$'000	HK$'000
Revenue		
Sale of goods	**773,235**	794,098
Other income and gains		
Moulding income	**7,044**	9,333
Net gain/(loss) on derivative financial instruments	**1,776**	(107)
Interest income from bank deposits	**21**	17
Exchange gains, net	**278**	279
Others	**1,145**	861
	10,264	10,383

8. PROFIT BEFORE INCOME TAX EXPENSE

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

	Year ended 31 March	
	2014	2013
	HK$'000	HK$'000
Cost of inventories sold	**685,903**	696,458
Depreciation of property, plant and equipment	**11,293**	8,589
Amortisation of prepaid land lease payments	**207**	202
Employee benefits expenses (excluding Directors' remuneration *(note 10(a))*):		
Wages and salaries	**38,168**	38,302
Equity settled share-based payment expenses to employees	**20**	—
Pension scheme contributions	**3,931**	3,766
Other benefits	**4,765**	3,775
	46,884	45,843
Equity settled share-based payment expenses to eligible persons other than employees and Directors	**9**	—
Auditor's remuneration	**950**	855
Operating lease charges in respect of land and buildings	**2,191**	2,204
Impairment loss on trade receivables	**2,270**	—

9. FINANCE COSTS

	Year ended 31 March	
	2014	2013
	HK$'000	HK$'000
Interest on bank advance and other borrowings:		
— wholly repayable within five years	**2,375**	1,985
— not wholly repayable within five years	**89**	—
	2,464	1,985

10. DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID EMPLOYEES

(a) Directors' remuneration

The remuneration of the Directors is as follows:

Year ended 31 March 2014	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Equity settled share-based payment expenses HK$'000	Pension scheme contributions HK$'000	Total HK$'000
Executive Directors					
Mr. Lau Ho Ming, Peter	—	3,292	22	44	3,358
Mr. Ng Kam Seng	—	1,845	7	44	1,896
Mr. Poon Pak Ki	—	1,226	5	41	1,272
	—	6,363	34	129	6,526
Non-executive Directors					
Madam Li Man Yee, Stella	240	—	22	—	262
Mr. Tang Yu Ming, Nelson	90	—	—	—	90
Mr. Chu Sheng Yu, Lawrence	140	—	2	—	142
	470	—	24	—	494
Independent non-executive Directors					
Mr. Leung Po Wing, Bowen Joseph	210	—	2	—	212
Mr. Chan Siu Wing, Raymond	180	—	2	—	182
Mr. Chu, Raymond	180	—	2	—	182
	570	—	6	—	576
Total	1,040	6,363	64	129	7,596

10. DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID EMPLOYEES (continued)

(a) Directors' remuneration (continued)

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

10. 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 2014 included 3 Directors (2013: 3) and their remuneration are reflected in note 10(a). The remuneration of the remaining 2 highest paid individuals (2013: 2) for the year ended 31 March 2014 are as follows:

	Year ended 31 March	
	2014	2013
	HK$'000	HK$'000
Salaries, allowances and benefits in kind	**2,188**	2,052
Equity settled share-based payment expenses	**8**	—
Pension scheme contributions	**71**	71
	2,267	2,123

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

	Year ended 31 March	
	2014	2013
HK$1,000,001 to HK$1,500,000	**2**	2
	2	2

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 (2013: Nil). None of the Directors nor the five highest paid employees has waived or agreed to waive any remuneration during the year (2013: Nil).

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

	Year ended 31 March	
	2014	2013
Nil to HK$1,000,000	**—**	1
HK$1,000,001 to HK$1,500,000	**2**	1
	2	2

11. 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 (2013: 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 Company's subsidiary operating in the PRC during the year was 25% on its taxable profit (2013: 25%).

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

	Year ended 31 March	
	2014	2013
	HK$'000	HK$'000
Current — Hong Kong		
Charge for the year	**5,809**	10,451
Over provision in prior years	**(757)**	—
	5,052	10,451
Current — PRC		
Charge for the year	**374**	349
Income tax expense	**5,426**	10,800

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	
	2014	2013
	HK$'000	HK$'000
Profit before income tax expense	**25,615**	33,491
Tax at the applicable tax rate of 16.5% (2013: 16.5%)	**4,226**	5,526
Effect of different tax rate of a subsidiary operating in other jurisdiction	**79**	4
Tax effect of revenue not taxable for tax purposes	**(14)**	(34)
Tax effect of expenses not deductible for tax purposes	**1,739**	5,064
Tax effect of temporary difference not recognised	**153**	240
Over provision in respect of prior years	**(757)**	—
Income tax expense	**5,426**	10,800

11. INCOME TAX EXPENSE (continued)

As at 31 March 2014, no deferred tax asset has been recognised in respect of the deductible temporary differences of HK$927,000 (2013: HK$1,454,000) as the amounts are immaterial to the Group. In addition, as at 31 March 2014, the aggregate amount of temporary differences associated with the unremitted earnings of the Company's subsidiary established in the PRC, of which deferred tax liabilities have not been recognised are approximately of HK$5,885,000 (2013: HK$4,875,000). 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 2014 in the foreseeable future. Accordingly no deferred tax liabilities have been recognised as at 31 March 2014.

12. PROFIT ATTRIBUTABLE TO OWNERS

Profit attributable to owners includes an amount of approximately HK$4,710,000 (2013: loss of HK$15,345,000) which has been dealt with in the financial statements of the Company.

13. DIVIDENDS

	Year ended 31 March	
	2014	2013
	HK$'000	HK$'000
Interim dividend of HK cents 5 per Share (2013: Nil)	**12,000**	—
Proposed final dividend of HK cents 2 per Share (2013: Nil)	**4,800**	—
	16,800	—

The interim dividend of HK cents 5 per Share, totalling HK$12,000,000, (2013: Nil) for the year ended 31 March 2014 was declared in November 2013 and paid in December 2013.

At the Board meeting held on 24 June 2014, the Directors proposed a final dividend of HK cents 2 per Share, amounting to HK$4,800,000 for the year ended 31 March 2014 (2013: Nil) and the proposal will be submitted for formal approval by the Shareholders at the forthcoming annual general meeting to be held on 25 August 2014. This final dividend will be reflected as an appropriation of retained earnings for the year ending 31 March 2015.

14. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit for the year ended 31 March 2014 of approximately HK$20,189,000 (2013: HK$22,691,000), and of the weighted average number of 240,000,000 Shares (2013: 191,178,082 Shares) issued.

Diluted earnings per share are the same as basic earnings per share for the year ended 31 March 2014 as the impact of the potential dilutive ordinary Shares outstanding has an anti-dilutive effect on the basic earnings per share presented for the year as the exercise price of the Company's share options was higher than the average price of Shares for the year ended 31 March 2014.

No diluted earnings per share are presented for the year ended 31 March 2013 as the Company had no potential Share for last year.

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 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

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$'000	Total HK$'000
31 March 2014						
Cost:						
At 1 April 2013	25,229	211	77,077	6,140	8,066	116,723
Additions	70,539	3,859	22,195	1,314	339	98,246
Disposals	—	—	(323)	(21)	—	(344)
Exchange differences	446	—	14	2	26	488
At 31 March 2014	96,214	4,070	98,963	7,435	8,431	215,113
Accumulated depreciation:						
At 1 April 2013	2,792	211	66,521	5,504	7,036	82,064
Depreciation charge for the year	2,122	540	7,488	583	560	11,293
Disposals	—	—	(323)	(21)	—	(344)
Exchange differences	47	—	5	4	19	75
At 31 March 2014	4,961	751	73,691	6,070	7,615	93,088
Net book value:						
At 31 March 2014	91,253	3,319	25,272	1,365	816	122,025
At 31 March 2013	22,437	—	10,556	636	1,030	34,659

The Group's leasehold land and buildings are located in Hong Kong and the PRC are analysed at their carrying values as follows:

	At 31 March	
	2014 HK$'000	2013 HK$'000
Properties located in Hong Kong		
Medium-term lease	**70,170**	637
Properties located in PRC		
Medium-term lease	**21,083**	21,800
	91,253	22,437

The Group had pledged certain leasehold land and buildings with aggregate net book value of HK$70,170,000 (2013: HK$ Nil) to secure certain interest-bearing bank borrowings as set out in note 25.

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	
	2014	2013
	HK$'000	HK$'000
At 1 April	**7,782**	7,962
Amortisation	**(207)**	(202)
Exchange differences	**143**	22
At 31 March	**7,718**	7,782

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

17. INTERESTS IN SUBSIDIARIES

Company

	At 31 March	
	2014	2013
	HK$'000	HK$'000
Investments in subsidiaries		
— Unlisted shares, at cost*	**—**	—
Amounts due from subsidiaries	**38,695**	29,730

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

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

Notes to the Consolidated Financial Statements

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 %	Percentage of equity attributable to the Company Indirect %	Place of operation and principal activities
Subsidiaries					
Turbo Gain Investments Limited[1]	British Virgin Islands, 2 March 2012	1 ordinary share of United States dollar ("US$") 1 each	100	—	Investment holding in British Virgin Island
New Splendid Developments Limited[1]	British Virgin Islands, 20 January 2012	1 ordinary share of US$1 each	100	—	Investment holding in British Virgin Island
Next Horizon Holdings Limited[1]	British Virgin Islands, 6 March 2012	1 ordinary share of US$1 each	100	—	Investment holding in British Virgin Island
Victor Gold Investments Limited[1]	British Virgin Islands, 28 November 2013	1 ordinary share of US$1 each	100	—	Investment holding in British Virgin Island
Qualiman Industrial Co. Limited[2]	Hong Kong, 14 November 1996	Ordinary shares of HK$1,000,000	—	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	Ordinary shares of HK$1,000,000	—	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	Ordinary shares of HK$100,000	—	100	Manufacture and trading of toys and other products in Hong Kong and the People's Republic of China
Gold Prospect Capital Resources Limited[2]	Hong Kong, 4 September 2012	Ordinary shares of HK$10,000	—	100	Property investment in Hong Kong
佛山市南海浩達精密玩具有限公司[3] Foshan Nanhai Haoda Precision Toys Co., Ltd*	The People's Republic of China, 15 March 2001	HK$15,000,000	—	100	Manufacture and trading of toys and other products in Hong Kong and the People's Republic of China

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

17. INTERESTS IN SUBSIDIARIES (continued)

Company (continued)

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 2014 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 2013 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.*

18. INVENTORIES

Group

	At 31 March	
	2014	2013
	HK$'000	HK$'000
Raw materials	**82,911**	110,279
Work in progress	**31,360**	11,570
Finished goods	**43,476**	31,730
	157,747	153,579

19. TRADE RECEIVABLES

Group

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

	At 31 March	
	2014	2013
	HK$'000	HK$'000
Current to 30 days	**19,276**	35,837
31 to 60 days	**3,314**	9,014
61 to 90 days	**4,451**	7,043
Over 90 days	**1,162**	6,579
	28,203	58,473

19. TRADE RECEIVABLES (continued)

Group (continued)

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

	At 31 March	
	2014 **HK$'000**	2013 HK$'000
Neither past due nor impaired	**22,606**	47,438
Less than 1 month past due	**4,111**	5,826
1 to 3 months past due	**1,397**	3,484
Over 3 months past due	**89**	1,725
	28,203	58,473

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

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, the Directors 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.

The below table reconciled the impairment loss of trade receivables for the year:

	At 31 March	
	2014 **HK$'000**	2013 HK$'000
At 1 April	**—**	—
Impairment loss recognised	**2,270**	—
Bad debts written off	**(2,270)**	—
At 31 March	**—**	—

The Group recognises impairment loss in accordance with the policy in note 4(h)(ii). The Group's credit policy is set out in note 34.

20. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

Group and Company

	Group At 31 March		Company At 31 March	
	2014 HK$'000	2013 HK$'000	**2014 HK$'000**	2013 HK$'000
Prepayments	**1,896**	582	**60**	—
Deposits	**158**	789	**—**	—
Other receivables	**1,866**	1,463	**—**	—
	3,920	2,834	**60**	—

As at 31 March 2014, 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. The Group would sell US Dollars to the bank in exchange for RMB at the agreed forward rate. As at 31 March 2014, all remaining contracts have been matured.

As at 31 March 2013, the notional amount of the outstanding forward contracts with contract periods within 25 months was US$10,000,000.

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.

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

	At 31 March	
	2014 HK$'000	2013 HK$'000
At 1 April	**1,014**	6,191
Net gain/(loss) on derivative financial instruments during the year	**1,776**	(107)
Settlements during the year	**(2,790)**	(5,070)
At 31 March	**—**	1,014

22. CASH AND CASH EQUIVALENTS

Group and Company

	Group At 31 March 2014 HK$'000	Group At 31 March 2013 HK$'000	Company At 31 March 2014 HK$'000	Company At 31 March 2013 HK$'000
Cash and cash equivalents were denominated in:				
HK$	**65,865**	76,183	**56,912**	59,890
RMB	**5,117**	1,399	**—**	—
US$	**4,258**	2,809	**—**	—
	75,240	80,391	**56,912**	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 ranging from 15 to 60 days (2013: 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 2014 HK$'000	At 31 March 2013 HK$'000
Current to 30 days	**25,068**	28,375
31 to 60 days	**10,743**	13,801
61 to 90 days	**5,360**	7,351
91 to 365 days	**3,765**	1,442
More than 365 days	**603**	—
	45,539	50,969

24. RECEIPTS IN ADVANCE, ACCRUALS AND OTHER PAYABLES

Group and Company

	Group At 31 March		Company At 31 March	
	2014 HK$'000	2013 HK$'000	**2014 HK$'000**	2013 HK$'000
Receipts in advance	**995**	1,252	**—**	—
Accruals	**16,768**	16,449	**892**	570
Other payables	**14,447**	14,990	**—**	—
	32,210	32,691	**892**	570

25. INTEREST-BEARING BANK BORROWINGS

Group

	At 31 March	
	2014 HK$'000	2013 HK$'000
Current		
Secured		
— bank loans due for repayment within one year	**68,119**	50,437
— bank loans due for repayment after one year which contain a repayment on demand clause	**—**	500
	68,119	50,937
Non-current		
Secured		
— bank loans due for repayment after one year	**40,400**	—
Total interest-bearing bank borrowings	**108,519**	50,937

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

(i) Certain leasehold land and buildings of the Group with aggregate net book value of HK$70,170,000 (2013: HK$Nil) (note 15);

(ii) Company's corporate guarantees and cross guarantees from the Company's subsidiaries, which are Qualiman Industrial Co. Limited, Qualiman Technology & Products Co. Limited, Sunmart Company Limited and Gold Prospect Capital Resources Limited; and

(iii) 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.

25. INTEREST-BEARING BANK BORROWINGS (continued)

Group (continued)

At 31 March 2014, total current and non-current bank borrowings were scheduled to be repaid as follows:

	At 31 March	
	2014	2013
	HK$'000	HK$'000
On demand or within one year	**68,119**	50,437
More than one year, but not exceeding two years	**6,800**	500
More than two years, but not exceeding five years	**20,066**	—
More than five years	**13,534**	—
	108,519	50,937

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

Certain 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; (ii) specific gearing ratio; and (iii) specific loan to valuation 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.

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 2014, none of the covenants relating to drawn down facilities had been breached (2013: Nil).

26. SHARE CAPITAL

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

	Notes	2014 Number of Shares	2014 HK$'000	2013 Number of Shares	2013 HK$'000
Authorised:					
Ordinary Shares of US$0.0001 each					
At 1 April	*(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		**240,000,000**	**187**	100,000,000	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**	240,000,000	187

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) The Group underwent a reorganisation scheme in 2012 to rationalise the Group's structure for the listing of the Shares on the Stock Exchange ("Reorganisation") as set out in the section "History, Reorganisation and Group structure" in the prospectus of the Company dated 11 January 2013. 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.

(d) Pursuant to a resolution in writing of 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.

27. 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.

Share option reserve

Cumulative expenses recognised on the granting of share options to the eligible participants over the vesting period.

Company

	Share premium HK$'000	**Accumulated losses** HK$'000	**Share option reserve** HK$'000	**Total** HK$'000
At 1 April 2012	24,977	—	—	24,977
Reduction in share premium upon Reorganisation *(note 26(b)(i))*	(54)	—	—	(54)
Issuance of ordinary shares in connection with the Global Offering *(note 26(c))*	89,953	—	—	89,953
Share capitalisation *(note 26(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 and 1 April 2013	104,048	(15,345)	—	88,703
Equity settled share-based transactions *(note 28)*	—	—	93	93
Profit for the year and total comprehensive income for the year	—	4,710	—	4,710
At 31 March 2014	**104,048**	**(10,635)**	**93**	**93,506**

28. EQUITY SETTLED SHARE-BASED PAYMENTS

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") for the purpose to grant share options to selected participants as incentives or rewards for their contribution to the Group. Eligible participants of the Share Option Scheme include directors of the Company or any of its subsidiaries, including non-executive directors and independent non-executive directors, other employees of the Group and consultants.

The initial total number of Shares which may be issued upon exercise of all outstanding share options granted and yet to be exercised under the Share Option Scheme must not exceed 10% of the Shares in issue from time to time. A nominal consideration of HK$1.00 is payable by the grantees upon acceptance of a grant of share options.

On 17 March 2014 (the "Offer Date"), the Company granted 10,800,000 share options to certain eligible participants of the Group under the Share Option Scheme. Set out below were details of the outstanding share options granted under the Share Option Scheme as at 31 March 2014:

(1) All share options granted were at a subscription price of HK$1.00 per Share;

(2) All holders of share options might only exercise their options in the following manner:

The share options will be vested in 3 tranches, i.e. the first 30% from the date immediately after the first anniversary of the Offer Date until the last day of the option period, the second 30% from the date immediately after the second anniversary of the Offer Date until the last day of the option period, the balance 40% from the date immediately after the third anniversary of the Offer Date until the last day of the option period;

(3) All outstanding or unexercised share options granted to the grantees shall lapse on 16 March 2019 or 16 March 2024.

The estimated fair values of share options granted on 17 March 2014 were HK$3,911,000. These fair values were calculated using the Binomial Model. The inputs into the model are as follows:

	17 March 2014
Closing price of the Shares	HK$0.95
Exercise price	HK$1.00
Expected volatility	50.554%
Expected life	5 years/10 years
Risk-free interest rate	1.2010%/2.1656%
Dividend yield	4.274%
Suboptimal factor	2.2

The risk-free rate was based on market yield rate from Hong Kong Monetary Authority Exchange Fund Bills Yield Curve as at the valuation date on 17 March 2014. Expected volatility was estimated by the average of historical daily volatilities of the comparable companies with similar business operation as at valuation date. Dividend yield was estimated by the trailing 12-month dividend payout of the Company divided by closing price of the Shares as at the dividend declaration date.

28. EQUITY SETTLED SHARE-BASED PAYMENTS (continued)

Set out below are details of movements of the outstanding share options granted under the Share Option Scheme during the year ended 31 March 2014:

		Number of share options					
	Exercise price	Granted during the year	Exercised during the year	Lapsed during the year	Balance as at 31 March 2014	Date of offer of share options	Periods of share options
Executive Directors							
— Lau Ho Ming, Peter	HK$1.00	2,400,000	—	—	2,400,000	17 March 2014	17 March 2014 to 16 March 2024
— Ng Kam Seng	HK$1.00	800,000	—	—	800,000	17 March 2014	17 March 2014 to 16 March 2024
— Poon Pak Ki, Eric	HK$1.00	500,000	—	—	500,000	17 March 2014	17 March 2014 to 16 March 2024
Non-executive Directors							
— Li Man Yee, Stella	HK$1.00	2,400,000	—	—	2,400,000	17 March 2014	17 March 2014 to 16 March 2024
— Chu Sheng Yu, Lawrence	HK$1.00	240,000	—	—	240,000	17 March 2014	17 March 2014 to 16 March 2024
Independent Non-executive Directors							
— Leung Po Wing, Bowen Joseph	HK$1.00	240,000	—	—	240,000	17 March 2014	17 March 2014 to 16 March 2024
— Chan Siu Wing, Raymond	HK$1.00	240,000	—	—	240,000	17 March 2014	17 March 2014 to 16 March 2024
— Chu, Raymond	HK$1.00	240,000	—	—	240,000	17 March 2014	17 March 2014 to 16 March 2024
Employee	HK$1.00	120,000	—	—	120,000	17 March 2014	17 March 2014 to 16 March 2024
Employees	HK$1.00	2,420,000	—	—	2,420,000	17 March 2014	17 March 2014 to 16 March 2019
Consultants	HK$1.00	1,200,000	—	—	1,200,000	17 March 2014	17 March 2014 to 16 March 2024
Total		10,800,000	—	—	10,800,000		

The Company recognised equity settled share-based payment expenses of approximately HK$93,000 for the year ended 31 March 2014 in relation to share options granted during the year. Equity settled share-based payment expenses comprise:

	Year ended 31 March	
	2014 **HK$'000**	2013 HK$'000
Equity settled schemes to employees (including Directors)	**84**	—
Equity settled schemes to eligible persons other than employees and Directors	**9**	—
	93	—

28. EQUITY SETTLED SHARE-BASED PAYMENTS (continued)

Share options were granted to the consultants in light of their continuous contribution to the Group. The Group measured the fair value of services received from the Consultants by reference to the fair value of those granted to eligible employees as management considers that the services provided by the consultants and employees are similar in nature.

The exercise price of the share options outstanding as at 31 March 2014 was HK$1.00 and the weighted average remaining contractual life was 4.96 and 9.96 years. Of the total number of share options outstanding as at 31 March 2014, all the share options were not exercisable as at 31 March 2014.

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:

		Year ended 31 March	
		2014	2013
Relationship/name of related party	**Nature of transaction**	**HK$'000**	HK$'000
Companies controlled by Mr. Lau Ho Ming, Peter and Madam Li Man Yee, Stella			
Goldrich International Limited	Rental expenses (a)	**144**	144
Goldrich International Properties Limited	Rental expenses (a)	**144**	144
Loyal Gold (Hong Kong) Limited	Rental expenses (a)	**1,176**	1,176
		1,464	1,464
Directors			
Mr. Lau Ho Ming, Peter	Rental expenses (a)	**42**	42
Madam Li Man Yee, Stella	Rental expenses (a)	**288**	288
		330	330

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

29. RELATED PARTY TRANSACTIONS (continued)

(ii) Compensation of key management personnel of the Group, including Directors' remuneration as disclosed in note 10(a) to the consolidated financial statements, is as follows:

	Year ended 31 March	
	2014	2013
	HK$'000	HK$'000
Salaries, allowances and benefits in kind	**9,591**	6,011
Equity settled share-based payment expenses	**72**	—
Pension scheme contributions	**200**	165
	9,863	6,176

(iii) On 11 December 2013, the Vendors, Mr. Lau Ho Ming, Peter and Madam Li Man Yee, Stella, and the Company entered into a sale and purchase agreement pursuant to which the Vendors agreed to sell and the Company agreed to procure one of its wholly-owned subsidiaries to purchase the entire issued share capital of Gold Prospect Capital Resources Limited and cause Gold Prospect Capital Resources Limited to settle all its debts and liabilities for a total aggregate consideration of HK$69,888,000.

30. CONTINGENT LIABILITIES

Group

The Group did not have any contingent liabilities as at 31 March 2014 (2013: Nil).

Company

The Company has given a guarantee in respect of banking facilities of the wholly-owned subsidiaries to the extent of HK$268,026,000 (2013: HK$187,463,000), of which HK$108,519,000 were utilised (2013: HK$50,937,000). As at 31 March 2014, no provision was made for the Company's obligations under the guarantee as the directors did not consider it is probable that the subsidiaries would default on their loans. The directors assessed the fair value of the guarantee and concluded that it was not material and not required to be recognised.

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 2014, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	At 31 March	
	2014	2013
	HK$'000	HK$'000
Within one year	**1,919**	2,170
In the second to fifth years, inclusive	**—**	1,919
	1,919	4,089

Company

The Company did not have any minimum lease payments under non-cancellable operating leases as at 31 March 2014 (2013: Nil).

32. CAPITAL COMMITMENTS

Group

As at 31 March 2014, the Group had the following capital commitments:

	At 31 March	
	2014	2013
	HK$'000	HK$'000
Contracted, but not provided for, in respect of		
property, plant and equipment	**—**	634
leasehold improvements	**1,261**	—
	1,261	634

Company

The Company did not have any significant capital commitment as at 31 March 2014 (2013: 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	
	2014	2013
	HK$'000	HK$'000
Held for trading at fair value through profit or loss:		
Derivative financial instruments	**–**	1,014
Loans and receivables:		
Trade receivables	**28,203**	58,473
Deposits and other receivables	**2,024**	2,252
Cash and cash equivalents	**75,240**	80,391
	105,467	142,130

	Company At 31 March	
	2014	2013
	HK$'000	HK$'000
Loans and receivables:		
Amounts due from subsidiaries	**38,695**	29,730
Cash and cash equivalents	**56,912**	59,890
	95,607	89,620

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 2014 HK$'000	Group At 31 March 2013 HK$'000
Financial liabilities measured at amortised cost:		
Trade payables	**45,539**	50,969
Accruals and other payables	**31,215**	31,439
Interest-bearing bank borrowings	**108,519**	50,937
	185,273	133,345

	Company At 31 March 2014 HK$'000	Company At 31 March 2013 HK$'000
Financial liabilities measured at amortised cost:		
Accruals	**892**	570
	892	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.

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 Company'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 2014, 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	
	2014	2013
	HK$'000	HK$'000
Liabilities		
United States Dollars	**4,127**	4,562
Renminbi	**15,450**	15,557
	19,577	20,119
Assets		
United States Dollars	**26,802**	37,620
Renminbi	**6,397**	2,389
	33,199	40,009

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$'000
31 March 2014		
If HK$ weakens against RMB	**5%**	**(378)**
If HK$ strengthens against RMB	**(5%)**	**378**
31 March 2013		
If HK$ weakens against RMB	5%	(550)
If HK$ strengthens against RMB	(5%)	550

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.

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Foreign currency risk (continued)

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$'000
31 March 2014		
If RMB weakens against US$	**(5%)**	**–**
If RMB strengthens against US$	**5%**	**–**
31 March 2013		
If RMB weakens against US$	(5%)	(2,712)
If RMB strengthens against US$	5%	5,120

As at 31 March 2014, there was no notional amount of these outstanding forward contracts (2013: notional amount of US$10.0 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 2014, the trade receivables from the five largest debtors represented 80% (2013: 86%) of the total trade receivables, while the largest debtor represented 20% (2013: 39%) 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.

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.

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk (continued)

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.

	Within 1 year or on demand HK$'000	Over 1 year but within 2 years HK$'000	Over 2 year but within 5 years HK$'000	Over 5 years HK$'000	Total contractual amount HK$'000	Carrying amount HK$'000
Group						
31 March 2014						
Trade payables	45,539	–	–	–	45,539	45,539
Accruals	16,768	–	–	–	16,768	16,768
Other payables	14,447	–	–	–	14,447	14,447
Interest-bearing borrowings	69,008	7,607	21,994	14,499	113,108	108,519
	145,762	7,607	21,994	14,499	189,862	185,273
Company						
31 March 2014						
Accruals	892	–	–	–	892	892
Financial guarantees issued:						
Maximum amount guaranteed *(Note 30)*	108,519	–	–	–	108,519	108,519
	109,411	–	–	–	109,411	109,411

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk (continued)

	Within 1 year or on demand HK$'000	Over 1 year but within 2 years HK$'000	Over 2 year but within 5 years HK$'000	Over 5 years HK$'000	Total contractual amount HK$'000	Carrying amount HK$'000
Group						
31 March 2013						
Trade payables	50,969	—	—	—	50,969	50,969
Accruals	16,449	—	—	—	16,449	16,449
Other payables	14,990	—	—	—	14,990	14,990
Interest-bearing borrowings	50,937	—	—	—	50,937	50,937
	133,345	—	—	—	133,345	133,345
Company						
31 March 2013						
Accruals	570	—	—	—	570	570
Financial guarantees issued:						
Maximum amount guaranteed *(Note 30)*	50,937	—	—	—	50,937	50,937
	51,507	—	—	—	51,507	51,507

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.

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk (continued)

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	More than 1 year but less than 2 years	More than 2 years but less than 5 years	Total contractual undiscounted cash flow
	HK$'000	HK$'000	HK$'000	HK$'000
At 31 March 2014	—	—	—	—
At 31 March 2013	51,164	502	—	51,666

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 25 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 in note 5 (iv). The following table presents the fair value of the Group's derivative financial instruments measured at the end of the reporting period, categorised into level 2 of the fair value hierarchy as defined in HKFRS 13, Fair Value Measurement. The level into which a fair value measurement is classified is determined with reference to the lowest level of input that is significant to the fair value measurement. The fair values of foreign currency forward contracts are measured using quoted forward exchange rates and yield curves derived from quoted interest rates.

	At 31 March 2013			
	Level 1	Level 2	Level 3	Total
	HK$'000	HK$'000	HK$'000	HK$'000
Financial asset at fair value through profit or loss				
Derivative financial instruments	—	1,014	—	1,014
	—	1,014	—	1,014

There were no transfers into or out of Level 2 during the year ended 31 March 2013.

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Capital management

The capital structure of the Group consists of debts, which includes the borrowings disclosed in note 25 and equity attributable to owners of the Company, comprising share capital and reserves as disclosed in notes 26 and 27 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	
	2014	2013
	HK$'000	HK$'000
Debt	**108,519**	50,937
Equity	**210,392**	201,739
Debt to equity ratio	**51.6%**	25.2%

Five-Year Financial Summary

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

RESULTS

	Year ended 31 March				
	2014	2013	2012	2011	2010
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
	(Note ii)	*(Note ii)*	*(Note i)*	*(Note i)*	*(Note i)*
REVENUE	**773,235**	794,098	876,667	729,776	803,432
Cost of sales	**(685,903)**	(696,458)	(777,295)	(650,682)	(713,240)
Gross profit	**87,332**	97,640	99,372	79,094	90,192
Other income and gains	**10,264**	10,383	15,648	12,396	5,580
Selling expenses	**(20,449)**	(20,163)	(22,306)	(22,141)	(36,473)
Administrative expenses	**(49,068)**	(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	**(2,464)**	(1,985)	(1,900)	(760)	(700)
PROFIT BEFORE INCOME TAX EXPENSE	**25,615**	33,491	58,168	15,725	33,076
Income tax expense	**(5,426)**	(10,800)	(10,492)	(6,229)	(6,314)
PROFIT FOR THE YEAR	**20,189**	22,691	47,676	9,496	26,762

ASSETS AND LIABILITIES

	As at 31 March				
	2014	2013	2012	2011	2010
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
TOTAL ASSETS	**396,660**	338,732	337,090	276,930	243,006
TOTAL LIABILITIES	**(186,268)**	(136,993)	(237,280)	(196,676)	(173,197)
	210,392	201,739	99,810	80,254	69,809

Notes:

(i) The summary of the consolidated results of the Group for each of the three years ended 31 March 2010, 2011 and 2012 and of the assets and liabilities as at 31 March 2010, 2011 and 2012 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 the two years ended 31 March 2013 and 2014 and the consolidated assets and liabilities of the Group as at 31 March 2013 and 2014 are those set out on pages 33 to 35 of this Annual Report. The summary for the year ended 31 March 2013 was prepared as if the current structure of the Group had been in existence throughout that financial year.

The summary above does not form part of the audited consolidated financial statements.

Design And Produced By: EDICO Financial Press Services Limited
設計及製作：鉅京財經印刷服務有限公司