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 2015

*For identification purpose only

Contents

	Page
Corporate Information	02
Biographical Details of Directors and Senior Management	03
Chairman's Statement	07
Corporate Governance Report	08
Management Discussion and Analysis	18
Directors' Report	25
Independent Auditor's Report	34
Consolidated Financial Statements	
Consolidated Income Statement	35
Consolidated Statement of Comprehensive Income	36
Consolidated Statement of Financial Position	37
Statement of Financial Position of the Company	39
Consolidated Statement of Changes in Equity	40
Consolidated Statement of Cash Flows	41
Notes to the Consolidated Financial Statements	43
Five-Year Financial Summary	110

Corporate Information

BOARD OF DIRECTORS

Executive Directors

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

Non-executive Directors

Madam Li Man Yee, Stella
Mr. Chu Sheng Yu, Lawrence
(resigned effective from 1 July 2015)
Mr. Wang Zhao *(appointed effective from 30 October 2014)*

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
(resigned effective from 1 July 2015)
Mr. Ng Kam Seng
Madam Li Man Yee, Stella *(appointed effective from 1 July 2015)*

COMPANY SECRETARY

Ms. Tang Yuen Ching Irene

AUTHORIZED REPRESENTATIVES

Mr. Ng Kam Seng
Ms. Tang Yuen Ching Irene

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 C, 19/F.,
TML Tower
3 Hoi Shing Road
Tsuen 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

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

PRINCIPAL BANKERS

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

COMPANY'S WEBSITE

www.quali-smart.com.hk

Biographical Details of Directors and Senior Management

EXECUTIVE DIRECTORS

Mr. Lau Ho Ming, Peter

Mr. Lau Ho Ming, Peter, aged 60, 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 48, 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 34, 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.

Biographical Details of Directors and Senior Management

NON-EXECUTIVE DIRECTORS

Madam Li Man Yee, Stella

Madam Li Man Yee, Stella, aged 53, 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 was appointed as a member of Corporate Governance Committee of the Board with effect from 1 July 2015.

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 35, was appointed as a non-executive Director with effect from 22 June 2013 and resigned with effect from 1 July 2015 together with related office as a member of the Corporate Governance Committee of the Board. Mr. Chu is currently the founder and Managing Partner of BlackPine Private Equity Partners. 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 the University of Chicago with a Bachelor of Arts in Economics. He is a member of the Hong Kong United Youth Association and Hong Kong Private Equity and Venture Capital Association serving on the Venture Committee. Mr. Chu serves as governor on the Alumni Board of Governors at the University of Chicago and governor at the Smart Museum of Art in the United States. He is a member of the Patrons Council of the Ullens Center for Contemporary Art in Beijing. He also serves on the board of governors of the Chinese International School and is a member of the board of directors of the Tung Wah Group of Hospitals in Hong Kong.

Mr. Wang Zhao

Mr. Wang Zhao, aged 43, was appointed as a non-executive Director with effect from 30 October 2014. Currently a member of 中國人民政治協商會議遼寧省瀋陽市十四屆委員會 (in English for identification purpose only, the Fourteenth Committee of Shenyang City, Liaoning Province of the Chinese People's Political Consultative Conference), has over 20 years ' experience in business management. From 1994 to 1996, Mr. Wang was the sales manager of 瀋陽協達美容化妝品公司 (in English for identification purpose only, Shenyang Xieda Beauty Cosmetics Company ("Shenyang Xieda")). Since June 1997, he has been the general manager of Shenyang Xieda. From February 1999 to October 2003, he was the vice-chairman of 遼寧金田房屋開發公司 (in English for identification purpose only, Liaoning Jintian Property Development Company). In 2006, Mr. Wang founded 上海富朝投資管理有限公司 (in English for identification purpose only, Shanghai Fuchao Investments Management Co., Ltd. ("Shanghai Fuchao")) (now known as 上海富朝物業管理有限公司 (in English for identification purpose only, Shanghai Fuchao Property Management Co., Ltd.)) and had since then been an executive director, the legal representative and the general manager of Shanghai Fuchao until March 2009. Since March 2009, Mr. Wang has ceased to act as an executive director and the legal representative of Shanghai Fuchao but continued to be its general manager. Since March 2009, Mr. Wang has been the chairman of the board of 上海坤宏傳媒投資股份有限公司 (in English for identification purpose only, Shanghai Kunwang Media Investments Co., Ltd.).

Mr. Wang obtained a certificate in Cheung Kong Real Estate Program from the Executive Education Programme of Cheung Kong Graduate School of Business in April 2010; a certificate in Real Estate Strategy and Financial Chairman Advanced Program from Tsinghua University in March 2011; and a certificate in Private Equity/Property Investment CEO Advanced Program from Shanghai Advanced Institute of Finance of Shanghai Jiao Tong University in March 2012.

Biographical Details of Directors and Senior Management

INDEPENDENT NON-EXECUTIVE DIRECTORS

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

Mr. Leung Po Wing, Bowen Joseph *GBS, JP*, aged 65, 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 was also appointed as chairman of the Remuneration Committee of the Board with effect from 6 July 2015.

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) and North Asia Resources Holdings Limited (stock code: 61), both are companies listed on the Stock Exchange.

Mr. Chan Siu Wing, Raymond

Mr. Chan Siu Wing, Raymond, aged 50, 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 was also appointed as a member of Nomination Committee of the Board with effect from 6 July 2015.

Mr. Chan has experience of over 25 years in the field of accounting, taxation, finance and trust. He held the office as executive director of ENM Holdings Limited (stock code: 128), a company listed on the Stock Exchange since December 2008 and resigned with effect from 1 January 2015.

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 and a member of the Macau Society of Certified Practicing Accountants.

Mr. Chan 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 Home Holding Company Limited (formerly known as Nature Flooring Holding Company Limited) (stock code: 2083), Hong Kong Finance Group Limited (stock code: 1273) and China Kingstone Mining Holdings Limited (stock code: 1380), three companies whose shares are listed on the Main Board of the Stock Exchange.

Biographical Details of Directors and Senior Management

Mr. Chu, Raymond

Mr. Chu, Raymond, aged 49, 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. With effect from 6 July 2015, Mr. Chu has resigned from all offices as above.

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). 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 58, 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 53, 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 2015. This was a year of challenge as well as progress to the Group. Apart from the primary business toy manufacturing on an OEM basis, the Group has successfully acquired the PMT Group during the year to achieve its milestone on further diversification. Since then, the Group is basically categorized into Toy Division and Information Technology Division.

PERFORMANCE

Overall, the Group's revenue for the financial year under review was approximately HK$829.0 million, representing an increase of 7.2% from the preceding financial year. Included therein, approximately HK$827.8 million was contributed by the Toy Division whereas approximately of HK$1.2 million was contributed by the Information Technology Division. Meanwhile, the gross profit margin for the year on Toy Division dropped to approximately 10.5% compared with 11.3% from last year. This was mainly due to the sustaining pressure from rise in costs of labor and materials. For the year under review, the Group has a net loss of approximately HK$3.7 million as opposed to a net profit of approximately HK$20.2 million in last year. Such loss was mainly an impairment loss on trade receivables for approximately HK$12 million and relevant write-down of inventories of approximately HK$3.7 million for a customer from the US in uncertain financial position. Also, additional finance costs and depreciation charges on additions to property, plant and machinery of approximately HK$10.0 million, amortisation of intangible assets arising from the PMT Group acquisition for approximately HK$2.5 million. accompanied with the decrease in moulding income for approximately HK$3.2 million during the year also contributed to a decrease in profits of the Group.

As per aforesaid, the Group completed its acquisition of the PMT Group during the year in December 2014. Meanwhile, a relatively short period of its results has been consolidated to that of the Group in view of the timing of the completion of the acquisition.

DEVELOPMENT, CHALLENGE AND OPPORTUNITY

During the year, the Group has made substantial progress by successfully acquiring the PMT Group, a group principally engaged in the development and provision of electronic publishing technologies, the development of mobile applications and other information technology solutions. The acquisition was made with the belief that the Group may benefit from developing new sources of business and performance growth and to reinforce its strength ahead of the challenging business environments in the traditional OEM manufacturing business. Going forward, we believe that the strategy in exploring other suitable new opportunities for further widening our business scopes will probably enhance the value of the Group in a favorable direction and in the interests of the shareholders as a whole.

Though the toy business is still facing stringent and cautious market environment, coping with the prudent placing trend and the rising operating costs in terms of labor and materials of the toys business division, the Group will continue to strive for appropriate measures to maintain its competitiveness by productivity and lean improvement.

APPRECIATION

Finally, 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, 30 June 2015

Corporate Governance Report

CORPORATE GOVERNANCE PRACTICES

The board (the "Board") of directors (the "Directors") of the Quali-Smart Holdings Limited (the "Company", together with its subsidiaries as the "Group") 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 2015 (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 re-designation 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 officer has been taken up by the 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 on pages 25 to 33.

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 9 members as follows:

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, Lawerence *(resigned effective from 1 July 2015)*
Mr. Wang Zhao *(appointed with effect from 30 October 2014)*

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 25 August 2014 ("2014 AGM"), Messrs. Ng Kam Seng, Leung Po Wing, Bowen Joseph *GBS, JP,* and Madam Li Man Yee, Stella, 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" on pages 03 to 06 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. Wang Zhao, who joined the Board as a non-executive Director on 30 October 2014. 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. All 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.

Corporate Governance Report

CHAIRMAN AND CHIEF EXECUTIVE

The Chairperson of the Board is mainly responsible for the management of the Board while the CEO is responsible for business development strategy and the day-to-day management of business.

Since 25 November 2013, Mr. Lau Ho Ming, Peter was redesignated as the Executive Chairman and ceased to act as the CEO. During the year, the post of CEO has still been vacant and the role of CEO remains to be taken up by 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 Company's and the Stock Exchange's websites.

Members of each committee are as follows:

Audit Committee

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

Remuneration Committee

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

Nomination Committee

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

Corporate Governance Committee

Mr. Chan Siu Wing, Raymond *(Chairman)*
Mr. Chu Sheng Yu, Lawrence *(resigned effective from 1 July 2015)*
Mr. Ng Kam Seng
Madam Li Man Yee, Stella *(appointed effective from 1 July 2015)*

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:

	Meeting 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	4/4	1/1	N/A	N/A	N/A	N/A
Chu Sheng Yu, Lawrence	3/4	0/1	N/A	N/A	N/A	0/1
Wang Zhao*	2/2	1/1	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	N/A	N/A
Chan Siu Wing, Raymond	4/4	1/1	2/2	1/1	1/1	1/1
Chu, Raymond	3/4	1/1	1/2	1/1	1/1	N/A

* *Mr. Wang Zhao was appointed as a non-executive Director with effect from 30 October 2014.*

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 2014;

2. reviewed the consolidated financial statements for the year ended 31 March 2014;

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 2014;

5. reviewed the independence of the Auditor;

6. approved the Auditor's remuneration and other terms of engagement for the year ended 31 March 2015;

7. reviewed and adopted the scope of statutory audit for the year ended 31 March 2015;

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 2015 (HK$'000)	2014 (HK$'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 their attention that caused them to believe that the disclosed continuing connected transactions have not been approved by the Board;

2. nothing has come to their attention that caused them to believe that the 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 their attention that caused them 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 2015 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 2015

On the date of this report, the Audit Committee reviewed the consolidated financial statements for the year ended 31 March 2015 (the "2015 Financial Statements") in conjunction with the Auditors and management. Based on the review and discussions with management, the Audit Committee was satisfied that the 2015 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 2015.

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 revision 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 market condition to the Group; and

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

Remuneration of Directors

The remuneration of Directors and the five highest paid employees for the year ended 31 March 2015 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 statements.

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. recommended the appointment of Mr. Wang Zhao as a non-executive Director (as defined below) and reviewed his letter of appointment;

2. reviewed the Board Diversity Policy and the objectives and targets set for implementing the Board Diversity Policy;

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

4. reviewed the independence of the INEDs; and

5. reviewed the time commitment of non-executive Directors; and

6. reviewed the reappointment of Madam Li Man Yee, Stella as non-executive Director, Mr. Leung Po Wing, Bowen Jospeh *GBS*, *JP,* Mr. Chu, Raymond and Mr. Chan Siu Wing, Raymond as Independent non-executive Directors and reviewed their letters of reappointment.

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 the 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$1,380,000 for auditing services and HK$216,000 for non-auditing services by the Auditors.

Services rendered	**Fees paid/payable** HK$'000
Audit services – statutory audit	1,380
Non-audit services:	
– agreed-upon procedures review	88
– issue of letter of confirmation in respect of the continuing connected transactions	15
– taxation services	113
	1,596

Corporate Governance Report

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 2015 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 of 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 C on 19th Floor
TML Tower
3 Hoi Shing Road
Tsuen 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.

2014 AGM

Seven out of eight Directors attended 2014 AGM to hear views and to answer questions from the Shareholders. At 2014 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, 30 June 2015

Management Discussion and Analysis

BUSINESS REVIEW

During the year under review, the Group has made substantial progress in its diversification strategy through the acquisition of an information technology business, namely the PMT Group, which is principally engaged in the development and provision of electronic publishing technologies, the development of mobile applications and other information technology solutions. Through this acquisition, the Group hopes to develop new sources of business and performance growth and to reinforce its strength ahead of the challenging business environments in the traditional OEM manufacturing business. Following such acquisition, the Group is now mainly engaged in two core business segments: the toy OEM manufacturing business (the “Toy Division”) and the information technology business (the “IT Division”).

The Toy Division

The Toy Division operates as 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 multidisciplinary 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 silkscreen printing and spray coating.

For the year ended 31 March 2015 (the “Current Year”), the revenue of the Toy Division and its segmental profit were HK$827.8 million and HK$15.4 million respectively, representing an increase of 7.1% and a decrease of 51.5% over the year ended 31 March 2014 (the “Previous Year”). While the Toy Division managed to remain stable in obtaining sales from its customers for the peak period of the production cycle, production environments remained challenging for the Toy Division as labour costs and material costs continued to increase, leading to a decrease in gross margin from 11.3% for the Previous Year to 10.5% for the Current Year. An increase in selling expenses related to bulky finished goods and a decrease in moulding income also contributed to the drop in the performance of the Toy Division for the Current Year.

The Sunmart business of the Toy Division was particularly adversely affected in the Current Year as a result of an impairment loss on trade receivables of approximately HK$12.0 million and a write-down of inventories of approximately HK$3.7 million related to a customer in the United States which has entered uncertain financial conditions, as referred to in the profit warning announcement of the Company dated 24 March 2015. Discussions to recover these items with the customer have been ongoing but no meaningful progress has been made in recovering the above amounts. As a result, the Directors have decided to recognise the above impairment loss on trade receivables and write-down of inventories for the Current Year.

In view of the stringent business environment facing the Toy Division, the Group will devote more attention to a selected number of credit-worthy customers which can generate more stable margins, review and rationalise the current cost structure and control so as to generate better operational efficiency and profitability.

The Information Technology Division

During the Current Year, the Group completed its acquisition of the PMT Group and made substantial progress in its business diversification strategy in view of the business challenges presented in its Toy Division. The digital publishing technologies of the PMT Group, including the capability to publish interactive electronic books and comics and to develop media-rich mobile games, might allow the Group to tap into its existing customer base in the children’s toy markets, which includes many well-known international toy brands, and to expand the Group’s revenue sources with these clients and strengthen our product offerings. The PMT Group’s ability to distribute electronic books online and its plan to provide electronic textbooks in the Greater China markets might also allow the Group to grow new customer base for its existing products.

Furthermore, the PMT Group has a strong customer portfolio, including several bluechip international companies in different industries in Hong Kong. The management of the PMT Group has over 10 years of experience in information technology business and in recent years, PMT has been awarded Hong Kong ICT Awards (HKICTA) Best Business Grand and Gold awards, Asia Pacific ICT Alliance (APICTA) Awards, and World Summit Awards Mobile Content Awards. In December 2014, PMT was awarded the Hong Kong Awards for Industry – Productivity and Quality Award. These internationally recognized awards help the PMT Group to establish itself as a high quality technology developer. To further increase its exposure and market recognition, PMT frequently participates in various local and regional exhibitions and sponsors ICT events. In addition, PMT also provides a professional award judging system for HKICTA, APICTA Awards, WAiTTA, the Pan Pearl River Delta ICT Award, and most recently the Hong Kong 4As Effie Awards, which helps PMT to gain recognition from the international ICT communities.

During the Current Year, the results of the PMT Group were only consolidated to the Group's financial results since 17 December 2014, the date of completion of its acquisition by the Group. For the Current Year, the revenue and net loss for the IT Division were approximately HK$1.2 million and HK$1.5 million, respectively.

FINANCIAL REVIEW

The Group's revenue for the Current Year amounted to approximately HK$829.0 million, which is an increase of 7.2% from that for the Previous Year of approximately HK$773.2 million.

The Toy Division's revenue for the Current Year amounted to approximately HK$827.8 million, which represents an 7.1% increase from that for the Previous Year of approximately HK$773.2 million. The modest increase in revenue was due to an increase in sales to some of the Toy Division's top 5 customers.

Revenue from North America remained relatively steady at approximately HK$433.8 million for the Current Year when compared to approximately HK$430.4 million for the Previous Year, while revenue from Western Europe increased from approximately HK$243.2 million for the Previous Year to approximately HK$267.7 million for the Current Year due to the increase in sales in United Kingdom and other European countries. Sales to customers in new developing regions, namely South America and mainland China and Taiwan, increased substantially by approximately HK$10.7 million and HK$16.3 million, respectively, representing an increase of 77.3% and 74.9% over the Previous Year, respectively.

The IT Division's revenue for the Current Year amounted to approximately HK$1.2 million as the results of the PMT Group were only consolidated into the Group's financial results for a relatively short period of time of less than 3.5 months since the completion of its acquisition by the Group on 17 December 2014.

Despite in drop in gross margin of the Toy Division from approximately 11.3% for the Previous Year to approximately 10.5% for the Current Year, of which includes a written-down of inventories for approximately HK$3.7 million related to a customer in the United States which has entered in uncertain financial conditions, gross profit of the Group for the Current Year remained as approximately of HK$87.3 million as in that of the Previous Year.

The Group's net loss for the Current Year amounted to approximately HK$3.7 million, as opposed to a net profit of approximately HK$20.2 million for the Previous Year. Such decrease is mainly due to an increase in selling expenses related to bulky finished goods of approximately HK$2.7 million, a decrease in moulding income of approximately HK$3.2 million, a decrease in the net gain on derivative financial instruments arising from Renminbi forward contracts of approximately HK$1.9 million, additional finance costs and depreciation charges on additions to property, plant and machinery of approximately HK$10.0 million, an increase in staff costs especially arising from equity settled share-based payment expenses related to the grant of share options by HK$2.1 million, amortisation of intangible assets of the IT Division of approximately HK$2.5 million, and most importantly, an impairment loss on trade receivables of approximately HK$12.0 million and a write-down of inventories of approximately HK$3.7 million related to a customer in the United States which has entered uncertain financial conditions.

Selling expenses for the Toy Division mainly consisted of transportation fees and declaration fees. Selling expenses for the Toy Division increased by 13.1% from approximately HK$20.4 million for the Previous Year to approximately HK$23.1 million for the for the Current Year due to an increase in transportation cost and increase costs in bulky finished goods accompanied with the increase in revenue in Current Year.

Administrative expenses mainly consisted of salaries to employees, rents and rates for office spaces, depreciation on property, plant and equipment, impairment loss on other receivables and trade receivables and other administrative expenses. Administrative expenses increased by 38.5% from approximately HK$49.1 million for the Previous Year to approximately HK$68.0 million for the Current Year for which is primarily due to the one-off provision for impairment loss on trade receivables for approximately HK$12.0 million, and the additional depreciation charge on property, plant and equipment for approximately HK$1.8 million and an increase in staff costs mainly resulted from the equity settled share-based payment expenses related to the grant of share options for approximately HK$2.1 million as well as the amortisation of intangible assets for approximately HK$2.5 million.

Other income and gains mainly consisted of moulding income, net gain/loss on derivative financial instruments, interest income and others. Other income and gains decreased by 47.2% from approximately HK$10.3 million for the Previous Year to approximately HK$5.4 million for the Current Year which is primarily due to a decrease in moulding income from approximately HK$7.0 million for the Previous Year to HK$3.9 million for the Current Year as fewer new moulds were made for the existing customers. Net gain on derivative financial instruments of approximately HK$1.8 million during the Previous Year was reversed to a net loss on derivative financial instruments of approximately HK$0.2 million during the Current Year.

As a result of the newly issued promissory notes and convertible notes of the Company during the Current Year, the Group recognised a fair value gain in derivative financial asset of approximately HK$3.0 million during the Current Year, when compared to nil for the Previous Year, representing the change in fair value through profit and loss of the embedded derivative of the convertible notes.

Finance costs mainly consisted of interest on the Group's interest-bearing bank borrowings, factoring arrangement from banks and the effective interest of the promissory notes and the convertible notes issued by the Company. Finance costs increased by 107.7% to approximately HK$5.1 million for the Current Year when compared with approximately HK$2.5 million for the Previous Year, which is primarily due to additional finance costs of approximately HK$0.4 million for the property newly acquired in the Previous Year and the effective interest of the convertible notes and promissory notes newly issued by the Company in the Current Year of approximately HK$1.3 million.

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 operated. The income tax expense decreased by 40.9% to approximately HK$3.2 million for the Current Year, as compared with approximately HK$5.4 million for the Previous Year.

The inventory of the Group decreased by 15.6% to approximately HK$133.2 million as at 31 March 2015 from approximately HK$157.7 million as at 31 March 2014. As mentioned, the inventory amount applicable to the customer in uncertain financial condition for which the outstanding balance being in doubt was fully written down for the year for approximately HK$3.7 million. Besides, there was a written down of inventories for approximately of HK$2.9 million in respect of certain inactive and unsaleable inventories retained for some inactive and ceased customers. The inventory turnover period, as calculated by dividing the average closing inventories by the cost of sales for the year and multiplied by 365 days, decreased by 13.5% from 82.8 days for the Previous Year to 71.6 days for the Current Year.

Trade receivables as at 31 March 2015 increased from approximately HK$28.2 million at 31 March 2014 to approximately HK$74.6 million, which was primarily due to a change of financial arrangement from factoring arrangement to post-shipment export trade loan offered by banks for one of the top 5 customers. The trade receivables turnover days, calculated as dividing the average closing trade receivables by the revenue for the year and multiplied by 365 days, was 22.6 days for the year ended 31 March 2015 as compared with 20.5 days for the year ended 31 March 2014.

Trade payables as at 31 March 2014 of approximately HK$45.5 million was decreased to HK$44.6 million as at 31 March 2015, which was primarily due to less customer order was received in Current Year as compared to the corresponding period in Previous Year because of the delay in business peak season in Current Year. Hence, causing less purchase from suppliers and resulting in a lower level of trade payables accordingly.

The Trade Payables turnover days, as calculated as dividing the average closing trade payables by the cost of sales for the year and multiplied by 365 days, were 22.2 days for Current Year as compared with 25.7 days for the year ended 31 March 2014.

LIQUIDITY AND FINANCIAL RESOURCES

Despite the relatively weak operating performance during the Current Year, the Group continued to maintain a prudent financial management approach toward its treasury policies and a healthy liquidity position during the Current Year. 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.

For the Current Year, the Group mainly financed its working capital by internal resources and bank borrowings. As at 31 March 2015, cash and cash equivalents amounted to approximately HK$67.2 million (31 March 2014: HK$75.2 million). The decrease was mainly due to the cash payment in the acquisition of the PMT Group.` Interest-bearing bank borrowings decreased to approximately HK$86.4 million (31 March 2014: HK$108.5 million) as a result of fund raised in Placing made during Current Year was partially applied for bank borrowings repayment. Furthermore, as a result of the acquisition of the PMT Group during the Current Year, the Group had a carrying value of promissory notes of HK$20.1 million (31 March 2014: nil) and convertible notes of HK$51.2 million (31 March 2014: nil). Hence, 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 period, was approximately 52.9% (31 March 2014: 51.6%). As at 31 March 2015, all bank borrowings were subject to floating interest rates. The current ratio of the Group, as calculated by total current assets over total current liabilities, was approximately 2.0 (31 March 2014: 1.8).

PLACING

On 20 August 2014, the Company entered into an agreement with China Everbright Securities (HK) Limited ("China Everbright") ("Placing Agreement"). China Everbright acted as a placing agent to the Company who placed 48,000,000 new shares in the Company to more than six Placees who are Independent Third Parties at a price of HK$1.25 per share pursuant to the terms and conditions of the Placing Agreement ("Placing"). The Placing was completed on 8 September 2014.

Net proceeds of approximately HK$59.3 million raised from the Placing is intended to be used for general working capital of the Group, future development of the Group's businesses and/or other appropriate investments as may be identified by the Directors.

ISSUE OF THE PROMISSORY NOTES AND THE CONVERTIBLE NOTES

On 17 December 2014, as part of the settlement of the consideration for the acquisition of entire equity interest of the PMT Group by the Company, the Company issued the convertible notes with a total principal amount of HK$58.0 million and the promissory notes with a total principal amount of HK$20.0 million.

The convertible notes are, unsecured, interest-free and carry a right to convert the principal amount into Shares of the Company at an initial conversion price of HK$4.09 per Share (subject to adjustment) during the period from 17 December 2014 to 17 December 2016. The Company may at any time before the maturity date redeem the convertible notes at par (in whole or in part). Any amount of the convertible notes which remains outstanding on the maturity date will be redeemed at their then outstanding principal amount.

The promissory notes are unsecured and bear interest at a fixed rate of 5% per annum and are repayable in 18 months from the date of issue.

For such purpose, the fair value of the consideration at completion attributable to the convertible notes and the promissory notes recognised in the accounts upon completion of the acquisition of PMT Group on 17 December 2014 were approximately HK$90.7 million and HK$19.8 million respectively, representing an excess of HK$32.7 million and a shortfall of HK$0.2 million over their principal amounts, respectively. The difference between the fair value of the convertible notes and their principal amounts is mainly a result of the fair value of the equity component of the convertible notes, which in turn is affected by (i) a substantial increase of about 31.3% in the Company's Share price from the date of the Agreement (closing price of HK$4.99 per Share on 11 December 2014) to the date of completion (closing price of HK$6.55 per Share on 17 December 2014); and (ii) the general historical volatility of the Company's Share price.

CHARGE ON ASSETS

As at 31 March 2015, certain of the Group's banking facilities and its interest-bearing bank borrowings were secured by properties of the Group located in Hong Kong with an aggregate net book value of HK$68.1 million (31 March 2014: HK$70.2 million). Details of the securities for the banking facilities are stated in note 28 to the consolidated financial statements.

CONTINGENT LIABILITIES

As at 31 March 2015, the Group had no contingent liabilities (31 March 2014: Nil).

OPERATING LEASE ARRANGEMENTS

The Group leases certain of its office premises and a quarter for certain Directors under operating lease arrangements for terms ranging from one to three years. As at 31 March 2015, the total future minimum lease payments under non-cancellable operating leases due within one year amounted to approximately HK$0.1 million (31 March 2014: HK$1.9 million).

CAPITAL COMMITMENTS

As at 31 March 2015, there is no capital commitments of the Group (31 March 2014: HK$1.3 million for the acquisition of leasehold improvements).

SIGNIFICANT INVESTMENT HELD

Except for investments in subsidiaries, the Group did not hold any significant investment in equity interest in any other company as at 31 March 2015.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

During the year ended 31 March 2015, the Group acquired the entire equity interest of the PMT Group from Magnum MediaTech Limited (the "Vendor"), for a total consideration of HK$92,000,000 (the "Transaction"), inclusive of the cash repayment of HK$7,000,000 of loans and payables to the Vendor and its associates by the PMT and settlement of third-party payables. The consideration of the Transaction was funded by internal resources of the Group, the issue of HK$58 million in principal amount of the convertible notes and HK$20 million in principal amount of the promissory notes referred to in various sections of this announcement. Upon the completion of the Transaction on 17 December 2014, PMT became an indirect, wholly-owned subsidiary of the Company. The PMT Group is principally engaged in the provision of digital publishing and design technologies, production and distribution of electronic books and the development of mobile application solutions and other information technology solutions.

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 2015.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

As at 31 March 2015, the Group did not have any plans to acquire any material investments or capital assets other than those set out in the announcement.

FOREIGN CURRENCY EXPOSURES

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

As at 31 March 2015, the Group had outstanding DF with a notional amount of US$25 million (31 March 2014: Nil). The Group implemented a foreign currency forward contract policy in relation to the foreign currency contracts for the year. The Group performed cash flow analysis, ongoing monitoring and review of the foreign currency forward contracts on a monthly basis in accordance with the Group's risk management policy. Foreign exchange exposure reports were presented to the Board for review on a quarterly basis. The foreign currency forward contract policy was also reviewed by the Board to ensure it remains consistent with the overall objectives of our Group and the current financial trends in the market. Major terms of the foreign currency forward contracts outstanding as at 31 March 2015 are summarized as follows:

Notional amount	Forward contract rates	Commencement date	Maturity date
1 contract to buy RMB in total of US$2,500,000	US$1 to RMB6.320	15 July 2014	17 July 2015
1 contract to buy RMB in total of US$4,000,000	US$1 to RMB6.269	15 September 2014	17 June 2015
1 contract to buy RMB in total of US$3,000,000	US$1 to RMB6.249	15 September 2014	17 June 2015
1 contract to buy RMB in total of US$3,000,000	US$1 to RMB6.259	15 September 2014	17 June 2015
1 contract to buy RMB in total of US$2,500,000	US$1 to RMB6.310	11 July 2014	15 July 2015
1 contract to buy RMB in total of US$2,000,000	US$1 to RMB6.300	10 July 2014	14 July 2015
1 contract to buy RMB in total of US$3,000,000	US$1 to RMB6.297	9 July 2014	13 July 2015
1 contract to buy RMB in total of US$5,000,000	US$1 to RMB6.2888	14 November 2014	14 December 2015

Note: No gain or loss has been realized for the outstanding contracts as at 31 March 2015.

EMPLOYEES AND REMUNERATION POLICY

As at 31 March 2015, the Group had a total of 501 employees (31 March 2014: 797). Total staff costs were approximately HK$53.6 million for the year ended 31 March 2015 (2014: HK$54.5 million).

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

USE OF NET PROCEEDS FROM GLOBAL OFFERING

At 31 March 2015, the net proceeds have all been utilized according to the intended purposes as set out in the section headed "Future Plans and Use of Proceeds" in the prospectus of the Company dated 11 January 2013.

PROSPECTS

The Group's existing operations in the Toy Division are expected to continue to face substantial challenges in the coming year. 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 lack of labour in China and the increase in labour costs, coupled with an extension of the low season in manufacturing, will continue to put pressure on the Group's Toy Division. The Group will seek to rationalise the operation of its Toy Division in the coming year and seek ways to focus on credit-worthy clients which generate more stable margins for the Group while improving its production efficiency through automation, outsourcing and reduction in fixed costs.

On the other hand, with the successful establishment of the IT Division of the Group through the acquisition of the PMT Group, the Directors expect that the PMT Group will start to make meaningful contributions to the Group in its first full year of consolidation with the Group. Going forward, the Group will continue to promote cooperation and cross-selling opportunities between the Toy Division and the IT Division in order to enhance and strengthen the Group's overall business growth and performance. The Group will also continue to explore other suitable new opportunities to generate synergies with its existing business segments, and to further expand and diversify its business scopes.

The directors of the Company (the "Directors") is pleased to present its report together with the audited consolidated financial statements of the the Company and its subsidiaries (the "Group") for the year ended 31 March 2015.

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 2015 are set out in the consolidated statement of comprehensive income on page 36.

The Directors declared an interim dividend of HK cents 3 per share (2014: HK cents 5 per share), totaling HK$8,640,000 on 24 November 2014 for the year ended 31 March 2015 to the shareholders of the Company (the "Shareholders") whose names appeared on the register of the members of the Company on 12 December 2014.

The board of Directors (the "Board") does not recommend the payment of a final dividend for the year ended 31 March 2015. (2014: HK cents 2 per share)

USE OF NET PROCEEDS FROM THE COMPANY'S GLOBAL OFFERING

As at 31 March 2015, the Company has fully utilised the net proceeds of HK$63.1 million raised from the global offering of 60,000,000 ordinary shares in the Company ("Shares") in accordance with the intended use of proceeds set out in the prospectus of the Company dated 11 January 2013 (the "Prospectus").

RESERVES

Movements in the reserves for the year are set out in the consolidated statement of changes in equity on page 40 and note 32 to the consolidated financial statements respectively.

DISTRIBUTABLE RESERVES

Distributable reserves of the Company as at 31 March 2015 calculated under the Company Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands, amounted to approximately HK$193.4 million (2014: HK$93.5 million).

SHARE CAPITAL

Details of the movement in share capital of the Company during the year is set out in note 31 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 28 to the consolidated financial statements.

CHARITABLE CONTRIBUTIONS

During the year, the Group did not make any charitable contributions (2014: 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.

Directors' 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 110.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 March 2015, the Group's sales to the largest customers and the five largest customers accounted for 30.2% and 86.3% of the Group's turnover. The Group's purchases from the largest suppliers and the five largest suppliers purchases accounted for 13.8% and 37.7% 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 10.2% of the Group's turnover for the year ended 31 March 2015. 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)*
Mr. Poon Pak Ki, Eric
Mr. Ng Kam Seng

Non-executive Directors

Madam Li Man Yee, Stella
Mr. Chu Sheng Yu, Lawrence *(resigned effective from 1 July 2015)*
Mr. Wang Zhao *(appointed effective from 30 October 2014)*

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 25 August 2014, Mr. Ng Kam Seng, Madam Li Man Yee, Stella and Mr. Leung Po Wing, Bowen Joseph, *GBS, JP* retired and were re-elected by the Shareholders at the annual general meeting of the Company ("2014 AGM") pursuant to the Articles of Associatiion of the Company.

On 30 October 2014, Mr. Wang Zhao was appointed as a non-executive Director. Mr. Wang shall hold office until the next general meeting pursuant to the articles of association of the company ("Articles of Association") and being eligible offer himself for re-election.

In accordance with the Articles of Association, Mr. Poon Pak Ki, Eric, Mr. Lau Ho MIng, Peter, Mr. Wang Zhao and Mr. Chan Siu Wing, Raymond shall retire at the forthcoming annual general meeting ("2015 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 2015 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" on pages 03 to 06.

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 2015, 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				Number of		Percentage
	Personal	Corporate	Family	Other	underlying		of issued
Name of Director	**interest**	**interests**	**interests**	**interests**	**Shares** *(Note 1)*	**Total**	**share capital**
Lau Ho Ming, Peter	–	120,716,000 *(Note 2)*	–	–	4,800,000 *(Note 3)*	125,516,000	43.58%
Li Man Yee, Stella	–	–	120,716,000 *(Note 2)*	–	4,800,000 *(Note 3)*	125,516,000	43.58%
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 2015, 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 2015, 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	41.9%
Silver Pointer Limited	Beneficial Owner	30,220,000	10.5%

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 33 to the consolidated financial statements.

On 17 March 2014 (the "Grant 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 Grant Date was HK$0.90. Details of the Options granted during the year under the Share Option Scheme and outstanding as at 31 March 2015 were as follows:

Grantees	As at 1 April 2014	Exercised during year	Lapsed during year	As at 31 March 2015	Exercise period
Directors					
Lau Ho Ming, Peter	2,400,000	–	–	2,400,000	17 March 2014 – 16 March 2024
Poon Pak Ki, Eric	500,000	–	–	500,000	17 March 2014 – 16 March 2024
Ng Kam Seng	800,000	–	–	800,000	17 March 2014 – 16 March 2024
Li Man Yee, Stella	2,400,000	–	–	2,400,000	17 March 2014 – 16 March 2024
Chu Sheng Yu, Lawrence	240,000	–	–	240,000	17 March 2014 – 16 March 2024
Leung Po Wing, Bowen Joseph	240,000	–	–	240,000	17 March 2014 – 16 March 2024
Chan Siu Wing, Raymond	240,000	–	–	240,000	17 March 2014 – 16 March 2024
Chu, Raymond	240,000	–	–	240,000	17 March 2014 – 16 March 2024
Subtotal	7,060,000	–	–	7,060,000	
Continuous contract employee	120,000	–	(84,000)	36,000	17 March 2014 – 16 March 2024
Continuous contract employees	2,420,000	–	(150,000)	2,270,000	17 March 2014 – 16 March 2019
Consultants	1,200,000	–		1,200,000	17 March 2014 – 16 March 2024
Total	10,800,000	–	(234,000)	10,566,000	

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 Grant Date until the last day of the respective exercise period; (ii) 30% of the Options shall be exercisable from the date immediately after the second anniversary of the Grant Date until the last day of the respective exercise period; and (iii) 40% of the Options shall be exercisable from the date immediately after the third anniversary of the Grant Date until the last day of the respective exercise period.

During the year ended 31 March 2015, 234,000 options were lapsed as certain options holders ceased to be eligible person under the Share Option Scheme.

Save as the above, there has been no options granted and cancelled as at 31 March 2015.

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 10,566,000, representing 3.7% 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 (the "Option Period"), which period may commence on the date upon which the offer for the grant of options is made but shall end in any event not later than 10 years from the date of grant of the option subject to the provisions for early termination thereof. Holders of the options granted under the Share Option Scheme may only exercise their options in the following manner:

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

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

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

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

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

(vii) **Period of the Share Option Scheme**

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

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 2015. 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" on pages 08 to 17 and note 36 to the consolidated financial statements in this Annual Report.

MATERIAL RELATED PARTY TRANSACTIONS

During the year ended 31 March 2015, 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 were as set out in this Annual Report. Details of the related party transactions are set out in note 36 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 2015.

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 2015, 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 2015 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" on pages 08 to 17 of this Annual Report.

AUDITOR

The consolidated financial statements for the year ended 31 March 2015 have been audited by BDO Limited which retires, and being eligible, offers itself for re-appointment at 2015 AGM. A resolution to re-appoint BDO Limited and to authorize the Directors to fix its remuneration will be proposed at 2015 AGM.

On behalf of the Board

Lau Ho Ming, Peter
Executive Chairman

Hong Kong, 30 June 2015

Independent Auditor's Report

Tel : +852 2218 8288
Fax: +852 2815 2239
www.bdo.com.hk

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

電話：+852 2218 8288
傳真：+852 2815 2239
www.bdo.com.hk

香港干諾道中111號
永安中心25樓

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 35 to 109, which comprise the consolidated and company statements of financial position as at 31 March 2015, 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 judgment, 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 2015, and of the Group's loss 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, 30 June 2015

Consolidated Income Statement

		Year ended 31 March	
		2015	2014
	Notes	**HK$'000**	HK$'000
REVENUE	*7*	**829,016**	773,235
Cost of sales		**(741,701)**	(685,903)
Gross profit		**87,315**	87,332
Other income and gains	*7*	**5,418**	10,264
Selling expenses		**(23,134)**	(20,449)
Administrative expenses		**(67,977)**	(49,068)
Fair value changes in derivative financial asset	*8*	**2,979**	–
Finance costs	*9*	**(5,118)**	(2,464)
(LOSS)/PROFIT BEFORE INCOME TAX EXPENSE	*8*	**(517)**	25,615
Income tax expense	*11*	**(3,209)**	(5,426)
(LOSS)/PROFIT FOR THE YEAR		**(3,726)**	20,189

Consolidated Statement of Comprehensive Income

	Note	Year ended 31 March 2015 HK$'000	2014 HK$'000
(LOSS)/PROFIT FOR THE YEAR		**(3,726)**	20,189
Other comprehensive income attributable to the owners of the Company that may be classified to profit or loss in subsequent periods:			
Exchange differences on translating foreign operations		**26**	371
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**(3,700)**	20,560
(Loss)/Profit attributable to:			
Owners of the Company		**(3,721)**	20,189
Non-controlling interests		**(5)**	–
		(3,726)	20,189
Total comprehensive income attributable to:			
Owners of the Company		**(3,695)**	20,560
Non-controlling interests		**(5)**	–
		(3,700)	20,560
(Losses)/Earnings per share	*14*		
– Basic and diluted (HK cents)		**(1.39)**	8.41

Consolidated Statement of Financial Position

	Notes	At 31 March 2015 HK$'000	2014 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	*15*	**128,451**	122,025
Prepaid land lease payments	*16*	**7,520**	7,718
Goodwill	*18*	**51,759**	–
Intangible assets	*19*	**85,395**	–
Interests in a joint venture	*20*	**–**	–
Deferred tax asset	*35*	**1,756**	–
Total non-current assets		**274,881**	129,743
CURRENT ASSETS			
Inventories	*21*	**133,160**	157,747
Trade receivables	*22*	**74,620**	28,203
Prepayments, deposits and other receivables	*23*	**1,676**	3,920
Derivative financial asset	*30*	**5,140**	–
Tax recoverable		**854**	1,807
Cash and cash equivalents	*25*	**67,170**	75,240
Total current assets		**282,620**	266,917
CURRENT LIABILITIES			
Trade payables	*26*	**44,603**	45,539
Receipts in advance, accruals and other payables	*27*	**42,589**	32,210
Interest-bearing bank borrowings	*28*	**52,772**	68,119
Derivative financial instruments	*24*	**161**	–
Total current liabilities		**140,125**	145,868
NET CURRENT ASSETS		**142,495**	121,049
TOTAL ASSETS LESS CURRENT LIABILITIES		**417,376**	250,792
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings	*28*	**33,600**	40,400
Promissory notes	*29*	**20,089**	–
Convertible notes	*30*	**51,189**	–
Deferred tax liabilities	*35*	**14,302**	–
Total non-current liabilities		**119,180**	40,400
Net assets		**298,196**	210,392

		At 31 March	
		2015	2014
	Notes	**HK$'000**	HK$'000
EQUITY			
Share capital	*31*	**224**	187
Reserves	*32*	**297,381**	210,205
		297,605	210,392
Non-controlling interests		**591**	–
Total equity		**298,196**	210,392

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 2015 HK$'000	2014 HK$'000
NON-CURRENT ASSET			
Interests in subsidiaries	*17*	**117,507**	–
CURRENT ASSETS			
Amounts due from subsidiaries	*17*	**121,248**	38,695
Prepayments	*23*	**5**	60
Derivative financial asset	*30*	**5,140**	–
Tax recoverable		**539**	–
Cash and cash equivalents	*25*	**21,517**	56,912
Total current assets		**148,449**	95,667
CURRENT LIABILITIES			
Accruals	*27*	**1,013**	892
Income tax payable		**–**	1,082
Total current liabilities		**1,013**	1,974
NET CURRENT ASSETS		**147,436**	93,693
TOTAL ASSETS LESS CURRENT LIABILITIES		**264,943**	93,693
NON-CURRENT LIABILITY			
Promissory notes	*29*	**20,089**	–
Convertible notes	*30*	**51,189**	–
Total non-current liability		**71,278**	–
Net assets		**193,665**	93,693
EQUITY			
Share capital	*31*	**224**	187
Reserves	*32*	**193,441**	93,506
Total equity		**193,665**	93,693

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$'000	Convertible notes equity reserve HK$'000	Retained earnings HK$'000	Proposed final dividend HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 1 April 2013	187	104,048	9,271	584	4,464	2,100	–	–	81,085	–	201,739	–	201,739
Dividend paid *(note 13)*	–	–	–	–	–	–	–	–	(12,000)	–	(12,000)	–	(12,000)
Equity settled share-based transactions *(note 33)*	–	–	–	–	–	–	93	–	–	–	93	–	93
Profit for the year	–	–	–	–	–	–	–	–	20,189	–	20,189	–	20,189
Other comprehensive income													
Exchange differences arising on translation of foreign operations	–	–	–	–	371	–	–	–	–	–	371	–	371
Total comprehensive income for the year	–	–	–	–	371	–	–	–	20,189	–	20,560	–	20,560
Transfer to statutory reserve	–	–	–	112	–	–	–	–	(112)	–	–	–	–
Final dividend proposed	–	–	–	–	–	–	–	–	(4,800)	4,800	–	–	–
At 31 March 2014 and 1 April 2014	**187**	**104,048**	**9,271**	**696**	**4,835**	**2,100**	**93**	**-**	**84,362**	**4,800**	**210,392**	**-**	**210,392**
Acquisition of subsidiaries *(note 34)*	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**596**	**596**
Equity settled share-based transactions *(note 33)*	**-**	**-**	**-**	**-**	**-**	**-**	**2,228**	**-**	**-**	**-**	**2,228**	**-**	**2,228**
Lapse of share options *(note 33)*	**-**	**-**	**-**	**-**	**-**	**-**	**(98)**	**-**	**98**	**-**	**-**	**-**	**-**
Dividend paid *(note 13)*	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(8,640)**	**(4,800)**	**(13,440)**	**-**	**(13,440)**
Proceeds from placing of new shares *(note 31 (b))*	**37**	**59,963**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**60,000**	**-**	**60,000**
Issuing expenses of placing new shares	**-**	**(605)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(605)**	**-**	**(605)**
Recognition of equity component of convertible notes *(note 30)*	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**42,725**	**-**	**-**	**42,725**	**-**	**42,725**
Loss for the year	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(3,721)**	**-**	**(3,721)**	**(5)**	**(3,726)**
Other comprehensive income													
Exchange differences arising on translation of foreign operations	**-**	**-**	**-**	**-**	**26**	**-**	**-**	**-**	**-**	**-**	**26**	**-**	**26**
Total comprehensive income for the year	**-**	**-**	**-**	**-**	**26**	**-**	**-**	**-**	**(3,721)**	**-**	**(3,695)**	**(5)**	**(3,700)**
Transfer to statutory reserve	**-**	**-**	**-**	**103**	**-**	**-**	**-**	**-**	**(103)**	**-**	**-**	**-**	**-**
At 31 March 2015	**224**	**163,406**	**9,271**	**799**	**4,861**	**2,100**	**2,223**	**42,725**	**71,996**	**-**	**297,605**	**591**	**298,196**

Consolidated Statement of Cash Flows

	Notes	Year ended 31 March 2015 HK$'000	2014 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
(Loss)/profit before income tax expense		**(517)**	25,615
Adjustments for:			
Interest income	*7*	**(27)**	(21)
Interest expenses	*9*	**5,118**	2,464
Depreciation of property, plant and equipment	*8*	**18,667**	11,293
Gain on disposal of property, plant and equipment	*7*	**(45)**	–
Amortisation of prepaid land lease payments	*8*	**207**	207
Amortisation of intangible assets	*8*	**2,505**	–
Impairment loss on trade receivables/bad debts written off	*8*	**12,046**	2,270
Impairment loss on other receivables	*8*	**210**	–
Write-down of inventories	*8*	**6,604**	–
Net loss/(gain) on derivative financial instruments	*7*	**161**	(1,776)
Fair value changes in derivative financial asset	*8*	**(2,979)**	–
Equity settled share-based payment expenses	*33*	**2,228**	93
Operating profit before working capital changes		**44,178**	40,145
Decrease/(increase) in inventories		**17,983**	(4,168)
(Increase)/decrease in trade receivables		**(58,463)**	28,000
Decrease/(increase) in prepayments, deposits and other receivables		**2,100**	(1,086)
Decrease in trade payables		**(936)**	(5,430)
Increase/(decrease) in receipts in advance, accruals and other payables		**841**	(481)
Cash generated from operations		**5,703**	56,980
Income taxes paid		**(4,283)**	(9,629)
Net cash generated from operating activities		**1,420**	47,351
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		**27**	21
Purchases of property, plant and equipment		**(24,785)**	(98,246)
Receive from derivative financial instruments		**–**	2,790
Acquisition of subsidiaries, net of cash acquired	*34*	**(4,970)**	–
Net cash used in investing activities		**(29,728)**	(95,435)

Consolidated Statement of Cash Flows (Continued)

	Year ended 31 March	
	2015	2014
	HK$'000	HK$'000
CASH FLOWS FROM FINANCING ACTIVITIES		
Net proceeds from placing of new shares	**59,395**	–
Proceeds from bank borrowings	**308,446**	333,223
Repayment of bank borrowings	**(330,593)**	(275,641)
Interest paid	**(3,783)**	(2,464)
Dividend paid	**(13,440)**	(12,000)
Net cash inflow from financing activities	**20,025**	43,118
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(8,283)**	(4,966)
Cash and cash equivalents at beginning of year	**75,240**	80,391
Effect of foreign exchange rate changes, net	**213**	(185)
CASH AND CASH EQUIVALENTS AT END OF YEAR	**67,170**	75,240

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 30 June 2015.

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 2014:

Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities
Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011)	Investment Entities
Amendments to HKAS 36	Recoverable Amount Disclosures
Amendments to HKAS 39	Novation of Derivatives and Continuation of Hedge Accounting
HK (IFRIC) 21	Levies

The adoption of these amendments has no significant 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. The amendments are applied retrospectively.

The adoption of the amendments has no impact on these financial statements as the Group does not have any offsetting arrangements.

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

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

Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2012) – Investment Entities

The amendments apply to a particular class of businesses that qualify as investment entities. An investment entity's business purpose is to invest funds solely for returns from capital appreciation, investment income or both. It evaluates the performance of its investments on a fair value basis. Investment entities could include private equity organisations, venture capital organisations, pension funds and investment funds.

The amendments provide an exception to the consolidation requirements in HKFRS 10 Consolidated Financial Statements and require investment entities to measure particular subsidiaries at fair value through profit or loss rather than to consolidate them. The amendments also set out the disclosure requirements for investment entities. The amendments are applied retrospectively subject to certain transitional provisions.

The adoption of the amendments has no impact on these financial statements as the Company is not an investment entity.

Amendments to HKAS 36 – Recoverable Amount Disclosures

The amendments limit the requirements to disclose the recoverable amount of an asset or cash generating unit (CGU) to those periods in which an impairment loss has been recognised or reversed, and expand the disclosures where the recoverable amount of impaired assets of CGUs has been determined based on fair value less costs of disposal. The amendments are applied retrospectively.

The disclosures about the impairment of property, plant and equipment in note 15 and goodwill in note 18 have been modified accordingly.

Amendments to HKAS 39 – Novation of Derivatives and Continuation of Hedge Accounting

The amendments provide relief from discontinuing hedge accounting when novation of a hedging instrument to a central counterparty meets specified criteria. The amendments are applied retrospectively.

The adoption of the amendments has no impact on these financial statements as the Group does not apply hedge accounting.

HK (IFRIC) 21 – Levies

HK (IFRIC) 21 clarifies that an entity recognises a liability to pay a levy imposed by government when the activity that triggers payment, as identified by the relevant legislation, occurs. The interpretation has been applied retrospectively.

The adoption of HK (IFRIC) 21 has no impact on these financial statements as the interpretation is consistent with the Group's previous application of its accounting policies on provisions.

The Group is in the process of making an assessment of the potential impact of these pronouncements. The directors of the Company (the "Directors") so far 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.

HKFRSs (Amendments)	Annual Improvements 2010-2012 Cycle[2]
HKFRSs (Amendments)	Annual Improvements 2011-2013 Cycle[1]
HKFRSs (Amendments)	Annual Improvements 2012-2014 Cycle[3]
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation[3]
Amendments to HKAS 1	Disclosure Initiative[3]
Amendments to HKAS 27	Equity Method in Separate Financial Statements[3]
HKFRS 9 (2014)	Financial Instruments[5]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKFRS 11	Accounting for Acquisitions of Interests In Joint Operations[3]
HKFRS 15	Revenue from Contracts with Customers[4]

1 *Effective for annual periods beginning on or after 1 July 2014*
2 *Effective for annual periods beginning, or transactions occurring, on or after 1 July 2014*
3 *Effective for annual periods beginning on or after 1 January 2016*
4 *Effective for annual periods beginning on or after 1 January 2017*
5 *Effective for annual periods beginning on or after 1 January 2018*

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 16 and HKAS 38 – Clarification of Acceptable Methods of Depreciation and Amortisation

The amendments to HKAS 16 prohibit the use of a revenue-based depreciation method for items of property, plant and equipment. The amendments to HKAS 38 introduce a rebuttable presumption that amortisation based on revenue is not appropriate for intangible assets. This presumption can be rebutted if either the intangible asset is expressed as a measure of revenue or revenue and the consumption of the economic benefits of the intangible asset and highly correlated.

Amendments to HKAS 27 – Equity Method in Separate Financial Statements

The amendments allow an entity to apply the equity method in accounting for its investments in subsidiaries, joint ventures and associates in its separate 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 (continued)

HKFRS 9 (2014) – Financial Instruments

HKFRS 9 introduces new requirements for the classification and measurement of financial assets. Debt instruments that are held within a business model whose objective is to hold assets in order to collect contractual cash flows (the business model test) and that have contractual terms that give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding (the contractual cash flow characteristics test) are generally measured at amortised cost. Debt instruments that meet the contractual cash flow characteristics test are measured at FVTOCI if the objective of the entity's business model is both to hold and collect the contractual cash flows and to sell the financial assets. Entities may make an irrevocable election at initial recognition to measure equity instruments that are not held for trading at FVTOCI. All other debt and equity instruments are measured at FVTPL.

HKFRS 9 includes a new expected loss impairment model for all financial assets not measured at FVTPL replacing the incurred loss model in HKAS 39 and new general hedge accounting requirements to allow entities to better reflect their risk management activities in financial statements.

HKFRS 9 carries forward the recognition, classification and measurement requirements for financial liabilities from HKAS 39, except for financial liabilities designated at FVTPL, where the amount of change in fair value attributable to change in credit risk of the liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, HKFRS 9 retains the requirements in HKAS 39 for derecognition of financial assets and financial liabilities.

HKFRS 15 – Revenue from Contracts with Customers

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

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

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

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

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").

(b) Basis of measurement

The consolidated financial statements have been prepared under the historical cost basis except for derivative financial instruments and derivative financial asset, 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 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.

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.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Basis of consolidation (continued)

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.

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) Joint arrangements

The Group is a party to a joint arrangement where there is a contractual arrangement that confers joint control over the relevant activities of the arrangement to the group and at least one other party. Joint control is assessed under the same principles as control over subsidiaries.

The Group classifies its interests in joint arrangements as either:

- Joint ventures: where the group has rights to only the net assets of the joint arrangement; or

- Joint operations: where the group has both the rights to assets and obligations for the liabilities of the joint arrangement.

In assessing the classification of interests in joint arrangements, the Group considers:

- The structure of the joint arrangement;

- The legal form of joint arrangements structured through a separate vehicle;

- The contractual terms of the joint arrangement agreement; and

- Any other facts and circumstances (including any other contractual arrangements).

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Joint arrangements (continued)

Any premium paid for an investment in a joint venture above the fair value of the Group's share of the identifiable assets, liabilities and contingent liabilities acquired is capitalised and included in the carrying amount of the investment in joint venture. Where there is objective evidence that the investment in a joint venture has been impaired the carrying amount of the investment is tested for impairment in the same way as other non-financial assets.

The Group accounts for its interests joint operations by recognising its share of assets, liabilities, revenues and expenses in accordance with its contractually conferred rights and obligations.

The Company's interests in joint ventures are stated at cost less impairment losses, if any. Results of joint ventures are accounted for by the Company on the basis of dividends received and receivable.

(d) Goodwill

Goodwill is initially recognised at cost being the excess of the aggregate of consideration transferred and the amount recognised for non-controlling interests over the fair value of identifiable assets, liabilities and contingent liabilities acquired.

Where the fair value of identifiable assets, liabilities and contingent liabilities exceed the fair value of consideration paid, the excess is recognised in profit or loss on the acquisition date, after re-assessment.

Goodwill is measured at cost less impairment losses. For the purpose of impairment testing, goodwill arising from an acquisition is allocated to each of the relevant cash-generating units that are expected to benefit from the synergies of the acquisition. A cash-generating unit to which goodwill has been allocated is tested for impairment annually, and whenever there is an indication that the unit may be impaired.

For goodwill arising on an acquisition in a financial year, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that financial year. When the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated to reduce the carrying amount of any goodwill allocated to the unit first, and then to the other assets of the unit pro-rata on the basis of the carrying amount to each asset in the unit. Any impairment loss for goodwill is recognised in profit or loss and is not reversed in subsequent periods.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) 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).

(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.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) 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.

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.

(g) 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.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) 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.

(i) 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.

(j) Intangible assets

(i) Acquired intangible assets

Intangible assets acquired separately are initially recognised at cost. The cost of intangible assets acquired in a business combination is fair value at the date of acquisition. Subsequently, intangible assets with finite useful lives are carried at cost less accumulated amortisation and accumulated impairment losses.

Amortisation is provided on a straight-line basis over their useful lives as follows. Intangible assets with indefinite useful lives are carried at cost less any accumulated impairment losses. The amortisation expense is recognised in profit or loss and included in administrative expenses.

Mobile and web application technologies	10 years

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) Intangible assets (continued)

(ii) Impairment

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually by comparing their carrying amounts with their recoverable amounts, irrespective of whether there is any indication that they may be impaired. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount.

An impairment loss is recognised as an expense immediately.

When an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years.

Intangible assets with finite lives are tested for impairment when there is an indication that an asset may be impaired (note 4(h)).

(k) 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.

Where a contract contains one or more embedded derivatives, the entire hybrid contract may be designated as a financial asset at fair value through profit or loss, except where the embedded derivative does not significantly modify the cash flows or it is clear that separation of the embedded derivative is prohibited.

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 are managed and their 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.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Financial Instruments (continued)

(i) Financial assets (continued)

Financial assets at fair value through profit or loss (continued)

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.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Financial Instruments (continued)

(iii) Financial liabilities

The Group classifies its financial liabilities, depending on the purpose for which the liabilities were incurred. Financial liabilities at fair value through profit or loss are initially measured at fair value and financial liabilities at amortised costs are initially measured at fair value, net of directly attributable costs incurred.

Financial liabilities at amortised cost

Financial liabilities at amortised cost including trade payables, accruals, other payables, promissory notes 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.

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities 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. Gains or losses on liabilities held for trading are recognised in profit or loss.

Where a contract contains one or more embedded derivatives, the entire hybrid contract may be designated as a financial liability at fair value through profit or loss, except where the embedded derivative does not significantly modify the cash flows or it is clear that separation of the embedded derivative is prohibited.

Financial liabilities 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 liabilities or recognising gains or losses on them on a different basis; (ii) the liabilities are part of a group of financial liabilities which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management strategy; or (iii) the financial liability contains an embedded derivative that would need to be separately recorded.

Subsequent to initial recognition, financial liabilities 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.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Financial Instruments (continued)

(iv) Convertible notes

Convertible notes contain liability and equity components

Convertible notes issued by the Group that contain both the liability and conversion option components are classified separately into their respective items on initial recognition. Conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is classified as an equity instrument.

On initial recognition, the fair value of the liability component is determined using the prevailing market interest of similar non-convertible debts. The difference between the fair value of the convertible loan notes and the fair value assigned to the liability component, representing the conversion option for the holder to convert the loan notes into equity, is included in equity (convertible loan notes equity reserve).

In subsequent periods, the liability component of the convertible loan notes is carried at amortised cost using the effective interest method. The equity component, represented by the option to convert the liability component into ordinary shares of the Company, will remain in convertible loan notes equity reserve until the embedded option is exercised (in which case the balance stated in convertible loan notes equity reserve will be transferred to share capital and share premium. Where the option remains unexercised at the expiry dates, the balance stated in convertible notes equity reserve will be released to the retained earnings. No gain or loss is recognised upon conversion or expiration of the option.

Transaction costs that relate to the issue of the convertible notes are allocated to the liability and equity components in proportion to the allocation of the proceeds. Transaction costs relating to the equity component are charged directly to equity. Transaction costs relating to the liability component are included in the carrying amount of the liability portion and amortised over the period of the convertible loan notes using the effective interest method.

(v) 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.

(vi) Equity instruments

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

(vii) 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 contract 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*.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Financial Instruments (continued)

(viii) 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.

(l) 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.

(m) 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.

Revenue from digital publishing represents sales of electronic books from end users, net of monies shared with the publishers pursuant to the terms of the cooperation agreements with publishers and net of the costs of channel fee sourced from mobile application platforms. Revenue is recognised when sales of electronic books have been completed.

Revenue from mobile and web application income is recognised when the related services are rendered or on a time proportion basis over the terms of the respective arrangements.

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(n) Income taxes

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

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

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

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(o) 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.

(p) 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.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(q) 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.

(r) 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 Group'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.

(s) 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.

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.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(t) 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

Manufacturing and trading of toy products

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.

Mobile and web application

The Group recognises mobile and web application revenue according to the time proportion basis over the terms of the respective arrangements in the contract. The Directors review and assess the progress of each contract at the end of each reporting period by comparing the contract progress and achievement to the terms stated in the corresponding contract. The determination of the achievement of each contract requires estimation. In making this estimation, the Directors taken into account all known and relevant information at the time of assessment.

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.

5. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Estimation uncertainty (continued)

(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 note 41.

(v) Impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment. For the purposes of impairment reviews, the recoverable amount of goodwill is determined based on value-in-use calculations. The value-in-use calculations primarily use cash flow projections based on five-year financial budgets approved by management. There are a number of assumptions and estimates involved in the preparation of cash flow projections for the period covered by the approved budgets. Key assumptions include the expected growth in revenues, timing of future capital expenditures, growth rates and selection of discount rates to reflect the risks involved. Management prepares the financial budgets reflecting actual and prior year performance and market development expectations. Judgment is required to determine key assumptions adopted in the cash flow projections and changes to key assumptions can significantly affect these cash flow projections and therefore the results of the impairment reviews.

(vi) Impairment loss on intangible assets

Determining whether an intangible asset is impaired requires an estimation of the future cash flow and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise.

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. The chief operating decision-maker considers the business primarily on the assessment of operating performance in each operating unit, which is the basis upon which the Group is organised. Each operating unit is distinguished based on types of goods or services delivered or provided. During the year, the Group obtained control of Pulse Mediatech Limited and its subsidiaries (collectively referred to as "PMT Group") by acquiring its entire equity interest. The principal activities of PMT Group are provision of digital publishing and the development of mobile and web application solutions. The activities of PMT Group have become a new reportable and operating segment of the Group and separately assessed by the chief operating decision-marker. The following summary describes the operations in each of the Group's reportable segments:

– Manufacturing and sales of toys; and

– Digital publishing, mobile and web application solutions

(a) Reportable segments

Management assesses the performance of the operating segments based on the measure of segment results which represents the net of revenues, incomes and gains, costs and expenditures directly attributable to each operating segment. Central administrative costs are not allocated to the operating segment as they are not included in the measure of the segment results that are used by the chief operating decision-marker for assessment of segment performance.

The following is an analysis of the Group's revenue and results by reporting segment for the year:

Segment revenue and results

	Manufacturing and sales of toys HK$'000	**Digital publishing, mobile and web application solutions** HK$'000	**Total** HK$'000
For the year ended 31 March 2015			
External revenue	**827,845**	**1,171**	**829,016**
Segment profit/(loss)	**15,353**	**(4,051)**	**11,302**
Corporate income			
– Others			**2**
Central administrative cost			**(14,639)**
Fair value change in derivative financial asset			**2,979**
Fair value loss on derivative financial instruments			**(161)**
Loss before income tax expense			**(517)**
For the year ended 31 March 2014			
External revenue	773,235	–	773,235
Segment profit	31,642	–	31,642
Corporate income			
– Others			15
Central administrative cost			(7,818)
Fair value gain on derivative financial instruments			1,776
Profit before income tax expense			25,615

6. OPERATING SEGMENT INFORMATION (continued)

(a) Reportable segments (continued)

Segment profit/(loss) represents the profit or (loss) earned by each segment without allocation of corporate income, fair value (loss)/gain on derivative financial instruments, fair value change in financial asset and central administrative cost. This is the information reported to the chief operating decision maker for the purpose of resource allocation and performance assessment.

Segment assets

All assets are allocated to reportable segments other than deferred tax asset, prepayment, tax recoverable, derivative financial asset and cash and cash equivalent.

	2015 **HK$'000**	2014 HK$'000
Manufacturing and sales of toys	**343,049**	317,717
Digital publishing, mobile and web application solutions	**138,666**	–
Total segment assets	**481,715**	317,717
Unallocated	**75,786**	78,943
Consolidated assets	**557,501**	396,660

Segment liabilities

All liabilities are allocated to reportable segments other than derivative financial instruments, promissory notes, convertible notes and deferred tax liabilities.

	2015 **HK$'000**	2014 HK$'000
Manufacturing and sales of toys	**172,481**	186,268
Digital publishing, mobile and web application solutions	**1,083**	–
Total segment liabilities	**173,564**	186,268
Unallocated	**85,741**	–
Consolidated liabilities	**259,305**	186,268

6. OPERATING SEGMENT INFORMATION (continued)

(a) Reportable segments (continued)

Other segment information

Amounts included in the measure of segment profit/(loss) or segment assets:

For the year ended 31 March 2015

	Manufacturing and sales of toys HK$'000	Digital publishing, mobile and web application solutions HK$'000	Total HK$'000
Additions to property, plant and equipment	**19,392**	**33**	**19,425**
Depreciation of property, plant and equipment	**(15,556)**	**(43)**	**(15,599)**
Gain on disposal of property, plant and machinery	**45**	**–**	**45**
Amortisation of prepaid lease payments	**(207)**	**–**	**(207)**
Amortisation of intangible assets	**–**	**(2,505)**	**(2,505)**
Impairment loss on trade receivables	**(12,046)**	**–**	**(12,046)**
Impairment loss on other receivables	**(210)**	**–**	**(210)**
Write-down of inventories	**(6,604)**	**–**	**(6,604)**
Interest expenses	**(3,270)**	**–**	**(3,270)**

Amounts included in the measure of segment profit or segment assets:

For the year ended 31 March 2014

	Manufacturing and sales of toys HK$'000	Digital publishing, mobile and web application solutions HK$'000	Total HK$'000
Additions to property, plant and equipment	27,707	–	27,707
Depreciation of property, plant and equipment	(10,044)	–	(10,044)
Amortisation of prepaid lease payments	(207)	–	(207)
Bad debts written off	(2,270)	–	(2,270)
Interest expenses	(2,356)	–	(2,356)

6. OPERATING SEGMENT INFORMATION (continued)

(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	
	2015	2014
	HK$'000	HK$'000
North America *(note 1)*	**433,847**	430,385
Western Europe		
– United Kingdom	**108,462**	96,922
– France	**30,574**	34,788
– Netherland	**12,952**	19,672
– Others *(note 2)*	**115,740**	91,800
South America	**24,611**	13,884
PRC and Taiwan	**37,985**	21,722
Australia, New Zealand and Pacific Islands	**20,349**	22,909
Central America, Caribbean and Mexico	**18,761**	16,299
Others *(note 3)*	**25,735**	24,854
Total	**829,016**	773,235

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 Hong Kong, Africa, India, Japan, Korea, Mediterranean, Russia and Southeast Asia.

(ii) Specified non-current assets

	Year ended 31 March	
	2015	2014
	HK$'000	HK$'000
Mainland China, the PRC	**62,869**	59,413
Hong Kong	**73,102**	70,330
Total	**135,971**	129,743

6. OPERATING SEGMENT INFORMATION (continued)

(c) Information about major customers

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

	Year ended 31 March	
	2015	2014
	HK$'000	HK$'000
Customer A	**249,995**	279,556
Customer B	**140,267**	183,182
Customer C*	**134,201**	–
Customer D*	**106,312**	–
Customer E	**84,314**	82,900

* *The customer contributed less than 10% of the Group's revenue during the year ended 31 March 2014.*

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	
	2015	2014
	HK$'000	HK$'000
Revenue		
Sale of goods	**827,845**	773,235
Digital publishing, mobile and web application solutions	**1,171**	–
	829,016	773,235
Other income and gains		
Moulding income	**3,855**	7,044
Net (loss)/gain on derivative financial instruments	**(161)**	1,776
Interest income from bank deposits	**27**	21
Gain on disposal of property, plant and equipment	**45**	–
Exchange gains, net	**115**	278
Others	**1,537**	1,145
	5,418	10,264

8. (LOSS)/PROFIT BEFORE INCOME TAX EXPENSE

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

	Year ended 31 March	
	2015	2014
	HK$'000	HK$'000
Cost of inventories sold	**741,701**	685,903
Depreciation of property, plant and equipment	**18,667**	11,293
Amortisation of prepaid land lease payments	**207**	207
Amortisation of intangible assets	**2,505**	–
Employee benefits expenses (excluding Directors' remuneration *(note 10(a))*):		
Wages and salaries	**34,819**	38,168
Equity settled share-based payment expenses to employees	**467**	20
Pension scheme contributions	**3,587**	3,931
Other benefits	**4,818**	4,765
	43,691	46,884
Fair value change in derivative financial asset	**(2,979)**	–
Equity settled share-based payment expenses to eligible persons other than employees and directors	**241**	9
Auditor's remuneration	**1,380**	950
Operating lease charges in respect of land and buildings	**3,563**	2,191
Write-down of inventories	**6,604**	–
Impairment loss on other receivables	**210**	–
Impairment loss on trade receivables/Bad debts written off	**12,046**	2,270

9. FINANCE COSTS

	Year ended 31 March	
	2015	2014
	HK$'000	HK$'000
Interest on bank and other borrowings:		
—Wholly repayable within five years	**2,891**	2,375
—Not wholly repayable within five years	**892**	89
—Promissory notes	**280**	–
—Convertible notes	**1,055**	–
	5,118	2,464

10. DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID EMPLOYEES

(a) Directors' remuneration

The remuneration of the Directors is as follows:

Year ended 31 March 2015	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	–	3,602	516	59	4,177
Mr. Ng Kam Seng	–	1,978	172	50	2,200
Mr. Poon Pak Ki	–	1,389	108	44	1,541
	–	6,969	796	153	7,918
Non-executive Directors					
Madam Li Man Yee, Stella	240	–	516	–	756
Mr. Chu Sheng Yu, Lawrence	180	–	52	–	232
Mr. Wang Zhao (appointed on 30 October 2014)	76	–	–	–	76
	496	–	568	–	1,064
Independent non-executive Directors					
Mr. Leung Po Wing, Bowen Joseph	210	–	52	–	262
Mr. Chan Siu Wing, Raymond	180	–	52	–	232
Mr. Chu, Raymond	180	–	52	–	232
	570	–	156	–	726
Total	1,066	6,969	1,520	153	9,708

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

(a) Directors' remuneration (continued)

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)

(b) Five highest paid employees

The five individuals whose remuneration were the highest in the Group for the year ended 31 March 2015 included 3 Directors (2014: 3) and their remuneration are reflected in note 10(a). The remuneration of the remaining 2 highest paid individuals (2014: 2) for the year ended 31 March 2015 are as follows:

	Year ended 31 March	
	2015	2014
	HK$'000	HK$'000
Salaries, allowances and benefits in kind	**2,406**	2,188
Equity settled share-based payment expenses	**202**	8
Pension scheme contributions	**85**	71
	2,693	2,267

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

	Year ended 31 March	
	2015	2014
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 (2014: Nil). None of the Directors nor the five highest paid employees has waived or agreed to waive any remuneration during the year (2014: Nil).

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

	Year ended 31 March	
	2015	2014
HK$1,000,001 to HK$1,500,000	**2**	2
	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 (2014: 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 (2014: 25%).

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

	Year ended 31 March	
	2015	2014
	HK$'000	HK$'000
Current – Hong Kong		
Charge for the year	**4,817**	5,809
Under/(over) provision in prior years	**6**	(757)
	4,823	5,052
Current – PRC		
Charge for the year	**344**	374
	5,167	5,426
Deferred tax credit *(note 35)*	**(1,958)**	–
Income tax expense for the year	**3,209**	5,426

11. INCOME TAX EXPENSE (continued)

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

	Year ended 31 March	
	2015	2014
	HK$'000	HK$'000
(Loss)/profit before income tax expense	**(517)**	25,615
Tax at the applicable tax rate of 16.5% (2014: 16.5%)	**(85)**	4,226
Effect of different tax rate of a subsidiary operating in other jurisdiction	**69**	79
Tax effect of revenue not taxable for tax purposes	**(469)**	(14)
Tax effect of expenses not deductible for tax purposes	**3,085**	1,739
Tax effect of tax loss not recognised	**342**	–
Tax effect of temporary difference not recognised	**261**	153
Under/(over) provision in respect of prior years	**6**	(757)
Income tax expense	**3,209**	5,426

As at 31 March 2015, no deferred tax asset has been recognised in respect of the deductible temporary differences of HK$2,509,000 (2014: HK$927,000) as the amounts are immaterial to the Group.

No deferred tax asset has been recognised in respect of the unused tax losses of HK$2,073,000 (2014: Nil) due to the unpredictability of future profit streams. The unused tax losses can be carried forward indefinitely. In addition, as at 31 March 2015, 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 provided are approximately of HK$6,816,000 (2014: HK$5,885,000). 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 2015 in the foreseeable future.

12. PROFIT ATTRIBUTABLE TO OWNERS

Profit attributable to owners includes an amount of approximately HK$424,000 (2014: HK$4,710,000) which has been dealt with in the financial statements of the Company.

13. DIVIDENDS

	Year ended 31 March	
	2015	2014
	HK$'000	HK$'000
Interim dividend of HK cents 3 per Share (2014: HK cents 5 per Share)	**8,640**	12,000
Proposed final dividend of HK cents Nil per Share (2014: HK cents 2 per Share)	**–**	4,800
	8,640	16,800

The interim dividend of HK cents 3 per Share, totaling HK$8,640,000 (2014: HK cents 5 per Share, totaling HK$12,000,000) for the year ended 31 March 2015 was declared in November 2014 and paid in December 2014.

At the Board meeting held on 30 June 2015, the Directors did not propose a final dividend for the year ended 31 March 2015 (2014: HK cents 2 per Share, totaling HK$4,800,000).

14. (LOSSES)/EARNINGS PER SHARE

The calculation of basic (losses)/earnings per share attributable to the owners of the Company is based on the loss for the year ended 31 March 2015 of approximately HK$3,721,000 (2014: profit attributable to the owners of the Company of approximately HK$20,189,000), and of the weighted average number of 266,958,904 (2014: 240,000,000) ordinary shares in issue during the year.

Diluted loss per share are the same as basic loss per share for the year ended 31 March 2015 (2014: same) as the impact of the potential dilutive ordinary shares outstanding has an anti-dilutive effect on the basic loss per share presented for the year ended 31 March 2015 (2014: anti-dilutive).

There is no dilutive effect on the convertible notes as they are anti-dilutive (2014: Nil).

15. PROPERTY, PLANT AND EQUIPMENT

Group

	Leasehold land and buildings HK$'000	Leasehold improvements HK$'000	Plants and machinery HK$'000	Fixtures, furniture and office equipment HK$'000	Motor vehicles HK$'000	Total HK$'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

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 2015						
Cost:						
At 1 April 2014	96,214	4,070	98,963	7,435	8,431	215,113
Acquired through business combination *(note 34)*	–	149	–	708	–	857
Additions	–	8,038	13,634	1,982	1,131	24,785
Disposals	–	–	–	–	(230)	(230)
Exchange differences	30	–	1	–	2	33
At 31 March 2015	96,244	12,257	112,598	10,125	9,334	240,558
Accumulated depreciation:						
At 1 April 2014	4,961	751	73,691	6,070	7,615	93,088
Acquired through business combination *(note 34)*	–	59	–	339	–	398
Depreciation charge for the year	3,209	3,035	10,739	1,133	551	18,667
Disposals	–	–	–	–	(214)	(214)
Exchange differences	9	91	69	(2)	1	168
At 31 March 2015	8,179	3,936	84,499	7,540	7,953	112,107
Net book value:						
At 31 March 2015	88,065	8,321	28,099	2,585	1,381	128,451
At 31 March 2014	91,253	3,319	25,272	1,365	816	122,025

15. PROPERTY, PLANT AND EQUIPMENT (continued)

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	
	2015	2014
	HK$'000	HK$'000
Properties located in Hong Kong		
Medium-term lease	**68,076**	70,170
Properties located in PRC		
Medium-term lease	**19,989**	21,083
	88,065	91,253

The Group had pledged certain leasehold land and buildings with aggregate net book value of HK$68,076,000 (2014: HK$70,170,000) to secure interest-bearing bank borrowings as set out in note 28.

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	
	2015	2014
	HK$'000	HK$'000
At 1 April	**7,718**	7,782
Amortisation	**(207)**	(207)
Exchange differences	**9**	143
At 31 March	**7,520**	7,718

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

17. INTERESTS IN SUBSIDIARIES

Company

	At 31 March 2015 HK$'000	2014 HK$'000
Investments in subsidiaries		
– Unlisted shares, at cost *	**117,686**	–
Amounts due from subsidiaries	**121,248**	38,695

* *The aggregate investment costs in subsidiaries were less than a thousand dollar as at 31 March 2014.*

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

Company name	Place and date of incorporation/establishment	Particulars of issued and fully paid share capital/registered capital	Percentage of equity attributable to the Company Direct %	Indirect %	Place of operation and principal activities
Subsidiaries					
Turbo Gain Investments Limited [1]	British Virgin Islands, 2 March 2012	1 ordinary share of United States dollar ("US$") 1 each	100	–	Investment holding in British Virgin Islands
New Splendid Developments Limited [1]	British Virgin Islands, 20 January 2012	1 ordinary share of US$1 each	100	–	Investment holding in British Virgin Islands
Next Horizon Holdings Limited [1]	British Virgin Islands, 6 March 2012	1 ordinary share of US$1 each	100	–	Investment holding in British Virgin Islands
Victor Gold Investments Limited [1]	British Virgin Islands, 28 November 2013	1 ordinary share of US$1 each	100	–	Investment holding in British Virgin Islands
New Creation Global Limited [1]	British Virgin Islands, 14 November 2014	1 ordinary share of US$1 each	100	–	Investment holding in British Virgin Islands
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

17. INTERESTS IN SUBSIDIARIES (continued)

Company name	Place and date of incorporation/establishment	Particulars of issued and fully paid share capital/registered capital	Percentage of equity attributable to the Company Direct %	Indirect %	Place of operation and principal activities
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 Foshan Nanhai Haoda Precision Toys Co., Ltd [*3]	The People's Republic of China, 15 March 2001	HK$15,000,000	–	100	Manufacture and trading of toys and other products in Hong Kong and the People's Republic of China
Pulse Mediatech Limited [2]	Hong Kong, 25 February 2009	Ordinary shares of HK$40,000	–	100	Business of internet and communications technology development in electronic books and investment holding in Hong Kong
Handheld Culture Limited [2]	Hong Kong, 25 February 2009	Ordinary shares of HK$1,600	–	100	Digital publishing and e-Commence platform in Hong Kong
QI Post Limited [2]	Hong Kong, 12 May 2006	Ordinary shares of HK$10,000	–	80	Operation of a lifestyle social website in Hong Kong
gameichiban.com Limited [2]	Hong Kong, 9 April 2013	Ordinary shares of HK$1,000	–	100	Dormant
ai3xue.com Limited [2]	Hong Kong, 17 April 2013	Ordinary shares of HK$1,000	–	100	Dormant

17. INTERESTS IN SUBSIDIARIES (continued)

Notes:

1 *No statutory audited financial statements have been prepared for these subsidiaries since the dates of incorporation as there are no statutory requirements and these subsidiaries have not yet been involved in any significant business transactions.*

2 *The statutory financial statements for the year ended 31 March 2015 were audited by BDO Limited, 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 2014 were audited by Foshan Zhuoxin Certified Public Accountants Limited, certified public accountants registered in the PRC.*

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

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

18. GOODWILL

The amount of goodwill capitalised as an asset recognised in the consolidated statement of financial position, arising from business combinations, is as follows:

Carrying amount	**2015** **HK$'000**	2014 HK$'000
Balances as at 1 April	**–**	–
Acquired through business combinations *(note 34)*	**51,759**	–
Balances as at 31 March	**51,759**	–

The carrying amount of goodwill is allocated to the cash-generating unit ("CGU") of the business of digital publishing and mobile and web application solutions.

The Group engaged an independent professional valuer, BMI Appraisals Limited, to perform impairment assessment on goodwill. For the purposes of the goodwill impairment test, the recoverable amounts for the CGU of the business of digital publishing and mobile and web applications solutions as at 31 March 2015 was determined based on value-in-use calculations based on cash flow projections from formally approved budgets, covering a detailed five-year budget plan, and discount rate of 16% estimated by the management. Other key assumptions for the value-in-use calculation relate to the estimation of cash inflows/outflows which include budgeted revenue and gross margin, such estimation is based on the past performance and management's expectations for the market development. The discount rate used is pre-tax and reflect specific risks relating to the relevant CGU.

Apart from the considerations described in determining the value-in-use of the CGU above, the Group's management is not currently aware of any other probable changes that would necessitate changes in its key estimates.

The Management performed an impairment test for the goodwill and concluded that the CGU demonstrate sufficient cash flow projections that justify the carrying amount of the goodwill. Management did not consider any impairment of goodwill is necessary.

19. INTANGIBLE ASSETS

	Group HK$'000
Cost:	
At 1 April 2014	–
Acquired through business combinations *(note 34)*	87,900
At 31 March 2015	87,900
Accumulated amortisation:	
At 1 April 2014	–
Charge for the year	(2,505)
At 31 March 2015	(2,505)
Carrying amount:	
At 31 March 2015	85,395
At 31 March 2014	–

Intangible assets comprised mobile and web application technologies acquired through the acquisition of the entire interest in PMT Group. The fair value of the intangible assets acquired is calculated by an independent professional valuer, BMI Appraisals Limited by using Multi-period Excess Earnings Method. The principal assumptions used in the valuation are i) the estimated useful life of the intangible assets are 10 years and there are no residual value at the end of the useful life; ii) the weighted average cost of capital used has been determined with reference to the capital structure and risk profile of technology companies in the market whose business are similar to the PMT Group.

Intangible assets are amortised using straight-line method over their estimated useful lives of 10 years, less any impairment losses. Amortisation charge for the year is included in administrative expense line item in the consolidated income statement.

20. INTERESTS IN A JOINT VENTURE

Details of the Group's investment in a joint venture is as follow:

	2015 HK$'000	2014 HK$'000
Unlisted shares, at cost	**1**	–
Share of pre-acquisition profits on other comprehensive income	**(1)**	–
	–	–

Particular of the Group's joint venture as at 31 March 2015 and 2014 are as follows:

Name	Form of business structure	Place of Incorporation	Place of operation and primary activity	Percentage of ownership/interests/ voting powers
Ucan Star Limited	Incorporated	Hong Kong	Joint development of mobile game applications, Hong Kong	50%

21. INVENTORIES

Group

	At 31 March	
	2015 HK$'000	2014 HK$'000
Raw materials	**84,188**	82,911
Work in progress	**5,565**	31,360
Finished goods	**43,407**	43,476
	133,160	157,747

22. TRADE RECEIVABLES

Group

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

	At 31 March	
	2015	2014
	HK$'000	HK$'000
Current to 30 days	**34,191**	19,276
31 to 60 days	**12,787**	3,314
61 to 90 days	**12,374**	4,451
Over 90 days	**27,314**	1,162
	86,666	28,203
Less: Allowance for impairment loss	**(12,046)**	–
	74,620	28,203

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

	At 31 March	
	2015	2014
	HK$'000	HK$'000
Neither past due nor impaired	**47,145**	22,606
Less than 1 month past due	**12,843**	4,111
1 to 3 months past due	**10,516**	1,397
Over 3 months past due	**4,116**	89
	74,620	28,203

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.

22. TRADE RECEIVABLES (continued)

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

	At 31 March	
	2015	2014
	HK$'000	HK$'000
At 1 April	**–**	–
Impairment loss recognised	**12,046**	2,270
Bad debts written off	**–**	(2,270)
At 31 March	**12,046**	–

The Group recognises impairment loss in accordance with the accounting policy set out in note 4(k)(ii). The Group's credit policy is set out in note 41.

23. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

Group and Company

	Group		Company	
	At 31 March		At 31 March	
	2015	2014	**2015**	2014
	HK$'000	HK$'000	**HK$'000**	HK$'000
Prepayments	**866**	1,896	**5**	60
Deposits	**203**	158	**–**	–
Other receivables	**607**	1,866	**–**	–
	1,676	3,920	**5**	60

As at 31 March 2015, 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.

24. 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 2015, the notional amount of the outstanding forward contracts with contract periods within 13 months were US$25.0 million (2014: Nil).

The fair values of foreign currency forward contracts are measured by discounting respective risk free rates matching the maturities of the net cash flows that are calculated through multiplying the notional amount with the difference between contractual forward rates and forward rates from the valuation date to maturity dates with the assumptions that there will be no material change in the existing political, legal, fiscal, technological and economic conditions. There is no material change in the interest rates and exchange rates 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 41.

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

	At 31 March	
	2015	2014
	HK$'000	HK$'000
At 1 April	**–**	1,014
Net (loss)/gain on derivative financial instruments during the year	**(161)**	1,776
Settlements during the year	**–**	(2,790)
At 31 March	**(161)**	–

25. CASH AND CASH EQUIVALENTS

Group and Company

	Group		Company	
	At 31 March		At 31 March	
	2015	2014	**2015**	2014
	HK$'000	HK$'000	**HK$'000**	HK$'000
Cash and cash equivalents were denominated in:				
HK$	**52,609**	65,865	**21,517**	56,912
RMB	**5,279**	5,117	**–**	–
US$	**9,282**	4,258	**–**	–
	67,170	75,240	**21,517**	56,912

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.

26. TRADE PAYABLES

Group

The Group normally obtains credit terms of 15–60 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	
	2015	2014
	HK$'000	HK$'000
Current to 30 days	**17,506**	25,068
31 to 60 days	**10,085**	10,743
61 to 90 days	**9,242**	5,360
More than 90 days but less than 365 days	**6,523**	3,765
More than 365 days	**1,247**	603
	44,603	45,539

27. RECEIPTS IN ADVANCE, ACCRUALS AND OTHER PAYABLES

Group and Company

	Group		Company	
	At 31 March		At 31 March	
	2015	2014	**2015**	2014
	HK$'000	HK$'000	**HK$'000**	HK$'000
Receipts in advance	**19,420**	995	**–**	–
Accruals	**16,946**	16,768	**1,013**	892
Other payables	**6,223**	14,447	**–**	–
	42,589	32,210	**1,013**	892

28. INTEREST-BEARING BANK BORROWINGS

Group

	At 31 March	
	2015	2014
	HK$'000	HK$'000
Current		
Secured		
– bank loans due for repayment within one year	**52,772**	68,119
Non-current		
Secured		
– bank loans due for repayment after one year	**33,600**	40,400
Total interest-bearing bank borrowings	**86,372**	108,519

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$68,076,000 (2014: HK$70,170,000) (note 15); and

(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.

At 31 March 2015, total current and non-current bank borrowings were scheduled to be repaid as follows:

	At 31 March	
	2015	2014
	HK$'000	HK$'000
On demand or within one year	**52,772**	68,119
More than one year, but not exceeding two years	**6,800**	6,800
More than two years, but not exceeding five years	**16,067**	20,066
More than five years	**10,733**	13,534
	86,372	108,519

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.

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 41. As at 31 March 2015, none of the covenants relating to drawn down facilities had been breached (2014: Nil).

29. PROMISSORY NOTES

Group and Company

On 17 December 2014, the Company issued promissory notes with an aggregate principal amount of HK$20,000,000 as part of the consideration for the acquisition of the entire equity interest in PMT Group as disclosed in note 34. The promissory notes are unsecured and denominated in HKD. The promissory note is bearing interest at fixed rate of 5% per annum and is repayable in 18 months from the date of issue.

On initial recognition, the fair values of the promissory note are determined based on the present value of the contractual stream of future cash flows discounted at 5.64% per annum. The discount rates are determined with reference to the yield rate with credit rating and duration similar to the promissory notes.

The promissory notes recognised in the consolidated statement of financial position at initial recognition are as follows:

	2015 **HK$'000**
Fair value of promissory notes at 17 December 2014 *(note 34)*	**19,809**

The movements of the promissory notes for the year are set out below:

	At 31 March	
	2015 **HK$'000**	2014 HK$'000
At 1 April	**–**	–
Promissory notes issued on 17 December 2014	**19,809**	–
Effective interest expense	**280**	–
At 31 March	**20,089**	–

30. CONVERTIBLE NOTES

Group and Company

On 17 December 2014, the Company issued convertible notes with an aggregate principal amount of HK$58,000,000 as part of the consideration for the acquisition of the entire equity interest in PMT Group as disclosed in note 34. The convertible notes are interest-free and carry a right to convert the principal amount into shares of US$0.0001 each in the share capital of the Company at an initial conversion price of HK$4.09 per share (subject to adjustment) during the period from 17 December 2014 to 17 December 2016. The Company may at any time before the maturity date redeem the convertible notes at par (in whole or in part). Any amount of the convertible notes which remains outstanding on the maturity date will be redeemed at their then outstanding principal amount.

On initial recognition, the convertible notes contain two components, liability and equity components. The equity component is presented in equity with heading "convertible notes equity reserve" in note 32. The effective interest rate of the liability component on initial recognition is 7.56% per annum.

The convertible notes recognised in the consolidated statement of financial position at initial recognition are as follows:

	2015 **HK$'000**
Fair value of convertible notes at 17 December 2014 *(note 34)*	**90,698**
Equity component	**(42,725)**
Derivative financial asset – company redemption options on convertible notes	**2,161**
Liability component on initial recognition	**50,134**

The movements of the liability component of the convertible notes for the year are set out below:

	At 31 March	
	2015 **HK$'000**	2014 HK$'000
At 1 April	**–**	–
Convertible notes issued	**50,134**	–
Effective interest expense	**1,055**	–
At 31 March	**51,189**	–

30. CONVERTIBLE NOTES (continued)

The movements of the derivative financial asset of the convertible notes for the year are set out below:

	At 31 March	
	2015	2014
	HK$'000	HK$'000
At 1 April	**–**	–
Derivative financial asset as at inception date	**2,161**	–
Changes in fair value recognised in profit or loss during the year	**2,979**	–
At 31 March	**5,140**	–

31. SHARE CAPITAL

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

		2015		2014	
		Number		Number	
Authorised:	*Notes*	**of Shares**	**HK$'000**	of Shares	HK$'000
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**	240,000,000	187
Placing of new shares	*(b)*	**48,000,000**	**37**	–	–
At 31 March		**288,000,000**	**224**	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) *On 20 August 2014, the Company entered into a placing agreement with a placing agent, an independent third party. On 8 September 2014, the placing was completed. The Company issued 48,000,000 new Shares with par value of US$0.0001 each at a price of HK$1.25 each. The issued share capital of the Company was thus increased from HK$187,000 to HK$224,000. The excess of placement proceeds over the nominal value of share capital issued net of the expenses incurred thereon was credited as share premium. The Company intended to apply the net proceeds for the general working capital of the Group, future development of the Group's business or other appropriate investment as may be identified by the Directors.*

32. 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 above its par value.

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 the 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.

Convertible notes equity reserve

Amount of proceeds on issue of convertible notes relating to the equity component (i.e. option to convert the debt into share capital).

32. RESERVES (continued)

Company

	Share premium HK$'000	Accumulated losses HK$'000	Share option reserve HK$'000	Convertible notes equity reserve HK$'000	Total HK$'000
At 1 April 2013	104,048	(15,345)	–	–	88,703
Equity settled share-based transactions *(note 33)*	–	–	93	–	93
Profit for the year and total comprehensive income for the year	–	4,710	–	–	4,710
At 31 March 2014 and 1 April 2014	104,048	(10,635)	93	–	93,506
Equity settled share-based transactions *(note 33)*	–	–	2,228	–	2,228
Lapse of share options *(note 33)*	–	98	(98)	–	–
Dividend paid *(note 13)*	–	(4,800)	–	–	(4,800)
Proceeds from placing of new shares *(note 31(b))*	59,963	–	–	–	59,963
Issuing expenses of placing new shares	(605)	–	–	–	(605)
Recognition of equity component of convertible notes *(note 30)*	–	–	–	42,725	42,725
Profit for the year and total comprehensive income for the year	–	424	–	–	424
At 31 March 2015	**163,406**	**(14,913)**	**2,223**	**42,725**	**193,441**

33. 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 is payable by the grantees upon acceptance of a grant of share options.

33. EQUITY SETTLED SHARE-BASED PAYMENTS (continued)

On 17 March 2014, 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 2015:

(1) All share options granted were at an exercise price of HK$1 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 vested 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
Share price	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 Company's closing share price as at the dividend declaration date.

33. 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 2015:

	Exercise price	Balance as at 1 April 2014	Exercised during the year	Lapsed during the year	Balance as at 31 March 2015	Date of grant of share options	Exercisable periods of share options
		Number of share options					
Executive Directors							
– Lau Ho Ming, Peter	HK$1	2,400,000	–	–	2,400,000	17 March 2014	17 March 2014 to 16 March 2024
– Ng Kam Seng	HK$1	800,000	–	–	800,000	17 March 2014	17 March 2014 to 16 March 2024
– Poon Pak Ki, Eric	HK$1	500,000	–	–	500,000	17 March 2014	17 March 2014 to 16 March 2024
Non-executive Directors							
– Li Man Yee, Stella	HK$1	2,400,000	–	–	2,400,000	17 March 2014	17 March 2014 to 16 March 2024
– Chu Sheng Yu, Lawrence	HK$1	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	240,000	–	–	240,000	17 March 2014	17 March 2014 to 16 March 2024
– Chan Siu Wing, Raymond	HK$1	240,000	–	–	240,000	17 March 2014	17 March 2014 to 16 March 2024
– Chu, Raymond	HK$1	240,000	–	–	240,000	17 March 2014	17 March 2014 to 16 March 2024
Employee	HK$1	120,000	–	(84,000)	36,000	17 March 2014	17 March 2014 to 16 March 2024
Employees	HK$1	2,420,000	–	(150,000)	2,270,000	17 March 2014	17 March 2014 to 16 March 2019
Consultants	HK$1	1,200,000	–	–	1,200,000	17 March 2014	17 March 2014 to 16 March 2024
Total		10,800,000	–	(234,000)	10,566,000		

33. EQUITY SETTLED SHARE-BASED PAYMENTS (continued)

Equity settled share-based payment expenses comprise:

	Year ended 31 March	
	2015	2014
	HK$'000	HK$'000
Equity settled schemes to employees (including directors)	**1,987**	84
Equity settled schemes to eligible persons other than employees and directors	**241**	9
	2,228	93

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 2015 was HK$1 and the weighted average remaining contractual life was 3.96 and 8.96 years (2014: 4.96 and 9.96 years). Of the total number of share options outstanding as at 31 March 2015, 7,371,000 share options had not vested and were not exercisable as at 31 March 2015 (2014: 10,800,000 share options had not vested and were not exercisable).

34. ACQUISITION OF SUBSIDIARIES

On 17 December 2014, the Group acquired 100% of the issued share capital of PMT Group from an independent third party for consideration of HK$85,000,000. PMT Group is principally engaged in the provision of digital publishing and the development of mobile and web application solutions.

In accordance with the sale and purchase agreement (the "Agreement"), the consideration comprised of: (i) initial purchase of price of HK$7,000,000; (ii) 5% interest bearing promissory note with principal amount of HK$20,000,000 and a term of 18 months and (iii) interest-free bearing convertible note with principal amount of HK$58,000,000 and a term of 24 months. The fair value of total consideration was recognised at completion as follows:

	HK$'000
Cash	7,000
Fair value of promissory notes	19,809
Fair value of convertible notes	90,698
Total	117,507

Acquisition-related costs amounting to approximately HK$905,000 have been excluded from the consideration transferred and have been recognised as an expense in the current year, within the administrative expenses line item in the consolidated income statement.

The Group is principally engaged in toy manufacturing and trading business. The Directors believe that the Group, through the acquisition, could enhance its existing business model and diversify its business scopes into higher growth areas.

34. ACQUISITION OF SUBSIDIARIES (continued)

The fair values of net assets acquired at the date of completion of the acquisition are as follows:

	HK$'000
Property, plant and equipment	459
Intangible assets	87,900
Deposits	66
Cash and cash equivalents	2,030
Receipt in advance	(158)
Other payables and accruals	(1,380)
Amount due to shareholders	(8,000)
Tax payable	(69)
Deferred tax liabilities	(14,504)
	66,344
Less: non-controlling interests	(596)
Net assets acquired	65,748

Goodwill arising on acquisition:

	HK$'000
Consideration transferred	117,507
Less: net assets acquired	(65,748)
Goodwill arising on the acquisition	51,759

Goodwill arising on the acquisition is attributable to the anticipated profitability generated from the synergies, revenue growth and future market development of PMT Group.

None of the goodwill arising on this acquisition is expected to be deductible for tax purposes.

Net cash outflow on acquisition of PMT Group

	HK$'000
Cash consideration paid	7,000
Less: cash and cash equivalent balances acquired	(2,030)
Net cash outflow on acquisition	4,970

34. ACQUISITION OF SUBSIDIARIES (continued)

Since its acquisition, PMT Group contributed revenue of HK$1,171,000 and net loss of HK$1,546,000 to the Group for the period from 17 December 2014 to 31 March 2015. Had the combination taken place on 1 April 2014, the revenue and the loss before income tax expense of the Group for the year ended 31 March 2015 would have been HK$830,979,000 and HK$2,640,000 respectively. This pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 April 2014, nor intended to be a projection of future results.

The Group has engaged BMI Appraisals, an independent valuer, to assess the fair value of the assets and liabilities at the acquisition date.

35. DEFERRED TAX

Group

Details of the deferred tax liabilities and asset recognised and movements during the current year:

	Accelerated tax depreciation	**Revaluation of intangible assets**	**Tax losses**	**Total**
	HK$'000	HK$'000	HK$'000	HK$'000
At 1 April 2014	–	–	–	–
Acquired through business combination *(note 34)*	–	(14,504)	–	(14,504)
(Charge)/credit to profit or loss for the year *(note 11)*	(211)	413	1,756	1,958
At 31 March 2015	(211)	(14,091)	1,756	(12,546)

The following is the analysis of the deferred tax balances for financial reporting purposes:

	As at 31 March	
	2015	2014
	HK$'000	HK$'000
Deferred tax assets	**1,756**	–
Deferred tax liabilities	**(14,302)**	–

36. RELATED PARTY TRANSACTIONS

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

Relationship/name of related party	Nature of transaction	Year ended 31 March 2015 HK$'000	2014 HK$'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.

(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 2015 HK$'000	2014 HK$'000
Salaries, allowances and benefits in kind	**10,441**	9,591
Equity settled share-based payment expenses	**1,722**	72
Pension scheme contributions	**238**	200
	12,401	9,863

(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 the debts and liabilities for a total aggregate consideration of HK$69,888,000.

37. CONTINGENT LIABILITIES

Group

The Group did not have any contingent liabilities as at 31 March 2015 (2014: Nil).

Company

The Company has given a guarantee in respect of banking facilities of the wholly-owned subsidiaries to the extent of HK$385,926,000 (2014: HK$268,026,000), of which HK$86,372,000 were utilised (2014: HK$108,519,000). As at 31 March 2015, 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.

38. 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 2015, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	As at 31 March	
	2015	2014
	HK$'000	HK$'000
Within one year	**106**	1,919

Company

The Company did not have any minimum lease payments under non-cancellable operating leases as at 31 March 2015 (2014: Nil).

39. CAPITAL COMMITMENTS

Group

As at 31 March 2015, the Group had the following capital commitments:

	As at 31 March	
	2015	2014
	HK$'000	HK$'000
Contracted, but not provided for, in respect of leasehold improvements	**–**	1,261

Company

The Company did not have any significant capital commitment as at 31 March 2015 (2014: Nil).

40. FINANCIAL INSTRUMENTS BY CATEGORY

The following table shows the carrying amounts and fair value of financial assets and liabilities of the Group and of the Company at the end of the reporting period:

Financial assets

	Group As at 31 March	
	2015	2014
	HK$'000	HK$'000
Loans and receivables:		
Trade receivables	**74,620**	28,203
Deposits and other receivables	**810**	2,024
Cash and cash equivalents	**67,170**	75,240
	142,600	105,467
Fair value through profit or loss:		
Derivative financial asset	**5,140**	–

	Company At 31 March	
	2015	2014
	HK$'000	HK$'000
Loans and receivables:		
Amounts due from subsidiaries	**121,248**	38,695
Cash and cash equivalents	**21,517**	56,912
	142,765	95,607
Fair value through profit or loss:		
Derivative financial asset	**5,140**	–

40. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

Financial liabilities

	Group As at 31 March 2015 HK$'000	Group As at 31 March 2014 HK$'000
Financial liabilities measured at amortised cost:		
Trade payables	**44,603**	45,539
Accruals and other payables	**23,169**	31,215
Promissory notes	**20,089**	–
Convertible notes	**51,189**	–
Interest-bearing bank borrowings	**86,372**	108,519
	225,422	185,273
Fair value through profit or loss:		
Derivative financial instruments	**161**	–

	Company At 31 March 2015 HK$'000	Company At 31 March 2014 HK$'000
Financial liabilities measured at amortised cost:		
Accruals	**1,013**	892
Promissory notes	**20,089**	–
Convertible notes	**51,189**	–
	72,291	892

41. 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 Group's subsidiary in the PRC were denominated in RMB, which expose the Group to foreign currency risk.

As at 31 March 2015, 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	
	2015	2014
	HK$'000	HK$'000
Liabilities		
United States Dollars	**3,497**	4,172
Renminbi	**14,583**	15,450
	18,080	19,622
Assets		
United States Dollars	**46,197**	26,802
Renminbi	**5,891**	6,397
	52,088	33,199

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.

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

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$'000
31 March 2015		
If HK$ weakens against RMB	**5%**	**(363)**
If HK$ strengthens against RMB	**(5%)**	**363**
31 March 2014		
If HK$ weakens against RMB	5%	(378)
If HK$ strengthens against RMB	(5%)	378

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

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

	Increase/(decrease) in RMB rate %	Increase/(decrease) in profit after tax HK$'000
31 March 2015		
If RMB weakens against US$	**(5%)**	**(10,087)**
If RMB strengthens against US$	**5%**	**9,761**
31 March 2014		
If RMB weakens against US$	(5%)	–
If RMB strengthens against US$	5%	–

As at 31 March 2015, the notional amount of these outstanding forward contracts were US$25.0 million (2014: US$ Nil).

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

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 2015, the trade receivables from the five largest debtors represented 88% (2014: 80%) of the total trade receivables, while the largest debtor represented 49% (2014: 20%) 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.

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk

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

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

	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 2015						
Trade payables	**44,603**	**–**	**–**	**–**	**44,603**	**44,603**
Accruals	**16,946**	**–**	**–**	**–**	**16,946**	**16,946**
Other payables	**6,223**	**–**	**–**	**–**	**6,223**	**6,223**
Promissory notes	**21,211**	**290**	**–**	**–**	**21,501**	**20,089**
Convertible notes	**54,957**	**3,043**	**–**	**–**	**58,000**	**51,189**
Interest-bearing borrowings	**53,518**	**7,404**	**17,084**	**10,873**	**88,879**	**86,372**
	197,458	**10,737**	**17,084**	**10,873**	**236,152**	**225,422**
Company						
31 March 2015						
Accruals	**1,013**	**–**	**–**	**–**	**1,013**	**1,013**
Promissory notes	**21,211**	**290**	**–**	**–**	**21,501**	**20,089**
Convertible notes	**54,957**	**3,043**	**–**	**–**	**58,000**	**51,189**
Financial guarantees issued: Maximum amount guaranteed *(note 37)*	**86,372**	**–**	**–**	**–**	**86,372**	**86,372**
	163,553	**3,333**	**–**	**–**	**166,886**	**158,663**

41. 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 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 37)*	108,519	–	–	–	108,519	108,519
	109,411	–	–	–	109,411	109,411

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.

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 28 to the consolidated financial statements.

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

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 fair value of the Group's derivative financial instruments are 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.

The fair value of the Group's financial asset (excluding financial instruments) are determined accordance with generally accepted pricing models based on discounted cash flow analysis using information from observable current market transactions, categorised into Level 3 of the fair value hierarchy as defined in HKFRS 13, Fair Value Measurement.

The Group and the Company

	At 31 March 2015			
	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 asset	–	–	5,140	5,140
Financial liabilities at fair value through profit or loss				
Derivative financial instruments	–	161	–	161

During the year ended 31 March 2015, there were no transfers between instruments in Level 1 and Level 2, or transfers into or out of Level 3. The Group's policy is to recognise transfer between levels of fair value hierarchy as at the end of the reporting period in which they occur.

Below is a summary of significant unobservable input(s) to the valuation of financial asset and financial liability measured at Level 3:

Financial asset/liability	**Fair value**	**Valuation technique(s) and key input(s)**	**Significant unobservable inputs**	**Relationship of unobservable inputs to fair value**
Financial asset at fair value through profit or loss	Derivative financial asset – company redemption options on convertible notes	The fair value of company redemption options is calculated using the Binomial Option Pricing Model Key input: – Discount rate; – Duration of the convertible notes; – Volatility; and – Dividend yield	The fair value is based on discount rate and volatility	The higher the discount rate, the lower the fair value The higher the volatility, the higher the fair value

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Fair values (continued)

If the discount rate is 10% higher while all other variables were held constant, the carrying amount of the derivative financial asset (Company redemption options), would decrease by approximately HK$316,000 as at 31 March 2015 (2014: Nil). If the discount rate is 10% lower while all other variables were held constant, the carrying amount of the derivative financial asset (Company redemption options), would increase by approximately HK$344,000 as at 31 March 2015 (2014: Nil).

If the volatility is 10% higher while all other variables were held constant, the carrying amount of the derivative financial asset (Company redemption options), would increase by approximately HK$1,373,000 as at 31 March 2015 (2014: Nil). If the volatility is 10% lower while all other variables were held constant, the carrying amount of the derivative financial asset (Company redemption options), would decrease by approximately HK$1,351,000 as at 31 March 2015 (2014: Nil).

Capital management

The capital structure of the Group consists of debts, which includes the borrowings disclosed in note 28, promissory notes in note 29, convertible notes in note 30 and equity attributable to owners of the Company, comprising share capital and reserves as disclosed in notes 31 and 32 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.

	As at 31 March	
	2015 **HK$'000**	2014 HK$'000
Debt	**157,650**	108,519
Equity	**298,196**	210,392
Debt to equity ratio	**52.9%**	51.6%

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				
	2015 HK$'000	2014 HK$'000	2013 HK$'000	2012 HK$'000 *(Note i)*	2011 HK$'000 *(Note i)*
REVENUE	**829,016**	773,235	794,098	876,667	729,776
Cost of sales	**(741,701)**	(685,903)	(696,458)	(777,295)	(650,682)
Gross profit	**87,315**	87,332	97,640	99,372	79,094
Other income and gains	**5,418**	10,264	10,383	15,648	12,396
Selling expenses	**(23,134)**	(20,449)	(20,163)	(22,306)	(22,141)
Administrative expenses	**(67,977)**	(49,068)	(52,384)	(32,646)	(35,715)
Loss on liquidation of an associate	**–**	–	–	–	(17,149)
Fair value changes in derivative financial asset	**2,979**	–	–	–	–
Finance costs	**(5,118)**	(2,464)	(1,985)	(1,900)	(760)
(LOSS)/PROFIT BEFORE INCOME TAX EXPENSE	**(517)**	25,615	33,491	58,168	15,725
Income tax expense	**(3,209)**	(5,426)	(10,800)	(10,492)	(6,229)
(LOSS)/PROFIT FOR THE YEAR	**(3,726)**	20,189	22,691	47,676	9,496

ASSETS AND LIABILITIES

	As at 31 March				
	2015 HK$'000	2014 HK$'000	2013 HK$'000	2012 HK$'000	2011 HK$'000
TOTAL ASSETS	**557,501**	396,660	338,732	337,090	276,930
TOTAL LIABILITIES	**(259,305)**	(186,268)	(136,993)	(237,280)	(196,676)
	298,196	210,392	201,739	99,810	80,254

Notes:

(i) The summary of the consolidated results of the Group for each of the two years ended 31 March 2011 and 2012 and of the assets and liabilities as at 31 March 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 year ended 31 March 2014 and 2015 and the consolidated assets and liabilities of the Group as at 31 March 2014 and 2015 are those set out on pages 35 to 38 of this Annual Report.

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