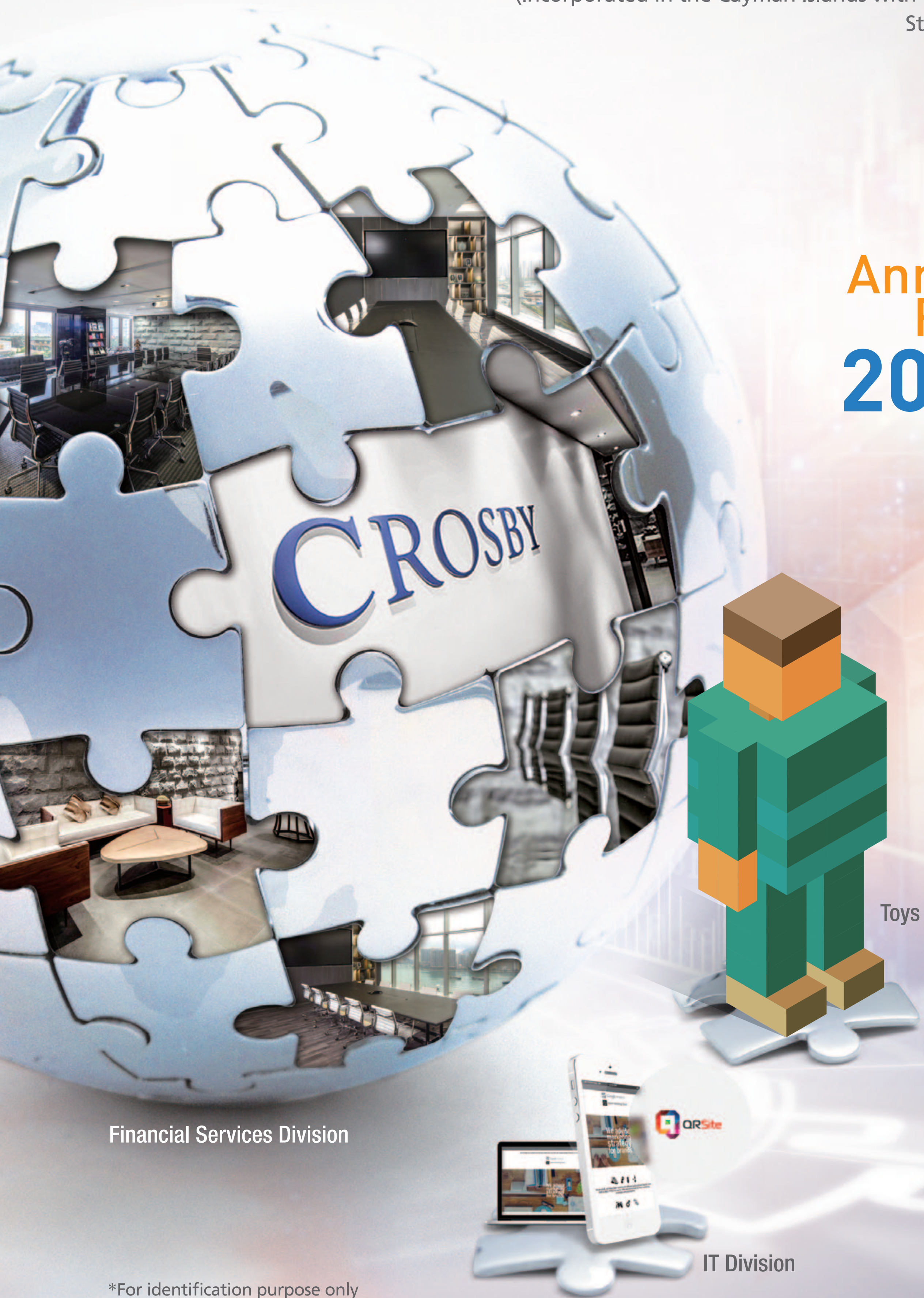
QUALI-SMART HOLDINGS LIMITED

滉達富控股有限公司*

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

Annual Report 2016



*For identification purpose only

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Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Lau Ho Ming, Peter *(Executive Chairman)*
Mr. Poon Pak Ki, Eric
Mr. Ng Kam Seng
Mr. Chu, Raymond *(appointed on 27 November 2015)*

Non-executive Directors

Madam Li Man Yee, Stella
Mr. Chu Sheng Yu, Lawrence *(resigned on 1 July 2015)*
Mr. Wang Zhao *(resigned on 27 November 2015)*

Independent Non-executive Directors

Mr. Leung Po Wing, Bowen Joseph *GBS,JP*
Mr. Chan Siu Wing, Raymond
Mr. Chu, Raymond *(resigned on 6 July 2015)*
Mr. Wong Wah On, Edward *(appointed on 24 September 2015)*

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 *(resigned on 6 July 2015)*
Mr. Wong Wah On, Edward *(appointed on 24 September 2015)*

Remuneration Committee

Mr. Chu, Raymond *(resigned on 6 July 2015)*
Mr. Leung Po Wing, Bowen Joseph *GBS, JP (Chairman)*
(appointed on 6 July 2015)
Mr. Chan Siu Wing, Raymond
Mr. Lau Ho Ming, Peter

Nomination committee

Mr. Leung Po Wing, Bowen Joseph *GBS, JP (Chairman)*
Mr. Chu, Raymond *(resigned on 6 July 2015)*
Mr. Lau Ho Ming, Peter
Mr. Chan Siu Wing, Raymond *(appointed on 6 July 2015)*

Corporate Governance Committee

Mr. Chan Siu Wing, Raymond *(Chairman)*
Mr. Chu Sheng Yu, Lawrence *(resigned on 1 July 2015)*
Mr. Ng Kam Seng
Madam Li Man Yee, Stella *(appointed on 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
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 61, 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 the principal subsidiaries 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 49, 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 35, 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.

Mr. Chu, Raymond

Mr. Chu, Raymond, aged 50, was appointed as the independent non-executive Director on 3 January 2013 and resigned on 6 July 2015. Mr. Chu was subsequently appointed as the executive Director on 27 November 2015. Mr. Chu is also the Chief Executive officer and a director of Crosby Securities Limited, an indirect wholly owned subsidiary of the Company under the financial services division of the Group. He was 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 until 5 July 2015 during the financial year ended 31 March 2016.

Mr. Chu processed experience of more than 20 years in the financial industry. He was the managing director and head of Sales and Trading Division under Guosen Securities (Hong Kong) to November 2015. 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.

NON-EXECUTIVE DIRECTOR

Madam Li Man Yee, Stella

Madam Li Man Yee, Stella, aged 54, 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 some of the principle subsidiaries of the Company.

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

INDEPENDENT NON-EXECUTIVE DIRECTORS

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

Mr. Leung Po Wing, Bowen Joseph *GBS, JP*, aged 66, was appointed as an independent non-executive Director on 3 January 2013. Mr. Leung is the chairman for each of the Nomination Committee and the Remuneration Committee as well as a member of the Audit Committee of the Board respectively.

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

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

Biographical Details of Directors and Senior Management

Mr. Chan Siu Wing, Raymond

Mr. Chan Siu Wing, Raymond, aged 51, was appointed as an independent non-executive Director on 3 January 2013. Mr. Chan is the chairman of each of the Audit Committee and the Corporate Governance Committee of the Board and a member of the Remuneration Committee of the Board.

Mr. Chan has experience of over 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 member of each of the Hong Kong Institute of Certified Public Accountants and 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) and Hong Kong Finance Group Limited (stock code: 1273). Mr. Chan also held the office of an independent non-executive director of each of China Kingstone Mining Holdings Limited (stock code 1380) from July 2015 to December 2015) and National Agricultural Holdings Limited (stock code 1236) from September 2015 to March 2016 respectively, save as stated otherwise, all companies whose shares are listed on the Main Board of the Stock Exchange.

Mr. Wong Wah On, Edward

Mr. Wong, aged 52, was appointed as an independent non-executive Director and a member of the Audit Committee of the Board on 24 September 2015.

Mr. Wong is currently an executive director of Feishang Anthracite Resources Limited (stock code: 1738), a company listed on the Main Board of the Stock Exchange of Hong Kong. He is also a director of China Natural Resources, Inc. ("CHNR"), a company listed on NASDAQ (stock code: CHNR). He was previously the financial controller, chief financial officer, executive director and company secretary of the CHNR group for over 20 years until January 2014. From December 2000 to December 2006, Mr. Wong was an independent non-executive director of a Hong Kong listed company engaged in the trading of construction materials. He has also served as a partner of a certified public accountant firm in Hong Kong since July 1995. From October 1992 to December 1994, Mr. Wong was the deputy finance director of Hong Wah (Holdings) Limited, a private investment company. From July 1988 to October 1992, Mr. Wong worked at the audit department of Ernst & Young, Hong Kong, providing professional auditing services to clients in a variety of business sectors.

Mr. Wong graduated from the Hong Kong Polytechnic University with a professional diploma in company secretaryship and administration in 1988. He was accredited as a certified public accountant (practising) by the Hong Kong Institute of Certified Public Accountants in September 1993, and was admitted as a fellow member in November 1999. He was also a fellow member of the Association of Chartered Certified Accountants and an associate member of the Hong Kong Institute of Chartered Secretaries.

Biographical Details of Directors and Senior Management

SENIOR MANAGEMENT

Mr. Hau Yiu Por

Mr. Hau Yiu Por, aged 59, 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.

For the year ended 31 March 2016, the Group faced another challenging year on existing businesses development accompanying with new businesses acquisition. By further pursuing its business diversification strategy, the Group has made progress but also suffered from setback partially attributable to the general economic downturn during the year. The Toy Division and Information Technology Division ("IT Division") remained as the Group's major business segments during the year. In November 2015, the Group completed its acquisition of the Crosby Group, which is principally engaged in securities brokerage, securities margin financing, investment advisory, corporate finance advisory and asset management services. Crosby was originally established in Hong Kong in 1984 and has been a long-standing brand in the Asia financial services industry. This successful acquisition allows the Group to expand its business coverage to include Financial Services Division as well. I believe that the business development approach undertaken by the Group so far is in the best interest of the shareholders in general and shall be beneficial to the Group in the long term.

PERFORMANCE

During the year, the revenue performance of the Toy Division remained relatively stable and continued to generate profit contribution to the Group. The IT Division, as carried out through the PMT Group, on the other hand suffered setbacks as several of its clients revised their business plans or postponed their product rollout schedules, leading to a rethink of the strategies of the IT Division and a write-off of a substantial portion of the Group's goodwill associated with this division. Having the Financial Services Division led by the newly acquired Crosby Group in late November 2015, this Division commenced its securities brokerage business around the same time with the grant of the Exchange's Participantship. It contributed nominal amount of revenue whereas a substantial segment loss to the Group because of the relatively short consolidation period accompanied with the costs incurred for strengthening the workforce of its management and operation team during the year in view of the expanded scope of its business.

DEVELOPMENT, CHALLENGE AND OPPORTUNITY

Having completed the acquisition of the Crosby Group during the year, the Group further strengthened its business foundation in view of the dynamic and difficult global economic fluctuation by widening its business base to include Toy Division, IT Division and Financial Services Division. Given the external market challenge the Toy Division is facing onwards, the Group will further explore measures in streamlining its costs structure or manufacturing approach by reducing fixed cost structures or enhancing automation strategy in order to achieve better production efficiency and cost effectiveness. Regarding the IT Division, a rethink of its current business model is considered necessary in view of the current economic challenge it is facing. For the acquisition of Crosby Group, the Group plans to develop the Crosby Group into a sizable comprehensive financial services platform that offers services including institutional securities brokerage, securities margin financing, asset management, principal finance and corporate finance in order to capture the opportunities emerging from the interconnectivity of stock markets and financial products in China and Hong Kong, coupled with the continuing active primary markets in Hong Kong.

APPRECIATION

In conclusion, I would like to express my sincere gratitude to all levels of management and staff of the Group for their continuous dedication and contribution to our Group's ongoing development. Meanwhile, I am grateful for the support and trust from all of our shareholders and business counterparts over the year and the Group is determined to keep focusing in maximizing its value and return to the shareholders in general.

Lau Ho Ming, Peter
Executive Chairman

Hong Kong, 30 June 2016

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 2016 (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 26 to 37.

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 8 members as follows:

Executive Directors

Mr. Lau Ho Ming, Peter *(Executive Chairman)*
Mr. Poon Pak Ki, Eric
Mr. Ng Kam Seng
Mr. Chu, Raymond *(appointed on 27 November 2015)*

Non-executive Directors

Madam Li Man Yee, Stella
Mr. Chu Sheng Yu, Lawerence *(resigned on 1 July 2015)*
Mr. Wang Zhao *(resigned on 27 November 2015)*

Independent Non-executive Directors

Mr. Leung Po Wing, Bowen Joseph *GBS, JP*
Mr. Chan Siu Wing, Raymond
Mr. Chu, Raymond *(resigned on 6 July 2015)*
Mr. Wong Wah On, Edward *(appointed on 24 September 2015)*

Pursuant to 3.10 of the Listing Rules, every board of directors of a listed issuer must include at least three independent non-executive directors and where at least one of the independent non-executive directors must have appropriate professional qualifications or accounting or related financial management expertise.

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

Upon the resignation of Mr. Chu, Raymond as an independent non-executive Director on 6 July 2015, the Board comprised seven members with three executive Directors, two non-executive Directors and two independent non-executive Directors. As a result, the number of independent non-executive Directors of the Board was reduced to two which was below the minimum number under Rule 3.10 of the Listing Rules.

Upon the appointment of Mr. Wong Wah On, Edward on 24 September 2015 as an independent non-executive Director and a member of the audit committee of the Board, the number of independent non-executive Directors of the Company resumed to three and Rule 3.10 and Rule 3.21 of the Listing Rules were fully complied with.

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 28 August 2015 ("2015 AGM"), Messrs. Poon Pak Ki, Eric, Lau Ho Ming, Peter, Wang Zhao and Chan Siu Wing, Raymond, 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 3 to 6 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. Induction program was held for Mr. Wong Wah On, Edward and Mr. Chu, Raymond, who joined the Board as an independent non-executive Director and an executive Director on 24 September 2015 and 27 November 2015 respectively. 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 *(resigned on 6 July 2015)*
Mr. Wong Wah On, Edward *(appointed on 24 September 2015)*

Remuneration Committee

Mr. Chu, Raymond *(Chairman) (resigned on 6 July 2015)*
Mr. Leung Po Wing Bowen Joseph *GBS, JP (Chairman) (appointed on 6 July 2015)*
Mr. Chan Siu Wing, Raymond
Mr. Lau Ho Ming, Peter

Nomination Committee

Mr. Leung Po Wing, Bowen Joseph *GBS, JP (Chairman)*
Mr. Chu, Raymond *(resigned on 6 July 2015)*
Mr. Lau Ho Ming, Peter
Mr. Chan Siu Wing, Raymond *(appointed 6 July 2015)*

Corporate Governance Committee

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

	Meeting Attended/Held					
	Board	Non-executive Directors	Audit Committee	Remuneration Committee	Nomination Committee	Corporate Governance Committee
Executive Directors						
Mr. Lau Ho Ming, Peter	4/4	1/1	N/A	1/1	1/1	N/A
Mr. Poon Pak Ki, Eric	4/4	N/A	N/A	N/A	N/A	N/A
Mr. Ng Kam Seng	3/4	N/A	N/A	N/A	N/A	1/1
Mr. Chu, Raymond *(note 2)*	2/2	N/A	N/A	N/A	N/A	N/A
Non-executive Directors						
Madam Li Man Yee, Stella	4/4	1/1	N/A	N/A	N/A	1/1
Mr. Chu Sheng Yu, Lawrence *(note 1)*	1/1	N/A	N/A	N/A	N/A	N/A
Mr. Wang Zhao *(note 4)*	1/2	N/A	N/A	N/A	N/A	N/A
Independent Non-executive Directors						
Mr. Leung Po Wing, Bowen Joseph	4/4	1/1	4/4	1/1	1/1	N/A
Mr. Chan Siu Wing, Raymond	4/4	1/1	4/4	1/1	1/1	1/1
Mr. Chu, Raymond *(note 2)*	1/1	N/A	1/1	N/A	N/A	N/A
Mr. Wong Wah On, Edward *(note 3)*	2/2	1/1	2/2	N/A	N/A	N/A

Notes:

1. *Mr. Chu Sheung Yu, Lawrence resigned as an non-executive Director and a member of Coporate Governance Committee of the Board with effect from 1 July 2015.*

2. *Mr. Chu, Raymond resigned as an Independent Non-executive Director, a member of the Audit Committee, Remuneration Committee and Nomination Committee of the Board with effect from 6 July 2015 and was appointed as an executive Director with effect from 27 November 2015.*

3. *Mr. Wong Wah On, Edward was appointed as an Independent Non-executive Director a member of the Audit Committee of the Board with effect from 24 September 2015.*

4. *Mr. Wang Zhao resigned as a Non-executive Director with effect from 27 November 2015.*

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.

To align with the amended Code with effect from 1 January 2016, the revised terms of reference of the Audit Committee has been published on the HKExnews website and that of the Company, was adopted and approved by the Board on 31 December 2015.

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 2015;

2. reviewed the consolidated financial statements for the year ended 31 March 2015;

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 2015;

5. reviewed the independence of the Auditor;

6. approved the Auditor's remuneration and other terms of engagement for the year ended 31 March 2016;

7. reviewed and adopted the scope of statutory audit for the year ended 31 March 2016;

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 risk management and internal control with assistance from external advisers, if necessary.

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

Pursuant to Rule 3.21 of the Listing Rules, the audit committee of a listed issuer must comprise a minimum of three members.

Upon the resignation of Mr. Chu, Raymond as an independent non-executive Director and a member of the Audit Committee on 6 July 2015, the number of members of the audit committee of the Company reduced to two which is below the minimum number under Rule 3.21 of the Listing Rules.

Upon the appointment of Mr. Wong Wah On, Edward on 24 September 2015, the Company has three independent non-executive Directors and has complied with Rule 3.10 and Rule 3.21 of the Listing Rules for which prescribed that a listed issuer's audit committee must comprise a minimum of three members who should all be non-executive directors.

Review of the Consolidated Financial Statements for the year ended 31 March 2016

On the date of this report, the Audit Committee reviewed the consolidated financial statements for the year ended 31 March 2016 (the "2016 Financial Statements") in conjunction with the Auditors and management. Based on the review and discussions with management, the Audit Committee was satisfied that the 2016 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 2016.

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; and

2. 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 2016 as required to be disclosed pursuant to Appendix 16 to the Listing Rules are set out in Notes 11(a) and 11(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. Wong Wah On, Edward as an Independent Non-executive Director (as defined below) and reviewed his letter of appointment;

2. recommended the appointment of Mr. Chu, Raymond as an executive Director and reviewed his service agreement;

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

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

5. reviewed the independence of the INEDs;

6. reviewed the time commitment of Non-executive Directors; and

7. reviewed the reappointment of Mr. Poon Pak Ki, Eric and Mr. Lau Ho Ming, Peter as executive Director, Mr. Wang Zhao as Non-executive Director 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$1,692,000 for auditing services and HK$233,000 for non-auditing services by the Auditors.

Services rendered	**Fees paid/payable**
	HK$'000
Audit services – statutory audit	1,692
Non-audit services:	
– agreed-upon procedures review	115
– taxation services	118
	1,925

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 2016 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.

Pursuant to the code provision A.6.7 of the Code stipulates that the Non-executive Directors should attend general meetings and develop a balanced understanding of the views of the Shareholders. Mr. Wang Zhao, a former Non-executive director resigned on 27 November 2015, was unable to attend the annual general meeting of the Company held on 28 August 2015 as he had other business engagement.

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.

2015 AGM

Except for the absence of a former Non-executive Director, Mr. Wang Zhao, for whom resigned on 27 November 2015, all Directors attended 2015 AGM to hear views and to answer questions from the Shareholders. At 2015 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 2016

Management Discussion and Analysis

BUSINESS REVIEW

During the year under review, the Group has both made progress and suffered from setbacks in its business diversification strategies. The Group's toy OEM manufacturing business (the "Toy Division") continued to face a challenging global operating environment as global economic growth remained sluggish. Despite a difficult overall economic environment, the Toy Division's revenue performance remained relatively stable and continued to generate profit contribution to the Group. On the other hand, the Group's information technology business (the "IT Division"), as carried out through the PMT Group, suffered setbacks as several of its clients revised their business plans or postponed their product rollout schedules, leading to a rethink of the strategies of the IT Division and a write-off of a substantial portion of the Group's goodwill associated with the IT Division. On a brighter note, the Group successfully completed the acquisition of the Crosby Group, comprising Crosby Securities Limited ("CSL") and Crosby Asset Management (Hong Kong) Limited ("CAM") (the "Financial Services Division"), in November 2015 and further diversified the Group's major businesses into the provision of financial services. Following the completion, CSL participated in its first landmark transaction in the primary market by acting as a joint bookrunner and joint lead manager in the HK$7.4 billion initial public offering of the Bank of Tianjin Co., Ltd. on the Hong Kong Stock Exchange in March 2016. Crosby has been a long-standing brand in the Asian financial services industry with its root tracing back to its establishment in Hong Kong in 1984. The Group plans to develop the Crosby Group into a sizable comprehensive financial services platform that offers services including institutional securities brokerage, securities margin financing, asset management, principal finance and corporate finance. In this regard, the Group completed two equity fund raising exercises during the year in review and successfully raised net proceeds of approximately HK$241.7 million in aggregate, providing part of the capital required to pursue the expansion strategies of the Group in the Financial Services 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 multi-disciplinary engineering experience, the Group is capable of manufacturing diversified product classes in its production operations with focus on toy products for infants aged 3 or below which require very stringent safety standards. The key manufacturing capabilities of the Group include plastics processing such as injection moulding, metal tube forming, electronic assembly such as printed circuit board assembly, sewing operation for handling different types of fabric products, decoration process such as silk-screen printing and spray coating.

For the year ended 31 March 2016 (the "Current Year"), the revenue of the Toy Division and its segment profit were HK$765.7 million and HK$32.4 million respectively, representing a decrease of 7.5% and an increase of 110.9%, respectively, over the year ended 31 March 2015 (the "Previous Year"). While the Toy Division managed to remain relatively 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 10.5% for the Previous Year to 10.1% for the Current Year.

During the Current Year, the Toy Division reached a settlement agreement with a customer to recover an impairment-loss on trade receivables of approximately HK$7.0 million when compared with a total impairment-loss on trade receivables of HK$12.0 million during the Previous Year.

In view of the stringent business environment facing the Toy Division, the Group will continue to focus on selected customers which can generate better margins, review and rationalise the current cost structure and control so as to generate better operational efficiency and profitability.

The IT Division

During the Current Year, the IT division remained to be led by the PMT Group. The digital publishing technologies of the PMT Group covered interactive electronic books and comics, the development of media-rich mobile games and content, and the provision of digital media design and project management services.

During the Current Year, revenue and segment loss for the IT Division were approximately HK$1.8 million and HK$62.5 million, respectively, inclusive of an impairment-loss on goodwill of HK$48.1 million. As a result of a negative change in the local economic environment in the Current Year, fierce competition for talents in the information technology industry and a general decrease in client demand for digital publishing and digital marketing campaign, the performance of the IT Division fell short of expectations and the original business outlook.

The Financial Services Division

The Group completed the acquisition of the Crosby Group in November 2015 and CSL was also admitted as a Participant of the Stock Exchange of Hong Kong in the same month, allowing the Crosby Group to commence its securities brokerage and securities margin financing businesses at the same time. During the year under review, the results of the Crosby Group were only consolidated to the Group's financial results since 23 November 2015, the date of completion of its acquisition by the Group. As a result of the relatively short consolidation period and the fact that CSL just commenced its securities brokerage business around the same time, the revenue and segment loss for the Financial Services Division were approximately HK$2.8 million and HK$15.1 million, respectively. The Financial Services Division also contributed fair value gains on financial assets through profit or loss of approximately HK$4.0 million during the Current Year.

FINANCIAL REVIEW

The Group's revenue for the Current Year amounted to approximately HK$770.4 million, which is a decrease of 7.1% from that for the Previous Year of approximately HK$829.0 million.

The Toy Division's revenue for the Current Year amounted to approximately HK$765.7 million, which represents a 7.5% decrease from that for the Previous Year of approximately HK$827.8 million. The modest decrease in revenue was due to a decrease in sales to some of the Toy Division's top 5 customers.

Revenue from North America decreased from approximately HK$433.8 million for the Previous Year to approximately HK$351.3 million for the Current Year, while revenue from Western Europe decreased from approximately HK$267.7 million for the Previous Year to approximately HK$245.5 million for the Current Year. Sales to customers in new developing regions, namely mainland China and Taiwan and Central America, Caribbean and Mexico, increased substantially from approximately HK$38.0 million for the Previous Year to approximately HK$67.2 million for the Current Year and from approximately HK$18.8 million for the Previous Year to approximately HK$32.5 million for the Current Year, respectively, representing an increase of 76.8% and 72.9% over the Previous Year, respectively.

Management Discussion and Analysis

The IT Division's revenue for the Current Year amounted to approximately HK$1.8 million when compared to approximately HK$1.2 million for the Previous Year. The moderate increase in revenue for the IT Division even though a longer period of business results was consolidated to the Group for the Current Year was mainly due to the downturn in the general local economic environment during the Current Year leading to potential clients either putting their digital marketing campaign on hold or scaling down their IT budgets.

The Financial Services Division's revenue for the Current Year amounted to approximately HK$2.8 million for the Current Year as the results of the Crosby Group were only consolidated into the Group's financial results for a relatively short period of time of less than 5 months since the completion of its acquisition by the Group on 23 November 2015.

The gross margin of the Toy Division dropped from approximately 10.5% for the Previous Year to approximately 10.1% for the Current Year, The Toy Division continued to face pressure on the operational running costs due to shortage of labour and increasing facilities running cost. Gross profit of the Group for the Current Year decreased by 8.0% to approximately HK$80.4 million from that of the Previous Year of approximately HK$87.3 million due to decrease in the Group's revenue and gross margins.

The Group's net loss for the Current Year amounted to approximately HK$77.6 million, as compared to a net loss of approximately HK$3.7 million for the Previous Year. Such increase in net loss was mainly due to an impairment loss on goodwill of the IT Division for the Current Year of approximately HK$48.1 million, additional consolidated net loss on Financial Services Division for the Current Year of approximately HK$15.1 million, loss on early redemption of promissory notes of approximately HK$1.2 million. Also, there include an increase in finance cost of approximately HK$ 6.4 million in aggregate arising from the convertible notes and promissory notes issued for the acquisition of the IT Division and Financial Services Division and an increase in staff costs arising from the equity settled share-based payment expenses related to the grant of share options for the Current Year of approximately HK$10.6 million. The above increase in losses and expenses were partially mitigated by the recovery of a doubtful debt on trade receivable written off in the Previous Year of approximately HK$7.0 million, a gain on disposal of subsidiaries of approximately HK$3.3 million and fair value gain on financial assets at fair value through profit or loss of approximately HK$4.0 million for the Current Year.

Selling expenses for the Toy Division mainly consisted of transportation fees and declaration fees. Selling expenses for the Toy Division decreased by 19.0% from approximately HK$23.1 million for the Previous Year to approximately HK$18.7 million for the Current Year due to an increase in transportation arranged by customers.

Administrative expenses mainly consisted of salaries to employees, rents and rates for office spaces, depreciation of property, plant and equipment, impairment loss on goodwill of the IT Division and other administrative expenses. Administrative expenses increased by 40.5% from approximately HK$68.0 million for the Previous Year to approximately HK$95.5 million for the Current Year which is primarily due to the increase in the number of staff after the acquisition of the IT Division and Financial Services Division, an increase in staff costs arising from the equity settled share-based payment expenses related to the grant of share options of approximately HK$10.6 million and the amortisation of intangible assets of the IT Division of approximately HK$6.3 million.

During the Current Year, the Group decided to make an impairment loss on goodwill arising from the PMT Group of about HK$48.1 million as a result of the relatively weak performance of the PMT Group in the past year. The PMT Group suffered setbacks in its business strategies as several of its key clients revised their business plans or postponed their product rollout schedules. On the other hand, the lack of quality talents in the local information technology industry also led to delays in further developments or diversification of its products in the face of changing market demands. The increasingly adverse local economic trends have also led to further cuts in information technology budgets of corporates in general, leading to a rethink of the strategies of the PMT Group towards a more cautious approach and a write-off of a substantial portion of the goodwill associated with it.

Other income and gains mainly consisted of moulding income, net gain/loss on derivative financial instruments, interest income from bank deposits and others. Other income and gains increased by 263.3% from approximately HK$5.4 million for the Previous Year to approximately HK$19.7 million for the Current Year which is primarily due to a recovery of trade receivables previously written off of approximately HK$7.0 million, a one-off gain on the disposal of subsidiaries of approximately HK$3.3 million, and fair value gain on financial assets at fair value through profit or loss of approximately HK$4.0 million during the Current Year.

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 116.1% for approximately HK$11.1 million for the Current Year when compared with approximately HK$5.1 million for the Previous Year, which is primarily due to the effective interest of the convertible note and promissory note issued by the Company in the Current Year of approximately HK$6.4 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 increased by 49.6% to approximately HK$4.8 million for the Current Year, as compared with approximately HK$3.2 million for the Previous Year.

The inventory of the Group decreased by 18.3% to approximately HK$108.8 million as at 31 March 2016 from approximately HK$133.2 million as at 31 March 2015. The inventory turnover period, as calculated by dividing the average closing inventories by the cost of sales of the Toy Division for the period and multiplied by 365 days, decreased by 10.6% from 71.6 days for the Previous Year to 64.0 days arising from customers requisition for sooner delivery of products during the Current Year.

Trade receivables from the Toy Division and the IT Division as at 31 March 2016 decreased from HK$74.6 million at 31 March 2015 to HK$68.7 million at 31 March 2016, which was primarily due to a non-recourse factoring arrangement with some of the customers which transferred the credit risks of the corresponding trade receivables to the banks providing the factoring facilities. The trade receivables turnover days for the Toy Division and the IT Division, as calculated by dividing the averaging closing trade receivables by the revenues from the Toy Division and the IT Division for the Current Year multiplied by 365 days, was 34.1 days as compared with 22.6 days for the Previous Year.

With the commencement of the Group's Financial Services Division, trade receivables from the Financial Services Division as at 31 March 2016 amounted to HK$383.7 million, which mainly arose from dealing in securities on behalf of our cash clients. The settlement terms of accounts receivable arising from the Financial Services Division are typically one to two days after the trade date. All accounts receivable from cash clients were not past due at 31 March 2016.

Trade payables from the Toy Division and the IT Division as at 31 March 2016 decreased from approximately HK$44.6 million at 31 March 2015 to HK$26.8 million at 31 March 2016, which was primarily due to the decrease in purchases and costs of service incurred for the Current Year. The trade payables turnover days for the Toy Division and the IT Division, as calculated by dividing the averaging closing trade payables by the cost of sales from the Toy Division and the IT Division for the Current Year multiplied by 365 days, was 18.9 days as compared with 22.2 days for the Previous Year.

Trade payables from the Financial Services Division as at 31 March 2016 amounted to HK$380.3 million, which were mainly payable to cash clients or the clearing house for settlement of trades. The settlement terms for such trade payable attributable to dealing in securities are typically one to two days after the trade date.

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 2016, cash and cash equivalents amounted to approximately HK$221.6 million (31 March 2015: HK$67.2 million). The increase was mainly due to the cash from the proceeds of the placing of new shares on 14 December 2015 and the cash from the disposal of subsidiaries completed on 31 March 2016. Hence, the debt to equity ratio of the Group, calculated as the ratio of the closing debt balance divided by the closing total equity at end of Current Year, was approximately 49.1% (31 March 2015: 52.9%). As at 31 March 2016, 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 1.44 (31 March 2015: 2.0).

SUBSCRIPTION OF NEW SHARES

On 22 July 2015, the Company entered into subscription agreements with subscribers for the subscription of an aggregate of 30,000,000 new shares of the Company at the subscription price of HK$2.95 per subscription share for an aggregate consideration of HK$88,500,000. The subscription was completed on 28 July 2015.

Net proceeds of approximately HK$88.5 million raised from the subscription was 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.

On 20 November 2015, the Company entered into subscription agreements with subscribers for the subscription of an aggregate of 40,500,000 new shares of the Company at the subscription price of HK$3.88 per subscription share for an aggregate consideration of HK$157,140,000. The subscription of 28,500,000 new shares and 12,000,000 new shares was completed on 3 December 2015 and 14 December 2015, respectively.

Net proceeds of approximately HK$153.2 million raised from the subscription was intended to be used for financing the repayment of the promissory notes issued for acquiring CSL, expansion of the Crosby Group's businesses and as general working capital.

PROMISSORY NOTES

On 23 November 2015, as part of the settlement of the consideration for the acquisition of all of the existing shares of CSL not already owned by the Company or any of its subsidiaries, the Company issued promissory notes with a total principal amount of approximately HK$166.4 million of which approximately HK$87.0 million in principal amount had already been repaid as of 31 March 2016.

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.

CHARGE ON ASSETS

As at 31 March 2016, 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 carrying amount of HK$6.2 million (31 March 2015: HK$68.1 million). Details of the securities for the banking facilities are stated in note 16 to the consolidated financial statements.

CONTINGENT LIABILITIES

As at 31 March 2016, the Group had no contingent liabilities (31 March 2015: 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 two years.

As at 31 March 2016, the total future minimum lease payments under non-cancellable operating leases due within one year and due in the second to fifth year inclusive amounted to approximately HK$7.5 million and HK$0.04 million respectively (31 March 2015: HK$0.1 million and Nil).

CAPITAL COMMITMENTS

As at 31 March 2016, there is no capital commitments of the Group (31 March 2015: Nil).

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 2016.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

Acquisition of the Crosby Group

On 30 July 2015, the Group subscribed for new shares representing 10% of the enlarged issued share capital of CSL for a cash consideration of HK$20.0 million. On 19 August 2015, the Group entered into agreements to acquire the remaining equity interest of CSL not already owned by the Group from various vendors, namely, Crosby Management Holdings Limited, Friendly Associates Group Limited, Wu Hoi Shan, Wu Siu Fai, Kimta Limited and Ultimate Advice Investments Limited (the "CSL Vendor"), for a total consideration of HK$180.0 million (the "CSL Transaction"), inclusive of cash consideration of HK$13.6 million to Kimta Limited and Ultimate Advice Investments Limited ("Group B CSL Vendor"), and the issue of promissory notes of HK$166.4 million in aggregate to Crosby Management Holdings Limited, Friendly Associates Group Limited, Wu Hoi Shan and Wu Siu Fai ("Group A CSL Vendor"). Besides, the Group also acquired the entire issued share capital of CAM from its vendors, namely, Crosby Asset Management (Holdings) Limited and Crosby Asset Management (Asia) Limited (the "CAM Vendor") for a total cash consideration of HK$4.0 million (the "CAM Transaction"). The cash consideration to be paid to the Group B CSL Vendors and CAM Vendors at completion was financed by the net proceeds received by the Company from the subscription of new shares as set out in the announcement of the Company dated 22 July 2015. Upon the completion of the CSL Transaction and the CAM Transaction on 23 November 2015, CSL and CAM became indirect, wholly-owned subsidiaries of the Company. The Crosby Group is principally engaged in the business of securities brokerage, securities margin financing, investment advisory, corporate finance advisory and asset management services.

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 2016.

Disposal of Victor Gold Investments Limited

On 27 November 2015, the Company signed a sale and purchase agreement with Grandrich International Limited ("Purchaser"), being a company owned as to 50% by Mr. Lau Ho Ming, Peter, the Executive Chairman and a controlling shareholder of the Company, and 50% by Madam Li Man Yee, Stella, a non-executive Director and a controlling shareholder of the Company and the spouse of Mr. Peter Lau, for the disposal of entire issued share capital of a wholly owned subsidiary of the Group, Victor Gold Investments Limited ("Victor Gold"), to the Purchaser for a total consideration of HK$70.0 million (the "Victor Gold Disposal"). The total consideration consisted of direct cash settlement to the Company of which approximately HK$23.1 million was used for repayment of the then existing liabilities of Victor Gold and its subsidiaries in form of a mortgage loan secured by the property owned by Gold Prospect Capital Resources Limited, a wholly-owned subsidiary of Victor Gold. Victor Gold is an investment holding company which indirectly holds (i) the property which the Group currently uses as its headquarters in Hong Kong; and (ii) Qualiman Technology & Products Company Limited which used to be engaged in the Group's business of trading and manufacture of toy products but is no longer in active business since 1 April 2013. The Victor Gold Disposal was aimed to strengthen the liquidity of the Group by monetizing the value of the property and hence freeing up capital locked up in non-core fixed assets. Furthermore, with the inactive status of Qualiman Technology & Products Company Limited and its immediate holding company, New Splendid Developments Limited, being held by Victor Gold, the Victor Gold Disposal allowed the Group to remove further ongoing maintenance and potential liquidation costs for these inactive vehicles and streamline the Group's structure.

An ordinary resolution was passed on 12 January 2016 in the Extraordinary General Meeting for approving the Victor Gold Disposal and completion took place on 31 March 2016.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

As at 31 March 2016, 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$, the Group does not have material exchange rate risk on such currency. The expenses or expenditures incurred in the operations of the Group's subsidiary in the PRC were denominated in Renminbi ("RMB") which expose the Group to foreign currency risk. The Group entered into deliverable forward contracts ("DF") to manage the foreign currency risk arising from fluctuation in exchange rate of the RMB against the US$.

As at 31 March 2016, the Group had no outstanding DF (31 March 2015: notional amount of US$25 million). 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.

EMPLOYEES AND REMUNERATION POLICY

As at 31 March 2016, the Group had a total of 520 (31 March 2015: 501). Total staff costs were approximately HK$72.8 million for the year ended 31 March 2016 (2015: HK$53.6 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 respective executive Directors 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.

PROSPECTS

The Group's existing operations in the Toy Division are expected to continue to face substantial challenges in the coming year in the face of a global economic slowdown coupled with increasing political uncertainties in both America and Europe. The Directors expect that the Toy Division will continue to face pressures in maintaining its gross margins and sales volume as consumer spending sentiment in the western developed markets continue to remain muted. The labour shortage problem in China has not shown any significant improvements and labour costs will continue to put pressure on the Group's cost structure in the Toy Division. It is envisaged the Group will seek to further trim down its cost structures in the Toy Division in the coming year, including exploring the possibility of removing some permanent cost structures or disposal of non-performing assets. The Group will continue to seek ways to focus on credit-worthy clients which generate more stable margins for the Group and improve efficiency through automation and outsourcing. The management of the Toy Division will continue to use their best endeavours to maintain and improve the financial performance of the Toy Division in the coming year in spite of a difficult macro environment. The Group will pursue a similar strategy in its IT Division to tightly control its cost structure while seeking to adapt its products to changing market demands in order to expand its revenue sources.

Going forward, with the commencement of the Group's Financial Services Division last year, the Group is in a good position to capture the opportunities emerging from the interconnectivity of stock markets and financial products in China and Hong Kong, coupled with the continuing active primary markets in Hong Kong. The Crosby Group has a team which has deep expertise in the global financial markets and strong access to clients and corporates in the PRC market, and it hopes to participate in more primary market transactions similar to the initial public offering of The Bank of Tianjin Co., Ltd. during the year under review. The Directors believe that the prospects of the financial services in the Greater China markets are optimistic and view them as one of the Group's core businesses going forward.

Directors' Report

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 2016.

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 40 to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The financial results of the Group for the year ended 31 March 2016 are set out in the consolidated statement of comprehensive income on page 41.

The Directors did not declare any interim dividend (2015: HK cents 3 per share), for the year ended 31 March 2016.

The board of Directors (the "Board") does not recommend the payment of a final dividend for the year ended 31 March 2016. (2015: Nil)

RESERVES

Movements in the reserves for the year are set out in the consolidated statement of changes in equity on page 44.

DISTRIBUTABLE RESERVES

Distributable reserves of the Company as at 31 March 2016 calculated under the Company Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands, amounted to approximately HK$437.2 million (2015: HK$193.4 million).

SHARE CAPITAL

Details of the movement in share capital of the Company during the year is set out in note 34 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 31 to the consolidated financial statements.

CHARITABLE CONTRIBUTIONS

During the year, the Group did not make any charitable contributions (2015: Nil).

BUSINESS REVIEW

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

FIVE-YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 134.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 March 2016, the Group's sales to the largest customers and the five largest customers accounted for 41.0% and 93.6% of the Group's turnover. The Group's purchases from the largest suppliers and the five largest suppliers purchases accounted for 6.8% and 25.6% 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 17.28% in Catalana de Investigacion y Desarrollo de Electronica S.L. ("CIDE"), one of the top five customers of the Group with sales accounting for 7.4% of the Group's turnover for the year ended 31 March 2016. 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
Mr. Chu, Raymond *(appointed on 27 November 2015)*

Non-executive Directors

Madam Li Man Yee, Stella
Mr. Chu Sheng Yu, Lawrence *(resigned on 1 July 2015)*
Mr. Wang Zhao *(resigned on 27 November 2015)*

Independent Non-executive Directors

Mr. Leung Po Wing, Bowen Joseph *GBS, JP*
Mr. Chan Siu Wing, Raymond
Mr. Chu, Raymond *(resigned on 6 July 2015)*
Mr. Wong Wah On, Edward *(appointed on 24 September 2015)*

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 28 August 2015, Mr. Poon Pak Ki, Eric, Mr. Lau Ho Ming, Peter, Mr. Wang Zhao and Mr. Chan Siu Wing, Raymond retired and were re-elected by the Shareholders at the annual general meeting of the Company ("2015 AGM") pursuant to the Articles of Association of the Company.

On 24 September 2015, Mr. Wong Wah On, Edward was appointed as an Independent Non-executive Director. On 27 November 2015, Mr. Chu, Raymond was appointed as an executive Director. Both Mr. Wong and Mr. Chu shall hold office until the next general meeting pursuant to the articles of association of the company ("Articles of Association") and being eligible offer himself for re-election.

In accordance with the Articles of Association, Mr. Ng Kam Seng, Madam Li Man Yee, Stella, Mr. Wong Wah On, Edward and Mr. Chu, Raymond shall retire at the forthcoming annual general meeting ("2016 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 2016 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 3 to 6.

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 2016, the interests or short positions of the Directors in the Shares, underlying Shares or debentures of the Company and associated corporations (within the meaning of Part XV of the Securities Futures Ordinance (Charter 571 of the Laws of Hong Kong) (the "SFO")) as recorded in the register to be kept under which have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO) or which is required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein or which is required to notify the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in the Listing Rules, is as follows:

Long positions

	Number of Shares held						
Name of Director	Personal interest	Corporate interests	Family interests	Other interests	Number of underlying Shares *(Note 1)*	Total	Percentage of issued share capital
Mr. Lau Ho Ming, Peter	2,880,000	482,864,000 *(Note 2)*	–	–	10,720,000	496,464,000	34.3%
Madam Li Man Yee, Stella	2,880,000	–	482,864,000 *(Note 2)*	–	8,120,000	493,864,000	34.1%
Mr. Poon Pak Ki, Eric	600,000	–	–	–	14,300,000	14,900,000	1.0%
Mr. Ng Kam Seng	960,000	–	–	–	15,140,000	16,100,000	1.1%
Mr. Wong Wah On, Edward	–	–	–	–	1,400,000	1,400,000	0.1%
Mr. Leung Po Wing, Bowen Joseph	–	–	–	–	3,472,000	3,472,000	0.2%
Mr. Chan Siu Wing, Raymond	–	–	–	–	3,472,000	3,472,000	0.2%
Mr. Chu, Raymond	26,776,000	–	–	–	13,519,800	40,295,800	2.8%

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 10,720,000 and 8,120,000 Shares each, totalling 18,840,000 Shares. By virtue of the provisions of Part XV of the SFO, Mr. Lau and Madam Li are deemed to be interested in all the Shares in which Mr. Lau is interested in or deemed to be interested in.*

Save as those disclosed above, as at 31 March 2016, 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 2016, 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	482,864,000	33.4%
Success China Asia Limited	Beneficial Owner	109,095,992	7.5%
Silver Pointer Limited	Beneficial Owner	106,880,000	7.4%

Note:

These Shares were registered in the name of Smart Investor, a company owned as to 67.4% by Mr. Lau Ho Ming, Peter, 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 37 to the consolidated financial statements.

On 17 March 2014 (the "2014 Grant Date"), the Company granted 10,800,000 share options (the "Option(s)") to certain eligible participants (the "Grantees") of the Group under the Share Option Scheme at a subscription price of HK$1.00 per Share, subject to adjustment. The closing price per Share immediately before the 2014 Grant Date was HK$0.90.

On 3 July 2015 (the "2015 Grant Date"), the Company granted 13,400,000 share options (the "Option(s)") to certain eligible participants (the "Grantees") of the Group under the Share Option Scheme at a subscription price of HK$4.07 per Share, subject to adjustment. The closing price per Share immediately before the 2015 Grant Date was HK$3.70.

On 24 March 2016 (the "2016 Grant Date"), the Company granted 109,411,600 share options (the "Option(s)") to certain eligible participants (the "Grantees") of the Group under the Share Option Scheme to certain eligible participants of the Group under the Share Option Scheme at a subscription price of HK$0.748 per Share, subject to adjustment. The closing price per Share immediately before the 2016 Grant Date was HK$0.70.

Details of the Options granted during the year under the Share Option Scheme and outstanding as at 31 March 2016 were as follows:

		Number of share options						After the effective date of the share sub-division	
	Exercise price	Balance as at 1 April 2015	Exercised during the year	Granted during the year	Balance as at 31 March 2016	Date of grant of share options	Exercisable periods of share options	Adjusted number of share options *(Note 1)*	Adjusted exercise price *(Note 1)*
Executive Directors									
– Mr. Lau Ho Ming, Peter	HK$1	2,400,000	(720,000)	–	1,680,000	17 March 2014	17 March 2014 to 16 March 2024	6,720,000	HK$0.25
	HK$4.07	–	–	1,000,000	1,000,000	3 July 2015	3 July 2015 to 2 July 2025	4,000,000	HK$1.02
– Mr. Ng Kam Seng	HK$1	800,000	(240,000)	–	560,000	17 March 2014	17 March 2014 to 16 March 2024	2,240,000	HK$0.25
	HK$4.07	–	–	1,350,000	1,350,000	3 July 2015	3 July 2015 to 2 July 2025	5,400,000	HK$1.02
	HK$0.748	–	–	7,500,000	7,500,000	24 March 2016	24 March 2016 to 23 March 2026	7,500,000	HK$0.748
– Mr. Poon Pak Ki, Eric	HK$1	500,000	(150,000)	–	350,000	17 March 2014	17 March 2014 to 16 March 2024	1,400,000	HK$0.25
	HK$4.07	–	–	1,350,000	1,350,000	3 July 2015	3 July 2015 to 2 July 2025	5,400,000	HK$1.02
	HK$0.748	–	–	7,500,000	7,500,000	24 March 2016	24 March 2016 to 23 March 2026	7,500,000	HK$0.748
– Mr. Chu, Raymond *(Note 2)*	HK$1	240,000	(72,000)	–	168,000	17 March 2014	17 March 2014 to 16 March 2024	672,000	HK$0.25
	HK$0.748	–	–	12,847,800	12,847,800	24 March 2016	24 March 2016 to 23 March 2026	12,847,800	HK$0.748

	Exercise price	Number of share options: Balance as at 1 April 2015	Exercised during the year	Granted during the year	Balance as at 31 March 2016	Date of grant of share options	Exercisable periods of share options	After the effective date of the share sub-division: Adjusted number of share options *(Note 1)*	Adjusted exercise price *(Note 1)*
Non-executive Directors									
– Madam Li Man Yee, Stella	HK$1	2,400,000	(720,000)	–	1,680,000	17 March 2014	17 March 2014 to 16 March 2024	6,720,000	HK$0.25
	HK$4.07	–	–	350,000	350,000	3 July 2015	3 July 2015 to 2 July 2025	1,400,000	HK$1.02
– Mr. Chu Sheng Yu, Lawrence *(Note 3)*	HK$1	240,000	(72,000)	–	168,000	17 March 2014	17 March 2014 to 16 March 2024	672,000	HK$0.25
– Mr. Wang Zhao *(Note 4)*	HK$4.07	–	–	350,000	350,000	3 July 2015	3 July 2015 to 2 July 2025	1,400,000	HK$1.02
Independent Non-executive Directors									
– Mr. Leung Po Wing, Bowen Joseph	HK$1	240,000	(72,000)	–	168,000	17 March 2014	17 March 2014 to 16 March 2024	672,000	HK$0.25
	HK$4.07	–	–	350,000	350,000	3 July 2015	3 July 2015 to 2 July 2025	1,400,000	HK$1.02
	HK$0.748	–	–	1,400,000	1,400,000	24 March 2016	24 March 2016 to 23 March 2026	1,400,000	HK$0.748
– Mr. Chan Siu Wing, Raymond	HK$1	240,000	(72,000)	–	168,000	17 March 2014	17 March 2014 to 16 March 2024	672,000	HK$0.25
	HK$4.07	–	–	350,000	350,000	3 July 2015	3 July 2015 to 2 July 2025	1,400,000	HK$1.02
	HK$0.748	–	–	1,400,000	1,400,000	24 March 2016	24 March 2016 to 23 March 2026	1,400,000	HK$0.748
– Mr. Wong Wah On, Edward *(Note 5)*	HK$0.748	–	–	1,400,000	1,400,000	24 March 2016	24 March 2016 to 23 March 2026	1,400,000	HK$0.748

	Exercise price	Number of share options: Balance as at 1 April 2015	Exercised during the year	Granted during the year	Balance as at 31 March 2016	Date of grant of share options	Exercisable periods of share options	After the effective date of the share sub-division: Adjusted number of share options (Note 1)	Adjusted exercise price (Note 1)
Employee	HK$1	36,000	(36,000)	–	–	17 March 2014	17 March 2014 to 16 March 2024	–	–
Employees	HK$1	2,270,000	(681,000)	–	1,589,000	17 March 2014	17 March 2014 to 16 March 2019	6,356,000	HK$0.25
	HK$4.07	–	–	3,400,000	3,400,000	3 July 2015	3 July 2015 to 2 July 2025	13,600,000	HK$1.02
	HK$0.748	–	–	65,063,800	65,063,800	24 March 2016	24 March 2016 to 23 March 2026	65,063,800	HK$0.748
Consultants	HK$1	1,200,000	(360,000)	–	840,000	17 March 2014	17 March 2014 to 16 March 2024	3,360,000	HK$0.25
	HK$4.07	–	–	4,900,000	4,900,000	3 July 2015	3 July 2015 to 2 July 2025	19,600,000	HK$1.02
	HK$0.748	–	–	12,300,000	12,300,000	24 March 2016	24 March 2016 to 23 March 2026	12,300,000	HK$0.748
Total		10,566,000	(3,195,000)	122,811,600	130,182,600			192,495,600	

Notes:

1. *Upon the share sub-division became effective on 13 January 2016, pro-rata adjustments have been made to the exercise price and the number of outstanding share options accordingly.*

2. *Mr. Chu, Raymond resigned as an Independent Non-executive Director of the Company on 6 July 2015 and was appointed as an Executive Director of the Company on 27 November 2015.*

3. *Mr. Chu Sheung Yu, Lawrence resigned as a Non-executive Director of the Company on 1 July 2015.*

4. *Mr. Wang Zhao resigned as a Non-executive Director of the Company on 27 November 2015.*

5. *Mr. Wong Wah On, Edward was appointed as an Independent Non-executive Director of the Company on 24 September 2015.*

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.

Save as the above, there has been no options lapsed and cancelled during the year ended 31 March 2016 under the Share Option Scheme.

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 192,495,600, representing 13.3% 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.

MATERIAL RELATED PARTY TRANSACTIONS

During the year ended 31 March 2016, 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 41 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 2016.

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 disclosed under "MATERIAL RELATED PARTY TRANSACTIONS", 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 2016, 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 2016 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 8 to 17 of this Annual Report.

AUDITOR

The consolidated financial statements for the year ended 31 March 2016 have been audited by BDO Limited which retires, and being eligible, offers itself for re-appointment at 2016 AGM. A resolution to re-appoint BDO Limited and to authorize the Directors to fix its remuneration will be proposed at 2016 AGM.

On behalf of the Board

Lau Ho Ming, Peter
Executive Chairman
Hong Kong, 30 June 2016

Independent Auditor's Report

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

We have audited the consolidated financial statements of Quali-Smart Holdings Limited (the "Company") and its subsidiaries (collectively the "Group") set out on pages 40 to 133, which comprise the consolidated statement of financial position as at 31 March 2016, and the consolidated income statement, 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 financial position of the Group as at 31 March 2016, and of its financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in compliance 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 2016

Consolidated Income Statement

		Year ended 31 March	
		2016	2015
	Notes	**HK$'000**	HK$'000
REVENUE	*7*	**770,409**	829,016
Cost of sales		**(690,046)**	(741,701)
Gross profit		**80,363**	87,315
Other income, gains and losses	*8*	**19,682**	5,418
Selling expenses		**(18,739)**	(23,134)
Administrative expenses		**(95,534)**	(67,977)
Impairment loss on goodwill	*9*	**(48,064)**	–
Fair value changes in derivative financial asset	*9*	**581**	2,979
Finance costs	*10*	**(11,061)**	(5,118)
LOSS BEFORE INCOME TAX EXPENSE	*9*	**(72,772)**	(517)
Income tax expense	*12*	**(4,801)**	(3,209)
LOSS FOR THE YEAR		**(77,573)**	(3,726)

Consolidated Statement of Comprehensive Income

		Year ended 31 March	
		2016	2015
	Note	**HK$'000**	HK$'000
LOSS FOR THE YEAR		**(77,573)**	(3,726)
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		**(1,069)**	26
Other comprehensive income attributable to the owners of the Company that will not be classified to profit or loss in subsequent periods:			
Revaluation surplus upon transfer of owner–occupied leasehold buildings to investment property		**6,071**	–
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**(72,571)**	(3,700)
Loss attributable to:			
Owners of the Company		**(77,572)**	(3,721)
Non-controlling interests		**(1)**	(5)
		(77,573)	(3,726)
Total comprehensive income attributable to:			
Owners of the Company		**(72,570)**	(3,695)
Non-controlling interests		**(1)**	(5)
		(72,571)	(3,700)
			(restated)
Loss per share	*14*		
–Basic and diluted (HK cents)		**(5.97)**	(0.35)

Consolidated Statement of Financial Position

	Notes	2016 HK$'000	2015 HK$'000
		At 31 March	
NON-CURRENT ASSETS			
Property, plant and equipment	*15*	**44,460**	128,451
Prepaid land lease payments	*16*	**6,952**	7,520
Investment property	*17*	**6,200**	–
Goodwill	*18*	**188,478**	51,759
Intangible assets	*19*	**77,151**	85,395
Interests in a joint venture	*20*	**–**	–
Deferred tax asset	*36*	**1,717**	1,756
Statutory deposits for financial service business		**396**	–
Total non-current assets		**325,354**	274,881
CURRENT ASSETS			
Inventories	*21*	**108,764**	133,160
Trade receivables	*22*	**457,360**	74,620
Financial assets at fair value through profit or loss	*23*	**18,222**	–
Prepayments, deposits and other receivables	*24*	**29,679**	1,676
Derivative financial asset	*33*	**5,721**	5,140
Tax recoverable		**–**	854
Cash and bank balances held on behalf of customers	*26*	**91**	–
Cash and cash equivalents	*27*	**221,633**	67,170
Total current assets		**841,470**	282,620
CURRENT LIABILITIES			
Trade payables	*28*	**407,093**	44,603
Receipts in advance, accruals and other payables	*29*	**27,585**	42,589
Amount due to a related company	*30*	**102**	–
Derivative financial instruments	*25*	**–**	161
Interest-bearing bank borrowings	*31*	**49,051**	52,772
Promissory notes	*32*	**45,000**	–
Convertible notes	*33*	**55,055**	–
Tax payables		**326**	–
Total current liabilities		**584,212**	140,125
NET CURRENT ASSETS		**257,258**	142,495
TOTAL ASSETS LESS CURRENT LIABILITIES		**582,612**	417,376

Consolidated Statement of Financial Position (Continued)

	Notes	At 31 March 2016 HK$'000	2015 HK$'000
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings	*31*	**7,667**	33,600
Promissory notes	*32*	**79,792**	20,089
Convertible notes	*33*	**–**	51,189
Deferred tax liabilities	*36*	**12,805**	14,302
Total non-current liabilities		**100,264**	119,180
Net assets		**482,348**	298,196
EQUITY			
Share capital	*34*	**281**	224
Reserves		**481,477**	297,381
		481,758	297,605
Non-controlling interests		**590**	591
Total equity		**482,348**	298,196

On behalf of the Board

Lau Ho Ming, Peter
Director

Poon Pak Ki, Eric
Director

Consolidated Statement of Changes in Equity

	Share capital HK$'000	Share premium HK$'000 (note 1)	Capital reserve HK$'000 (note 2)	Statutory reserve HK$'000 (note 3)	Translation reserve HK$'000 (note 4)	Property revaluation reserve HK$'000 (note 5)	Other reserve HK$'000	Share option reserve HK$'000 (note 6)	Convertible notes equity reserve HK$'000 (note 7)	(Accumulated losses)/ retained earnings HK$'000	Proposed final dividend HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total HK$'000
	Attributable to the owners of the Company													
At 1 April 2014	187	104,048	9,271	696	4,835	-	2,100	93	-	84,362	4,800	210,392	-	210,392
Acquisition of a subsidiary (*note 38*)	-	-	-	-	-	-	-	-	-	-	-	-	596	596
Equity settled share-based transactions (*note 37*)	-	-	-	-	-	-	-	2,228	-	-	-	2,228	-	2,228
Lapse of share options (*note 37*)	-	-	-	-	-	-	-	(98)	-	98	-	-	-	-
Dividend paid (*note 13*)	-	-	-	-	-	-	-	-	-	(8,640)	(4,800)	(13,440)	-	(13,440)
Proceeds from placing of new shares (*note 34(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 33*)	-	-	-	-	-	-	-	-	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 and 1 April 2015	**224**	**163,406**	**9,271**	**799**	**4,861**	**-**	**2,100**	**2,223**	**42,725**	**71,996**	**-**	**297,605**	**591**	**298,196**
Exercise of share options (*note 37*)	**3**	**4,342**	**-**	**-**	**-**	**-**	**-**	**(1,150)**	**-**	**-**	**-**	**3,195**	**-**	**3,195**
Equity settled share-based transactions (*note 37*)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**12,818**	**-**	**-**	**-**	**12,818**	**-**	**12,818**
Proceeds from subscription of new shares (*note 34(c)*)	**54**	**245,585**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**245,639**	**-**	**245,639**
Issuing expenses of subscription new shares	**-**	**(3,929)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(3,929)**	**-**	**(3,929)**
Disposal of subsidiaries	**-**	**-**	**-**	**-**	**-**	**-**	**(1,000)**	**-**	**-**	**-**	**-**	**(1,000)**	**-**	**(1,000)**
Loss for the year	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(77,572)**	**-**	**(77,572)**	**(1)**	**(77,573)**
Other comprehensive income														
Exchange differences arising on translation of foreign operations	**-**	**-**	**-**	**-**	**(1,069)**	**-**	**-**	**-**	**-**	**-**	**-**	**(1,069)**	**-**	**(1,069)**
Revaluation surplus upon transfer of owner-occupied leasehold buildings to investment property	**-**	**-**	**-**	**-**	**-**	**6,071**	**-**	**-**	**-**	**-**	**-**	**6,071**	**-**	**6,071**
Total comprehensive income for the year	**-**	**-**	**-**	**-**	**(1,069)**	**6,071**	**-**	**-**	**-**	**(77,572)**	**-**	**(72,570)**	**(1)**	**(72,571)**
Transfer to statutory reserve	**-**	**-**	**-**	**45**	**-**	**-**	**-**	**-**	**-**	**(45)**	**-**	**-**	**-**	**-**
At 31 March 2016	**281**	**409,404**	**9,271**	**844**	**3,792**	**6,071**	**1,100**	**13,891**	**42,725**	**(5,621)**	**-**	**481,758**	**590**	**482,348**

Consolidated Statement of Changes in Equity (Continued)

Notes:

1. *The share premium account of the Group represents the premium arising from the issuance of Shares above its par value.*

2. *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.*

3. *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.*

4. *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.*

5. *Property revaluation reserve comprised the revaluation surplus arising from the transfer of owner-occupied property to investment property at the date of change in use.*

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

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

Consolidated Statement of Cash Flows

	Notes	2016 HK$'000	2015 HK$'000
		Year ended 31 March	
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before income tax expense:		**(72,772)**	(517)
Adjustments for:			
Interest income	*8*	**(19)**	(27)
Interest expenses	*10*	**11,061**	5,118
Depreciation of property, plant and equipment	*9*	**23,443**	18,667
Loss/(gain) on disposal of property, plant and equipment	*8*	**34**	(45)
Amortisation of prepaid land lease payments	*9*	**201**	207
Amortisation of intangible assets	*9*	**8,790**	2,505
Impairment loss on trade receivables	*9*	**–**	12,046
Impairment loss on other receivables	*9*	**–**	210
Write-down of inventories	*9*	**–**	6,604
Net (gain)/loss on derivative financial instruments	*8*	**(346)**	161
Impairment loss on goodwill	*9*	**48,064**	–
Loss on early redemption of promissory notes	*8*	**1,214**	–
Fair value changes in derivative financial asset	*9*	**(581)**	(2,979)
Fair value gain on financial assets at fair value through profit or loss	*8*	**(3,983)**	–
Loss on changes in fair value of investment property	*8*	**400**	–
Equity settled share-based payment expenses	*37*	**12,818**	2,228
Operating profit before working capital changes		**28,324**	44,178
Decrease in inventories		**24,396**	17,983
Increase in trade receivables		**(378,649)**	(58,463)
(Increase)/decrease in prepayments, deposits and other receivables		**(23,671)**	2,100
Increase/(decrease) in trade payables		**362,226**	(936)
Increase in statutory deposits for financial service business		**(396)**	–
(Decrease)/increase in receipts in advance, accruals and other payables		**(18,831)**	841
Increase in amount due to a related company		**102**	–
Increase in cash and bank balances held on behalf of customers		**(91)**	–
Increase in financial assets at fair value through profit or loss		**(14,239)**	–
Cash (used in)/generated from operations		**(20,829)**	5,703
Income taxes paid		**(5,476)**	(4,283)
Net cash (used in)/generated from operating activities		**(26,305)**	1,420

Consolidated Statement of Cash Flows (Continued)

	Notes	Year ended 31 March 2016 HK$'000	2015 HK$'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received	*8*	**19**	27
Purchases of property, plant and equipment		**(6,664)**	(24,785)
Purchase of intangible assets		**(521)**	–
Acquisition of subsidiaries, net of cash acquired	*38*	**(26,506)**	(4,970)
Disposed of subsidiaries, net of cash disposed	*39*	**69,420**	–
Settlement of derivative financial instruments		**185**	–
Net cash generated from/(used in) investing activities		**35,933**	(29,728)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from subscription/placing of new shares		**245,639**	60,000
Issuing expenses of subscription/placing new shares		**(3,929)**	(605)
Net proceeds from exercise of share options		**3,195**	–
Proceeds from bank borrowings		**217,885**	308,446
Repayment of bank borrowings		**(247,539)**	(330,593)
Proceeds from issue of promissory notes		**45,000**	–
Redemption of promissory notes		**(107,030)**	–
Interest paid		**(8,682)**	(3,783)
Dividend paid		**–**	(13,440)
Net cash generated from financing activities		**144,539**	20,025
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**154,167**	(8,283)
Cash and cash equivalents at beginning of year		**67,170**	75,240
Effect of foreign exchange rate changes, net		**296**	213
CASH AND CASH EQUIVALENTS AT END OF YEAR		**221,633**	67,170

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 C on 19th Floor, TML Tower, No. 3 Hoi Shing Road, Tsuen 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 41 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 2016.

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 2015:

HKFRSs (Amendments)	Annual Improvements 2010-2012 Cycle
HKFRSs (Amendments)	Annual Improvements 2011-2013 Cycle
Amendments to HKAS 19 (2011)	Defined Benefit Plans: Employee Contributions

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

Annual Improvements 2010-2012 Cycle and 2011-2013 Cycle

The amendments issued under the annual improvements process make small, non-urgent changes to a number of standards where they are currently unclear. They include amendments to HKAS 16 Property, Plant and Equipment to clarify how the gross carrying amount and accumulated depreciation are treated where an entity uses the revaluation model. The carrying amount of the asset is restated to revalued amount. The accumulated depreciation may be eliminated against the gross carrying amount of the asset. Alternatively, the gross carrying amount may be adjusted in a manner consistent with the revaluation of the carrying amount of the asset and the accumulated depreciation is adjusted to equal the difference between the gross carrying amount and the carrying amount after taking into account accumulated impairment losses.

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

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

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 financial statements, have been issued but are not yet effective and have not been early adopted by the Group.

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

1 Effective for annual periods beginning on or after 1 January 2016
2 Effective for annual periods beginning on or after 1 January 2018
3 Effective for annual periods beginning, on or after 1 January 2019
* No mandatory effective date yet determined but it is available for immediate adoption

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 financial statements.

Amendments to HKAS 1 – Disclosure Initiative

The amendments are designed to encourage entities to use judgment in the application of HKAS 1 when considering the layout and content of their financial statements.

An entity's share of other comprehensive income from equity accounted interests in associates and joint ventures will be split between those items that will and will not be reclassified to profit or loss, and presented in aggregate as a single line item within those two groups.

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.

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)

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.

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 fair value through other comprehensive income 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 fair value through other comprehensive income. All other debt and equity instruments are measured at fair value through profit or loss ("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.

Amendments to HKFRS 10 and HKAS 28 – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments clarify the extent of gains or losses to be recognised when an entity sells or contributes assets to its associate or joint venture. When the transaction involves a business the gain or loss is recognised in full, conversely when the transaction involves assets that do not constitute a business the gain or loss is recognised only to the extent of the unrelated investors' interests in the joint venture or associate.

Amendments to HKFRS 11 – Accounting for Acquisitions of Interests in Joint Operations

The amendments require an entity to apply all of the principles of HKFRS 3 Business Combinations when it acquires an interest in a joint operation that constitutes a business as defined in that standard. The principles of HKFRS 3 are also applied upon the formation of a joint operation if an existing business as defined in that standard is contributed by at least one of the parties.

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 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.

HKFRS 16 – Leases

HKFRS 16, which upon the effective date will supersede HKAS 17 "Leases" and related interpretations, introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Specifically, under HKFRS 16, a lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Accordingly, a lessee should recognise depreciation of the right-of-use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the statement of cash flows. Also, the right-of-use asset and the lease liability are initially measured on a present value basis. The measurement includes non-cancellable lease payments and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or not to exercise an option to terminate the lease. This accounting treatment is significantly different from the lessee accounting for leases that are classified as operating leases under the predecessor standard, HKAS 17.

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

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

(c) New Companies Ordinance provisions relating to the presentation of financial statements

The provisions of the new Hong Kong Companies Ordinance, Cap. 622 regarding preparation of accounts and directors' reports and audits became effective for the Company for this financial year. In addition, the disclosure requirements set out in the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") regarding annual accounts have been amended with reference to the new Hong Kong Companies Ordinance, Cap. 622. Accordingly, the presentation and disclosure of information in the consolidated financial statements for the financial year ended 31 March 2015 have been changed to comply with these new requirements. Comparative information in respect of the financial year ended 31 March 2015 are presented or disclosed in the consolidated financial statements based on the new requirements.

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 Listing Rules.

(b) Basis of measurement

The consolidated financial statements have been prepared under the historical cost basis except for:

- investment property;
- financial instruments classified at fair value through profit or loss; and
- derivative financial instruments.

which are stated at fair values as explained in the accounting policies set out below. It should be noted that accounting estimates and assumptions are used in preparation of the financial statements. Although these estimates are based on management's best knowledge and judgement of current events and actions, actual results may ultimately differ from those estimates. The area involving a higher degree of judgement or complexity, or area where assumptions and estimates are significant to the financial statements, are described in note 5. The significant accounting policies that have been used in the preparation of the consolidated financial statements are disclosed in note 4. Items 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 ("the Group"). 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.

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.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(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).

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 of assets, liabilities, revenues and expenses in accordance with losses, if any. Results of joint ventures are accounted for by the Company on the basis of dividends received and receivable.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(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.

(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.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Related parties (continued)

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

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

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

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

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

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

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

(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); or

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group‘s parent.

(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 income statement 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	20% to 35%
Motor vehicles	18% to 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 assets (other than 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.

Value in use is based on the estimated future cash flows expected to be derived from the asset or cash generating unit, 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 or cash generating unit.

(i) Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to lessee. All other leases are classified as operating leases.

The Group as lessor

Amounts due from lessees under finance leases are recorded as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense on the straight-line basis over the lease term.

The Group as lessee

Assets held under finance leases are initially recognised as assets at their fair value or, if lower, the present value of the minimum lease payments. The corresponding lease commitment is shown as a liability. Lease payments are analysed between capital and interest. The interest element is charged to profit or loss over the period of the lease and is calculated so that it represents a constant proportion of the lease liability. The capital element reduces the balance owed to the lessor.

The total rentals payable under the operating leases are recognised in profit or loss on a straight-line basis over the lease term. Lease incentives received are recognised as an integrated part of the total rental expense, over the term of the lease.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(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

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. The Group's intangible assets with indefinite useful lives represents trading rights. Such intangible assets are not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether the indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for on a prospective basis.

(ii) Impairment

Intangible assets with finite useful lives are tested for impairment when there is an indication that an asset may be impraized. 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. Intangible assets are tested for impairment by comparing their carrying amounts with their recoverable amounts. 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. All reversals are recognised in the income statement immediately.

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(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, or it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent pattern of a short-term profit-taking. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments or financial guarantee contracts.

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 is managed and its performance evaluated on a fair value basis according to a documented management strategy; or (iii) the financial asset contains an embedded derivative that would need to be separately recorded.

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

Loans and receivables

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Financial Instruments (continued)

(ii) Impairment loss on financial assets

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

– significant financial difficulty of the debtor;

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

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

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

Loans and receivables

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

(iii) Financial liabilities

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, convertible 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.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Financial Instruments (continued)

(iii) Financial liabilities (continued)

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.

(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.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Financial Instruments (continued)

(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 contact at the higher of: (i) the amount determined in accordance with HKAS 37 Provisions, Contingent Liabilities and Contingent Assets; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with HKAS 18 Revenue.

(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.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(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.

Revenue from Financial Services mainly include commission income from securities brokerage services, fee from investment, corporate finance and other advisory services, and wealth management services fee income.

– Commission income from securities brokerage services is recognised on a trade date basis when the relevant transactions are executed.

– Fees from investment, corporate finance and other advisory services are recognised when the services have been rendered, which is either on completion of the transactions for contingent arrangement or as the services are provided for other services.

– Wealth management service fee income is recognised when the wealth management services have been rendered, which is normally as the services are provided.

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

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

(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.

(u) Investment property

Investment property is property held either to earn rentals or for capital appreciation or for both, but not held for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. Investment property is measured at cost on initial recognition and subsequently at fair value with any change therein recognised in profit or loss.

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.

5. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Judgements (continued)

(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.

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.

5. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Estimation uncertainty

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

(i) Provision for obsolete and slow-moving inventories

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

(ii) Depreciation

The Group depreciates property, plant and equipment over the estimated useful life, and after taking into account of their estimated residual value, using the straight-line method, from 3 years to 35 years, commencing from the date on which the assets are available for use. The estimated useful life reflects the management's estimations of the periods that the Group intends to derive future economic benefits from the use of the Group's property, plant and equipment.

(iii) Provision for impairment of trade receivables

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

(iv) Fair value of measurement

A number of assets and liabilities included in the Group's financial statements require measurement at, and/or disclosure of, fair value.

The fair value measurement of the Group's financial and non-financial assets and liabilities 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.

The Group measures a number of items at fair value:

- Investment property (note 17);
- Financial assets (notes 23 and 33); and
- Derivative financial instruments (note 25)

For more detailed information in relation to the fair value measurement of the items above, please refer to the note 47.

5. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Estimation uncertainty (continued)

(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.

(vii) **Fair value of investment property**

The fair value of the investment property is determined by independent valuer on an open market value for existing use basis. In making their judgement, consideration has been given to assumptions that are mainly based on market conditions existing at the end of reporting period, by reference to recent market transactions and appropriate capitalisation rates based on an estimation of the rental income. These estimates are regularly compared to actual market data and actual transactions entered into by the Group.

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 Crosby Securities Limited ("CSL") and Crosby Asset Management (Hong Kong) Limited ("CAM") by acquiring its entire equity interest. The principal activities of CSL are securities brokerage, securities margin financing, provision of investment advisory, corporate finance advisory and asset management services. The principal activities of CAM are the provision of investment advisory and asset management services. The activities of CSL and CAM 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;

– Digital publishing, mobile and web application solutions; and

– Securities brokerage, securities margin financing, investment advisory, corporate finance advisory and asset management services ("Financial Services").

6. OPERATING SEGMENT INFORMATION (continued)

(a) Reportable segments

Management assesses the performance of the operating segments based on the measure of segment results which represents the net of revenues, other income, gains and losses, costs and expenditures directly attributable to each operating segment. Central administrative cost 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	Digital publishing, mobile and web application solutions	Financial Services	Total
	HK$' 000	HK$' 000	HK$'000	HK$' 000
For the year ended 31 March 2016				
External revenue	**765,737**	**1,836**	**2,836**	**770,409**
Segment profit/(loss)	**32,375**	**(62,512)**	**(15,056)**	**(45,193)**
Corporate income				
– Others				**2,236**
Central administrative cost				**(30,742)**
Fair value change in derivative financial asset				**581**
Net gain on derivative financial instruments				**346**
Loss before income tax expense				**(72,772)**
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)

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 changes/realised gains on derivative financial instruments, fair value gain on financial assets at fair value through profit or loss, fair value change in derivative 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, prepayments, tax recoverable, derivative financial asset, cash and cash equivalents and cash and bank balances held on behalf of customers.

	2016 HK$'000	2015 HK$'000
Manufacturing and sales of toys	**233,185**	343,049
Digital publishing, mobile and web application solutions	**81,057**	138,666
Financial Services	**618,332**	–
Total segment assets	**932,574**	481,715
Unallocated	**234,250**	75,786
Consolidated assets	**1,166,824**	557,501

Segment liabilities

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

	2016 HK$'000	2015 HK$'000
Manufacturing and sales of toys	**106,525**	172,481
Digital publishing, mobile and web application solutions	**2,963**	1,083
Financial Services	**382,010**	–
Total segment liabilities	**491,498**	173,564
Unallocated	**192,978**	85,741
Consolidated liabilities	**684,476**	259,305

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 2016

	Manufacturing and sales of toys HK$'000	Digital publishing, mobile and web application solutions HK$'000	Financial Services HK$'000	Total HK$'000
Additions to property, plant and equipment	**6,116**	**125**	**419**	**6,660**
Depreciation of property, plant and equipment	**(19,253)**	**(291)**	**(278)**	**(19,822)**
Loss on disposal of property, plant and machinery	**(34)**	**–**	**–**	**(34)**
Amortisation of prepaid lease payments	**(201)**	**–**	**–**	**(201)**
Amortisation of intangible assets	**–**	**(8,790)**	**–**	**(8,790)**
Impairment loss on goodwill	**–**	**(48,064)**	**–**	**(48,064)**
Fair value gain on financial assets through profit or loss	**–**	**–**	**3,983**	**3,983**
Reversal of impairment loss on trade receivable	**6,966**	**–**	**–**	**6,966**
Interest expenses	**(2,805)**	**–**	**(43)**	**(2,848)**

For the year ended 31 March 2015

	Manufacturing and sales of toys HK$'000	Digital publishing, mobile and web application solutions HK$'000	Financial Services 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)

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, investment property 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	
	2016	2015
	HK$'000	HK$'000
North America *(note 1)*	**351,313**	433,847
Western Europe		
– United Kingdom	**86,965**	108,462
– France	**43,103**	30,574
– Netherland	**16,158**	12,952
– Others *(note 2)*	**99,227**	115,740
South America	**25,356**	24,611
PRC and Taiwan	**67,208**	37,985
Australia, New Zealand and Pacific Islands	**15,888**	20,349
Central America, Caribbean and Mexico	**32,494**	18,761
Others *(note 3)*	**32,697**	25,735
Total	**770,409**	829,016

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

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

Note 3: Others include Hong Kong, Africa, India, Japan, Korea, Israel, Sandi Arabia and Southeast Asia.

(ii) Specified non-current assets

	Year ended 31 March	
	2016	2015
	HK$'000	HK$'000
Mainland China, the PRC	**48,160**	62,869
Hong Kong	**9,452**	73,102
Total	**57,612**	135,971

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	
	2016	2015
	HK$'000	HK$'000
Customer A	**315,689**	249,995
Customer B	**121,008**	140,267
Customer C	**128,670**	134,201
Customer D	**99,038**	106,312
Customer E*	**–**	84,314

* *The customer contributed less than 10% of the Group's revenue during the year ended 31 March 2016.*

7. REVENUE

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

	Year ended 31 March	
	2016	2015
	HK$'000	HK$'000
Manufacturing and sales of goods	**765,737**	827,845
Digital publishing, mobile and web application solutions	**1,836**	1,171
Financial Services	**2,836**	–
	770,409	829,016

8. OTHER INCOME, GAINS AND LOSSES

	Year ended 31 March	
	2016	2015
	HK$'000	HK$'000
Other income		
Interest income from bank deposits	**19**	27
Moulding income	**3,802**	3,855
Rental income	**379**	–
	4,200	3,882
Other gains and losses		
Exchange gains, net	**242**	115
Gain on disposal of subsidiaries	**3,303**	–
Net gain/(loss) on derivative financial instruments	**346**	(161)
Fair value gain on financial assets at fair value through profit or loss	**3,983**	–
Loss on changes in fair value of investment property	**(400)**	–
Loss on early redemption of promissory notes	**(1,214)**	–
(Loss)/gain on disposal of property, plant and equipment	**(34)**	45
Reversal of impairment loss on trade receivables	**6,966**	–
Others	**2,290**	1,537
	15,482	1,536
Other income, gains and losses	**19,682**	5,418

9. LOSS BEFORE INCOME TAX EXPENSE

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

	Year ended 31 March	
	2016	2015
	HK$'000	HK$'000
Cost of inventories sold	**690,046**	741,701
Depreciation of property, plant and equipment	**23,443**	18,667
Amortisation of prepaid land lease payments	**201**	207
Amortisation of intangible assets	**8,790**	2,505
Employee benefits expenses (excluding Directors' remuneration *(note 11(a))*):		
Wages and salaries	**42,792**	34,819
Equity settled share-based payment expenses to employees	**3,120**	467
Pension scheme contributions	**3,025**	3,587
Other benefits	**4,812**	4,818
	53,749	43,691
Fair value changes in derivative financial asset	**(581)**	(2,979)
Equity settled share-based payment expenses to eligible persons other than employees and directors	**4,540**	241
Auditor's remuneration	**1,692**	1,380
Operating lease charges in respect of land and buildings	**3,377**	3,563
Write-down of inventories	**–**	6,604
Impairment loss on other receivables	**–**	210
Impairment loss on trade receivables	**–**	12,046
Impairment loss on goodwill	**48,064**	–

10. FINANCE COSTS

	Year ended 31 March	
	2016	2015
	HK$'000	HK$'000
Interest on bank and other borrowings:		
– Bank borrowings	**3,309**	3,783
– Promissory notes	**3,886**	280
– Convertible notes	**3,866**	1,055
	11,061	5,118

11. DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID EMPLOYEES

(a) Directors' remuneration

Remuneration paid or payable to each of the director is disclosed as follows:

Year ended 31 March 2016	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	–	3,952	1,092	74	5,118
Mr. Ng Kam Seng	–	1,932	1,246	55	3,233
Mr. Poon Pak Ki	–	1,308	1,214	47	2,569
Mr. Chu, Raymond (appointed on 27 November 2015)	–	1,033	58	6	1,097
	–	8,225	3,610	182	12,017
Non-executive Directors					
Madam Li Man Yee, Stella	240	–	550	–	790
Mr. Chu Sheng Yu, Lawrence (resigned on 1 July 2015)	45	–	26	–	71
Mr. Wang Zhao (resigned on 27 November 2015)	119	–	292	–	411
	404	–	868	–	1,272
Independent non-executive Directors					
Mr. Leung Po Wing, Bowen Joseph	210	–	324	–	534
Mr. Chan Siu Wing, Raymond	180	–	324	–	504
Mr. Chu, Raymond (resigned on 6 July 2015)	47	–	26	–	73
Mr. Wong Wah On, Edward (appointed on 24 September 2015)	94	–	6	–	100
	531	–	680	–	1,211
Total	935	8,225	5,158	182	14,500

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

(a) Directors' remuneration (continued)

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

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

(b) Five highest paid employees

The five individuals whose remuneration were the highest in the Group for the year ended 31 March 2016 included 3 Directors (2015: 3) and their remuneration are reflected in note 11(a). The remuneration of the remaining 2 highest paid individuals (2015: 2) for the year ended 31 March 2016 is as follows:

	Year ended 31 March	
	2016	2015
	HK$'000	HK$'000
Salaries, allowances and benefits in kind	**3,392**	2,406
Equity settled share-based payment expenses	**1,477**	202
Pension scheme contributions	**73**	85
	4,942	2,693

Their remuneration was within the following bands:

	Number of individuals	
	2016	2015
HK$1,000,001 to HK$1,500,000	**–**	2
HK$2,000,001 to HK$2,500,000	**1**	–
HK$2,500,001 to HK$3,000,000	**1**	–
	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 (2015: Nil). None of the Directors nor the five highest paid employees has waived or agreed to waive any remuneration during the year (2015: Nil).

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

	Number of senior management	
	2016	2015
HK$1,000,001 to HK$1,500,000	**1**	2
HK$2,500,001 to HK$3,000,000	**1**	–
	2	2

12. INCOME TAX EXPENSE

Hong Kong profits tax has been provided on the estimated assessable profit arising in Hong Kong at the rate of 16.5% during the year (2015: 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 (2015: 25%).

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

	Year ended 31 March	
	2016	2015
	HK$'000	HK$'000
Current – Hong Kong		
Charge for the year	**6,316**	4,817
(Over)/under provision in prior years	**(65)**	6
	6,251	4,823
Current – PRC		
Charge for the year	**300**	344
	6,551	5,167
Deferred tax credit *(note 36)*	**(1,750)**	(1,958)
Income tax expense for the year	**4,801**	3,209

12. INCOME TAX EXPENSE (continued)

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

	Year ended 31 March	
	2016	2015
	HK$'000	HK$'000
Loss before income tax expense	**(72,772)**	(517)
Tax at the applicable tax rate of 16.5% (2015: 16.5%)	**(12,007)**	(85)
Effect of different tax rate of a subsidiary operating in other jurisdiction	**16**	69
Tax effect of revenue not taxable for tax purposes	**(1,591)**	(469)
Tax effect of expenses not deductible for tax purposes	**13,062**	3,085
Tax effect of tax losses not recognised	**5,350**	342
Tax effect of temporary differences not recognised	**113**	261
Utilisation of tax losses previously not recognised	**(77)**	–
(Over)/under provision in prior years	**(65)**	6
Income tax expense	**4,801**	3,209

As at 31 March 2016, no deferred tax asset has been recognised in respect of the deductible temporary differences of HK$3,194,000 (2015: HK$2,509,000) as the amount is immaterial to the Group.

No deferred tax asset has been recognised in respect of the unused tax losses of HK$34,030,000 (2015: HK$2,073,000) due to the unpredictability of future profit streams. The unused tax losses can be carried forward indefinitely. In addition, as at 31 March 2016, the aggregate amount of temporary differences associated with the unremitted earnings of the Company's subsidiary established in the PRC, of which deferred tax liabilities have not been recognised are approximately of HK$7,211,000 (2015: HK$6,816,000). 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 2016 in the foreseeable future.

13. DIVIDENDS

	Year ended 31 March	
	2016	2015
	HK$'000	HK$'000
Interim dividend of HK cents Nil per Share (2015: HK cents 3 per Share)	**–**	8,640

At the Board meeting held on 27 November 2015, the Directors did not propose an interim dividend for the year ended 31 March 2016 (2015: HK cents 3 per Share, totaling HK$8,640,000).

At the Board meeting held on 30 June 2016, the Directors did not propose a final dividend for the year ended 31 March 2016 (2015: Nil).

14. LOSS PER SHARE

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

	Year ended 31 March	
	2016	2015
	HK$'000	HK$'000
Loss		
Loss for the year attributable to the owners of the Company	**(77,572)**	(3,721)
Number of shares		(restated)
Weighted average number of ordinary shares for the purpose of basic loss per share	**1,299,533,918**	1,067,835,616

Notes:

(a) *The calculation of basic loss per share attributable to the owners of the Company is based on the loss for the year ended 31 March 2016 of approximately HK$77,572,000 (2015: HK$3,721,000), and of the weighted average number of 1,299,533,918 (2015 (restated): 1,067,835,616) ordinary shares in issue during the year.*

(b) *For the purpose of calculation of basic loss per share for the year ended 31 March 2016, the share subdivision being effective on 13 January 2016 (note 34(d)) was deemed to be effective throughout the period from 1 April 2014 to 31 March 2016.*

Diluted loss per share are the same as basic loss per share for the year ended 31 March 2016 (2015: 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 2016 (2015: anti-dilutive).

There is no dilutive effect on the convertible notes as they are anti-dilutive (2015: Nil).

15. PROPERTY, PLANT AND EQUIPMENT

	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 38)*	–	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 38)*	–	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)

	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 2016						
Cost:						
At 1 April 2015	96,244	12,257	112,598	10,125	9,334	240,558
Acquired through business combination *(note 38)*	–	–	–	2,357	–	2,357
Additions	–	–	5,584	956	124	6,664
Disposal of subsidiaries *(note 39)*	(70,539)	(3,552)	–	–	–	(74,091)
Disposals	–	–	–	(1)	(343)	(344)
Surplus arising on revaluation	5,780	–	–	–	–	5,780
Transfer to investment property *(note 17)*	(6,600)	–	–	–	–	(6,600)
Exchange differences	(1,226)	–	(37)	(7)	(79)	(1,349)
At 31 March 2016	23,659	8,705	118,145	13,430	9,036	172,975
Accumulated depreciation:						
At 1 April 2015	8,179	3,936	84,499	7,540	7,953	112,107
Acquired through business combination *(note 38)*	–	–	–	913	–	913
Disposal of subsidiaries *(note 39)*	(5,018)	(1,983)	–	–	–	(7,001)
Depreciation charge for the year	3,109	4,164	13,794	1,811	565	23,443
Disposals	–	–	–	(1)	(309)	(310)
Write back on revaluation	(291)	–	–	–	–	(291)
Exchange differences	(261)	–	(21)	(3)	(61)	(346)
At 31 March 2016	5,718	6,117	98,272	10,260	8,148	128,515
Net book value:						
At 31 March 2016	17,941	2,588	19,873	3,170	888	44,460
At 31 March 2015	88,065	8,321	28,099	2,585	1,381	128,451

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	
	2016	2015
	HK$'000	HK$'000
Properties located in Hong Kong	**–**	68,076
Properties located in PRC	**17,941**	19,989
	17,941	88,065

No leasehold land and buildings were pledged by the Group as at 31 March 2016 (2015: aggregate net book value of approximately HK$68,076,000) to secure interest-bearing bank borrowings as set out in note 31.

On 31 October 2015, the Group changed its intention of its office premise to rent out the office premise to related parties and thus this premise is classified as investment property.

16. PREPAID LAND LEASE PAYMENTS

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	
	2016	2015
	HK$'000	HK$'000
At 1 April	**7,520**	7,718
Amortisation	**(201)**	(207)
Exchange differences	**(367)**	9
At 31 March	**6,952**	7,520

The land use rights are located in the PRC.

17. INVESTMENT PROPERTY

	Year ended 31 March	
	2016	2015
	HK$'000	HK$'000
At 1 April (level 3 recurring fair value)	**–**	–
Transfer from property, plant and equipment *(note 15)*	**6,600**	–
Change in fair value *(note 8)*	**(400)**	–
At 31 March (level 3 recurring fair value)	**6,200**	–

The Group's investment property is situated in Hong Kong. Pursuant to a business plan approved by management on 31 October 2015, the Group changed the use of office premise from self-use to the purpose of earning long-term rentals.

This property was re-measured at its respective fair values upon transfer. For the property transferred from property, plant and equipment to investment property, the difference between the fair value and carrying amount upon transfer, amounting to approximately HK$6,071,000, was credited directly in revaluation reserve.

As a result of the above change in use, approximately HK$6,600,000 of the carrying amount of property, plant and equipment was transferred to investment property during the year.

The Group's investment property was valued at 31 October 2015 and 31 March 2016 respectively, by BMI Appraisals Limited, an independent and professionally qualified valuer who holds a recognised relevant professional qualification and has recent experience in the location of the investment property valued. For the investment property, the current use equates the highest and best use. Change in fair value of the investment property is recognised in "Other income, gains and losses" in the consolidated income statements. Investment property was pledged by the Group as at 31 March 2016 (2015: Nil) to secure interest-bearing bank borrowings as set out in note 31.

The following table shows the significant unobservable inputs used in the valuation model.

Properties	**Fair Value Hierarchy**	**Valuation technique**	**Significant unobservable inputs**	**Range of unobservable inputs**	**Relationship of unobservable inputs to fair value**
Office unit in the Hong Kong	Level 3	Income capitalisation approach	Market unit rent	HK$15.8 per ft^2	The higher the unit rent, the higher the fair value

During the year, there were no transfers amongst Level 1, Level 2 and Level 3 in the fair value hierarchy. The Directors estimated that the effect on the fair value of investment property in response to reasonably possible changes in key inputs would be insignificant during the year (2015: Nil).

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:

	Digital publishing, mobile and web application solutions HK$'000 *(note a)*	Financial Services HK$'000 *(note b)*	Total HK$'000
Cost			
At 1 April 2014	–	–	–
Acquired through business combination *(note 38)*	51,759	–	51,759
At 31 March 2015 and 1 April 2015	51,759	–	51,759
Acquired through business combination *(note 38)*	–	184,783	184,783
At 31 March 2016	51,759	184,783	236,542
Impairment			
At 1 April 2014, 31 March 2015 and 1 April 2015	–	–	–
Impairment loss	(48,064)	–	(48,064)
At 31 March 2016	(48,064)	–	(48,064)
Carrying value			
At 31 March 2016	**3,695**	**184,783**	**188,478**
At 31 March 2015	51,759	–	51,759

In accordance with HKAS 36 "Impairment of assets", management of the Group engaged an independent valuer, BMI Appraisal Limited to perform impairment test for goodwill allocated to the Group's various cash generating units ("CGUs") by comparing their recoverable amounts to their carrying amounts at the end of the reporting period. The recoverable amount of a CGU is determined based on value-in-use calculation.

Notes:

(a) The recoverable amount of the CGU in relation to digital publishing, mobile and web application solutions was approximately HK$80,300,000 and determined from value-in-use calculation based on cash flow projections from formally approved budgets, covering a detailed five-year budget plans, and discount rate of 21.3% (2015: 18.6%) estimated by the management. Growth rate used to extrapolate the cash flows beyond the five-year budget plan is 3% which reflects the long term growth rate of the industry as forecast by the management. The key assumptions have been determined by the Group's management based on past performance and its expectations for the industry development. During the year ended 31 March 2016, as a result of a negative change in the economic environment, fierce competition for talents in the information technology industry and a general decrease in demand for digital publishing and digital marketing campaign, the recoverable amount of digital publishing, mobile and web application solutions was calculated to be lower than its carrying amount and accordingly, impairment loss on goodwill of approximately HK$48,064,000.

18. GOODWILL (continued)

(a) (continued)

For the year ended 31 March 2015, no impairment was provided on goodwill from the digital publishing mobile and web application solution as the recoverable amount exceeded the carrying amount of the CGU.

(b) The recoverable amount of the CGUs in relation to Financial Services was determined from value-in-use calculation based on cash flow projections from formally approved budgets, covering a detailed five-year budget plan, and discount rates ranging from 18.8% to 21.1% estimated by the management. Growth rate used to extrapolate the cash flows beyond the five-year budget plan is 3% which reflects the long term growth rate of the industry as forecast by the management. The key assumptions have been determined by the Group's management based on past performance and its expectations for the industry development. During the year ended 31 March 2016, no impairment was provided on goodwill from the Financial Services as the recoverable amount exceeded the carry amount of the CGUs.

All the discount rates used above are pre-tax and reflect specific risks relating to the relevant CGU.

19. INTANGIBLE ASSETS

	Mobile and web application technologies HK$'000 *(note a)*	**Trading rights, trademark and website** HK$'000 *(note b)*	**Total** HK$'000
Cost:			
At 1 April 2014	–	–	–
Acquired through business combination *(note 38)*	87,900	–	87,900
At 31 March 2015 and 1 April 2015	87,900	–	87,900
Acquired through business combination *(note 38)*	–	25	25
Additions	–	521	521
At 31 March 2016	87,900	546	88,446
Accumulated amortisation			
At 1 April 2014	–	–	–
Amortisation for the year	(2,505)	–	(2,505)
At 31 March 2015 and 1 April 2015	(2,505)	–	(2,505)
Amortisation for the year	(8,790)	–	(8,790)
At 31 March 2016	(11,295)	–	(11,295)
Carrying value:			
At 31 March 2016	**76,605**	**546**	**77,151**
At 31 March 2015	85,395	–	85,395

19. INTANGIBLE ASSETS (continued)

Notes:

(a) 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.

(b) Trading rights confer rights to CSL to trade securities contracts on or through The Stock Exchange of Hong Kong Limited such that CSL can conduct its securities brokerage business. Trademarks represent the rights to use the name "Crosby" and the various trademarks of CSL for the purposes of conducting the regulated activities. Website allows CSL to provide a platform to its customers to trade securities online.

Trading rights, trademarks and website are considered by the directors of the Group as having indefinite useful lives because there is no foreseeable limit on the period over which the trading rights, trademarks and website are expected to generate cash flows to the CSL. Trading rights, trademarks and website are not amortised until their useful lives are determined to be finite. Instead, they are tested for impairment annually and whenever there is an indication that it may be impaired.

20. INTERESTS IN A JOINT VENTURE

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

	2016 **HK$'000**	2015 HK$'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 2016 and 2015 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

	At 31 March 2016 HK$'000	2015 HK$'000
Raw materials	**76,698**	84,188
Work in progress	**5,376**	5,565
Finished goods	**26,690**	43,407
	108,764	133,160

22. TRADE RECEIVABLES

	At 31 March 2016 HK$'000	2015 HK$'000
Trade receivables from financial services segment	**388,706**	–
Trade receivables from toys and information technology segments	**68,654**	74,620
	457,360	74,620

Trade receivables from financial services segment

	At 31 March 2016 HK$'000	2015 HK$'000
Accounts receivable arising from the ordinary course of business of securities brokerage and margin financing:		
– Cash clients	**383,658**	–
– Margin clients	**5,014**	–
Accounts receivable arising from the ordinary course of business of provision of:		
– Investment advisory services	**660**	–
– Asset management services	**34**	–
	389,366	–
Less: Allowance for impairment loss	**(660)**	–
	388,706	–

22. TRADE RECEIVABLES (continued)

Trade receivables from financial services segment (continued)

Ageing analysis of trade receivables of the financial services segment based on the invoice date and net of provision for impairment is as follows:

	At 31 March	
	2016	2015
	HK$'000	HK$'000
On demand	**5,014**	–
Current – 30 days	**383,684**	–
61 – 90 days	**8**	–
	388,706	–

Ageing analysis of trade receivables of the financial services segment based on due date and net of provision for impairment is as follows:

	At 31 March	
	2016	2015
	HK$'000	HK$'000
Neither past due nor impaired	**388,706**	–

The movements of impairment loss on trade receivables of the financial services segment are as follows:

	At 31 March	
	2016	2015
	HK$'000	HK$'000
At 1 April	**–**	–
Acquired through business combinations	**660**	–
At 31 March	**660**	–

The settlement terms of trade receivables from the business of securities brokerage are one or two days after the respective trade date.

Margin clients are required to pledge securities as collateral to the Group in order to obtain the credit facilities for securities trading. The amount of credit facilities granted to them is determined based on a discount on the market value of securities accepted by the Group. Any excess in the lending ratio will trigger a margin call which the clients have to make good the shortfall. As at 31 March 2016, the market value of securities pledged by clients to the Group as collateral against margin client receivables was HK$24,514,000 (31 March 2015: Nil). The amounts due from margin clients are repayable on demand and carry interest at a range from 8% to 9% per annum.

22. TRADE RECEIVABLES (continued)

Trade receivables from financial services segment (continued)

The Group allows a credit period ranging from 0 to 90 days to its clients arising from the businesses of provision of investment advisory, corporate finance advisory and asset management services. All such accounts receivable are not past due at the reporting dates for which the Directors believe that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are considered fully recoverable.

Trading limits are set for customers. The Group seeks to maintain tight control over its outstanding accounts receivable in order to minimise credit risk. Overdue balances are regularly monitored by management.

Trade receivables from toys and information technology segments

The credit period on sales of goods ranging from 30 to 90 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	
	2016	2015
	HK$'000	HK$'000
Current to 30 days	**34,702**	34,191
31 to 60 days	**1,914**	12,787
61 to 90 days	**5,389**	12,374
Over 90 days	**26,649**	27,314
	68,654	86,666
Less: Allowance for impairment loss	**–**	(12,046)
	68,654	74,620

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

	At 31 March	
	2016	2015
	HK$'000	HK$'000
Neither past due nor impaired	**38,911**	47,145
Less than 1 month past due	**4,227**	12,843
1 to 3 months past due	**4,610**	10,516
Over 3 months past due	**20,906**	4,116
	68,654	74,620

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

22. TRADE RECEIVABLES (continued)

Trade receivables from toys and information technology segments (continued)

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

The below table reconciled the impairment loss of trade receivables of toys and information technology segments for the year:

	At 31 March	
	2016	2015
	HK$'000	HK$'000
At 1 April	**12,046**	–
Impairment loss recognised	**–**	12,046
Recovery of impairment loss previously recognised	**(6,966)**	–
Bad debts written off	**(5,080)**	–
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 47.

23. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	At 31 March	
	2016	2015
	HK$'000	HK$'000
Listed equity securities held for trading in Hong Kong, at fair value	**18,222**	–

Changes in fair values of financial assets at fair value through profit or loss are recognised in the consolidated statement of profit or loss and other comprehensive income.

The realised losses and unrealised gains on financial assets at fair value through profit or loss for the year ended 31 March 2016 is approximately HK$1,386,000 (2015: Nil) and HK$5,369,000 (2015: Nil) respectively. The aggregate of which is recorded as net gain on financial assets at fair value through profit or loss in the consolidated statement of profit or loss and other comprehensive income.

24. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	At 31 March	
	2016	2015
	HK$'000	HK$'000
Prepayments	**5,088**	866
Deposits	**7,806**	203
Other receivables *(note)*	**16,785**	607
	29,679	1,676

Note:

Included in other receivables as at 31 March 2016, approximately of HK$15,871,000 represents cash collateral collected by Hong Kong Securities Clearing Company Limited (the "HKSCC") for risk control based on unsettled daily stock positions and certain risk factor determined by HKSCC. The balance will be repaid by HKSCC after completion of settlements.

As at 31 March 2016, 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.

25. DERIVATIVE FINANCIAL INSTRUMENTS

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 2016, all remaining contracts were matured (2015: notional amount of the outstanding forward contracts with contract periods within 13 months were US$25.0 million).

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 47.

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

	At 31 March	
	2016	2015
	HK$'000	HK$'000
At 1 April	**(161)**	–
Net gain/(loss) on derivative financial instruments during the year	**346**	(161)
Settlements during the year	**(185)**	–
At 31 March	**–**	(161)

26. CASH AND BANK BALANCES HELD ON BEHALF OF CUSTOMERS

The Group maintains segregated trust accounts with authorised institutions to hold clients' monies arising from its normal course of business. The Group has classified the clients' monies as cash and bank balances held on behalf of customers under the current assets section of the consolidated statement of financial position and recognised the corresponding trade payables (note 28) to respective clients on the grounds that it is liable for any loss or misappropriation of clients' monies. The cash held on behalf of customers is restricted and governed by the Securities and Futures (Client Money) Rules under the Securities and Futures Ordinance.

27. CASH AND CASH EQUIVALENTS

	At 31 March	
	2016	2015
	HK$'000	HK$'000
Cash and cash equivalents were denominated in:		
HK$	**203,813**	52,609
RMB	**7,865**	5,279
US$	**9,955**	9,282
	221,633	67,170

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 held in securities accounts maintained in a securities company earn interest at floating rates based on daily bank deposit rates.

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.

28. TRADE PAYABLES

	At 31 March 2016 HK$'000	2015 HK$'000
Trade payables from financial services segment	**380,325**	–
Trade payables from toys and information technology segments	**26,768**	44,603
	407,093	44,603

Trade payables from financial services segment

	At 31 March 2016 HK$'000	2015 HK$'000
Accounts payable arising from the ordinary course of business of securities brokerage and margin financing:		
– Cash clients	**16,225**	–
– Margin clients	**1**	–
– Clearing house	**364,099**	–
	380,325	–

The settlement terms of trade payable attributable to the business of securities brokerage are one to two days after the respective trade date.

As at the 31 March 2016, included in trade payable was an amount of approximately HK$91,000 (2015: Nil) payable to clients and other institutions in respect of trust and segregated bank balances received and held for clients and other institutions in the course of the conduct of regulated activities.

28. TRADE PAYABLES (continued)

Trade payables from toys and information technology segments

The Group normally obtains credit terms of ranging from 15 to 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	
	2016	2015
	HK$'000	HK$'000
Current to 30 days	**15,352**	17,506
31 to 60 days	**6,782**	10,085
61 to 90 days	**2,812**	9,242
More than 90 days but less than 365 days	**514**	6,523
More than 365 days	**1,308**	1,247
	26,768	44,603

29. RECEIPTS IN ADVANCE, ACCRUALS AND OTHER PAYABLES

	At 31 March	
	2016	2015
	HK$'000	HK$'000
Receipts in advance	**1,141**	19,420
Accruals	**19,172**	16,946
Other payables	**7,272**	6,223
	27,585	42,589

30. AMOUNT DUE TO A RELATED COMPANY

Amount due to a related company is unsecured, interest free and repayable on demand. The related company is controlled by the Executive Chairman, Mr. Lau Ho Ming, Peter, and the Non-executive Director, Madam Li Man Yee, Stella.

31. INTEREST-BEARING BANK BORROWINGS

	At 31 March 2016 HK$'000	2015 HK$'000
Current		
Secured		
– bank loans due for repayment within one year	**49,051**	52,772
Non-current		
Secured		
– bank loans due for repayment after one year	**7,667**	33,600
Total interest-bearing bank borrowings	**56,718**	86,372

The Group's banking facilities and its interest-bearing bank borrowings are secured by Company's corporate guarantees and cross guarantees from the Company's subsidiaries, which are Qualiman Industrial Co. Limited and Sunmart Company Limited.

At 31 March 2016, total current and non-current bank borrowings were scheduled to be repaid as follows:

	At 31 March 2016 HK$'000	2015 HK$'000
On demand or within one year	**49,051**	52,772
More than one year, but not exceeding two years	**4,000**	6,800
More than two years, but not exceeding five years	**3,667**	16,067
More than five years	**–**	10,733
	56,718	86,372

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 47. As at 31 March 2016, none of the covenants relating to drawn down facilities had been breached (2015: Nil).

32. PROMISSORY NOTES

Year ended 31 March 2016 – Acquisitions of CSL and CAM

On 23 November 2015, the Company issued promissory notes with an aggregate principal amount of HK$166,363,636 as part of the consideration for the acquisition of the remaining 90% of the issued share capital of CSL as disclosed in note 38. The promissory notes are unsecured and denominated in HKD. The promissory notes are bearing interest at fixed rate of 5% per annum and are payable in arrears. The maturity date is 18 months from the date of issue.

On initial recognition, the fair values of the promissory notes are determined based on the present value of the contractual stream of future cash flows discounted at approximately 10.22% per annum. The discount rates are determined with reference to the yield rate with credit rating and duration similar to the promissory notes.

During the year, the Group repaid the sum of HK$87,030,303 in outstanding principal amount of the promissory notes.

Year ended 31 March 2015 – Acquisition of PMT

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 38. The promissory notes are unsecured and denominated in HKD. The promissory notes are bearing interest at fixed rate of 5% per annum and are payable in arrears. The maturity date is 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 were repaid in full on 7 January 2016.

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

	2016 **HK$'000**	2015 HK$'000
Fair value of promissory notes at 17 December 2014 *(note 38)*	**–**	19,809
Fair value of promissory notes at 23 November 2015 *(note 38)*	**163,708**	–

32. PROMISSORY NOTES (continued)

Non-current liabilities

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

	At 31 March	
	2016	2015
	HK$'000	HK$'000
At 1 April	**20,089**	–
Promissory notes issued on 17 December 2014	**–**	19,809
Promissory notes issued on 23 November 2015	**163,708**	–
Effective interest expense	**3,886**	280
Interest payables	**(2,075)**	–
Loss on early redemption of promissory notes	**1,214**	–
Early redemption	**(107,030)**	–
At 31 March	**79,792**	20,089

Current liabilities

On 31 March 2016, the Group entered into an agreement with an independent third party pursuant to which the Group issued a structured note with a principal amount of HK$20,000,000 and a promissory note with a principal amount of HK$25,000,000 (collectively the "Note"). The Note is unsecured and denominated in HKD. The Note is bearing interest at fixed rate of 6% per annum and is repayable in arrears. The maturity date is 1 April 2016 and the Note was repaid in full upon maturity.

33. CONVERTIBLE NOTES

On 17 December 2014, the Company issued convertible notes with 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 38. The convertible notes are interest-free and carry a right to convert the principal amount into shares of US$0.0001 each (adjusted par value of US$0.000025 upon share sub-division) in the share capital of the Company at an initial conversion price of HK$4.09 per share (adjusted conversion price of HK$1.023 upon share sub-division) 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 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 35. The effective interest rate of the liability component on initial recognition is 7.3% 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 38)*	90,698
Equity component	(42,725)
Derivative financial asset	2,161
Liability component on initial recognition	50,134

33. CONVERTIBLE NOTES (continued)

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

	At 31 March	
	2016	2015
	HK$'000	HK$'000
At 1 April	**51,189**	–
Convertible notes issued	**–**	50,134
Effective interest expense	**3,866**	1,055
At 31 March	**55,055**	51,189

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

	At 31 March	
	2016	2015
	HK$'000	HK$'000
At 1 April	**5,140**	–
Derivative financial asset as at inception date	**–**	2,161
Changes in fair value recognised in profit or loss during the year	**581**	2,979
At 31 March	**5,721**	5,140

34. SHARE CAPITAL

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

		2016		2015	
Authorised:	*Notes*	**Number of Shares**	**HK$'000**	Number of Shares	HK$'000
Ordinary Shares of US$0.000025 (2015: US$0.0001) each					
At 1 April	*(a), (d)*	**2,000,000,000**	**389**	500,000,000	389
At 31 March		**2,000,000,000**	**389**	500,000,000	389
Issued and fully paid:					
Ordinary Shares of US$0.000025 (2015: US$0.0001) each					
At 1 April		**288,000,000**	**224**	240,000,000	187
Subscription/placing of new shares	*(b), (c)*	**70,500,000**	**54**	48,000,000	37
Issue of ordinary shares upon exercise of share options	*37*	**3,195,000**	**3**	–	–
Share subdivision	*(d)*	**1,085,085,000**	**–**	–	–
At 31 March		**1,446,780,000**	**281**	288,000,000	224

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.*

(c) *On 22 July 2015, the Company entered into a subscription agreements with certain subscribers which are independent third parties. On 28 July 2015, the subscription was completed. The Company issued 30,000,000 new Shares with par value of US$0.0001 each at a price of HK$2.95 each. The issued share capital of the Company was thus increased by HK$23,000. The excess of the subscription 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 of other appropriate investment as may be identified by the Directors.*

On 20 November 2015, the Company entered into a subscription agreements with certain subscribers which are independent third parties. On 14 December 2015, the subscription was completed. The Company issued 40,500,000 new Shares with par value of US$0.0001 each at a price of HK$3.88 each. The issued share capital of the Company was thus increased by HK$31,000. The excess of the subscription 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 repayment of the promissory note issued as partial consideration for the acquisition of Crosby Securities Limited and as general working capital.

(d) *Pursuant to an ordinary resolution passed by shareholders at the extraordinary general meeting of the Company held on 12 January 2016, each existing share of the Company was subdivided into four subdivided shares. Immediately upon the share subdivision became effective on 13 January 2016 (the "share sub-division"), the Company had 1,446,780,000 shares in issue and fully paid.*

35. RESERVES

Details of the movements in the reserves of the Company during the year are as follows:

	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 2014	104,048	(10,635)	93	–	93,506
Equity settled share-based transactions *(note 37)*	–	–	2,228	–	2,228
Lapse of share options *(note 37)*	–	98	(98)	–	–
Dividend paid *(note 13)*	–	(4,800)	–	–	(4,800)
Proceeds from placing of new shares *(note 34(b))*	59,963	–	–	–	59,963
Issuing expenses of placing new shares	(605)	–	–	–	(605)
Recognition of equity component of convertible notes *(note 33)*	–	–	–	42,725	42,725
Profit and total comprehensive income for the year	–	424	–	–	424
At 31 March 2015 and 1 April 2015	163,406	(14,913)	2,223	42,725	193,441
Exercise of share options *(note 37)*	4,342	–	(1,150)	–	3,192
Equity settled share-based transactions *(note 37)*	–	–	12,818	–	12,818
Proceeds from subscription of new shares *(note 34(c))*	245,585	–	–	–	245,585
Issuing expenses of subscription new shares	(3,929)	–	–	–	(3,929)
Loss and total comprehensive income for the year	–	(13,944)	–	–	(13,944)
At 31 March 2016	**409,404**	**(28,857)**	**13,891**	**42,725**	**437,163**

36. DEFERRED TAX

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

	Accelerated tax depreciation HK$'000	Revaluation of intangible assets HK$'000	Tax losses HK$'000	Total HK$'000
At 1 April 2014	–	–	–	–
Acquired through business combination *(note 38)*	–	(14,504)	–	(14,504)
(Charge)/credit to profit or loss for the year *(note 12)*	(211)	413	1,756	1,958
At 31 March 2015	(211)	(14,091)	1,756	(12,546)
Acquired through business combination *(note 38)*	(231)	–	–	(231)
Disposal of subsidiaries *(note 39)*	(61)	–	–	(61)
(Charge)/credit to profit or loss for the year *(note 12)*	339	1,450	(39)	1,750
At 31 March 2016	**(164)**	**(12,641)**	**1,717**	**(11,088)**

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

	At 31 March	
	2016 HK$'000	2015 HK$'000
Deferred tax assets	**1,717**	1,756
Deferred tax liabilities	**(12,805)**	(14,302)

37. 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.

Pursuant to the Share Option Scheme, shares which may be issued upon exercise of all options to be granted under the Share Option Scheme or any other share option scheme adopted by the Company must not in aggregate exceed 10% of the shares of the Company in issue at the time dealings in the shares of the Company first commence on the Stock Exchange. The Company may renew this 10% limit with shareholders' approval provided that each such renewal may not exceed 10% of the shares of the Company in issue as at the date of the shareholders' meeting.

The maximum number of shares of the Company which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of the Company must not in aggregate exceed 30% of the issued share capital of the Company in issue from time to time.

Unless approved by the Shareholders of the Company, the total number of shares of the Company issued and to be issued upon the exercise of options granted to each eligible participant (including exercised and unexercised options) under the Share Option Scheme or any other share option schemes adopted by the Company in any 12-month period must not exceed 1% of the shares of the Company in issue

On 17 March 2014, the Company granted 10,800,000 share options (the "first share option") 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:

(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; and

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

37. EQUITY SETTLED SHARE-BASED PAYMENTS (continued)

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:

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.

On 3 July 2015, the Company granted 13,400,000 share options (the "second share option") 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.

(1) All share options granted were at a subscription price of HK$4.07 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; and

(3) All outstanding or unexercised share options granted to the grantees shall lapse on 2 July 2025.

The estimated fair values of share options granted on 3 July 2015 were HK$25,864,188. These fair values were calculated using the Binomial Model. The inputs into the model are as follows:

Share price	HK$3.70
Exercise price	HK$4.07
Expected volatility	61.8%
Expected life	10 years
Risk-free interest rate	1.87%
Expected dividend yield	2.04%

The risk-free rate was based on the yield rate of the Hong Kong Government Bond with duration similar to the expected life of the share options. Expected volatility was estimated by the historical volatilities of the Company's share price. Expected dividend yield was estimated by the historical dividend payment record of the Company.

37. EQUITY SETTLED SHARE-BASED PAYMENTS (continued)

On 24 March 2016, the Company granted 109,411,600 share options (the "third share option") 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.

(1) All share options granted were at a subscription price of HK$0.748 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; and

(3) All outstanding or unexercised share options granted to the grantees shall lapse on 23 March 2026.

The estimated fair values of share options granted on 24 March 2016 were HK$38,068,913. These fair values were calculated using the Binomial Model. The input into the model are as follows:

Share price	HK$0.7
Exercise price	HK$0.748
Expected volatility	61.5%
Expected life	10 years
Risk-free interest rate	1.36%
Expected dividend yield	1.8%

The risk-free rate was based on the yield rate of the Hong Kong Government Bond with duration similar to the expected life of the share options. Expected volatility was estimated based on the historical volatilities of the Company's share price. Expected dividend yield was estimated by the historical dividend payment record of the Company.

37. 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 2016:

		Number of share options						After the effective date of the share sub-division	
	Exercise price	Balance as at 1 April 2015	Exercised during the year	Granted during the year	Balance as at 31 March 2016	Date of grant of share options	Exercisable periods of share options	Adjusted number of share options *(Note 1)*	Adjusted exercise price *(Note 1)*
Executive Directors									
– Lau Ho Ming, Peter	HK$1	2,400,000	(720,000)	–	1,680,000	17 March 2014	17 March 2014 to 16 March 2024	6,720,000	HK$0.25
	HK$4.07	–	–	1,000,000	1,000,000	3 July 2015	3 July 2015 to 2 July 2025	4,000,000	HK$1.02
– Ng Kam Seng	HK$1	800,000	(240,000)	–	560,000	17 March 2014	17 March 2014 to 16 March 2024	2,240,000	HK$0.25
	HK$4.07	–	–	1,350,000	1,350,000	3 July 2015	3 July 2015 to 2 July 2025	5,400,000	HK$1.02
	HK$0.748	–	–	7,500,000	7,500,000	24 March 2016	24 March 2016 to 23 March 2026	7,500,000	HK$0.748
– Poon Pak Ki, Eric	HK$1	500,000	(150,000)	–	350,000	17 March 2014	17 March 2014 to 16 March 2024	1,400,000	HK$0.25
	HK$4.07	–	–	1,350,000	1,350,000	3 July 2015	3 July 2015 to 2 July 2025	5,400,000	HK$1.02
	HK$0.748	–	–	7,500,000	7,500,000	24 March 2016	24 March 2016 to 23 March 2026	7,500,000	HK$0.748
– Chu, Raymond *(Note 2)*	HK$1	240,000	(72,000)	–	168,000	17 March 2014	17 March 2014 to 16 March 2024	672,000	HK$0.25
	HK$0.748	–	–	12,847,800	12,847,800	24 March 2016	24 March 2016 to 23 March 2026	12,847,800	HK$0.748

37. 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 2016 (continued):

		Number of share options						After the effective date of the share sub-division	
	Exercise price	Balance as at 1 April 2015	Exercised during the year	Granted during the year	Balance as at 31 March 2016	Date of grant of share options	Exercisable periods of share options	Adjusted number of share options *(Note 1)*	Adjusted exercise price *(Note 1)*
Non-executive Directors									
– Li Man Yee, Stella	HK$1	2,400,000	(720,000)	–	1,680,000	17 March 2014	17 March 2014 to 16 March 2024	6,720,000	HK$0.25
	HK$4.07	–	–	350,000	350,000	3 July 2015	3 July 2015 to 2 July 2025	1,400,000	HK$1.02
– Chu Sheng Yu, Lawrence *(Note 3)*	HK$1	240,000	(72,000)	–	168,000	17 March 2014	17 March 2014 to 16 March 2024	672,000	HK$0.25
– Wang Zhao *(Note 4)*	HK$4.07	–	–	350,000	350,000	3 July 2015	3 July 2015 to 2 July 2025	1,400,000	HK$1.02
Independent Non-executive Directors									
– Leung Po Wing, Bowen Joseph	HK$1	240,000	(72,000)	–	168,000	17 March 2014	17 March 2014 to 16 March 2024	672,000	HK$0.25
	HK$4.07	–	–	350,000	350,000	3 July 2015	3 July 2015 to 2 July 2025	1,400,000	HK$1.02
	HK$0.748	–	–	1,400,000	1,400,000	24 March 2016	24 March 2016 to 23 March 2026	1,400,000	HK$0.748
– Chan Siu Wing, Raymond	HK$1	240,000	(72,000)	–	168,000	17 March 2014	17 March 2014 to 16 March 2024	672,000	HK$0.25
	HK$4.07	–	–	350,000	350,000	3 July 2015	3 July 2015 to 2 July 2025	1,400,000	HK$1.02
	HK$0.748	–	–	1,400,000	1,400,000	24 March 2016	24 March 2016 to 23 March 2026	1,400,000	HK$0.748
– Wong Wah On, Edward *(Note 5)*	HK$0.748	–	–	1,400,000	1,400,000	24 March 2016	24 March 2016 to 23 March 2026	1,400,000	HK$0.748

37. 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 2016 (continued):

		Number of share options						After the effective date of the share sub-division	
	Exercise price	Balance as at 1 April 2015	Exercised during the year	Granted during the year	Balance as at 31 March 2016	Date of grant of share options	Exercisable periods of share options	Adjusted number of share options *(Note 1)*	Adjusted exercise price *(Note 1)*
Employee	HK$1	36,000	(36,000)	–	–	17 March 2014	17 March 2014 to 16 March 2024	–	–
Employees	HK$1	2,270,000	(681,000)	–	1,589,000	17 March 2014	17 March 2014 to 16 March 2019	6,356,000	HK$0.25
	HK$4.07	–	–	3,400,000	3,400,000	3 July 2015	3 July 2015 to 2 July 2025	13,600,000	HK$1.02
	HK$0.748	–	–	65,063,800	65,063,800	24 March 2016	24 March 2016 to 23 March 2026	65,063,800	HK$0.748
Consultants	HK$1	1,200,000	(360,000)	–	840,000	17 March 2014	17 March 2014 to 16 March 2024	3,360,000	HK$0.25
	HK$4.07	–	–	4,900,000	4,900,000	3 July 2015	3 July 2015 to 2 July 2025	19,600,000	HK$1.02
	HK$0.748	–	–	12,300,000	12,300,000	24 March 2016	24 March 2016 to 23 March 2026	12,300,000	HK$0.748
Total		10,566,000	(3,195,000)	122,811,600	130,182,600			192,495,600	

37. EQUITY SETTLED SHARE-BASED PAYMENTS (continued)

Notes:

1. *Upon the share sub-division became effective on 13 January 2016, pro-rata adjustments have been made to the exercise price and the number of outstanding share options accordingly.*

2. *Mr. Chu, Raymond resigned as an Independent Non-executive Director of the Company on 6 July 2015 and was appointed as an Executive Director of the Company on 27 November 2015.*

3. *Mr. Chu Sheung Yu, Lawrence resigned as a Non-executive Director of the Company on 1 July 2015.*

4. *Mr. Wang Zhao resigned as a Non-executive Director of the Company on 27 November 2015.*

5. *Mr. Wong Wah On, Edward was appointed as an Independent Non-executive Director of the Company on 24 September 2015.*

Equity settled share-based payment expenses comprise:

	Year ended 31 March	
	2016	2015
	HK$'000	HK$'000
Equity settled schemes to employees (including directors)	**8,278**	1,987
Equity settled schemes to eligible persons other than employees and directors	**4,540**	241
	12,818	2,228

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 following share options were outstanding during the year:

	2016		2015	
	Weighted average exercise price per share $	**Number of options**	Weighted average exercise price per share $	Number of options
At 1 April *(note 1)*	**1**	**10,566,000**	1	10,800,000
Granted on 3 July 2015 before the share sub-division *(note 1)*	**4.07**	**13,400,000**	–	–
Granted on 24 March 2016 after the share sub-division *(note 2)*	**0.748**	**109,411,600**	–	–
Exercised before the share sub-division *(note 1)*	**1**	**(3,195,000)**	–	–
Lapsed before the share sub-division *(note 1)*	**–**	**–**	1	(234,000)
Effect of share sub-division *(note 3)*	**–**	**62,313,000**	–	–
At 31 March	**0.75**	**192,495,600**	1	10,566,000

37. EQUITY SETTLED SHARE-BASED PAYMENTS (continued)

Notes:

1) *The numbers of shares and weighted average exercise price were presented as before the share sub-division.*

2) *The numbers of shares and weighted average exercise price were presented as after the share sub-division.*

3) *It represented the effects of adjustments made to the numbers of share options as a result of the share sub-division.*

The weighted average share price at the date of exercise of options exercised during the year was HK$4.41 (before the share sub-division) (2015: Nil). The exercise price of share options outstanding at the end of the year ranged between HK$0.25 to HK$1.02 (after the share sub-division) and their weighted average remaining contractual life was 9.23 years (2015: 7.88 years).

Of the total number of share options outstanding as at 31 March 2016, 192,495,600 share options (after the share sub-division) had not vested and were not exercisable (31 March 2015: 7,371,000 share options had not vested and were not exercisable).

38. ACQUISITION OF SUBSIDIARIES

Year ended 31 March 2016

On 30 July 2015, the Group subscribed for new shares representing 10% of the enlarged issued share capital of CSL for a cash consideration of HK$20,000,000. On 19 August 2015, the Group entered into agreements with various vendors to acquire the remaining 90% of the issued share capital of CSL for a total consideration of HK$180,000,000 and the entire issued share capital of CAM for a total consideration of HK$4,000,000. CSL is principally engaged in securities brokerage, securities margin financing, provision of investment advisory, corporate finance advisory and asset management services, which are licensed activities under Securities and Future Commission ("SFC") of Hong Kong. CAM is principally engaged in the provision of investment advisory and asset management services, which are licensed activities under SFC of Hong Kong. The acquisitions were completed on 23 November 2015.

In accordance with the acquisitions, the purchase consideration comprised of: (i) cash of HK$37,636,364 and (ii) 5% interest bearing promissory notes with principal amount of HK$166,363,636 and a term of 18 months. The fair value of total consideration is as follows:

	HK$' 000
Cash	37,636
Fair value of promissory notes	163,708
Total	201,344

Acquisition-related costs amounting to approximately HK$442,000 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 two core business segments: toy manufacturing business and information technology business. The Directors believe that the Group, through the acquisitions, could enhance its existing business model and diversify its business scopes into higher growth areas.

38. ACQUISITION OF SUBSIDIARIES (continued)

Year ended 31 March 2016 (continued)

The fair values of the identifiable assets and liabilities of CSL and CAM at date of acquisitions were as follows:

	CSL HK$'000	CAM HK$'000	Total HK$'000
Property, plant and equipment	1,444	–	1,444
Intangible assets	25	–	25
Trade and other receivables	8,568	–	8,568
Cash and cash equivalents	11,130	–	11,130
Trade and other payables	(4,148)	(46)	(4,194)
Tax payable	(181)	–	(181)
Deferred tax liabilities	(231)	–	(231)
Net assets/(liabilities) acquired	16,607	(46)	16,561

Goodwill arising on acquisitions:

	CSL HK$'000	CAM HK$'000	Total HK$'000
Consideration transferred	197,344	4,000	201,344
Less: net (assets)/liabilities acquired	(16,607)	46	(16,561)
Goodwill arising on the acquisitions	180,737	4,046	184,783

The fair value of trade and other receivables amounted to approximately of HK$8,568,000. In the opinion of the Directors, no receivable is expected to be uncollectable.

Goodwill arising on the acquisitions is attributable to the anticipated profitability generated from the synergies, revenue growth and future market development of CSL and CAM.

None of the goodwill arising on these acquisitions is expected to be deductible for tax purposes.

38. ACQUISITION OF SUBSIDIARIES (continued)

Year ended 31 March 2016 (continued)

Net cash outflow on acquisitions of CSL and CAM was as follows:

	HK$'000
Cash consideration paid	37,636
Less: cash and cash equivalent balances acquired	(11,130)
Net cash outflow on acquisitions	26,506

Since the acquisitions, CSL and CAM contributed revenue of approximately HK$2,836,000 and net loss of approximately HK$15,065,000 to the Group for the period from 23 November 2015 to 31 March 2016. Had the combination taken place on 1 April 2015, the revenue and the net loss of the Group for the year ended 31 March 2016 would have been HK$775,536,000 and HK$105,781,000 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 acquisitions been completed on 1 April 2015, nor intended to be a projection of future results.

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

Year ended 31 March 2015

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 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 is 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.

38. ACQUISITION OF SUBSIDIARIES (continued)

Year ended 31 March 2015 (continued)

The fair values of net assets acquired at the date of 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 asset	(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

38. ACQUISITION OF SUBSIDIARIES (continued)

Year ended 31 March 2015 (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.

39. DISPOSAL OF SUBSIDIARIES

On 27 November 2015, the Company, as vendor, entered into a sale and purchase agreement with Grandrich International Limited, as the purchaser, a related company, to dispose of the entire issued share capital of Victor Gold Investments Limited ("Victor Gold") at the consideration of HK$70,000,000. The transaction was completed on 31 March 2016.

Victor Gold is an investment holding company which indirectly holds (i) a property, which includes certain workshop unit and car parking spaces in TML Tower in Tsuen Wan, Hong Kong, which the Group currently uses as its headquarters in Hong Kong; and (ii) Qualiman Technology & Products Company Limited which has been inactive since 1 April 2013.

	HK$' 000
Net assets disposed of:	
Property, plant and equipment	67,090
Cash and cash equivalents	580
Deposits	145
Other payables	(103)
Amounts due to fellow subsidiaries	(1,000)
Deferred tax asset	61
Tax payables	(76)
	66,697
Gain on disposal of subsidiaries	3,303
Total consideration satisfied by:	
Cash	70,000
Net cash inflow arising on disposal:	
Cash received	70,000
Cash and cash equivalents disposed of	(580)
Net cash inflow on disposal	69,420

40. INTERESTS IN SUBSIDIARIES

Details of the subsidiaries are as follows:

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 % 2016	Direct % 2015	Indirect % 2016	Indirect % 2015	Place of operation and principal activities
Subsidiaries							
Turbo Gain Investments Limited	British Virgin Islands, 2 March 2012	1 ordinary share of United States dollar ("US$") 1 each	**100**	100	**-**	–	British Virgin Islands/ Investment holding
New Splendid Developments Limited	British Virgin Islands, 20 January 2012	1 ordinary share of US$1 each	**-**	100	**-**	–	British Virgin Islands/ Investment holding
Next Horizon Holdings Limited	British Virgin Islands, 6 March 2012	1 ordinary share of US$1 each	**100**	100	**-**	–	British Virgin Islands/ Investment holding
Victor Gold Investments Limited	British Virgin Islands, 28 November 2013	1 ordinary share of US$1 each	**-**	100	**-**	–	British Virgin Islands/ Investment holding
New Creation Global Limited	British Virgin Islands, 14 November 2014	1 ordinary share of US$1 each	**100**	100	**-**	–	British Virgin Islands/ Investment holding
Crosby Asia Limited (formerly known as Grand Sight Management Limited)	British Virgin Islands, 23 April 2015	1 ordinary share of US$1 each	**100**	–	**-**	–	British Virgin Islands/ Investment holding
Qualiman Industrial Co. Limited	Hong Kong, 14 November 1996	Ordinary shares of HK$1,000,000	**-**	–	**100**	100	Hong Kong and the People's Republic of China/ Manufacture and trading of toys and other products
Qualiman Technology & Products Co. Limited	Hong Kong, 26 January 2000	Ordinary shares of HK$1,000,000	**-**	–	**-**	100	Hong Kong and the People's Republic of China/ Manufacture and trading of toys and other products

40. 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
			2016	2015	2016	2015	
Sunmart Company Limited	Hong Kong, 15 August 2003	Ordinary shares of HK$100,000	-	–	100	100	Hong Kong and the People's Republic of China/ Manufacture and trading of toys and other products
Gold Prospect Capital Resources Limited	Hong Kong, 4 September 2012	Ordinary shares of HK$10,000	-	–	-	100	Hong Kong/ Property investment
佛山市南海浩達精密玩具有限公司 Foshan Nanhai Haoda Precision Toys Co., Ltd*	The People's Republic of China, 15 March 2001	HK$15,000,000	-	–	100	100	The People's Republic of China/ Manufacture and trading of toys and other products
Pulse Mediatech Limited	Hong Kong, 25 February 2009	Ordinary shares of HK$40,000	-	–	100	100	Hong Kong/ Business of internet and communications technology development in electronic books and investment holding
Handheld Culture Limited	Hong Kong, 25 February 2009	Ordinary shares of HK$1,600	-	–	100	100	Hong Kong/ Digital publishing and e-Commence platform
QI Post Limited	Hong Kong, 12 May 2006	Ordinary shares of HK$10,000	-	–	80	80	Hong Kong/ Operation of a lifestyle socia website
gameichiban.com Limited	Hong Kong, 9 April 2013	Ordinary shares of HK$1,000	-	–	100	100	Dormant
ai3xue.com Limited	Hong Kong, 17 April 2013	Ordinary shares of HK$1,000	-	–	100	100	Dormant

40. 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 % 2016	Direct % 2015	Indirect % 2016	Indirect % 2015	Place of operation and principal activities
Crosby Securities Limited	Hong Kong, 23 May 2012	Ordinary shares of HK$110,095,427	-	–	100	–	Hong Kong/ Securities brokerage, securities margin financing, provision of investment advisory, corporate finance advisory and asset management services
Crosby Asset Management (Hong Kong) Limited	Hong Kong, 30 May 1986	Ordinary shares of HK$22,072,332	-	–	100	–	Hong Kong/ Provision of investment advisory and fund management services
Crosby Financial Products Limited	Hong Kong, 11 December 2015	Ordinary shares of HK$1	-	–	100	–	Hong Kong/ Trading and investment in securities, debts and funds

None of the subsidiaries had issued any debt securities at the end of the year. Balances with subsidiaries are unsecured, interest-free and repayable on demand.

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

41. 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 2016 HK$'000	2015 HK$'000
Companies controlled by Mr. Lau Ho Ming, Peter and Madam Li Man Yee, Stella			
Goldrich International Limited	Rental expenses (a)	**–**	144
Goldrich International Properties Limited	Rental expenses (a)	**–**	144
Loyal Gold (Hong Kong) Limited	Rental expenses (a)	**1,176**	1,176
Mega Time Inc. Limited	Service expenses (b)	**60**	–
Mega Time Inc. Limited	Rental income (c)	**271**	–
QM (Hong Kong) Limited	Consultancy service fee (d)	**464**	–
Office Coupe Limited	Rental income (c)	**108**	–
Directors			
Mr. Lau Ho Ming, Peter	Rental expenses (a)	**–**	42
Madam Li Man Yee, Stella	Rental expenses (a)	**–**	288

(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.

(b) The service expenses paid to MEGA Time Inc. Limited were mutually agreed between the Group and the related party.

(c) The rental income received from MEGA Time Inc. Limited and Office Coupe Limited were mutually agreed between the Group and the related parties.

(d) The consulting service fee paid to QM (Hong Kong) were mutually agreed between the Group and the related party.

41. RELATED PARTY TRANSACTIONS (continued)

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

	Year ended 31 March	
	2016	2015
	HK$'000	HK$'000
Salaries, allowances and benefits in kind	**9,294**	10,441
Equity settled share-based payment expenses	**5,108**	1,722
Pension scheme contributions	**263**	238
	14,665	12,401

(iii) On 27 November 2015, the Vendor, the Company, and the Purchaser, Grandrich International Limited, a company is owned as to 50% by Mr. Lau Ho Ming, Peter and 50% by Madam Li Man Yee, Stella, entered into a sale and purchase agreement pursuant to which the Company agreed to sell and the Purchaser agreed to purchase the entire issued share capital of Victor Gold for a total aggregate consideration of HK$70,000,000.

42. CONTINGENT LIABILITIES

The Group did not have any contingent liabilities as at 31 March 2016 (2015: Nil).

43. OPERATING LEASE ARRANGEMENTS

As lessee

The Group leases certain of its office premises under operating lease arrangements. Leases for these properties are negotiated for the terms of one to two years. As at 31 March 2016, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	At 31 March	
	2016	2015
	HK$'000	HK$'000
Within one year	**7,514**	106
In the second to fifth year inclusive	**36**	–
	7,550	106

As lessor

The Group leases an investment property under operating lease arrangements for a term of two years. The terms of leases generally also require the tenants to pay security deposits. As at 31 March 2016, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	At 31 March	
	2016	2015
	HK$'000	HK$'000
Within one year	**144**	–
In the second to fifth years inclusive	**36**	–
	180	–

44. CAPITAL COMMITMENTS

As at 31 March 2016, the Group did not have any capital commitments as at 31 March 2016 (2015: Nil).

45. OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES

The following tables present details of financial instruments subject to offsetting, enforceable master netting arrangements and similar agreements.

	Financial assets subject to offsetting				
				Related amounts not offset in the consolidated statement of financial position	
	Gross amount of recognised financial assets	Gross amount of recognised financial liabilities offset in the consolidated statement of financial position	Net amount of financial assets presented in the consolidated statement of financial position	Cash collateral received	Net amount
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 31 March 2016					
Type of financial assets					
Trade receivables from HKSCC	**19,294**	**(19,294)**	**–**	**–**	**–**
At 31 March 2015					
Type of financial assets					
Trade receivables from HKSCC	–	–	–	–	–

	Financial liabilities subject to offsetting				
				Related amounts not offset in the consolidated statement of financial position	
	Gross amount of recognised financial liabilities	Gross amount of recognised financial assets offset in the consolidated statement of financial position	Net amount of financial liabilities presented in the consolidated statement of financial position	Cash collateral received	Net amount
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 31 March 2016					
Type of financial liabilities					
Trade payable from HKSCC	**383,393**	**(19,294)**	**364,099**	**(22,390)**	**341,709**
At 31 March 2015					
Type of financial liabilities					
Trade payable from HKSCC	–	–	–	–	–

45. OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

The tables below reconcile the amounts of trade receivables and trade payables as presented in the consolidated statement of financial position:

Trade receivables	**2016 HK$'000**	2015 HK$'000
Trade receivables not in the scope of offsetting disclosure and disclosed in the consolidated statement of financial position	**457,360**	74,620

Trade payables	**2016 HK$'000**	2015 HK$'000
Net amount of trade payable from HKSCC	**364,099**	–
Trade payable not in the scope of offsetting disclosure	**42,994**	44,603
Trade payables as disclosed in the consolidated statement of financial position	**407,093**	44,603

46. FINANCIAL INSTRUMENTS BY CATEGORY

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

Financial assets

	At 31 March	
	2016 HK$'000	2015 HK$'000
Loans and receivables:		
Trade receivables	**457,360**	74,620
Deposits and other receivables	**24,591**	810
Cash and bank balances held on behalf of customers	**91**	–
Cash and cash equivalents	**221,633**	67,170
	703,675	142,600
Fair value through profit or loss:		
Derivative financial asset	**5,721**	5,140
Held-for-trading investment	**18,222**	–
	23,943	5,140

46. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

Financial liabilities

	At 31 March 2016 HK$'000	2015 HK$'000
Financial liabilities measured at amortised cost:		
Trade payables	**407,093**	44,603
Accruals and other payables	**26,444**	23,169
Amount due to a related company	**102**	–
Promissory notes	**124,792**	20,089
Convertible notes	**55,055**	51,189
Interest-bearing bank borrowings	**56,718**	86,372
	670,204	225,422
Fair value through profit or loss:		
Derivative financial instruments	**–**	161

47. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise trade and other receivables, cash and bank balances held on behalf of customers, cash and cash equivalents, trade payables, accruals and other payables, amount due to a related party, promissory notes, convertible notes and bank borrowings. The Group has various other financial assets and liabilities such as derivative financial instruments, derivative financial assets and held-for-trading investment.

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 Company'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.

47. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Foreign currency risk (continued)

As at 31 March 2016, 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	
	2016	2015
	HK$'000	HK$'000
Liabilities		
United States Dollars	**10,893**	3,497
Renminbi	**14,081**	14,583
	24,974	18,080
Assets		
United States Dollars	**59,715**	46,197
Renminbi	**8,030**	5,891
	67,745	52,088

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

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

	Increase/ (decrease) in RMB rate	**Increase/ (decrease) in profit after tax**
	%	HK$'000
31 March 2016		
If HK$ weakens against RMB	**5%**	**(253)**
If HK$ strengthens against RMB	**(5%)**	**253**
31 March 2015		
If HK$ weakens against RMB	5%	(363)
If HK$ strengthens against RMB	(5%)	363

47. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Foreign currency risk (continued)

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

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

	Increase/ (decrease) in RMB rate	**Increase/ (decrease) in profit after tax**
	%	HK$'000
31 March 2016		
If RMB weakens against US$	**(5%)**	**–**
If RMB strengthens against US$	**5%**	**–**
31 March 2015		
If RMB weakens against US$	(5%)	(10,087)
If RMB strengthens against US$	5%	9,761

As at 31 March 2016, the Group did not hold any forward contracts (2015: notional amount of the outstanding forward contracts were US$25.0 million).

47. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk

The Group's credit risk is primarily attributable to its trade receivables and margin financing. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis. Before granting margin financing to outsiders, the Group uses an internal credit assessment process to assess the potential borrowers' credit quality and defines credit limits to borrowers. Limits attributed to borrowers are reviewed by the management regularly. The Group obtains collateral from borrowers to minimise the credit risk in respect of the margin financing.

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 2016, the trade receivables from the five largest debtors represented 95% (2015: 88%) of the total trade receivables, while the largest debtor represented 75% (2015: 49%) of the total trade receivables. Given the credit worthiness and reputation of the major debtors, management believes the risk arising from concentration is manageable and not significant.

Liquidity risk

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

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.

47. 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
31 March 2016						
Trade payables	**407,093**	**–**	**–**	**–**	**407,093**	**407,093**
Accruals	**19,172**	**–**	**–**	**–**	**19,172**	**19,172**
Other payables	**7,272**	**–**	**–**	**–**	**7,272**	**7,272**
Amount due to a related company	**102**	**–**	**–**	**–**	**102**	**102**
Promissory notes	**53,549**	**81,108**	**–**	**–**	**134,657**	**124,792**
Convertible notes	**58,008**	**–**	**–**	**–**	**58,008**	**55,055**
Interest-bearing borrowings	**49,536**	**4,120**	**3,700**	**–**	**57,356**	**56,718**
	594,732	**85,228**	**3,700**	**–**	**683,660**	**670,204**

	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
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

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.

47. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Interest rate risk

Interest-bearing financial assets are mainly bank balances which are all short-term in nature and margin client receivables. 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 31 to the consolidated financial statements.

Price risk

The Group is exposed to equity price risk through its investments in equity securities classified as financial assets at fair value through profit or loss. The Group's equity securities are listed on the Stock Exchange. Decisions to buy and sell are based on daily monitoring of the performance of individual securities as well as the liquidity needs.

As at 31 March 2016, if relevant equity prices increased or decreased by 10% while all other variables held constant, the loss for the year would decrease or increase by approximately HK$1,522,000 (2015: Nil).

The sensitivity analysis has been determined by assuming that the changes in equity price have occurred at the end of the reporting period and has been applied to those instruments which expose the Group to equity price risk at that date.

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 derivative financial asset 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 fair value of the Group's held-for-trading investments with standard terms and conditions and traded on active liquid markets. It is determined with reference of quoted market prices, categorised into level 1 of the fair value hierarchy as defined in HKFRS 13, Fair Value Measurement.

47. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Fair values (continued)

	At 31 March 2016			
	Level 1 HK$'000	**Level 2 HK$'000**	**Level 3 HK$'000**	**Total HK$'000**
Financial asset at fair value through profit or loss				
Held-for-trading investment	**18,222**	**–**	**–**	**18,222**
Derivative financial asset	**–**	**–**	**5,721**	**5,721**

	At 31 March 2015			
	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'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 2016, there were no transfers between instruments in Level 1 and Level 2, or transfers into or out of Level 3 (2015: Nil). 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	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 higher the fair value. The higher the volatility, the higher the fair value.

47. 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 would increase by approximately HK$232,000 as at 31 March 2016 (2015: HK$316,000). If the discount rate is 10% lower while all other variables were held constant, the carrying amount of the derivative financial asset would decrease by approximately HK$243,000 as at 31 March 2016 (2015: HK$344,000).

If the volatility is 5% higher while all other variables were held constant, the carrying amount of the derivative financial asset would increase by approximately HK$333,000 as at 31 March 2016 (2015: HK$688,000). If the volatility is 5% lower while all other variables were held constant, the carrying amount of the derivative financial asset would decrease by approximately HK$334,000 as at 31 March 2016 (2015: HK$690,000).

Capital management

The capital structure of the Group consists of debts, which includes the borrowings disclosed in note 31, promissory notes in note 32, convertible notes in note 33, amount due to a related company in note 30 and equity attributable to owners of the Company, comprising share capital and reserves as disclosed in notes 34 and 35 respectively. The Group's risk management reviews the capital structure on a semi-annual basis. As part of this review, the management considers the cost of capital and the risks associated with each class of capital.

	At 31 March	
	2016 HK$'000	2015 HK$'000
Debt	**236,667**	157,650
Equity	**482,348**	298,196
Debt to equity ratio	**49.1%**	52.9%

48. COMPANY LEVEL'S STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2016

	Note	At 31 March 2016 HK$'000	2015 HK$'000
NON-CURRENT ASSET			
Interests in subsidiaries		**117,507**	117,507
CURRENT ASSETS			
Amounts due from subsidiaries		**400,846**	121,248
Prepayments		**364**	5
Derivative financial asset		**5,721**	5,140
Tax recoverable		**490**	539
Cash and cash equivalents		**76,228**	21,517
Total current assets		**483,649**	148,449
CURRENT LIABILITIES			
Accruals		**1,209**	1,013
Promissory notes		**25,000**	–
Convertible notes		**55,055**	–
Total current liabilities		**81,264**	1,013
NET CURRENT ASSETS		**402,385**	147,436
TOTAL ASSETS LESS CURRENT LIABILITIES		**519,892**	264,943
NON-CURRENT LIABILITY			
Promissory notes		**82,448**	20,089
Convertible notes		**–**	51,189
Total non-current liability		**82,448**	71,278
Net assets		**437,444**	193,665
EQUITY			
Share capital	*34*	**281**	224
Reserves		**437,163**	193,441
Total equity		**437,444**	193,665

On behalf of the Board

Lau Ho Ming, Peter	**Poon Pak Ki, Eric**
Director	*Director*

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				
	2016 **HK$'000**	2015 HK$'000	2014 HK$'000	2013 HK$'000	2012 HK$'000 *(Note i)*
REVENUE	**770,409**	829,016	773,235	794,098	876,667
Cost of sales	**(690,046)**	(741,701)	(685,903)	(696,458)	(777,295)
Gross profit	**80,363**	87,315	87,332	97,640	99,372
Other income, gains and losses	**19,682**	5,418	10,264	10,383	15,648
Selling expenses	**(18,739)**	(23,134)	(20,449)	(20,163)	(22,306)
Administrative expenses	**(95,534)**	(67,977)	(49,068)	(52,384)	(32,646)
Impairment loss on goodwill	**(48,064)**	–	–	–	–
Fair value changes in derivative financial asset	**581**	2,979	–	–	–
Finance costs	**(11,061)**	(5,118)	(2,464)	(1,985)	(1,900)
(LOSS)/PROFIT BEFORE INCOME TAX EXPENSE	**(72,772)**	(517)	25,615	33,491	58,168
Income tax expense	**(4,801)**	(3,209)	(5,426)	(10,800)	(10,492)
(LOSS)/PROFIT FOR THE YEAR	**(77,573)**	(3,726)	20,189	22,691	47,676

ASSETS AND LIABILITIES

	As at 31 March				
	2016 **HK$'000**	2015 HK$'000	2014 HK$'000	2013 HK$'000	2012 HK$'000
TOTAL ASSETS	**1,166,824**	557,501	396,660	338,732	337,090
TOTAL LIABILITIES	**(684,476)**	(259,305)	(186,268)	(136,993)	(237,280)
	482,348	298,196	210,392	201,739	99,810

Notes:

(i) The summary of the consolidated result of the Group for the year ended 31 March 2012 and of the assets and liabilities as at 31 March 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 2015 and 2016 and the consolidated assets and liabilities of the Group as at 31 March 2015 and 2016 are those set out on pages 40 to 43 of this Annual Report. Such summary was prepared as if the current structure of the Group had been in existence throughout that financial year.

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