*For identification purpose only

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

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

2017
ANNUAL REPORT

Contents

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

Non-executive Director

Madam Li Man Yee, Stella

Independent Non-executive Directors

Mr. Leung Po Wing, Bowen Joseph *GBS, JP*
Mr. Chan Siu Wing, Raymond
Mr. Wong Wah On, Edward

COMMITTEES OF THE BOARD OF DIRECTORS

Audit Committee

Mr. Chan Siu Wing, Raymond *(Chairman)*
Mr. Leung Po Wing, Bowen Joseph *GBS, JP*
Mr. Wong Wah On, Edward

Remuneration Committee

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

Nomination committee

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

Corporate Governance Committee

Mr. Chan Siu Wing, Raymond *(Chairman)*
Mr. Ng Kam Seng
Madam Li Man Yee, Stella

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 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

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 62, 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 the1984 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 has committed to contribute certain scholarships offered by the Department of Industrial and Manufacturing Systems Engineering of the University of Hong Kong. Namely, the "Peter H.M. Lau Penultimate Year Scholarship" and "Peter H.M. Lau Project Prize". The former targets to offer to students who are considered as high achievers with leadership potential and the latter targets to those demonstrate excellent performance in projects.

Mr. Poon Pak Ki, Eric

Mr. Poon Pak Ki, Eric, aged 50, 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. In May 2017, Mr. Poon has been admitted as as a member of the Institute of Public Accountants and an associate of the Institute of Financial Accountants.

Mr. Ng Kam Seng

Mr. Ng Kam Seng, aged 36, was appointed as an executive Director on 3 January 2013 and he is a member of the Corporate Governance Committee of the Board. He is responsible for the corporate development and lean production strategy in the Group. Since he joined the Group in January 2010, Mr. Ng has been responsible for formulating and implementing the Group development strategies in conjunction with other senior management. In particular, he is the primary responsible person in working with the largest customer of the Group on lean and future development strategies, methods and production control techniques to ensure the production costs of the toys staying competitive. He is also leading a technical team of industrial engineers and manufacturing engineers to monitor and design the manufacturing methods for the production team to execute.

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

Biographical Details of Directors and Senior Management

Mr. Chu, Raymond

Mr. Chu, Raymond, aged 51, 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.

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 55, 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 67, 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). On 28 October 2016, Mr. Leung has also been appointed as the independent non-executive director of Regal Real Estate Investment Trust (stock code: 1881). All these companies are 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 52, 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 53, 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, the chairman and the chief executive officer 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 60, 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.

Chairman' Statement

On behalf of the board (the "Board") of directors (the "Directors") of Quali-Smart Holdings Limited (the "Company"), I am pleased to present the results of the Company and its subsidiaries (collectively, the "Group" or) for the year ended 31 March 2017. Carrying forward from previous financial year, the Group continued to engage in its three core business divisions for the current financial year, namely in toys ("Toy Division"), information technology ("IT Division") and financial services ("Financial Services Division")

PERFORMANCE

The Toy Division of the Group remained stable and continued to generate profit contribution to the Group. During the year, the focus of the Toy Division was further emphasized on high-quality international brand customers for better deployment of Group's resources and mitigating its business risks. By way of disposing some of the loss-making operations during current financial year, the Toy Division commenced to relieve its burden on some of its fixed costs incurred in the past and had its business carried out by way of outsourcing the manufacturing function to quality reliable production service providers onwards. For the IT Division, the Group continued to adopt a prudent and cautious approach on its development prospect in order to achieve break-even position in view of the stringent business competition it is facing. During the year, the IT Division had its revenue slightly improved on service rendered for web development projects and QR Site technology as compared to previous financial year whereas a segment loss was still incurred for the current financial year. The loss was mainly attributable to the impairment on goodwill and intangible assets of this division in view of the tuning down of its business development strategies in view of competition from external peers.

As for the Financial Services Division, its result had been fully accounted in the Group's for the current financial year. During the year, the Financial Services Division was actively participated in rendering service as bookrunners and underwriters in several fund raising exercises in the primary issue markets for initial public offerings and bond issuances for listed issuers. Revenue was generated in form of underwriting and placing commission accordingly. Besides, revenue was generated from securities margin financings to the Group for the current financial year even though it was immaterial because of the capital of such division was mostly secured for settlement purpose on for service rendered on fund raising exercises.

DEVELOPMENT, CHALLENGE AND OPPORTUNITY

With the restructuring of the Toy Division, the ongoing fine-tuning of the IT Division business strategies and the active operation of the Financial Services Division, it is expected that the Toy Division will remain as a profit contributor to the Group whereas the IT Division, ongoing assessment will be maintained on its business strategies and positioning and possible disposal might be considered if that allows a healthier structure of the Group.

Regarding the Financial Services Division, noting the information available from the Stock Exchange, the number of cases of new listings in Hong Kong and the amount of total fund raising in calendar year 2016, still demonstrated that Hong Kong as the world leader on fund raising exercises in initial public offerings for the second consecutive year. We perceive that the Financial Services Division has a pleasant outlook with a healthy pipeline of transactions for primary issuance in the coming financial year and is expected to be more active in the providing existing business services. Targeting to enhance the settlement capability and hence to improve its institutional brokerage platform, the Finance Services Division has ongoing discussion carried out with various business counterparts in order to provide this division with more capital flexibility and thus free up more capital for this division to pursue more business opportunities.

APPRECIATION

Lastly, on behalf of the Board, I wish to extend our sincere gratitude to all levels of management and staff of the Group for their continuous dedication and contribution to our Group's ongoing development. And I am grateful for the continuous support and trust from all of our shareholders, respectable business counterparts and clients over the year and the Group will endeavor to maximize our value and return to the shareholders in the long term.

Lau Ho Ming, Peter
Executive Chairman

Hong Kong, 28 June 2017

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 2017 (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.

Code A.6.7

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. Madam. Li Man Yee, Stella was unable to attend the annual general meeting of the Company held on 26 August 2016 as she had other business engagement.

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 27 to 39.

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

Non-executive Director
Madam Li Man Yee, Stella

Independent Non-executive Directors
Mr. Leung Po Wing, Bowen Joseph *GBS, JP*
Mr. Chan Siu Wing, Raymond
Mr. Wong Wah On, Edward

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

Each executive Director has entered into a service contract with the Company with a term of 3 years, subject to renewal, while the non-executive Director 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 26 August 2016 ("2016 AGM"), Mr. Ng Kam Seng, Madam Li Man Yee, Stella, Mr. Wong Wah On, Edward and Mr. Chu, 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. 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. Wong Wah On, Edward

Remuneration Committee

Mr. Leung Po Wing, Bowen Joseph *(Chairman)*
Mr. Chan Siu Wing, Raymond
Mr. Lau Ho Ming, Peter

Nomination Committee

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

Corporate Governance Committee

Mr. Chan Siu Wing, Raymond *(Chairman)*
Mr. Ng Kam Seng
Madam Li Man Yee, Stella

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

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

	Meeting Attended/Held					
	Board	Non-executive Directors	Audit Committee	Remuneration Committee	Nomination Committee	Corporate Governance Committee
Executive Directors						
Mr. Lau Ho Ming, Peter	4/4	1/1	N/A	2/2	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	4/4	N/A	N/A	N/A	N/A	N/A
Non-executive Director						
Madam Li Man Yee, Stella	3/4	1/1	N/A	N/A	N/A	1/1
Independent Non-executive Directors						
Mr. Leung Po Wing, Bowen Joseph	4/4	1/1	4/4	2/2	1/1	N/A
Mr. Chan Siu Wing, Raymond	4/4	1/1	4/4	2/2	1/1	1/1
Mr. Wong Wah On, Edward	4/4	1/1	4/4	N/A	N/A	N/A

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 as well as the risk management of the Group.

The work of the Audit Committee during the Financial Year was summarized as follows:

1. reviewed the continuing connected transactions for the year ended 31 March 2016;

2. reviewed the consolidated financial statements for the year ended 31 March 2016;

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 2016;

5. reviewed the independence of the Auditor;

6. approved the Auditor's remuneration and other terms of engagement for the year ended 31 March 2017;

7. reviewed and adopted the scope of statutory audit for the year ended 31 March 2017;

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.

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.

Continuing Connected Transactions

The Group entered into certain transactions which constituted continuing connected transactions under Chapter 14A of the Listing Rules during the Financial Year. These transactions are summarized as follows:

Date of agreements	**Nature of transactions**	**Connected Persons**	**For the year ended 2017** (HK$'000)
(a) 27/11/2015	Leasing of property from a connected person for the headquarters of the Group	(i)	3,432
(b) 1/4/2015	Leasing of a property from a connected person for Directors' quarter	(ii)	1,176
(c) 15/6/2015	Leasing of a property to a connected person	(iii)	144
			4,752

Connected persons:

(i) Gold Prospect Capital Resources Limited, which is a owned indirectly as to 50% by Mr. Lau and 50% by Madam Li

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

(iii) Office Coupe Limited, a company which is owned as to 50% by Madam Li

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

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

2. for transactions involving the provision of services by the Group, nothing has come to their attention that caused them to believe that the transaction were not, in all material respects, in accordance with the pricing policies of the Group;

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

4. with respect to the aggregate amount of the disclosed continuing connected transactions, nothing has come to their attention that caused them to believe that the disclosed continuing connected transactions have exceeded the maximum aggregate annual value disclosed in the announcement dated 27 November 2015 issued by the Company in respect of the disclosed continuing connected transactions.

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

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

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

3. the annual report of the above continuing connected transactions for the year ended 31 March 2017 did not exceed the proposed annual cap amount of HK$4,752,000 as disclosed in the announcement dated 27 November 2015 issued by the Company.

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

Review of the Consolidated Financial Statements for the year ended 31 March 2017

On the date of this report, the Audit Committee reviewed the consolidated financial statements for the year ended 31 March 2017 (the "2017 Financial Statements") in conjunction with the Auditors and management. Based on the review and discussions with management, the Audit Committee was satisfied that the 2017 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 2017.

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 2017 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. reviewed the Board Diversity Policy and the objectives and targets set for implementing the Board Diversity Policy;

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

3. reviewed the independence of the INEDs;

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

5. reviewed the re-appointment of Madam Li Man Yee, Stella as Non-executive Director and Mr. Chan Siu Wing, Raymond and Mr. Leung Po Wing, Bowen Joseph as Independent Non-executive Directors and reviewed their letters of re-appointment.

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 was summarised as 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$1,625,000 for auditing services and HK$271,000 for non-auditing services by the Auditors.

Services rendered	Fees paid/payable HK$'000
Audit services – statutory audit	1,625
Non-audit services:	
– agreed-upon procedures review	143
– taxation services	128
	1,896

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 2017 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. Madam Li Man Yee, Stella, a Non-executive director, was unable to attend the annual general meeting of the Company held on 26 August 2016 as she 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 curricular vitae 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.

2016 AGM

Except for the absence of a Non-executive Director, Madam Li Man Yee, Stella, all Directors attended 2016 AGM to hear views and to answer questions from the Shareholders. At 2016 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.

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, 28 June 2017

Management Discussion and Analysis

BUSINESS REVIEW

For the year ended 31 March 2017 (the "Current Year"), the global economy has experienced new uncertainties arising from the unstable political situation and weak economy in the United States with the election of a new president, the commencement of Brexit procedures and the subsequent impact on the United Kingdom and EU markets, the weakening Renminbi increasing the likelihood of capital outflows and hence causing potential volatility in the Hong Kong stock markets. With our Group engaged in the same core business divisions in Toy Division, IT Division and Financial Services Division as in the previous financial year, there were different levels of challenges and impact affecting the performance of the Group but in general the Group recorded a slight improvement in revenue for the Current Year as performance in the Toy Division remained relatively stable and there were new contributions from the Financial Services Division which made good progress in securing transactions in the primary issuance markets in the Hong Kong stock markets. On the other hand, the performance of the IT Division, despite some modest improvements, remained unsatisfactory which led to further rationalization of the businesses of the IT Division.

The Toy Division

As a toy manufacturer offering services primarily on an OEM basis, the Toy Division continues to manufacture products for its customers in accordance with their specifications for whom to sell the products in their own brand names. In order to better deploy the Group's resources and mitigate its business risks, the Toy Division remains focusing in serving customers of internationally reputable toy brands that are considered to be more reliable in order placing and better credit worthiness and higher transparency on its business background in general.

During the Current Year, the Group has disposed of certain of its subsidiaries which are principally engaged in the trading and manufacture of toy products serving mainly newer and smaller customers with less significant contribution to the Group. In view of the substantial costs such as labour and other fixed running costs related to maintaining the production facility in China for such subsidiaries and the occasional bad debts arising from such smaller customers that contributed to a net loss situation in recent years, the Group resolved to dispose of such subsidiaries. Such disposal allowed the Group to obtain liquidity from this loss-making investment and offload the various fixed operating and potential redundancy costs associated with such subsidiaries, while allowing the Toy Division to focus on more long-term, internationally reputable customers with stronger credit history. Following the disposal, there was no adverse impact on the current operation of the Toy Division and the Group recorded gain on disposal of approximately HK$11.9 million as a result.

During the Current Year, revenue of the Toy Division and its segment profit were HK$768.1 million and HK$23.2 million respectively, representing an increase of 0.3% and decrease of 28.2% respectively over the year ended 31 March 2016 ("Previous Year"). The revenue from the Toy Division remained relatively stable despite the disposal of the Sunmart subsidiaries as the contribution of such subsidiaries was less significant and the Group managed to maintain strong orders from several existing major customers of international repute. On the other hand, the decrease in segment profit was mainly a result of the absence of any gain from reversal of impairment loss on trade receivables which was present in the Previous Year and new operating lease payment for the Group's headquarters which was disposed of by the Group in the Previous Year.

The IT Division

During the Current Year, the IT Division mainly engaged in the provision of digital media design, marketing and project management services as well as website application. The IT Division continued to face challenging business environments in terms of business development as well as hiring qualified talents at reasonable costs due to the keen competition among market competitors in terms of general customers budget control and hence tightening service demand, contract size and talents retention. The ongoing boom of competing startups further imposed fierce competition in the market for both projects and talents which caused the Group to adhere to a more prudent and cautious approach so as to achieve break-even position and moderate repositioning the business of this division by leveraging on and adjusting the existing technology products of the IT Division to service new customer demands. With the above approach adopted for the year, the IT Division successfully serviced a diverse group of primarily local customers in different industries and focused mainly on projects with moderate working capital requirements and of a smaller scale which mitigated the risk exposure of the entire Group. Comparing to the Previous Year, the revenues and segment loss of the IT Division managed to increase by about 54.3% and decrease by 20.8% respectively. However, in view of the stringent operating condition, the performance of the IT Division remained in a net loss position during the Current Year, albeit less than in the Previous Year, particularly with the impairment losses made on its intangible assets and goodwill as the Directors considered that such measure was necessary with reference to the applicable business outlook and condition of the IT Division.

The revenue and segment loss of the IT Division were approximately HK$2.8 million and HK$49.5 million for the year under review, respectively, inclusive of impairment loss on goodwill of about HK$3.7 million and impairment loss on intangible assets of about HK$33.9 million. This represents an increase in revenue of about 54.3% from HK$1.8 million in the Previous Year and a decrease in segment loss of about 20.8% from HK$62.5 million in the Previous Year, which included an impairment loss on goodwill of about HK$48.1 million.

The Financial Services Division

During 2016, the performance of the Hong Kong securities markets was substantially weaker than in 2015, as a result of weakened investor sentiments arising from the continued uncertainty in the political environments in the United States and the United Kingdom and concerns over capital outflows from China and the devaluation of the Renminbi weakening the overall Chinese economy. Average daily turnover of The Stock Exchange of Hong Kong decreased by approximately 37% in 2016 to about HK$67 billion when compared with about HK$106 billion for 2015. This had a negative impact on the securities brokerage revenue of the Financial Services Division which did not increase as much as we had hoped for, increasing by only about HK$4.8 million over the Previous Year. The securities brokerage services of the Financial Services Division continued to service mainly institutional and corporate brokerage clients during the Current Year.

On the other hand, the Financial Services Division actively participated in the primary issue markets during the Current Year, acting as bookrunners and underwriters of several initial public offerings and bond issuances for listed issuers in Hong Kong covering both the Main Board and the Growth Enterprise Markets of The Stock Exchange of Hong Kong Limited, leading to an increase in underwriting and placing commissions of approximately HK$7.8 million over the Previous Year. Despite heightened market volatility and a drop in the total amount of funds raised, there were still 126 new listings in Hong Kong with total fund raising amount of almost HK$200 billion in calendar year 2016, making Hong Kong the world leader in total fund raised in initial public offerings for the second consecutive year, based on information available from The Stock Exchange of Hong Kong. The Financial Services Division has a healthy pipeline of transactions for primary issuance in the coming financial year and is expected to remain active in acting as bookrunners and underwriters in initial public offerings and bond issuances in Hong Kong going forward.

For the Financial Services Division, contributions from securities margin financings remained relatively immaterial during the Current Year despite an increase over the Previous Year as a substantial amount of the capital of the Financial Services Division remained secured for settlement purposes, thus limiting its capabilities to expand rapidly in areas requiring a more extensive deployment of capital. The Financial Services Division also recorded a fair value gain on financial assets at fair value through profit or loss of about HK$2.7 million when compared with a fair value gain of about HK$4.0 million during the Previous Year, which was a result of a substantial decrease in the unrealized gains of the investment portfolio of the Financial Services Division of about 82% during the Current Year partially offset by recording a realised gain of about HK$1.8 million when compared with a realised loss position during the Previous Year. We remain committed to seeking ways to expand the capital base of the Financial Services Division in order to increase its capacity to participate in more principal-based activities.

Management Discussion and Analysis

FINANCIAL REVIEW

The Toy Division

The Toy Division's revenue for the Current Year amounted to approximately HK$768.1 million, which represents an increase of 0.3% over that of the Previous Year of approximately HK$765.7 million. Such increase in revenue was due to an increase in sales to some of the Toy Division's top 5 customers. Furthermore, segment profit for this division accounted for approximately HK$23.2 million for the Current Year comparing to approximately HK$32.4 million for the Previous Year, representing a decrease of 28.2%. Such decrease in segment profit was mainly due to absence of reversal of impairment loss on trade receivables for the Current Year which amounted to about HK$7.0 million for the Previous Year and operating lease payment of approximately HK$3.4 million in respect of the head office of the Group during the Current Year subsequent to its disposal in the Previous Year.

Revenue from North America increased from approximately HK$351.3 million for the Previous Year to approximately HK$462.6 million for the Current Year, while revenue from Western Europe decreased from approximately HK$245.5 million for the Previous Year to approximately HK$141.9 million for the Current Year. Sales to customers in new developing regions, namely mainland China and Taiwan and Others increased from approximately HK$67.2 million for the Previous Year to approximately HK$84.8 million for the Current Year and from approximately HK$32.7 million for the Previous Year to approximately HK$47.0 million for the Current Year, respectively, representing an increase of 26.2% and 43.7% over the Previous Year, respectively. Generally, the change in regional distribution was mainly due to change in delivery destination as requested by the customers during the year under review in order to cope with their distribution plan.

As our Toy Division mainly serves customers of international reputable brands, their global marketing network and hence delivery plans varied from time to time in accordance with their respective marketing strategies.

The IT Division

For the IT Division, revenue and segment loss for the Current Year were approximately HK$2.8 million and HK$49.5 million, respectively, inclusive of impairment loss on goodwill of about HK$3.7 million and impairment loss on intangible assets of about HK$33.9 million. This compares with the revenue and segment loss of the PMT Group of about HK$1.8 million and HK$62.5 million, respectively, during the Previous Year, which included an impairment loss on goodwill of about HK$48.1 million. The increase in revenues of the IT Division of about 54.3% in the Current Year was mainly contributed by an improvement in revenues from web development projects using the QR Site technology and the Maestro digital publishing technology of the IT Division.

The Financial Services Division

Revenue for the Financial Services Division for the Current Year amounted to approximately HK$16.8 million comparing to that of HK$2.8 million in the Previous Year, representing an increase of 6 times over the Previous Year. This is mainly attributable to a full year consolidation of the financial result for this division in the Current Year when compared to approximately four months of financial results in the Previous Year after the Group acquired this division in November 2015. The increase in revenues of the Financial Services Division mainly came from an increase in brokerage commission income of about HK$4.8 million and an increase in underwriting and placing commission of about HK$7.8 million during the Current Year when compared with the Previous Year.

Overall, the Financial Services Division accounted for approximately HK$34.1 million segment loss for the Current Year. The main contributing factors leading to the loss, despite an improvement in revenues, were the increase in rental expenses and salary expenses of the Financial Services Division. The increase in both was mainly a result of taking into account of such expenses for the full financial year as opposed to about four months in the Previous Year.

Management Discussion and Analysis

Overall Group Financial Performance

Revenue

The Group's revenue for the Current Year amounted to approximately HK$787.7 million, which represents an increase of 2.2% from that for the Previous Year of approximately HK$770.4 million. The growth in total revenue for the Current Year was mainly contributed by the Financial Services Division.

Gross Margin

The gross margin of the Toy Division decreased slightly from approximately 10.1% for the Previous Year to approximately 9.9% for the Current Year due to an increase in subcontracting fees. Meanwhile, gross profit of the Group for the Current Year increased by 16.71% to approximately HK$93.8 million from that of the Previous Year of approximately HK$80.4 million. Such improvement was mainly due to an increase in revenue and gross margin contributed by the Financial Services Division being consolidated to the Group's result on a full year basis for the Current Year.

Net Loss

The Group's net loss for the Current Year amounted to approximately HK$94.1 million, as compared to a net loss of approximately HK$77.6 million for the Previous Year. Such increase was mainly due to (i) an increase in consolidated administrative expenses of the Group arising from (a) an increase in the equity settled share-based payment expenses of approximately HK$17.9 million, particularly related to a new tranche of share options granted towards the end of the Previous Year; and (b) an increase in salary and rental expenses of the Group of approximately HK$13.7 million and 8.3 million respectively for the Current Year, which is partially offset by an increase in the consolidated gross profit of the Group of approximately HK$13.4 million mainly contributed by the Financial Services division of the Group during the Current Year when compared with the Previous Year; and (ii) the impairment loss in relation to the intangible assets of the IT Division of the Group of approximately HK$33.9 million for the Current Year, which is offset by a substantial decrease in the impairment loss on goodwill of approximately HK$44.4 million from about HK$48.1 million in the Previous Year to HK$3.7 million in the Current Year. The increase in net loss of the Group was also partially offset by an increase in gain on disposal of subsidiaries of approximately HK$8.6 million for the Current Year.

Impairment Loss on Goodwill and Intangible Assets

As explained in the previous annual report and interim report of the Company, the PMT Group suffered setbacks in its business strategies after losing some of its key clients in China for its digital publishing solutions due to a change in their business plans in developing their own in-house solutions rather than using the digital publishing solutions of the PMT Group. In an effort to adopt a more cautious approach of achieving break-even first and repositioning its business, the PMT Group cut down its costs during the year under review while trying to adjust its technology to service a wider target customer group by offering more generic mobile and web development solutions in Hong Kong and grow its revenues in this area. However, such efforts were partly hampered by the difficulty experienced by the PMT Group to retain or hire good information technology talents locally under the Group's austerity measures, as a lot of talents appeared to either favour larger Internet conglomerates or join the continuing boom in local technology start-up trends. On the other hand, the more cautious approach adopted by the PMT Group also meant that it was difficult for it to compete more effectively in some bigger scale projects which required more aggressive human resources and working capital and which in turn would undesirably increase the risk exposure of the entire Group. As a result, while the PMT Group managed to secure a diverse group of local customers during the Current Year with an improvement in revenues and gross profit of about 54.3% and 80.5% respectively over the Previous Year, the overall revenues of the PMT Group remained unsatisfactory and the PMT Group was in a net loss position during the Current Year. In view of the above, the Directors are of the view that an impairment loss of the intangible assets and goodwill of the PMT Group would be necessary for the Current Year.

During the annual audit process, the Directors of the Company hired BMI Appraisals Limited, an independent valuer, to determine the value-in-use of the assets of the PMT Group in accordance with HKAS 36 "Impairment of Assets". The Directors have made reference to the valuation report issued by the independent valuer for the calculation of the value in use of the assets of the PMT Group.

Management Discussion and Analysis

BMI Appraisals Limited adopted the income approach for the assessment of the value-in-use of the PMT Group. It was based on a five-year cash flow projection and extrapolated using a long-term terminal growth rate, and the cash flows were then discounted with at a pre-tax discount rate of about 19.5% (compared with a pre-tax discount rate of 21.3% used in the Previous Year) estimated by the management. The modest decrease in the discount rate adopted in the Current Year compared with the Previous Year was due to an increase in the weight of debt in the capital structure of the PMT Group. The long-term growth rate used to extrapolate the cash flows beyond the five year plan is 3% which is the same as that used in the Previous Year and reflects the long term growth rate of the industry as forecast by the management. The Group's management adjusted further down the cash flow projections of the PMT Group based on its recent historical performance, their assessment of the impact of the factors set out in the paragraphs above and the cautious business outlook of the PMT Group in the future, with the objective of achieving break-even first rather than taking on additional risks from further capital exposure. The key assumptions have been determined by the Group's management based on past performance and its expectation of the PMT Group's future performance and the industry development as a whole.

As the carrying amount of the intangible assets and goodwill of the PMT Group was about HK$67.8 million and HK$3.7 million respectively immediately prior to the assessment of the value-in-use, an impairment loss on goodwill of about HK$3.7 million and an impairment loss on intangible assets of about HK$33.9 million arose during the year under review as a result of the assessed value-in-use of the assets of the PMT Group of about HK$34.0 million.

Selling Expenses

Selling expenses for the Toy Division mainly consisted of transportation fees and declaration fees. During the Current Year, it increased 16.0% from approximately HK$18.7 million for the Previous Year to approximately HK$21.7 million for the Current Year which was due to an increase in price charged on transportation cost by our service providers as well as increased transportation costs incurred on sales to certain customer and increase in declaration charges on moulding equipment transported during Current Year.

Administrative Expenses

Administrative expenses mainly consisted of salaries to employees, equity-settled share-based payment expenses, rents and rates for office spaces, depreciation of property, plant and equipment, amortisation of intangible assets and other administrative expenses. Administrative expenses increased by 47.4% from approximately HK$95.5 million for the Previous Year to approximately HK$140.8 million for the Current Year, which was primarily due to the increase in the total number of staff after the acquisition of the Financial Services Division, an increase in staff costs arising from salary and the equity settled share-based payment expenses related to the grant of share options of approximately HK$13.7 million and HK$17.9 million respectively and the full year recognition of the other costs applicable to the Financial Services Division for the Current Year when compared to only about four months of result consolidation in the Previous Year.

Other Income, Gains and Losses

Other income, gains and losses mainly consisted of moulding income, gain on disposal of subsidiaries, fair value gain on financial assets at fair value through profit and loss, gain on extension of convertible notes, interest income from bank deposits and others. During the Current Year, other income, gains and losses increased 45.9% from approximately HK$19.7 million for the Previous Year to approximately HK$28.7 million. Such increase was mainly attributable to (i) an increase in gain on the disposal of subsidiaries by about HK$8.6 million from approximately HK$3.3 million for the Previous Year to approximately HK$11.9 million for the Current Year; (ii) a decrease in fair value gain on financial assets at fair value through profit loss by approximately HK$1.3 million from approximately HK$4.0 million for the Previous Year to about HK$2.7 million for the Current Year from the Financial Services Division; (iii) an increase in gain arising from the extension of the maturity date of the convertibles notes from nil for the Previous Year to about HK$4.2 million for the Current Year; and (iv) a decrease in reversal of impairment loss on trade receivables from approximately HK$7.0 million for the Previous Year to nil for the Current Year.

Finance Costs

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 decreased by 2.4% from approximately HK$11.1 million for the Previous Year to approximately HK$10.8 million for the Current Year, which is primarily due to a decrease in the effective interest expense of the convertible note and promissory note issued by the Company in the Current Year of approximately HK$0.3 million, as the promissory note was fully repaid during the Current Year.

Income Tax Expenses

The Group is subject to income tax on an entity basis on profit arising in or derived from the jurisdiction in which members of the Group are domiciled and operated. The income tax expense decreased 85.4% from approximately HK$4.8 million for the Previous Year to approximately HK$0.7 million. Such decrease was mainly due to the deferred tax adjustment arising from the impairment of intangible assets for Current Year.

Inventory

The inventory of the Group decreased by 15.4% to approximately HK$92.0 million as at 31 March 2017 from approximately HK$108.8 million as at 31 March 2016. 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 17.2% from 64.0 days for the Previous Year to 53.0 days for the Current Year arising from customers requisition for sooner delivery of products during the Current Year.

Trade Receivables

Trade receivables from the Toy Division and the IT Division as at 31 March 2017 decreased from approximately HK$68.7 million at 31 March 2016 to HK$37.6 million at 31 March 2017, which was primarily due to sooner settlement from certain customers during the Current Year. Accordingly, 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 25.2 days as compared with 34.1 days for the Previous Year.

Trade receivables from the Financial Services Division as at 31 March 2016 decreased from approximately HK$388.7 million to HK$7.1 million at 31 March 2017, which was mainly a result of a substantial decrease in settlement amount receivable from dealing in securities on behalf of our cash clients at the end of the Current Year. Coincidentally, there was a substantial surge in trading activities with settlement crossing the end of the financial year in the Previous Year, leading to a sharp increase in trade receivables related to the securities brokerage business at the end of the Previous Year, which was substantially decreased at the end of the Current Year. 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 2017.

Trade Payables

Trade payables from the Toy Division and the IT Division as at 31 March 2017 increased from approximately HK$26.8 million at 31 March 2016 to HK$52.7 million at 31 March 2017, which was primarily due to the increase in purchases and costs of service incurred for the Current Year. The significant increase was attributable to the change in operating approach of the division during the Current Year following its disposal of the subsidiaries in PRC for which functioned as one of the production plants of the Group. Subsequent to the disposal, the Group incurred sub-contracting fee instead of bearing its own production costs and such sub-contracting fee was classified as trade payables 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 21.0 days as compared with 18.9 days for the Previous Year.

Trade payables from the Financial Services Division as at 31 March 2017 decreased from approximately HK$380.3 million at 31 March 2016 to HK$210.1 million at 31 March 2017, which was mainly a decrease in payable to cash clients or the clearing house for settlement of trades arising from the same set of factors explained in the previous paragraph on trade receivables from the Financial Services Division. The settlement terms for such trade payable attributable to dealing in securities are typically one to two days after the trade date.

Management Discussion and Analysis

LIQUIDITY AND FINANCIAL RESOURCES

For the Current Year, the Group mainly financed its working capital by internal resources and bank borrowings. As at 31 March 2017, cash and cash equivalents amounted to approximately HK$130.0 million (31 March 2016: HK$221.6 million). The decrease was mainly due to the redemption of promissory notes during the Current Year. 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 21.0% (31 March 2016: 49.1%). As at 31 March 2017, 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 1.51 (31 March 2016: 1.44).

During the Current Year, save for the shares issued upon the exercise of granted share option by the grantees under the Share Option Scheme adopted by the Company, no new shares were issued during the Current Year. Meanwhile, the proceeds from the issuance of shares in July 2015 and December 2015 were fully utilized as intended as at 31 March 2017.

PROMISSORY NOTES

On 23 November 2015, as part of the settlement of the consideration for the acquisition of all of the existing shares of Crosby Securities Limited 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. The remaining outstanding amount of the promissory notes had already been fully repaid as of 31 March 2017.

CHARGE ON ASSETS

As at 31 March 2017, 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 approximately HK$6.2 million (31 March 2016: HK$6.2 million).

CONTINGENT LIABILITIES

As at 31 March 2017, the Group had no contingent liabilities (31 March 2016: 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 2017, 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$13.0 million and HK$8.2 million respectively (31 March 2016: HK$7.5 million and HK$0.04 million). The increase in such future minimum lease payments under non-cancellable operating leases was mainly a result of the disposal of the properties served as headquarters of the Group in Previous Year and hence rental was incurred on the same for Current Year.

CAPITAL COMMITMENTS

As at 31 March 2017, there is no capital commitment of the Group (31 March 2016: Nil).

SIGNIFICANT INVESTMENT HELD

Except for investments in subsidiaries and certain financial assets with carrying value of about HK$14.5 million held by the Financial Services Division, the Group did not hold any significant investment in equity interest in any other company as at 31 March 2017.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

During the Current Year, there was no material acquisition made by the Group. On the other hand, on 7 October 2016, the Company, as vendor, entered into a sale and purchase agreement with Mr. Yau Wing Hay, Uri, as a purchaser, an independent third party, to dispose of the entire issued share capital of Next Horizon Holdings Limited ("Next Horizon") for a consideration of HK$32 million. The transaction was completed on 17 October 2016.

Save as disclosed otherwise, the Group did not have any material acquisitions and disposals of subsidiaries and affiliated companies during the Current Year.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

As at 31 March 2017, the Group did not have any plans to acquire any material investments or capital assets.

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

The Group implemented a foreign currency forward contract policy in relation to the foreign currency contracts 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 2017, the Group had a total of 76 employees (31 March 2016: 520). Total staff costs (excluding equity settled share-based payment expenses to eligible persons other than employees and directors) were approximately HK$98.0 million for the year ended 31 March 2017 (2016: HK$68.2 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. The Company also adopted a share option scheme for the purpose of rewarding eligible participants for their contribution to the Group.

EVENTS AFTER REPORTING PERIOD

On 2 May 2017, the Company entered into a subscription agreement with an independent third party (the "subscriber") to issue 6% convertible notes with a principal amount of HK$80,000,000 for the intended use of repayment of the liabilities of the Group and expansion of the Group's financial services business. Based on the conversion price of HK$0.39 per conversion share, 205,128,205 ordinary shares will be allotted and issued by the Company upon exercise in full of the conversion rights attached to the convertible notes. The convertible notes entitle the subscriber to convert them into ordinary shares of the Company at any time falling three years after the date of issue of the convertible notes. The subscription was completed on 11 May 2017.

Management Discussion and Analysis

On 22 May 2017, the Company entered into a subscription agreement with the same subscriber to issue 6% convertible notes with a principal amount of HK$30,000,000. The intended use of proceeds of the convertibles notes is the same as those for the convertible notes issued on 11 May 2017. Based on the conversion price of HK$0.39 per conversion share, 76,923,076 ordinary shares will be allotted and issued by the Company upon exercise in full of the conversion rights attached to the convertible notes. The convertible notes entitle the subscriber to convert them into ordinary shares of the Company at any time falling three years after the date of issue of the convertible notes. The subscription was completed on 2 June 2017.

On 13 June 2017, the Company redeemed in full the convertibles notes of outstanding principal amount of HK$58 million which were issued on 17 December 2014 ("2014 CN") with its maturity date extended to 17 December 2017 by the Company in December 2016 pursuant to the exercise of the right conferred upon the Company as governed under the terms and conditions of the 2014 CN. Thereafter, the 2014 CN have been fully redeemed.

PROSPECTS

During the Current Year, the Group strengthened its Toy Division by disposing of some of its loss-making operations and removing the burden of some of its fixed costs. Going forward, the Toy Division will strive to carry on its current business by way of outsourcing its manufacturing functions to quality reliable production service providers and focusing on high-quality international brand customers. This will allow the Toy Division to more effectively focus on the changing demands of its major and large customers while maintaining flexibility in its cost structure. For the IT Division, the Group will continue to review and assess the market environment particularly in the information technology segment applicable to the Group in order to adjust its strategies in identifying the appropriate business focus and strategic options for the IT Division, including the possibility of a disposal, in order to maintain a healthy structure for the Group in general.

Going forward, we expect the Financial Services Division will continue to focus on participating in more primary market transactions. We expect the Hong Kong IPO markets to remain strong in 2017, and are encouraged by the possibility of the introduction of various new markets in the future under the latest proposals from The Stock Exchange of Hong Kong. During the first quarter of 2017, the Financial Services Division already completed its first transaction acting as sole bookrunner and sole lead manager for an IPO on the Main Board of The Stock Exchange of Hong Kong. The Financial Services Division has a healthy pipeline of fund raising transactions covering both the IPO markets and new debt issuances by listed issuers in Hong Kong.

We are also working hard to enhance our settlement capability in order to improve our institutional brokerage platform. We managed to expand our capital base modestly with the issuance of the convertible notes completed in May and June 2017, and we are in discussion with various financial institutions to widen our liquidity options in order to provide the Financial Services Division with more capital flexibility. We hope that these efforts will not only improve the performance of our institutional brokerage platform, but allow us to free up more capital to pursue more lucrative principal-based activities, including securities margin financing and principal finance/investments opportunities.

The directors of the Company (the "Directors") is pleased to present its report together with the audited consolidated financial statements of the Company and its subsidiaries (the "Group") for the year ended 31 March 2017.

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 39 to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The financial results of the Group for the year ended 31 March 2017 are set out in the consolidated statement of profit or loss and other comprehensive income on pages 44 and 45.

The board of Directors (the "Board") does not recommend the payment of a final dividend for the year ended 31 March 2017. (2016: Nil)

RESERVES

Movements in the reserves for the year are set out in the consolidated statement of changes in equity on page 48.

DISTRIBUTABLE RESERVES

Distributable reserves of the Company as at 31 March 2017 calculated under the Company Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands, amounted to approximately HK$382.0 million (2016: HK$437.2 million).

SHARE CAPITAL

Details of the movement in share capital of the Company during the year is set out in Note 33 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 30 to the consolidated financial statements.

CHARITABLE CONTRIBUTIONS

During the year, the Group did not make any charitable contributions (2016: 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.

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

During the year ended 31 March 2017, as far as the Board and the management are aware, there was no material breach of or non-compliance with the applicable laws and regulations by the Group that has a significant impact on the business and operations of the Group.

RELATIONSHIP WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

The Group understands the importance of maintaining a good relationship with its employees, customers and suppliers to meet its immediate and long-term business goals. The Group encourages employees to strengthen their knowledge of the industries in which the Group operate and attend courses or training sessions to improve their professional knowledge. The Group also maintains ongoing communications with its employees, customers and suppliers through various channels such as regular meetings, calls and emails in order to allow employees to contribute to the development of the Group, deliver better customer services to our clients and obtain better services and cooperations from our suppliers.

PRINCIPAL RISKS AND UNCERTAINTIES FACING THE GROUP

The following section lists out the key risks and uncertainties faced by the Group. It is a non-exhaustive list and there may be other risks and uncertainties further to the key risk areas outlined below. Besides, this Annual Report does not constitute a recommendation or an advice for anyone to invest in the securities of the Company and investors are advised to make their own judgment or consult their own investment advisors before making any investment in the securities of the Company.

Financial risks

Details on financial risks on foreign currency, credit on trade receivables and margin financing, liquidity, interest rate and price facing the Group on its operation can be referred to note 46 to the notes to consolidated financial statements included in this Annual Report on pages 128 to 133.

Market risks

The performance of the Group's financial assets and the operations of its Financial Services Division are subject to volatility in the capital markets, which may cause fluctuations in the prices and liquidity of financial assets and impact the global primary and secondary securities markets in which the Financial Services Division operates.

Seasonality of products demand

Our Group's business is generally seasonal in nature particularly in the Toy Division. It is possible that seasonality in demand for our customers' products might affect our Group's sales in the future. Market conditions faced by our customers may be volatile and are beyond the control of the Group. Future downturns in the end markets of our customers may affect the business of our Group, particularly in the Toy Division.

Reliance on major customers and suppliers

Our stable relationship with our major customers and suppliers enables our business to achieve stable revenue and profitability level. On the other hand, if there are any changes in such relationships, which may lead to withdrawals, cancellations or terminations of transactions, the Group's performance and business growth may be adversely affected.

Evolvement in information technology

Our IT Division operates in a highly competitive industry which faces rapid changes in market trends, consumer preferences and constantly evolving technological advances in hardware models, software features and functionalities. The ongoing changes in technology require us to constantly incorporate new features or technology into our software products and/or services in order to cope with the evolving environment and customer demands.

Competition for talents

Our businesses, particularly our IT Division and Financial Services Division, face intense competition for talents. The Group's performance may be adversely affected if we fail to retain and motivate our employees or to attract suitable replacements should vacancies in key positions arise.

Regulatory risks

The Group's operations are subject to various applicable laws and regulations in different jurisdictions. In particular, the Financial Services Division operates in a strictly regulated business environment, and any non-compliance with rules and regulations may have material and adverse impact or consequences. Non-compliance may arise due to failures and limitations of the Group's internal control system, failure in or disruption to its computer systems and data storage or potential employee misconduct, amongst others.

Our business operation may be affected by future economic and political policies of the PRC government

The development of PRC's economy is based on many factors, including but not limited to structure of economy, government involvement, control of foreign exchange, allocation of resources and capital investment. However, any of such changes to the economic and political strategies and policies of the PRC government may have an adverse impact on the overall global economy and affect all the industries in which the Group operates.

Our business operation may be affected by future economic and political uncertainties in the world

Economic and political uncertainties in the world resulted from major events such as Brexit, the U.S. presidential election or terrorist attack events may have short-term and long-term effects on the global economy and the performance of the global capital markets, which in turn may adversely impact the performance of the Group.

Past performance and forward looking statements

The performance and the results of the operations of the Group as set out in this Annual Report are historical in nature and past performance is not a guarantee of future performance. This annual report may contain forward looking statements and opinions that involve risks and uncertainties. Actual results may also differ materially from expectations discussed in such forward-looking statements and opinions. Neither the Group nor the Directors, employees or agents of the Group assume any obligations or liabilities in the event that any of the forward-looking statements or opinions does not materialize or turns out to be incorrect.

ENVIRONMENTAL POLICIES

Subsequent to the disposal of certain subsidiaries of the Group which hold the manufacturing plant for the Toy Division in the Current Year, the Group is no longer engaged in the manufacturing industry directly and has such function assigned to appointment of sub-contractors instead. In order to ensure the Group's commitment as an environmentally and social responsibly business, the Toy Division has strict policies in selecting its sub-contractors by imposing corresponding requirement on them in respect of environmental protection, social responsibilities on workers welfare maintenance as well as proper compliance of the relevant regulation applicable to them within their territories of operation. During the Current Year, the Toy Division had not been the subject of any claims in the form of any compensation or penalty levied for environmental disruption or inappropriate treatment towards workers by the production plants engaged by the Group for business.

While we believe that the IT Division and the Financial Services Division and the industries in which they operate respectively are not a major source of environmental pollution, we are committed to building an environmental-friendly corporate which strives to minimize our usage of energy and office stationery and encourage recycling of materials used in the office. Our Financial Services Division also offer e-statements to its clients in order minimize paper usage. During the Current Year, the IT Division and the Financial Services Division had not been the subject of any environmental claims, lawsuits, penalties or disciplinary actions.

In general, the Group's headquarter is determined in adopting energy saving measures such as utilization of power-saving office lighting system in the form of LEDs and maximization of the use of natural daylight as office lighting purpose. Also, we maintain water filtering equipment for staff consumption purpose instead of using bottled water and install water-saving dispensing tap equipment for the office washrooms in order to reduce excessive water wastage. Further details on the policies on environmental, social and governance will be further provided in the Environmental, Social and Governance Report when it is published by the Company.

Directors' Report

FIVE-YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 136.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 March 2017, the Group's sales to the largest customer and the five largest customers accounted for approximately 31.5% and 93.2% of the Group's turnover. The Group's purchases from the largest supplier and the five largest suppliers purchases accounted for 11.6% and 30.8% of the Group's purchases.

Mr. Lau Ho Ming, Peter, the Executive Chairman, and Madam Li Man Yee, Stella, a non-executive Director and the spouse of Mr. Lau, together with their family member, have indirect interests of 15.98% in Catalana de Investigacion y Desarrollo de Electronica S.L. ("CIDE"), one of the top five customers of the Group with sales accounting for 4.2% of the Group's turnover for the year ended 31 March 2017. Despite 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 for the year ended 31 March 2017.

DIRECTORS

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

Executive Directors

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

Non-executive Director

Madam Li Man Yee, Stella

Independent Non-executive Directors

Mr. Leung Po Wing, Bowen Joseph *GBS, JP*
Mr. Chan Siu Wing, Raymond
Mr. Wong Wah On, Edward

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 26 August 2016, Mr. Ng Kam Seng, Madam Li Man Yee, Stella, Mr. Wong Wah On, Edward and Mr. Chu, Raymond retired and were re-elected by the Shareholders at the annual general meeting of the Company ("2016 AGM") pursuant to the Articles of Association of the Company.

In accordance with the Articles of Association, Mr. Lau Ho Ming, Peter, Mr. Poon Pak Ki, Eric and Mr. Leung Po Wing, Bowen Joseph shall retire at the forthcoming annual general meeting ("2017 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 2017 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 2017, the interests or short positions of the Directors in the Shares, underlying Shares or debentures of the Company and associated corporations (within the meaning of Part XV of the Securities Futures Ordinance (Charter 571 of the Laws of Hong Kong) (the "SFO")) as recorded in the register to be kept under which have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO) or which is required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein or which is required to notify the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in the Listing Rules, is as follows:

Long positions

	Number of Shares held				Number of		Percentage
Name of Director	Personal interest	Corporate interests	Family interests	Other interests	underlying Shares *(Note 1)*	Total	of issued share capital
Mr. Lau Ho Ming, Peter	6,720,000	482,864,000 *(Note 2)*	–	–	4,000,000 *(Note 3)*	493,584,000	33.5%
Madam Li Man Yee, Stella	6,720,000	–	482,864,000 *(Note 2)*	–	1,400,000 *(Note 3)*	490,984,000	33.3%
Mr. Poon Pak Ki, Eric	2,000,000	–	–	–	12,900,000	14,900,000	1.0%
Mr. Ng Kam Seng	3,200,000	–	–	–	12,900,000	16,100,000	1.1%
Mr. Wong Wah On, Edward	–	–	–	–	1,400,000	1,400,000	0.1%
Mr. Leung Po Wing, Bowen Joseph	384,000	–	–	–	2,800,000	3,184,000	0.2%
Mr. Chan Siu Wing, Raymond	–	–	–	–	2,800,000	2,800,000	0.2%
Mr. Chu, Raymond	27,448,000	–	–	–	12,847,800	40,295,800	2.7%

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 4,000,000 and 1,400,000 Shares each, totalling 5,400,000 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 2017, 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 2017, 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	32.8%
Silver Pointer Limited	Beneficial Owner	106,880,000	7.2%

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 35 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.

Directors' Report

Details of the outstanding Options under the Share Option Scheme as at 31 March 2017 were as follows:

	Exercise price	Number of share options: Balance as at 1 April 2016	Exercised during year	Lapsed during year	Balance as at 31 March 2017	Date of grant of share options	Exercisable periods of share options
Executive Directors							
Mr. Lau Ho Ming, Peter	HK$0.25	6,720,000	(6,720,000)	–	–	17 March 2014	17 March 2014 to 16 March 2024
	HK$1.02	4,000,000	–	–	4,000,000	3 July 2015	3 July 2015 to 2 July 2025
Mr. Poon Pak Ki, Eric	HK$0.25	1,400,000	(1,400,000)	–	–	17 March 2014	17 March 2014 to 16 March 2024
	HK$1.02	5,400,000	–	–	5,400,000	3 July 2015	3 July 2015 to 2 July 2025
	HK$0.748	7,500,000	–	–	7,500,000	24 March 2016	24 March 2016 to 23 March 2026
Mr. Ng Kam Seng	HK$0.25	2,240,000	(2,240,000)	–	–	17 March 2014	17 March 2014 to 16 March 2024
	HK$1.02	5,400,000	–	–	5,400,000	3 July 2015	3 July 2015 to 2 July 2025
	HK$0.748	7,500,000	–	–	7,500,000	24 March 2016	24 March 2016 to 23 March 2026
Mr. Chu, Raymond *(Note 1)*	HK$0.25	672,000	(672,000)	–	–	17 March 2014	17 March 2014 to 16 March 2024
	HK$0.748	12,847,800	–	–	12,847,800	24 March 2016	24 March 2016 to 23 March 2026
Non-executive Directors							
Madam Li Man Yee, Stella	HK$0.25	6,720,000	(6,720,000)	–	–	17 March 2014	17 March 2014 to 16 March 2024
	HK$1.02	1,400,000	–	–	1,400,000	3 July 2015	3 July 2015 to 2 July 2025
Mr. Chu Sheung Yu, Lawrence *(Note 2)*	HK$0.25	672,000	(672,000)	–	–	17 March 2014	17 March 2014 to 16 March 2024
Mr. Wang Zhao *(Note 3)*	HK$1.02	1,400,000	–	–	1,400,000	3 July 2015	3 July 2015 to 2 July 2025

	Exercise price	Number of share options Balance as at 1 April 2016	Exercised during year	Lapsed during year	Balance as at 31 March 2017	Date of grant of share options	Exercisable periods of share options
Independent Non-executive Directors							
Mr. Leung Po Wing, Bowen Joseph	HK$0.25	672,000	(672,000)	–	–	17 March 2014	17 March 2014 to 16 March 2024
	HK$1.02	1,400,000	–	–	1,400,000	3 July 2015	3 July 2015 to 2 July 2025
	HK$0.748	1,400,000	–	–	1,400,000	24 March 2016	24 March 2016 to 23 March 2026
Mr. Chan Siu Wing, Raymond	HK$0.25	672,000	(672,000)	–	–	17 March 2014	17 March 2014 to 16 March 2024
	HK$1.02	1,400,000	–	–	1,400,000	3 July 2015	3 July 2015 to 2 July 2025
	HK$0.748	1,400,000	–	–	1,400,000	24 March 2016	24 March 2016 to 23 March 2026
Mr. Wong Wah On, Edward	HK$0.748	1,400,000	–	–	1,400,000	24 March 2016	24 March 2016 to 23 March 2026
Employees	HK$0.25	6,356,000	(5,444,000)	(912,000)	–	17 March 2014	17 March 2014 to 16 March 2019
	HK$1.02	13,600,000	–	(1,400,000)	12,200,000	3 July 2015	3 July 2015 to 2 July 2025
	HK$0.748	65,063,800	–	(4,876,000)	60,187,800	24 March 2016	24 March 2016 to 23 March 2026
Consultants	HK$0.25	3,360,000	(2,240,000)	–	1,120,000	17 March 2014	17 March 2014 to 16 March 2024
	HK$1.02	19,600,000	–	–	19,600,000	3 July 2015	3 July 2015 to 2 July 2025
	HK$0.748	12,300,000	–	–	12,300,000	24 March 2016	24 March 2016 to 23 March 2026
Total		192,495,600	(27,452,000)	(7,188,000)	157,855,600		

Notes:

1. *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.*

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

3. *Mr. Wang Zhao resigned as a Non-executive Director of the Company on 27 November 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 2017 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 151,191,600, representing 10.3% 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.

CONTINUING CONNECTED TRANSACTIONS

The Group had certain transactions which constituted continuing connected transactions of the Group pursuant to Chapter 14A of the Listing Rules during the year ended 31 March 2017. Details of the continuing connected transactions are summarized in the section "Corporate Governance Report" in this Annual Report.

MATERIAL RELATED PARTY TRANSACTIONS

During the year ended 31 March 2017, 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 40 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 2017.

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 2017, 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.

EVENTS AFTER THE REPORTING PERIOD

Detail of events after the end of the reporting period are set out in note 48 to the consolidated financial statements.

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 2017 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 exception as set out in the section "Corporate Governance Report" on pages 8 to 17 of this Annual Report.

PERMITTED INDEMNITY PROVISION

Under the articles of association of the Company, generally, the Directors shall be indemnified out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses for acts done, concurred in or omitted in when discharging their duties in the affairs of the Company, other than any matter in respect of any fraud or dishonesty.

In addition, the Company has taken out and maintained insurance for the Directors against liabilities to third parties that may be incurred in the course of performing their duties as at the date of this report.

AUDITOR

The consolidated financial statements for the year ended 31 March 2017 have been audited by BDO Limited which retires, and being eligible, offers itself for re-appointment at 2017 AGM. A resolution to re-appoint BDO Limited and to authorize the Directors to fix its remuneration will be proposed at 2017 AGM.

On behalf of the Board

Lau Ho Ming, Peter
Executive Chairman
Hong Kong, 28 June 2017

Independent Auditor's Report

BDO

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To the Shareholders of Quali-Smart Holdings Limited
(incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Quali-Smart Holdings Limited (the "Company") and its subsidiaries (the "Group") set out on pages 44 to 135 which comprise the consolidated statement of financial position as at 31 March 2017, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 March 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the "*Auditor's Responsibilities for the Audit of the Consolidated Financial Statements*" section of our report. We are independent of the Group in accordance with the HKICPA's "*Code of Ethics for Professional Accountants*" (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Impairment assessment of goodwill and intangible assets

(refer to notes 4(d), 4(h) and 4(j) on summary of significant accounting polices, 18 and 19 to the consolidated financial statements)

Goodwill arising from business combination is allocated to cash-generating units (the "CGUs") of "digital publishing, mobile and web application solutions" and "financial services" for annual impairment testing. Besides, the Group's intangible assets that are "mobile and web application technologies" and "trading rights, trademark and website", are allocated to relevant CGUs and subjected to annual impairment testing.

As at 31 March 2017, the Group had goodwill and intangible assets amounting to approximately HK$184,783,000 and HK$34,505,000 respectively relating to relevant CGUs.

Management has performed impairment test on goodwill and intangible assets in accordance with the Group's accounting policies and there were impairment losses of approximately HK$3,695,000 and HK$33,889,000 in respect of goodwill and intangible assets respectively for the CGUs of digital publishing, mobile and web application solution. In addition, the management concluded that there is no impairment in respect of goodwill and intangible assets for the CGUs of financial services.

These assessments were based on calculations of value-in-use ("VIU") and fair value less costs of disposal ("FVLCD"). The VIU primarily uses 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 expected growth in revenues, timing of future capital expenditures, growth rates and selection of discount rates to reflect specific risks relating to the relevant CGUs. Calculation of FVLCD involves the selection of valuation model, adoption of key assumption, and input data, which are subject to management judgement.

We have identified the impairment assessment of goodwill and intangible assets as a key audit matter because of its significance to the consolidated financial statements and because the calculations of VIU and FVLCD involve significant management judgment and estimates with respect to the underlying cash flows or fair value.

Our response:
Our procedures in relation to the management's impairment assessment of goodwill and intangible assets included:

– considering the historical accuracy of management's budgeting processes;

– evaluating the independent valuer's competence, capabilities and objectivity;

– conducting in-depth discussion with management and independent valuer about the valuation model used in the calculation of FVLCD, the cash flow projections used in the calculation of VIU and assessing the appropriateness of the significant assumptions and critical judgement areas which affect the calculation of VIU;

– considering the appropriateness of fair value of relevant CGU estimated by independent valuer by comparing to recent transaction prices of comparable companies of the CGU;

– benchmarking the growth rates and discount rates used in the calculation of VIU against independent industry data and comparable companies; and

– engaging in-house valuation specialist to assist us evaluating and assessing the appropriateness of the key assumptions used in the calculation of VIU.

OTHER INFORMATION IN THE ANNUAL REPORT

The directors are responsible for the other information. The other information comprises the information in the Company's annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

DIRECTORS' RESPONSIBILITIES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the HKICPA 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.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The directors are also responsible for overseeing the Group's financial reporting process. The Audit Committee assists the directors in discharging their responsibility in this regard.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, in accordance with the terms of 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.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

BDO Limited
Certified Public Accountants

Li Yin Fan
Practising Certificate Number P03113
Hong Kong, 28 June 2017

Consolidated Statement of Profit or Loss and Other Comprehensive Income

		Year ended 31 March	
		2017	2016
	Notes	**HK$'000**	HK$'000
REVENUE	*7*	**787,704**	770,409
Cost of sales		**(693,912)**	(690,046)
Gross profit		**93,792**	80,363
Other income, gains and losses	*8*	**28,730**	19,682
Selling expenses		**(21,690)**	(18,739)
Administrative expenses		**(140,754)**	(95,534)
Impairment loss on goodwill	*9*	**(3,695)**	(48,064)
Impairment loss on intangible assets	*9*	**(33,889)**	-
Fair value loss/(gain) on derivative financial asset	*9*	**(5,129)**	581
Finance costs	*10*	**(10,801)**	(11,061)
LOSS BEFORE INCOME TAX EXPENSE	*9*	**(93,436)**	(72,772)
Income tax expense	*12*	**(707)**	(4,801)
LOSS FOR THE YEAR		**(94,143)**	(77,573)

Consolidated Statement of Profit or Loss and Other Comprehensive Income

	Note	Year ended 31 March 2017 HK$'000	2016 HK$'000
LOSS FOR THE YEAR		**(94,143)**	(77,573)
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		**(775)**	(1,069)
Release of translation reserve upon disposal of subsidiaries		**(3,017)**	–
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		**(97,935)**	(72,571)
Loss attributable to:			
Owners of the Company		**(94,143)**	(77,572)
Non-controlling interests		**–**	(1)
		(94,143)	(77,573)
Total comprehensive income attributable to:			
Owners of the Company		**(97,935)**	(72,570)
Non-controlling interests		**–**	(1)
		(97,935)	(72,571)
Loss per share	*14*		
– Basic and diluted (HK cents)		**(6.48)**	(5.97)

Consolidated Statement of Financial Position

	Notes	At 31 March **2017** **HK$'000**	 2016 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	*15*	**16,231**	44,460
Prepaid land lease payments	*16*	**–**	6,952
Investment property	*17*	**6,200**	6,200
Goodwill	*18*	**184,783**	188,478
Intangible assets	*19*	**34,505**	77,151
Interests in a joint venture	*20*	**–**	–
Deferred tax asset	*38*	**–**	1,717
Statutory deposit for financial service business		**406**	396
Total non-current assets		**242,125**	325,354
CURRENT ASSETS			
Inventories	*21*	**92,028**	108,764
Trade receivables	*22*	**44,666**	457,360
Financial assets at fair value through profit or loss	*23*	**14,544**	18,222
Prepayments, deposits and other receivables	*24*	**66,556**	29,679
Derivative financial asset	*32*	**592**	5,721
Cash and bank balances held on behalf of customers	*25*	**204,358**	91
Cash and cash equivalents	*26*	**129,987**	221,633
Total current assets		**552,731**	841,470
CURRENT LIABILITIES			
Trade payables	*27*	**262,776**	407,093
Receipts in advance, accruals and other payables	*28*	**13,784**	27,585
Amount due to a related company	*29*	**–**	102
Interest-bearing bank borrowings	*30*	**33,615**	49,051
Promissory notes	*31*	**–**	45,000
Convertible notes	*32*	**54,944**	55,055
Tax payables		**2,115**	326
Total current liabilities		**367,234**	584,212
NET CURRENT ASSETS		**185,497**	257,258
TOTAL ASSETS LESS CURRENT LIABILITIES		**427,622**	582,612

Consolidated Statement of Financial Position

	Notes	At 31 March **2017** **HK$'000**	 2016 HK$'000
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings	*30*	**–**	7,667
Promissory notes	*31*	**–**	79,792
Deferred tax liabilities	*38*	**5,763**	12,805
Total non-current liabilities		**5,763**	100,264
NET ASSETS		**421,859**	482,348
EQUITY			
Share capital	*33*	**287**	281
Reserves		**420,982**	481,477
		421,269	481,758
Non-controlling interests		**590**	590
Total equity		**421,859**	482,348

On behalf of the Board

Lau Ho Ming, Peter
Director

Poon Pak Ki, Eric
Director

Consolidated Statement of Changes in Equity

	Attributable to the owners of the Company												
	Share capital HK$'000	Share premium HK$'000 *(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$'000 *(note 7)*	Retained earnings/ (accumulated losses) HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 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 35)*	3	4,342	–	–	–	–	–	(1,150)	–	–	3,195	–	3,195
Equity settled share-based transactions *(note 35)*	–	–	–	–	–	–	–	12,818	–	–	12,818	–	12,818
Proceeds from subscription of new shares *(note 33(b))*	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 and 1 April 2016	**281**	**409,404**	**9,271**	**844**	**3,792**	**6,071**	**1,100**	**13,891**	**42,725**	**(5,621)**	**481,758**	**590**	**482,348**
Exercise of share options *(note 35)*	**6**	**9,365**	**-**	**-**	**-**	**-**	**-**	**(2,507)**	**-**	**-**	**6,864**	**-**	**6,864**
Equity settled share-based transactions *(note 35)*	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**30,682**	**-**	**-**	**30,682**	**-**	**30,682**
Lapse of share options *(note 35)*	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(537)**	**-**	**537**	**-**	**-**	**-**
Disposal of subsidiaries	**-**	**-**	**(9,271)**	**(844)**	**-**	**-**	**(100)**	**-**	**-**	**10,115**	**(100)**	**-**	**(100)**
Loss for the year	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(94,143)**	**(94,143)**	**-**	**(94,143)**
Other comprehensive income													
Exchange differences arising on translation of foreign operations	**-**	**-**	**-**	**-**	**(775)**	**-**	**-**	**-**	**-**	**-**	**(775)**	**-**	**(775)**
Release of translation reserve upon disposal of subsidiaries	**-**	**-**	**-**	**-**	**(3,017)**	**-**	**-**	**-**	**-**	**-**	**(3,017)**	**-**	**(3,017)**
Total comprehensive income for the year	**-**	**-**	**-**	**-**	**(3,792)**	**-**	**-**	**-**	**-**	**(94,143)**	**(97,935)**	**-**	**(97,935)**
At 31 March 2017	**287**	**418,769**	**-**	**-**	**-**	**6,071**	**1,000**	**41,529**	**42,725**	**(89,112)**	**421,269**	**590**	**421,859**

Notes:

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

2. *The capital reserve 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	Year ended 31 March 2017 HK$'000	2016 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before income tax expense:		**(93,436)**	(72,772)
Adjustments for:			
Interest income	*8*	**(676)**	(19)
Interest expenses	*10*	**10,801**	11,061
Depreciation of property, plant and equipment	*9*	**18,113**	23,443
Loss on disposal of property, plant and equipment	*8*	**54**	34
Gain on disposal of subsidiaries	*8*	**(11,877)**	–
Amortisation of prepaid land lease payments	*9*	**104**	201
Amortisation of intangible assets	*9*	**8,790**	8,790
Net gain on derivative financial instruments	*8*	**–**	(346)
Impairment loss on goodwill	*9*	**3,695**	48,064
Impairment loss on intangible assets	*9*	**33,889**	–
Loss on early redemption of promissory notes	*8*	**887**	1,214
Gain on extension of convertible notes	*8*	**(4,242)**	–
Fair value loss/(gain) on derivative financial asset	*9*	**5,129**	(581)
Fair value gain on financial assets at fair value through profit or loss	*8*	**(2,737)**	(3,983)
Loss on changes in fair value of investment property	*8*	**–**	400
Equity settled share-based payment expenses	*35*	**30,682**	12,818
Operating (loss)/profit before working capital changes		**(824)**	28,324
Decrease in inventories		**12,063**	24,396
Decrease/(increase) in trade receivables		**410,468**	(378,649)
Increase in prepayments, deposits and other receivables		**(37,022)**	(23,671)
(Decrease)/increase in trade payables		**(142,611)**	362,226
Increase in statutory deposit for financial service business		**(10)**	(396)
Increase/(decrease) in receipts in advance, accruals and other payables		**1,663**	(18,831)
(Decrease)/increase in amount due to a related company		**(102)**	102
Increase in cash and bank balances held on behalf of customers		**(204,267)**	(91)
Decrease/(increase) in financial assets at fair value through profit or loss		**6,415**	(14,239)
Cash generated from/(used in) operations		**45,773**	(20,829)
Income taxes paid		**(7,973)**	(5,476)
Net cash generated from/(used in) operating activities		**37,800**	(26,305)

Consolidated Statement of Cash Flows

		Year ended 31 March	
		2017	2016
	Notes	**HK$'000**	HK$'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		**676**	19
Purchases of property, plant and equipment		**(7,865)**	(6,664)
Purchase of intangible assets		**(33)**	(521)
Acquisition of subsidiaries, net of cash acquired	*36*	**–**	(26,506)
Disposal of subsidiaries, net of cash disposed	*37*	**26,186**	69,420
Settlement of derivative financial instruments		**–**	185
Net cash generated from investing activities		**18,964**	35,933
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from subscription of new shares		**–**	245,639
Issuing expenses from subscription of new shares		**–**	(3,929)
Net proceeds from exercise of share options		**6,864**	3,195
Proceeds from bank borrowings		**182,655**	217,885
Repayment of bank borrowings		**(205,760)**	(247,539)
Proceeds from issue of promissory notes		**–**	45,000
Redemption of promissory notes		**(124,333)**	(107,030)
Interest paid		**(8,016)**	(8,682)
Net cash (used in)/generated from financing activities		**(148,590)**	144,539
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		**(91,826)**	154,167
Cash and cash equivalents at beginning of year		**221,633**	67,170
Effect of foreign exchange rate changes, net		**180**	296
CASH AND CASH EQUIVALENTS AT END OF YEAR		**129,987**	221,633

Notes to Consolidated Financial Statements

1. CORPORATE INFORMATION

Quali-Smart Holdings Limited (the "Company") was incorporated as an exempted company with limited liability in the Cayman Islands on 14 March 2012 under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The Company's registered office is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands and its principal place of business in Hong Kong is located at Workshop 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 39 to the financial statements.

The consolidated financial statements were approved and authorised for issue by the board of directors of the Company (the "Directors") on 28 June 2017.

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

(a) Adoption of new/revised HKFRSs – effective 1 January 2016

The Group has adopted the following new/revised HKFRSs for the first time for the financial year beginning 1 April 2016:

HKFRSs (Amendments)	Annual Improvements 2012–2014 Cycle
Amendments to HKAS 1	Disclosure Initiative
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to HKAS 27	Equity Method in Separate Financial Statements
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations

Amendments to HKAS 1 – Disclosure Initiative

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

Included in the clarifications is that an entity's share of other comprehensive income from equity accounted interests in associates and joint ventures is 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.

The adoption of the amendments has no impact on these financial statements.

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

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

The adoption of the amendments has no impact on these financial statements as the Group has not previously used revenue-based depreciation methods.

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

(a) Adoption of new/revised HKFRSs – effective 1 January 2016 (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. The amendments are applied retrospectively in accordance with HKAS 8.

The adoption of the amendments has no impact on these financial statements as the Company has not elected to apply the equity method in its separate financial statements.

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

The amendments require an entity to apply the relevant 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. The amendments are applied prospectively.

The adoption of the amendments has no impact on these financial statements as the Group has not acquired or formed a joint operation.

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

The following new/revised 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. The Group's current intention is to apply these changes on the date they become effective.

Amendments to HKAS 7	Disclosure Initiative[1]
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses[1]
Amendments to HKFRS 2	Classification and Measurement of Share-Based Payment Transactions[2]
HK (IFRIC) – Int 22	Foreign Currency Transactions and Advance Consideration[2]
HKFRS 9	Financial Instruments[2]
HKFRS 15	Revenue from Contracts with Customers[2]
Amendments to HKFRS 15	Revenue from Contracts with Customers (Clarifications to HKFRS 15)[2]
HKFRS 16	Leases[3]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]

[1] Effective for annual periods beginning on or after 1 January 2017
[2] Effective for annual periods beginning on or after 1 January 2018
[3] Effective for annual periods beginning on or after 1 January 2019
[4] The amendments were originally intended to be effective for periods beginning on or after 1 January 2016. The effective date has now been deferred/removed. Early application of the amendments of the amendments continues to be permitted.

Amendments to HKAS 7 – Disclosure Initiative

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

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

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

Amendments to HKAS 12 – Recognition of Deferred Tax Assets for Unrealised Losses

The amendments relate to the recognition of deferred tax assets and clarify some of the necessary considerations, including how to account for deferred tax assets related to debt instruments measured of fair value.

Amendments to HKFRS 2 – Classification and Measurement of Share-Based Payment Transactions

The amendments provide requirements on the accounting for the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments; share-based payment transactions with a net settlement feature for withholding tax obligations; and a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.

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.

HK(IFRIC) – Int 22 Foreign Currency Transactions and Advance Consideration

HK(IFRIC) – Int 22 addresses foreign currency transactions or parts of transactions where:

(i) there is consideration that is denominated or priced in a foreign currency;

(ii) the entity recognises a prepayment asset or a deferred income liability in respect of that consideration, in advance of the recognition of the related asset, expense or income; and

(iii) the prepayment asset or deferred income liability is non-monetary.

The Interpretations Committee came to the following conclusion:

(i) the date of the transaction, for the purpose of determining the exchange rate, is the rate of initial recognition of the non-monetary prepayment asset or deferred income liability;

(ii) if there are multiple payments or receipts in advance, a date of transaction is established for each payments or receipt.

Except as described below, the Directors anticipate that the application of the above new or amended HKFRSs will have no material impact on the consolidated financial statements.

HKFRS 9 – Financial Instruments

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

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

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

HKFRS 9 – Financial Instruments (continued)

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.

During the year ended 31 March 2017, all of the Group's financial assets and financial liabilities, except derivative financial asset and held-for trading investment, were carried out at amortised costs without significant impairment on the former, the implementation of HKFRS 9 is not expected to result in any significant impact on the Group's financial position and results of operations.

In relation to the impairment of financial assets, it is no longer necessary for a credit event to have occurred before credit losses are recognised under HKAS 39. Instead, the expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. Consequently, the Group is unable to quantity the impact until a more detailed assessment is completed.

HKFRS 15 – Revenue from Contracts with customers

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

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

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

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

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

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

Amendments HKFRS 15 – Revenue from Contracts with Customers (Clarifications to HKFRS 15)

The amendments to HKFRS 15 included clarifications on identification of performance obligations; application of principal versus agent; licenses of intellectual property; and transition requirements.

The Directors have performed a preliminary assessment and expect that the implementation of the HKFRS 15 would not result in any significant impact on the Group's financial position and results of operations. Meanwhile, there will be additional disclosure requirement under HKFRS 15 upon its adoption. However, the Directors are still in the process of assessing the full impact of the application of HKFRS 15 on the Group's financial statements and it is not practicable to provide a reasonable financial estimate of the effect until the Directors complete the detailed review. As a result, the above preliminary assessment is subject to change. The Directors do not intend to early apply the standard.

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 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.

As at 31 March 2017, the Group has non-cancellable operating lease commitments of approximately HK$21,163,000. HKAS 17 does not require the recognition of any right-of-use asset or liability for future payments for these leases; instead, certain information is disclosed as operating lease commitments in note 42. A preliminary assessment indicates that these arrangements will meet the definition of a lease under HKFRS 16, and hence the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases upon the application of HKFRS 16. The new requirement to recognise a right-of-use asset and a related lease liability is expected to have a significant impact on the amounts recognised in the Group's consolidated financial statements and the Directors are currently assessing its potential impact. It is not practicable to provide a reasonable estimate of the financial effect until the Directors complete the review.

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 the applicable Rules Governing the Listing of Securities on the Main Board of the Stock Exchange (the "Listing Rules").

3. BASIS OF PREPARATION (continued)

(b) Basis of measurement

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

- investment property;
- held-for-trading investment; and
- derivative financial assets.

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.

(c) Functional and presentation currency

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.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Basis of consolidation (continued)

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.

(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.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Joint arrangements (continued)

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.

(d) Goodwill

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

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

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Related parties

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

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

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of key management personnel of the Group or the parent of the Company.

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

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

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

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

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

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

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

(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	35%
Motor vehicles	18% or 35%

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

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

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

(g) Prepaid land lease payments

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

An impairment loss is recognised as an expense immediately.

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

(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.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(m) Revenue recognition (continued)

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.

An exception to the general requirement on determining the appropriate tax rate used in measuring deferred tax amount is when an investment property is carried at fair value under HKAS 40 “Investment Property”. Unless the presumption is rebutted, the deferred tax amounts on these investment properties are measured using the tax rates that would apply on sale of these investment properties at their carrying amounts at the reporting date. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all the economic benefits embodied in the property over time, rather than through sale.

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 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 at fair value through profit or loss (notes 23 and 32); and

For more detailed information in relation to the fair value measurement of the items above, please refer to note 46.

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. 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 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 HK$'000	Digital publishing, mobile and web application solutions HK$'000	Financial services HK$'000	Total HK$'000
For the year ended 31 March 2017				
External revenue	**768,097**	**2,833**	**16,774**	**787,704**
Segment profit/(loss)	**23,240**	**(49,511)**	**(34,129)**	**(60,400)**
Corporate income				
– Others				**15,285**
Central administrative cost*				**(5,225)**
Equity settled share-based payment expenses				**(30,682)**
Finance cost				**(7,285)**
Fair value change in derivative financial asset				**(5,129)**
Loss before income tax expense				**(93,436)**
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*				(9,711)
Equity settled share-based payment expenses				(12,818)
Finance costs				(8,213)
Fair value change in derivative financial asset				581
Net gain on derivative financial instruments				346
Loss before income tax expense				(72,772)

* Central administrative cost mainly includes Directors' remuneration (excluding equity settled share-based payment expenses to Directors) and legal and professional fees.

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, net gain on derivative financial instruments, fair value gain on financial assets, 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, prepayment, tax recoverable, derivative financial asset, cash and cash equivalent.

	2017 **HK$'000**	2016 HK$'000
Manufacturing and sales of toys	**150,164**	233,185
Digital publishing, mobile and web application solutions	**34,964**	81,057
Financial services	**475,726**	618,332
Total segment assets	**660,854**	932,574
Unallocated	**134,002**	234,250
Consolidated assets	**794,856**	1,166,824

Segment liabilities

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

	2017 **HK$'000**	2016 HK$'000
Manufacturing and sales of toys	**98,041**	106,525
Digital publishing, mobile and web application solutions	**1,594**	2,963
Financial services	**210,540**	382,010
Total segment liabilities	**310,175**	491,498
Unallocated	**62,822**	192,978
Consolidated liabilities	**372,997**	684,476

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 2017

	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	**7,811**	**29**	**25**	**7,865**
Depreciation of property, plant and equipment	**(17,291)**	**(149)**	**(671)**	**(18,111)**
Loss on disposal of property, plant and equipment	**–**	**–**	**(54)**	**(54)**
Amortisation of prepaid lease payments	**(104)**	**–**	**–**	**(104)**
Amortisation of intangible assets	**–**	**(8,790)**	**–**	**(8,790)**
Impairment loss on goodwill	**–**	**(3,695)**	**–**	**(3,695)**
Impairment loss on intangible assets	**–**	**(33,889)**	**–**	**(33,889)**
Fair value gains on financial assets through profit or loss	**–**	**–**	**2,737**	**2,737**
Bad debt recovery	**787**	**–**	**–**	**787**
Interest expenses	**(2,546)**	**(1)**	**(969)**	**(3,516)**

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 equipment	(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 gains 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)

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	
	2017	2016
	HK$'000	HK$'000
North America *(note 1)*	**462,614**	351,313
Western Europe		
– United Kingdom	**60,693**	86,965
– France	**27,718**	43,103
– Netherland	**5,006**	16,158
– Others *(note 2)*	**48,471**	99,227
PRC and Taiwan	**84,814**	67,208
Central America, Caribbean and Mexico	**22,318**	32,494
South America	**14,218**	25,356
Australia, New Zealand and Pacific Islands	**14,860**	15,888
Others *(note 3)*	**46,992**	32,697
Total	**787,704**	770,409

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	
	2017	2016
	HK$'000	HK$'000
Mainland China, the PRC	**14,925**	48,160
Hong Kong	**7,506**	9,452
Total	**22,431**	57,612

6. OPERATING SEGMENT INFORMATION (continued)

(c) Information about major customers

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

	Year ended 31 March	
	2017	2016
	HK$'000	HK$'000
Customer A	**245,142**	315,689
Customer B	**247,759**	128,670
Customer C	**125,451**	99,038
Customer D*	**82,599**	–
Customer E*	**–**	121,008
	700,951	664,405

* The customer contributed less than 10% of the Group's revenue during the year ended 31 March 2016 or 31 March 2017.

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	
	2017	2016
	HK$'000	HK$'000
Manufacturing and sales of goods	**768,097**	765,737
Digital publishing, mobile and web application solutions	**2,833**	1,836
Financial services	**16,774**	2,836
	787,704	770,409

8. OTHER INCOME, GAINS AND LOSSES

	Year ended 31 March	
	2017	2016
	HK$'000	HK$'000
Other income		
Interest income from bank deposits	**16**	19
Interest income from bonds	**660**	–
Moulding income	**4,159**	3,802
Rental income	**911**	379
	5,746	4,200
Other gains and losses		
Exchange gains, net	**292**	242
Gain on disposal of subsidiaries	**11,877**	3,303
Net gain on derivative financial instruments	**–**	346
Fair value gain on financial assets at fair value through profit or loss	**2,737**	3,983
Loss on changes in fair value of investment property	**–**	(400)
Loss on early redemption of promissory notes	**(887)**	(1,214)
Gain on extension of convertible notes	**4,242**	–
Loss on disposal of property, plant and equipment	**(54)**	(34)
Bad debt recovery	**787**	–
Reversal of impairment loss on trade receivables	**–**	6,966
Others	**3,990**	2,290
	22,984	15,482
Other income, gains and losses	**28,730**	19,682

9. LOSS BEFORE INCOME TAX EXPENSE

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

	Year ended 31 March	
	2017	2016
	HK$'000	HK$'000
Cost of inventories sold	**693,912**	690,046
Depreciation of property, plant and equipment	**18,113**	23,443
Amortisation of prepaid land lease payments	**104**	201
Amortisation of intangible assets	**8,790**	8,790
Employee benefits expenses (excluding Directors' remuneration *(note 11(a))*):		
Wages and salaries	**55,199**	42,792
Equity settled share-based payment expenses to employees	**14,224**	3,120
Pension scheme contributions	**2,295**	3,025
Other benefits	**4,332**	4,812
	76,050	53,749
Fair value loss/(gain) on derivative financial asset	**5,129**	(581)
Equity settled share-based payment expenses to eligible persons other than employees and Directors	**6,331**	4,540
Auditor's remuneration	**1,768**	1,692
Operating lease charges in respect of land and buildings	**11,687**	3,377
Impairment loss on goodwill	**3,695**	48,064
Impairment loss on intangible assets	**33,889**	–

10. FINANCE COSTS

	Year ended 31 March	
	2017	2016
	HK$'000	HK$'000
Interest on bank and other borrowings:		
– Bank borrowings	**2,546**	3,309
– Promissory notes	**3,363**	3,886
– Convertible notes	**4,131**	3,866
– Bank overdrafts and other finance charges	**761**	–
	10,801	11,061

11. DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID EMPLOYEES

(a) Directors' remuneration

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

Year ended 31 March 2017	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	–	4,252	806	74	5,132
Mr. Ng Kam Seng	–	2,107	2,495	55	4,657
Mr. Poon Pak Ki, Eric	–	1,448	2,481	47	3,976
Mr. Chu, Raymond	–	3,000	2,626	18	5,644
	–	10,807	8,408	194	19,409
Non-executive Director					
Madam Li Man Yee, Stella	240	–	358	–	598
	240	–	358	–	598
Independent non-executive Directors					
Mr. Leung Po Wing, Bowen Joseph	210	–	538	–	748
Mr. Chan Siu Wing, Raymond	180	–	538	–	718
Mr. Wong Wah On, Edward	180	–	285	–	465
	570	–	1,361	–	1,931
Total	810	10,807	10,127	194	21,938

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

(a) Directors' remuneration (continued)

Year ended 31 March 2016	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Equity settled share-based payment expenses HK$'000	Pension scheme contribution HK$'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, Eric	–	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)

(b) Five highest paid employees

The five individuals whose remuneration were the highest in the Group for the year ended 31 March 2017 included 4 Directors (2016: 3) and their remuneration are reflected in note 11(a). The remuneration of the remaining 1 highest paid individual (2016: 2) for the year ended 31 March 2017 is as follows:

	Year ended 31 March	
	2017	2016
	HK$'000	HK$'000
Salaries, allowances and benefits in kind	**1,455**	3,392
Equity settled share-based payment expenses	**2,245**	1,477
Pension scheme contributions	**55**	73
	3,755	4,942

Their remuneration was within the following bands:

	Number of individuals	
	2017	2016
HK$2,000,001 to HK$2,500,000	**–**	1
HK$2,500,001 to HK$3,000,000	**–**	1
HK$3,500,001 to HK$4,000,000	**1**	–
	1	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 (2016: Nil). None of the Directors nor the five highest paid employees has waived or agreed to waive any remuneration during the year (2016: Nil).

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

	Number of senior management	
	2017	2016
HK$1,000,001 to HK$1,500,000	**–**	1
HK$2,500,001 to HK$3,000,000	**1**	1
	1	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 (2016: 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 (2016: 25%).

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

	Year ended 31 March	
	2017	2016
	HK$'000	HK$'000
Current – Hong Kong		
Charge for the year	**6,886**	6,316
Under/(over) provision in prior years	**666**	(65)
	7,552	6,251
Current – the PRC		
Charge for the year	**197**	300
	7,749	6,551
Deferred tax credit *(note 38)*	**(7,042)**	(1,750)
Income tax expense for the year	**707**	4,801

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 profit or loss and other comprehensive income as follows:

	Year ended 31 March	
	2017	2016
	HK$'000	HK$'000
Loss before income tax expense	**(93,436)**	(72,772)
Tax at the applicable tax rate of 16.5% (2016: 16.5%)	**(15,417)**	(12,007)
Effect of different tax rate of a subsidiary operating in other jurisdiction	**44**	16
Tax effect of revenue not taxable for tax purposes	**(3,405)**	(1,591)
Tax effect of expenses not deductible for tax purposes	**11,183**	13,062
Tax effect of tax loss not recognised	**6,961**	5,350
Tax effect of temporary difference not recognised	**675**	113
Utilisation of tax losses previously not recognised	**–**	(77)
Under/(over) provision in prior years	**666**	(65)
Income tax expense	**707**	4,801

No deferred tax asset has been recognised in respect of the unused tax losses of HK$76,218,000 (2016: HK$34,030,000) 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. 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

No dividend was paid or proposed during the year ended 31 March 2017, nor has any dividend been proposed since the end of the reporting period (2016: Nil).

14. LOSS PER SHARE

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

	Year ended 31 March	
	2017	2016
	HK$'000	HK$'000
Loss		
Loss for the year attributable to the owner of the Company	**(94,143)**	(77,572)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic loss per share	**1,452,276,833**	1,299,533,918

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 2017 of approximately HK$94,143,000 (2016: HK$77,572,000), and of the weighted average number of 1,452,276,833 (2016: 1,299,533,918) 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 sub-division being effective on 13 January 2016 (note 33(c)) was deemed to be effective throughout the period from 1 April 2014 to 31 March 2016.*

Diluted losses per share are the same as basic loss per share for the year ended 31 March 2017 (2016: same) as the impact of the potential dilutive ordinary shares outstanding has an anti-dilutive effect on the basic losses per share presented for the year ended 31 March 2017 (2016: anti-dilutive).

There is no dilutive effect on the convertible notes as they are anti-dilutive (2016: 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 2016						
Cost:						
At 1 April 2015	96,244	12,257	112,598	10,125	9,334	240,558
Acquired through business combination *(note 36)*	–	–	–	2,357	–	2,357
Additions	–	–	5,584	956	124	6,664
Disposal of subsidiaries *(note 37)*	(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 36)*	–	–	–	913	–	913
Disposal of subsidiaries *(note 37)*	(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)

	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 2017						
Cost:						
At 1 April 2016	23,659	8,705	118,145	13,430	9,036	172,975
Additions	–	–	7,520	197	148	7,865
Disposal of subsidiaries *(note 37)*	(22,713)	(2,010)	(4,185)	(387)	(3,515)	(32,810)
Disposals	–	–	–	(64)	–	(64)
Written-off	–	–	(64,675)	(3,070)	(4,024)	(71,769)
Exchange differences	(886)	–	(27)	(5)	(44)	(962)
At 31 March 2017	60	6,695	56,778	10,101	1,601	75,235
Accumulated depreciation:						
At 1 April 2016	5,718	6,117	98,272	10,260	8,148	128,515
Disposal of subsidiaries *(note 37)*	(5,841)	(2,010)	(3,991)	(373)	(3,356)	(15,571)
Depreciation charge for the year	401	2,112	13,247	1,806	547	18,113
Disposals	–	–	–	(10)	–	(10)
Written-off	–	–	(64,675)	(3,070)	(4,024)	(71,769)
Exchange differences	(218)	–	(18)	(3)	(35)	(274)
At 31 March 2017	60	6,219	42,835	8,610	1,280	59,004
Net book value:						
At 31 March 2017	–	476	13,943	1,491	321	16,231
At 31 March 2016	17,941	2,588	19,873	3,170	888	44,460

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	
	2017	2016
	HK$'000	HK$'000
Properties located in Hong Kong	**–**	–
Properties located in the PRC	**–**	17,941
	–	17,941

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	
	2017	2016
	HK$'000	HK$'000
At 1 April	**6,952**	7,520
Amortisation	**(104)**	(201)
Exchange differences	**(260)**	(367)
Disposal of subsidiaries *(note 37)*	**(6,588)**	–
At 31 March	**–**	6,952

The land use rights are located in the PRC.

17. INVESTMENT PROPERTY

	At 31 March	
	2017	2016
	HK$'000	HK$'000
At 1 April (level 3 recurring fair value)	**6,200**	–
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**	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 ended 31 March 2016.

The Group's investment property was valued at 31 October 2015, 31 March 2016 and 2017 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.

The investment property was pledged by the Group as at 31 March 2017 (2016: aggregate net book value of approximately HK$6,200,000) to secure interest-bearing bank borrowings as set out in note 30.

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$10.6 to HK$17.3 per square feet	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 (2016: 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 2015	51,759	–	51,759
Acquired through business combination *(note 36)*	–	184,783	184,783
At 31 March 2016, 1 April 2016 and 31 March 2017	51,759	184,783	236,542
Impairment			
At 1 April 2015	–	–	–
Impairment loss	(48,064)	–	(48,064)
At 31 March 2016 and 1 April 2016	(48,064)	–	(48,064)
Impairment loss	(3,695)	–	(3,695)
At 31 March 2017	(51,759)	–	(51,759)
Carrying value			
At 31 March 2017	**–**	**184,783**	**184,783**
At 31 March 2016	3,695	184,783	188,478

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 and fair value less costs of disposal.

(a) The recoverable amount of the CGU in relation to digital publishing, mobile and web application solutions was approximately HK$34,000,000 (2016: 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 19.5% (2016: 21.3%) estimated by the management. Growth rate used to extrapolate the cash flows beyond the five-year budget plan is 3% (2016: 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 2017, as a result of losing certain customers, fierce competition for talents in the information technology industry and 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$3,695,000 (2016: HK$48,064,000).

18. GOODWILL (continued)

(b) Approximately HK$180,737,000 and HK$4,046,000 of goodwill were arisen from acquisition of Crosby Securities Limited ("CSL") and Crosby Asset Management (Hong Kong) Limited ("CAM") respectively during the year ended 31 December 2016, which are allocated to two different CGUs for impairment assessment.

The recoverable amount of the CGU in relation to CSL 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 rate of 20.0% (2016: 21.1%) estimated by the management. Growth rate used to extrapolate the cash flows beyond the five-year budget plan is 3% (2016: 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 2017, no impairment was provided on goodwill for CSL as the recoverable amount exceeded the carrying amount of the CGU (2016: Nil).

The recoverable amount of the CGU in relation to CAM was based on fair values less costs of disposal using direct comparison approach (2016: value-in-use calculation) by reference to recent sales of similar companies that have similar business model to CAM. Other key estimation included the cost of disposal based on estimation by the management of the Group. During the year ended 31 March 2017, no impairment was provided on goodwill for CAM as the recoverable amount exceeded the carrying amount of the CGU (2016: Nil).

The level in the fair value hierarchy in arriving the above recoverable amount is considered under Level 3. The fair value of CAM is determined using direct comparison approach by reference to recent sales price of comparable companies that have similar business model to CAM, adjusted for a discount specific to uncertainty on expected profitability of CAM compared to the recent sales. Higher discount for uncertainty on expected profitability will result in a lower fair value measurement, and vice versa.

Significant unobservable inputs	**Range**
Discount for uncertainty on expected profitability	5%

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$'000 (note a)	Trading rights, trademarks and website HK$'000 (note b)	Total HK$'000
Cost:			
At 1 April 2015	87,900	–	87,900
Acquired through business combination *(note 36)*	–	25	25
Additions	–	521	521
At 31 March 2016 and 1 April 2016	87,900	546	88,446
Additions	–	33	33
At 31 March 2017	87,900	579	88,479
Accumulated amortisation			
At 1 April 2015	(2,505)	–	(2,505)
Amortisation for the year	(8,790)	–	(8,790)
At 31 March 2016 and 1 April 2016	(11,295)	–	(11,295)
Amortisation for the year	(8,790)	–	(8,790)
Impairment loss	(33,889)	–	(33,889)
At 31 March 2017	(53,974)	–	(53,974)
Carrying value:			
At 31 March 2017	**33,926**	**579**	**34,505**
At 31 March 2016	76,605	546	77,151

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.

As at 31 March 2017, the recoverable amount of the mobile and web application technologies based on a value-in-use calculation with reference to a valuation performed by an independent professional valuer, BMI Appraisals Limited. The value-in-use calculation based on cash flow projections from formally approved budgets, covering a detailed five-year budget plans, and discount rate of 19.5% (2016: 21.3%) estimated by the management. Growth rate used to extrapolate the cash flows beyond the five-year budget plan is 3% (2016: 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 2017, as a result of losing certain customers, fierce competition for talents in the information technology industry and 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 the intangible assets of approximately HK$33,889,000 (2016: Nil).

19. INTANGIBLE ASSETS (continued)

Notes: (continued)

(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.

As at 31 March 2017, the recoverable amounts of the trading rights, trademarks and website with indefinite useful life have been determinate based on a value-in-use calculation, which reference to a valuation performed by an independent professional valuer, BMI Appraisal Limited. The value-in-use calculation based on cash flow projections from formally approved budgets, covering a detailed five-year budget plan, and discount rate of 20.0% (2016: 21.1%) estimated by the management. Growth rate used to extrapolate the cash flow beyond the five-year budget plan is 3% (2016: 3%) which reflects the long-term growth rate of the industry as forecasted 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 2017, no impairment was provided on trading rights, trademarks and website as the recoverable amount exceeded their carrying amount (2016: Nil).

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

20. INTERESTS IN A JOINT VENTURE

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

	2017 **HK$'000**	2016 HK$'000
Unlisted shares, at cost	**1**	1
Share of pre-acquisition profits on other comprehensive income	**(1)**	(1)
	–	–

Particular of the Group's joint venture as at 31 March 2017 and 2016 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	
	2017	2016
	HK$'000	HK$'000
Raw materials	**56,349**	76,698
Work in progress	**–**	5,376
Finished goods	**35,679**	26,690
	92,028	108,764

22. TRADE RECEIVABLES

	At 31 March	
	2017	2016
	HK$'000	HK$'000
Trade receivables from financial services segment	**7,051**	388,706
Trade receivables from toys and information technology segments	**37,615**	68,654
	44,666	457,360

Trade receivables from financial services segment

	At 31 March	
	2017	2016
	HK$'000	HK$'000
Accounts receivable arising from the ordinary course of business of securities brokerage and margin financing:		
– Cash clients	**1,312**	383,658
– Clearing house	**943**	–
– Brokers	**473**	–
– Margin clients	**3,023**	5,014
Accounts receivable arising from the ordinary course of business of provision of:		
– Custodian services	**250**	–
– Investment advisory services	**1,710**	660
– Asset management services	**–**	34
	7,711	389,366
Less: Allowance for impairment loss	**(660)**	(660)
	7,051	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	
	2017	2016
	HK$'000	HK$'000
On demand	**3,023**	5,014
Current – 30 days	**3,778**	383,684
61 – 90 days	**250**	8
	7,051	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	
	2017	2016
	HK$'000	HK$'000
Neither past due nor impaired	**7,051**	388,706

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

	At 31 March	
	2017	2016
	HK$'000	HK$'000
At 1 April	**660**	–
Acquired through business combinations	**–**	660
At 31 March	**660**	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 2017, the market value of securities pledged by clients to the Group as collateral against margin client receivables was HK$23,315,760 (31 March 2016: HK$24,514,000). 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 business of provision of investment advisory, corporate finance advisory and asset management services. All such accounts receivables are not past due at the reporting dates for which the Directors believe that no impairment allowance is necessary in respect of these balance 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 ranges 30–90 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	
	2017	2016
	HK$'000	HK$'000
Current to 30 days	**27,115**	34,702
31 to 60 days	**2,093**	1,914
61 to 90 days	**7,419**	5,389
Over 90 days	**988**	26,649
	37,615	68,654
Less: Allowance for impairment loss	**–**	–
	37,615	68,654

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

	At 31 March	
	2017	2016
	HK$'000	HK$'000
Neither past due nor impaired	**26,497**	38,911
Less than 1 month past due	**4,956**	4,227
1 to 3 months past due	**5,845**	4,610
Over 3 months past due	**317**	20,906
	37,615	68,654

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	
	2017	2016
	HK$'000	HK$'000
At 1 April	**–**	12,046
Recovery of impairment loss previously recognised	**–**	(6,966)
Bad debts written off	**–**	(5,080)
At 31 March	**–**	–

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 46.

23. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	At 31 March	
	2017	2016
	HK$'000	HK$'000
Listed equity securities held for trading in Hong Kong, at fair value	**14,544**	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 gains and unrealised gains on financial assets at fair value through profit or loss for the year ended 31 March 2017 is approximately HK$1,767,000 (2016: realised losses HK$1,386,000) and HK$970,000 (2016: unrealised gains HK$5,369,000) 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	
	2017	2016
	HK$'000	HK$'000
Prepayments	**3,424**	5,088
Deposits	**1,439**	7,806
Other receivables *(note)*	**61,693**	16,785
	66,556	29,679

Note:

Included in other receivables as at 31 March 2017, approximately of HK$60,000,000 (2016: 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 and 2017, 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. 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 payable (note 27) 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.

26. CASH AND CASH EQUIVALENTS

	At 31 March	
	2017	2016
	HK$'000	HK$'000
Cash and cash equivalents were denominated in:		
HK$	**101,639**	203,813
Renminbi ("RMB")	**6,609**	7,865
United Stated Dollars ("US$")	**21,739**	9,955
	129,987	221,633

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.

27. TRADE PAYABLES

	At 31 March	
	2017	2016
	HK$'000	HK$'000
Trade payables from financial services segment	**210,082**	380,325
Trade payables from toys and information technology segments	**52,694**	26,768
	262,776	407,093

27. TRADE PAYABLES (continued)

Trade payables from financial services segment

	At 31 March	
	2017	2016
	HK$'000	HK$'000
Accounts payable arising from the ordinary course of business of securities brokerage and margin financing:		
– Cash clients	**205,480**	16,225
– Margin clients	**291**	1
– Brokers and clearing house	**4,311**	364,099
	210,082	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 2017, included in trade payable was an amount of approximately HK$204,358,000 (2016: HK$91,000) 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.

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	
	2017	2016
	HK$'000	HK$'000
Current to 30 days	**42,092**	15,352
31 to 60 days	**8,408**	6,782
61 to 90 days	**1,801**	2,812
91 to 365 days	**244**	514
More than one year	**149**	1,308
	52,694	26,768

28. RECEIPTS IN ADVANCE, ACCRUALS AND OTHER PAYABLES

	At 31 March	
	2017	2016
	HK$'000	HK$'000
Receipts in advance	**728**	1,141
Accruals	**2,358**	19,172
Other payables	**10,698**	7,272
	13,784	27,585

29. 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 one of the Directors, Mr. Lau Ho Ming, Peter, and Non-executive Director, Madam Li Man Yee, Stella. The amount had been fully settled during the year ended 31 March 2017.

30. INTEREST-BEARING BANK BORROWINGS

	At 31 March	
	2017	2016
	HK$'000	HK$'000
Current		
Secured		
– bank loans due for repayment within one year	**33,615**	49,051
Non-current		
Secured		
– bank loans due for repayment after one year	**–**	7,667
Total interest-bearing bank borrowings	**33,615**	56,718

30. INTEREST-BEARING BANK BORROWINGS (continued)

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

i) An investment property of the Group with aggregate net book value of HK$6,200,000 (2016: HK$6,200,000) (note 17); and

ii) Company's corporate guarantees and cross guarantees from the Company's subsidiary, which is Qualiman Industrial Co. Limited (2016: Qualiman Industrial Co. Limited and Sunmart Company Limited).

At 31 March 2017, total current and non-current bank borrowings were scheduled to be repaid as follows:

	At 31 March	
	2017	2016
	HK$'000	HK$'000
On demand or within one year	**33,615**	49,051
More than one year, but not exceeding two years	**–**	4,000
More than two years, but not exceeding five years	**–**	3,667
	33,615	56,718

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) cash deposit at not less than certain amount 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 46. As at 31 March 2017, none of the covenants relating to drawn down facilities had been breached (2016: Nil).

31. 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 36. 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$79,333,333 (2016: HK$87,030,303) in outstanding principal amount of the promissory notes.

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

	HK$'000
Fair value of promissory notes at 23 November 2015 *(note 36)*	163,708

Non-current liabilities

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

	At 31 March	
	2017	2016
	HK$'000	HK$'000
At 1 April	**79,792**	20,089
Promissory notes issued on 23 November 2015	**–**	163,708
Effective interest expense	**3,153**	3,886
Interest payables	**(4,499)**	(2,075)
Loss on early redemption of promissory notes	**887**	1,214
Early redemption	**(79,333)**	(107,030)
At 31 March	**–**	79,792

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.

On 1 April 2016, the Group entered an agreement with an independent third party pursuant to which the Group issued an unsecured structured note with a principal amount of HK$45,000,000. The note is bearing interest at fixed rate of 6% per annum and is repayable in arrears. The maturity date is 29 April 2016 and it was repaid in full upon maturity.

32. CONVERTIBLE NOTES

On 17 December 2014, the Company issued convertible notes (the "2014 CN") with principal amount of HK$58,000,000 as part of the consideration for the acquisition of the entire equity interest in PMT Group. The 2014 CN 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 2014 CN at par (in whole or in part). Any amount of the 2014 CN which remains outstanding on the maturity date will be redeemed at their then outstanding principal amount.

On initial recognition, the 2014 CN contain two components, liability and equity components. The equity component is presented in equity with heading "convertible notes equity reserve" in note 34. The effective interest rate of the liability component on initial recognition is 7.3% per annum.

On 9 December 2016, the Company extended the maturity date of the 2014 CN by one year, from 17 December 2016 to 17 December 2017. Save for extension of maturity date, all other terms and conditions of the 2014 CN remain unchanged from the original terms. The extended maturity date is not accounted for as an extinguishment of the original financial liability of 2014 CN as the discounted present value of the cash flow of the 2014 CN with extended maturity date is less than 10% difference from the discounted present value of the cash flow of the outstanding 2014 CN prior to the extension of maturity date. As such, the amount of future cash flow of the extended 2014 CN as at 17 December 2016 discounted by the original effective interest rate amount to approximately HK$53,758,000. The difference between the carrying amount of extended 2014 CN and the amount of discounted future cash flow of the extended 2014 CN of approximately HK$4,242,000 has been recognised in other income, gains or losses.

The decrease in fair value of the derivative financial assets before the extension of maturity date of approximately HK$2,939,000 and the decrease in fair value of the derivative financial assets after the extension of maturity date of approximately HK$2,190,000 have been recognised in profit or loss for the year ended 31 March 2017.

During the years ended 31 March 2017 and 2016, none of the 2014 CN was converted into ordinary share of the Company.

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

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

32. CONVERTIBLE NOTES (continued)

The movements of the liability component of 2014 CN for the year are set out below:

	At 31 March	
	2017	2016
	HK$'000	HK$'000
At 1 April	**55,055**	51,189
Gain on extension of convertible notes	**(4,242)**	–
Effective interest expense	**4,131**	3,866
At 31 March	**54,944**	55,055

The movements of the derivative financial asset of the 2014 CN for the year are set out below:

	At 31 March	
	2017	2016
	HK$'000	HK$'000
At 1 April	**5,721**	5,140
Changes in fair value recognised in profit or loss during the year	**(5,129)**	581
At 31 March	**592**	5,721

The fair value of the conversion option was determined using binomial option pricing model, and the inputs into the model at the relevant dates were as follows:

	31 March 2017	31 March 2016
Conversion price	**HK$1.023**	HK$1.023
Share price	**HK$0.610**	HK$0.690
Expected volatility	**47.17%**	58.00%
Remaining life	**0.71 year**	0.71 year
Risk-free rate	**0.492%**	0.216%

33. SHARE CAPITAL

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

	Notes	2017 Number of Shares	2017 HK$'000	2016 Number of Shares	2016 HK$'000
Authorised:					
Ordinary Shares of US$0.000025 (For the period from 1 April 2015 to 12 January 2016: US$0.0001) each					
At 1 April	*(a)*	**2,000,000,000**	**389**	500,000,000	389
Share subdivision	*(c)*	**–**	**–**	1,500,000,000	–
At 31 March		**2,000,000,000**	**389**	2,000,000,000	389
Issued and fully paid:					
Ordinary Shares of US$0.000025 (For the period from 1 April 2015 to 12 January 2016: US$0.0001) each					
At 1 April		**1,446,780,000**	**281**	288,000,000	224
Subscription of new shares	*(b)*	**–**	**–**	70,500,000	54
Issue of ordinary shares upon exercise of share options	*35*	**27,452,000**	**6**	3,195,000	3
Share subdivision	*(c)*	**–**	**–**	1,085,085,000	–
At 31 March		**1,474,232,000**	**287**	1,446,780,000	281

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 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.

(c) *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 sub-divided into four sub-divided shares. Immediately upon the share sub-division became effective on 13 January 2016 (the "share sub-division"), the Company had 1,446,780,000 shares in issue and fully paid.*

34. RESERVES

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

	Share premium	Accumulated losses	Share option reserve	Convertible notes equity reserve	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 April 2015	163,406	(14,913)	2,223	42,725	193,441
Exercise of share options *(note 35)*	4,342	–	(1,150)	–	3,192
Equity settled share-based transactions *(note 35)*	–	–	12,818	–	12,818
Proceeds from subscription of new shares *(note 33(b))*	245,585	–	–	–	245,585
Issuing expenses from subscription of new shares	(3,929)	–	–	–	(3,929)
Loss and total comprehensive income for the year	–	(13,944)	–	–	(13,944)
At 31 March 2016 and 1 April 2016	409,404	(28,857)	13,891	42,725	437,163
Exercise of share options *(note 35)*	9,365	–	(2,507)	–	6,858
Lapse of share options *(note 35)*	–	537	(537)	–	–
Equity settled share-based transactions *(note 35)*	–	–	30,682	–	30,682
Loss and total comprehensive income for the year	–	(92,715)	–	–	(92,715)
At 31 March 2017	**418,769**	**(121,035)**	**41,529**	**42,725**	**381,988**

35. 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.

35. 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 senior management of the Company.

35. 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.

35. 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 2017:

		Number of share options					
	Exercise price *(note 1)*	Balance as at 1 April 2016 *(note 1)*	Exercised during the year	Lapsed during the year	Balance as at 31 March 2017	Date of grant of share options	Exercisable periods of share options
Executive Directors							
– Lau Ho Ming, Peter	HK$0.25	6,720,000	(6,720,000)	–	–	17 March 2014	17 March 2014 to 16 March 2024
	HK$1.02	4,000,000	–	–	4,000,000	3 July 2015	3 July 2015 to 2 July 2025
– Ng Kam Seng	HK$0.25	2,240,000	(2,240,000)	–	–	17 March 2014	17 March 2014 to 16 March 2024
	HK$1.02	5,400,000	–	–	5,400,000	3 July 2015	3 July 2015 to 2 July 2025
	HK$0.748	7,500,000	–	–	7,500,000	24 March 2016	24 March 2016 to 23 March 2026
– Poon Pak Ki, Eric	HK$0.25	1,400,000	(1,400,000)	–	–	17 March 2014	17 March 2014 to 16 March 2024
	HK$1.02	5,400,000	–	–	5,400,000	3 July 2015	3 July 2015 to 2 July 2025
	HK$0.748	7,500,000	–	–	7,500,000	24 March 2016	24 March 2016 to 23 March 2026
– Chu, Raymond *(note 2)*	HK$0.25	672,000	(672,000)	–	–	17 March 2014	17 March 2014 to 16 March 2024
	HK$0.748	12,847,800	–	–	12,847,800	24 March 2016	24 March 2016 to 23 March 2026

35. 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 2017: (continued)

		Number of share options					
	Exercise price *(note 1)*	Balance as at 1 April 2016 *(note 1)*	Exercised during the year	Lapsed during the year	Balance as at 31 March 2017	Date of grant of share options	Exercisable periods of share options
Non-executive Directors							
– Li Man Yee, Stella	HK$0.25	6,720,000	(6,720,000)	–	–	17 March 2014	17 March 2014 to 16 March 2024
	HK$1.02	1,400,000	–	–	1,400,000	3 July 2015	3 July 2015 to 2 July 2025
– Chu Sheng Yu, Lawrence *(note 3)*	HK$0.25	672,000	(672,000)	–	–	17 March 2014	17 March 2014 to 16 March 2024
– Wang Zhao *(note 4)*	HK$1.02	1,400,000	–	–	1,400,000	3 July 2015	3 July 2015 to 2 July 2025
Independent Non-executive Directors							
– Leung Po Wing, Bowen Joseph	HK$0.25	672,000	(672,000)	–	–	17 March 2014	17 March 2014 to 16 March 2024
	HK$1.02	1,400,000	–	–	1,400,000	3 July 2015	3 July 2015 to 2 July 2025
	HK$0.748	1,400,000	–	–	1,400,000	24 March 2016	24 March 2016 to 23 March 2026
– Chan Siu Wing, Raymond	HK$0.25	672,000	(672,000)	–	–	17 March 2014	17 March 2014 to 16 March 2024
	HK$1.02	1,400,000	–	–	1,400,000	3 July 2015	3 July 2015 to 2 July 2025
	HK$0.748	1,400,000	–	–	1,400,000	24 March 2016	24 March 2016 to 23 March 2026

35. 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 2017: (continued)

	Exercise price *(note 1)*	Number of share options Balance as at 1 April 2016 *(note 1)*	Exercised during the year	Lapsed during the year	Balance as at 31 March 2017	Date of grant of share options	Exercisable periods of share options
– 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
Employees	HK$0.25	6,356,000	(5,444,000)	(912,000)	–	17 March 2014	17 March 2014 to 16 March 2019
	HK$1.02	13,600,000	–	(1,400,000)	12,200,000	3 July 2015	3 July 2015 to 2 July 2025
	HK$0.748	65,063,800	–	(4,876,000)	60,187,800	24 March 2016	24 March 2016 to 23 March 2026
Consultants	HK$0.25	3,360,000	(2,240,000)	–	1,120,000	17 March 2014	17 March 2014 to 16 March 2024
	HK$1.02	19,600,000	–	–	19,600,000	3 July 2015	3 July 2015 to 2 July 2025
	HK$0.748	12,300,000	–	–	12,300,000	24 March 2016	24 March 2016 to 23 March 2026
Total		192,495,600	(27,452,000)	(7,188,000)	157,855,600		

35. 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	
	2017	2016
	HK$'000	HK$'000
Equity settled schemes to employees (including Directors and ex-directors)	**24,351**	8,278
Equity settled schemes to eligible persons other than employees and Directors	**6,331**	4,540
	30,682	12,818

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:

	2017		2016	
	Weighted average exercise price per share $	**Number of options**	Weighted average exercise price per share $	Number of options
At 1 April *(note 1)*	**0.75**	**192,495,600**	1	10,566,000
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)
Exercised after the share sub-division *(note 2)*	**0.25**	**(27,452,000)**	–	–
Lapsed after the share sub-division *(note 2)*	**0.74**	**(7,188,000)**	–	–
Effect of share sub-division *(note 3)*	**–**	**–**	–	62,313,000
At 31 March	**0.83**	**157,855,600**	0.75	192,495,600

35. EQUITY SETTLED SHARE–BASED PAYMENTS (continued)

Notes:

1) *The numbers of shares and weighted average exercise price for the year ended 31 March 2016 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$0.63 (2016: HK$4.41 (before the share sub-division)). 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 8.73 years (2016: 9.23 years).

Of the total number of share options outstanding as at 31 March 2017, 109,714,920 share options had not been vested and were not exercisable (31 March 2016: 192,495,600).

36. 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.

36. ACQUISITION OF SUBSIDIARIES (continued)

Year ended 31 March 2016 (continued)

The fair value 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.

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

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

36. ACQUISITION OF SUBSIDIARIES (continued)

Year ended 31 March 2016 (continued)

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.

37. DISPOSAL OF SUBSIDIARIES

Year ended 31 March 2017

On 7 October 2016, the Company, as vendor, entered into a sale and purchase agreement with Mr. Yau Wing Hay, Uri, as a purchaser, an independent third party, to dispose of the entire issued share capital of Next Horizon Holdings Limited ("Next Horizon") at a consideration of HK$32,000,000. The transaction was completed on 17 October 2016.

Next Horizon is an investment holding company which holds Sunmart Company Limited and Foshan Nanhai Haoda Precison Toys Company Limited (佛山市南海浩達精密玩具有限公司), both of which are principally engaged in trading and manufacture of toys and other products.

	HK$'000
Net assets disposed of:	
Property, plant and equipment	17,239
Cash and cash equivalents	5,814
Prepaid land lease payments	6,588
Deferred tax assets	1,717
Inventories	4,673
Trade receivables	2,226
Prepayments, deposits and other receivables	145
Tax recoverable	2,008
Trade payables	(1,706)
Accrued liabilities, other payables and deposits received	(15,464)
Amount due to fellow subsidiaries	(100)
	23,140
Release of translation reserve	(3,017)
Gain on disposal of subsidiaries	11,877
Total consideration satisfied by:	
Cash	32,000
Net cash inflow arising on disposal:	
Cash received	32,000
Cash and cash equivalents disposed of	(5,814)
Net cash inflow on disposal	26,186

37. DISPOSAL OF SUBSIDIARIES (continued)

Year ended 31 March 2016

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 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 assets	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

38. 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 2015	(211)	(14,091)	1,756	(12,546)
Acquired through business combination *(note 36)*	(231)	–	–	(231)
Disposal of subsidiaries *(note 37)*	(61)	–	–	(61)
Credit to profit or loss for the year *(note 12)*	339	1,450	(39)	1,750
At 31 March 2016 and 1 April 2016	(164)	(12,641)	1,717	(11,088)
Disposal of subsidiaries *(note 37)*	–	–	(1,717)	(1,717)
Credit to profit or loss for the year *(note 12)*	–	7,042	–	7,042
At 31 March 2017	**(164)**	**(5,599)**	**–**	**(5,763)**

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

	As at 31 March	
	2017 HK$'000	2016 HK$'000
Deferred tax assets	**–**	1,717
Deferred tax liabilities	**(5,763)**	(12,805)

39. 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	Percentage of equity attributable to the Company Direct %	Percentage of equity attributable to the Company Indirect %	Place of operation and principal activities
Subsidiaries					
Turbo Gain Investments Limited	British Virgin Islands, 2 March 2012	1 ordinary share of United States dollar ("US$") 1 each	100	–	British Virgin Islands/ Investment holding
New Creation Global Limited	British Virgin Islands, 18 November 2014	1 ordinary share of US$1 each	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	Hong Kong and 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	Hong Kong/ Business of internet and communications technology development in electronic books and investment holding
Handheld Culture Limited	Hong Kong, 4 November 2011	Ordinary shares of HK$1,600	–	100	Hong Kong/ Digital publishing and e-Commence platform
QI Post Limited	Hong Kong, 12 May 2006	Ordinary shares of HK$10,000	–	80	Hong Kong/ Operation of a lifestyle social website

39. INTERESTS IN SUBSIDIARIES (continued)

Details of the subsidiaries are as follows: (continued)

Company name	Place and date of incorporation/ establishment	Particulars of issued and fully paid share capital	Percentage of equity attributable to the Company		Place of operation and principal activities
			Direct %	Indirect %	
gameichiban.com Limited	Hong Kong, 9 April 2013	Ordinary shares of HK$1,000	–	100	Dormant
ai3xue.com Limited	Hong Kong, 17 April 2013	Ordinary shares of HK$1,000	–	100	Dormant
Crosby Securities Limited	Hong Kong, 23 May 2012	Ordinary shares of HK$140,095,427	–	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$23,072,332	–	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.

40. 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 2017 HK$'000	 2016 HK$'000
Companies controlled by Mr. Lau Ho Ming, Peter and Madam Li Man Yee, Stella			
Loyal Gold (Hong Kong) Limited	Rental expenses (a)	**1,176**	1,176
Gold Prospect Capital Resources Limited	Rental expenses (a)	**3,432**	–
MEGA Time Inc. Limited	Service expense (b)	**–**	60
MEGA Time Inc. Limited	Rental income (c)	**–**	271
Office Coupe Limited	Rental income (c)	**144**	108
QM (Hong Kong) Limited	Consultancy service fee (d)	**–**	464

(a) The rental expenses paid to Loyal Gold (Hong Kong) Limited and Gold Prospect Capital Resources Limited 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 parties.

(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 parties.

(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 2017 HK$'000	 2016 HK$'000
Salaries, allowances and benefits in kind	**13,256**	9,294
Equity settled share-based payment expenses	**12,372**	5,108
Pension scheme contributions	**250**	263
	25,878	14,665

(iii) On 27 November 2015, the Company as the Vendor, and the Purchaser as 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.

41. CONTINGENT LIABILITIES

The Group did not have any contingent liabilities as at 31 March 2017 (2016: Nil).

42. 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 2017, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	At 31 March	
	2017	2016
	HK$'000	HK$'000
Within one year	**12,976**	7,514
In the second to fifth year inclusive	**8,187**	36
	21,163	7,550

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 2017, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	At 31 March	
	2017	2016
	HK$'000	HK$'000
Within one year	**1,380**	144
In the second to fifth years inclusive	**580**	36
	1,960	180

43. CAPITAL COMMITMENTS

As at 31 March 2017, the Group did not have any capital commitments as at 31 March 2017 (2016: Nil).

44. 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 2017					
Type of financial assets					
Trade receivables from HKSCC	**943**	**–**	**943**	**60,406**	**61,349**
At 31 March 2016					
Type of financial assets					
Trade receivables from HKSCC	19,294	(19,294)	–	–	–

	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 2017					
Type of financial liabilities					
Trade payable from HKSCC	**–**	**–**	**–**	**–**	**–**
At 31 March 2016					
Type of financial liabilities					
Trade payable from HKSCC	383,393	(19,294)	364,099	(22,390)	341,709

44. 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	2017 HK$'000	2016 HK$'000
Net amount of trade receivable from HKSCC	**943**	–
Trade receivable not in the scope of offsetting disclosure	**43,723**	457,360
Trade receivables as disclosed in the consolidated statement of financial position	**44,666**	457,360

Trade payables	2017 HK$'000	2016 HK$'000
Net amount of trade payable from HKSCC	**–**	364,099
Trade payable not in the scope of offsetting disclosure	**262,776**	42,994
Trade payables as disclosed in the consolidated statement of financial position	**262,776**	407,093

45. 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	
	2017 **HK$'000**	2016 HK$'000
Loans and receivables:		
Trade receivables	**44,666**	457,360
Deposits and other receivables	**63,132**	24,591
Statutory deposit for financial service business	**406**	396
Cash and bank balances held on behalf of customers	**204,358**	91
Cash and cash equivalents	**129,987**	221,633
	442,549	704,071
Fair value through profit or loss:		
Derivative financial asset	**592**	5,721
Held-for-trading investment	**14,544**	18,222
	15,136	23,943

45. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

Financial liabilities

	At 31 March	
	2017	2016
	HK$'000	HK$'000
Financial liabilities measured at amortised cost:		
Trade payables	**262,776**	407,093
Accruals and other payables	**13,056**	26,444
Amount due to a related company	**–**	102
Promissory notes	**–**	124,792
Convertible notes	**54,944**	55,055
Interest–bearing bank borrowings	**33,615**	56,718
	364,391	670,204

46. 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, promissory notes, convertible notes and bank borrowings. The Group has various other financial assets and liabilities such as 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.

46. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Foreign currency risk (continued)

As at 31 March 2017, 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	
	2017	2016
	HK$'000	HK$'000
Liabilities		
United States Dollars	**19,029**	10,893
Renminbi	**–**	14,081
	19,029	24,974
Assets		
United States Dollars	**50,366**	59,715
Renminbi	**6,750**	8,030
	57,116	67,745

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$'000
31 March 2017		
If HK$ weakens against RMB	5%	282
If HK$ strengthens against RMB	(5%)	(282)
31 March 2016		
If HK$ weakens against RMB	5%	(253)
If HK$ strengthens against RMB	(5%)	253

46. 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 2017, the trade receivables from the five largest debtors represented 79% (2016: 95%) of the total trade receivables, while the largest debtor represented 28% (2016: 75%) 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.

46. 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 years but within 5 years HK$'000	Over 5 years HK$'000	Total contractual amount HK$'000	Carrying amount HK$'000
31 March 2017						
Trade payables	**262,776**	**–**	**–**	**–**	**262,776**	**262,776**
Accruals	**2,358**	**–**	**–**	**–**	**2,358**	**2,358**
Other payables	**10,698**	**–**	**–**	**–**	**10,698**	**10,698**
Convertible notes	**58,000**	**–**	**–**	**–**	**58,000**	**54,944**
Interest–bearing borrowings	**33,615**	**–**	**–**	**–**	**33,615**	**33,615**
	367,447	**–**	**–**	**–**	**367,447**	**364,391**

	Within 1 year or on demand HK$'000	Over 1 year but within 2 years HK$'000	Over 2 years 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

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.

46. 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.

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 2017, 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$1,214,000 (2016: HK$1,522,000).

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 asset are determined in 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.

	At 31 March 2017			
	Level 1	**Level 2**	**Level 3**	**Total**
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**
Financial asset at fair value through profit or loss				
Held-for-trading investment	**14,544**	**–**	**–**	**14,544**
Derivative financial asset	**–**	**–**	**592**	**592**

	At 31 March 2016			
	Level 1	Level 2	Level 3	Total
	HK$'000	HK$'000	HK$'000	HK$'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

46. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Fair values (continued)

During the year ended 31 March 2017, there were no transfers between instruments in Level 1 and Level 2, or transfers into or out of Level 3 (2016: 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 measured at level 3:

Financial asset	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 volatility.	The higher the volatility, the higher the fair value.

Capital management

The capital structure of the Group consists of debts, which includes the borrowings disclosed in note 30, promissory notes in note 31, convertible notes in note 32, amount due to a related company in note 29 and equity attributable to owners of the Company, comprising share capital and reserves as disclosed in notes 33 and 34 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	
	2017	2016
	HK$'000	HK$'000
Debt	**88,559**	236,667
Equity	**421,859**	482,348
Debt to equity ratio	**21.0%**	49.1%

47. COMPANY LEVEL'S STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2017

		At 31 March	
		2017	2016
	Note	**HK$'000**	HK$'000
NON-CURRENT ASSET			
Interests in subsidiaries		**34,000**	117,507
CURRENT ASSETS			
Amounts due from subsidiaries		**398,802**	400,846
Prepayments		**315**	364
Derivative financial asset		**592**	5,721
Tax recoverable		**323**	490
Cash and cash equivalents		**4,324**	76,228
Total current assets		**404,356**	483,649
CURRENT LIABILITIES			
Accruals		**1,137**	1,209
Promissory notes		**–**	25,000
Convertible notes		**54,944**	55,055
Total current liabilities		**56,081**	81,264
NET CURRENT ASSETS		**348,275**	402,385
TOTAL ASSETS LESS CURRENT LIABILITIES		**382,275**	519,892
NON-CURRENT LIABILITY			
Promissory notes		**–**	82,448
Total non-current liability		**–**	82,448
Net assets		**382,275**	437,444
EQUITY			
Share capital	*33*	**287**	281
Reserves		**381,988**	437,163
Total equity		**382,275**	437,444

On behalf of the Board

Lau Ho Ming, Peter
Director

Poon Pak Ki, Eric
Director

48. EVENT AFTER THE REPORTING DATE

On 2 May 2017, the Company has entered into a subscription agreement with an independent third party (the "subscriber") to issue 6% convertible notes with a principal amount of HK$80,000,000 for intended use of repayment of the liabilities of the Group and expansion of the Group's financial services business. Based on the conversion price of HK$0.39 per conversion share, 205,128,205 ordinary shares will be allotted and issued by the Company upon exercise in full of the conversion rights attached to the convertible notes. The convertible notes entitle the subscriber to convert them into ordinary shares of the Company at any time falling three years after the date of issue of the convertible notes. The subscription was completed on 11 May 2017.

On 22 May 2017, the Company has entered into a subscription agreement with the same subscriber to issue 6% convertible notes with a principal amount of HK$30,000,000. Based on the conversion price of HK$0.39 per conversion share, 76,923,076 ordinary shares will be allotted and issued by the Company upon exercise in full of the conversion rights attached to the convertible notes. The convertible notes entitle the subscriber to convert them into ordinary shares of the Company at any time falling three years after the date of issue of the convertible notes. The subscription was completed on 2 June 2017.

On 13 June 2017, the Company redeemed in full the convertibles notes of outstanding principal amount of HK$58 million which were issued on 17 December 2014 ("2014 CN") with its maturity date extended to 17 December 2017 by the Company in December 2016 pursuant to the exercise of the right conferred upon the Company as governed under the terms and conditions of the 2014 CN. Thereafter, the 2014 CN have been fully redeemed.

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				
	2017	2016	2015	2014	2013
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
REVENUE	**787,704**	770,409	829,016	773,235	794,098
Cost of sales	**(693,912)**	(690,046)	(741,701)	(685,903)	(696,458)
Gross profit	**93,792**	80,363	87,315	87,332	97,640
Other income, gains and losses	**28,730**	19,682	5,418	10,264	10,383
Selling expenses	**(21,690)**	(18,739)	(23,134)	(20,449)	(20,163)
Administrative expenses	**(140,754)**	(95,534)	(67,977)	(49,068)	(52,384)
Impairment loss on goodwill	**(3,695)**	(48,064)	–	–	–
Impairment loss on intangible assets	**(33,889)**	–	–	–	–
Fair value changes in derivative financial asset	**(5,129)**	581	2,979	–	–
Finance costs	**(10,801)**	(11,061)	(5,118)	(2,464)	(1,985)
(LOSS)/PROFIT BEFORE INCOME TAX EXPENSE	**(93,436)**	(72,772)	(517)	25,615	33,491
Income tax expense	**(707)**	(4,801)	(3,209)	(5,426)	(10,800)
(LOSS)/PROFIT FOR THE YEAR	**(94,143)**	(77,573)	(3,726)	20,189	22,691

ASSETS AND LIABILITIES

	As at 31 March				
	2017	2016	2015	2014	2013
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
TOTAL ASSETS	**794,856**	1,166,824	557,501	396,660	338,732
TOTAL LIABILITIES	**(372,997)**	(684,476)	(259,305)	(186,268)	(136,993)
	421,859	482,348	298,196	210,392	201,739

Note:

(i) The consolidated results of the Group for year ended 31 March 2016 and 2017 and the consolidated assets and liabilities of the Group as at 31 March 2016 and 2017 are those set out on pages 44 to 47 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.