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

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

Annual Report
2018

Toys Division

Financial Services Division

*For identification purpose only

Contents

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Lau Ho Ming, Peter *(Executive Chairman)*
Mr. Poon Pak Ki, Eric
Mr. Ng Kam Seng
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
New Territories
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 63, was appointed as a Director on 14 March 2012. He is the Executive Chairman and one of the co-founders of the Group. He is a member of each of the Remuneration Committee and the Nomination Committee of the Board and is also a director of the principal subsidiaries of the Company. Mr. Lau is responsible for formulating the overall business development strategies, management team development and daily operations of the Group. He is the husband of Madam Li Man Yee, Stella, a non-executive Director.

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

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

Mr. Lau has been the vice president of The Toys Manufacturers' Association of Hong Kong since 2008. Mr. Lau was the advisor for The Second Council of the Toy Industry Association in Nanhai District, Foshan City in November 2007. Mr. Lau obtained an award from Guangdong government on his contribution to economic development in October, 1996 and obtained an outstanding entrepreneur award from China Toys Association in October 2006. Mr. Lau committed to contribute certain scholarships offered by the Department of Industrial and Manufacturing Systems Engineering of the University in Hong Kong. Namely, the "Peter H.M. Lau Penultimate Year Scholarhship" 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 51, 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 37, 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 52, was appointed as the independent non-executive Director on 3 January 2013 and resigned on 6 July 2015. Mr. Chu was subsequently appointed as the executive Director on 27 November 2015. Mr. Chu is also the Chief Executive officer and a director of Crosby Securities Limited, an indirect wholly owned subsidiary of the Company under the financial services division of the Group. He was the chairman of the Remuneration Committee of the Board and a member of each of the Audit Committee and the Nomination Committee of the Board until 5 July 2015 during the financial year ended 31 March 2016.

Mr. Chu processed experience of more than 20 years in the financial industry. He was the managing director and head of Sales and Trading Division under Guosen Securities (Hong Kong) to November 2015. Prior to that, he was the managing director (Equity Derivatives Trading, Institutional Equity Asia Pacific) of The Bank of Nova Scotia from May 2010 to November 2011 and held senior positions with a number of reputable financial institutions between 2002 and 2010.

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

NON-EXECUTIVE DIRECTOR

Madam Li Man Yee, Stella

Madam Li Man Yee, Stella, aged 56, 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 68, 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 Green Leader Holdings Group Limited (formerly known as 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").

Mr. Chan Siu Wing, Raymond

Mr. Chan Siu Wing, Raymond, aged 53, 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. 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 54, 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 61, 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.

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") for the year ended 31 March 2018 ("Current Year"). During Current Year, the Group continued to principally engage in business divisions in toys ("Toy Division") and financial services ("Financial Services Division"). By end of December 2017, the Group has disposed the business division of information technology ("IT Division").

PERFORMANCE

Our Toy Division experienced a challenging year in 2017, a year that rocked the toy industry as the major retail giant Toys R Us filed for Chapter 11 protection in the United States in September 2017. However, being an OEM/ODM supplier to the downstream toy companies, we were not directly affected by the liquidation of Toys R Us from the perspective of goods liability. Instead, that allows our Toy Division to remain vigilant and tried to capture opportunities as a result of this change in industry landscape. Besides, our Toy Division reported with improved performance during the Current Year mainly attributable to a shift in product mix to higher margin products as demanded by one of its major customers and the full benefits of the removal of the some fixed overhead costs after the disposal of certain loss-making subsidiaries in previous year. Though improvement in gross profit margin and the costs saving of the Toy Division further strengthened its competitiveness and profitability, our management will continue to adopt cautious costs control policies while work with our customers in order to explore on orders for better profit margin and hence to maximize its segment profitability.

During the Current Year, our Financial Services Division continued to participate actively in the primary issue markets and completed two major IPO mandates of aggregate transaction sizes of over HK$500 million as bookrunner and lead manager for two issuers listed on the Main Board of the HKEx. In addition, they also acted as placing agents for several bond issuances of listed companies in Hong Kong. Such services rendered improved much on the revenue of this division for the Current Year as compared to that of the previous year in term of underwriting and placement commission. Nevertheless, the general active sentiment of the securities markets in Hong Kong for the same period also provided a favorable platform for our Financial Services Division to capture the opportunities for further market penetration for business development. With a view to strengthen the business competitiveness of this division, in February 2018, our Group has entered into a conditional agreement with Zhongtai International Investment Group Limited, a state-owned diversified financial institution from China, if successfully completed, to provide more capital for the development of the Group's Financial Services Division. We believe that the success on such business cooperation will allow our Financial Services Division to tap into much wider business network and hence to allow our professional team and that of the Zhongtai's to achieve the best synergy in mutual business development accordingly.

Carrying forward the business strategy on the IT Division as reviewed in the previous year, due to the limited abilities internally and externally on business growth for this division, our Group disposed such division by end of December 2017. Consequently, the Group was no longer engaged in IT Division. As a result, we believe that our Group could be more focus in resource allocation, whether financial or otherwise, on existing businesses or further business opportunities which may be appropriate for the Group to improve its value in general.

DEVELOPMENT, CHALLENGE AND OPPORTUNITY

Though our Toy Division showed improved performance during the Current Year, we still expect that the sustaining costs pressure on our operation will be inevitable in terms of plastic materials and components. The general market demand for 2018 onwards for the toy industry will probably operate under a more tightening environment in orders placing in view of the filing for the relevant protection by Toys R Us in the United States in 2017. Hence, we expect that further enhancement in manufacturing automation and better customers service such as consistency in products delivery timeliness, maintenance of products quality and more efficient interaction with customers on the production flow will help strengthening much for this division.

As detailed above, our Financial Service Division has become better established and operated during the Current Year with encouraging performance improvement. Though we noted that keen market competition in the industry is in place and increased volatility in general stock market is expected in coming year with reference to the upward interest rate cycle commenced. We will continue to seek ways to strengthen our capital base and resources in order to compete effectively in this industry and to expand and strengthen our product offerings. Besides, should the success of introducing Zhongtai International Investment Group Limited as our new controlling shareholder and the proposed acquisitions of Zhongtai International Capital Limited and Zhongtai International Asset Management Limited is realized, it is believed that will allow our Group to tap into the great China business network for opportunities and further improve the value of our Group.

APPRECIATION

In all, I sincerely extend my gratitude on behalf of the Board to all levels of management and staff of our Group, our valuable customers and clients, respectable business alliances and stakeholders for their dedication, contribution and continuous support to our businesses for its ongoing development. Moreover, I am truly grateful for the trust and support from all of our shareholders over the year. Our Group will endeavor to maximize our value to our shareholders and stakeholders for its return and contribution in the long term.

Lau Ho Ming, Peter
Executive Chairman

Hong Kong, 15 June 2018

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 2018 (the "Financial Year"), the Company has complied with all applicable code provisions under the Code with the exception discussed herein below.

Code A.2.1

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

DIRECTORS' SECURITIES TRANSACTIONS

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

Details of the interests and short positions of the Directors in the shares and underlying shares of the Company is stated in the Directors' Report of this Annual Report on pages 30 to 43.

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 7 September 2017 ("2017 AGM"), Mr. Lau Ho Ming, Peter, Mr. Poon Pak Ki, Eric and Mr. Leung Po Wing, Bowen Joseph 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.

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	0/1	N/A	N/A	N/A	0/1
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 2017;

2. reviewed the consolidated financial statements for the year ended 31 March 2017;

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 2017;

5. reviewed the independence of the Auditor;

6. approved the Auditor's remuneration and other terms of engagement for the year ended 31 March 2018;

7. reviewed and adopted the scope of statutory audit for the year ended 31 March 2018;

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 2018 (HK$'000)
(a) 21/03/2017	Leasing of property from a connected person for the headquarters of the Group	(i)	3,432
(b) 21/03/2017	Leasing of a property from a connected person for Directors' quarter	(ii)	2,016
(c) 21/03/2017	Leasing of a property to a connected person	(iii)	180
			5,628

Connected persons:

(i) Gold Prospect Capital Resources Limited, a limited liability company incorporated in Hong Kong which is ultimately owned as to 50% by Mr. Lau Ho Ming, Peter ("Mr. Lau"), executive chairman of the Company and 50% by Madam Li Man Yee, Stella ("Madam Li"), non-executive director of the Company.

(ii) Goldrich International Limited, a company incorporated in Hong Kong which is owned as to 70% by Mr. Lau and 30% by Madam Li.

(iii) Office Coupe Limited, a company incorporated in Hong Kong 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 21 March 2017 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 2018 did not exceed the proposed annual cap amount of HK$5,628,000 as disclosed in the announcement dated 21 March 2017 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 2018

On the date of this report, the Audit Committee reviewed the consolidated financial statements for the year ended 31 March 2018 (the "2018 Financial Statements") in conjunction with the Auditors and management. Based on the review and discussions with management, the Audit Committee was satisfied that the 2018 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 2018.

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 2018 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

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 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$2,828,000 for auditing services and HK$150,000 for non-auditing services by the Auditor.

Services rendered	**Fees paid/payables**
	HK$'000
Audit services – statutory audit	1,348
– non-statutory audit	1,480
Non-audit services:	
– agreed-upon procedures review	150
	2,978

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 2018 Financial Statements, the Board:

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

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

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

COMPANY SECRETARY

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

COMMUNICATIONS WITH SHAREHOLDERS AND INVESTORS

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

Convening of extraordinary general meeting on requisition by the Shareholders

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

Company Secretary
Quali-Smart Holdings Limited
Workshop C on 19th Floor
TML Tower
3 Hoi Shing Road
Tsuen Wan
Hong Kong

Shareholders are encouraged to participate in general meetings or to appoint proxies to attend and vote at meetings for and on their behalf if they are unable to attend the meetings.

Procedures for directing Shareholders' enquiries to the Board

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

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

Procedures for putting forward proposals at general meetings by the Shareholders

A Shareholder may nominate person, other than a retiring Director and the Shareholder himself/herself, to be appointed as a Director ("Proposed Director") by submitting a duly signed written notice ("Nomination Notice") together with the Proposed Director's 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.

2017 AGM

All Directors attended 2017 AGM to hear views and to answer questions from the Shareholders. At 2017 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, 15 June 2018

BUSINESS REVIEW

During the Current Year, our Group was engaged in the same core business divisions in the manufacture of toys operated under Qualiman Industrial Company Limited (the "Toy Division"), financial services operated under Crosby Asia Limited (the "Financial Services Division") and information technology operated under Pulse MediaTech Limited (the "IT Division"). Subsequent to the disposal of the IT Division in December 2017, the IT Division became a discontinued operation and the subsidiaries attributable to the IT Division ceased to be subsidiaries of the Group from 29 December 2017 onwards.

2017 was a turbulent year for the global toy industry as the major retail giant Toys R Us filed for Chapter 11 protection in the United States in September 2017. Although Toys R Us was a downstream player in the toy industry, this event did send a chill to the entire value chain of the global toy industry and other major global toy brands had adopted a more cautious approach and embarked on tightened cost control measures, streamlining their upstream manufacturers. As we are an OEM/ODM supplier to the downstream toy companies, we were not directly affected by the liquidation of Toys R Us from the perspective of goods liability. Amidst this challenging environment, our Toy Division remained vigilant and tried to capture opportunities as a result of this change in industry landscape. During the Current Year, our Toy Division enjoyed a marked improvement in its performance as a result of a shift in product mix to higher margin products as demanded by one of its major customers. Furthermore, the full benefits of the removal of some fixed overhead costs after the disposal of certain loss-making subsidiaries in the year ended 31 March 2017 (the "Previous Year") were reflected in the Current Year, leading to an improvement in the gross margins of the Toy Division from 9.9% in the Previous Year to 11.4% in the Current Year.

The securities markets in Hong Kong also showed significant improvement during the Current Year, with the Hang Seng Index rising by about 24.8% from 1 April 2017 to 31 March 2018. Against this backdrop, the Financial Services Division also improved steadily and completed two major equity mandates of aggregate transaction sizes of over HK$500 million as bookrunner and lead manager for issuers listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "HKEx"), substantially improving its underwriting commission revenues. Towards the end of the Current Year, the Group also entered into a conditional agreement with Zhongtai International Investment Group Limited, a state-owned diversified financial institution from China, to provide more capital for the development of the Group's Financial Services Division. If successfully consummated, this will breathe new life into the future development of our Financial Services Division, given the vast business and financial resources of the Zhongtai Financial Group in China.

On the other hand, in view of the persisting internal and external constraints limiting the business growth of the IT Division, the Group disposed of the IT Division in December 2017. We believe that such disposal would allow the Group to focus its business and financial resources on the remaining two core businesses and avoid incurring further losses from this segment.

Management Discussion and Analysis

Continuing Operations

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, revenue of the Toy Division and its segment profit were approximately HK$752.7 million and HK$33.3 million respectively, representing a decrease of 2.0% and an increase of 43.3% respectively over the Previous Year. The revenue from the Toy Division remained relatively stable as the Group continued to maintain strong orders from several existing major customers of international repute. Contributions from the North American and the Western European markets remained at a similar level as that for the Previous Year and represented the majority of our toy revenues. On the other hand, the PRC/Taiwan and the South American markets showed some contractions, although such reduction in revenue contribution was relatively minor in absolute terms and was partially offset by a slight improvement in contributions from the Australian markets. The shift in product mix to higher margin products as demanded by one of our major customers and the full positive impact arising from the disposal of certain of the Group's previous subsidiaries serving mainly newer and smaller customers with less significant contribution to the Group in the Previous Year led to an improvement in the Toy Division's gross margin from 9.9% during the Previous Year to 11.4% during the Current Year. Given the difficult environment experienced by the global toy industry, especially the downstream players, in the Current Year, we believe that we made a right decision in focusing on customers of better credit worthiness and more resilient, diversified product portfolios. The Toy Division will continue to maintain high efficiency operation management with the implementation of stringent cost controls in product manufacturing using lean production approach, logistic simplification management and minimization of inventory level particularly during non-peak business period. We will also continue to adopt automation in the manufacturing process in order to improve labour efficiency and flexibility in manufacturing.

The Financial Services Division

During the Current Year, the Hong Kong securities markets improved substantially with strong capital inflow. Average daily turnover value of the HKEx increased by approximately 77.3% from approximately HK$74.2 billion in April 2017 to approximately HK$131.6 billion in March 2018. The market capitalization of the Hong Kong securities market also increased by approximately 26.4% during the Current Year from HK$27.2 trillion as of closing on 31 March 2017 to approximately HK$34.4 trillion as of closing on 31 March 2018. This increase in value was mainly driven by an improvement in corporate earnings and an increasing influx of capital from investors in China through the Shanghai and Shenzhen Stock Connect channels.

The securities brokerage services of the Financial Services Division continued to service mainly institutional and corporate brokerage clients during the Current Year. The Financial Services Division continued to participate actively in the primary issue markets during the Current Year and completed two major IPO mandates of aggregate transaction sizes of over HK$500 million as bookrunner and lead manager for two issuers listed on the Main Board of the HKEx. Furthermore, the Financial Services Division also continued to act as placing agents for several bond issuances of listed companies in Hong Kong during the Current Year. These two activities contributed the majority of the revenues of the Financial Services Division and both showed significant increase in their revenue contributions to the Financial Services Division during the Current Year. We expect that underwriting and placement commissions will continue to be the major revenue contributors of our Financial Services Division going forward.

Contributions from securities margin financings remained relatively insignificant during the Current 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 loss on financial assets at fair value through profit or loss of approximately HK$3.0 million when compared with a fair value gain of approximately HK$2.7 million during the Previous Year, which was a result of a decrease in the fair value of the investments of the Financial Services Division during the Current Year. We remain committed to seeking ways to free up or expand the capital base of the Financial Services Division in order to increase its capacity to participate in more principal-based activities.

Discontinued Operation

The IT Division

The Group came to the difficult decision to dispose of the IT Division in December 2017 for a consideration of approximately HK$16.5 million. As previously disclosed, the performance of the IT Division had been disappointing and it was struggling to compete in the highly fragmented and fast-changing local digital publishing and mobile web application development markets. The Directors weighed the risks of further capital exposure to the business (and hence potentially further losses) against the possibility of recovering some of its investment costs and decided that disposal of the IT Division would be in the best interests of the Group as a whole. As a result of the disposal, the IT Division ceased to be subsidiaries of the Group from 29 December 2017 onwards. The disposal of the IT Division generated a modest gain on disposal of subsidiaries of approximately HK$2.0 million for the Current Year.

As a result, only about 9 months of the results of the IT Division were reflected in the Group's consolidated financial statements for the Current Year. During this period, the performance of the IT Division remained disappointing, generating revenue of approximately HK$1.1 million over this 9-month period when compared with approximately HK$2.8 million during the Previous Year which was a full 12-month period. Its revenue was mainly derived from services rendered on mobile and webapplication development and other ancillary services on a project basis. During this time, the IT Division continued to face keen market competitions providing similar services and was further constrained by its own capital and human resource limits in product development.

In view of the struggling performance and negative business outlook of the IT Division during the first half of the Current Year, the Directors conducted an interim assessment of the intangible assets carried by the IT Division and decided a provision of impairment loss on its intangible assets of approximately HK$11.7 million was necessary with reference to the applicable business outlook and condition of the IT Division, which was recorded in the interim consolidated financial statements of the Group for the 6 months ended 30 September 2017 and is also reflected in the full year consolidated financial statements of the Group for the Current Year.

FINANCIAL REVIEW

Continuing Operations

The Toy Division

The Toy Division's revenue for the Current Year amounted to approximately HK$752.7 million, representing a decrease of 2.0% over that of the Previous Year of approximately HK$768.1 million. Such decrease in revenue was due to a mild decrease in sales to some of the Toy Division's top 5 customers. However, segment profit for this division increased substantially to approximately HK$33.3 million for the Current Year from approximately HK$23.2 million for the Previous Year, representing an increase of 43.3%. Such increase in segment profit was mainly due to an improvement in gross profit margin benefiting from a change in products mix from smaller product items to more scalable and sophisticated products which generated higher gross profit margin as demanded by one of our major customers, and the full impact of fixed overhead savings from the disposal of certain manufacturing subsidiaries in the Previous Year. The increase in the segment profit attributable to the above factors was partially offset by the increase in costs incurred on operating lease payment of approximately HK$0.8 million in respect of the increase in that applicable to Directors' quarter upon the renewal of the lease for the directors' quarter during the Current Year.

Revenue from North America decreased from approximately HK$462.6 million for the Previous Year to approximately HK$451.1 million for the Current Year, while revenue from Western Europe increased from approximately HK$141.9 million for the Previous Year to approximately HK$147.5 million for the Current Year. Sales to customers in new developing regions, namely mainland China and Taiwan and South America decreased from approximately HK$84.8 million for the Previous Year to approximately HK$75.2 million for the Current Year and from approximately HK$14.2 million for the Previous Year to approximately HK$8.7 million for the Current Year, respectively, representing a decrease of approximately 11.3% and 38.6% 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 Financial Services Division

Revenue for the Financial Services Division for the Current Year amounted to approximately HK$22.2 million comparing to that of HK$16.8 million in the Previous Year, representing an increase of 32.4% over the Previous Year. This is mainly attributable to an increase in underwriting and placement commissions of approximately 376.1% and 70.6%, respectively, earned during the Current Year as the Financial Services Division completed more equity and bond underwriting and placement mandates during the Current Year. Such increase in revenues from underwriting and placement commissions was partially offset by a decrease in revenues from brokerage services commissions and investment advisory fee income during the Current Year.

Overall, the Financial Services Division recorded segment loss of approximately HK$25.2 million for the Current Year comparing to approximately HK$34.1 million for the Previous Year, representing a decrease in loss of approximately 26.3%. Such narrowing of loss of the Financial Services Division was mainly attributable to (i) the increase in revenues during the Current Year as highlighted above; and (ii) a substantial reduction of employee benefits expenses in the Financial Services Division of approximately 25.4% during the Current Year as no replacement staff were hired for some positions following natural staff turnover.

Discontinued Operation

The IT Division

For the IT Division, revenue and segment loss for the Current Year were approximately HK$1.1 million and HK$15.1 million, respectively, inclusive of impairment loss on intangible assets of approximately HK$11.7 million and a gain on disposal of subsidiaries of approximately HK$2.0 million. This compares with the revenue and segment loss of the IT Division of approximately HK$2.8 million and HK$49.5 million, respectively, during the Previous Year, which included an impairment loss on goodwill of approximately HK$3.7 million and impairment loss on intangible assets of approximately HK$33.9 million. The decrease in revenue and segment loss as compared to the Previous Year was mainly due to (i) a shorter financial period of about 9-month period being consolidated into the Group's consolidated results for the Current Year as a result of the disposal of the IT Division in December 2017; (ii) a decrease in impairment loss on goodwill and intangible assets of approximately HK$25.9 million in the Current Year; and (iii) a gain on disposal of the subsidiaries attributable to the IT Division of approximately HK$2.0 million which was absent in the Previous Year.

Overall Group Financial Performance

Revenue

The Group's revenue from continuing operations for the Current Year amounted to approximately HK$774.9 million, which represents a decrease of 1.3% from that for the Previous Year of approximately HK$784.9 million. The decrease in total revenue of approximately HK$9.9 million for the Current Year was mainly contributed by the Toy Division because of a decrease in sales to certain of its top 5 customers whereas such impact was partially offset by the increase in revenues contributed by the Financial Services Division of approximately HK$5.4 million resulting from an increase in underwriting and placement commissions.

Gross Margin

The gross margin of the Toy Division recorded a favorable increase from approximately 9.9% for the Previous Year to approximately 11.4% for the Current Year due to a shift to new higher margin products which are more scaleable and sophisticated as demanded by a major customer during the Current Year. The Toy Division also received more orders for more scalable products in general which typically generated higher margins during the Current Year. Besides, the disposal of certain subsidiaries of the Toy Division in the Previous Year allowed further costs saving for the Current Year. Meanwhile, the total gross profit from continuing operations of the Group for the Current Year increased by 16.2% to approximately HK$108.0 million from that of the Previous Year of approximately HK$93.0 million. Other than the improvement in gross margins of the Toy Division, revenue contribution from the Financial Services Division also helped increase the Group's overall gross profits from continuing operations as there is effectively no direct costs of goods sold in the Financial Services Division.

Net Loss

The Group's net loss from continuing operations for the Current Year amounted to approximately HK$34.5 million, as compared to a net loss from continuing operations of approximately HK$51.5 million for the Previous Year. Inclusive of the Group's net loss from a discontinued operation for the Current Year of approximately HK$12.7 million, the Group's total net loss for the Current Year was approximately HK$47.2 million, as compared to a total net loss for the Group of approximately HK$94.1 million for the Previous Year (which included net loss from a discontinued operation for the Previous Year of approximately HK$42.6 million), representing a decrease in the Group's net loss of approximately 49.9%. Such decrease in net loss was mainly due to:

(i) a significant improvement in the segment profit of the Toy Division by approximately HK$10.1 million or 43.3% as a result of an increase in the gross profit margin of this segment;

(ii) a decrease in segment loss of the Financial Services Division by approximately of HK$9.0 million or 26.3% as a result of an increase in the revenue of this segment and a decrease in its employee benefits expenses;

(iii) a decrease in costs of approximately HK$17.1 million or 55.9% arising from the non-cash, equity settled share-based payment expenses related to the share options granted as a result of a decrease in the number of remaining years of vesting period for the granted share options for the Current Year as compared to the Previous Year;

(iv) a decrease in fair value loss on derivative financial asset of approximately HK$5.1 million for the Current Year following the full redemption of the convertible bonds issued in 2014; and

(v) a decrease in segment loss of the IT Division, a discontinued operation, of approximately HK$34.4 million from approximately HK$49.5 million for the Previous Year to approximately HK$15.1 million for the Current Year as a result of a shorter period of consolidation of its results following the disposal of the IT Division by the Group at the end of December 2017, a decrease in impairment loss on goodwill and the intangible assets of approximately HK$25.9 million and a gain of disposal of subsidiaries of approximately HK$2.0 million.

Such decrease in loss for the Current Year was partially offset by a decrease in gain on disposal of subsidiaries of approximately HK$9.9 million, a reversal in fair value change on the financial assets at fair value through profit and loss of approximately HK$5.7 million and an increase in finance costs of approximately HK$8.6 million arising from the new convertibles notes issued during the Current Year.

Selling Expenses

Selling expenses for the Toy Division mainly consisted of transportation fees and declaration fees. During the Current Year, selling expenses increased 13.3% from approximately HK$21.7 million for the Previous Year to approximately HK$24.6 million for the Current Year which was due to an increase in transportation cost as a result of increased sales to certain customer in the Current Year.

Administrative Expenses

Administrative expenses from continuing operations mainly consisted of salaries to employees, equity-settled share-based payment expenses, rents and rates for office spaces, depreciation of property, plant and equipment, and other administrative expenses. Administrative expenses decreased by 18.7% from approximately HK$128.0 million for the Previous Year to approximately HK$104.0 million for the Current Year, which was primarily due to a decrease in the total number of staff which in turn led to a decrease in staff costs arising from salary and the equity settled share-based payment expenses related to the grant of share options of approximately HK$16.4 million and HK$13.7 million, respectively.

Other Income, Gains and Losses

Other income, gains and losses mainly consisted of moulding income, gain on disposal of subsidiaries, fair value loss on financial assets at fair value through profit and loss, gain on extension/early redemption of convertible notes, interest income from bank deposits and others. During the Current Year, other income, gains and losses from continuing operations decreased 59.8% from approximately HK$28.7 million for the Previous Year to approximately HK$11.5 million. Such decrease was mainly attributable to (i) a decrease in gain on the disposal of subsidiaries by approximately HK$9.9 million from approximately HK$11.9 million for the Previous Year to approximately HK$2.0 million for the Current Year; (ii) a reversal in fair value change on financial assets at fair value through profit or loss by approximately HK$5.7 million from a fair value gain of approximately HK$2.7 million for the Previous Year to a fair value loss of approximately HK$3.0 million for the Current Year from the Financial Services Division; (iii) a decrease in gain arising from the extension of the maturity date of the convertibles notes from approximately HK$4.2 million for the Previous Year to nil for the Current Year; and (iv) an increase in gain on early redemption of convertible notes from nil for the Previous Year to approximately HK$1.3 million for the Current Year and a decrease in loss on early redemption of promissory notes of approximately HK$0.9 million from approximately HK$0.9 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 from continuing operations increased by 79.5% from approximately HK$10.8 million for the Previous Year to approximately HK$19.4 million for the Current Year, which is primarily due to a increase in the effective interest expense of the convertible notes issued by the Company in the Current Year of approximately HK$12.3 million, and a decrease in the effective interest expense of the promissory notes from approximately HK$3.4 million for the Previous Year to nil for the Current Year, as the promissory notes were fully repaid during the Previous 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 from continuing operations decreased 19.1% from approximately HK$7.6 million for the Previous Year to approximately HK$6.1 million. Such decrease was mainly due to the tax effect arising from the increase in exchange gain for the Current Year compared to exchange loss in the Previous Year for the Toy Division and the increase of deductible expenses in forms of increase in finance costs for interest on convertible notes issued in May 2017 and June 2017 respectively for the Current Year. Besides, there was the decrease in PRC tax provision from approximately HK$0.2 million for the Previous Year to nil for the Current Year.

Loss for the Year from a Discontinued Operation and Impairment Loss on Intangible Assets

As explained in the Business Review section, the performance of the IT Division remained disappointing, generating revenues of approximately HK$1.1 million during the Current Year when compared with HK$2.8 million during the Previous Year, representing a decrease of approximately 62.5% on a year-on-year basis. Gross profit for the IT Division also decreased accordingly from HK$0.8 million during the Previous Year to approximately HK$0.3 million for the Current Year, representing a decrease of approximately 64.8% on a year-on-year basis. Administrative expenses for the IT Division decreased substantially from approximately HK$12.8 million during the Previous Year to approximately HK$5.6 million for the Current Year due to a drop in salary expenses and amortization costs of intangible assets.

As the IT Division continued to face keen market competitions providing similar services and was further constrained by its own capital and human resource limits in product development, it remained highly uncertain whether its performance would show a substantial improvement. Furthermore, given the decision to minimize further capital outlays to the IT Division and cost tightening measures, it became increasingly difficult to retain talents in this division to develop new products addressing rapidly changing technologies and demands of clients. Therefore, the Directors decided to conduct an interim assessment of the intangible assets carried by the IT Division as part of the process in preparing the interim results of the Group.

The Group hired BMI Appraisals Limited, an independent valuer, to assess the value of the intangible assets of the IT Division as of 30 September 2017. The Directors have made reference to the valuation report issued by the independent valuer for the calculation of the value of the intangible assets of the IT Division on the Group's consolidated statement of financial position. BMI Appraisals Limited adopted the income approach for the assessment of the value of the intangible assets of the IT Division using the discounted cash flow method and applied a discount rate of about 19.9% (compared with 19.5% used as at 31 March 2017) estimated by the management. In view of the disappointing results of the IT Division during the first half of the Current Year and its negative business outlook, the Group's management adjusted further down the cash flow projections of the IT Division. The assessed result of the value-in-use of the intangible assets of the IT Division as of mid-year end amounted to approximately HK$20.0 million, leading to an impairment loss on intangible assets of approximately HK$11.7 million being recorded by the Group during the Current Year.

In December 2017, the Group decided to dispose of the subsidiaries attributable to the IT Division to an independent third party for a consideration of HK$16.5 million. As a result of the disposal, the Group recorded a gain on disposal of subsidiaries of approximately HK$2.0 million arising from the difference between the consideration received and the net asset value of the subsidiaries being disposed of at completion.

Other factors which affected the loss for the year from a discontinued operation included the absence of an impairment loss on goodwill in the Current Year, which amounted to approximately HK$3.7 million in the Previous Year. Income tax credit also decreased from approximately HK$6.9 million in the Previous Year to approximately HK$2.4 million in the Current Year. The above factors led to a loss for the year from a discontinued operation of approximately HK$12.7 million for the Current Year, compared with the same of approximately HK$42.6 million in the Previous Year.

Inventory

The inventory of the Group increased by 2.8% to approximately HK$94.6 million as at 31 March 2018 from approximately HK$92.0 million as at 31 March 2017. 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 3.6% from 53.0 days for the Previous Year to 51.1 days for the Current Year arising from customers requisition for moderately sooner delivery of products during the Current Year.

Trade Receivables

Trade receivables from the Toy Division and the IT Division were approximately HK$24.1 million as at 31 March 2018 when compared with approximately HK$37.6 million as at 31 March 2017. The above balance of trade receivables as at 31 March 2018 only included trade receivables of the Toy Division as the IT Division was already disposed of in December 2017. The decrease in trade receivables of the Toy Division as at 31 March 2018 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 multiplied by 365 days, was 14.7 days for the Current Year as compared with 25.2 days for the Previous Year.

Trade receivables from the Financial Services Division decreased slightly from approximately HK$7.1 million as at 31 March 2017 to approximately HK$6.6 million at 31 March 2018, which was mainly a result of a decrease in outstanding receivable from broker and margin clients as at the end of the Current Year accompanying with a smaller increase in outstanding receivable from cash clients when compared to those in the Previous Year.

Trade Payables

Trade payables from the Toy Division and the IT Division as at 31 March 2017 amounted to approximately HK$52.7 million, which decreased to approximately of HK$40.2 million at 31 March 2018, which was only attributable to the Toy Division following the disposal of the IT Division in December 2017. The decrease was primarily due to the decrease in purchases and costs of service incurred for the Current Year. The trade payables turnover days for the Toy Division and the IT Division for the Previous Year and that solely for Toy Division for the Current Year, as calculated by dividing the averaging closing trade payables by the cost of sales from the Toy Division and the IT Division multiplied by 365 days, was 25.4 days and 21.0 days, respectively.

Trade payables from the Financial Services Division as at 31 March 2018 decreased from approximately HK$210.1 million at 31 March 2017 to approximately HK$70.9 million at 31 March 2018, 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 substantially higher trade payables as at 31 March 2017 was due to a substantially higher amount of cash and bank balances held on behalf of customers by the Financial Services Division on the same date. The settlement terms for such trade payable attributable to dealing in securities are typically one to two days after the trade date.

LIQUIDITY AND FINANCIAL RESOURCES

For the Current Year, the Group mainly financed its working capital by internal resources, bank borrowings and the issue of convertible notes. As at 31 March 2018, cash and cash equivalents amounted to approximately HK$141.2 million (31 March 2017: HK$130.0 million) and an additional HK$60.4 million (31 March 2017: nil) were pledged bank deposits to secure an undrawn banking facility granted to the Group to facilitate settlement purposes of the Financial Services Division. The increase in cash and cash equivalents was mainly due to the issue of new convertible notes in May 2017 and June 2017 during the Current Year. Interest-bearing bank borrowings, on the other hand, decreased from approximately HK$33.6 million as at 31 March 2017 to approximately HK$13.9 million as at 31 March 2018. 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 20.5% (31 March 2017: 21.0%). As at 31 March 2018, all bank borrowings were subject to floating interest rates. The current ratio of the Group, as calculated by total current assets over total current liabilities, was approximately 2.88 (31 March 2017: 1.51).

During the Current Year, no new shares were issued by the Company.

CONVERTIBLE NOTES

The Company issued two tranches of 6% Convertible Notes with a maturity of three years and outstanding principal amounts of HK$80.0 million and HK$30.0 million (the “2017 Convertible Notes”) on 11 May 2017 and 2 June 2017, respectively, to Benefit Global Limited, an independent third party, for repayment of liabilities of the Group, business expansion of the Group’s Financial Services Division and as general working capital of the Group. The 2017 Convertible Notes are unsecured, bear interest at 6% per annum and carry rights to convert the principal amount into shares of the Company at an initial conversion price of HK$0.39 per share, representing 282,051,281 conversion shares or 19.1% of the issued share capital of the Company as at the date of this report, or 16.1% of the issued share capital of the Company as at the date of this report as enlarged by the conversion shares. The Company has the option to redeem the 2017 Convertible Notes at any time before their maturity at 100% of their principal value plus any accrued but unpaid interest.

As at the date of this report, the net proceeds from the 2017 Convertible Notes have been used as follows:

	(HK$ millions)
(i) Full redemption of the convertible notes issued in 2014	58.0
(ii) Business expansion and working capital of the Financial Services Division	52.0
TOTAL	110.0

CHARGE ON ASSETS

As at 31 March 2018, certain of the Group’s banking facilities and its interest-bearing bank borrowings were secured by pledged bank deposits of approximately HK$60.4 million (31 March 2017: nil) and properties of the Group located in Hong Kong with an aggregate carrying amount of approximately HK$6.7 million (31 March 2017: HK$6.2 million).

CONTINGENT LIABILITIES

As at 31 March 2018, the Group had no contingent liabilities (31 March 2017: 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 2018, 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$8.2 million and HK$0.04 million respectively (31 March 2017: HK$13.0 million and HK$8.2 million).

CAPITAL COMMITMENTS

As at 31 March 2018, there is no capital commitment of the Group (31 March 2017: Nil).

SIGNIFICANT INVESTMENT HELD

Except for investments in subsidiaries, certain financial assets with carrying value of approximately HK$11.5 million held by the Financial Services Division and an available-for-sale investment in an unlisted 5% fixed coupon unsecured bond with carrying value of approximately HK$11.7 million, the Group did not hold any significant investment in equity interest in any other company as at 31 March 2018.

The total carrying value of financial assets at fair value through profit or loss and available-for-sale investments held by the Group amounted to approximately HK$23.3 million and represented approximately 3.6% of the total consolidated assets of the Group as of 31 March 2018 (31 March 2017: HK$14.5 million and 1.8%). The increase in such carrying value was mainly due to the subscription of the above unlisted 5% fixed coupon unsecured bond by the Group during the Current Year which was partially offset by a fair value loss on financial assets through profit or loss of approximately HK$3.0 million during the Current Year.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

On 14 December 2017, the Company, as vendor, entered into a sale and purchase agreement with Octagon Special Opportunities Limited, as a purchaser, an independent third party, to dispose of the entire issued share capital of New Creation Global Limited ("New Creation") for a consideration of HK$16.5 million of which HK$8.0 million was settled in cash and HK$8.5 million was settled by way of the issuance of a 12-month HK$4.0 million promissory note and a 30-month HK$4.5 million promissory note by the purchaser. Both promissory notes are unsecured, bear an interest rate of 1.5% per annum payable in arrears and can be early redeemed in part or in full by the purchaser at any time prior to maturity. The transaction was completed on 29 December 2017.

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

Save for the proposed acquisitions of Zhongtai International Capital Limited and Zhongtai International Asset Management Limited by the Group as set out in the joint announcement issued by the Company and Zhongtai International Investment Group Limited (the "Offeror") dated 25 February 2018 (the "Joint Announcement"), which shall be subject to the fulfillment of various conditions precedent including but not limited to independent shareholders' approval, the Group did not have any plans to acquire any material investments or capital assets as at 31 March 2018.

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$, the Group does not have material exchange rate risk on such currency. During the Current Year, the Group did not enter into any deliverable forward contracts ("DF") to manage the foreign currency risk arising from fluctuation in exchange rate of the RMB against the US$.

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 2018, the Group had a total of 62 employees (31 March 2017: 76). Total staff costs (excluding equity settled share-based payment expenses to eligible persons other than employees and directors) were approximately HK$66.3 million for the year ended 31 March 2018 (2017: HK$98.0 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.

PROPOSED SUBSCRIPTION, POSSIBLE UNCONDITIONAL MANDATORY CASH OFFERS AND PROPOSED ACQUISITIONS

(I) Subscription Agreement and Possible Unconditional Mandatory Cash Offers

On 23 February 2018, (a) the Company and (b) Zhongtai International Investment Group Limited, Taifu Capital Investments Limited and Great Boom Group Limited (together, the "Subscribers") entered into a subscription agreement (the "Subscription Agreement") pursuant to which the Company conditionally agreed to allot and issue, and the Subscribers conditionally agreed to subscribe for, an aggregate of 2,283,848,000 new ordinary shares of the Company, for an aggregate consideration of HK$799,346,800 in cash at the subscription price of HK$0.35 per subscription share. Completion of the transactions contemplated under the Subscription Agreement is subject to the satisfaction of various conditions precedent as set out in the announcement of the Company dated 25 February 2018 (the "Joint Announcement"). As at date of this report, such conditions precedent have not yet been satisfied in full and completion of the Subscription Agreement has not yet taken place.

As detailed in the Subscription Agreement, immediately following completion of the Subscription Agreement, the Offeror and its concert parties (including the Subscribers and their respective concert parties) will be interested in a total of 2,283,848,000 issued shares of the Company, representing (i) approximately 60.77% of the enlarged issued share capital of the Company (as enlarged by the subscription shares and assuming no outstanding share options or the 2017 Convertible Notes will be exercised or converted and no other shares will be allotted or issued at or prior to completion of the Subscription Agreement); and (ii) approximately 58.64% of the enlarged issued share capital of the Company (as enlarged by the subscription shares and assuming all the share options (except the share options held by Mr. Lau Ho Ming, Peter and Madam Li Man Yee, Stella) will be exercised but no 2017 Convertible Notes will be converted and no other shares will be allotted or issued at or prior to completion of the Subscription Agreement).

Pursuant to Rule 26.1 and Rule 13 of the Takeovers Code, the Offeror is required to make unconditional mandatory offers in cash in relation to (A) the share offer for all the issued shares (excluding the shares already owned by or agreed to be acquired by the Offeror and its concert parties at the time when the share offer is made); (B) the option offer for the cancellation of all outstanding share options; and (C) the convertible notes offer for all outstanding 2017 Convertible Notes.

For details of the Subscription Agreement, the share offer, the option offer and the convertible notes offer, please refer to the Joint Announcement.

(II) Proposed Acquisitions of Zhongtai International Capital Limited and Zhongtai International Asset Management Limited

On 23 February 2018, the Company, as purchaser, and Zhongtai International Financial Corporation ("ZTI Financial"), as vendor, entered into a sale and purchase agreement pursuant to which the Company conditionally agreed to acquire or procure one of its wholly-owned subsidiaries to acquire, and ZTI Financial conditionally agreed to dispose of, all issued shares of Zhongtai International Capital Limited for a consideration of HK$30,000,000.

On the same date, the Company, as purchaser, and Zhongtai Financial International Limited ("Zhongtai Financial International"), as vendor, entered into a sale and purchase agreement pursuant to which the Company conditionally agreed to acquire or procure one of its wholly-owned subsidiaries to acquire, and Zhongtai Financial International conditionally agreed to dispose of, all issued shares of Zhongtai International Asset Management Limited for a consideration of HK$102,000,000.

Completion of the transactions in relation to the acquisitions of Zhongtai International Capital Limited and Zhongtai International Asset Management Limited is conditional upon the completion of the Subscription Agreement having taken place and other various conditions precedent as set out in the Joint Announcement. As at date of this report, such conditions precedent have not yet been satisfied in full and completion of the above acquisitions has not yet taken place.

For details of the above transactions, please refer to the Joint Announcement.

PROSPECTS

After the disposal of the IT Division during the Current Year, the Group is expected to be able to focus its resources and energy in its two core businesses, namely the Toy Division and the Financial Services Division, going forward. Despite a marked improvement in the performance of the Toy Division in the Current Year, the rippling effects of the liquidation of Toys R Us are expected to be felt in the global toy industry in the coming financial year given a lot of the major downstream players are adopting cost control measures and will likely place orders more cautiously in view of the Toys R Us liquidation in the United States. We also expect that there might be an increase in plastic and component costs going forward. As a results, the Directors expect that the Toy Division may face pressures in maintaining its gross margins and sales volume as a result and we will continue to seek ways to tighten our cost structure while exploring the possibilities of new products with our customers, including the adoption of more automation technology in the manufacturing process to improve labour efficiency and reduce inventory to cope with the expected volatility in sales demand in the coming financial year.

The Financial Services Division made some respectable progress during the Current Year and is gaining increasing market traction in the primary issuance markets. However, we are also aware of the aggressive competitions in the markets and the increasing volatility of the securities markets in the future given expected change in the interest rate cycle in the coming year. We will continue to seek ways to strengthen our capital base and resources in order to compete effectively in this industry and to expand and strengthen our product offerings. We believe the potential introduction of Zhongtai International Investment Group Limited as our new controlling shareholder and the proposed acquisitions of Zhongtai International Capital Limited and Zhongtai International Asset Management Limited will, if successfully consummated, not only strengthen the capital base of the Group and increase the product offerings of the Financial Services Division, but will also allow us to tap the vast business networks of the Zhongtai Group in China. We will strive to work with them to try to complete the various transactions as set out above during the coming year.

PURCHASE, SALE OF REDEMPTION OF LISTED SECURITIES

Neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the Current Year.

Directors' Report

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 2018.

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 37 to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The financial results of the Group for the year ended 31 March 2018 are set out in the consolidated statement of profit or loss and other comprehensive income on pages 48 and 49.

The board of Directors (the "Board") does not recommend the payment of a final dividend for the year ended 31 March 2018. (2017: Nil)

RESERVES

Movements in the reserves for the year are set out in the consolidated statement of changes in equity on pages 52 and 53.

DISTRIBUTABLE RESERVES

Distributable reserves of the Company as at 31 March 2018 calculated under the Company Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands, amounted to approximately HK$362.4 million (2017: HK$382.0 million).

SHARE CAPITAL

Details of the movement in share capital of the Company during the year is set out in note 32 to the consolidated financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment during the year are set out in note 15 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 29 to the consolidated financial statements.

CHARITABLE CONTRIBUTIONS

During the year, the Group did not make any charitable contributions (2017: Nil).

BUSINESS REVIEW

Further discussion and analysis of the Group's activities as required by Schedule 5 to the Hong Kong Companies Ordinance (Chapter 622 of the Laws of Hong Kong), including a fair review of the Group's business, a description of the principal risks and uncertainties facing the Group, particulars of important events affecting the Group that have occurred since the end of the financial year, an indication of likely future development in the Group's business, an analysis using financial key performance indicators, a discussion on the Group's environmental policies and performance and the compliance with the relevant laws and regulations that have a significant impact on the Group, and an account of the Group's key relationships with its employees, customers and suppliers and others that have a significant impact on the Group and on which the Group's success depends can be found in the preceding sections of this Annual Report set out on pages 19 to 29. The preceding sections form part of this Report. Further details relating to the Group's relationships with its key stakeholders and the Group's environmental policies and performance can be found in the Company's 2018 ESG Report to be published on the Company's website www.quali-smart.com.hk.

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

During the year ended 31 March 2018, 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 44 to the notes to consolidated financial statements included in this Annual Report on pages 134 to 141.

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.

Competition for talents

Our businesses, particularly our Financial Services Division, does 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.

Environmental and social risks

We recognize the importance of environmental protection and have adopted stringent measures for environmental protection in order to ensure the compliance by us of the prevailing environmental protection laws and regulations.

In view of the enhancing awareness on the responsibilities to the environment and social community the Group has businesses engaged in, the Group has adopted certain environmental policies in order to help preserving the nature by minimizing emission and disposal of waste generated during the course of business activities. Details of which are set out on page 33 to this report.

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.

Security over cyber risks and data protection

The Company and the Group in general is obliged to protect sensitive users information at all times and is committed to protecting clients' privacy and is fully aware that any loss or leakage of sensitive user information could have a significant negative impact on affected users and the Company's reputation, even lead to potential legal action against the Company. Being abided by the Personal Data (Privacy) Ordinance (issued by the Privacy Commissioner for Personal Data) in collection, use and holding of client's information. The Group has adopted a compliance manual that sets out the specific procedure for handling and protecting clients' data particularly by the Financial Services Division. The Group owes a contractual obligation of confidentiality to the clients in terms of their information; therefore, the Group treats clients' transaction records and personal information as private and confidential, subject to disclosure requirements under the relevant laws, rules and regulations, in which the Group is required to comply with. Information collected will only be used for the purpose for which it has been collected. Clients will be told in advance on how the collected data will be used. The Group prohibits the provision of consumer information to a third party without authorisation from its client. Clients always have the rights to review and revise their data, and to opt out from any direct marketing events. If there are any requests for client information or client's business, the Legal and Compliance team will be consulted to ensure the appropriateness of disclosure under the regulatory laws and policies. A strong commitment to protect clients' privacy have enabled the Group to stay competitive in the market. To ensure adequate security, the Company strives to provide the highest level of protection to such data. In this regard, the Company has formulated policies and control measures to protect user data. Information security is ensured through effective management systems, encryption, access restrictions and process protocols.

Meanwhile, the Group has also adopted relevant security measures to mitigate risks associated with cyber security applicable to daily information transfer through Internet downloading, websites access or E-Mails exchanged. Namely, firewall installation in computer server system; anti-virus scanning when files and E-Mails are downloaded from the Internet; and whenever and any files are opened or copied, or programs are run on users personal computers. Besides, all Internet addresses being accessed by users in our headquarter are logged centrally and monitored by IT Department for identifying any abnormal activity or possible malicious cyber attack on the relevant systems.

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 October 2016, 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 maintains its 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.

Besides, we believe that our Financial Services Division operates in an industry that is 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 continued in offering e-statements to its clients in order minimize paper usage. During the Current Year, our corporate office and our 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.

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 144.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 March 2018, the Group's sales to the largest customer and the five largest customers accounted for approximately 37.6% and 96.4% of the Group's turnover. The Group's purchases from the largest supplier and the five largest suppliers purchases accounted for 11.4% and 41.4% 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 3.4% of the Group's turnover for the year ended 31 March 2018. 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 2018.

Directors' Report

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 7 September 2017, Mr. Lau Ho Ming, Peter, Mr. Poon Pak Ki, Eric and Mr. Leung Po Wing, Bowen Joseph retired and were re-elected by the Shareholders at the annual general meeting of the Company ("2017 AGM") pursuant to the Articles of Association of the Company.

In accordance with the Articles of Association, Mr. Chu Raymond, Mr. Chan Siu Wing, Raymond and Mr. Wong Wah On, Edward shall retire at the forthcoming annual general meeting ("2018 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 2018, 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	9,600,000	482,864,000 *(Note 2)*	–	–	4,000,000 *(Note 3)*	496,464,000	33.7%
Madam Li Man Yee, Stella	9,600,000	–	482,864,000 *(Note 2)*	–	1,400,000 *(Note 3)*	493,864,000	33.5%
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. Chu, Raymond	27,448,000	–	–	–	12,847,800	40,295,800	2.7%
Mr. Leung Po Wing, Bowen Joseph	–	–	–	–	2,800,000	2,800,000	0.2%
Mr. Chan Siu Wing, Raymond	–	–	–	–	2,800,000	2,800,000	0.2%
Mr. Wong Wah On, Edward	–	–	–	–	1,400,000	1,400,000	0.1%

Notes:

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

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

3. *Share options were granted to Mr. Lau and Madam Li to subscribe for 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 2018, 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 2018, 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	Total number of Shares held	Percentage of shareholding
Smart Investor	482,864,000 *(Note 1)*	32.8%
Silver Pointer Limited	106,880,000 *(Note 2)*	7.3%
Benefit Global Limited	282,051,281 *(Note 3)*	19.1%
Clearfield Global Limited	282,051,281 *(Note 3)*	19.1%
BlackPine Private Equity Partners G.P. Limited	282,051,281 *(Note 3)*	19.1%
Chu Sheng Yu, Lawrence	282,051,281 *(Note 3)*	19.1%
	672,000 *(Note 4)*	0.05%
Great Boom Group Limited (旺佳集團有限公司) (Subscriber B)	375,056,000 *(Notes 5 and 6)*	25.4%
Yu Yusheng	375,056,000 *(Notes 5 and 6)*	25.4%
Li Ping	375,056,000 *(Notes 5, 6 and 7)*	25.4%
Taifu Capital Investments Limited (泰富資本有限公司) (Subscriber A)	186,356,000 *(Notes 5 and 8)*	12.6%
Gao Feng	186,356,000 *(Notes 5 and 8)*	12.6%
Dong Xiao Chun	186,356,000 *(Notes 5, 8, and 9)*	12.6%
Zhongtai International Investment Group Limited (中泰國際投資集團有限公司) (Offeror)	1,722,436,000 *(Notes 5 and 10)*	116.8%
Zhongtai Securities Co., Ltd.# (中泰證券股份有限公司)	1,722,436,000 *(Notes 5 and 10)*	116.8%
Laiwu Steel Group Ltd.# (萊蕪鋼鐵集團有限公司)	1,722,436,000 *(Notes 5 and 10)*	116.8%
Shandong Iron & Steel Group Co., Ltd.# (山東鋼鐵集團有限公司)	1,722,436,000 *(Notes 5 and 10)*	116.8%

Notes:

1. *These shares were registered in name of Smart Investor. Smart Investor was interested by Mr. Lau Ho Ming, Peter, an executive Director, and Madam Li Man Yee, Stella, a non-executive Director and spouse of Mr. Lau, as to 67.4% and 32.6% respectively. Accordingly, Mr. Lau and Madam Li are deemed to be interested in the 482,864,000 Shares held by Smart Investor.*

2. *These Shares are registered in the name of Silver Pointer Limited.*

3. *282,051,281 Shares are the underlying Shares representing the total number of conversion Shares convertible under the Convertible Notes issued by the Company to Benefit Global Limited, a company wholly owned by Clearfield Global Limited, which is in turn wholly owned by BlackPine Private Equity Partners G.P. Limited and ultimately wholly owned by Mr Chu Sheng Yu, Lawrence.*

4. *672,000 Shares are registered in the name of Mr. Chu Sheng Yu, Lawrence in his personal capacity.*

5. *On 23 February 2018, the Company and the Subscribers entered into the Subscription Agreement pursuant to which the Company conditionally agreed to allot and issue, and the Subscribers conditionally agreed to subscribe for, an aggregate of 2,283,848,000 Shares, free from all Encumbrances and together with all rights and benefits attaching to them at Completion and thereafter, for an aggregate consideration of HK$799,346,800 in cash at the Subscription Price of HK$0.35 per Subscription Share. Under the Subscription, (i) the Offeror will subscribe for 1,722,436,000 Shares for a consideration of HK$602,852,600; (ii) Subscriber A will subscribe for 186,356,000 Shares for a consideration of HK$65,224,600; and (iii) Subscriber B will subscribe for 375,056,000 Shares for a consideration of HK$131,269,600. Completion of the transaction contemplated under the Subscription Agreement is subject to the satisfaction of various conditions precedent as set out in the announcement of the Company dated 25 February 2018. As at date of this report, the conditions precedent as detailed in the Subscription Agreement have not yet been satisfied in full and completion of the Subscription Agreement has not yet taken place.*

6. *Subscriber B, a company being directly controlled as to 90% by Mr Yu Yusheng, became interested in 375,056,000 underlying Shares pursuant to the Subscription Agreement. As Mr. Yu Yusheng controls more than one-third of the voting power of Subscriber B, by virtue of the provisions in Part XV of the SFO, Mr. Yu Yusheng is deemed to be interested in all the underlying Shares which Subscriber B is interested in.*

7. *Madam Li Ping is the spouse of Mr Yu Yusheng. By virtue of the provisions of Part XV of the SFO, Madam Li Ping is deemed to be interested in all the underlying Shares in which Mr Yu Yusheng is interested or deemed to be interested*

8. *Subscriber A, a company being directly controlled as to 47.1% by Mr Gao Feng, became interested in 186,356,000 underlying Shares of the Company pursuant to the Subscription Agreement. As Mr Gao Feng controls more than one-third of the voting power of Subscriber A, by virtue of the provisions in Part XV of the SFO, Mr Gao Feng is deemed to be interested in all the underlying Shares which Subscriber A is interested in.*

9. *Madam Dong Xiao Chun is the spouse of Mr Gao Feng. By virtue of the provisions of Part XV of the SFO, Madam Dong Xiao Chun is deemed to be interested in all the underlying Shares in which Mr. Gao Feng is interested or deemed to be interested.*

10. *The Offeror became interested in 1,722,436,000 underlying Shares pursuant to the Subscription Agreement. The Offeror is wholly controlled by Zhongtai Financial International which is in turn wholly controlled by Zhongtai Securities. Zhongtai Securities is in turn controlled as to 45.91% by Laiwu Steel which is further controlled as to 80% by Shandong Iron & Steel. As Laiwu Steel controls more than one-third of the voting power of Zhongtai Securities and Shandong Iron & Steel controls more than one-third of the voting power of Laiwu Steel, by virtue of the provisions in Part XV of the SFO, Laiwu Steel and Shandong Iron & Steel are both deemed to be interested in all the underlying Shares which Zhongtai Securities is interested in.*

The English transliteration of the Chinese name(s), where indicated, is included for information purpose only, and should not be regarded as the official English name(s) of such Chinese name(s).

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 34 to the consolidated financial statements.

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

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

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

Details of the outstanding Options under the Share Option Scheme as at 31 March 2018 were as follows:

		Number of share options				
SHARE OPTION SCHEME	**Exercise price**	**Balance as at 1 April 2017**	**Lapsed during year**	**Balance as at 31 March 2018**	**Date of grant of share options**	**Exercisable periods of share options**
Executive Directors						
Mr. Lau Ho Ming, Peter	HK$1.02	4,000,000	–	4,000,000	3 July 2015	3 July 2015 to 2 July 2025
Mr. Ng Kam Seng	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. Poon Pak Ki, Eric	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$0.748	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$1.02	1,400,000	–	1,400,000	3 July 2015	3 July 2015 to 2 July 2025
Mr. Wang Zhao *(Note 2)*	HK$1.02	1,400,000	–	1,400,000	3 July 2015	3 July 2015 to 2 July 2025

SHARE OPTION SCHEME	Exercise price	Number of share options: Balance as at 1 April 2017	Lapsed during year	Balance as at 31 March 2018	Date of grant of share options	Exercisable periods of share options
Independent Non-executive Directors						
Mr. Leung Po Wing, Bowen Joseph	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$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$1.02	12,200,000	(1,800,000)	10,400,000	3 July 2015	3 July 2015 to 2 July 2025
	HK$0.748	60,187,800	(17,464,000)	42,723,800	24 March 2016	24 March 2016 to 23 March 2026
Consultants	HK$0.25	1,120,000	–	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		157,855,600	(19,264,000)	138,591,600		

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. 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 2018 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 138,591,600, representing 9.4% 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 2018. 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 2018, 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 38 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 2018.

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.

Save as disclosed above, as at 31 March 2018, no contract of significance had been entered into between the Company, or any of its subsidiaries, and the controlling Shareholders or any of its subsidiaries.

DEED OF NON-COMPETITION

The controlling Shareholders, namely Mr. Lau Ho Ming, Peter, Madam Li Man Yee, Stella and Smart Investor, entered into a deed of non-competition in favour of the Company dated 10 January 2013 (the "Deed of Non-Competition") as set out in the section of "Connected Transactions and Relationship with the Controlling Shareholders" under the Prospectus. The controlling Shareholders confirmed their compliance of all the undertakings provided under the Deed of Non-Competition during the year ended 31 March 2018 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 9 to 18 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 2018 have been audited by BDO Limited which retires, and being eligible, offers itself for re-appointment at 2018 AGM. A resolution to re-appoint BDO Limited and to authorize the Directors to fix its remuneration will be proposed at 2018 AGM.

On behalf of the Board

Lau Ho Ming, Peter
Executive Chairman
Hong Kong, 15 June 2018

Independent Auditor's Report

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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 (together the "Group") set out on pages 48 to 143, which comprise the consolidated statement of financial position as at 31 March 2018, 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 2018, 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, 17 and 18 to the consolidated financial statements)

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

As at 31 March 2018, the Group had goodwill and intangible assets amounting to approximately HK$184,783,000 and HK$554,000 respectively relating to relevant CGUs.

Management has performed impairment test on goodwill and intangible assets in accordance with the Group's accounting policies and concluded that there is no impairment in respect of goodwill and intangible assets for the CGUs of Financial services.

These assessments were based on value-in-use calculations ("VIU") and fair value less cost to 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, pre-tax rates and selection of discount rates to reflect specific risks relating to the relevant CGUs. FVLCD involves the selection of valuation model, adoption of key assumption and input data, which are subject to management judgements.

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 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 FVLCD, the cash flow projections used in the VIU and assessing the appropriateness of the significant assumptions and critical judgement areas which affect the VIU;

– benchmarking the growth rates and discount rates used in the 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 VIU.

OTHER INFORMATION IN THE ANNUAL REPORT

The directors are responsible for the other information. The other information comprises the information included 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 our engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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 year 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, 15 June 2018

Consolidated Statement of Profit or Loss and Other Comprehensive Income

	Notes	Year ended 31 March 2018 HK$'000	2017 HK$'000 (Re-presented)
CONTINUING OPERATIONS			
Revenue	*7*	**774,929**	784,871
Cost of sales		**(666,886)**	(691,909)
Gross profit		**108,043**	92,962
Other income, gains and losses	*8*	**11,544**	28,688
Selling expenses		**(24,585)**	(21,690)
Administrative expenses		**(103,983)**	(127,956)
Fair value loss on derivative financial asset	*9a*	**–**	(5,129)
Finance costs	*10*	**(19,384)**	(10,800)
Loss before income tax expense	*9a*	**(28,365)**	(43,925)
Income tax expense	*12*	**(6,146)**	(7,601)
LOSS FOR THE YEAR FROM CONTINUING OPERATIONS		**(34,511)**	(51,526)
DISCONTINUED OPERATION			
LOSS FOR THE YEAR FROM A DISCONTINUED OPERATION	*9b*	**(12,658)**	(42,617)
LOSS FOR THE YEAR		**(47,169)**	(94,143)

Consolidated Statement of Profit or Loss and Other Comprehensive Income

	Notes	2018 HK$'000	2017 HK$'000 (Re-presented)
		Year ended 31 March	
Other comprehensive income that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations		**–**	(775)
Release of translation reserve upon disposal of subsidiaries		**–**	(3,017)
Fair value loss on available-for-sale investments		**(260)**	–
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**(47,429)**	(97,935)
Loss attributable to:			
Owners of the Company			
– Loss for the year from continuing operations		**(34,511)**	(51,526)
– Loss for the year from a discontinued operation		**(12,658)**	(42,617)
LOSS FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY		**(47,169)**	(94,143)
Non-controlling interests			
– Loss for the year from continuing operations		**–**	–
– Loss for the year from a discontinued operation		**–**	–
LOSS FOR THE YEAR ATTRIBUTABLE TO NON-CONTROLLING INTERESTS		**–**	–
		(47,169)	(94,143)
Total comprehensive income attributable to:			
Owners of the Company		**(47,429)**	(97,935)
Non-controlling interests		**–**	–
		(47,429)	(97,935)
LOSS PER SHARE	*14*		
– Basic and diluted (HK cents)			
From continuing and discontinued operations		**(3.20)**	(6.48)
From continuing operations		**(2.34)**	(3.55)

Consolidated Statement of Financial Position

	Notes	At 31 March 2018 HK$'000	2017 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	*15*	**21,799**	16,231
Investment property	*16*	**6,700**	6,200
Goodwill	*17*	**184,783**	184,783
Intangible assets	*18*	**554**	34,505
Interests in a joint venture	*19*	**–**	–
Statutory deposit for financial service business		**1,335**	406
Promissory notes	*30*	**4,517**	–
Available-for-sale investments	*23*	**11,740**	–
Total non-current assets		**231,428**	242,125
CURRENT ASSETS			
Inventories	*20*	**94,575**	92,028
Trade receivables	*21*	**30,682**	44,666
Promissory notes	*30*	**4,015**	–
Financial assets at fair value through profit or loss	*22*	**11,538**	14,544
Prepayments, deposits and other receivables	*24*	**8,960**	66,556
Derivative financial asset	*31*	**–**	592
Cash and bank balances held on behalf of customers	*25*	**66,334**	204,358
Pledged bank deposits	*26*	**60,361**	–
Cash and cash equivalents	*26*	**141,184**	129,987
Total current assets		**417,649**	552,731
CURRENT LIABILITIES			
Trade payables	*27*	**111,103**	262,776
Receipts in advance, accruals and other payables	*28*	**18,794**	13,784
Interest-bearing bank borrowings	*29*	**13,916**	33,615
Convertible notes	*31*	**–**	54,944
Tax payables		**1,437**	2,115
Total current liabilities		**145,250**	367,234
NET CURRENT ASSETS		**272,399**	185,497
TOTAL ASSETS LESS CURRENT LIABILITIES		**503,827**	427,622

Consolidated Statement of Financial Position

	Notes	At 31 March 2018 HK$'000	2017 HK$'000
NON-CURRENT LIABILITIES			
Deferred tax liabilities	*36*	**112**	5,763
Convertible notes	*31*	**73,984**	–
Total non-current liabilities		**74,096**	5,763
NET ASSETS		**429,731**	421,859
EQUITY			
Share capital	*32*	**287**	287
Reserves		**429,444**	420,982
		429,731	421,269
Non-controlling interests		**–**	590
Total equity		**429,731**	421,859

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	Share premium	Capital reserve	Statutory reserve	Translation reserve	Property revaluation reserve	Investment revaluation reserve	Other reserve	Share option reserve	Convertible notes equity reserve	Accumulated losses	Total	Non-controlling interests	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
		(note 1)	*(note 2)*	*(note 3)*	*(note 4)*	*(note 5)*			*(note 6)*	*(note 7)*				
At 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	6	9,365	–	–	–	–	–	–	(2,507)	–	–	6,864	–	6,864
Equity settled share-based transactions (note 34)	–	–	–	–	–	–	–	–	30,682	–	–	30,682	–	30,682
Lapse of share options	–	–	–	–	–	–	–	–	(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 and 1 April 2017	**287**	**418,769**	**-**	**-**	**-**	**6,071**	**-**	**1,000**	**41,529**	**42,725**	**(89,112)**	**421,269**	**590**	**421,859**
Equity settled share-based transactions (note 34)	-	-	-	-	-	-	-	-	13,541	-	-	13,541	-	13,541
Lapse of share options	-	-	-	-	-	-	-	-	(4,883)	-	4,883	-	-	-
Early redemption of convertible notes	-	-	-	-	-	-	-	-	-	(42,725)	39,187	(3,538)	-	(3,538)
Disposal of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	(590)	(590)
Issue of convertible notes	-	-	-	-	-	-	-	-	-	45,888	-	45,888	-	45,888
Loss for the year	-	-	-	-	-	-	-	-	-	-	(47,169)	(47,169)	-	(47,169)
Other comprehensive income														
Fair value loss on available-for-sale investments	-	-	-	-	-	-	(260)	-	-	-	-	(260)	-	(260)
Total comprehensive income for the year	-	-	-	-	-	-	(260)	-	-	-	(47,169)	(47,429)	-	(47,429)
At 31 March 2018	**287**	**418,769**	**-**	**-**	**-**	**6,071**	**(260)**	**1,000**	**50,187**	**45,888**	**(92,211)**	**429,731**	**-**	**429,731**

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

		Year ended 31 March	
	Notes	**2018** **HK$'000**	2017 HK$'000 (Re-presented)
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before income tax expense from continuing operations		**(28,365)**	(43,925)
Loss before income tax credit from a discontinued operation	*9b*	**(15,068)**	(49,511)
		(43,433)	(93,436)
Adjustments for:			
Interest income		**(1,551)**	(676)
Interest expenses		**19,386**	10,801
Depreciation of property, plant and equipment		**16,889**	18,113
Loss on disposal of property, plant and equipment	*8*	**15**	54
Gain on disposal of subsidiaries		**(1,980)**	(11,877)
Amortisation of prepaid land lease payments	*9*	**–**	104
Amortisation of intangible assets	*9b*	**2,877**	8,790
Expense for exercise of early redemption option of convertible notes		**592**	–
Impairment loss on goodwill	*9b*	**–**	3,695
Impairment loss on intangible assets	*9b*	**11,728**	33,889
Gain on early redemption of convertible notes	*8*	**(1,332)**	–
Loss on redemption of promissory notes	*8*	**–**	887
Gain on extension of convertible notes	*8*	**–**	(4,242)
Fair value loss on derivative financial asset	*9a*	**–**	5,129
Fair value loss/(gain) on financial assets at fair value through profit or loss	*8*	**3,006**	(2,737)
Loss on disposal of intangible assets		**25**	–
Gain on changes in fair value of investment property	*8*	**(500)**	–
Equity settled share-based payment expenses		**13,541**	30,682
Operating profit/(loss) before working capital changes		**19,263**	(824)
(Increase)/decrease in inventories		**(2,547)**	12,063
Decrease in trade receivables		**13,466**	410,468
Decrease/(increase) in prepayments, deposits and other receivables		**56,841**	(37,022)
Decrease in trade payables		**(151,046)**	(142,611)
Increase in statutory deposit for financial service business		**(929)**	(10)
Increase in receipts in advance, accruals and other payables		**5,867**	1,663
Decrease in amount due to a related company		**–**	(102)
Decrease/(increase) in cash and bank balances held on behalf of customers		**138,024**	(204,267)
Decrease in financial assets at fair value through profit or loss		**–**	6,415
Cash generated from operations		**78,939**	45,773
Income taxes paid		**(6,807)**	(7,973)
Net cash generated from operating activities		**72,132**	37,800

Consolidated Statement of Cash Flows

		Year ended 31 March	
		2018	2017
	Notes	**HK$'000**	HK$'000
			(Re-presented)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		**1,519**	676
Purchase of property, plant and equipment		**(22,506)**	(7,865)
Purchase of intangible assets		**–**	(33)
Disposal of subsidiaries, net of cash disposed	*35*	**7,972**	26,186
Purchase of available-for-sale investments		**(12,000)**	–
Increase in pledged bank deposits		**(60,361)**	–
Net cash (used in)/generated from investing activities		**(85,376)**	18,964
CASH FLOWS FROM FINANCING ACTIVITIES			
Net proceeds from exercise of share options		**–**	6,864
Proceeds from bank borrowings	*46*	**168,922**	182,655
Repayment of bank borrowings	*46*	**(188,621)**	(205,760)
Proceeds from issue of convertible notes	*46*	**110,000**	–
Redemption of convertible notes	*46*	**(58,000)**	–
Redemption of promissory notes		**–**	(124,333)
Interest paid		**(7,860)**	(8,016)
Net cash generated from/(used in) financing activities		**24,441**	(148,590)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**11,197**	(91,826)
Cash and cash equivalents at beginning of year		**129,987**	221,633
Effect of foreign exchange rate changes, net		**–**	180
CASH AND CASH EQUIVALENTS AT END OF YEAR		**141,184**	129,987
ANALYSIS OF THE BALANCE OF CASH AND CASH EQUIVALENTS			
Cash and cash equivalents		**141,184**	129,987

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 37 to the consolidated financial statements.

The consolidated financial statements were approved and authorised for issue by the board of directors of the Company (the "Directors") on 15 June 2018.

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

(a) Adoption of new/revised HKFRSs – effective 1 April 2017

The Group has adopted the following new/revised HKFRSs for the first time for the financial year beginning 1 April 2017:

Amendments to HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses
Annual Improvements to HKFRSs 2014-2016 Cycle	Amendments to HKFRS 12, Disclosure of Interests in Other Entities

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.

The adoption of the amendments has led to the additional disclosure presented in the notes to the consolidated statements of cash flow, note 46. No comparative information for the preceding period is required when the amendment was first adopted.

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.

The adoption of the amendments has no impact on these financial statements as the clarified treatment is consistent with the manner in which the Group has previously recognised deferred tax assets.

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

(a) Adoption of new/revised HKFRSs – effective 1 April 2017 (continued)

Annual Improvements to HKFRSs 2014-2016 Cycle – Amendments to HKFRS 12, Disclosure of Interests in Other Entities

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to HKFRS 12, Disclosure of Interests in Other Entities, to clarify that the disclosure requirements of HKFRS 12, other than the requirements to disclose summarised financial information, also apply to an entity's interests in other entities classified as held for sale or discontinued operations in accordance with HKFRS 5, Non-Current Assets Held for Sale and Discontinued Operations.

The adoption of the amendments to HKFRS 12 has no impact on these financial statements as the latter treatment is consistent with the manner in which the Group has previously dealt with disclosures relating to its interests in other entities classified as held for sale or discontinued operations in accordance with HKFRS 5.

(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.

Annual Improvements to HKFRSs 2014-2016 Cycle	Amendments to HKAS 28, Investments in Associates and Joint Ventures[1]
Amendments to HKFRS 2	Classification and Measurement of Share-Based Payment Transactions[1]
HKFRS 9	Financial Instruments[1]
HKFRS 15	Revenue from Contracts with Customers[1]
Amendments to HKFRS 15	Revenue from Contracts with Customers (Clarifications to HKFRS 15)[1]
Amendments to HKAS 40	Transfers of Investment Property[1]
HK(IFRIC)–Int 22	Foreign Currency Transactions and Advance Consideration[1]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[2]
HKFRS 16	Leases[2]
HK(IFRIC)–Int 23	Uncertainty over Income Tax Treatments[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Annual Improvements to HKFRSs 2015-2017 Cycle	Amendments to HKFRS 3, Business Combination[2]
Annual Improvements to HKFRSs 2015-2017 Cycle	Amendments to HKFRS 11, Joint Arrangement[2]
Annual Improvements to HKFRSs 2015-2017 Cycle	Amendments to HKAS 12, Income Taxes[2]
Annual Improvements to HKFRSs 2015-2017 Cycle	Amendments to HKAS 23, Borrowing Cost[2]

1 *Effective for annual periods beginning on or after 1 January 2018*

2 *Effective for annual periods beginning on or after 1 January 2019*

3 *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.*

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)

Annual Improvements to HKFRSs 2014-2016 Cycle – Amendments to HKAS 28, Investments in Associates and Joint Ventures

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to HKAS 28, Investments in Associates and Joint Ventures, clarifying that a Venture Capital organisation's permissible election to measure its associates or joint ventures at fair value is made separately for each associate or joint venture.

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 HKAS 40, Investment Property – Transfers of Investment Property

The amendments clarify that to transfer to or from investment properties there must be a change in use and provides guidance on making this determination. The clarification states that a change of use will occur when a property meets, or ceases to meet, the definition of investment property and there is supporting evidence that a change has occurred.

The amendments also re-characterise the list of evidence in the standard as a non-exhaustive list, thereby allowing for other forms of evidence to support a transfer.

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

The Interpretation provides guidance on determining the date of the transaction for determining an exchange rate to use for transactions that involve advance consideration paid or received in a foreign currency and the recognition of a non-monetary asset or non-monetary liability. The Interpretations specifies that the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part thereof) is the date on which the entity initially recognises the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration.

Amendments to HKFRS 9 – Prepayment Features with Negative Compensation

The amendments clarify that prepayable financial assets with negative compensation can be measured at amortised cost or at fair value through other comprehensive income if specified conditions are met – instead of at fair value through profit or loss.

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)

HK(IFRIC)–Int 23 – Uncertainty over Income Tax Treatments

The Interpretation supports the requirements of HKAS 12, Income Taxes, by providing guidance over how to reflect the effects of uncertainty in accounting for income taxes.

Under the Interpretation, the entity shall determine whether to consider each uncertain tax treatment separately or together based on which approach better predicts the resolution of the uncertainty. The entity shall also assume the tax authority will examine amounts that it has a right to examine and have full knowledge of all related information when making those examinations. If the entity determines it is probable that the tax authority will accept an uncertain tax treatment, then the entity should measure current and deferred tax in line with its tax filings. If the entity determines it is not probable, then the uncertainty in the determination of tax is reflected using either the "most likely amount" or the "expected value" approach, whichever better predicts the resolution of the uncertainty.

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.

Annual Improvements to HKFRSs 2015-2017 Cycle – Amendments to HKFRS 3, Business Combination

The amendment clarifies that, if and when an entity subsequently obtain control, it must remeasure its previously held interest at the acquisition-date fair value. The entity recognises any difference between the joint operation's acquisition-date fair value and previous carrying value as a gain or loss.

Annual Improvements to HKFRSs 2015-2017 Cycle – Amendments to HKFRS 11, Joint Arrangement

The amendment addresses situations in which an entity is a party to a joint arrangement that is a joint operation but, importantly, does not have joint control of the joint operation and subsequently obtains joint control. The amendment clarifies that if and when the entity subsequently obtains joint control, it must not remeasure its previously held interest.

Annual Improvements to HKFRSs 2015-2017 Cycle – Amendments to HKAS 12, Income Taxes

The amendment clarifies that the income tax consequences (if any) of dividends as defined in HKFRS/IFRS 9 (ie distributions of profits to holders of equity instruments in proportion to their holdings) must be recognised:

- at the same time as the liability to pay those dividends is recognised; and
- in profit or loss, other comprehensive income, or the statement of changes in equity according to where the entity originally recognised the past transactions or events that generated the distributable profits from which the dividends are being paid.

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)

Annual Improvements to HKFRSs 2015-2017 Cycle – Amendments to HKAS 23, Borrowing Costs

The amendment clarifies that once a qualifying asset funded through specific borrowings becomes ready for its intended use or sale (such that borrowing costs incurred on the specific borrowings can no longer be capitalised as part of the cost of that qualifying asset), those borrowings then become part of the pool of general borrowings.

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").

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.

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)

The management expects to continue measuring at fair value all financial assets currently held at fair value. Certain investment currently held as available-for-sale with gains and losses recorded in other comprehensive income will be categorised into financial assets measured at fair value through OCI and the investment revaluation reserve of HK$260,000 related to the investments will be retained since this financial asset satisfies the contractual cash flow characteristics tests, and is held within a business model whose objective is achieved by both collecting contractual cash flows and selling this debt instrument in the open market.

Loans and receivables are held to collect contractual cash flows and are expected to give rise to cash flows representing solely payments of principal and interest. The Group has analysed the contractual cash flow characteristics of those instruments and concluded that they meet the criteria for amortised cost measurement under HKFRS 9. Therefore, reclassification for these instruments is not required.

HKFRS 9 requires the Group to record expected credit losses on all of its assets measured at amortised cost, either on a 12-month or lifetime basis. The Group will apply the simplified approach and record lifetime expected losses on trade receivables. The Directors have assessed that the increase in impairment provision will not be significant to the Group.

HKFRS 15 – Revenue from Contracts with customers

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

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

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

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

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.

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) (continued)

The Directors have assessed its performance obligations of manufacturing and sales of toys and financial services pursuant to HKFRS 15 and has concluded that there are no significant differences on the timing and amounts of revenue recognised for these revenue streams in the respective reporting periods. The principles of principal and agent pursuant to HKFRS 15 do not have much difference with those currently applied by the Group in accordance with HKAS 18. Accordingly, the implementation of the HKFRS 15 would not result in any significant impact on the Group's financial position and results of operations. However, the application of HKFRS 15 may result in more disclosures in the consolidated financial statements.

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 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 2018, the Group has non-cancellable operating lease commitments of approximately HK$8,290,000. 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 40. An 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 statement of financial position. However, the adoption would not have significant impact on the Group's financial performance.

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 the Stock Exchange (the "Listing Rules").

(b) Basis of measurement

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

– investment property;

– financial assets at fair value through profit or loss;

– derivative financial asset; and

– available-for-sale investments.

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

(d) Goodwill

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

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

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Related parties

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

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

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

(ii) has significant influence over the Group; or

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

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

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

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

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

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

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

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

(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 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 to sell, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case, the recoverable amount is determined for the cash generating unit to which the asset belongs.

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

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

Value in use is based on the estimated future cash flows expected to be derived from the asset or cash generating unit, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash generating unit.

(i) Leases

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

The Group as lessor

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

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

The Group as lessee

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) Intangible assets

(i) Acquired intangible assets

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

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

Mobile and web application technologies	10 years

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

(ii) Impairment

Intangible assets with finite useful lives are tested for impairment when there is an indication that an asset may be 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. Intangible assets are tested for impairment by comparing their carrying amounts with their recoverable amounts. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount.

An impairment loss is recognised as an expense immediately.

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Financial Instruments

(i) Financial assets

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

Financial assets at fair value through profit or loss

These assets include financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term, or it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent pattern of a short-term profit-taking. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments or financial guarantee contracts.

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

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

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

Loans and receivables

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Financial Instruments (continued)

(i) Financial assets (continued)

Available-for-sale financial assets

These assets are non-derivative financial assets that are designated as available-for-sale or are not included in other categories of financial assets. Subsequent to initial recognition, these assets are carried at fair value with changes in fair value recognised in other comprehensive income, except for impairment losses and foreign exchange gains and losses on monetary instruments, which are recognised in profit or loss.

(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.

Available-for-sale financial assets

Where a decline in the fair value constitutes objective evidence of impairment, the amount of the loss is removed from equity and recognised in profit or loss.

Any impairment losses on available-for-sale investments are subsequently reversed in profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

(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, 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)

(iv) Convertible notes

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 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 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 notes equity reserve until the embedded option is exercised (in which case the balance stated in convertible 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 notes using the effective interest method.

(v) Effective interest method

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

(vi) Equity instruments

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

(vii) Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. A financial guarantee contract issued by the Group and not designated as at fair value through profit or loss is recognised initially at its fair value less transaction costs that are directly attributable to the issue of the financial guarantee contract. Subsequent to initial recognition, the Group measures the financial guarantee 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.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Financial Instruments (continued)

(viii) Derecognition

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

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

(l) Inventories

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

(m) Revenue recognition

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

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

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

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.

(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.

(s) Share-based payments

Where share options are awarded to employees and others providing similar services, the fair value of the services received is measured by reference to the fair value of the options at the date of grant. Such fair value is recognised in profit or loss over the vesting period with a corresponding increase in the 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 non-market 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.

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.

(v) Discontinued operation

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which represents a separate major line of business or geographical area of operations, or is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations, or is a subsidiary acquired exclusively with a view to resale.

Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. It also occurs if the operation is abandoned.

Where an operation is classified as discontinued, a single amount is presented on the face of the consolidated statement of comprehensive income, which comprises:

- the post-tax profit or loss of the discontinued operation; and
- the post-tax gain or loss recognised on the measurement to fair value less costs to sell, or on the disposal, of the assets or disposal groups constituting the discontinued operation.

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

(ii) **Depreciation**

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

(iii) **Provision for impairment of trade receivables**

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

(iv) **Fair value of measurement**

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

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

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

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

The Group measures a number of items at fair value:

- Investment property (note 16);
- Financial assets at fair value through profit or loss (note 22);
- Available-for-sale investments (note 23); and
- Derivative financial asset (note 31).

For more detailed information in relation to the fair value measurement of the items above, please refer to note 44.

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. Judgement is required to determine key assumptions adopted in the cash flow projections and changes to key assumptions can significantly affect these cash flow projections and therefore the results of the impairment reviews.

(vi) **Impairment loss on intangible assets**

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

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

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

6. OPERATING SEGMENT INFORMATION

The Group determines its operating segments based on the reports reviewed by the chief operating decision-maker that are used to make strategic decisions. The chief operating decision-maker considers the business primarily on the assessment of operating performance in each operating unit, which is the basis upon which the Group is organised. Each operating unit is distinguished based on types of goods or services delivered or provided. During the year ended 31 March 2018, the Group disposed of its digital publishing, mobile and web application solutions segment which is presented as a discontinued operation, more details are set out in note 35. 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 (the "PMT Group"); 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

	Continuing operations			Discontinued Operation	
	Manufacturing and sales of toys HK$'000	Financial services HK$'000	Total HK$'000	Digital publishing, mobile and web application solutions HK$'000 *(note 9)*	Total HK$'000
For the year ended 31 March 2018					
External revenue	752,719	22,210	774,929	1,061	775,990
Segment profit/(loss)	33,299	(25,157)	8,142	(15,068)	(6,926)
Corporate income					
– Others					1,364
Central administrative cost*					(7,858)
Equity settled share-based payment expenses					(13,541)
Finance cost					(16,472)
Loss before income tax expense					(43,433)
Represented by:					
– from continuing operations					(28,365)
– from a discontinued operation					(15,068)
					(43,433)

6. OPERATING SEGMENT INFORMATION (continued)

(a) Reportable segments (continued)

Segment revenue and results (continued)

	Continuing operations			Discontinued operation	
	Manufacturing and sales of toys HK$'000	Financial services HK$'000	Total HK$'000	Digital publishing, mobile and web application solutions HK$'000 *(note 9)*	Total HK$'000
For the year ended 31 March 2017 (Re-presented)					
External revenue	768,097	16,774	784,871	2,833	787,704
Segment profit/(loss)	23,240	(34,129)	(10,889)	(49,511)	(60,400)
Corporate income					
– Others					15,285
Central administrative cost*					(5,225)
Equity settled share-based payment expenses					(30,682)
Finance costs					(7,285)
Fair value change in derivative financial asset					(5,129)
Loss before income tax expense					(93,436)
Represented by:					
– from continuing operations					(43,925)
– from a discontinued operation *(note 9(b))*					(49,511)
					(93,436)

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

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

6. OPERATING SEGMENT INFORMATION (continued)

(a) Reportable segments (continued)

Segment assets

All assets are allocated to reportable segments other than promissory notes, prepayment, tax recoverable, derivative financial asset and cash and cash equivalents.

	At 31 March	
	2018	2017
	HK$'000	HK$'000
Manufacturing and sales of toys	**147,499**	150,164
Digital publishing, mobile and web application solutions	**–**	34,964
Financial services	**347,455**	475,726
Total segment assets	**494,954**	660,854
Unallocated	**154,123**	134,002
Consolidated assets	**649,077**	794,856

Segment liabilities

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

	At 31 March	
	2018	2017
	HK$'000	HK$'000
Manufacturing and sales of toys	**69,662**	98,041
Digital publishing, mobile and web application solutions	**–**	1,594
Financial services	**71,823**	210,540
Total segment liabilities	**141,485**	310,175
Unallocated	**77,861**	62,822
Consolidated liabilities	**219,346**	372,997

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 2018

	Continuing operations			Discontinued operation	
	Manufacturing and sales of toys HK$'000	Financial services HK$'000	Total HK$'000	Digital publishing, mobile and web application solutions HK$'000	Total HK$'000
Additions to property, plant and equipment	**22,494**	**8**	**22,502**	**4**	**22,506**
Depreciation of property, plant and equipment	**(16,287)**	**(558)**	**(16,845)**	**(44)**	**(16,889)**
Loss on disposal of property, plant and equipment	**(15)**	**–**	**(15)**	**–**	**(15)**
Loss on disposal of intangible assets	**–**	**(25)**	**(25)**	**–**	**(25)**
Amortisation of intangible assets	**–**	**–**	**–**	**(2,877)**	**(2,877)**
Impairment loss on intangible assets	**–**	**–**	**–**	**(11,728)**	**(11,728)**
Fair value loss on financial assets through profit or loss	**–**	**(3,006)**	**(3,006)**	**–**	**(3,006)**
Interest expenses	**(2,895)**	**(17)**	**(2,912)**	**(2)**	**(2,914)**

For the year ended 31 March 2017

	Continuing operations			Discontinued operation	
	Manufacturing and sales of toys HK$'000	Financial services HK$'000	Total HK$'000	Digital publishing, mobile and web application solutions HK$'000	Total HK$'000
Additions to property, plant and equipment	7,811	25	7,836	29	7,865
Depreciation of property, plant and equipment	(17,291)	(671)	(17,962)	(149)	(18,111)
Loss and disposal of property, plant and equipment	–	(54)	(54)	–	(54)
Amortisation of prepaid lease payments	(104)	–	(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 gain on financial assets through profit or loss	–	2,737	2,737	–	2,737
Bad debt recovery	787	–	787	–	787
Interest expenses	(2,546)	(969)	(3,515)	(1)	(3,516)

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 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 other than statutory deposit for Financial Service business, promissory notes and available-for-sale investments (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	
	2018	2017
	HK$'000	HK$'000
		(Re-presented)
Continuing operations		
North America *(note 1)*	**451,114**	462,614
Western Europe		
– United Kingdom	**63,530**	60,693
– France	**27,032**	27,718
– Netherland	**4,537**	5,006
– Others *(note 2)*	**52,427**	48,471
PRC and Taiwan	**75,196**	84,814
Central America, Caribbean and Mexico	**24,772**	22,318
South America	**8,724**	14,218
Australia, New Zealand and Pacific Islands	**21,664**	14,860
Others *(note 3)*	**45,933**	44,159
	774,929	784,871
Discontinued operation		
Others *(note 3)*	**1,061**	2,833
Total	**775,990**	787,704

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, Saudi Arabia and Southeast Asia.

6. OPERATING SEGMENT INFORMATION (continued)

(b) Geographical information (continued)

(ii) Specified non-current assets

	At 31 March 2018 HK$'000	At 31 March 2017 HK$'000
Mainland China, the PRC	**21,317**	14,925
Hong Kong	**192,519**	226,794
Total	**213,836**	241,719

(c) Information about major customers

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

	Year ended 31 March 2018 HK$'000	Year ended 31 March 2017 HK$'000
Continuing operations		
Customer A	**291,873**	245,142
Customer B	**267,066**	247,759
Customer C*	**–**	125,451
Customer D	**102,375**	82,599
Total	**661,314**	700,951

* *The customer contributed less than 10% of the Group's revenue during the year ended 31 March 2018.*

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	
	2018	2017
	HK$'000	HK$'000
		(Re-presented)
Continuing operations		
Manufacturing and sales of goods	**752,719**	768,097
Financial services	**22,210**	16,774
	774,929	784,871
Discontinued operation		
Digital publishing, mobile and web application solutions	**1,061**	2,833
	775,990	787,704

8. OTHER INCOME, GAINS AND LOSSES

	Year ended 31 March	
	2018	2017
	HK$'000	HK$'000
		(Re-presented)
Other income		
Continuing operations		
Interest income from bank deposits	**441**	16
Interest income from available-for-sale investments	**280**	660
Interest income from loans	**798**	–
Interest income from promissory notes	**32**	–
Moulding income	**4,255**	4,159
Rental income	**1,380**	911
	7,186	5,746
Other gains and losses		
Continuing operations		
Exchange gains, net	**3,540**	297
Gain on disposal of subsidiaries	**–**	11,877
Fair value (loss)/gain on financial assets at fair value through profit or loss	**(3,006)**	2,737
Gain on changes in fair value of investment property	**500**	–
Loss on early redemption of promissory notes	**–**	(887)
Gain on extension of convertible notes	**–**	4,242
Gain on early redemption of convertible notes	**1,332**	–
Loss on disposal of property, plant and equipment	**(15)**	(54)
Bad debt recovery	**–**	787
Others	**2,007**	3,943
	4,358	22,942
Other income, gains and losses	**11,544**	28,688

9. LOSS BEFORE INCOME TAX EXPENSE

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

	Year ended 31 March	
	2018	2017
	HK$'000	HK$'000
		(Re-presented)
Continuing operations		
Cost of inventories sold	**666,886**	691,909
Depreciation of property, plant and equipment	**16,845**	17,964
Amortisation of prepaid land lease payments	**–**	104
Employee benefits expenses (excluding Directors' remuneration *(note 11(a))*):		
Wages and salaries	**35,324**	51,728
Equity settled share-based payment expenses to employees	**5,696**	14,030
Pension scheme contributions	**1,018**	2,161
Other benefits	**2,314**	3,542
	44,352	71,461
Fair value loss on derivative financial asset	**–**	5,129
Equity settled share-based payment expenses to eligible persons other than employees and Directors	**3,006**	6,331
Auditor's remuneration	**2,988**	1,588
Operating lease charges in respect of land and buildings	**11,555**	11,687

(b) Discontinued operation

On 14 December 2017, the Company, as vendor, entered into a sale and purchase agreement with Octagon Special Opportunities Limited, as a purchaser, an independent third party, to dispose of the entire issued share capital of New Creation Global Limited ("New Creation") at a consideration of HK$16,500,000. New Creation is an investment holding company which holds Pulse Mediatech Limited that is principally engaged in provision of digital publishing and the development of mobile and web application solutions. The disposal was completed on 29 December 2017, the date on which the control of New Creation passed to the purchaser. The sales, results, and cash flows of the discontinued operation were as follows and the net assets of the discontinued operation at the date of disposal are disclosed in note 35 to the consolidated financial statements:

9. LOSS BEFORE INCOME TAX EXPENSE (continued)

(b) Discontinued operation (continued)

	For the period from 1 April 2017 to the date of disposal HK$'000	Year ended 31 March 2017 HK$'000
Revenue	1,061	2,833
Cost of sales	(769)	(2,003)
Gross profit	292	830
Other income, gains and losses	15	42
Administrative expenses	(5,625)	(12,798)
Impairment loss on goodwill	–	(3,695)
Impairment loss on intangible assets	(11,728)	(33,889)
Finance costs	(2)	(1)
Loss before income tax credit	(17,048)	(49,511)
Income tax credit	2,410	6,894
	(14,638)	(42,617)
Gain on disposal of subsidiaries *(Note 35)*	1,980	–
Loss for the period/year from a discontinued operation	(12,658)	(42,617)
Net cash used in operating activities	(1,662)	(5,893)
Net cash used in investing activities	(4)	(29)
Net cash generated from financing activities	1,686	5,492
Net cash inflow/(outflow) of a discontinued operation	20	(430)

For the purpose of presenting the discontinued operation, the comparative consolidated income statement and the related notes have been re-presented as if the operation discontinued during the current year had been discontinued at the beginning of the comparative period.

9. LOSS BEFORE INCOME TAX EXPENSE (continued)

(b) Discontinued operation (continued)

Loss before income tax credit from the discontinued operation is arrived at after charging:

	Year ended 31 March	
	2018	2017
	HK$'000	HK$'000
Discontinued operation		
Cost of sales	**769**	2,003
Depreciation of property, plant and equipment	**44**	149
Amortisation of intangible assets	**2,877**	8,790
Employee benefits expenses (excluding Directors' remuneration *(note 11(a))*:		
Wages and salaries	**2,190**	3,471
Equity settled share-based payment expenses to employees	**82**	194
Pension scheme contributions	**88**	134
Other benefits	**14**	790
	2,374	4,589
Auditor's remuneration	**–**	180
Impairment loss on goodwill	**–**	3,695
Impairment loss on intangible assets	**11,728**	33,889

10. FINANCE COSTS

	Year ended 31 March	
	2018	2017
	HK$'000	HK$'000
		(Re-presented)
Continuing operations		
Interest on bank and other borrowings:		
– Bank borrowings	**2,895**	2,546
– Promissory notes	**–**	3,363
– Convertible notes	**16,472**	4,131
– Bank overdrafts	**17**	760
	19,384	10,800

11. DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID EMPLOYEES

(a) Directors' remuneration

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

Year ended 31 March 2018	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	–	5,936	330	81	6,347
Mr. Ng Kam Seng	–	2,909	1,192	61	4,162
Mr. Poon Pak Ki	–	2,020	1,192	52	3,264
Mr. Chu, Raymond	–	3,000	1,278	18	4,296
	–	13,865	3,992	212	18,069
Non-executive Director					
Madam Li Man Yee, Stella	240	–	116	–	356
	240	–	116	–	356
Independent non-executive Directors					
Mr. Leung Po Wing, Bowen Joseph	210	–	255	–	465
Mr. Chan Siu Wing, Raymond	180	–	255	–	435
Mr. Wong Wah On, Edward	180	–	139	–	319
	570	–	649	–	1,219
Total	810	13,865	4,757	212	19,644

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

(a) Directors' remuneration (continued)

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	–	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)

(b) Five highest paid employees

The five individuals whose remuneration were the highest in the Group for the year ended 31 March 2018 included 4 Directors (2017: 4) and their remuneration are reflected in note 11(a). The remuneration of the remaining 1 highest paid individual (2017: 1) for the year ended 31 March 2018 is as follows:

	Year ended 31 March	
	2018	2017
	HK$'000	HK$'000
Salaries, allowances and benefits in kind	**1,504**	1,455
Equity settled share-based payment expenses	**1,239**	2,245
Pension scheme contributions	**58**	55
	2,801	3,755

Their remuneration was within the following bands:

	Number of individuals	
	2018	2017
HK$2,500,001 to HK$3,000,000	**1**	–
HK$3,500,001 to HK$4,000,000	**–**	1
	1	1

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 (2017: Nil). None of the Directors nor the five highest paid employees has waived or agreed to waive any remuneration during the year (2017: Nil).

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

	Number of senior management	
	2018	2017
HK$2,500,001 to HK$3,000,000	**1**	1

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 (2017: 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 year ended 31 March 2017 was 25% on its taxable profit.

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

	Year ended 31 March	
	2018	2017
	HK$'000	HK$'000
		(Re-presented)
Continuing operations		
Current — Hong Kong		
Charge for the year	**6,651**	6,886
(Over)/under provision in prior years	**(453)**	518
	6,198	7,404
Current — the PRC		
Charge for the year	**–**	197
Deferred tax credit	**(52)**	–
	6,146	7,601

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	
	2018	2017
	HK$'000	HK$'000
		(Re-presented)
Loss before income tax expense from continuing operations	**(28,365)**	(43,925)
Tax at the applicable tax rate of 16.5% (2017: 16.5%)	**(4,680)**	(7,248)
Effect of different tax rate of a subsidiary operating in other jurisdiction	**–**	44
Tax effect of revenue not taxable for tax purposes	**(448)**	(3,316)
Tax effect of expenses not deductible for tax purposes	**7,611**	10,573
Tax effect of tax loss not recognised	**4,368**	6,377
Tax effect of temporary difference not recognised	**(59)**	653
Utilisation of tax losses previously not recognised	**(194)**	–
(Over)/under provision in prior years	**(452)**	518
Income tax expense	**6,146**	7,601

No deferred tax asset has been recognised in respect of the unused tax losses of HK$83,467,000 (2017: HK$76,218,000) due to the unpredictability of future profit streams. The unused tax losses can be carried forward indefinitely.

13. DIVIDENDS

No dividend was paid or proposed during year ended 31 March 2018, nor has any dividend been proposed since the end of the reporting period (2017: HK$ Nil).

14. LOSS PER SHARE

For continuing and discontinued operations

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	
	2018	*2017*
	HK$'000	HK$'000
		(Re-presented)
Loss for the year from continuing and discontinued operations attributable to the owners of a Company	**(47,169)**	(94,143)
Less: Loss for the year from a discontinued operation	**12,658**	42,617
Loss for the purpose of basic and diluted loss from continuing operations	**(34,511)**	(51,526)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic loss per share	**1,474,232,000**	1,452,276,833

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 2018 of approximately HK$47,169,000 (2017: HK$94,143,000), and of the weighted average number of 1,474,232,000 (2017: 1,452,276,833) ordinary shares in issue during the year.

Diluted loss per share is the same as basic loss per share for the year ended 31 March 2018 (2017: same) as the impact of the potential dilutive ordinary shares outstanding has an anti-dilutive effect on the basic loss per share presented for the year ended 31 March 2018 (2017: anti-dilutive).

There is no dilutive effect on the convertible notes as they are anti-dilutive (2017: anti-dilutive).

On 23 February 2018, (a) the Company and (b) Zhongtai International Investment Group Limited, Taifu Capital Investments Limited and Great Boom Group Limited (together, the "Subscribers") entered into a subscription agreement (the "Subscription Agreement") pursuant to which the Company conditionally agreed to allot and issue, and the Subscribers conditionally agreed to subscribe for, an aggregate of 2,283,848,000 new ordinary shares of the Company, for an aggregate consideration of HK$799,346,800 in cash at the subscription price of HK$0.35 per subscription share. Completion of the transactions contemplated under the Subscription Agreement is subject to the satisfaction of various conditions precedent as set out in the Joint Announcement. As at date of this annual report, such conditions precedent have not yet been satisfied in full and completion of the Subscription Agreement has not yet taken place. These potential contingently issuable shares are anti-dilutive.

For a discontinued operation

Basic and diluted loss per share for the discontinued operation is approximately HK cents 0.86 per share (2017: loss per share of HK cents 2.93), based on the loss for the year ended 31 March 2018 from the discontinued operation of approximately HK$12,658,000 (2017: loss of HK$42,617,000) and the denominators detailed above for both basic and diluted loss per share.

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 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 35)*	(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 35)*	(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)

	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 2018						
Cost:						
At 1 April 2017	60	6,695	56,778	10,101	1,601	75,235
Additions	–	–	21,014	1,169	323	22,506
Disposal of subsidiaries *(note 35)*	–	–	–	(898)	–	(898)
Disposals	–	–	(16)	–	–	(16)
Written-off	(60)	–	(13,254)	(821)	–	(14,135)
At 31 March 2018	–	6,695	64,522	9,551	1,924	82,692
Accumulated depreciation:						
At 1 April 2017	60	6,219	42,835	8,610	1,280	59,004
Disposal of subsidiaries *(note 35)*	–	–	–	(864)	–	(864)
Depreciation charge for the year	–	476	14,801	1,319	293	16,889
Disposals	–	–	(1)	–	–	(1)
Written-off	(60)	–	(13,254)	(821)	–	(14,135)
At 31 March 2018	–	6,695	44,381	8,244	1,573	60,893
Net book value:						
At 31 March 2018	–	–	20,141	1,307	351	21,799
At 31 March 2017	–	476	13,943	1,491	321	16,231

16. INVESTMENT PROPERTY

	At 31 March	
	2018	2017
	HK$'000	HK$'000
At 1 April (level 3 recurring fair value)	**6,200**	6,200
Change in fair value *(note 8)*	**500**	–
At 31 March (level 3 recurring fair value)	**6,700**	6,200

The Group's investment property was valued at 31 March 2017 and 2018 respectively, by BMI Appraisals Limited, an independent and professionally qualified valuer who holds a recongnised 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 and 2018 respectively, to secure interest-bearing bank borrowings as set out in note 29.

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	Terminal yield	2.6% (31 March 2017: 2.6%)	The higher the terminal yield, the lower the fair value

During the year, there were no transfers amongst Level 1, Level 2 and Level 3 in the fair value hierarchy (2017: Nil). 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.

17. 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 2016, 31 March 2017 and 1 April 2017	51,759	184,783	236,542
Disposal of subsidiaries *(note 35)*	(51,759)	–	(51,759)
At 31 March 2018	**–**	**184,783**	**184,783**
Impairment			
At 1 April 2016	(48,064)	–	(48,064)
Impairment loss	(3,695)	–	(3,695)
At 31 March 2017 and 1 April 2017	(51,759)	–	(51,759)
Disposal of subsidiaries *(note 35)*	51,759	–	51,759
At 31 March 2018	**–**	**–**	**–**
Carrying value			
At 31 March 2018	**–**	**184,783**	**184,783**
At 31 March 2017	–	184,783	184,783

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 cost to disposal.

(a) For the year ended 31 March 2017, the recoverable amount of the CGU in relation to digital publishing, mobile and web application solutions was approximately HK$34,000,000 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% estimated by the management. Growth rate used to extrapolate the cash flows beyond the five-year budget plan is 3% which reflects the long term growth rate of the industry as forecast by the management. The key assumptions have been determined by the Group's management based on past performance and its expectations for the industry development. During the year ended 31 March 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.

17. 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 March 2016, which are allocated to two different CGUs for impairment assessment.

As at 31 March 2018, 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 19.3% (2017: 20.0%) estimated by the management. Growth rate used to extrapolate the cash flows beyond the five-year budget plan is 3% (2017: 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, business plans and outlook and its expectations for the industry development. During the year ended 31 March 2018, no impairment was provided on goodwill for CSL as the recoverable amount exceeded the carrying amount of the CGU (2017: HK$ Nil).

As at 31 March 2018, the recoverable amount of the CGU in relation to CAM was based on fair values less costs to disposal using direct comparison approach 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 2018, no impairment was provided on goodwill for CAM as the recoverable amount exceeded the carrying amount of the CGU (2017: HK$ 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	10% (2017: 5%)

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

18. 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 2016	87,900	546	88,446
Additions	–	33	33
At 31 March 2017 and 1 April 2017	87,900	579	88,479
Disposal of subsidiaries *(note 35)*	(87,900)	–	(87,900)
Disposals	–	(25)	(25)
At 31 March 2018	**–**	**554**	**554**
Accumulated amortisation			
At 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 and 1 April 2017	(53,974)	–	(53,974)
Amortisation for the year	(2,877)	–	(2,877)
Impairment loss	(11,728)	–	(11,728)
Disposal of subsidiaries *(note 35)*	68,579	–	68,579
At 31 March 2018	**–**	**–**	**–**
Carrying value:			
At 31 March 2018	**–**	**554**	**554**
At 31 March 2017	33,926	579	34,505

Notes:

(a) Intangible assets comprised mobile and web application technologies acquired through the acquisition of the entire interest in the 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; and (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.

During the period from 1 April 2017 to the 30 September 2017, as a result of disappointing results of IT Division during the period and its negative business outlook, the recoverable amount of digital publishing, mobile and web application solutions as at 30 September 2017 was calculated to be lower than its carrying amount and accordingly, impairment loss on the intangible assets of approximately HK$11,728,000 (For the year ended 31 March 2017: HK$33,889,000) was recorded. The recoverable amount of the mobile and web application technologies was determined 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 19.9% (31 March 2017: 19.5%) estimated by the management. Growth rate used to extrapolate the cash flows beyond the five-year budget plan is 3% (31 March 2017: 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 its past performance, its business plans and outlook and its expectations for the industry development.

18. 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 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 2018, 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 19.3% (2017: 20.0%) estimated by the management. Growth rate used to extrapolate the cash flow beyond the five-year budget plan is 3% (2017: 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 2018, no impairment was provided on trading rights, trademarks and website as the recoverable amount exceeded their carrying amount (2017: HK$ Nil).

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

19. INTERESTS IN A JOINT VENTURE

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

	At 31 March	
	2018	2017
	HK$'000	HK$'000
Unlisted shares, at cost	**1**	1
Share of pre-acquisition profits on other comprehensive income	**(1)**	(1)
Disposal *(note 35)*	**–**	–
	–	–

Particular of the Group's joint venture as at 31 March 2017 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%

20. INVENTORIES

	At 31 March 2018 HK$'000	2017 HK$'000
Raw materials	**63,755**	56,349
Finished goods	**30,820**	35,679
	94,575	92,028

21. TRADE RECEIVABLES

	At 31 March 2018 HK$'000	2017 HK$'000
Trade receivables from Financial services segment	**6,550**	7,051
Trade receivables from toys and information technology segments	**24,132**	37,615
	30,682	44,666

Trade receivables from Financial services segment

	At 31 March 2018 HK$'000	2017 HK$'000
Accounts receivable arising from the ordinary course of business of securities brokerage and margin financing:		
– Cash clients	**4,110**	1,312
– Clearing house	**673**	943
– Brokers	**–**	473
– Margin clients	**9**	3,023
Accounts receivable arising from the ordinary course of business of provision of:		
– Custodian services	**250**	250
– Investment advisory services	**2,168**	1,710
	7,210	7,711
Less: Allowance for impairment loss	**(660)**	(660)
	6,550	7,051

21. 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	
	2018	2017
	HK$'000	HK$'000
On demand	**9**	3,023
Current – 30 days	**4,783**	3,778
61 – 90 days	**–**	250
Over 90 days	**1,758**	–
	6,550	7,051

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	
	2018	2017
	HK$'000	HK$'000
Neither past due nor impaired	**4,792**	7,051
Past due more than six months but less than one year	**195**	–
Past due more than one year but less than two years	**1,563**	–
	6,550	7,051

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

	At 31 March	
	2018	2017
	HK$'000	HK$'000
At 1 April	**660**	660
Impairment loss recognised	**–**	–
At 31 March	**660**	660

As 31 March 2018, trade receivables of approximately HK$1,758,000 (2017: HK$ Nil) were past due but not impaired. 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.

21. TRADE RECEIVABLES (continued)

Trade receivables from Financial services segment (continued)

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 2018, the market value of securities pledged by clients to the Group as collateral against margin client receivables was approximately HK35,256,000 (2017: HK$23,316,000). The amounts due from margin clients are repayable on demand and carry interest at a range from 8% to 9% per annum.

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.

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. For those account receivables 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.

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	
	2018	2017
	HK$'000	HK$'000
Current to 30 days	**19,029**	27,115
31 to 60 days	**2,237**	2,093
61 to 90 days	**2,728**	7,419
Over 90 days	**138**	988
	24,132	37,615

21. TRADE RECEIVABLES (continued)

Trade receivables from toys and information technology segments (continued)

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

	At 31 March	
	2018	2017
	HK$'000	HK$'000
Neither past due nor impaired	**21,762**	26,497
Less than 1 month past due	**2,370**	4,956
1 to 3 months past due	**–**	5,845
Over 3 months past due	**–**	317
	24,132	37,615

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

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

22. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	At 31 March	
	2018	2017
	HK$'000	HK$'000
Listed equity securities held for trading in Hong Kong, at fair value	**11,538**	14,544

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 and unrealised losses on financial assets at fair value through profit or loss for the year ended 31 March 2018 are approximately HK$ Nil (2017: realised gains HK$1,767,000) and HK$3,006,000 (2017: unrealised gains HK$970,000) respectively. The aggregate of which is recorded as net loss on financial assets at fair value through profit or loss in the consolidated statement of profit or loss and other comprehensive income.

23. AVAILABLE-FOR-SALE INVESTMENTS

	At 31 March	
	2018	2017
	HK$'000	HK$'000
Unlisted investments, at fair value:		
– Debt securities	**11,740**	–

In October 2017, the Group subscribed to a 5% fixed coupon bond of principal amount of HK$12,000,000 with a term of three years. The bond is unsecured and denominated in HK$. The interest is payable quarterly in arrears. The bond issuer and holder have the option to early redeem all or any part of the outstanding principal amount in the minimum denominations of HK$1,000,000 or in integral multiples of HK$100,000 above HK$1,000,000 during the period between the first day immediately after the second anniversary of the issue date of such bond and the last day immediately preceding the maturity date of the bond. During the year ended 31 March 2018, the fair value loss in respect of the Group's available-for-sale investments recognised in other comprehensive income amounted to approximately HK$260,000 (2017: HK$ Nil).

The fair values of unlisted debt securities were determined using trinomial option pricing method, and the inputs into the model as at 31 March 2018 was as follows.

	At 31 March 2018
Discount rate	6.94%

24. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	At 31 March	
	2018	2017
	HK$'000	HK$'000
Prepayments	**4,407**	3,424
Deposits *(note 1)*	**2,012**	1,439
Other receivables *(note 2)*	**2,541**	61,693
	8,960	66,556

Note:

1. *Deposits includes approximately HK$572,000 (31 March 2017: HK$ Nil) of rental deposit paid to a related company, Gold Prospect Capital Resources Limited (note (38(i)).*

2. *Included in other receivables as at 31 March 2017, approximately HK$60,000,000 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 was repaid by HKSCC after completion of settlements during the year ended 31 March 2018.*

As at 31 March 2017 and 2018, 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. PLEDGED BANK DEPOSITS AND CASH AND CASH EQUIVALENTS

	At 31 March	
	2018	2017
	HK$'000	HK$'000
Cash and cash equivalents were denominated in:		
HK$	**109,199**	101,639
Renminbi("RMB")	**4,580**	6,609
United Stated Dollars ("US$")	**27,405**	21,739
	141,184	129,987
Pledged bank deposits in:		
HK$	**60,361**	–

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.

Pledged bank deposits represent deposits pledged to a bank to secure certain undrawn banking facilities granted to the Group. The pledged bank deposits carry interest at approximately 0.87% per annum.

Major non-cash transaction

Receipt of promissory notes in an aggregate principal amount of HK$8,500,000 as part of the consideration for disposal of subsidiaries as disclosed in notes 30 and 35 to the consolidated financial statements.

27. TRADE PAYABLES

	At 31 March	
	2018	2017
	HK$'000	HK$'000
Trade payables from Financial services segment	**70,946**	210,082
Trade payables from toys and information technology segments	**40,157**	52,694
	111,103	262,776

27. TRADE PAYABLES (continued)

Trade payables from Financial services segment

	At 31 March	
	2018	2017
	HK$'000	HK$'000
Accounts payable arising from the ordinary course of business of securities brokerage and margin financing:		
– Cash clients	**70,946**	205,480
– Margin clients	**–**	291
– Brokers and clearing house	**–**	4,311
	70,946	210,082

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 2018, included in trade payable was an amount of approximately HK$66,334,000 (2017: HK$204,358,000) 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	
	2018	2017
	HK$'000	HK$'000
Current to 30 days	**27,424**	42,092
31 to 60 days	**9,582**	8,408
61 to 90 days	**2,930**	1,801
91 to 365 days	**–**	244
More than one year	**221**	149
	40,157	52,694

28. RECEIPTS IN ADVANCE, ACCRUALS AND OTHER PAYABLES

	At 31 March	
	2018	2017
	HK$'000	HK$'000
Receipts in advance	**230**	728
Accruals	**2,870**	2,358
Other payables	**15,694**	10,698
	18,794	13,784

29. INTEREST-BEARING BANK BORROWINGS

	At 31 March	
	2018	2017
	HK$'000	HK$'000
Current		
Secured		
– bank loans due for repayment within one year	**13,916**	33,615

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$6,700,000 (2017: HK$6,200,000) (note 16); and

ii) Company's corporate guarantees and cross guarantees from the Company's subsidiary, which is Qualiman Industrial Co. Limited (2017: Qualiman Industrial Co. Limited).

At 31 March 2018 and 2017, total bank borrowings were on demand or repayable within one year.

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 44. As at 31 March 2018, none of the covenants relating to drawn down facilities had been breached (2017: Nil).

30. PROMISSORY NOTES

On 29 December 2017, the Company received promissory notes with an aggregate principal amount of HK$8,500,000 as part of the consideration for disposal of the issued share capital of New Creation Global Limited as disclosed in note 35. The issuer of the promissory notes has the option to early redeem all or any part of the outstanding principal amount at any time prior to the maturity date in an amount equal to the principal sum to be redeemed and the corresponding accrued but unpaid interest. The promissory notes are unsecured and denominated in HK$. The promissory notes are bearing interest at fixed rate of 1.5% per annum and are payable in arrears. The maturity dates of promissory note with principal amount of HK$4,000,000 (the "2017 PN1") and HK$4,500,000 (the "2017 PN2") are 12 months and 30 months respectively from the date of issue.

The promissory notes are initially recognised at fair value and subsequently measured at amortised cost.

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

	At 31 March 2018 HK$'000
2017 PN1	**4,015**
2017 PN2	**4,517**
Promissory note receivables	**8,532**
Less: balances due within one year included in current assets	**(4,015)**
Non-current portion	**4,517**

The balance of promissory note receivables is neither past due nor impaired and the Directors are of the opinion that the balance is fully recoverable.

31. CONVERTIBLE NOTES

(a) 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 the 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 contains two components, liability and equity components. The equity component is presented in equity with heading "convertible notes equity reserve" in note 33. 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 asset before the extension of maturity date of approximately HK$2,939,000 and the decrease in fair value of the derivative financial asset 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 year ended 31 March 2018 and 2017, none of the 2014 CN was converted into ordinary share of the Company.

The 2014 CN was repaid in full during the year ended 31 March 2018.

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

31. CONVERTIBLE NOTES (continued)

(a) (continued)

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

	At 31 March	
	2018	2017
	HK$'000	HK$'000
At 1 April	**54,944**	55,055
Gain on extension of convertible notes	**–**	(4,242)
Effective interest expense	**850**	4,131
Redemption	**(55,794)**	–
At 31 March	**–**	54,944

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

	At 31 March	
	2018	2017
	HK$'000	HK$'000
At 1 April	**592**	5,721
Changes in fair value recognised in profit or loss during the year	**–**	(5,129)
Exercise of redemption option	**(592)**	–
At 31 March	**–**	592

(b) On 11 May 2017, the Company issued unsecured convertible notes (the "2017 CN1") with principal amount of HK$80,000,000 to Benefit Global Limited, an independent third party, for repayment of liabilities of the Group, expansion of the Group's Financial services business and as general working capital of the Group. The 2017 CN1 bears interest at 6% per annum and carries a right to convert the principal amount into shares of US$0.000025 each in the share capital of the Company at an initial conversion price of HK$0.39 per share during the period from 11 May 2017 to 11 May 2020. The Company may at any time before the maturity date redeem the 2017 CN1 (in whole or in part) at 100% of the principal amount of the 2017 CN1 together with any accrued but unpaid interest. Any amount of the 2017 CN1 which remains outstanding on the maturity date will be redeemed at their then outstanding principal amount together with any accrued but unpaid interest.

2017 CN1 contains two components, liability component and equity component. Liability component represents the present value of the contractually determined stream of future cash flows discounted at the prevailing market interest rate at that time applicable to instruments of comparable credit status and providing substantially the same cash flows, on the same terms, with the issuer early redemption option. The early redemption option is not separately accounted for because it is considered to be closely related to the host debt. Equity component represents the conversion options, which is determined by deducting the fair value of the liability component from the proceeds of issue of the 2017 CN1 as a whole. The effective interest rate of the liability component is 26.60% per annum.

During the year ended 31 March 2018, none of the 2017 CN1 was converted into ordinary share of the Company.

31. CONVERTIBLE NOTES (continued)

(b) (continued)

The 2017 CN1 recognised in the consolidated statement of financial position at initial recognition is as follows:

	HK$'000
Fair value of the 2017 CN 1 at 11 May 2017	80,000
Equity component	(33,841)
Fair value of liability component on initial recognition	46,159

The movements of the liability component of 2017 CN1 for the year are set out below:

	HK$'000
At 1 April 2017	–
Convertible notes issued	46,159
Effective interest expense	11,656
Interest payable	(4,261)
At 31 March 2018	**53,554**

(c) On 2 June 2017, the Company issued unsecured convertible notes (the "2017 CN2") with principal amount of HK$30,000,000 to Benefit Global Limited, an independent third party, for repayment of liabilities of the Group, expansion of the Group's Financial services business and as general working capital of the Group. The 2017 CN2 bears interest at 6% per annum and carries a right to convert the principal amount into shares of US$0.000025 each in the share capital of the Company at an initial conversion price of HK$0.39 per share during the period from 2 June 2017 to 2 June 2020. The Company may at any time before the maturity date redeem the 2017 CN2 (in whole or in part) at 100% of the principal amount of the 2017 CN2 together with any accrued but unpaid interest. Any amount of the 2017 CN2 which remains outstanding on the maturity date will be redeemed at their then outstanding principal amount together with any accrued but unpaid interest.

2017 CN2 contains two components, liability component and equity component. Liability component represents the present value of the contractually determined stream of future cash flows discounted at the prevailing market interest rate at that time applicable to instruments of comparable credit status and providing substantially the same cash flows, on the same terms, with the issuer early redemption option. The early redemption option is not separately accounted for because it is considered to be closely related to the host debt. Equity component represents the conversion options, which is determined by deducting the fair value of the liability component from the proceeds of issue of the 2017 CN2 as a whole. The effective interest rate of the liability component is 25.19% per annum.

31. CONVERTIBLE NOTES (continued)

(c) (continued)

During the year ended 31 March 2018, none of the 2017 CN2 was converted into ordinary share of the Company.

The 2017 CN2 recognised in the consolidated statement of financial position at initial recognition is as follows:

	HK$'000
Fair value of the 2017 CN 2 at 2 June 2017	30,000
Equity component	(12,047)
Fair value of liability component on initial recognition	17,953

The movements of the liability component of 2017 CN2 for the year are set out below:

	HK$'000
At 1 April 2017	–
Convertible notes issued	17,953
Effective interest expense	3,966
Interest payable	(1,489)
At 31 March 2018	**20,430**

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

	At 31 March	
	2018	2017
	HK$'000	HK$'000
2014 CN	**–**	54,944
2017 CN1	**53,554**	–
2017 CN2	**20,430**	–
Convertible notes	**73,984**	54,944
Less: balances due within one year included in current liabilities	**–**	(54,944)
Non-current portion	**73,984**	–

32. SHARE CAPITAL

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

	Notes	2018 Number of Shares	2018 HK$'000	2017 Number of Shares	2017 HK$'000
Authorised:					
Ordinary Shares of US$0.000025 each					
At 1 April		**2,000,000,000**	**389**	2,000,000,000	389
Increase	(a)	**1,000,000,000**	**195**	–	–
At 31 March		**3,000,000,000**	**584**	2,000,000,000	389
Issued and fully paid:					
Ordinary Shares of US$0.000025 each					
At 1 April		**1,474,232,000**	**287**	1,446,780,000	281
Issue of ordinary shares upon exercise of share options		**–**	**–**	27,452,000	6
At 31 March		**1,474,232,000**	**287**	1,474,232,000	287

Note:

(a) *Pursuant to an ordinary resolution passed by shareholders at the annual general meeting of the Company held on 7 September 2017, the authorised share capital of the Company was increased to US$75,000 divided into 3,000,000,000 shares by creating an additional 1,000,000,000 shares, which shall rank pari passu with each other and with the existing shares in all respect upon issue.*

33. RESERVES

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

	Share premium HK$'000	Accumulated losses HK$'000	Share option reserve HK$'000	Convertible notes equity reserve HK$'000	Total HK$'000
At 1 April 2016	409,404	(28,857)	13,891	42,725	437,163
Exercise of share options	9,365	–	(2,507)	–	6,858
Lapse of share options	–	537	(537)	–	–
Equity settled share-based transactions *(note 34)*	–	–	30,682	–	30,682
Loss and total comprehensive income for the year	–	(92,715)	–	–	(92,715)
At 31 March 2017 and 1 April 2017	418,769	(121,035)	41,529	42,725	381,988
Lapse of share options	–	4,883	(4,883)	–	–
Equity settled share-based transactions *(note 34)*	–	–	13,541	–	13,541
Early redemption of convertible notes	–	39,187	–	(42,725)	(3,538)
Issue of new convertible notes	–	–	–	45,888	45,888
Loss and total comprehensive income for the year	–	(75,444)	–	–	(75,444)
At 31 March 2018	**418,769**	**(152,409)**	**50,187**	**45,888**	**362,435**

34. 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.

34. 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.

34. 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.

34. 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 2018:

		Number of share options				
	Exercise price *(note 1)*	**Balance as at 1 April 2017** *(note 1)*	**Lapsed during the year**	**Balance as at 31 March 2018**	**Date of grant of share options**	**Exercisable periods of share options**
Executive Directors						
– Lau Ho Ming, Peter	HK$1.02	4,000,000	–	4,000,000	3 July 2015	3 July 2015 to 2 July 2025
– Ng Kam Seng	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$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	HK$0.748	12,847,800	–	12,847,800	24 March 2016	24 March 2016 to 23 March 2026
Non-executive Directors						
– Li Man Yee, Stella	HK$1.02	1,400,000	–	1,400,000	3 July 2015	3 July 2015 to 2 July 2025
– Wang Zhao *(Note 2)*	HK$1.02	1,400,000	–	1,400,000	3 July 2015	3 July 2015 to 2 July 2025

34. 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 2018 (continued):

		Number of share options				
	Exercise price *(note 1)*	Balance as at 1 April 2017 *(note 1)*	Lapsed during the year	Balance as at 31 March 2018	Date of grant of share options	Exercisable periods of share options
Independent Non-executive Directors						
– Leung Po Wing, Bowen Joseph	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$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
– 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$1.02	12,200,000	(1,800,000)	10,400,000	3 July 2015	3 July 2015 to 2 July 2025
	HK$0.748	60,187,800	(17,464,000)	42,723,800	24 March 2016	24 March 2016 to 23 March 2026
Consultants	HK$0.25	1,120,000	–	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		**157,855,600**	**(19,264,000)**	**138,591,600**		

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

Equity settled share-based payment expenses comprise:

	Year ended 31 March	
	2018	2017
	HK$'000	HK$'000
Equity settled schemes to employees (including Directors and ex-Directors)	**10,535**	24,351
Equity settled schemes to eligible persons other than employees and Directors	**3,006**	6,331
	13,541	30,682

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:

	2018		2017	
	Weighted average exercise price per share $	**Number of options**	Weighted average exercise price per share $	Number of options
At 1 April	**0.83**	**157,855,600**	0.75	192,495,600
Exercised after the share sub-division	**–**	**–**	0.25	(27,452,000)
Lapsed after the share sub-division	**0.77**	**(19,264,000)**	0.74	(7,188,000)
At 31 March	**0.84**	**138,591,600**	0.83	157,855,600

The weighted average share price at the date of exercise of options exercised during the year ended 31 March 2017 was HK$0.63. The exercise price of share options outstanding at the end of the reporting period ranged between HK$0.25 to HK$1.02 (after the share sub-division) and their weighted average remaining contractual life was approximately 7.71 years (2017: 8.73 years).

Of the total number of share options outstanding as at 31 March 2018, 54,988,640 share options had not been vested and were not exercisable (2017: 109,714,920).

35. DISPOSAL OF SUBSIDIARIES

Year ended 31 March 2018

On 14 December 2017, the Company, as vendor, entered into a sale and purchase agreement (the "Agreement") with Octagon Special Opportunities Limited, as a purchaser, an independent third party, to dispose of the entire issued share capital of New Creation Global Limited ("New Creation") at a consideration of HK$16,500,000. New Creation is an investment holding company which holds Pulse Mediatech Limited that is principally engaged in provision of digital publishing and the development of mobile and web application solutions. The disposal was completed on 29 December 2017.

In accordance with the Agreement, the consideration comprised of: (i) cash of HK$8,000,000; (ii) 1.5% interest bearing promissory note with principal amount of HK$4,000,000 and a term of 12 months (the "2017 PN1") and (iii) 1.5% interest bearing promissory note with principal amount of HK$4,500,000 and a term of 30 months (the "2017 PN2"). The principal amount of the promissory notes are considered as the fair value at the date of issuance.

	HK$'000
Net assets disposed of:	
Property, plant and equipment	34
Intangible assets	19,321
Interests in a joint venture	–
Prepayments, deposits and other receivables	755
Trade receivables	518
Cash and cash equivalents	28
Trade payables	(627)
Receipts in advance, accruals and other payables	(1,661)
Tax payables	(69)
Deferred tax liabilities	(3,189)
Less: non-controlling interests	(590)
	14,520
Gain on disposal	1,980
	16,500
Total consideration satisfied by:	
Cash	8,000
Promissory notes issued by purchaser *(note 30)*	8,500
	16,500
Net cash inflow arising on disposal:	
Cash received	8,000
Cash and cash equivalents disposed of	(28)
Net cash inflow on disposal	7,972

35. DISPOSAL OF SUBSIDIARIES (continued)

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

36. DEFERRED TAX

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

	Accelerated tax depreciation HK$'000	Revaluation of intangible assets HK$'000	Tax losses HK$'000	Total HK$'000
At 1 April 2016	(164)	(12,641)	1,717	(11,088)
Disposal of subsidiaries *(note 35)*	–	–	(1,717)	(1,717)
Credit to profit or loss for the year	–	7,042	–	7,042
At 31 March 2017 and 1 April 2017	(164)	(5,599)	–	(5,763)
Disposal of subsidiaries (note 35)	–	3,189	–	3,189
Credit to profit or loss for the year	52	2,410	–	2,462
At 31 March 2018	**(112)**	**–**	**–**	**(112)**

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

	At 31 March	
	2018 HK$'000	2017 HK$'000
Deferred tax liabilities	**112**	5,763

37. 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 %	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 (2017: 100)	–	British Virgin Islands/ Investment holding
New Creation Global Limited	British Virgin Islands, 18 November 2014	1 ordinary share of US$1 each	– (2017: 100)	–	British Virgin Islands/ Investment holding
Crosby Asia Limited	British Virgin Islands, 23 April 2015	1 ordinary share of US$1 each	100 (2017: 100)	–	British Virgin Islands/ Investment holding
Fortunate Tranquil Limited	British Virgin Islands, 18 January 2018	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 (2017: 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	–	– (2017: 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	–	– (2017: 100)	Hong Kong/ Digital publishing and e-Commence platform
QI Post Limited	Hong Kong, 12 May 2006	Ordinary shares of HK$10,000	–	– (2017: 80)	Hong Kong/ Operation of a lifestyle social website

37. INTERESTS IN SUBSIDIARIES (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	–	– (2017: 100)	Dormant
ai3xue.com Limited	Hong Kong, 17 April 2013	Ordinary shares of HK$1,000	–	– (2017: 100)	Dormant
Crosby Securities Limited	Hong Kong, 23 May 2012	Ordinary shares of HK$140,095,427	–	100 (2017: 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$25,372,332 (2017:23,072,332)	–	100 (2017: 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 (2017: 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.

38. RELATED PARTY TRANSACTIONS

(i) In addition to the transactions detailed elsewhere in this consolidated financial statements, 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 2018 HK$'000	2017 HK$'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
Gold Prospect Capital Resources Limited	Rental expenses (a)	**3,432**	3,432
Goldrich International Limited	Rental expenses (a)	**2,016**	–
Office Coupe Limited	Rental income (b)	**180**	144

(a) The rental expenses paid to Loyal Gold (Hong Kong) Limited, Gold Prospect Capital Resources Limited and Goldrich International Limited were mutually agreed between the Group and the related parties.

(b) The rental income received from Office Coupe Limited was 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 2018 HK$'000	2017 HK$'000
Salaries, allowances and benefits in kind	**16,179**	13,256
Equity settled share-based payment expenses	**5,996**	12,372
Pension scheme contributions	**270**	250
	22,445	25,878

39. CONTINGENT LIABILITIES

The Group did not have any contingent liabilities as at 31 March 2018 (2017: HK$ Nil).

40. 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 2018, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	At 31 March	
	2018	2017
	HK$'000	HK$'000
Within one year	**8,252**	12,976
In the second to fifth year inclusive	**38**	8,187
	8,290	21,163

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 2018, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	At 31 March	
	2018	2017
	HK$'000	HK$'000
Within one year	**580**	1,380
In the second to fifth years inclusive	**–**	580
	580	1,960

41. CAPITAL COMMITMENTS

As at 31 March 2018, the Group did not have any capital commitments (2017: HK$ Nil).

42. 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 2018					
Type of financial assets Trade receivables from HKSCC	**4,775**	**(4,102)**	**673**	**1,355**	**2,028**
At 31 March 2017					
Type of financial assets Trade receivables from HKSCC	943	–	943	60,406	61,349

	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 2018					
Type of financial liabilities Trade payable from HKSCC	**4,102**	**(4,102)**	**–**	**–**	**–**
At 31 March 2017					
Type of financial liabilities Trade payable from HKSCC	–	–	–	–	–

42. 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	At 31 March 2018 HK$'000	At 31 March 2017 HK$'000
Net amount of trade receivable from HKSCC	**673**	943
Trade receivable not in the scope of offsetting disclosure	**30,009**	43,723
Trade receivables as disclosed in the consolidated statement of financial position	**30,682**	44,666

Trade payables	At 31 March 2018 HK$'000	At 31 March 2017 HK$'000
Net amount of trade payable from HKSCC	**–**	–
Trade payable not in the scope of offsetting disclosure	**111,103**	262,776
Trade payables as disclosed in the consolidated statement of financial position	**111,103**	262,776

43. 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 2018 HK$'000	At 31 March 2017 HK$'000
Loans and receivables:		
Trade receivables	**30,682**	44,666
Promissory notes	**8,532**	–
Deposits and other receivables	**4,553**	63,132
Statutory deposit for financial service business	**1,335**	406
Pledged bank deposits	**60,361**	–
Cash and bank balances held on behalf of customers	**66,334**	204,358
Cash and cash equivalents	**141,184**	129,987
	312,981	442,549
Fair value through profit or loss		
Derivative financial asset	**–**	592
Financial assets at fair value through profit or loss	**11,538**	14,544
	11,538	15,136
Available-for-sale investments	**11,740**	–

43. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

Financial liabilities

	At 31 March	
	2018	2017
	HK$'000	HK$'000
Financial liabilities measured at amortised cost:		
Trade payables	**111,103**	262,776
Accruals and other payables	**18,564**	13,056
Convertible notes	**73,984**	54,944
Interest-bearing bank borrowings	**13,916**	33,615
	217,567	364,391

44. 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 asset, available-for-sale investments, and financial assets as fair value through profit or loss.

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.

44. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Foreign currency risk (continued)

As at 31 March 2018, the carrying amounts of significant monetary assets and monetary liabilities denominated in currencies other than the Group's functional currency are as follows:

	At 31 March	
	2018	2017
	HK$'000	HK$'000
Liabilities		
United States Dollars	**2,452**	19,029
Renminbi	**–**	–
	2,452	19,029
Assets		
United States Dollars	**44,004**	50,366
Renminbi	**4,580**	6,750
	48,584	57,116

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$'000
31 March 2018		
If HK$ weakens against RMB	5%	191
If HK$ strengthens against RMB	(5%)	(191)
31 March 2017		
If HK$ weakens against RMB	5%	282
If HK$ strengthens against RMB	(5%)	(282)

44. 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 2018, the trade receivables from the five largest debtors represented 83% (2017: 79%) of the total trade receivables, while the largest debtor represented 23% (2017: 28%) 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 Group can be required to pay.

44. 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 2018						
Trade payables	**111,103**	**–**	**–**	**–**	**111,103**	**111,103**
Accruals	**2,870**	**–**	**–**	**–**	**2,870**	**2,870**
Other payables	**15,694**	**–**	**–**	**–**	**15,694**	**15,694**
Convertible notes	**6,600**	**6,612**	**110,837**	**–**	**124,049**	**73,984**
Interest-bearing borrowings	**13,916**	**–**	**–**	**–**	**13,916**	**13,916**
	150,183	**6,612**	**110,837**	**–**	**267,632**	**217,567**

	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

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.

44. 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 and convertible notes with fixed interest rates which expose the Group 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 2018, 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$963,000 (2017: HK$1,214,000).

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

In the opinion of the Directors, the carrying amounts of financial assets and liabilities approximate their fair values.

(a) Financial instruments not measured at fair value

The fair values of cash and cash equivalents, cash and bank balances held on behalf of customers, pledged bank deposits, statutory deposit for financial service business, trade receivables, the current portion of promissory notes, deposits and other receivables, trade payables, accruals and other payables and interest-bearing bank borrowings approximate to their carrying amounts largely due to the short-term maturities of these instruments.

The fair values of the non-current portion of promissory notes, and convertible notes have been calculated by discounting the expected future cash flows using rates currently available for instruments on similar terms, credit risk and remaining maturities.

(b) Financial instruments measured at fair value

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 is 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 financial assets at fair value through profit or loss with standard terms and conditions and traded on active liquid markets 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.

44. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Fair values (continued)

(b) Financial instruments measured at fair value (continued)

The fair value of the Group's available-for-sale investments is determined in accordance with generally accepted pricing models based on discounted cash flow analysis using information other than quoted prices that are observable for the asset, either directly or indirectly, categorised into level 3 of the fair value hierarchy as defined in HKFRS 13, Fair Value Measurement.

	At 31 March 2018			
	Level 1	**Level 2**	**Level 3**	**Total**
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**
Financial assets at fair value through profit or loss				
Listed equity securities held for trading in Hong Kong	**11,538**	**–**	**–**	**11,538**
Available-for-sale investments				
Unlisted debt securities	**–**	**–**	**11,740**	**11,740**

	At 31 March 2017			
	Level 1	Level 2	Level 3	Total
	HK$'000	HK$'000	HK$'000	HK$'000
Financial assets at fair value through profit or loss				
Listed equity securities held for trading in Hong Kong	14,544	–	–	14,544
Derivative financial asset	–	–	592	592
	14,544	–	592	15,136

During the year ended 31 March 2018, there were no transfers between instruments in Level 1 and Level 2, or transfers into or out of Level 3 (2017: 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.

44. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Fair values (continued)

(b) Financial instruments measured at fair value (continued)

Movement of financial assets at level 3 fair value measurement is set out below.

	At 31 March	
	2018	2017
	HK$'000	HK$'000
Derivative financial asset		
At 1 April	**592**	5,721
Total gains or losses:		
– in profit or loss (included in fair value loss on derivative financial asset)	**–**	(5,129)
Exercise of redemption option	**(592)**	–
At 31 March	**–**	592
Available-for-sale investments		
At 1 April	**–**	–
Purchase of available-for-sale investments	**12,000**	–
Total gains or losses:		
– in other comprehensive income (included in fair value loss on available-for-sale investments)	**(260)**	–
At 31 March	**11,740**	–

44. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Fair values (continued)

(b) Financial instruments measured at fair value (continued)

Below is a summary of significant unobservable input(s) to the valuation of financial assets measured at level 3:

Financial asset		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 the Company redemption options is calculated using the Binomial Option Pricing Model.	The fair value is based on volatility.	The higher the volatility, the higher the fair value.
Available-for-sale investments	Unlisted debt securities	The fair value of the unlisted debt securities is calculated using Trinomial Option Pricing Model.	Discount for credit risk	The higher the discount rate, the lower the fair value.

Capital management

The capital structure of the Group consists of debts, which includes the borrowings disclosed in note 29, convertible notes in note 31, and equity attributable to owners of the Company, comprising share capital and reserves as disclosed in notes 32 and 33 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	
	2018	2017
	HK$'000	HK$'000
Debt	**87,900**	88,559
Equity	**429,731**	421,859
Debt to equity ratio	**20.5%**	21.0%

45. COMPANY LEVEL'S STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2018

	Notes	At 31 March 2018 HK$'000	2017 HK$'000
NON-CURRENT ASSET			
Interests in subsidiaries		**–**	34,000
Promissory notes		**4,517**	–
Total non-current assets		**4,517**	34,000
CURRENT ASSETS			
Amounts due from subsidiaries		**403,203**	398,802
Prepayments		**167**	315
Promissory notes		**4,015**	–
Derivative financial asset		**–**	592
Tax recoverable		**431**	323
Cash and cash equivalents		**26,702**	4,324
Total current assets		**434,518**	404,356
CURRENT LIABILITIES			
Accruals		**2,329**	1,137
Convertible notes		**–**	54,944
Total current liabilities		**2,329**	56,081
NET CURRENT ASSETS		**432,189**	348,275
TOTAL ASSETS LESS CURRENT LIABILITIES		**436,706**	382,275
NON-CURRENT LIABILITY			
Convertible notes		**73,984**	–
Total non-current liability		**73,984**	–
NET ASSETS		**362,722**	382,275
EQUITY			
Share capital	*32*	**287**	287
Reserves	*33*	**362,435**	381,988
Total equity		**362,722**	382,275

On behalf of the Board

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

46. NOTE SUPPORTING CONSOLIDATED STATEMENT OF CASH FLOWS

Reconciliation of liabilities arising from financing activities:

	Notes	**Bank borrowings** *(note 29)* HK$'000	**Convertible notes** *(note 31)* HK$'000
At 1 April 2017		33,615	54,944
Changes from cash flows:			
Proceeds from new bank borrowings		168,922	–
Repayment of bank borrowings		(188,621)	–
Proceeds from issue of convertible notes		–	110,000
Early redemption of convertible notes		–	(58,000)
Interest paid		(2,914)	(4,946)
Total changes from financing cash flows:		(22,613)	47,054
Other changes:			
Interest expenses		2,914	16,472
Increase in Interest payable		–	(804)
Gain on early redemption	*8*	–	(1,332)
Recognition of convertible note reserves	*33*	–	(45,888)
Early redemption option exercised	*33*	–	3,538
Total other changes		2,914	(28,014)
At 31 March 2018		13,916	73,984

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				
	2018	2017	2016	2015	2014
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
REVENUE	**775,990**	787,704	770,409	829,016	773,235
Cost of sales	**(667,655)**	(693,912)	(690,046)	(741,701)	(685,903)
	13.96%	11.91%	10.43%	10.53%	11.29%
Gross profit	**108,335**	93,792	80,363	87,315	87,332
Other income, gains and losses	**13,539**	28,730	19,682	5,418	10,264
Selling expenses	**(24,585)**	(21,690)	(18,739)	(23,134)	(20,449)
Administrative expenses	**(109,608)**	(140,754)	(95,534)	(67,977)	(49,068)
Impairment loss on goodwill	**–**	(3,695)	(48,064)	–	–
Impairment loss on intangible assets	**(11,728)**	(33,889)	–	–	–
Fair value changes in derivative financial asset	**–**	(5,129)	581	2,979	–
Finance costs	**(19,386)**	(10,801)	(11,061)	(5,118)	(2,464)
(LOSS)/PROFIT BEFORE INCOME TAX EXPENSE	**(43,433)**	(93,436)	(72,772)	(517)	25,615
Income tax expense	**(3,736)**	(707)	(4,801)	(3,209)	(5,426)
(LOSS)/PROFIT FOR THE YEAR	**(47,169)**	(94,143)	(77,573)	(3,726)	20,189

ASSETS AND LIABILITIES

	As at 31 March				
	2018	2017	2016	2015	2014
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
TOTAL ASSETS	**649,077**	794,856	1,166,824	557,501	396,660
TOTAL LIABILITIES	**(219,346)**	(372,997)	(684,476)	(259,305)	(186,268)
	429,731	421,859	482,348	298,196	210,392