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 2019

*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
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 54, Hopewell Centre
183 Queen's Road East
Hong Kong

PRINCIPAL BANKERS

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

COMPANY'S WEBSITE

www.quali-smart.com.hk

Biographical Details of Directors and Senior Management

EXECUTIVE DIRECTORS

Mr. Lau Ho Ming, Peter

Mr. Lau Ho Ming, Peter, aged 64, was appointed as a Director on 14 March 2012. He is the Executive Chairman and one of the co-founders of the Group. He is a member of each of the Remuneration Committee and the Nomination Committee of the Board and is also a director of the principal subsidiaries of the Company. Mr. Lau is responsible for formulating the overall business development strategies, management team development and daily operations of the Group. He is the husband of Madam Li Man Yee, Stella, a non-executive Director. Mr. Lau has experience of more than 30 years in the toy manufacturing industry. He has held senior positions with Jetta-Victory Toys and Gifts Company Limited and Mattel Toys (HK) Ltd respectively before he founded the Group in 1996. Mr. Lau obtained the1984 President's Award for innovative performance from Mattel Inc. during his service in Mattel Toys (HK) Ltd.

Mr. Lau obtained his Bachelor's Degree of Science in Engineering from the University of Hong Kong in November 1978 and a Master's Degree of Business Administration from the University of East Asia, Macau in February 1988. Mr. Lau has been the vice president of The Toys Manufacturers' Association of Hong Kong since 2008. Mr. Lau was the advisor for The Second Council of the Toy Industry Association in Nanhai District, Foshan City in November 2007. Mr. Lau obtained an award from Guangdong government on his contribution to economic development in October, 1996 and obtained an outstanding entrepreneur award from China Toys Association in October 2006. Mr. Lau donated a Peter H. M. Lau Industrial Scholarship to the Department of Industrial and Manufacturing Systems Engineering, Faculty of Engineering in the University of Hong Kong to award final year undergraduate students having excellent performances in projects related to industrial and logistic services.

Mr. Poon Pak Ki, Eric

Mr. Poon Pak Ki, Eric, aged 52, 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 38, 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 53, 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 57, 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 69, 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 Stock Exchange.

Biographical Details of Directors and Senior Management

Mr. Chan Siu Wing, Raymond

Mr. Chan Siu Wing, Raymond, aged 54, 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 GEM 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). 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 Wah On, Edward, aged 55, 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 62, is the general manager of the Group's China operation. Mr. Hau is responsible for the China operation. He joined the Group in January 1999. Mr. Hau leads a team of managers that organize production schedules, execute productions and coordinate shipping.

Mr. Hau has experience of over 20 years in the toy manufacturing industry. Prior to joining the Group in January 1999, Mr. Hau held senior production positions with international reputable toy companies for more than 10 years. Mr. Hau obtained a Higher Certificate in Textile Technology from the Hong Kong Polytechnic (now known as the Hong Kong Polytechnic University) in November 1981. He also obtained a Technician Certificate in Fashion & Clothing Manufacture from Technical Education and Industrial Training Department Hong Kong in July, 1982 and a Management Services Certificate (work study/O & M) from Institute of Management Services in August, 1983.

Chairman's Statement

On behalf of the board (the "Board") of directors (the "Directors") of Quali-Smart Holdings Limited (the "Company"), I am pleased to present the results of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 March 2019 (the "Current Year"). During the Current Year, the Group continued to principally engage in the business divisions in toys ("Toy Division") and financial services ("Financial Services Division" or "Crosby").

PERFORMANCE

Carried forward from the financial year ended 31 March 2018, our Toy Division experienced another challenging year in the Current Year in view of the disruptions in the global toy industry commencing in late 2017 resulting from the collapse of Toys R Us in the United States. The business environment was further worsened by the escalating trade war between the United States and China and threats of strengthening tariff measures imposed by the United States. Furthermore, with Brexit remaining unresolved and in chaos for an extended period of time, business outlook and general consumer consumption incentives became more prudent and cautious in the Western Europe markets. We face a time of huge political and economic uncertainties which pose substantial difficulties for the global economy. Nevertheless, as an OEM/ODM supplier to the downstream toy companies, to lessen the impact arising from above, our strategies to focus on higher margin products and more effective cost control measures proved to be effective during the Current Year.

During the Current Year, our Financial Services Division also operated under volatile market conditions with frequent shifts in sentiments dominated by the roller-coaster developments of the Sino-US trade war. Due to the unfavorable macro-economic market conditions, the equity underwriting commissions received by the Financial Services Division decreased substantially during the Current Year as Crosby only completed one initial public offering transaction in Hong Kong as a joint bookrunner. Completion of several other initial public offering transactions in which Crosby is acting as global coordinator and lead bookrunner had been postponed to the first half of the coming financial year, due to longer than expected time to complete the regulatory vetting process for these listing applicants. As a result, recognition of these underwriting commissions was deferred beyond the Current Year.

DEVELOPMENT, CHALLENGE AND OPPORTUNITY

Given the uncertain outlook of the global economic developments, mainly attributable to the uncertainties and impact arising from the trade war between the United States and China and even with other jurisdictions, together with the impact of a prolonged Brexit on Western Europe and other territories yet to be resolved, we expect our Toy Division will still endure sustaining cost pressure on our operation in terms of costs on materials and components as well as costs on logistic arrangement attributable to the threats of extra tariff measures to be further imposed. Nevertheless, our Toy Division will still review our business strategies, continue to focus on higher margin products mix, and explore diversification of our sub-contractor networks, while maintaining efficient costs control measures in order to strengthen our sustainability and competitiveness. On the other hand, despite the global securities markets being expected to remain highly volatile amidst the political and economic uncertainties locally and worldwide, our Financial Services Division will continue to focus on the distribution of primary equity and debt market transactions in the small to mid-cap sectors. Meanwhile, Crosby has already acted as global coordinator and/or lead bookrunner in three initial public offerings in Hong Kong completed during the first quarter of the 2019/20 financial year. Hence, we remain cautiously optimistic on the business performance on this division in the coming financial year.

Besides, we are still in the process working towards completing the transactions with the Zhongtai Group. During the Current Year, the Group continued to proceed with the execution of the proposed acquisitions of Zhongtai International Capital Limited and Zhongtai International Asset Management Limited by the Group and the introduction of Zhongtai Financial International Limited as our new controlling shareholder. We have dedicated substantial management time and resources to the execution of these transactions and we have crossed a lot of hurdles together with the counterparty in the Current Year, although we have yet to cross the finish line with the transactions pending the green light from the China Securities Regulatory Commission. Although the transactions have taken substantially longer than we would have liked, we continue to believe that completion of the transactions would strengthen the capital base of the Group, and enhance the product offerings ability and business networks in China of the Financial Services Division. The Group will still continue to strive to work with Zhongtai to try to complete the various transactions asset out above in the coming financial year.

Chairman's Statement

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, 28 June 2019

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 2019 (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 32 to 46.

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 of the executive Directors, Mr. Lau Ho Ming, Peter, Mr. Ng Kam Seng and Mr. Poon Pak Ki, Eric, 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 24 August 2018 ("2018 AGM"), Mr. Chu, Raymond, Mr. Chan Siu Wing, Raymond and Mr. Wong Wah On, Edward 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	Audit Committee	Remuneration Committee	Nomination Committee	Corporate Governance Committee	Non-executive Directors	Independent Non-executive Directors
Executive Directors							
Mr. Lau Ho Ming, Peter	4/4	N/A	2/2	1/1	N/A	N/A	N/A
Mr. Poon Pak Ki, Eric	4/4	N/A	N/A	N/A	N/A	N/A	N/A
Mr Ng Kam Seng	4/4	N/A	N/A	N/A	1/1	N/A	N/A
Mr. Chu, Raymond	4/4	N/A	N/A	N/A	N/A	N/A	N/A
Non-executive Director							
Madam Li Man Yee, Stella	4/4	N/A	N/A	N/A	1/1	1/1	N/A
Independent Non-executive Directors							
Mr. Leung Po Wing, Bowen Joseph	4/4	4/4	2/2	1/1	N/A	1/1	1/1
Mr. Chan Siu Wing, Raymond	4/4	4/4	2/2	1/1	1/1	1/1	1/1
Mr. Wong Wah On, Edward	4/4	4/4	N/A	N/A	N/A	1/1	1/1

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 2018;
2. reviewed the consolidated financial statements for the year ended 31 March 2018;
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 2018;
5. reviewed the independence of the Auditor;
6. approved the Auditor's remuneration and other terms of engagement for the year ended 31 March 2019;
7. reviewed and adopted the scope of statutory audit for the year ended 31 March 2019;
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;

10. reviewed the Auditor's significant findings; and

11. reviewed and recommended to the Board the terms of reference of the audit committee with reference to latest update on the code provision of Appendix 14 under the Listing Rules for update.

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 2019** (HK$'000)
(a) 22/12/2017	Leasing of property from a connected person for the headquarters of the Group`	(i)	3,432
(b) 22/12/2017	Leasing of a property from a connected person For Directors' quarter	(ii)	2,016
(c) 22/12/2017	Leasing of a property to a connected person	(iii)	180
Total			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 2019 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 2019

On the date of this report, the Audit Committee reviewed the consolidated financial statements for the year ended 31 March 2019 (the "2019 Financial Statements") in conjunction with the Auditors and management. Based on the review and discussions with management, the Audit Committee was satisfied that the 2019 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 2019.

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.

Remuneration of Directors

The remuneration of Directors and the five highest paid employees for the year ended 31 March 2019 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;

5. reviewed the nomination policy and;

6. reviewed and recommended to the Board the terms of reference of the nomination committee with reference to latest update on the code provision of Appendix 14 under the Listing Rules for update.

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;

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

4. reviewed and recommended to the Board the latest update on the code provision of Appendix 14 under the Listing Rules for further update on the corporate governance manual of the Company.

AUDITOR'S REMUNERATION

During the Financial Year, the Group was charged HK$1,528,000 for auditing services and HK$180,000 for non-auditing services by the Auditor.

Services rendered	**Fees paid/payables** HK$'000
Audit services – statutory audit	1,528
Non-audit services:	
– agreed-upon procedures review	180
	1,708

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 2019 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.

DIVIDEND POLICY

Dividends may be paid out by ways of cash or by other means we consider appropriate. Payment of any dividends will be made at the discretion of our Board and will be based upon our earnings, cash flow, financial condition, capital requirements, statutory fund reserve requirements and any other conditions that our Directors consider relevant. The declaration, payment and amount of any future dividends will be subject to our constitutional document comprising the Articles of Association and where necessary, the approval of our Shareholders.

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.

2018 AGM

All Directors attended 2018 AGM to hear views and to answer questions from the Shareholders. At 2018 AGM, separate resolutions were proposed on each substantial issue. All resolutions were passed by way of a poll and verified by the independent scrutineer, Tricor Investor Services Limited, the Company's Hong Kong branch registrar and transfer office.

The process of the Company's general meeting will be monitored and reviewed on a regular basis, and, if necessary, changes will be made to ensure that Shareholders' needs are best served. Appropriate arrangements for the forthcoming annual general meetings of the Company shall be in place to encourage Shareholders' participation.

CHANGES AFTER THE FINANCIAL YEAR

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

On behalf of the Board

Chan Siu Wing, Raymond
Chairman of the Corporate Governance Committee

Hong Kong, 28 June 2019

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") and the provision of financial services operated under Crosby Asia Limited (the "Financial Services Division").

The Current Year proved to be a challenging one for the Group both in its Toy Division and the Financial Services Division. Business and investment environments changed for the worse drastically as the trade war between the United States and China escalated and threats of strengthening tariff measures ensued in multiple jurisdictions. The situations in Europe were not much better, with Brexit remaining unresolved and in chaos for an extended period of time, further clouding business outlooks and individual propensity to consume in the United Kingdom and across Europe. This deterioration happened against the backdrop of an already fragile environment in the global toy industry following the collapse of Toys R Us in the United States in 2017. To combat the tariff threats, many manufacturers in Hong Kong had to explore diversifications in their supply chain operations in order to mitigate the geographical risks and tighten cost control amidst weakening sales. Under such challenging environments, our Toy Division, despite suffering from an expected reduction in sales, managed to remain vigilant and deliver an improvement in its segment profits from approximately HK$33.3 million in the Previous Year to approximately HK$47.9 million in the Current Year, thanks to its strategies to focus more on a more selected range of high-margin products starting from the Previous Year and more effective cost control measures. On the other hand, the Sino-US trade war sent a chill to the global and domestic capital markets during the Current Year, resulting in substantial volatility and weakened performance across different asset classes. The Current Year saw the Hang Seng Index slip from its peak at the end of January 2018 to its bottom in October 2018, with sentiments largely following the development of the Sino-US trade war. Such volatility in the markets caused securities issuers and investors to be more cautious as general economic outlooks became uncertain. Furthermore, tightened regulatory environments in Hong Kong also led to longer vetting time for initial public offering transactions, further lengthening the time required to complete primary market issuance transactions. As a result, this caused the placing and underwriting commissions of the Financial Services Division to decrease markedly during the Current Year. However, there is a silver lining in that the Financial Services Division continues to have a healthy pipeline of projects and it has recently been appointed as the global coordinator and bookrunner for several initial public offerings in Hong Kong expected to come to the markets during the 2019-20 financial year.

During the Current Year, the Group continued to proceed with the execution of the proposed acquisitions of Zhongtai International Capital Limited and Zhongtai International Asset Management Limited by the Group and the introduction of Zhongtai Financial International Limited as our new controlling shareholder. While the transactions have taken substantially longer than we have hoped and consumed a considerable amount of our management time and resources, especially from the Financial Services Division, we continue to believe that completion of the transactions would strengthen the capital base of the Group, diversify the product offerings of the Financial Services Division and broaden its business networks in China. The Group continues to strive to work with Zhongtai to try to complete the various transactions as set out above in the coming financial year.

Management Discussion and Analysis

The Toy Division

As a toy manufacturer offering services primarily on an OEM basis, the Toy Division continues to manufacture products for its customers through its sub-contractors 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 focused 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$619.5 million and HK$47.9 million respectively, representing a decrease of 17.7% and an increase of 43.7% respectively over the Previous Year. The noticeable drop in revenue from the Toy Division was mainly due to a decrease in orders placed by customers in North America, Central America, Western Europe, PRC and Taiwan and other counties around Asia and Africa. Contributing to the decrease in revenue of the Toy Division, customers from North America and United Kingdom accounted for approximately 37.5%, PRC and Taiwan for approximately 35.6%, Asia and Africa for approximately 14.3%, France for approximately 6.0%, Central America and nearby for approximately 3.9%. However, with the effective cost control measures adopted by the Group, such as inventory rationalisation and automation in manufacturing process, and the consistency in focusing on higher-margin products, the Toy Division was able to offset the unfavorable impact from the decrease in revenue and improve its segment profit during the Current Year. In addition, the Toy Division continued to have a strong relationship with its major customers. As the outlook for the global toy industry remains uncertain and challenging amidst the Sino-US trade war and the chaotic Brexit situations, 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, there was a drastic change in investment sentiments in the securities markets globally and in Hong Kong. The Hang Seng Index dropped to its intra-year low at 24,585.53 on 30 October 2018, when compared with a closing at 30,093.38 as of 31 March 2018, representing a decrease of over 18%. While the markets did rebound subsequently, following the sentiments surrounding the developments of the Sino-US trade war, investment sentiments became more muted in general amidst the increased volatility. Average daily turnover value of the HKEx was volatile following the movements of the markets in general, starting at approximately HK$108.4 billion in April 2018 and dropping to a low of HK$71.9 billion in December 2018 and rebounding to about HK$110.6 billion in March 2019. The market capitalization of the Hong Kong securities market also decreased by 13.1% from HK$34.4 trillion as of closing on 31 March 2018 to approximately HK$29.9 trillion as of closing on 31 December 2018 and rebounding to approximately HK$33.8 trillion as of 31 March 2019. However, such rebound was only largely reversed in May 2019 as the developments of the Sino-US trade war turned to the worse. Based on data provided by The Stock Exchange of Hong Kong Limited, while total equity funds raised for the twelve months ended 31 December 2018 only showed a mild decrease to HK$541.7 billion from HK$581.4 for the twelve months ended 31 December 2017, total equity funds raised dropped more drastically in the first three months ended 31 March 2019 to HK$40.8 billion from HK$120.9 billion for the comparable period in the previous year.

The tensions arising from the Sino-US trade war led to a general change in investors' expectations of business and economic outlooks, leading to a more cautious appetite towards both primary issuance and secondary transactions. Tightening monetary and industry policies towards certain major sectors in China, such as real estate and internet games, also sent a chill to the investment markets as previous exuberance in these sectors are now subdued, leading to a substantial price correction and re-rating of these stocks in general. This also spilled over to the primary issuance markets as investors became more conservative towards pricings. Coupled with tightened regulatory scrutiny of initial public offering transactions, this often led to delayed execution of primary issuance transactions and in some cases, withdrawal of transactions.

The securities brokerage services of the Financial Services Division continued to service mainly institutional and corporate brokerage clients during the Current Year. Against the macro-environments set out above, the equity underwriting commissions received by the Financial Services Division decreased substantially during the Current Year as Crosby only completed one initial public offering transaction in Hong Kong as a joint bookrunner. Completion of several other initial public offering transactions in which Crosby is acting as global coordinator and lead bookrunner had been postponed to the first half of the coming financial year, due to longer than expected time to complete the regulatory vetting process for these listing applicants. As a result, recognition of these underwriting commissions did not materialise during the Current Year. An increase in interest rates and a weakened investors' appetite towards credits in China during the Current Year also led to a spike in bond yields, especially in the non-investment grade corporate bond class, and a drop in bond prices in general. This has led to higher financing costs for our bond issuer clients and weaker investors' appetite towards the product, thus leading to a contraction in bond placement amount and bond placing commission received by the Financial Services Division.

The Financial Services Division made some progress in its investment advisory business during the Current Year as it entered into an investment advisory agreement with a reputable international financial institution. We remain committed to seeking ways to expand the capital base of the Financial Services Division in order to increase its capacity to participate in more principal-based activities, including underwriting bigger-scale transactions and securities margin financings. As set out in the joint announcements of the Company on 25 February 2018, 12 October 2018 and further update on 29 November 2018, the Group is still in the process of executing the transactions as set out in these announcements to introduce Zhongtai Financial International Limited as our new controlling shareholder and acquire Zhongtai International Capital Limited and Zhongtai International Asset Management Limited. While these transactions have taken longer than expected to complete, if successfully consummated, they are expected to strengthen the capital base of the Group, diversify the product offerings of the Financial Services Division and broaden our business networks in China. The Group has devoted a significant amount of management time and resources to the negotiations and execution of these transactions during the Current Year, and we continue to strive to work with the counterparty to try to complete the various transactions as set out above as soon as possible in the coming financial year.

FINANCIAL REVIEW

The Toy Division

The Toy Division's revenue for the Current Year amounted to approximately HK$619.5 million, representing a decrease of 17.7% over that of the Previous Year of approximately HK$752.7 million. Such decrease in revenue was due to a decrease in sales to some of the Toy Division's top 5 customers. However, segment profit for this division increased substantially to approximately HK$47.9 million or by approximately HK$14.6 million for the Current Year from approximately HK$33.3 million for the Previous Year, representing an increase of 43.7%. 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 with more sales orders covering the entire period in the Current Year whereas such orders were placed only towards the latter part of the Previous the Year. The improvement in the segment profit for the Toy Division was also due to a decrease in rental and warehouse expenses of approximately HK$5.1 million, a decrease in selling expenses of approximately HK$9.2 million and a one-off gain on disposal of certain property, plant and equipment in the Toy Division of approximately HK$5.1 million.

Revenue from North America decreased by approximately HK$28.5 million from HK$451.1 million for the Previous Year to approximately HK$422.6 million for the Current Year, while revenue from Western Europe decreased by approximately HK$37.8 million from HK$147.5 million for the Previous Year to approximately HK$109.8 million for the Current Year. Sales to customers in mainland China and Taiwan decreased by approximately HK$53.7 million from HK$75.2 million for the Previous Year to approximately HK$21.5 million for the Current Year, and sales to other Asian countries and Africa decreased by approximately HK$21.5 million from approximately HK$45.9 million for the Previous Year to approximately HK$24.4 million. It was noted that the decrease in revenue during the Current Year was a global trend instead of a regional reallocation, as sentiments in the global toy industry was in general weakened due to the uncertain economic outlooks in all major markets amidst increasing tensions from multilateral trade wars.

The Financial Services Division

Revenue for the Financial Services Division for the Current Year amounted to approximately HK$4.7 million comparing to that of HK$22.2 million in the Previous Year, representing a decrease of 79.0% over the Previous Year. This is mainly attributable to a decrease in underwriting and placing commissions and securities brokerage commission income earned during the Current Year as explained in the Business Review section.

Overall, the Financial Services Division recorded a segment loss of approximately HK$46.6 million for the Current Year comparing to approximately HK$25.2 million for the Previous Year, representing an increase in loss of approximately 85.4%. The increase in segment loss of the Financial Services Division was mainly attributable to (i) the decrease in revenue during the Current Year as explained above; and (ii) an increase in fair value loss on financial assets at fair value through profit or loss of about HK$8.0 million arising from the disposal of certain listed securities in Hong Kong, and was partially offset by a reduction of employee benefits expenses in the Financial Services Division of approximately HK$3.6 million during the Current Year as no replacement staff were hired for some positions following natural staff turnover.

Overall Group Financial Performance

Revenue

The Group's revenue from continuing operations for the Current Year amounted to approximately HK$624.2 million, which represents a decrease of 19.4% from that for the Previous Year of approximately HK$774.9 million. The decrease in total revenue of approximately HK$150.7 million for the Current Year was mainly attributable to the Toy Division of approximately HK$133.2 million because of a decrease in sales to certain of its top 5 customers and to the Financial Services Division of approximately of HK$17.5 million resulting from a decrease in underwriting and placement commissions.

Gross Margin

The gross margin of the Toy Division recorded a favorable increase from approximately 11.4% for the Previous Year to approximately 12.9% for the Current Year due to (i) a shift to new higher margin products which are more scaleable and sophisticated as demanded by a major customer during the entire period in 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 and (ii) a decrease in warehouse storage expenses of HK$5.1 million incurred in the Previous Year which is no longer applicable in the Current Year because of reduction in sales order and hence less warehouse storage was required for lower level of inventories manufactured. Meanwhile, the total gross profit from continuing operations of the Group for the Current Year decreased by 21.9% to approximately HK$84.4 million from approximately HK$108.0 million in the Previous Year. Despite the improvement in gross margins of the Toy Division, the general decrease in revenue in the Toy Division and the Financial Services Division led to a decrease in the total gross profit from continuing operations of the Group for the Current Year.

Net Loss

The Group's net loss from continuing operations for the Current Year amounted to approximately HK$35.8 million, as compared to a net loss from continuing operations of approximately HK$34.5 million for the Previous Year and a total net loss for the Group of approximately HK$47.2 million for the Previous Year (which included a net loss from a discontinued operation for the Previous Year of approximately HK$12.7 million), representing a decrease in the Group's total net loss of approximately 24.1%. Such decrease in total net loss was mainly due to:

- a decrease in rental and warehouse expenses for the Toy Division of approximately HK$5.1 million for the Current Year and a gain on disposal of certain property, plant and equipment in the Toy Division of approximately HK$5.1 million;
- a decrease in selling expenses for the Toy Division of approximately HK$9.2 million for the Current Year, attributable to a decrease in revenue from the Toy Division in the Current Year;
- a decrease in administrative expenses of the Group of approximately HK$22.3 million in the Current Year, of which approximately HK$8.8 million or 64.7% 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; and a decrease in salaries of approximately HK$5.2 million as a result of a decrease in the total number of staff and a decrease in directors' salaries, allowances and benefits in kind of approximately HK$4.4 million for the Current Year;
- the absence of segment loss of the discontinued operation, the information and technology division, of approximately HK$12.7 million in the Current Year following the disposal of such division by the Group in December 2017;

whereas the reduction in costs and expenses stated above was partially offset by:

- an increase in segment loss of the Financial Services Division by approximately HK$21.5 million or 85.4%, inclusive of which was an increase in fair value loss on financial assets at fair value through profit and loss of approximately HK$8.0 million following the disposal of certain financial assets held in the form of listed equity securities in Hong Kong;
- the absence of a gain on early redemption of convertible notes in the Current Year which was recorded in the amount of HK$1.3 million in the Previous Year; and
- an increase in finance costs due to the increase in effective interest expense of approximately HK$4.6 million for the convertible notes issued by the Company in the Previous Year.

Selling Expenses

Selling expenses for the Toy Division mainly consisted of transportation fees and declaration fees. During the Current Year, selling expenses decreased 37.7% from approximately HK$24.6 million for the Previous Year to approximately HK$15.3 million for the Current Year which was due to a decrease in transportation cost as a result of decreased sales 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 21.4% from approximately HK$104.0 million for the Previous Year to approximately HK$81.7 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$5.2 million and HK$5.7 million, respectively, and decrease in directors' remuneration of approximately HK$7.4 million and a decrease in legal and professional fee incurred in the Current Year of approximately HK$1.2 million related to the proposed acquisitions of Zhongtai International Capital Limited and Zhongtai International Asset Management Limited and the proposed issuance of new shares and general offers as detailed in the joint announcements issued by the Company and Zhongtai International Investment Group Limited dated 25 February 2018 and 12 October 2018 respectively.

Other Income, Gains and Losses

Other income, gains and losses mainly consisted of moulding income, 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 23.0% from approximately HK$11.5 million for the Previous Year to approximately HK$8.9 million. Such decrease was mainly attributable to (i) an increase in gain on disposal of property, plant and equipment of approximately of HK$5.1 million for the Current Year; (ii) an increase in other gains of sundries nature of approximately HK$2.7 million for the Current Year, which was offset by (a) an increase in fair value loss on financial assets at fair value through profit and loss of approximately HK$8.0 million from approximately HK$3.0 million in the Previous Year to approximately HK$11.1 million for the Current Year following the disposal of certain listed securities in Hong Kong during the Current Year; and (b) a decrease in gain arising from the early redemption of the convertibles notes from approximately HK$1.3 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 26.1% from approximately HK$19.4 million for the Previous Year to approximately HK$24.4 million for the Current Year, which is primarily due to an increase in the effective interest expense of approximately HK$4.6 million of the convertible notes issued by the Company in the 2017 as a result of full-year recognition of its effective interest expense.

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 increased 23.4% from approximately HK$6.1 million for the Previous Year to approximately HK$7.6 million. Such increase was mainly due to the tax effect arising from the increase of non-deductible expenses in forms of fair value loss on financial assets at fair value through profit or loss for the Current Year compared to the Previous Year for the Financial Services Division and increase in finance costs for interest on convertible notes issued in May 2017 and June 2017 respectively for the Current Year.

Inventory

The inventory of the Group decreased by 11.5% to approximately HK$83.7 million as at 31 March 2019 from approximately HK$94.6 million as at 31 March 2018. 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, increased by 18.0% from 51.1 days for the Previous Year to 60.3 days for the Current Year arising from customers requisition for lengthened delivery schedule on products during the Current Year.

Trade Receivables

Trade receivables from the Toy Division was approximately HK$28.0 million as at 31 March 2019 when compared with approximately HK$24.1 million as at 31 March 2018. The modest increase in trade receivables of the Toy Division as at 31 March 2019 was primarily due to a change of financial arrangement from factoring arrangement to post-shipment export trade loan offered by banks for one of top 5 customers during the Current Year. Accordingly, the trade receivables turnover days for the Toy Division, as calculated by dividing the averaging closing trade receivables by the revenue from the Toy Division multiplied by 365 days, was 15.4 days for the Current Year as compared with 14.7 days for the Previous Year.

Trade receivables from the Financial Services Division increased from approximately HK$6.6 million as at 31 March 2018 to approximately HK$31.1 million at 31 March 2019, which was mainly the result of an increase in outstanding trade pending normal settlement from its clients in its ordinary course of business on 31 March 2019.

Trade Payables

Trade payables from the Toy Division as at 31 March 2018 amounted to approximately HK$40.2 million, which decreased to approximately of HK$15.0 million at 31 March 2019. 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 for the Previous Year and the Current Year, as calculated by dividing the averaging closing trade payables by the cost of sales from the Toy Division multiplied by 365 days, was 25.4 days and 18.6 days, respectively.

Trade payables from the Financial Services Division as at 31 March 2019 slightly decreased from approximately HK$70.9 million at 31 March 2018 to approximately HK$69.0 million at 31 March 2019, which was mainly due to an increase in normal outstanding trade settlement with CCASS pending outstanding trade in its normal and ordinary course of business on 31 March 2019 largely offset by a decrease in payable to clients in respect of trust and segregated bank balances held on behalf of them in its normal and ordinary course of business.

LIQUIDITY AND FINANCIAL RESOURCES

For the Current Year, the Group continued to maintain a prudent and cautious financial management approach towards its treasury policies and maintained a healthy liquidity position. The Group strived to reduce exposure to credit risk by performing ongoing credit assessments and evaluations of the financial status of its customers. To manage liquidity risks, the Board continued to closely monitor the Group's liquidity position to ensure that the liquidity structure of the Group's assets, liabilities and other commitments can meet its funding requirements from time to time.

For the Current Year, the Group mainly financed its working capital by internal resources and bank borrowings. As at 31 March 2019, cash and cash equivalents remained relatively stable when compared with the Previous Year and amounted to approximately HK$140.5 million (31 March 2018: HK$141.2 million) and an additional HK$61.2 million (31 March 2018: HK$60.4 million) were pledged bank deposits to secure an undrawn banking facility granted to the Group to facilitate settlement purposes of the Financial Services Division. Interest-bearing bank borrowings, on the other hand, increased from approximately HK$13.9 million as at 31 March 2018 to approximately HK$23.1 million as at 31 March 2019. 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 28.0% (31 March 2018: 20.5%). As at 31 March 2019, 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 3.2 (31 March 2018: 2.9).

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 annual report, or 16.1% of the issued share capital of the Company as at the date of this annual 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.

The net proceeds from the 2017 Convertible Notes have been fully utilized 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 2019, certain of the Group's banking facilities and its interest-bearing bank borrowings were secured by pledged bank deposits of approximately HK$61.2 million (31 March 2018: HK$60.4 million) and properties of the Group located in Hong Kong with an aggregate carrying amount of approximately HK$7.0 million (31 March 2018: HK$6.7 million).

CONTINGENT LIABILITIES

As at 31 March 2019, the Group had no contingent liabilities (31 March 2018: 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 2019, 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$10.9 million and HK$3.2 million respectively (31 March 2018: HK$8.2 million and HK$0.04 million).

CAPITAL COMMITMENTS

As at 31 March 2019, there was no capital commitment of the Group (31 March 2018: Nil).

SIGNIFICANT INVESTMENT HELD

Except for investments in subsidiaries, the Group did not hold any significant investment in equity interest in any other company as at 31 March 2019.

During the Current Year, the Group fully disposed of the debt securities held as debt instruments at FVOCI (2018: available-for-sale investments) and the listed equity securities held for trading in Hong Kong as financial assets at fair value through profit and loss. As such, there was no carrying value for such financial assets of the Group as of 31 March 2019 (31 March 2018: HK$23.3 million).

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

During the Current Year, the Group did not have any material acquisitions and disposals of subsidiaries and affiliated companies.

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 announcements issued by the Company and Zhongtai International Investment Group Limited dated 25 February 2018 and 12 October 2018 respectively, which shall be subject to the fulfillment of various conditions precedent, the Group did not have any plans to acquire any material investments or capital assets as at 31 March 2019.

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 2019, the Group had a total of 54 employees (31 March 2018: 62). Total staff costs (excluding equity settled share-based payment expenses to eligible persons other than employees and directors) were approximately HK$47.6 million for the year ended 31 March 2019 (2018: HK$66.3 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, PROPOSED ACQUISITIONS, PROPOSED SHARE PURCHASE AGREEMENT AND POSSIBLE UNCONDITIONAL MANDATORY CASH OFFERS

(I) Restated Subscription Agreement

On 11 October 2018, (a) the Company and (b) Zhongtai International Investment Group Limited (the "Original Offeror"), Taifu Capital Investments Limited and Great Boom Group Limited (together, the "Subscribers") entered into a restated subscription agreement ("Restated Subscription Agreement") pursuant to which the Company conditionally agreed to allot and issue, and the Subscribers conditionally agreed to subscribe for, an aggregate of 415,908,000 shares ("Subscription Shares"), for an aggregate consideration of HK$145,567,800 in cash at the subscription price of HK$0.35 per subscription share (the "Subscription"). The subscription agreement dated 23 February 2018 entered into between the Subscribers and the Company ("Initial Subscription Agreement"), details of which were set out in the joint announcement of the Company and the Original Offeror on 25 February 2018, has been terminated and superseded by the Restated Subscription Agreement.

Following the completion of the Restated Subscription Agreement, the Original Offeror and its concert parties (including the Subscribers and their respective concert parties) will be interested in a total of 415,908,000 shares of the Company, representing (i) approximately 22.0% of the total issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares only (assuming no outstanding share options granted by the Company ("Share Options") or the 2017 convertible notes issued by the Company ("2017 Convertibles Notes") will be exercised or converted and no other shares will be allotted or issued at or prior to completion of the Restated Subscription Agreement); and (ii) approximately 18.03% of the total issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares only (assuming all of the outstanding Share Options and 2017 Convertible Notes will be exercised and converted but no other shares will be allotted or issued at or prior to completion of the Restated Subscription Agreement). Completion of the Restated Subscription Agreement is subject to the satisfaction of various conditions precedent as set out in the joint announcement of the Original Offeror and the Company dated 12 October 2018 (the "Joint Announcement").

As at the date of this annual report, such conditions precedent have not yet been satisfied in full and completion of the Subscription has not yet taken place.

For details of the Restated Subscription Agreement, please refer to the Joint Announcement.

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

On 11 October 2018, (i) the Company (as purchaser) and Zhongtai International Financial Corporation ("ZTI Financial") (as vendor) entered into the supplemental agreement ("Supplement ZTI Capital Agreement") to revise and amend certain terms of the sale and purchase agreement entered into between ZTI Financial and the Company dated 23 February 2018 ("ZTI Capital 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; and (ii) the Company (as purchaser) and Zhongtai Financial International Limited ("Zhongtai Financial International") (as vendor) entered into the supplemental agreement ("Supplemental ZTI Asset Management Agreement") to revise and amend certain terms of the sale and purchase agreement entered into between Zhongtai Financial International and the Company dated 23 February 2018 ("ZTI Asset Management 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 all issued shares of Zhongtai International Asset Management Limited, collectively the "ZTI Acquisitions".

The consideration for the ZTI Capital Agreement, being HK$30,000,000, shall be satisfied by the allotment and issue by the Company to the Original Offeror (as the designated nominee of ZTI Financial) 85,714,286 new shares of the Company, credited as fully paid, at an issue price of approximately HK$0.35 per Consideration Share, at completion of the ZTI Capital Agreement.

The consideration for the ZTI Asset Management Agreement, being HK$102,000,000, shall be satisfied by the allotment and issue by the Company to the Original Offeror (as the designated nominee of Zhongtai Financial International) 291,428,571 new shares of the Company, credited as fully paid, at an issue price of approximately HK$0.35 per share, at completion of the ZTI Asset Management Agreement.

The new shares to be issued as consideration for the ZTI Acquisitions ("Consideration Shares"), being an aggregate of 377,142,857 shares of the Company, represent (i) approximately 20.37% of the total issued share capital of the Company as enlarged by the allotment and issue of the Consideration Shares only (assuming no outstanding Share Options or Convertible Notes will be exercised or converted and no other shares of the Company will be allotted or issued at or prior to completion of the ZTI Acquisitions); and (ii) approximately 16.63% of the total issued share capital of the Company as enlarged upon completion of the Subscription and the ZTI Acquisitions (assuming no outstanding Share Options or Convertible Notes will be exercised or converted and no other Shares will be allotted or issued at or prior to the completion of the Subscription and the ZTI Acquisitions).

Completion of the ZTI Acquisitions is subject to the satisfaction of various conditions precedent as set out in the Joint Announcement. As at the date of this annual report, such conditions precedent have not yet been satisfied in full and completion of the ZTI Acquisitions has not yet taken place.

For details of the Supplemental ZTI Capital Agreement and the Supplemental ZTI Asset Management Agreement, please refer to the Joint Announcement.

(III) The Share Purchase Agreement

The Company was informed by Smart Investor Holdings Limited, the controlling shareholder of the Company, Mr. Lau Ho Ming, Peter, being the executive chairman and Madam Li Man Yee, Stella, being the non-executive director of the Company (collectively, the "Vendors") that, on 11 October 2018, the Vendors and the Original Offeror entered into the share purchase agreement ("Share Purchase Agreement"), pursuant to which the Vendors conditionally agreed to sell and the Original Offeror conditionally agreed to purchase all the shares held by the Vendors in the Company of an aggregate of 502,064,000 shares (the "Sale Shares"). The Sale Shares represent (i) approximately 34.05% of the total issued share capital of the Company as at the date of this Joint Announcement; and (ii) approximately 22.14% of the total issued share capital of the Company as enlarged upon completion of the Subscription and the ZTI Acquisitions (assuming no outstanding Share Options or Convertible Notes will be exercised or converted and no other Shares will be allotted or issued at or prior to completion of the Subscription and the ZTI Acquisitions). The total consideration for the Sale Shares under the Share Purchase Agreement is HK$356,465,440 (equivalent to HK$0.71 per Share).

Completion of the Share Purchase Agreement is subject to the satisfaction of various conditions precedent as set out in the Joint Announcement. As at the date of this annual report, such conditions precedent have not yet been satisfied in full and completion of the Share Purchase Agreement has not yet taken place.

For details of the Share Purchase Agreement, please refer to the Joint Announcement.

(IV) Novation Deeds and Supplemental Agreements

(a) The Company, the Subscribers and Zhongtai Financial International Limited, being the sole shareholder of the Original Offeror ("New Offeror"), entered into a deed of novation in relation to the Restated Subscription Agreement, pursuant to which the Original Offeror agreed to assign and novate, and the New Offeror agreed to assume and perform, all the rights and obligations of the Original Offeror under the Restated Subscription Agreement with effect from 29 November 2018.

(b) The Vendors, the Original Offeror and the New Offeror entered into a deed of novation in relation to the Share Purchase Agreement, pursuant to which the Original Offeror agreed to assign and novate, and the New Offeror agreed to assume and perform, all the rights and obligations of the Original Offeror under the Share Purchase Agreement with effect from the 29 November 2018.

(c) The Company also entered into supplemental agreements with ZTI Financial and the New Offeror respectively to revise certain terms of the ZTI Capital Agreement and the ZTI Asset Management Agreement, pursuant to which the consideration for the ZTI Acquisitions shall be satisfied by the allotment and issue of consideration shares to the New Offeror (as, where appropriate, the designated nominee of ZTI Financial).

Details of the above are set out in the announcement of the Company dated 29 November 2018.

(V) Possible Unconditional Mandatory Cash Offers

Completion of the Subscription, the ZTI Acquisitions and the Share Purchase Agreement will take place simultaneously (the "Completion"). Immediately following Completion, the New Offeror and its concert parties (including the Subscribers and their respective concert parties) will be interested in a total of 1,295,114,857 issued Shares, representing (i) approximately 57.12% of the enlarged issued share capital of the Company (as enlarged by the Subscription Shares and the Consideration Shares and assuming no outstanding Share Options or Convertible Notes will be exercised or converted and no other Shares will be allotted or issued at or prior to Completion); (ii) approximately 54.05% of the enlarged issued share capital of the Company (as enlarged by the Subscription Shares and the Consideration Shares and assuming all the Share Options (except for those Share Options held by Mr. Lau and Madam Li) will be exercised but no Convertible Notes will be converted and no other Shares will be allotted or issued at or prior to Completion).

Pursuant to Rule 26.1 and Rule 13 of the Takeovers Code, the New 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 New 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 share offer, the option offer and the convertible notes offer and the latest status, please refer to the Joint Announcement and the subsequent update announcements issued by the Company and the New Offeror.

PROSPECTS

The Current Year was a challenging year for the Group in both its Toy Division and the Financial Services Division amidst a chaotic global political and economic environment. Despite these challenges, through dedication and focus in the Current Year, the Toy Division was still capable of improving its segment performance through its cost efficiency management measures, production automation and a clear focus on higher margin products. Going forward, we do not foresee that the global trade environments will become any easier, as there is no sign that trade protectionism will subside in the near future, particularly for the risks of additional tariffs being further imposed with the Sino-US trade war in full blast. This may continue to impact purchase orders from our major customers in the traditional western markets. Our Toy Division will continue to pursue the above strategies to maintain its performance amidst such challenges in the global industry environment. Yet, the Group continues to maintain a cautious and conservative business outlook in its Toy Division in view of the harsh and difficult business conditions. It will also seek to further diversify its supply chains, including but not limited to increased cooperations with sub-contractors in other jurisdictions in order to mitigate the risks arising from the Sino-US trade war.

For the Financial Services Division, both the Hong Kong and global securities markets are expected to remain highly volatile amidst the political and economic uncertainties locally and worldwide. While this, together with tightened regulatory measures locally, have had impacts on the Financial Services Division in causing some delays in the completion of its projects, we remain cautiously optimistic in the business prospects of the Financial Services Division as evidenced by a reasonably healthy pipeline in its underwriting and placing mandates. In fact, Crosby already acted as global coordinator and/or lead bookrunner in three initial public offerings in Hong Kong completed during the first quarter of the 2019/20 financial year. We expect that the Financial Services Division will continue to focus on the distribution of primary equity and debt market transactions in the small to mid-cap sectors.

Finally, we will continue to work towards completing the transactions with the Zhongtai Group. While the transactions have taken much longer than we have expected, we have crossed a lot of hurdles and are now waiting for the green light from the China Securities Regulatory Commission to complete the transactions. We will continue to work towards completing the transactions with the Zhongtai Group as soon as possible, which is expected to strengthen the capital base of the Group and its businesses given the substantial resources and networks of the Zhongtai Group.

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 2019.

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 36 to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The financial results of the Group for the year ended 31 March 2019 are set out in the consolidated statement of profit or loss and other comprehensive income on page 51.

The board of Directors (the "Board") does not recommend the payment of a final dividend for the year ended 31 March 2019. (2018: Nil)

RESERVES

Movements in the reserves for the year are set out in the consolidated statement of changes in equity on page 54.

DISTRIBUTABLE RESERVES

Distributable reserves of the Company as at 31 March 2019 calculated under the Company Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands, amounted to approximately HK$344.8 million (2018: HK$362.4 million).

SHARE CAPITAL

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

PROPERTY, PLANT AND EQUIPMENT

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 28 to the consolidated financial statements.

CHARITABLE CONTRIBUTIONS

During the year, the Group did not make any charitable contributions (2018: 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 31. 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 2019 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 2019, 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 43 to the notes to consolidated financial statements included in this Annual Report on pages 139 to 145.

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. This in turn may affect the timing, the volume, the pricing and the marketability of the primary secondary market transactions in which the Financial Services Division participates.

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 35 to this report.

Our business operation may be affected by future economic, political and foreign 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 and its foreign policies and foreign relations. However, any of such changes to the economic and political strategies and policies of the PRC government, and/or its relationships with foreign governments, such as the ongoing Sino-U.S. trade war, 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, the Sino-U. S. trade war 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. Any additional trade tariffs imposed by other countries on our products as a result of multilateral trade wars, including but not limited to the Sino-U. S. trade war, are beyond our control any may adversely impact the performance of the Group. The Toy Division in this regard will seek to expand our sub-contractor networks in order to mitigate this risk.

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 has 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 148.

Directors' Report

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 March 2019, the Group's sales to the largest customer and the five largest customers accounted for approximately 35.8% and 98.6% of the Group's turnover. The Group's purchases from the largest supplier and the five largest suppliers purchases accounted for 11.9% and 41.1% 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 2019. 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 2019.

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 24 August 2018, Mr. Chu, Raymond, Mr. Chan Siu Wing, Raymond and Mr. Wong Wah On, Edward retired and were re-elected by the Shareholders at the annual general meeting of the Company ("2018 AGM") pursuant to the Articles of Association of the Company.

In accordance with the Articles of Association, Madam Li Man Yee, Stella, Mr. Ng Kam Seng and Mr. Leung Po Wing, Bowen Joseph shall retire at the forthcoming annual general meeting ("2019 AGM") and, being eligible, offer themselves for re-election. The remaining Directors shall continue in office.

DIRECTORS' SERVICE CONTRACTS

Each of the executive Directors, Mr. Lau Ho Ming, Peter, Mr. Ng Kam Seng and Mr. Poon Pak Ki, Eric, 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 2019 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 2019, 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

Name of Director	Number of Shares held: Personal interest	Corporate interests	Family interests	Other interests	Number of underlying Shares *(Note 1)*	Total	Percentage of issued share capital
Mr. Lau Ho Ming, Peter	9,600,000	482,864,000 *(Note 2)*	–	–	4,000,000	496,464,000	33.7%
Madam Li Man Yee, Stella	9,600,000	–	482,864,000 *(Note 2)*	–	1,400,000	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 2019, 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 2019, 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 Holdings Limited	482,864,000 *(Note 2)*	32.75%
Silver Pointer Limited	106,880,000 *(Note 3)*	7.25%
Benefit Global Limited	282,051,281 *(Note 4)*	19.13%
Clearfield Global Limited	282,051,281 *(Note 4)*	19.13%
BlackPine Private Equity Partners G.P. Limited	282,051,281 *(Note 4)*	19.13%
Chu Sheng Yu, Lawrence	282,051,281 *(Note 4)*	19.13%
	672,000 *(Note 5)*	0.05%
Zhongtai Financial International Limited (中泰金融國際有限公司)(Offeror)	1,192,878,857 *(Notes 6 and 7)*	80.92%
Zhongtai Securities Co., Ltd.# (中泰證券股份有限公司)	1,192,878,857 *(Notes 6 and 7)*	80.92%
Laiwu Steel Group Ltd.# (萊蕪鋼鐵集團有限公司)	1,192,878,857 *(Notes 6 and 7)*	80.92%
Shandong Iron & Steel Group Co., Ltd.# (山東鋼鐵集團有限公司)	1,192,878,857 *(Notes 6 and 7)*	80.92%
Shandong SASAC	1,192,878,857 *(Notes 6 and 7)*	80.92%

Notes:

1. *Total number of 1,474,232,000 Shares in issue as at the Latest Practicable Date has been used for the calculation for the approximate percentage.*

2. *These Shares are registered in the name of Smart Investor, a company owned as to approximately 67.4% by Mr Lau and approximately 32.6% by Madam Li.*

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

4. *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, 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.*

5. *672,000 Shares are registered in the name of Mr Chu Sheng Yu, Lawrence in his personal capacity.*

6. *On 11 October 2018, the Company, the Original Offeror, Subscriber A and Subscriber B entered into the Restated Subscription Agreement to amend and restate the Initial Subscription Agreement. Pursuant to the Restated Subscription Agreement, (i) the Initial Subscription Agreement has been terminated and superseded; (ii) the Company conditionally agreed to allot and issue, and the Original Offeror, Subscriber A and Subscriber B conditionally agreed to subscribe for, an aggregate of 415,908,000 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$145,567,800 at the Subscription Price of HK$0.35 per Share. Pursuant to the Deed of Novation I, the Original Offeror assigned and novated, and the Offeror agreed to assume and perform, all the rights and obligations of the Original Offeror under the Restated Subscription Agreement with effect from 29 November 2018. Under the Subscription, (i) the Offeror will subscribe for 313,672,000 Shares for a consideration of HK$109,785,200; (ii) Subscriber A will subscribe for 33,936,000 Shares for a consideration of HK$11,877,600; and (iii) Subscriber B will subscribe for 68,300,000 Shares for a consideration of HK$23,905,000. Pursuant to the Share Purchase Agreement, the Offeror conditionally agreed to purchase from the Vendors 502,064,000 Shares at the consideration of HK$356,465,440 (equivalent to HK$0.71 per Share). Pursuant to the ZTI Agreements, the consideration for the ZTI Acquisitions, being an aggregate of HK$132,000,000, shall be satisfied by allotment and issue by the Company to the Offeror 377,142,857 Consideration Shares, at the Issue Price of approximately HK$0.35 per Consideration Share.*

7. *The Offeror became interested in 1,192,878,857 underlying Shares pursuant to the Restated Subscription Agreement, the Share Purchase Agreement and the ZTI Agreements. The Offeror is wholly controlled by Zhongtai Securities. Zhongtai Securities is in turn controlled as to approximately 45.91% by Laiwu Steel which is further controlled as to 80% by Shandong Iron & Steel which is further controlled as to 70% by Shandong SASAC. 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 and Shandong SASAC controls more than one-third of the voting power of Shandong Iron & Steel, by virtue of the provisions in Part XV of the SFO, Laiwu Steel, Shandong Iron & Steel and Shandong SASAC are 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 33 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 2019 were as follows:

		Number of share options				
SHARE OPTION SCHEME	**Exercise price**	**Balance as at 1 April 2018**	**Lapsed during year**	**Balance as at 31 March 2019**	**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 1)*	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 2018	Lapsed during year	Balance as at 31 March 2019	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	10,400,000	(1,800,000)	8,600,000	3 July 2015	3 July 2015 to 2 July 2025
	HK$0.748	42,723,800	(2,500,000)	40,223,800	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 2015
	HK$0.748	12,300,000	–	12,300,000	24 March 2016	24 March 2016 to 23 March 2026
Total		138,591,600	(4,300,000)	134,296,600		

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 2019 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 134,291,600, representing 9.1% 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 2019. 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 2019, 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 37 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 2019.

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 2019, 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 2019 and up to the date of this report.

Directors' 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 2019 have been audited by BDO Limited which retires, and being eligible, offers itself for re-appointment at 2019 AGM. A resolution to re-appoint BDO Limited and to authorize the Directors to fix its remuneration will be proposed at 2019 AGM.

On behalf of the Board

Lau Ho Ming, Peter
Executive Chairman
Hong Kong, 28 June 2019

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

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

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

香港干諾道中111號
永安中心25樓

To the Shareholders of Quali-Smart Holdings Limited
(incorporated in 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 51 to 147, which comprise the consolidated statement of financial position as at 31 March 2019, 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 2019, 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(c), 4(g) and 4(q) 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 which are "trading rights, trademark and website", are allocated to relevant CGUs and subject to annual impairment testing.

As at 31 March 2019, the Group had goodwill and intangible assets amounting to approximately HK$184,783,000 and HK$554,000 respectively relating to the 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 ("VIU") and fair value less cost of disposal ("FVLCD") calculations. VIU calculation primarily uses cash flow projections based on five-year financial budgets approved by management. There are a number of assumptions and estimates involved in the preparation of cash flow projections for the period covered by the approved budgets. Key assumptions include expected growth in revenues, timing of future capital expenditures, growth rates, and selection of pre-tax 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 judgement.

We have identified the impairment assessment of goodwill and intangible assets as a key audit matter because of its significance to the consolidated financial statements and because VIU and FVLCD calculations involve significant management judgments 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 discussions with management and independent valuer about the valuation model used in FVLCD calculation, the cash flow projections used in VIU calculation and assessing the appropriateness of the significant assumptions and critical judgement areas which affect the VIU calculation;

- benchmarking the growth rates and discount rates used in VIU calculation 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 calculation.

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

Lam Tsz Ka
Practising Certificate Number P06838
Hong Kong, 28 June 2019

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 March 2019

	Notes	2019 HK$'000	2018 HK$'000
		Year ended 31 March	
CONTINUING OPERATIONS			
Revenue	7	**624,214**	774,929
Cost of sales		**(539,830)**	(666,886)
Gross profit		**84,384**	108,043
Other income, gains and losses	8	**8,891**	11,544
Selling expenses		**(15,311)**	(24,585)
Administrative expenses		**(81,727)**	(103,983)
Finance costs	10	**(24,439)**	(19,384)
Loss before income tax expense	9a	**(28,202)**	(28,365)
Income tax expense	12	**(7,585)**	(6,146)
LOSS FOR THE YEAR FROM CONTINUING OPERATIONS		**(35,787)**	(34,511)
DISCONTINUED OPERATION			
LOSS FOR THE YEAR FROM DISCONTINUED OPERATION	9b	**–**	(12,658)
LOSS FOR THE YEAR		**(35,787)**	(47,169)
Other comprehensive income that may be reclassified subsequently to profit or loss			
Fair value loss on available-for-sale investments		**–**	(260)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**(35,787)**	(47,429)
LOSS PER SHARE ATTRIBUTABLE TO THE OWNERS OF THE COMPANY	14		
– Basic and diluted (HK cents)			
From continuing and discontinued operations		**(2.43)**	(3.20)
From continuing operations		**(2.43)**	(2.34)

Consolidated Statement of Financial Position

As at 31 March 2019

		At 31 March	
		2019	2018
	Notes	**HK$'000**	HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	*15*	**21,031**	21,799
Investment property	*16*	**7,000**	6,700
Goodwill	*17*	**184,783**	184,783
Intangible assets	*18*	**554**	554
Statutory deposit for financial service business		**1,319**	1,335
Available-for-sale investments	*22*	**–**	11,740
Deposits	*23*	**326**	–
Promissory notes	*29*	**4,584**	4,517
Total non-current assets		**219,597**	231,428
CURRENT ASSETS			
Inventories	*19*	**83,723**	94,575
Trade receivables	*20*	**59,143**	30,682
Financial assets at fair value through profit or loss	*21*	**–**	11,538
Prepayments, deposits and other receivables	*23*	**6,555**	8,960
Cash and bank balances held on behalf of customers	*24*	**38,006**	66,334
Pledged bank deposits	*25*	**61,242**	60,361
Cash and cash equivalents	*25*	**140,467**	141,184
Promissory notes	*29*	**–**	4,015
Total current assets		**389,136**	417,649
CURRENT LIABILITIES			
Trade payables	*26*	**84,019**	111,103
Receipts in advance, accruals and other payables	*27*	**12,237**	18,794
Interest-bearing bank borrowings	*28*	**23,106**	13,916
Tax payables		**1,848**	1,437
Total current liabilities		**121,210**	145,250
NET CURRENT ASSETS		**267,926**	272,399
TOTAL ASSETS LESS CURRENT LIABILITIES		**487,523**	503,827

Consolidated Statement of Financial Position

As at 31 March 2019

		At 31 March	
		2019	2018
	Notes	**HK$'000**	HK$'000
NON-CURRENT LIABILITIES			
Convertible notes	*30*	**88,429**	73,984
Deferred tax liabilities	*35*	**112**	112
Total non-current liabilities		**88,541**	74,096
NET ASSETS		**398,982**	429,731
EQUITY			
Share capital	*31*	**287**	287
Reserves		**398,695**	429,444
Total equity		**398,982**	429,731

On behalf of the Board

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

Consolidated Statement of Changes in Equity

For the year ended 31 March 2019

	Attributable to the owners of the Company										
	Share capital HK$'000	Share premium HK$'000 *(note 1)*	Property revaluation reserve HK$'000 *(note 2)*	Investment revaluation reserve HK$'000	Other reserve HK$'000	Share option reserve HK$'000 *(note 3)*	Convertible notes equity reserve HK$'000 *(note 4)*	Accumulated losses HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 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 33)	–	–	–	–	–	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 and 1 April 2018	**287**	**418,769**	**6,071**	**(260)**	**1,000**	**50,187**	**45,888**	**(92,211)**	**429,731**	**-**	**429,731**
Equity settled share-based transactions (note 33)	**-**	**-**	**-**	**-**	**-**	**4,778**	**-**	**-**	**4,778**	**-**	**4,778**
Lapse of share options	**-**	**-**	**-**	**-**	**-**	**(1,655)**	**-**	**1,655**	**-**	**-**	**-**
Disposal of debt instruments at fair value through other comprehensive income	**-**	**-**	**-**	**260**	**-**	**-**	**-**	**-**	**260**	**-**	**260**
Loss for the year	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(35,787)**	**(35,787)**	**-**	**(35,787)**
Total comprehensive income for the year	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(35,787)**	**(35,787)**	**-**	**(35,787)**
At 31 March 2019	**287**	**418,769**	**6,071**	**-**	**1,000**	**53,310**	**45,888**	**(126,343)**	**398,982**	**-**	**398,982**

Notes:

1. *The share premium account of the Group represents the premium arising from the issuance of Shares above its par value.*
2. *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.*
3. *Cumulative expenses recognised on the granting of share options to the eligible participants over the vesting period.*
4. *Amount of proceeds on issue of the convertible notes relating to the equity component (i.e. option to convert the debt into share capital).*

Consolidated Statement of Cash Flows

For the year ended 31 March 2019

	Notes	Year ended 31 March 2019 HK$'000	2018 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before income tax expense from continuing operations		**(28,202)**	(28,365)
Loss before income tax credit from discontinued operation	*9b*	**–**	(15,068)
		(28,202)	(43,433)
Adjustments for:			
Interest income		**(1,584)**	(1,551)
Interest expenses		**24,439**	19,386
Depreciation of property, plant and equipment		**14,667**	16,889
(Gain)/loss on disposal of property, plant and equipment	*8*	**(5,063)**	15
Gain on disposal of subsidiaries		**–**	(1,980)
Amortisation of intangible assets	*9b*	**–**	2,877
Expense for exercise of early redemption option of convertible notes		**–**	592
Impairment loss on intangible assets	*9b*	**–**	11,728
Gain on early redemption of convertible notes	*8*	**–**	(1,332)
Fair value loss on financial assets at fair value through profit or loss	*8*	**11,054**	3,006
Loss on disposal of intangible assets		**–**	25
Gain on disposal of debt instruments at fair value through other comprehensive income	*8*	**(121)**	–
Gain on changes in fair value of investment property	*8*	**(300)**	(500)
Equity settled share-based payment expenses	*33*	**4,778**	13,541
Operating profit before working capital changes		**19,668**	19,263
Decrease/(increase) in inventories		**10,852**	(2,547)
(Increase)/decrease in trade receivables		**(28,461)**	13,466
Decrease in prepayments, deposits and other receivables		**2,079**	56,841
Decrease/(increase) in statutory deposit for financial service business		**16**	(929)
Decrease in trade payables		**(27,084)**	(151,046)
(Decrease)/increase in receipts in advance, accruals and other payables		**(6,575)**	5,867
Decrease in cash and bank balances held on behalf of customers		**28,328**	138,024
Cash (used in)/generated from operations		**(1,177)**	78,939
Income taxes paid		**(7,174)**	(6,807)
Net cash (used in)/generated from operating activities		**(8,351)**	72,132

Consolidated Statement of Cash Flows

For the year ended 31 March 2019

	Notes	Year ended 31 March 2019 HK$'000	2018 HK$'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		**1,472**	1,519
Purchase of property, plant and equipment		**(13,899)**	(22,506)
Proceeds from disposal of property, plant and equipment		**5,063**	–
Disposal of subsidiaries, net of cash disposed	*34*	**–**	7,972
Redemption of promissory notes		**4,060**	–
Purchase of available-for-sale investments		**–**	(12,000)
Proceeds from disposal of debt instruments at fair value through other comprehensive income		**12,121**	–
Proceeds from disposal of financial assets at fair value through profit or loss		**484**	–
Increase in pledged bank deposits		**(881)**	(60,361)
Net cash generated from/(used in) investing activities		**8,420**	(85,376)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from bank borrowings	*45*	**23,106**	168,922
Repayment of bank borrowings	*45*	**(13,916)**	(188,621)
Proceeds from issue of convertible notes	*45*	**–**	110,000
Redemption of convertible notes	*45*	**–**	(58,000)
Interest paid		**(9,976)**	(7,860)
Net cash (used in)/generated from financing activities		**(786)**	24,441
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		**(717)**	11,197
Cash and cash equivalents at beginning of year		**141,184**	129,987
CASH AND CASH EQUIVALENTS AT END OF YEAR		**140,467**	141,184
ANALYSIS OF THE BALANCE OF CASH AND CASH EQUIVALENTS			
Cash and cash equivalents		**140,467**	141,184

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 36 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 28 June 2019.

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

(a) Adoption of new/revised HKFRSs – effective 1 April 2018

In the current year, the Group has applied the following amendments to HKFRSs issued by the HKICPA that are mandatorily effective for an accounting period that begins on or after 1 April 2018:

Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers
Amendments to HKFRS 15	Clarifications to HKFRS 15 Revenue from Contracts with Customers
Amendments to HKAS 40	Transfers of Investment Property
HK(IFRIC)–Int 22	Foreign Currency Transactions and Advance Consideration

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.

The adoption of these amendments has no impact on these financial statements as the Group does not have any cash-settled share-based payment transaction and has no share-based payment transaction with net settlement features for withholding tax.

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

(a) Adoption of new/revised HKFRSs – effective 1 April 2018 (continued)

HKFRS 9 – Financial Instruments

HKFRS 9 replaces HKAS 39 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 April 2018, bringing together all three aspects of the accounting for financial instruments: (1) classification and measurement; (2) impairment and (3) hedge accounting. The adoption of HKFRS 9 from 1 April 2018 has resulted in changes in accounting policies of the Group and the amounts recognised in the consolidated financial statements.

(i) Classification and measurement of financial instruments

HKFRS 9 carries forward the recognition, classification and measurement requirements for financial liabilities from HKAS 39, except for financial liabilities designated at fair value through profit or loss ("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. However, it eliminates the previous HKAS 39 categories for financial assets of held to maturity financial assets, loans and receivables and available-for-sale financial assets. The adoption of HKFRS 9 has no material impact on the Group's accounting policies related to financial liabilities and derivative financial instruments. The impact of HKFRS 9 on the Group's classification and measurement of financial assets is set out below.

Under HKFRS 9, except for certain trade receivables (that the trade receivables do not contain a significant financing component in accordance with HKFRS 15), an entity shall, at initial recognition, measure a financial asset at its fair value plus, in the case of a financial asset not at FVTPL, transaction costs. A financial asset is classified as: (i) financial assets at amortised cost ("amortised cost"); (ii) financial assets at fair value through other comprehensive income ("FVOCI"); or (iii) FVTPL (as defined in above). The classification of financial assets under HKFRS 9 is generally based on two criteria: (i) the business model under which the financial asset is managed and (ii) its contractual cash flow characteristics (the "solely payments of principal and interest" criterion, also known as "SPPI criterion"). Under HKFRS 9, embedded derivatives are no longer required to be separated from a host financial asset. Instead, the hybrid financial instrument is assessed as a whole for the classification.

A financial asset is measured at amortised cost if it meets both of the following conditions and it has not been designated as at FVTPL:

- It is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that meet the SPPI criterion.

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

(a) Adoption of new/revised HKFRSs – effective 1 April 2018 (continued)

HKFRS 9 – Financial Instruments (continued)

(i) Classification and measurement of financial instruments (continued)

A debt investment is measured at FVOCI if it meets both of the following conditions and it has not been designated as at FVTPL:

- It is held within a business model whose objective is to be achieved by both collecting contractual cash flows and selling financial assets; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that meet the SPPI criterion.

On initial recognition of an equity investment that is not held for trading, the Group could irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an investment-by-investment basis. All other financial assets not classified at amortised cost or FVOCI as described above are classified as FVTPL. This includes all derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or FVOCI at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

The following accounting policies would be applied to the Group's financial assets:

FVTPL	FVTPL is subsequently measured at fair value. Changes in fair value, dividends and interest income are recognised in profit or loss.
Amortised costs	Financial assets at amortised cost are subsequently measured using the effective interest rate method. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain on derecognition is recognised in profit or loss.
FVOCI (debt instruments)	Debt investments at fair value through other comprehensive income are subsequently measured at fair value. Interest income calculated using the effective interest rate method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss.
FVOCI (equity instruments)	Equity investments at fair value through other comprehensive income are measured at fair value. Dividend income are recognised in profit or loss unless the dividend income clearly represents a recovery of part of the cost of the investments. Other net gains and losses are recognised in other comprehensive income and are not reclassified to profit or loss.

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

(a) Adoption of new/revised HKFRSs – effective 1 April 2018 (continued)

HKFRS 9 – Financial Instruments (continued)

(i) Classification and measurement of financial instruments (continued)

(I) As at 1 April 2018, the unlisted debt investments were reclassified from available-for-sale investments to FVOCI, as the Group's business model is to collect contractual cash flows and sell these financial assets. These unlisted debt investments meet the SPPI criterion. As such, unlisted debt investments with a fair value of HK$11,740,000 were reclassified from available-for-sale investments to financial assets at FVOCI on 1 April 2018.

The following table summarises the original measurement categories under HKAS 39 and the new measurement categories under HKFRS 9 for each class of the Group's financial assets as at 1 April 2018:

Financial assets	Original classification under HKAS 39	New classification under HKFRS 9	Carrying amount as at 1 April 2018 under HKAS 39 HK$'000	Carrying amount as at 1 April 2018 under HKFRS 9 HK$'000
Unlisted debt investments	Available-for-sale (at fair value)	Debt instruments at FVOCI	11,740	11,740
Statutory deposit for financial services business	Loans and receivables	Amortised cost	1,335	1,335
Trade receivables	Loans and receivables	Amortised cost	30,682	30,682
Promissory notes	Loans and receivables	Amortised cost	8,532	8,532
Deposits and other receivables	Loans and receivables	Amortised cost	4,553	4,553
Listed equity investments	FVTPL	FVTPL	11,538	11,538
Cash and bank balances held on behalf of customers	Loans and receivables	Amortised cost	66,334	66,334
Pledged bank deposits	Loans and receivables	Amortised cost	60,361	60,361
Bank balances and cash	Loans and receivables	Amortised cost	141,184	141,184

(ii) Impairment of financial assets

The adoption of HKFRS 9 has changed the Group's impairment model by replacing the HKAS 39 "incurred loss model" to the "expected credit losses ("ECLs") model". HKFRS 9 requires the Group to recognised ECLs for trade receivables, financial assets at amortised cost and debt instruments at FVOCI earlier than HKAS 39. Cash and cash equivalents are subject to ECLs model but the impairment is immaterial for the current period.

Under HKFRS 9, the losses allowances are measured on either of the following bases: (1) 12-month ECLs: these are the ECLs that result from possible default events within the 12 months after the reporting date: and (2) lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

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

(a) Adoption of new/revised HKFRSs – effective 1 April 2018 (continued)

HKFRS 9 – Financial Instruments (continued)

(ii) Impairment of financial assets (continued)

Measurement of ECLs

ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the assets' original effective interest rate.

The Group has elected to measure loss allowances for trade receivables from manufacturing and sales of toys segment using HKFRS 9 simplified approach and has calculated ECLs based on lifetime ECLs. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For other debt financial assets, the ECLs are based on the 12-month ECLs. The 12-month ECLs is the portion of the lifetime ECLs that results from default events on a financial instrument that are possible within 12 months after the reporting date. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECLs. When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

Presentation of ECLs

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets. For debt instruments at FVOCI, the loss allowance is recognised in other comprehensive income, instead of reducing the carrying amount of the assets.

Impact of the ECLs model

As mentioned above, the Group applies the HKFRS 9's simplified approach to measure ECLs which adopts a lifetime ECLs for trade receivables from manufacturing and sales of toys segment. To measure the ECLs, these receivables have been grouped based on shared credit risk characteristics and the days past due. No additional impairment for these receivables as at 1 April 2018 and during the year ended 31 March 2019 is recognised as the amount of additional impairment measured under the ECLs model is insignificant.

No additional impairment for other debt financial assets as at 1 April 2018 and during the year ended 31 March 2019 is recognised as the amount of additional impairment measured under the ECLs model is insignificant.

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

(a) Adoption of new/revised HKFRSs – effective 1 April 2018 (continued)

HKFRS 9 – Financial Instruments (continued)

(iii) Hedge accounting

Hedge accounting under HKFRS 9 has no impact on the Group as the Group does not apply hedge accounting in its hedging relationships.

(iv) Transition

The Group has applied the transitional provision in HKFRS 9 such that HKFRS 9 was generally adopted without restating comparative information. The reclassifications and the adjustments arising from the new ECLs rules are therefore not reflected in the consolidated statement of financial position as at 31 March 2018, but are recognised in the consolidated statement of financial position on 1 April 2018. Based on the management's assessment, there was no material difference in the carrying amounts of financial assets and financial liabilities resulting from the adoption of HKFRS 9 recognised in equity as at 1 April 2018.

HKFRS 15 Revenue from Contracts with Customers ("HKFRS 15")

HKFRS 15 supersedes HKAS 11 Construction Contracts, HKAS 18 Revenue and related interpretations. HKFRS 15 has established a five-step model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at the amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The Group has adopted HKFRS 15 using the cumulative effect method without practical expedients. The Group has recognised the cumulative effect (if any) of initially applying HKFRS 15 as an adjustment to the opening balance of retained earnings at the date of initial application (i.e. 1 April 2018). As a result, the financial information presented for 2018 has not been restated.

Based on the assessment of the Group, the adoption of HKFRS 15 from 1 April 2018 has resulted in changes of accounting policies of the Group, however, it does not have significant impact on the timing and amounts of revenue recognition of the Group, and no adjustment to the opening balance of equity at 1 April 2018 has been made.

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

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

The adoption of these amendments has no impact on these financial statements as the Group had not previously adopted HKFRS 15 and took up the clarifications in this, its first, year.

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

(a) Adoption of new/revised HKFRSs – effective 1 April 2018 (continued)

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 amendment 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.

The adoption of these amendments has no impact on these financial statements as the amendments are consistent with the manner in which the Group has previously assessed transfers.

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.

The adoption of the interpretation has no impact on these financial statements as the interpretation is consistent with its existing accounting policy on accounting for these transactions.

(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.

HKFRS 16	Leases[1]
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments[1]
Amendments to HKAS 1 and HKAS 8	Definition of Material[2]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[1]
Amendments to HKFRS 3	Definition of Business[3]
Annual Improvements to HKFRSs 2015-2017 Cycle	Amendments to HKFRS 3, Business Combinations[1]
Annual Improvements to HKFRSs 2015-2017 Cycle	Amendments to HKAS 12, Income Taxes[1]
Annual Improvements to HKFRSs 2015-2017 Cycle	Amendments to HKAS 23, Borrowing Costs[1]

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

[2] *Effective for annual periods beginning on or after 1 January 2020*

[3] *Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020*

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 16 – Leases

HKFRS 16, which upon the effective date will supersede HKAS 17 "Leases "and related interpretations, introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Specifically, under HKFRS 16, a lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Accordingly, a lessee should recognise depreciation of the right-of-use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the statement of cash flows. Also, the right-of-use asset and the lease liability are initially measured on a present value basis. The measurement includes non-cancellable lease payments and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or to exercise an option to terminate the lease. This accounting treatment is significantly different from the lessee accounting for leases that are classified as operating leases under the predecessor standard, HKAS 17.

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

As at 31 March 2019, the Group has non-cancellable operating lease commitments of approximately HK$14,096,000. 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 39. 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.

As allowed by HKFRS 16, the Group plans to use the practical expedient to grandfather the previous assessment of which existing arrangement are, or contain leases. The Group will therefore apply the new definition of a lease in HKFRS 16 only to contracts that are entered into on or after the date of initial application. The Group also plans to elect to use the modified retrospective approach for the adoption of HKFRS 16 and will recognise the cumulative effect of initial application as an adjustment to the opening balance of the equity as at 1 April 2019 and will not restate the comparative information.

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 has 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.

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

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

Amendments to HKAS 1 and HKAS 8 – Definition of Material

The amendments clarify the definition of material and align the definition used across the HKFRSs. Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity. Materiality depends on the nature or magnitude of information, or both. An entity assesses whether information, either individually or in combination with other information, is material in the context of its financial statements taken as a whole.

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.

Amendments to HKFRS 3 – Definition of a Business

The amendments clarify the definition of a business, with the objective of assisting entities to determine whether a transaction should be accounted for as a business combination or as an asset acquisition. An entity shall apply these amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2020 and to asset acquisitions that occur on or after the beginning of that period.

Earlier application of these amendments is permitted, including in annual reporting periods beginning before 18 January 2019 (the date of issuance of these amendments). If an entity applies these amendments for an earlier period, it shall disclose that fact.

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

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 3 which clarify that when a joint operator of a business obtains control over a joint operation, this is a business combination achieved in stages and the previously held equity interest should therefore be remeasured to its acquisition date fair value.

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

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 12 which clarify that all income tax consequences of dividends are recognised consistently with the transactions that generated the distributable profits, either in profit or loss, other comprehensive income or directly in equity.

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

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 23 which clarifies that a borrowing made specifically to obtain a qualifying asset which remains outstanding after the related qualifying asset is ready for its intended use or sale would become part of the funds an entity borrows generally and therefore included in the general pool.

Except as described under HKFRS 16 Leases, the Directors anticipate that the application of the above new or amended HKFRSs will have no material impact on the consolidated financial statements.

3. BASIS OF PREPARATION

(a) Statement of compliance

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and interpretations (hereinafter collectively referred to as the "HKFRS") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the disclosure requirements of the Hong Kong Companies Ordinance ("CO"). In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (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 FVTPL and debt instruments at FVOCI, which are measured at fair values as explained in the accounting policies set out below.

(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.

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Basis of consolidation (continued)

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.

De-facto control exists in situations where the Company has the practical ability to direct the relevant activities of the investee without holding the majority of the voting rights. In determining whether de-facto control exists the Company considers all relevant facts and circumstances, including:

– The size of the Company's voting rights relative to both the size and dispersion of other parties who hold voting rights;

– Substantive potential voting rights held by the Company and other parties who hold voting rights;

– Other contractual arrangements; and

– Historic patterns in voting attendance.

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.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2019

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Goodwill

Where the fair value of identifiable assets and liabilities exceed the aggregate of the fair value of consideration paid, the amount of any non-controlling interest in the acquiree and the acquisition date fair value of the acquirer's previously held equity interest in the acquiree, 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 is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. A cash-generating unit to which goodwill has been allocated is tested for impairment annually, by comparing its carrying amount with its recoverable amount (see note 4(q)), 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. However, the loss allocated to each asset will not reduce the individual asset's carrying amount to below its fair value less cost of disposal (if measurable) or its value in use (if determinable), whichever is the higher. Any impairment loss for goodwill is recognised in profit or loss and is not reversed in subsequent periods.

(d) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and the costs directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are recognised as an expense in profit or loss during the financial period in which they are incurred.

Property, plant and equipment are depreciated so as to write off their cost or valuation net of expected residual value over their estimated useful lives on a straight-line basis. The useful lives, residual value and depreciation method are reviewed, and adjusted if appropriate, at the end of each reporting period. The useful lives are as follows:

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.

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) 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.

(f) Leasing

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

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

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.

(g) 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.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Intangible assets (continued)

(ii) Impairment

Intangible assets with finite 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, 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 (see note 4(q)).

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, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as revaluation decrease to the extent of its revaluation surplus.

(h) Financial instruments (accounting policies applied from 1 April 2018)

(i) Financial assets

A financial asset (unless it is a trade receivable without a significant financing component) is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the market place.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are two measurement category into which the Group classifies its debt instruments:

Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Financial assets at amortised cost are subsequently measured using the effective interest rate method. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain on derecognition is recognised in profit or loss.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Financial instruments (accounting policies applied from 1 April 2018) (continued)

(i) Financial assets (continued)

Debt instruments (continued)

FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at fair value through other comprehensive income. Debt investments at FVOCI are subsequently measured at fair value. Interest income calculated using the effective interest rate method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss.

Equity instruments

On initial recognition of an equity investment that is not held for trading, the Group could irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an investment-by-investment basis. Equity investments at fair value through other comprehensive income are measured at fair value. Dividend income are recognised in profit or loss unless the dividend income clearly represents a recovery of part of the cost of the investments. Other net gains and losses are recognised in other comprehensive income and are not reclassified to profit or loss. All other equity instruments are classified as FVTPL, whereby changes in fair value, dividends and interest income are recognised in profit or loss.

(ii) Impairment loss on financial assets

The Group recognises loss allowances for expected credit losses ("ECLs") on trade receivables, financial assets measured at amortised cost and debt instruments measured at FVOCI. The ECLs are measured on either of the following bases: (1) 12-month ECLs: these are the ECLs that result from possible default events within the 12 months after the reporting date: and (2) lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument. The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the assets' original effective interest rate.

The Group has elected to measure loss allowances for trade receivables from manufacturing and sales of toys segments using HKFRS 9 simplified approach and has calculated ECLs based on lifetime ECLs. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For other debt financial assets, the ECLs are based on the 12-month ECLs. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECLs.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Financial instruments (accounting policies applied from 1 April 2018) (continued)

(ii) Impairment loss on financial assets (continued)

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due, unless the Group has reasonable and supportable information that demonstrate otherwise.

The Group considers a financial asset to be credit-impaired when: (1) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (2) the financial asset is more than 90 days past due.

Interest income on credit-impaired financial assets is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset. For non credit-impaired financial assets interest income is calculated based on the gross carrying amount.

(iii) Financial liabilities

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

Financial liabilities measured at amortised cost

Financial liabilities at amortised cost including trade payables, accruals and other payables, interest-bearing bank borrowings and the liability components of convertible notes issued by the Group are subsequently measured at amortised cost, using the effective interest method. The related interest expense is recognised in profit or loss.

Gains or losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Financial instruments (accounting policies applied from 1 April 2018) (continued)

(iv) Convertible loan notes

Convertible loan 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 proceeds of the issue of the convertible loan notes and the fair value assigned to the liability component, representing the conversion option for the holder to convert the loan notes into equity, is included in equity (convertible notes equity reserve).

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

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

(v) Effective interest method

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

(vi) Equity instruments

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

(vii) 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 HKFRS 9.

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Financial instruments (accounting policies applied until 31 March 2018)

(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.

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.

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.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Financial instruments (accounting policies applied until 31 March 2018) (continued)

(ii) Impairment loss on financial assets

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

– significant financial difficulty of the debtor;

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

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

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

For 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.

For 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 debt 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)

(i) Financial instruments (accounting policies applied until 31 March 2018) (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 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) 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.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) 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.

(k) Revenue recognition (accounting policies applied from 1 April 2018)

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

Depending on the terms of the contract and the laws that apply to the contract, control of the goods or services may be transferred over time or at a point in time. Control of the goods or services is transferred over time if the Group's performance:

- provides all of the benefits received and consumed simultaneously by the customer;
- creates or enhances an asset that the customer controls as the Group performs; or
- does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If control of the goods or services transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the goods or services.

When the contract contains a financing component which provides the customer a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amounts receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. Where the contract contains a financing component which provides a significant financing benefit to the Group, revenue recognised under that contract includes the interest expense accreted on the contract liability under the effective interest method. For contracts where the period between the payment and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in HKFRS 15.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Revenue recognition (accounting policies applied from 1 April 2018) (continued)

(i) Sales of toys

Customers obtain control of the toy products when the goods are delivered to and have been accepted. Revenue is thus recognised when the customers accepted the products. There is generally only one performance obligation. Invoices are usually payable within 30 to 90 days. In the comparative period, revenue from sales of toys is recognised on transfer of risks and rewards of ownership, which was taken as at the time of delivery and the title is passed to customer.

(ii) Commission income from securities brokerage

Brokerage commission income is recognised on a trade date basis when the relevant transactions are executed.

(iii) Commission income from placing and underwriting

Placing and underwriting commission income is recognised on the trade date when the Group purchases the securities from the issuer or the date the Group sells the securities to third-party investors.

(iv) Advisory income and consultancy services income

Advisory income and consultancy services income from provision of services under retainers is recognised over time based on contractual terms specified in the underlying agreements, as the customer simultaneously receives and consumes the benefit provided by the Group performs and revenue can be measured reliably.

(v) Handling fee income

Handling fee income is recognised at the point in time when the services are provided and fee received based on the listed price of relevant services notified to the customers.

(vi) Other income

Moulding income is recognised at the point in time when the legal title of mould is passed to customer.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(l) Revenue recognition (accounting policies applied until 31 March 2018)

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

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

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

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

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

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

– Handling fee income is recognised when the 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.

(m) 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.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(m) Income taxes (continued)

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, associates and jointly controlled entities, 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 or when they relate to items recognised directly in equity in which case the taxes are also recognised directly in equity.

(n) 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.

(o) Employee benefits

(i) Short term employee benefits

Short term employee benefits are employee benefits (other than termination benefits) that are expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the related service. Short term employee benefits are recognised in the year when the employees render the related service.

(ii) Defined contribution retirement plan

Contributions to defined contribution retirement plans are recognised as an expense in profit or loss when the services are rendered by the employees.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(p) 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.

(q) Impairment of assets (other than financial assets)

At the end of each reporting period, the Group reviews the carrying amounts of the following assets to determine whether there is any indication that those assets have suffered an impairment loss or an impairment loss previously recognised no longer exists or may have decreased:

- property, plant and equipment; and

- investments in subsidiaries.

If the recoverable amount (i.e. the greater of the fair value less costs of disposal and value in use) 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, unless the relevant asset is carried at a revalued amount under another HKFRS, in which case the impairment loss is treated as a revaluation decrease under that HKFRS.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, to the extent 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. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount under another HKFRS, in which case the reversal of the impairment loss is treated as a revaluation increase under that HKFRS.

Value in use is based on the estimated future cash flows expected to be derived from the asset or cash generating unit (see note 4(c)), 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.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(r) 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 applies:

(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)

(s) 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.

(t) 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.

(u) 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 Company and its subsidiaries. In determining the functional currencies of the group entities, judgements are required to determine the currency that mainly influences sales prices for goods and services and of the country whose competitive forces and regulations mainly determines the sales prices of its goods and services. The functional currencies of the group entities are determined based on management's assessment of the economic environment in which the entities operate and the entities' process of determining sales prices.

(ii) Determination of the accounting treatment for revenue

Manufacturing and trading of toy products

The Group is principally engaged in the manufacture and trading of toy products. The Group manufactures finished products for customers according to their specifications and the products are sold by customers under their own brand names. The major customer of the Group may be involved in the raw materials procurement procedures and under such circumstances will make settlement to the suppliers on behalf of the Group. The amounts settled by the major customer will be set off against the trade receivable from the major customer. In determining whether the revenue shall be recorded on a net basis or gross basis, the Group has made reference to indicators and requirements stated in the requirement in HKFRS 15 paragraphs B34 - B38 and considered the economic substance of the transactions.

Determining whether an entity is acting as a principal or as an agent requires judgements and consideration of all relevant facts and circumstances, and the Group considers itself does not has an agency relationship with the customer under HKFRS 15 based on the following criteria:

– The Group is primarily responsible for fulfilling the promise to provide the specified goods;

– The Group controls the specified goods before their transfer to the customer;

– The Group has inventory risk before the specified goods has been transferred to the customer; and

– The Group has discretion in establishing the prices for the specified goods.

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.

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 of property, plant and equipment

The Group depreciates property, plant and equipment over the estimated useful life, and after taking into account their estimated residual value, using the straight-line method, from 3 years to 10 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 receivables

The Group uses provision matrix to calculate ECLs for the trade receivables from manufacturing and sales of toys segment. The provision rates are based on debtors' ageing as groupings of various debtors that have same credit periods and similar payment patterns. The provision matrix is based on the Group's historical default rates taking into consideration forward-looking information that is reasonable and supportable available without undue costs or effort. At the reporting date, the historical observed default rates are updated and changes in the forward-looking information are considered by the management.

The management estimates the amount of impairment allowance for ECLs on trade receivables from Financial services segment, other financial assets at amortised cost and debt instruments at FVOCI based on the credit risk of the respective financial instrument. The loss allowance is measured as the difference between the asset's carrying amount and the present value of estimate future cash flows with the consideration of expected future credit loss of the respective financial instrument and collateral value. The assessment of the credit risk of the respective financial instrument involves high degree of estimation and uncertainty about future economic conditions which have an adverse effect on debtors' business, debtors' creditworthiness, the payment delinquency or default in interest or principal payments, and fair values of collaterals.

5. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Estimation uncertainty (continued)

(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 21); and
- Available-for-sale investments (note 22);

For more detailed information in relation to the fair value measurement of the items above, please refer to note 43.

(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. Judgements are 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.

5. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Estimation uncertainty (continued)

(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 judgements, 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 34. The following summary describes the operations in each of the Group's reportable segments:

– Manufacturing and sales of toys; 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		
	Manufacturing and sales of toys HK$'000	**Financial services HK$'000**	**Total HK$'000**
For the year ended 31 March 2019			
External revenue	**619,549**	**4,665**	**624,214**
Segment profit/(loss)	**47,860**	**(46,644)**	**1,216**
Corporate income			
– Others			**2,619**
Central administrative cost *(Note 2)*			**(6,196)**
Equity settled share-based payment expenses			**(4,778)**
Finance cost			**(21,063)**
Loss before income tax expense			**(28,202)**
Represented by:			
– from continuing operations			**(28,202)**

6. OPERATING SEGMENT INFORMATION (continued)

(a) Reportable segments (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 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					1,364
– Others					
Central administrative cost *(Note 2)*					(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 *(note 9(b))*					(15,068)
					(43,433)

Note 1: The Group has initially applied HKFRS 15 using the cumulative effect method. Under this method, the comparative information is not restated and was prepared in accordance with HKAS 18.

Note 2: 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, 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, tax recoverable and cash and cash equivalents.

	At 31 March	
	2019	2018
	HK$'000	HK$'000
Manufacturing and sales of toys	**140,346**	147,499
Financial services	**318,588**	347,455
Total segment assets	**458,934**	494,954
Unallocated	**149,799**	154,123
Consolidated assets	**608,733**	649,077

Segment liabilities

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

	At 31 March	
	2019	2018
	HK$'000	HK$'000
Manufacturing and sales of toys	**47,577**	69,662
Financial services	**69,834**	71,823
Total segment liabilities	**117,411**	141,485
Unallocated	**92,340**	77,861
Consolidated liabilities	**209,751**	219,346

6. OPERATING SEGMENT INFORMATION (continued)

(a) Reportable segments (continued)

Other segment information

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

For the year ended 31 March 2019

	Continuing operations		
	Manufacturing and sales of toys HK$'000	**Financial services HK$'000**	**Total HK$'000**
Additions to property, plant and equipment	**13,899**	**–**	**13,899**
Depreciation of property, plant and equipment	**(14,351)**	**(316)**	**(14,667)**
Gain on disposal of property, plant and equipment	**5,063**	**–**	**5,063**
Fair value loss on financial assets through profit or loss	**–**	**(11,054)**	**(11,054)**
Interest expenses	**(3,174)**	**(202)**	**(3,376)**

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 and 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 gain on financial assets through profit or loss	–	(3,006)	(3,006)	–	(3,006)
Interest expenses	(2,895)	(17)	(2,912)	(2)	(2,914)

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 services 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	
	2019	2018
	HK$'000	HK$'000
Continuing operations		
North America *(note 1)*	**422,603**	451,114
Western Europe		
– United Kingdom	**35,580**	63,530
– France	**17,975**	27,032
– Netherland	**2,952**	4,537
– Others *(note 2)*	**53,256**	52,427
PRC and Taiwan	**21,481**	75,196
Central America, Caribbean and Mexico	**18,871**	24,772
South America	**7,473**	8,724
Australia, New Zealand and Pacific Islands	**19,587**	21,664
Others *(note 3)*	**24,436**	45,933
	624,214	774,929
Discontinued operation		
Others *(note 3)*	**–**	1,061
Total	**624,214**	775,990

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	
	2019	2018
	HK$'000	HK$'000
Mainland China, the PRC	**20,647**	21,317
Hong Kong	**192,721**	192,519
Total	**213,368**	213,836

(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	
	2019	2018
	HK$'000	HK$'000
Continuing operations		
Customer A	**223,686**	291,873
Customer B	**213,425**	267,066
Customer C	**106,056**	102,375
Total	**543,167**	661,314

6. OPERATING SEGMENT INFORMATION (continued)

(d) Disaggregation of revenue from contracts with customers

In the following table, revenue is disaggregated by timing over revenue recognition. The table also includes a reconciliation of the disaggregated revenue with the Group's reportable segment.

	Continuing operations				Discontinued operation			
	Manufacturing and Sales of toys segment		Financial services segment		Digital publishing, mobile and web Application Solutions Segment		Total	
	2019	2018	**2019**	2018	**2019**	2018	**2019**	2018
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Timing of revenue recognition under HKFRS 15								
– At a point in time	**619,549**	752,719	**4,378**	21,671	**–**	740	**623,927**	775,130
– Over time	**–**	–	**287**	466	**–**	321	**287**	787
	619,549	752,719	**4,665**	22,137	**–**	1,061	**624,214**	775,917

7. REVENUE

Revenue 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	
	2019	2018
	HK$'000	HK$'000
Continuing operations		
Manufacturing and sales of toys	**619,549**	752,719
Financial services		
– Commission income from securities brokerage	**736**	2,973
– Commission income from placing and underwriting	**3,231**	17,907
– Advisory income and consultancy services income	**287**	466
– Interest income from securities margin financing services	**–**	73
– Handling fee income and other services income	**411**	791
	624,214	774,929
Discontinued operation		
Digital publishing, mobile and web application solutions	**–**	1,061
	624,214	775,990

7. REVENUE (continued)

An analysis of the Group's revenue scope in under HKFRS 15 for the year is as follows:

	Year ended 31 March	
	2019	2018
	HK$'000	HK$'000
Continuing operations		
Manufacturing and sales of toys	**619,549**	752,719
Financial services		
– Commission income from securities brokerage	**736**	2,973
– Commission income from placing and underwriting	**3,231**	17,907
– Advisory income and consultancy services income	**287**	466
– Handling fee income and other services income	**411**	791
	624,214	774,856
Discontinued operation		
Digital publishing, mobile and web application solutions	**–**	1,061
	624,214	775,917

8. OTHER INCOME, GAINS AND LOSSES

	Year ended 31 March	
	2019	2018
	HK$'000	HK$'000
Continuing operations		
Other income		
Interest income from bank deposits	**1,000**	441
Interest income from debt instruments at fair value through other comprehensive income (2018: available-for-sale investments)	**471**	280
Interest income from loans	**–**	798
Interest income from promissory notes	**113**	32
Moulding income	**4,144**	4,255
Rental income	**680**	1,380
	6,408	7,186
Other gains and losses		
Exchange gains, net	**3,379**	3,540
Fair value loss on financial assets at fair value through profit or loss	**(11,054)**	(3,006)
Gain on fair value change on investment property	**300**	500
Gain on disposal of debt instruments at fair value through other comprehensive income	**121**	–
Gain on early redemption of convertible notes	**–**	1,332
Gain/(loss) on disposal of property, plant and equipment	**5,063**	(15)
Others	**4,674**	2,007
	2,483	4,358
Other income, gains and losses	**8,891**	11,544

9. LOSS BEFORE INCOME TAX EXPENSE

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

	Year ended 31 March	
	2019	2018
	HK$'000	HK$'000
Continuing operations		
Cost of inventories sold	**539,830**	666,886
Depreciation of property, plant and equipment	**14,667**	16,845
Employee benefits expenses (excluding Directors' remuneration *(note 11(a))):*		
Wages and salaries	**30,933**	35,324
Equity settled share-based payment expenses to employees	**2,036**	5,696
Pension scheme contributions	**850**	1,018
Other benefits	**1,485**	2,314
	35,304	44,352
Equity settled share-based payment expenses to eligible persons other than employees and Directors	**941**	3,006
Auditor's remuneration	**1,528**	2,988
Operating lease charges in respect of land and buildings	**11,862**	11,555

(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 the 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 revenue, 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 34 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
Revenue	1,061
Cost of sales	(769)
Gross profit	292
Other income, gains and losses	15
Administrative expenses	(5,625)
Impairment loss on intangible assets	(11,728)
Finance costs	(2)
Loss before income tax credit	(17,048)
Income tax credit	2,410
	(14,638)
Gain on disposal of subsidiaries *(Note 34)*	1,980
Loss for the period from a discontinued operation	(12,658)
Net cash used in operating activities	(1,662)
Net cash used in investing activities	(4)
Net cash generated from financing activities	1,686
Net cash inflow of a discontinued operation	20

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:

	For the period from 1 April 2017 to the date of disposal HK$'000
Discontinued operation	
Cost of sales	769
Depreciation of property, plant and equipment	44
Amortisation of intangible assets	2,877
Employee benefits expenses (excluding Directors' remuneration *(note 11(a))*:	
Wages and salaries	2,190
Equity settled share-based payment expenses to employees	82
Pension scheme contributions	88
Other benefits	14
	2,374
Impairment loss on intangible assets	11,728

10. FINANCE COSTS

	Year ended 31 March	
	2019 HK$'000	2018 HK$'000
Continuing operations		
Interest on bank and other borrowings:		
– Bank borrowings	**3,174**	2,895
– Convertible notes	**21,063**	16,472
– Others	**202**	17
	24,439	19,384

11. DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID EMPLOYEES

(a) Directors' remuneration

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

Year ended 31 March 2019	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Equity settled share-based payment expenses HK$'000	Pension scheme contributions HK$'000	Total HK$'000
Executive Directors					
Mr. Lau Ho Ming, Peter	–	3,756	65	87	3,908
Mr. Ng Kam Seng	–	1,558	437	65	2,060
Mr. Poon Pak Ki, Eric	–	1,104	437	55	1,596
Mr. Chu, Raymond	–	3,000	598	18	3,616
	–	9,418	1,537	225	11,180
Non-executive Director					
Madam Li Man Yee, Stella	240	–	23	–	263
	240	–	23	–	263
Independent non-executive Directors					
Mr. Leung Po Wing, Bowen Joseph	210	–	88	–	298
Mr. Chan Siu Wing, Raymond	180	–	88	–	268
Mr. Wong Wah On, Edward	180	–	65	–	245
	570	–	241	–	811
Total	810	9,418	1,801	225	12,254

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

(a) Directors' remuneration (continued)

Year ended 31 March 2018	Fees	Salaries, allowances and benefits in kind	Equity settled share-based payment expenses	Pension scheme contributions	Total
	HK$'000	HK$'000	HK$'000	HK$'000	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, Eric	–	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)

(b) Five highest paid employees

The five individuals whose remuneration were the highest in the Group for the year ended 31 March 2019 included 3 Directors (2018: 4) and their remuneration are reflected in note 11(a). The remuneration of the remaining 2 highest paid individual (2018: 1) for the year ended 31 March 2019 is as follows:

	Year ended 31 March	
	2019	2018
	HK$'000	HK$'000
Salaries, allowances and benefits in kind	**4,960**	1,504
Equity settled share-based payment expenses	**284**	1,239
Pension scheme contributions	**36**	58
	5,280	2,801

Their remuneration was within the following band:

	Number of individuals	
	2019	2018
HK$2,500,001 to HK$3,000,000	**2**	1
	2	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 (2018: Nil). None of the Directors nor the five highest paid employees has waived or agreed to waive any remuneration during the year (2018: Nil).

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

	Number of senior management	
	2019	2018
HK$2,500,001 to HK$3,000,000	**2**	1

12. INCOME TAX EXPENSE

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "Bill") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK$2,000,000 of estimated assessable profits of qualifying corporation will be taxed at 8.25%, and estimated assessable profits above HK$2,000,000 will be taxed at 16.5% of the remaining estimated assessable profits for the year ended 31 March 2019. For a group of "connected entities", only one entity within the group can elect to apply the two-tiered profits tax rates.

For the year ended 31 March 2019, Hong Kong Profits Tax of the selected entity was calculated at 8.25% (2018: 16.5%) of the first HK$2,000,000 estimated assessable profits and 16.5% (2018: 16.5%) of the remaining estimated assessable profits. Hong Kong Profits Tax for the remaining entities within the Group was calculated at 16.5% (2018: 16.5%) of the estimated assessable profits for both years.

Taxation arising from other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

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

	Year ended 31 March	
	2019	2018
	HK$'000	HK$'000
Continuing operations		
Current – Hong Kong		
Charge for the year	**7,325**	6,651
Under/(over) provision in prior years	**260**	(453)
	7,585	6,198
Deferred tax credit	**–**	(52)
	7,585	6,146

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	
	2019	2018
	HK$'000	HK$'000
Loss before income tax expense from continuing operations	**(28,202)**	(28,365)
Tax at the applicable tax rate of 16.5% (2018: 16.5%)	**(4,653)**	(4,680)
Tax effect of revenue not taxable for tax purposes	**(3,060)**	(448)
Tax effect of expenses not deductible for tax purposes	**9,714**	7,611
Tax effect of tax loss not recognised	**7,634**	4,368
Tax effect of temporary difference not recognised	**(282)**	(59)
Utilisation of tax losses previously not recognised	**(1,863)**	(194)
Tax concession	**(165)**	–
Under/(over) provision in prior years	**260**	(452)
Income tax expense	**7,585**	6,146

No deferred tax asset has been recognised in respect of the unused tax losses of HK$118,442,000 (2018: HK$83,467,000) 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 2019, nor has any dividend been proposed since the end of the reporting period (2018: 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	
	2019	2018
	HK$'000	HK$'000
Loss for the year from continuing and discontinued operations attributable to the owners of the Company	**(35,787)**	(47,169)
Less: Loss for the year from discontinued operation	**–**	12,658
Loss for the purpose of basic and diluted loss from continuing operations	**(35,787)**	(34,511)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic loss per share	**1,474,232,000**	1,474,232,000

14. LOSS PER SHARE (continued)

For continuing and discontinued operations (continued)

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 2019 of approximately HK$35,787,000 (2018: HK$47,169,000), and of the weighted average number of 1,474,232,000 (2018: 1,474,232,000) 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 2019 (2018: 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 2019 (2018: anti-dilutive).

There is no dilutive effect on the convertible notes as they are anti-dilutive (2018: anti-dilutive).

On 11 October 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 restated subscription agreement (the “Restated Subscription Agreement”) pursuant to which the Company conditionally agreed to allot and issue, and the Subscribers conditionally agreed to subscribe for, an aggregate of 415,908,000 new ordinary shares of the Company, for an aggregate consideration of HK$145,567,800 in cash at the subscription price of HK$0.35 per subscription share.

On 11 October 2018, (i) the Company (as purchaser) and Zhongtai International Finajcial Corporation (“ZTI Financial”)(as vendor) entered into the supplemental agreement (“Supplement ZTI Capital Agreement”) to revise and amend certain terms of the sale and purchase agreement entered into between ZTI Financial and the Company dated 23 February 2018 (“ZTI Capital Agreement”) pursuant to which the Company conditionally agreed to acquire or procure on of this wholly-owned subsidiaries to acquire, and ZTI Financial conditionally agreed to dispose of, all issued shares of Zhongtai International Capital Limited; and (ii) the Company (as purchaser) and Zhongtai Financial International Limited (“Zhongtai Financial International”) (as vendor) entered into the supplemental agreement (“Supplemental ZTI Asset Management Agreement”) to revise and amend certain terms of the sale and purchase agreement entered into between Zhongtai Financial International and the Company dated 23 February 2018 (“ZTI Asset Management 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 all issued shares of Zhongtai International Asset Management Limited, collectively the “ZTI Acquisitions”.

The consideration for the ZTI Capital Agreement, being HK$30,000,000, shall be satisfied by the allotment and issue by the Company to the Original Offeror (as the designated nominee of ZTI Financial) 85,714,286 new shares of the Company, credited as fully paid, at an issue price of approximately HK$0.35 per Consideration Share, at completion of the ZTI Capital Agreement.

The consideration for the ZTI Asset Management Agreement, being HK$102,000,000, shall be satisfied by the allotment and issue by the Company to the Original Offeror (as the designated nominee of Zhongtai Financial International) 291,428,571 new shares of the Company, credited as fully paid, at an issue price of approximately HK$0.35 per share, at completion of the ZTI Asset Management Agreement.

Completion of the transactions contemplated under the Restated Subscription Agreement, the ZTI Capital Agreement and the ZTI Asset Management Agreement is subject to the satisfaction of various conditions precedent as set out in the joint announcement dated 12 October 2018. As at date of this report, such conditions precedent have not yet been satisfied in full and completion of the Restated Subscription Agreement, the ZTI Capital Agreement and the ZTI Asset Management Agreement has not yet taken place. These potential contingently issuable shares are anti-dilutive.

14. LOSS PER SHARE (continued)

For a discontinued operation

Basic and diluted loss per share for the discontinued operation is approximately HK cents 0.86 per share, based on the loss for the year ended 31 March 2018 from the discontinued operation was HK$12,658,000 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 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 34)*	–	–	–	(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 34)*	–	–	–	(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

15. PROPERTY, PLANT AND EQUIPMENT (continued)

	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 2019					
Cost:					
At 1 April 2018	6,695	64,522	9,551	1,924	82,692
Additions	3,734	9,456	–	709	13,899
Disposals	–	(7,802)	–	(400)	(8,202)
At 31 March 2019	10,429	66,176	9,551	2,233	88,389
Accumulated depreciation:					
At 1 April 2018	6,695	44,381	8,244	1,573	60,893
Depreciation charge for the year	1,134	12,327	847	359	14,667
Disposals	–	(7,802)	–	(400)	(8,202)
At 31 March 2019	7,829	48,906	9,091	1,532	67,358
Net book value:					
At 31 March 2019	2,600	17,270	460	701	21,031

16. INVESTMENT PROPERTY

	2019 HK$'000	2018 HK$'000
At 1 April (level 3 recurring fair value)	**6,700**	6,200
Change in fair value *(note 8)*	**300**	500
At 31 March (level 3 recurring fair value)	**7,000**	6,700

The Group's investment property was valued at 31 March 2018 and 2019 respectively, by BMI Appraisals Limited, an independent and professionally qualified valuer who holds a recognised relevant professional qualification and has recent experience in the location of the investment property valued. For the investment property, the current use equates the highest and best use.

The investment property was pledged by the Group as at 31 March 2018 and 2019 respectively, to secure interest-bearing bank borrowings as set out in note 28.

16. INVESTMENT PROPERTY (continued)

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 2018: 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 (2018: 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$'000	Financial services HK$'000 *(note a)*	Total HK$'000
Cost			
At 1 April 2017	51,759	184,783	236,542
Disposal of subsidiaries *(note 34)*	(51,759)	–	(51,759)
At 31 March 2018 and 31 March 2019	–	184,783	184,783
Impairment			
At 1 April 2017	(51,759)	–	(51,759)
Disposal of subsidiaries *(note 34)*	51,759	–	51,759
At 31 March 2018 and 31 March 2019	–	–	–
Carrying amount			
At 31 March 2019	–	184,783	184,783
At 31 March 2018	–	184,783	184,783

17. GOODWILL (continued)

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) 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 in prior years, which are allocated to two different CGUs for impairment assessment.

As at 31 March 2019, 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 18.1% (2018: 19.3%) estimated by the management. Growth rate used to extrapolate the cash flows beyond the five-year budget plan is 3% (2018: 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, existing signed mandates and engagements, business plans and outlook and its expectations for the industry development. The cash flow projections have taken into account the worsening financial performance of CSL in the financial year ended 31 March 2019 with the actual net cash flows generating thereon worse than those estimated in the previous impairment assessment. Accordingly, the cash flow projections have been revised downwards. During the year ended 31 March 2019, no impairment was provided on goodwill for CSL as the recoverable amount exceeded the carrying amount of the CGU (2018: HK$ Nil).

As at 31 March 2019, the recoverable amount of the CGU in relation to CAM was based on fair values less costs to disposal using direct comparison approach as detailed below. During the year ended 31 March 2019, no impairment was provided on goodwill for CAM as the recoverable amount exceeded the carrying amount of the CGU (2018: HK$ Nil).

The level in the fair value hierarchy in arriving at the above recoverable amount is considered under Level 3. The cost of disposal of CAM is estimated by the management as immaterial. 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% (2018: 10%)

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 2017	87,900	579	88,479
Disposal of subsidiaries *(note 34)*	(87,900)	–	(87,900)
Disposals	–	(25)	(25)
At 31 March 2018 and 31 March 2019	–	554	554
Accumulated amortisation			
At 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 34)*	68,579	–	68,579
At 31 March 2018 and 31 March 2019	–	–	–
Carrying amount			
At 31 March 2019	–	554	554
At 31 March 2018	–	554	554

Notes:

(a) *As at 31 March 2018, intangible assets comprised mobile and web application technologies acquired through the acquisition of the entire interest in the PMT Group in prior years. 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.

18. INTANGIBLE ASSETS (continued)

Notes (continued):

(a) Continued

For the year ended 31 March 2018, 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, an impairment loss on the intangible assets of approximately HK$11,728,000 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 is based on cash flow projections from formally approved budgets, covering a detailed five-year budget plans, and discount rate of 19.9% 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 its past performance, its business plans and outlook and its expectations for the industry development.

(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 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 2019, the recoverable amounts of the trading rights, trademarks and website with indefinite useful life have been determinate based on a value-in-use calculation, with 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 18.1% (2018: 19.3%) estimated by the management. Growth rate used to extrapolate the cash flows beyond the five-year budget plan is 3% (2018: 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, existing signed mandates and engagements, business plans and outlook and its expectations for the industry development. The cash flow projections have taken into account the worsening financial performance of CSL in the financial year ended 31 March 2019 with the actual net cash flows generating thereon worse than those estimated in the previous impairment assessment. Accordingly, the cash flow projections have been revised downwards. During the year ended 31 March 2019, no impairment was provided on trading rights, trademarks and website as the recoverable amount exceeded their carrying amount (2018: HK$ Nil).

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

19. INVENTORIES

	At 31 March	
	2019	2018
	HK$'000	HK$'000
Raw materials	**59,118**	63,755
Finished goods	**24,605**	30,820
	83,723	94,575

20. TRADE RECEIVABLES

	At 31 March	
	2019	2018
	HK$'000	HK$'000
Trade receivables from Financial services segment	**31,111**	6,550
Trade receivables from Manufacturing and sales of toys segment	**28,032**	24,132
	59,143	30,682

Trade receivables from Financial services segment

	At 31 March	
	2019	2018
	HK$'000	HK$'000
Accounts receivable arising from the ordinary course of business of securities brokerage and margin financing:		
– Cash clients *(note (a))*	**31,076**	4,110
– Clearing house *(note (a))*	**–**	673
– Margin clients *(note(b))*	**–**	9
Accounts receivable arising from the ordinary course of business of provision of:		
– Custodian services	**–**	250
– Advisory services	**35**	2,168
	31,111	7,210
Less: Allowance for impairment loss	**–**	(660)
	31,111	6,550

Ageing analysis of trade receivables of the Financial services segment based on the invoice date and net of loss allowance is as follows:

	At 31 March	
	2019	2018
	HK$'000	HK$'000
On demand	**–**	9
Current – 30 days	**31,111**	4,783
Over 90 days	**–**	1,758
	31,111	6,550

20. TRADE RECEIVABLES (continued)

Trade receivables from Financial services segment (continued)

Ageing analysis of trade receivables of the Financial services segment based on due date and net of loss allowance is as follows:

	At 31 March	
	2019	2018
	HK$'000	HK$'000
Neither past due nor impaired	**31,111**	4,792
Past due more than six months but less than one year	**–**	195
Past due more than one years but less than two years	**–**	1,563
	31,111	6,550

Notes:

(a) The settlement terms of trade receivables arising from the ordinary course of business of dealing in securities from cash clients and clearing house are one or two days after the respective trade date.

Receivables that were past due but not impaired represent unsettled trade transactions on the last two days prior to the end of reporting period and also relates to a wide range of independent clients for whom there are no recent history of default.

(b) Margin clients are required to pledge securities as collateral to the Group in order to obtain the credit facilities for securities trading and bear interests at commercial rates. 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. The margin ratio is reviewed and determined periodically. As at 31 March 2019, the market value of securities pledged by clients to the Group as collateral against margin client receivables was approximately HK$ Nil (2018: HK$35,256,000).

An analysis of changes in the corresponding ECL allowances is as follows:

	12- month ECLs (Stage 1)	**Lifetime ECL not credit-impaired (Stage 2)**	**Lifetime ECL credit-impaired (Stage 3)**	**Impairment allowance under HKAS 39**	**Total**
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
As at 1 April 2018	–	–	–	660	660
Restated on adoption of HKFRS 9	–	660	–	(660)	–
Write-back of impairment loss during the year	–	(660)	–	–	(660)
As at 31 March 2019	–	–	–	–	–

The Group seeks to maintain tight control over its outstanding trade receivables in order to minimise credit risk.

Expected loss rates are based on actual loss experience over the past 3 years. These rates are adjusted to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

The management considered the expected loss rate is immaterial and accordingly, no ECLs are recognised.

20. TRADE RECEIVABLES (continued)

Trade receivables from Manufacturing and sales of toys segment

The credit period on sales of toys ranges 30–90 days from the invoice date. An ageing 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	
	2019	2018
	HK$'000	HK$'000
Current to 30 days	**14,764**	19,029
31 to 60 days	**3,413**	2,237
61 to 90 days	**7,859**	2,728
Over 90 days	**1,996**	138
	28,032	24,132

The ageing analysis of trade receivables as of the end of reporting period, based on past due dates and net of loss allowance, is as follows:

	At 31 March	
	2019	2018
	HK$'000	HK$'000
Neither past due nor impaired	**20,186**	21,762
Less than 1 month past due	**6,238**	2,370
1 to 3 months past due	**1,608**	–
	28,032	24,132

Receivables that were neither past due nor impaired relate to the customers for which there was no recent history of default. In general, the Group does not hold any collateral or other credit enhancements over these balances.

The Group applies the simplified approach to provide for ECLs prescribed by HKFRS 9, which permit the use of lifetime ECLs provision for all trade receivables from manufacturing and sales of toys segment. To measure the ECLs, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The ECLs also incorporate forward-looking information. As at 31 March 2019, the Directors consider ECLs against the gross amounts of the trade receivables is immaterial.

21. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	At 31 March	
	2019	2018
	HK$'000	HK$'000
Listed equity securities held for trading in Hong Kong, at fair value	**–**	11,538

The realised and unrealised losses on financial assets at fair value through profit or loss for the year ended 31 March 2019 are approximately HK$11,054,000 (2018: HK$ Nil) and HK$ Nil (2018: HK$3,006,000) respectively.

22. AVAILABLE-FOR-SALE INVESTMENTS

	At 31 March	
	2019	2018
	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.

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 6.94%.

As the above debt securities are not held for trading purpose, the Group has designated these investments as debt instruments at FVOCI at the date of initial application of HKFRS 9. During the year, the Group fully disposed of the debt securities at a consideration of HK$12,121,000.

23. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	At 31 March	
	2019	2018
	HK$'000	HK$'000
Non-current assets:		
Deposits *(note 1)*	**326**	–
Current assets:		
Prepayments	**4,746**	4,407
Deposits *(note 1)*	**1,765**	2,012
Other receivables	**44**	2,541
	6,555	8,960

Note:

1. *Deposits includes approximately HK$572,000 (31 March 2018: HK$572,000) of rental deposit paid to a related company, Gold Prospect Capital Resources Limited (note (37(i)).*

The maximum exposure to credit risk at the reporting date is the carrying amounts of each classes of receivables mentioned above. The Group does not hold any collateral as security.

24. 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 26) 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.

25. PLEDGED BANK DEPOSITS AND CASH AND CASH EQUIVALENTS

	At 31 March	
	2019	2018
	HK$'000	HK$'000
Cash and cash equivalents were denominated in:		
HK$	**95,524**	109,199
Renminbi("RMB")	**4,289**	4,580
United Stated Dollars ("US$)	**40,654**	27,405
	140,467	141,184
Pledged bank deposits in:		
HK$	**61,242**	60,361

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 1.54% (2018: 0.87%) per annum.

Major non-cash transaction

During the year ended 31 March 2018, 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 29 and 34 to the consolidated financial statements.

26. TRADE PAYABLES

	At 31 March	
	2019	2018
	HK$'000	HK$'000
Trade payables from Financial services segment	**69,018**	70,946
Trade payables from Manufacturing and sales of toys segment	**15,001**	40,157
	84,019	111,103

26. TRADE PAYABLES (continued)

Trade payables from Financial services segment

	At 31 March	
	2019	2018
	HK$'000	HK$'000
Accounts payable arising from the ordinary course of business of securities brokerage and margin financing:		
– Cash clients	**38,163**	70,946
– Brokers and clearing house	**30,855**	–
	69,018	70,946

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 31 March 2019, included in trade payable was an amount of approximately HK$38,006,000 (2018: HK$66,334,000) 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 Manufacturing and sales of toys segment

The Group normally obtains credit terms ranging from 15 to 60 days from its suppliers. Trade payables are interest-free.

An ageing analysis of the trade payables at the end of the reporting period, based on the invoice date, is as follows:

	At 31 March	
	2019	2018
	HK$'000	HK$'000
Current to 30 days	**8,135**	27,424
31 to 60 days	**4,859**	9,582
61 to 90 days	**1,589**	2,930
91 to 365 days	**418**	–
More than one year	**–**	221
	15,001	40,157

27. RECEIPTS IN ADVANCE, ACCRUALS AND OTHER PAYABLES

	At 31 March	
	2019	2018
	HK$'000	HK$'000
Receipts in advance	**–**	230
Accruals	**2,417**	2,870
Other payables	**9,820**	15,694
	12,237	18,794

28. INTEREST-BEARING BANK BORROWINGS

	At 31 March	
	2019	2018
	HK$'000	HK$'000
Current		
Secured		
– bank loans due for repayment within one year	**23,106**	13,916

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$7,000,000 (2018: HK$6,700,000) (note 16);

ii) The corporate guarantee from the Company's subsidiary, which is Qualiman Industrial Co. Limited (2018: Qualiman Industrial Co. Limited); and/or

iii) By legal charges over certain properties in Hong Kong owned by Mr. Lau, Madam Li and their associates and personal guarantee by Mr. Lau.

At 31 March 2019 and 2018, total bank borrowings were on demand or repayable within one year.

Certain banking facilities are subject to the fulfilment 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 43. As at 31 March 2019, none of the covenants relating to drawn down facilities had been breached (2018: Nil).

29. PROMISSORY NOTES

On 29 December 2017, the Company received promissory notes with an aggregate principal amount of HK$8,500,000 as part of the consideration for disposal of the issued share capital of New Creation Global Limited as disclosed in note 34. The promissory notes are unsecured and denominated in HK$. 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 2017 PN1 has been fully repaid on maturity.

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 2019 HK$'000	At 31 March 2018 HK$'000
2017 PN1	**–**	4,015
2017 PN2	**4,584**	4,517
Promissory note receivables	**4,584**	8,532
Less: balances due within one year included in current assets	**–**	(4,015)
Non-current portion	**4,584**	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.

30. 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 32. 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 shares 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

30. CONVERTIBLE NOTES (continued)

(a) (continued)

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

	HK$'000
At 1 April 2017	54,944
Effective interest expense	850
Redemption	(55,794)
At 31 March 2018	–

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

	HK$'000
At 1 April 2017	592
Exercise of redemption option	(592)
At 31 March 2018	–

(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 2019, none of the 2017 CN1 was converted into ordinary shares of the Company (2018: none).

30. 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:

	2019 **HK$'000**	2018 HK$'000
At 1 April	**53,554**	–
Convertible notes issued	**–**	46,159
Effective interest expense	**15,502**	11,656
Interest payable	**(4,818)**	(4,261)
At 31 March	**64,238**	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.

During the year ended 31 March 2019, none of the 2017 CN2 was converted into ordinary shares of the Company (31 March 2018: none).

30. CONVERTIBLE NOTES (continued)

(c) (continued)

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:

	2019 **HK$'000**	2018 HK$'000
At 1 April	**20,430**	–
Convertible notes issued	**–**	17,953
Effective interest expense	**5,561**	3,966
Interest payable	**(1,800)**	(1,489)
At 31 March	**24,191**	20,430

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

	At 31 March	
	2019 **HK$'000**	2018 HK$'000
2017 CN1	**64,238**	53,554
2017 CN2	**24,191**	20,430
Convertible notes	**88,429**	73,984
Less: balances due within one year included in current liabilities	**–**	–
Non-current portion	**88,429**	73,984

31. SHARE CAPITAL

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

	2019 Number of Shares *(note (b))*	**2019** HK$'000	2018 Number of Shares *(note (a))*	2018 HK$'000
Authorised:				
Ordinary Shares of US$0.000025 each				
At 1 April	**3,000,000,000**	**584**	2,000,000,000	389
Increase	**3,000,000,000**	**584**	1,000,000,000	195
At 31 March	**6,000,000,000**	**1,168**	3,000,000,000	584
Issued and fully paid:				
Ordinary Shares of US$0.000025 each				
At 1 April and 31 March	**1,474,232,000**	**287**	1,474,232,000	287

Notes:

(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.

(b) Pursuant to an ordinary resolution passed by shareholders at the extraordinary general meeting of the Company held on 16 January 2019, the authorised share capital of the Company was increased to US$150,000 divided into 6,000,000,000 shares by creating an additional 3,000,000,000 shares, which shall rank pari passu with each other and with the existing shares in all respect upon issue.

32. 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 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 33)*	–	–	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 and 1 April 2018	418,769	(152,409)	50,187	45,888	362,435
Lapse of share options	–	1,655	(1,655)	–	–
Equity settled share-based transactions *(note 33)*	–	–	4,778	–	4,778
Loss and total comprehensive income for the year	–	(22,376)	–	–	(22,376)
At 31 March 2019	**418,769**	**(173,130)**	**53,310**	**45,888**	**344,837**

33. EQUITY SETTLED SHARE-BASED PAYMENTS

The Company adopted a share option scheme pursuant to a resolution in writing passed by the Shareholders on 3 January 2013 (the “Share Option Scheme”) for the purpose to grant share options to selected participants as incentives or rewards for their contribution to the Group. Eligible participants of the Share Option Scheme include directors of the Company or any of its subsidiaries, including non-executive directors and independent non-executive directors, other employees of the Group and consultants.

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.

33. 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%

33. EQUITY SETTLED SHARE-BASED PAYMENTS (continued)

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.

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.

33. EQUITY SETTLED SHARE-BASED PAYMENTS (continued)

Set out below are details of movements of the outstanding share options granted under the Share Option Scheme during the year ended 31 March 2019:

		Number of share options					
	Exercise price *(note 1)*	**Balance as at 1 April 2018** *(note 1)*	**Exercised during the year**	**Lapsed during the year**	**Balance as at 31 March 2019**	**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

33. EQUITY SETTLED SHARE-BASED PAYMENTS (continued)

Set out below are details of movements of the outstanding share options granted under the Share Option Scheme during the year ended 31 March 2019: (continued)

		Number of share options					
	Exercise price *(note 1)*	Balance as at 1 April 2018 *(note 1)*	Exercised during the year	Lapsed during the year	Balance as at 31 March 2019	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	10,400,000	–	(1,800,000)	8,600,000	3 July 2015	3 July 2015 to 2 July 2025
	HK$0.748	42,723,800	–	(2,500,000)	40,223,800	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		**138,591,600**	**–**	**(4,300,000)**	**134,291,600**		

33. 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	
	2019	2018
	HK$'000	HK$'000
Equity settled schemes to employees (including Directors and ex-Directors)	**3,837**	10,535
Equity settled schemes to eligible persons other than employees and Directors	**941**	3,006
	4,778	13,541

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:

	2019		2018	
	Weighted average exercise price per share $	**Number of options**	Weighted average exercise price per share $	Number of options
At 1 April	**0.84**	**138,591,600**	0.83	157,855,600
Lapsed after the share sub-division	**0.86**	**(4,300,000)**	0.77	(19,264,000)
At 31 March	**0.84**	**134,291,600**	0.84	138,591,600

The weighted average share price at the date of exercise of options exercised during the year ended 31 March 2019 was HK$0.84. 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 6.71 years (2018: 7.71 years).

Of the total number of share options outstanding as at 31 March 2019, no share option had not been vested and were not exercisable (2018: 54,988,640).

34. 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 29)*	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. DEFERRED TAX

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

	Accelerated tax depreciation HK$'000	Revaluation of intangible assets HK$'000	Total HK$'000
At 1 April 2017	(164)	(5,599)	(5,763)
Disposal of subsidiaries *(note 34)*	–	3,189	3,189
Credit to profit or loss for the year	52	2,410	2,462
At 31 March 2018 and 2019	**(112)**	**–**	**(112)**

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

	At 31 March	
	2019 HK$'000	2018 HK$'000
Deferred tax liabilities	**112**	112

36. 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		Place of operation and principal activities
			Direct	Indirect	
			%	%	
Subsidiaries					
Turbo Gain Investments Limited	British Virgin Islands, 2 March 2012	1 ordinary share of United States dollar ("US$") 1 each	100 (2018: 100)	–	British Virgin Islands/Investment holding
Crosby Asia Limited (formerly known as Grand Sight Management Limited)	British Virgin Islands, 23 April 2015	1 ordinary share of US$1 each	100 (2018: 100)	–	British Virgin Islands/Investment holding
Fortunate Tranquil Limited	British Virgin Islands, 18 January 2018	1 ordinary share of US$1 each	100 (2018: 100)	–	British Virgin Islands/Investment holding
Qualiman Industrial Co. Limited	Hong Kong, 14 November 1996	Ordinary shares of HK$1,000,000	–	100 (2018: 100)	Hong Kong and the People's Republic of China/ Manufacture and trading of toys and other products
Crosby Securities Limited	Hong Kong, 23 May 2012	Ordinary shares of HK$223,644,510 (2018: HK$140,095,427)	–	100 (2018: 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$25,782,332 (2018: 25,372,332)	–	100 (2018: 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 (2018: 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.

37. 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 2019 HK$'000	2018 HK$'000
Companies controlled by Mr. Lau Ho Ming, Peter and Madam Li Man Yee, Stella			
Gold Prospect Capital Resources Limited	Rental expenses (a)	**3,432**	3,432
Goldrich International Limited	Rental expenses (a)	**2,016**	2,016
Office Coupe Limited	Rental income (b)	**180**	180

(a) The rental expenses paid to 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 2019 HK$'000	2018 HK$'000
Salaries, allowances and benefits in kind	**15,188**	16,179
Equity settled share-based payment expenses	**2,085**	5,996
Pension scheme contributions	**261**	270
	17,534	22,445

38. CONTINGENT LIABILITIES

The Group did not have any contingent liabilities as at 31 March 2019 (2018: HK$ Nil).

39. 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 2019, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	At 31 March	
	2019	2018
	HK$'000	HK$'000
Within one year	**10,909**	8,252
In the second to fifth year inclusive	**3,187**	38
	14,096	8,290

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 2019, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	At 31 March	
	2019	2018
	HK$'000	HK$'000
Within one year	**228**	580
In the second to fifth years inclusive	**228**	–
	456	580

40. CAPITAL COMMITMENTS

As at 31 March 2019, the Group did not have any capital commitments (2018: HK$ Nil).

41. 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 2019					
Type of financial assets					
Trade receivables from HKSCC	**157**	**(157)**	**–**	**–**	**–**
At 31 March 2018					
Type of financial assets					
Trade receivables from HKSCC	4,775	(4,102)	673	1,355	2,028

	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 2019					
Type of financial liabilities					
Trade payable from HKSCC	**30,537**	**(157)**	**30,380**	**(1,319)**	**29,061**
At 31 March 2018					
Type of financial liabilities					
Trade payable from HKSCC	4,102	(4,102)	–	–	–

41. 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:

	At 31 March	
Trade receivables	**2019**	2018
	HK$'000	HK$'000
Net amount of trade receivable from HKSCC	**–**	673
Trade receivable not within the scope of offsetting disclosure	**59,143**	30,009
Trade receivables as disclosed in the consolidated statement of financial position	**59,143**	30,682

	At 31 March	
Trade payables	**2019**	2018
	HK$'000	HK$'000
Net amount of trade payable from HKSCC	**30,380**	–
Trade payable not within the scope of offsetting disclosure	**53,639**	111,103
Trade payables as disclosed in the consolidated statement of financial position	**84,019**	111,103

42. 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	
	2019	2018
	HK$'000	HK$'000
Financial assets at amortised cost (2018: Loans and receivables):		
Trade receivables	**59,143**	30,682
Promissory notes	**4,584**	8,532
Deposits and other receivables	**2,135**	4,553
Statutory deposit for financial service business	**1,319**	1,335
Pledged bank deposits	**61,242**	60,361
Cash and bank balances held on behalf of customers	**38,006**	66,334
Cash and cash equivalents	**140,467**	141,184
	306,896	312,981
Financial assets at fair value through profit or loss	**–**	11,538
Debt instruments at FVOCI (2018: Available-for-sale investments)	**–**	11,740

42. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

Financial liabilities

	At 31 March	
	2019	2018
	HK$'000	HK$'000
Financial liabilities measured at amortised cost:		
Trade payables	**84,019**	111,103
Accruals and other payables	**12,237**	18,564
Convertible notes	**88,429**	73,984
Interest-bearing bank borrowings	**23,106**	13,916
	207,791	217,567

43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's major financial instruments include 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 financial assets at FVTPL and debt instruments at FVOCI. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

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.

Interest rate risk

The Group currently does not have any interest rate hedging policy. The Group monitors the interest rate risk exposure closely and may consider to enter any hedging activities if the need arises.

The Group's cash flow interest rate risk relates primarily to 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.

Credit risk

As at 31 March 2019, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position, mainly including trade receivables, deposits and other receivables, promissory notes, cash and bank balances held on behalf of customers, pledged bank deposits and cash and cash equivalents.

43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk (continued)

Significant increase in credit risk

As explained in note 2, the Group monitors all financial assets that are subject to impairment allowances to assess whether there has been a significant increase in credit risk since initial recognition. If there has been a significant increase in credit risk, the Group will measure the loss allowance based on lifetime rather than 12-month ECLs.

At the end of each reporting period, the Group should evaluate if there is a significant increase in credit risk on all financial assets since the initial recognition. A variety of factors were considered whereby the evaluation stage of ECLs of relevant financial instrument, which includes regulatory and operating environment, internal and external credit rating, solvency, managing ability, repayment history and other forward-looking information. When performing evaluation on the significant increase in credit risk, the Group should take below factors into consideration, including but not limited to:

- Significant increase in credit spread;
- Actual or expected significant changes in external credit rating on the obligor or the debts;
- Significant adverse changes in business, financial and/or economic conditions in which the debtor operates;
- Actual or expected forbearance or restructuring;
- Actual or expected significant adverse change in operating results of the debtor;
- Significant change in collateral value (margin financing only) which is expected to increase risk of default; and
- Early signs of cash flow/liquidity problems such as delay in payment.

For the debtor's contractual payments (including principal and interest) that more than 30 days past due, the Group considers a financial instrument to have experienced a significant increase in credit risk and classified it into Stage 2, unless the Group has reasonable and supportable information that demonstrates otherwise.

Definition of default and credit impaired financial asset

The Group defines a financial instrument as in default, which is aligned with the definition of credit-impaired. Evidence that a financial instrument is credit impaired include observable data about the follow events:

- Significant financial difficulty of the debtor;
- Debtors are in breach of contract, such as defaulting on interest or becoming overdue on interest or principal payments overdue;
- The creditor of the debtor, for economic or contractual reasons relating to the debtor's financial difficulty, having granted to the debtor a concession that the creditor would not otherwise consider;
- It is becoming probable that the debtor will enter bankruptcy or other financial restructuring; and
- The debtor leaves any of principal, advance or interest of the Group overdue for more than 90 days.

The credit impairment on a financial asset may be caused by the combined effect of multiple events and may not necessarily due to a single event.

43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk (continued)

Trade receivables from Financial services segment

In respect of amounts due from clients, individual credit evaluations are performed on all clients (including cash and margin clients). Cash clients are required to place deposits as prescribed in the Group's credit policy before execution of any purchase transactions. Receivables due from cash clients are due within the settlement period commonly adopted in the relevant market practices, which is usually within a few days from the trade date. Because of the prescribed deposit requirements and the short settlement period involved, credit risk arising from the amounts due from cash clients is considered low. The Group normally obtains liquid securities and or cash deposits as collateral for providing margin financing to its clients. Margin loans due from margin clients are repayable on demand. Market conditions and adequacy of securities collateral and margin deposits of each margin account and futures account are monitored by management on a daily basis. Margin calls and forced liquidation are made where necessary.

In order to minimise the credit risk, the management of the Group has formulated a defined fixed credit policy and delegated a team responsible for determination of credit limits and maintenance margin ratio/collateral coverage ratio for the margin financing, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. Any subsequent change in value as well as quality of collateral is closely monitored in order to determine whether any corrective action is required. In addition, the Group reviews the recoverable amount of each individual debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the Directors consider that the Group's credit risk is significantly reduced.

Trade receivables from manufacturing and sales of toys segment

In respect of trade receivables from manufacturing and sales of toys segment, 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 the customers. The Group does not obtain collateral from customers.

Expected loss rate of trade receivables from manufacturing and sales of toys segment are assessed to be 0.01% and 0.1% for the amounts less than 30 days and 90 days past due respectively. Hence, the provision for ECLS for trade receivables from manufacturing and sales of toy segments was assessed to be immaterial.

As at 31 March 2019, the trade receivables from the five largest debtors represented 97% (2018: 100%) of the total trade receivables, while the largest debtor represented 47% (2018: 31%) 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.

43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk (continued)

Promissory notes, deposit and other receivables

As at 31 March 2019, the Directors assessed the ECLs for promissory notes, deposit and other receivables are not material when they do not have default history and the debtors has a strong capacity to meet its contractual cash flow obligations in the near term.

Cash and bank balances held on behalf of customers, pledged bank deposits and cash and cash equivalents

In respect of cash deposited with banks and financial institutions, the credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies. There has been no recent history of default in relation to these financial institutions. The ECLs of bank balances and cash is close to zero.

Further quantitative data in respect of the Group's exposure to credit risk arising from trade receivables, deposits and other receivables, promissory notes, pledged bank deposits, cash and bank balances held on behalf of customers, cash and cash equivalents and promissory notes are disclosed in Notes 20, 23, 29, 24 and 25 respectively.

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.

	Within 1 year or on demand HK$'000	Over 1 year but within 2 years HK$'000	Total contractual amount HK$'000	Carrying amount HK$'000
31 March 2019				
Trade payables	**84,019**	**–**	**84,019**	**84,019**
Accruals	**2,417**	**–**	**2,417**	**2,417**
Other payables	**9,820**	**–**	**9,820**	**9,820**
Convertible notes	**6,600**	**110,850**	**117,450**	**88,429**
Interest-bearing borrowings	**23,106**	**–**	**23,106**	**23,106**
	125,962	**110,850**	**236,812**	**207,791**

43. 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$'000	Total contractual amount HK$'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

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.

Price risk

The Group's equity instruments at FVTPL are measured at fair value at the end of the reporting period. Therefore, the Group is exposed to price risk. The management manages this exposure by closely monitoring the price risk and maintaining a portfolio of investments with different risks profiles.

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.

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.

43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

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 equity instruments at FVTPL 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.

The fair value of the Group's debt instruments at FVOCI (2018: 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 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'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

During the year ended 31 March 2019, there were no transfers between instruments in Level 1 and Level 2, or transfers into or out of Level 3 (2018: 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.

43. 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.

	2019 HK$'000	2018 HK$'000
Debt instruments at FVOCI (2018: Available-for-sale investments)		
At 1 April	**11,740**	–
Purchase of available-for-sale investments	**–**	12,000
Disposal of debt instruments at FVOCI	**(12,121)**	–
Accumulate loss reclassified to profit or loss upon disposal	**260**	–
Total gains or losses:		
– in profit or loss (included in other income, gains and losses)	**121**	–
– in other comprehensive income (included in fair value loss on available-for-sale investments)	**–**	(260)
At 31 March	**–**	11,740

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
Debt instruments at FVOCI (2018: 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 28, convertible notes in note 30, and equity attributable to owners of the Company, comprising share capital and reserves as disclosed in notes 31 and 32 respectively. The Group's risk management reviews the capital structure on a semi-annual basis. As part of this review, the management considers the cost of capital and the risks associated with each class of capital.

	At 31 March 2019 HK$'000	 2018 HK$'000
Debt	**111,535**	87,900
Equity	**398,982**	429,731
Debt to equity ratio	**28.0%**	20.5%

44. COMPANY STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2019

	Notes	At 31 March 2019 HK$'000	2018 HK$'000
NON-CURRENT ASSETS			
Interests in subsidiaries		**–**	–
Promissory notes		**4,584**	4,517
Total non-current assets		**4,584**	4,517
CURRENT ASSETS			
Amounts due from subsidiaries		**413,091**	403,203
Prepayments		**176**	167
Promissory notes		**–**	4,015
Tax recoverable		**431**	431
Cash and cash equivalents		**17,597**	26,702
Total current assets		**431,295**	434,518
CURRENT LIABILITIES			
Accruals		**1,951**	2,329
Amount due to a subsidiary		**375**	–
Total current liabilities		**2,326**	2,329
NET CURRENT ASSETS		**428,969**	432,189
TOTAL ASSETS LESS CURRENT LIABILITIES		**433,553**	436,706
NON-CURRENT LIABILITY			
Convertible notes		**88,429**	73,984
Total non-current liability		**88,429**	73,984
NET ASSETS		**345,124**	362,722
EQUITY			
Share capital	*31*	**287**	287
Reserves	*32*	**344,837**	362,435
TOTAL EQUITY		**345,124**	362,722

On behalf of the Board

Lau Ho Ming, Peter
Director

Poon Pak Ki, Eric
Director

45. NOTE SUPPORTING CONSOLIDATED STATEMENT OF CASH FLOWS

Reconciliation of liabilities arising from financing activities:

	Interest-bearing bank borrowings *(note 28)* HK$'000	**Convertible notes** *(note 30)* HK$'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	–	(1,332)
Recognition of convertible note reserves	–	(45,888)
Early redemption option exercised	–	3,538
Total other changes	2,914	(28,014)
At 31 March 2018 and 1 April 2018	13,916	73,984
Changes from cash flows:		
Proceeds from new bank borrowings	23,106	–
Repayment of bank borrowings	(13,916)	–
Interest paid	(3,376)	(6,600)
Total changes from financing cash flows:	5,814	(6,600)
Other changes:		
Interest expenses	3,376	21,063
Increase in Interest payable	–	(18)
Total other changes	3,376	21,045
At 31 March 2019	23,106	88,429

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				
	2019	2018	2017	2016	2015
	HK$'000	HK$'000	HK$'000	HK$' 000	HK$' 000
REVENUE	**624,214**	775,990	787,704	770,409	829,016
Cost of sales	**(539,830)**	(667,655)	(693,912)	(690,046)	(741,701)
	13.52%	13.96%	11.91%	10.43%	10.53%
Gross profit	**84,384**	108,335	93,792	80,363	87,315
Other income, gains and losses	**8,891**	13,539	28,730	19,682	5,418
Selling expenses	**(15,311)**	(24,585)	(21,690)	(18,739)	(23,134)
Administrative expenses	**(81,727)**	(109,610)	(140,754)	(95,534)	(67,977)
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	**(24,439)**	(19,384)	(10,801)	(11,061)	(5,118)
(LOSS)/PROFIT BEFORE INCOME TAX EXPENSE	**(28,202)**	(43,433)	(93,436)	(72,772)	(517)
Income tax expense	**(7,585)**	(3,736)	(707)	(4,801)	(3,209)
(LOSS)/PROFIT FOR THE YEAR	**(35,787)**	(47,169)	(94,143)	(77,573)	(3,726)

ASSETS AND LIABILITIES

	As at 31 March				
	2019	2018	2017	2016	2015
	HK$'000	HK$'000	HK$'000	HK$' 000	HK$' 000
TOTAL ASSETS	**608,733**	649,077	794,856	1,166,824	557,501
TOTAL LIABILITIES	**(209,751)**	(219,346)	(372,997)	(684,476)	(259,305)
	398,982	429,731	421,859	482,348	298,196