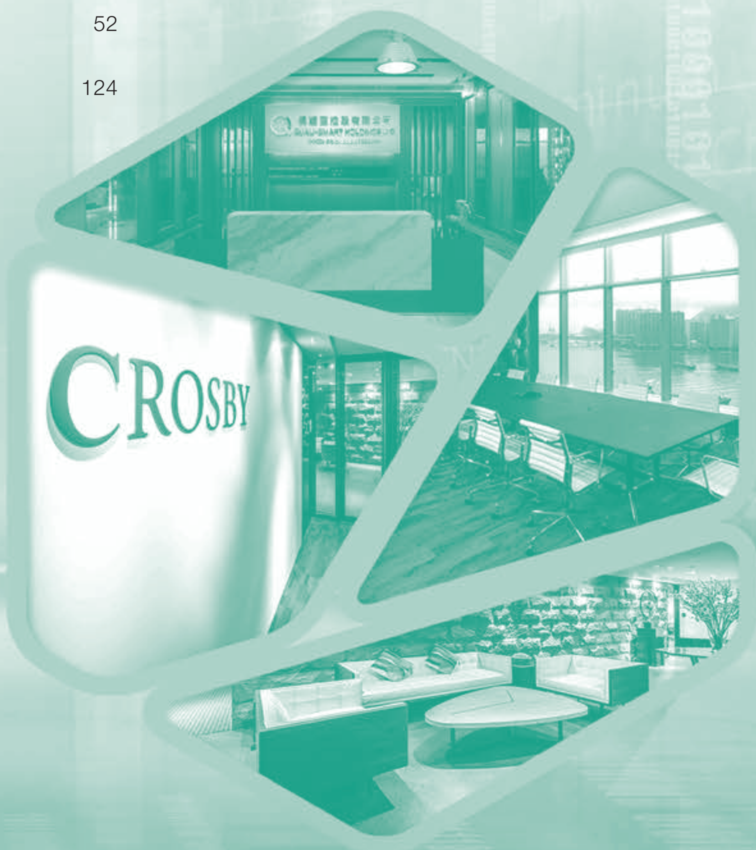
QUALI-SMART HOLDINGS LIMITED
滉達富控股有限公司*

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

ANNUAL REPORT 2021

*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. Chu, Raymond
Mr. Ng Kam Seng (appointed on 1 May 2021)

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. Chan Siu Wing, Raymond
Mr. Lau Ho Ming, Peter

Corporate Governance Committee

Mr. Chan Siu Wing, Raymond *(Chairman)*
Madam Li Man Yee, Stella
Mr. Poon Pak Ki, Eric

COMPANY SECRETARY

Ms. Tang Yuen Ching Irene

AUTHORISED REPRESENTATIVES

Mr. Poon Pak Ki, Eric
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
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 66, was appointed as a Director on 14 March 2012. He is the Executive Chairman and one of the co-founders of the Group. He is a member of each of the Remuneration Committee and the Nomination Committee of the Board and is also a director of the principal subsidiaries of the Company. Mr. Lau is responsible for formulating the overall business development strategies, management team development and daily operations of the Group. He is the husband of Madam Li Man Yee, Stella, a non-executive Director. Mr. Lau has experience of more than 30 years in the toy manufacturing industry. He has held senior positions with Jetta-Victory Toys and Gifts Company Limited and Mattel Toys (HK) Ltd respectively before he founded the Group in 1996. Mr. Lau obtained the 1984 President's Award for innovative performance from Mattel Inc. during his service in Mattel Toys (HK) Ltd.

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

Mr. Poon Pak Ki, Eric

Mr. Poon Pak Ki, Eric, aged 54, was appointed as an executive Director on 3 January 2013 and a member of the Corporate Governance Committee of the Board since 1 May 2020. Mr. Poon is also a director of a principle subsidiary under the toy division. 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 a member of the Institute of Public Accountants and an associate of the Institute of Financial Accountants. On 30 August 2019, Mr. Poon has been admitted as an associate member of the Association of International Accountants.

Mr. Chu, Raymond

Mr. Chu, Raymond, aged 55, was appointed as the executive Director on 27 November 2015. Previously, Mr. Chu was appointed as the independent non-executive Director on 3 January 2013 and resigned on 6 July 2015. Mr. Chu is also the Chief Executive officer and a director of Crosby Securities Limited, an indirect wholly owned subsidiary and a director of other principal subsidiaries 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.

Biographical Details of Directors and Senior Management

Mr. Ng Kam Seng

Mr. Ng, aged 40, was appointed as an executive Director and a director of Qualiman Industrial Co. Limited, an indirect wholly-owned subsidiary of the Company under the toy division on 1 May 2021. He is responsible for the corporate development and lean production strategy in the toy division of the Group. Previously, he served as the executive Director and a member of the Corporate Governance Committee of the Board of the Company since its listing until 31 December 2019. During that time, Mr. Ng was responsible for formulating and implementing the Group's development strategies in conjunction with other senior management. In particular, he was 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 remained competitive.

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.

NON-EXECUTIVE DIRECTOR

Madam Li Man Yee, Stella

Madam Li Man Yee, Stella, aged 59, was appointed as a Director on 23 March 2012. Her role as a non-executive Director took effect on 3 January 2013. She is also a member of the Corporate Governance Committee of the Board since 1 July 2015. She is one of the co-founders of the Group and also a director of each of Crosby Asia Limited and Qualiman Industrial Co. Limited, being a direct wholly-owned subsidiary and an indirect wholly-owned subsidiary of the Company respectively.

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 71, 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 Paliburg Holdings Limited (stock code: 617) since 13 February 2008 and an independent non-executive director of Regal Real Estate Investment Trust (stock code: 1881) since 28 October 2016 respectively. From 26 March 2010 to 19 August 2019, Mr. Leung has been appointed as an independent non-executive director of Green Leader Holdings Group Limited (formerly known as North Asia Resources Holding Limited) (stock code: 61). 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 56, 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 57, 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.

SENIOR MANAGEMENT

Mr. Hau Yiu Por

Mr. Hau Yiu Por, aged 64, is a director of Qualiman Industrial Co. Limited, an indirect wholly-owned subsidiary of the Company under the toy division and 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 2021 (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").

IMPACT ON BUSINESS PERFORMANCE UNDER THE GLOBAL PANDEMIC PERIOD

During the Current Year, the severe impact of the global COVID-19 pandemic caused business and community activities around the world to swing between lockdowns and reopening. This has also impacted our operations for both the Toy Division and the Financial Services Division, particularly in the early part of the Current Year. For our major business counterparts of the Toy Division based in the United States and Western Europe, the ebbs and the tides in the development of the pandemic there forced them to adopt various anti-pandemic measures and hence limited the normal logistics flow in manpower, merchandises and relevant services delivery. Blessed with the subsequent vaccination programs rolling out in these regions in the latter part of the Current Year, business and community activities started to resume and improvements in general business sentiments were noted. For the Current Year, our Toy Division achieved total revenues of approximately HK$456.1 million, representing an increase of approximately of 18.9% over the year ended 31 March 2020 (the "Previous Year"), mostly resulting from the increase in demands for our toy products for indoor leisure during the lockdown period in cities which required families, particularly those with kids, to stay home for an extended period of time.

For our Financial Services Division, the securities markets both globally and in Hong Kong were severely hit by the COVID-19 impact in early 2020 amidst uncertain economic outlook. Surprisingly, the domestic financial market sentiment was much improved in the latter part of the Current Year, as evident in the recovery of the Hang Seng Index by approximately 31.7% from the end of March 2020 to February 2021. Likewise, the U.S. securities markets also improved substantially after hitting its trough in March 2020. During the Current Year, the revenue contributed by our Financial Services Division was approximately HK$29.6 million which was about the same as in the Previous Year whereas its segment loss has reduced by approximately 58.0% as compared to the Previous Year. Such performance was mainly attributable to the remarkable growth in our investment advisory and management business as assets under advisory or discretionary accounts, which offset a rather disappointing performance in our IPO underwriting business, which has seen increasingly competitive and heavily regulated environments, as well as a reduction in impairment loss on goodwill.

DEVELOPMENT AND CHALLENGES

Against the backdrop and myriad changes of the COVID-19 pandemic and its further potential variation, the ongoing progress in vaccination measures and development, and the increasingly antagonistic political tensions between the western countries and China with the tendency to strengthen respective trade tariff measures, our Toy Division will continue to focus on preserving our existing key customer base for their reliable credit worthiness, and providing better services such as improvement in production efficiency and timeliness in products delivery, materials sourcing efficiency and exploring further enhancement in automation in the production processes.

For our Financial Services Division, we target to strengthen the development in the investment advisory and management by way of growing our assets under advisory and management through further engagement of new portfolio managers to join our platform which hopefully would bring in new investors and capital for the business given the relatively volatile performance of our securities underwriting and brokerage business. Also, with the recent tightening of listing requirements introduced by the Stock Exchange of Hong Kong and hence its impact on the vetting of listing applications, we expect that the underwriting business for small-mid cap issuers in Hong Kong would be more challenging going forward and might take longer time to complete. Hence, we will seek for higher quality issuers for which we have a higher level of confidence in securing a global coordinator role and managing the allocations in the IPO transactions. We will continue to carefully manage our costs in the Financial Services Division and align compensation with performance for new-hires. Generally, the current business outlook is certainly challenging as always and we will continue to strive for optimal balance in profitability and sustainability for our business divisions cautiously.

Chairman's Statement

APPRECIATION

On behalf of the Board, I would like to take this opportunity to extend my utmost gratitude to our valued clients, Shareholders and all of the business associates for their continued support for and confidence in the Group. I also wish to express my sincere appreciation to our management and employees as a whole for their great efforts over the past years. Our Group will continue to endeavor in maximizing our value to our Shareholders and stakeholders for its return and contribution in the long term.

Lau Ho Ming, Peter
Executive Chairman

Hong Kong, 30 June 2021

Corporate Governance Report

CORPORATE GOVERNANCE PRACTICES

The board (the "Board") of directors (the "Directors") of the Quali-Smart Holdings Limited (the "Company", together with its subsidiaries as the "Group") is committed to maintaining high standards of corporate governance and recognises the importance of incorporating elements of good corporate governance practices in the management structures and internal control procedures of the Group so as to achieve effective accountability. The Company adopted the Corporate Governance Code set out in Appendix 14 (the "Code") of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules") as its own code of corporate governance practice. Throughout the year ended 31 March 2021 (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 29 to 41.

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, the Board comprised 7 members, and with the appointment of Mr. Ng Kam Seng as an executive Director on 1 May 2021, as of the date of this report, the number of members of the Board had increased to 8 as follows:

Executive Directors

Mr. Lau Ho Ming, Peter *(Executive Chairman)*
Mr. Poon Pak Ki, Eric
Mr. Chu, Raymond
Mr. Ng Kam Seng (appointed on 1 May 2021)

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 (appointed on 1 May 2021) and Mr. Poon Pak Ki, Eric, has entered into a service contract with the Company with a term of 3 years, subject to renewal, and Mr. Chu, Raymond has entered into an employment contract with the Group with no fixed term as the chief executive officer of Crosby Securities Limited, an indirect wholly owned subsidiary of the Company under the financial services division, 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 21 August 2020 ("2020 AGM"), Mr. Lau Ho Ming, Peter, Mr. Poon Pak Ki, Eric and Mr. Chu, Raymond retired and were re-elected as a Director by the shareholders of the Company ("Shareholders"). The Company has arranged appropriate insurance cover for the Directors in respect of legal action against them.

The Board members have no financial, business, family or other material/relevant relationship with each other save as disclosed in the section "Biographical Details of Directors and Senior Management" of this Annual Report. Given the nature and business objectives of the Company, the Board has a balance of skill and experience appropriate for the requirements of the business of the Company. The biography of each Director was set out in the section "Biographical Details of Directors and Senior Management" on pages 3 to 5 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 Chairman 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 Financial Year, the post of CEO has remained 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.

Corporate Governance Report

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 *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. Chan Siu Wing, Raymond
Mr. Lau Ho Ming, Peter

Corporate Governance Committee

Mr. Chan Siu Wing, Raymond *(Chairman)*
Madam Li Man Yee, Stella
Mr. Poon Pak Ki, Eric

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:

	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	1/1	1/1	N/A	N/A	N/A
Mr. Poon Pak Ki, Eric	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	1/1	1/1	N/A	1/1	1/1
Mr. Chan Siu Wing, Raymond	4/4	4/4	1/1	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 2020;
2. reviewed the consolidated financial statements for the year ended 31 March 2020;
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 2020;
5. reviewed the independence of the Auditor;
6. approved the Auditor's remuneration and other terms of engagement for the year ended 31 March 2021;
7. reviewed and adopted the scope of statutory audit for the year ended 31 March 2021;
8. reviewed the Group's internal control, financial controls and risk management systems;
9. reviewed the adequacy of resources, staff qualifications and experience, training programs and budget of the Group's accounting and financial reporting function; and
10. reviewed the Auditor's significant findings.

Corporate Governance Report

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.

Review of the Consolidated Financial Statements for the year ended 31 March 2021

On the date of this report, the Audit Committee reviewed the consolidated financial statements for the year ended 31 March 2021 (the "2021 Financial Statements") in conjunction with the Auditor and management. Based on the review and discussions with management, the Audit Committee was satisfied that the 2021 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 2021.

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 2021 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 and whether the Board had the appropriate balance of skills, experience and diversity of perspectives necessary to enhance;

2. the effectiveness of the Board and to maintain high standards of corporate governance;

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

4. reviewed the independence of the INEDs;

5. reviewed the time commitment of Non-executive Directors;

6. reviewed the nomination policy; and

7. to nominate the members of Board for retirement and re-election at the annual general meeting, to review the structure, size and composition of the Board and considered and recommended the candidates to the Board for consideration to be appointed as the independent non-executive directors of the Company.

The Nomination Committee was satisfied that the Non-executive Directors have given sufficient time and attention to the affairs of the Group. Each executive Director is suitably qualified for his position, and has sufficient experience to hold the position so as to carry out his duties effectively and efficiently. The Nomination Committee was also satisfied that the Board composition has met all the diversity criteria, namely the age, gender and professional background of the Directors, as set in the objectives and targets adopted by the Company on 22 November 2013.

Independence of INEDs

To ensure objective and constructive opinion and viewpoints from the INEDs, the independence of the INEDs would be assessed upon appointments and reviewed annually and at any other time where the circumstances suggest appropriate. The Company also received a written confirmation from each of the INEDs confirming his independence during the Financial Year and up to the date of this report. The Nomination Committee together with the Board considered each of the INEDs to be independent.

Board Diversity Policy

The Board Diversity Policy was adopted by the Board on 22 November 2013. Under such policy, Board appointments will continue to be made on a merit basis and candidates will be considered against objective criteria, with due regard for the benefits of diversity on the Board. A diversity of perspectives shall be achieved through consideration of a number of factors, including but not limited to gender, age, cultural and educational background and professional experience. In forming its perspective on diversity, the Company will also take into consideration factors based on its own business and specific needs from time to time. The Board believes that such merit-based appointments will enable the Company to serve its customers, employees, Shareholders and other stakeholders well.

CORPORATE GOVERNANCE COMMITTEE

The Company established a corporate governance committee of the Board ("Corporate Governance Committee") with written terms of reference in compliance with paragraphs D.2 and D.3 of the Code. The Corporate Governance Committee should hold at least one regular meeting in each financial year. The primary duties of the Corporate Governance Committee are, among other things, to develop and review the Company's policies and practices on corporate governance and make recommendations to our Board and to review and monitor our Company's policies and practices on compliance with legal and regulatory requirements.

During the Financial Year, the work of the Corporate Governance Committee was summarised as follows:

1. reviewed the corporate governance manual;

2. reviewed the exception in compliance of the Code; and

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

AUDITOR'S REMUNERATION

During the Financial Year, the Group was charged HK$1,508,000 for audit services and HK$190,000 for non-audit services by the Auditor.

Service rendered	**Fee paid/payables** HK$'000
Audit services – statutory audit	1,508
Non-audit services:	
– agreed-upon procedures	190
	1,698

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 2021 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.

2020 AGM

All Directors attended 2020 AGM to hear views and to answer questions from the Shareholders. At 2020 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, 30 June 2021

Management Discussion and Analysis

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 was a year marked by rapidly changing circumstances and mercurial policy shifts. The COVID-19 pandemic which started to affect the world from the beginning of 2020 continued to affect our operations during the Current Year. Business and investment environments remained challenging as different parts of the world swung between lockdowns and reopening, as the public health situations in different countries waxed and waned. During most of the Current Year, the United States and the Western European countries were most severely affected as their number of cases soared past the roof at one point, leading to stringent anti-pandemic measures which caused disruptions to their already fragile economies. As they started to roll out vaccination programs aggressively towards the end of the Current Year, their situations showed substantial improvements and together with the various economic stimulus programs introduced by the United States and United Kingdom governments, there was a gradual pick-up in economic activities in the western markets starting in the last quarter of the Current Year. Locally, Hong Kong was severely affected by the pandemic for most of the Current Year, with a third wave striking the society during the summer months of 2020 and a prolonged fourth wave that lasted from November 2020 to the end of May 2021, causing substantial disruptions to local economic activities, particularly those related to the retail industries. To tackle the disruptions to the economies, governments in many countries resorted back to quantitative easing and low-interest rate policies to try to support the failing economies at large, leading to ample liquidity in the capital and asset markets. The Hang Seng Index recovered from its trough at the end of the Previous Year following a temporary meltdown of the global capital markets at the initial stage of the pandemic, surpassing 30,000 points again around Chinese New Year fueled by the euphoria in technology stocks, only to lose momentum again after new fears in inflation cooled down the markets. The U.S. stock markets also showed a robust recovery from its trough at the end of the Previous Year, primarily driven by the technology, healthcare and the SPAC sectors.

Our overseas customers in the Toy Division, particularly those in the United States and Western Europe, remained highly cautious in placing orders during the Current Year as the uncertainties arising from the COVID-19 pandemic and the related lockdowns continued to threaten their survival. Some retailer customers adjusted their strategies and increasingly relied on online distribution channels to maintain sales, while putting more pressure on their manufacturers to trim costs and tighten margins. The election of a new government in the United States did not substantially improve its relationship with China and concerns about sanctions and export tariffs continued to cloud the prospects of the manufacturing industries in general. In view of the opaque macro-business environments, our Toy Division has continued its strategies to focus on a more selected range of high-margin products starting from two years ago and imposed more effective cost control measures, preparing ourselves to weather through an extended period of difficult operating environments. During the Current Year, despite such challenging operating environments, our Toy Division managed to retain its customer orders when compared with the Previous Year and in fact recorded a respectable growth of about 18.9% in sales over the Previous Year, while keeping a steady gross margin. Our Financial Services Division, on the other hand, had a more diverse performance during the Current Year. The investment advisory and management business made significant progress during the Current Year as evidenced in a significant growth in both its assets under advisory or management and the booking of handsome performance fees, thanks largely to the strong recovery in the U.S. stock markets during the Current Year, particularly in the technology sector. However, the securities underwriting business encountered a more difficult period, as the capital raising markets became more polarized and gravitated towards the bigger-cap technology and bio-tech sectors, making allocations in these transactions more competitive and fund raising in small-cap issuers more challenging, leading to a substantial reduction in revenues arising from underwriting and brokerage commissions. On balance, the Financial Services Division showed a more or less flat operating performance when compared with the Previous Year, before taking into consideration the impact of any impairment loss on goodwill, which is a non-cash item.

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

During the Current Year, revenue of the Toy Division and its segment profit were approximately HK$456.1 million and HK$4.0 million respectively, representing an increase of 18.9% and 1,385.2% respectively over the Previous Year. The increase in revenue from the Toy Division was mainly due to the moderate resumption of global economy during the Current Year following the significant global businesses suspension arising from the outbreak of the COVID-19 pandemic which began in the first quarter of 2020. With the successful development of relevant vaccines being introduced by various countries, the global economy showed progressive improvements during the latter half of the Current Year. Revenues from North American and Western Europe customers, which accounted for approximately 63.1% and 24.6% respectively of total revenues from the Toy Division in the Current Year, increased by about 21.8% and 29.0% respectively over the Previous Year. Such increase was mainly attributable to a rise in general demand for toy products of our customers during the COVID-19 pandemic as more families were restricted from travelling for vacation and chose to spend more via online channels for their children as they had to stay home due to the lockdown situations. Despite the increase in revenues, the Toy Division continued to face pressure on the profit margin as a result of the rise in the costs of packaging materials, metallic components and indirect production costs such as power. During the Current Year, more stringent environmental protection policies demanding higher import quality of scrap paper and metal materials were introduced in the mainland China. Besides, the substantial reduction of imported coals into mainland China from such overseas markets as Australia had driven up power costs leading to an increase in our overall production and operating costs. The impact of these policies and events, to a certain extent, was reflected in the lack of any substantial improvement in our gross margins despite an increase in revenues during the Current Year, and we expect such impact may carry forward to the coming year.

The Financial Services Division

During the Current Year, the securities markets globally and in Hong Kong showed a gradual trend of recovery from their troughs after the temporary meltdown in the capital markets in March 2020 when the impact of the COVID-19 worsened. The Hang Seng Index rose from a low of about 23,603.48 at the end of the Previous Year, when the global markets were in the dire heat of the COVID-19 pandemic, to an intra-year closing high of 31,084.94 in February 2021, representing a remarkable recovery of about 31.7%, only to drift down to close at 28,378.35 on 31 March 2021 as fears of inflation and rising interest rates ended the bull market in technology stocks. All in all, this still represented a rise of about 20.2% in the Hang Seng Index during the Current Year. Based on data provided by The Stock Exchange of Hong Kong Limited, average daily turnover value on the Main Board and GEM also showed a marked increase during the Current Year, with an average daily turnover of about HK$129.5 billion during the twelve months ended 31 December 2020, when compared with an average daily turnover of about HK$87.2 billion during the twelve months ended 31 December 2019, representing an increase of about 49%. The average daily turnover for the first three months of calendar year 2021 further increased to about HK$224.4 billion, an increase of about 86% when compared with about HK$120.9 billion for the same period in the previous year, probably due to the bullish run in the markets in the months of January and February 2021. As the market started to cool off in March 2021, average daily turnover dropped back down to about HK$198.5 billion. Despite the bullish performance in the trading markets, the number of newly listed companies decreased by about 15.9% from 183 in 2019 to 154 in 2020 while total equity funds raised increased 63.7% from HK$454.2 billion in 2019 to HK$743.7 billion in 2020. The number of new listings related to WVR stocks, biotech stocks (Chapter 18A) and concessionary secondary listings increased by about 300%, 55.6% and 800%, respectively, over the Previous Year. The above statistics highlighted the trend that the primary equity markets continued to gravitate towards bigger-cap issues and the technology and biotech sectors and regulatory scrutiny on new listing applications became tightened during the Current Year.

Crosby Securities Limited ("Crosby") under the Financial Services Division had a mixed year during the Current Year. The investment advisory and management business showed remarkable progress during the Current Year. Assets under advisory or discretionary accounts continued to grow as the business signed on new customers and delivered outstanding investment returns, with an investment focus primarily in the technology segment of the U.S. equities markets. The spectacular performance of the U.S. markets during the Current Year allowed most of the portfolios to surpass their previous high watermarks and hence generated performance fees for Crosby. As a result, investment advisory fee revenues and handling fee income and other services income increased by about 127.1% in the Current Year when compared with the Previous Year.

Crosby's securities underwriting business, on the other hand, performed disappointingly during the Current Year. While Crosby participated in the underwriting syndicate of five initial public offering transactions during the Current Year, none of them carried a global coordinator role for Crosby and allocations to Crosby's clients in these transactions were less than anticipated due to fierce competitions among underwriters for allocations. The lack of stabilisation manager role for Crosby in the Current Year also meant a substantial reduction in trading revenues arising from such activities. Some of the transactions in which we had anticipated to act as a global coordinator were postponed as their vetting processes took longer than expected, or the candidate decided to choose an alternative listing location with less stringent listing requirements. During the Current Year, Crosby also continued to place unlisted bonds for listed issuers in Hong Kong to generate placing commission revenues for the Financial Services Division, which more than doubled when compared with the Previous Year. Thus, Crosby saw a significant reduction of revenues from brokerage commissions and placing and underwriting services of about 53.8% in the Current Year when compared with the Previous Year. On balance reflecting all these contrasting factors, the combined results of the Financial Services Division showed a relatively flat performance compared with the Previous Year.

FINANCIAL REVIEW

The Toy Division

The Toy Division's revenue for the Current Year amounted to approximately HK$456.1 million, representing an increase of 18.9% over that of the Previous Year of approximately HK$383.7 million. Such increase in revenue was due to an increase in sales to some of the Toy Division's top 5 customers. Segment profit for this division increased to approximately HK$4.0 million or by approximately HK$3.7 million for the Current Year from approximately HK$0.3 million for the Previous Year, representing an increase of 1,385.2%. Such increase in segment profit was mainly due to an increase in orders placed by certain major customers from markets located in North America and Western Europe.

Revenue from North America increased by approximately HK$51.6 million from HK$236.2 million for the Previous Year to approximately HK$287.8 million for the Current Year, while revenue from Western Europe increased by approximately HK$25.2 million from HK$86.9 million for the Previous Year to approximately HK$112.1 million for the Current Year. Sales to customers in mainland China and Taiwan decreased by approximately HK$6.7 million from HK$18.3 million for the Previous Year to approximately HK$11.6 million for the Current Year. The increase in sales to North American and Western European customers was mainly attributable to the rise in general demand for toy products of our customers during the COVID-19 pandemic as more families in these countries were restricted from travelling around and chose to spend more on online shopping for their children while staying home.

The Financial Services Division

Revenue for the Financial Services Division for the Current Year amounted to approximately HK$29.6 million, which was about the same as in the Previous Year. This is mainly attributable to a material increase in investment advisory fee income of about HK$10.3 million or 130.5% over the Previous Year due to a growth in asset under advisory and the outstanding performance of the portfolio under advisory, which was largely offset by a material decrease in securities brokerage commission income and income from placing and underwriting services of about HK$11.2 million, or 53.8% over the Previous Year.

Overall, the Financial Services Division recorded a segment loss of approximately HK$24.2 million for the Current Year comparing to approximately HK$57.6 million for the Previous Year, representing a decrease of approximately 58.0%. The decrease in segment loss of the Financial Services Division was mainly attributable to the reduction in impairment loss of goodwill in relation to Crosby Securities Limited of about HK$33.2 million in the Current Year, which is further explained in the next paragraph, and the relatively flat operating performance of the Financial Services Division during the Current Year when compared with the Previous Year.

Impairment Loss on Goodwill

During the preparation of the audited financial statements of the Group for the Current Year, the Directors conducted an assessment of the value-in-use of the Crosby cash-generating unit (the "Crosby CGU") and hired BMI Appraisals Limited, an independent valuer, to determine the value-in-use of the Crosby CGU in accordance with HKAS 36 "Impairment of Assets". With reference to the valuation report issued by the independent valuer for the calculation of the value-in-use of the Crosby CGU, the Directors determined that the value-in-use of the Crosby CGU was about HK$134.0 million as at 31 March 2021, which was less than the carrying value of the Crosby CGU of about HK$144.7 million immediately prior to the assessment. Therefore, an impairment loss on goodwill of about HK$10.7 million was recognised by the Group during the Current Year.

BMI Appraisal Limited adopted the income approach for the assessment of the value-in-use of the Crosby CGU. It was based on a five-year cash flow projection and extrapolated using a long-term terminal growth rate of 3%, and the cash flows were then discounted at a pre-tax discount rate of about 11.9%. The following table illustrates the key assumptions such as EBIT margins, long-term growth rates and pre-tax discount rates used for the value-in-use calculations of the Crosby CGU:

	At 31 March 2021	At 31 March 2020
Budgeted EBIT margin (average of next five years)*	**15%**	19%
Range of budgeted EBIT margin during next five years*	**11% to 21%**	–15% to 38%
Long-term growth rate	**3%**	3%
Pre-tax discount rate	**11.9%**	17.0%

* lease payments related to the existing office lease of the Crosby CGU, which are considered cash outflows from financing activities under HKAS 36, have been excluded in the cash flow forecast and hence the above budgeted EBIT margin, as HKAS 36 requires that estimates of future cash flows do not include cash outflows from financing activities. This would avoid double counting any impairment loss contributed by the lease payments as the carrying value of the Crosby CGU of approximately HK$144.7 million already includes the right-of-use assets related to the existing office lease of the Crosby CGU.

Budgeted EBIT margin is the average value of budgeted EBIT as a percentage of budgeted revenue over the five-year forecast period. It has been revised lower as we have adjusted the budgeted revenues in the forecast period downward by an average of about 29% when compared with the budget in the Previous Year to reflect the revised outlook of the Crosby CGU as explained below. The budgeted revenue and EBIT are determined based on past performance and expectations regarding our business development, including mandates currently secured or under negotiation and our assets under advisory and their expected growth with reference to historical market performance. The long-term growth rates used are consistent with the growth rates we used in the past for business in the markets in which the Crosby CGU operates and the pre-tax discount rates reflect the specific risks relating to the Crosby CGU. The pre-tax discount rate used in the Current Year is lower than that used in the Previous Year as the stock price volatility of the comparable companies in relation to the overall market has decreased, thus leading to a lower average beta used in determining the weighted average cost of capital in the Current Year and resulting in a lower overall discount rate. There was no material change in the methodology used to determine the value-in-use of the Crosby CGU for the Current Year and the Previous Year.

Although the Financial Services Division suffered no deterioration in its revenues and operating loss (before impairment) during the Current Year, we revised our forecasts downwards for the Crosby CGU due to the following reasons:

(1) Crosby's underwriting business underperformed during the Current Year as allocations to our clients in initial public offering transactions were substantially lower than expected due to fierce competitions among underwriters. We also noticed that the interest of the primary equity markets had further gravitated towards the bigger-cap, high tech and bio-tech companies which had benefited from the COVID-19 situations, while the small-mid cap sector, which is Crosby's primary focus, had become less favourable in the Current Year. Regulatory scrutiny for small-mid cap listing candidates had also tightened leading to increased uncertainties in the timetable and the chance of success of such initial public offering transactions. The reduction of the capital for the Crosby business after the repayment of part of the convertible notes of the Company at the beginning of the Current Year also led to a reduction in the size of our clearing facility and weakened Crosby's competitiveness in its clearing and underwriting capacities. Therefore, we have revised down our projections for underwriting commission and corresponding brokerage commission and trading revenue going forward.

(2) While our bond placing commission revenue saw a substantial increase in the Current Year when compared with the Previous Year, we noticed that some of our bond placing clients might be slowing down their financing pace as their businesses were also affected by the COVID-19 situations. Therefore, we reduced our projections in bond placing commission revenues going forward.

(3) While the Current Year was a stellar year for the investment advisory and management business, there might be increasing uncertainties in the U.S. equity markets given the potential rise in inflation and interest rates, which might have an adverse effect on the potential returns of the investment portfolios of our clients. Therefore, we had made more prudent assumptions in projecting future revenues from the investment advisory business.

While the assumptions and other relevant factors for determining the value-in-use of the Crosby CGU were considered reasonable by the Directors, they are inherently subject to significant political, market, business and economic uncertainties and contingencies, many of which are beyond the control of the Group. For further information on the outlook of the Crosby CGU and its business prospects in the coming year, please refer to the description related to the Financial Services Division in the Prospects section.

OVERALL GROUP FINANCIAL PERFORMANCE

Revenue

The Group's revenue for the Current Year amounted to approximately HK$485.8 million, which represents an increase of 17.5% from that for the Previous Year of approximately HK$413.3 million. The increase in total revenue of approximately HK$72.5 million for the Current Year was mainly attributable to the increase in revenues from the Toy Division of approximately HK$72.4 million due to an increase in sales to certain of its top 5 customers.

Gross Margin

The gross margin of the Toy Division increased very slightly from approximately 9.1% for the Previous Year to approximately 9.2% for the Current Year. The total gross profit of the Group for the Current Year was approximately HK$71.6 million, which increased by about HK$6.9 million or 10.7% when compared with the Previous Year, which was mainly attributable to an increase in revenue and segment profit from the Toy Division in the Current Year.

Management Discussion and Analysis

Net Loss

The Group's net loss for the Current Year amounted to approximately HK$35.6 million, as compared to a net loss of approximately HK$87.7 million for the Previous Year, representing a decrease in the Group's net loss by approximately 59.4%. Such decrease was mainly due to:

- an increase in gross profit of the Group of approximately HK$6.9 million in the Current Year;
- a decrease in impairment loss on goodwill of approximately HK$33.2 million in the Financial Services Division;
- a decrease in finance costs of approximately HK$15.1 million primarily due to the decrease in effective interest expense of approximately HK$16.6 million for the convertible notes issued by the Company; and
- the absence of loss on the early redemption of the convertible notes in the Current Year when compared with approximately HK$0.9 million for the Previous Year.

Whereas the increase in gross profit and the reduction in costs and expenses stated above were partially offset by:

- a decrease in moulding income in the Toy Division of approximately HK$0.8 million in the Current Year which was recorded in the amount of HK$0.8 million in the Previous Year;
- the absence of gain on disposal of certain property, plant and equipment in the Toy Division in the Current Year which was recorded in the amount of approximately HK$1.1 million in the Previous Year;
- an increase in PPE relocation expenses of approximately HK$1.2 million in the Current Year;
- an increase in selling expenses of approximately HK$0.9 million for the Current Year, primarily attributable to an increase in selling expenses of the Toy Division resulting from an increase in revenue from the Toy Division in the Current Year;
- a decrease in interest income from bank deposits of approximately HK$1.3 million in the Current Year which was recorded in the amount of approximately HK$1.6 million in the Previous Year;
- an increase in interest expense on promissory notes of about HK$2.2 million in the Current which was nil in the Previous Year; and
- an increase in taxation expenses for the Toy Division of approximately HK$0.2 million for the Current Year;

Selling Expenses

Selling expenses mainly consisted of transportation fees and declaration fees for the Toy Division and marketing expenses for the Financial Services Division. During the Current Year, selling expenses increased 8.3% from approximately HK$10.4 million for the Previous Year to approximately HK$11.2 million for the Current Year which was primarily due to an increase in transportation cost as a result of increased sales for the Toy Division in the Current Year.

Administrative Expenses

Administrative expenses mainly consisted of salaries to employees, utilities costs and rates for office spaces, depreciation of property, plant and equipment and right-of-use assets, and other administrative expenses. Administrative expenses decreased by 0.9% from approximately HK$75.6 million for the Previous Year to approximately HK$75.0 million for the Current Year.

Other Income, Gains and Losses

Other income, gains and losses mainly consisted of property, plant and equipment relocation expenses, moulding income, fair value loss on investment property, loss early redemption of convertible notes, interest income from bank deposits and others. During the Current Year, other income, gains and losses decreased by 51.5% from approximately HK$5.6 million for the Previous Year to approximately HK$2.7 million. Such decrease was mainly attributable to (i) a decrease in gain on disposal of property, plant and equipment of approximately HK$1.1 million for the Current Year; (ii) a decrease in moulding income of approximately HK$0.8 million for the Current Year; (iii) a decrease in interest income from bank deposits of approximately HK$1.3 million for the Current Year; (iv) an increase in PPE relocation expenses approximately HK$1.2 million for the Current Year and (v) a decrease in exchange gain of approximately HK$0.6 million for the Current Year; which was partially offset by the absence of loss on the early redemption of the convertibles in the Current Year when compared with approximately HK$0.9 million for the Previous Year and an increase in other sundry income including the subsidy from the Hong Kong Government's Employment Support Scheme during the COVID-19 pandemic of approximately HK$2.3 million.

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 convertible notes and promissory notes issued by the Company. Finance costs decreased by 56.5% from approximately HK$26.8 million for the Previous Year to approximately HK$11.6 million for the Current Year, which was primarily due to a decrease in the effective interest expense of the convertible notes issued by the Company to approximately HK$8.3 million for the Current Year from approximately HK$24.9 million in the Previous Year and a decrease in bank borrowing interest to approximately HK$0.5 million for the Current Year from approximately HK$1.1 million in the Previous Year. Such decrease was partially offset by an increase in interest on promissory notes issued in May 2020 as partial settlement of the convertible notes issued in June 2017 of approximately HK$2.2 million compared with Nil in the Previous Year.

Income Tax Expenses

The Group is subject to income tax on an entity basis on profit arising in or derived from the jurisdiction in which members of the Group are domiciled and operated. The income tax expense increased by 17.8% from approximately HK$1.2 million for the Previous Year to approximately HK$1.4 million in Current Year. Such increase was mainly due to an increase in taxable income attributable to the increase in revenue generated by the Toy Division in the Current Year.

Inventory

The inventory of the Group increased by 19.6% to approximately HK$85.0 million as at 31 March 2021 from approximately HK$71.0 million as at 31 March 2020. The inventory turnover period, as calculated by dividing the average closing inventories by the cost of sales of the Toy Division for the period and multiplied by 365 days, decreased by 15.2% from 81.0 days for the Previous Year to 68.7 days for the Current Year arising from customers requisition for moderately sooner delivery of products during the Current Year.

Trade Receivables

Trade receivables from the Toy Division was approximately HK$41.9 million as at 31 March 2021 when compared with approximately HK$55.8 million as at 31 March 2020. The decrease in trade receivables of the Toy Division as at 31 March 2021 was primarily due to a rise in shipment of products in March 2020 to avoid the impact from the COVID19 pandemic whereas there was no advance shipment of products requested in or before March 2021 as requested by one of our major customers to manage the risks of lockdowns affecting delivery of products. 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 39.1 days for the Current Year as compared with 39.9 days for the Previous Year.

Trade receivables from the Financial Services Division increased from approximately HK$9.6 million as at 31 March 2020 to approximately HK$20.9 million at 31 March 2021, which was mainly the result of an increase in outstanding placing commission to be settled from approximately HK$6.6 million as at 31 March 2020 to approximately HK$18.4 million at 31 March 2021. As of the date of this report, HK$11.9 million, representing all of such receivables which were over 3 months past due, had been subsequently settled.

Trade Payables

Trade payables from the Toy Division as at 31 March 2020 amounted to approximately HK$9.0 million, which increased to approximately of HK$22.9 million at 31 March 2021. The increase was primarily due to the increase 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 12.6 days and 13.9 days, respectively.

Trade payables from the Financial Services Division as at 31 March 2021 increased from approximately HK$50.2 million at 31 March 2020 to approximately HK$58.6 million at 31 March 2021, which was mainly due to an increase in sub-placing commissions payable to sub-placing agents in bond placement transactions pending settlement of the bond placing commissions by the issuer clients.

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 2021, cash and cash equivalents amounted to approximately HK$48.2 million (31 March 2020: HK$60.0 million) and an additional amount of HK$31.0 million (31 March 2020: HK$62.4 million) were pledged bank deposits to secure an undrawn banking facility granted to the Group to facilitate settlement purposes of the Financial Services Division and a further amount of HK$19.4 million (31 March 2020: nil) was placed in time deposits. The decrease in cash and cash equivalents and pledged bank deposits was mainly due to the redemptions of part of the convertible notes issued in 2017 in cash in May 2020; (ii) the repayment of certain bank borrowings; and (iii) the placement of about HK$19.4 million from cash to time deposits during the Current Year. Interest-bearing bank borrowings decreased from approximately HK$17.0 million as at 31 March 2020 to Nil as at 31 March 2021. 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 17.4% (31 March 2020: 30.6%) which was due to a decrease in bank borrowings as at 31 March 2021 partially offset by a decrease in equity of the Group. As at 31 March 2021, all bank borrowings were subject to floating interest rates. The current ratio of the Group, as calculated by total current assets over total current liabilities, was approximately 2.5 (31 March 2020: 1.9).

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

CONVERTIBLE NOTES

The Company issued 6% Convertible Notes with a maturity of three years and outstanding principal amounts of HK$80 million (the "2017 Convertible Note") on 11 May 2017 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 Note were unsecured, bore interest at 6% per annum and carried rights to convert the principal amount into shares of the Company at an initial conversion price of HK$0.39 per share. The Company had the option to redeem the 2017 Convertible Note 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 Note were fully utilized as follows:

		(HK$ millions)
(i)	Full redemption of the convertible notes issued in 2014	58
(ii)	Business expansion and working capital of the Financial Services Division	22
TOTAL		80

On 11 May 2020, the Company redeemed the remaining HK$80 million in principal value of the 2017 Convertible Notes with the issuance of new 6.0% convertible notes due 2023 in the principal amount of HK$40 million, 10% promissory notes due 2021 in the principal amount of HK$25 million (the "2020 PN") and the remaining HK$15 million in cash.

CHARGE ON ASSETS

As at 31 March 2021, certain of the Group's banking facilities and its interest-bearing bank borrowings were secured by pledged bank deposits of approximately HK$31.0 million (31 March 2020: HK$62.4 million) and properties of the Group located in Hong Kong with an aggregate carrying amount of approximately HK$6.6 million (31 March 2020: HK$6.7 million).

CONTINGENT LIABILITIES

As at 31 March 2021, the Group had no contingent liabilities (31 March 2020: Nil).

CAPITAL COMMITMENTS

As at 31 March 2021, there was no capital commitment of the Group (31 March 2020: 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 2021.

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

As at 31 March 2021, the Group did not have any plans to acquire any material investments or capital assets.

Management Discussion and Analysis

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 2021, the Group had a total of 48 employees (31 March 2020: 52). Total staff costs (excluding equity settled share-based payment expenses to eligible persons other than employees and directors) were approximately HK$37.1 million for the year ended 31 March 2021 (2020: HK$43.1 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.

EVENT AFTER REPORTING PERIOD

On 10 May 2021, the maturity date of the 2020 PN has been extended to 11 May 2022 under mutual agreement between Benefit Global Limited and the Company. All other terms and conditions of the 2020 PN remains unchanged.

PROSPECTS

The Current Year was undoubtedly one of the most challenging years in recent memory across the board. As many countries have now rolled out their vaccination programs, one could only hope that the world would be able to return to some normalcy in the coming financial year. However, with the emergence of new variant strains of the COVID-19 virus and the sporadic outbursts of infection clusters, we expect the global pandemic situations would continue to be volatile and all businesses need to adapt to this rather unstable normalcy in the foreseeable future.

Against this backdrop, we expect our business environments will continue to remain volatile in response to the changing situations of the pandemic in the coming financial year. While the Toy Division managed to continue to secure orders from its customers and generate a decent growth in revenue in the Current Year, we remain concerned over customer behaviours in the coming year as we now seem to enter a new cycle of inflation driven by rise in raw material prices, notably caused by the tension in the supply of plastic materials from overseas suppliers attributable to the impact of the COVID-19 pandemic and hence affecting their production schedules. In addition, the competition for electronic parts caused by the booming electric vehicle industry has filtered down to other manufacturing industries which require such components, the toy manufacturing industry included, leading to a spike in the costs of such parts. This might lead to further tightening in margins and in some cases force us to abandon some contracts which are no longer profitable, causing a potential decline in revenues. We also need to remain nimble in response to changing customers' requests in view of continuing changes in their distribution channels from bricks-and-mortars to online platforms. We may also face slower inventory turnover as the situations of our end customers are affected by changes in anti-pandemic measures. All these would continue to present substantial challenges for the operations and profitability of our Toy Division in the coming financial year.

At this moment, the Guangdong Province in the vicinity of Guangzhou and Foshan in China faces a new wave of COVID-19 cases and this has led to more stringent restrictions in people's movement in certain areas and caused a reduction in labour mobility. In addition, this has also led to the suspension of logistics services or reluctance of certain logistic service providers to cater for the local ports close to the affected area. This might in turn affect the product transportation arrangements to our customers. While we have experienced such issues in the beginning of the pandemic last year, this might come to affect the operations of some of our major sub-contractors if the situations do not show substantial improvements into the summer months when we enter our peak production season. Our Toy Division will continue to shift more production processes to automation which would hopefully alleviate concerns over reduced labour mobility and maintain the margins of our products.

Regarding the Financial Services Division, we are encouraged by the development in the investment advisory and management business and are hopeful that we would be able to continue growing our assets under advisory and management. We are in discussions with some portfolio managers to join our platform which hopefully would bring in new investors and capital for the business. We believe the growth in this area is particularly important for the Financial Services Division given the relatively volatile performance of our securities underwriting and brokerage business, although the financial performance of this segment will nonetheless largely depend on the ultimate performance of the U.S. securities market, especially the technology sector to which our clients' portfolios have significant exposure. With the recent tightening of listing requirements introduced by the Stock Exchange of Hong Kong and more stringent vetting of listing applications, we expect that the underwriting business for small-mid cap issuers in Hong Kong would be more challenging going forward and might take longer time to complete. In response, our Financial Services Division will seek to focus more on a fewer number of pipeline transactions for higher quality issuers in which we have a higher level of confidence in securing a global coordinator role and managing the allocations in the IPO transactions. We are currently in advanced stages of discussions with clients in the financial services sector and the bio-pharmaceutical sector. We also envisage to continue to help our issuer clients to place unlisted bonds, albeit at a slower growth pace than before in line with their refinancing needs. We would also continue to tighten our cost control in the division and seek to employ more commission-based staff so that their financial interest would be more in line with the performance of the division.

Directors' Report

The directors of the Company (the "Directors") are 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 2021.

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 35 to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The financial results of the Group for the year ended 31 March 2021 are set out in the consolidated statement of profit or loss and other comprehensive income on page 46.

The board of Directors (the "Board") does not recommend the payment of a final dividend for the year ended 31 March 2021. (2020: Nil)

RESERVES

Movements in the reserves for the year are set out in the consolidated statement of changes in equity on page 49.

DISTRIBUTABLE RESERVES

Distributable reserves of the Company as at 31 March 2021 calculated under the Company Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands, amounted to approximately HK$291.9 million (2020: HK$314.6 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 27 to the consolidated financial statements.

CHARITABLE CONTRIBUTIONS

During the year, the Group did not make any charitable contributions (2020: 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 17 to 27. 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 2021 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 2021, 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 cooperation 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 42 to the notes to consolidated financial statements included in this Annual Report on pages 116 to 120. Taking into consideration the liquidity positions and working capital sufficiency of the Group as a whole, as highlighted in the Liquidity and Financial Resources section in this Annual Report on page 24, the Directors are of the view that there is no immediate material adverse impact arising from the COVID-19 pandemic on the Group's liquidity positions and working capital sufficiency with reference to our operations and capital commitments.

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 or secondary market transactions in which the Financial Services Division participates or the performance of the assets under advisory of the Financial Services Division, which in turn may affect the revenues of the Financial Services Division. The uncertainties arising from the changing situations of the COVID-19 pandemic and its resulting impact on the global financial markets may further exacerbate the volatility in the capital markets, which might lead to further volatility and unpredictability of the performance of our Financial Services Division.

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. In particular, due to the recent COVID-19 pandemic, our end customers might adjust their distribution strategies and orders, which in turn might affect our businesses with them. Depending on changes in the circumstances such as lockdown measures in different jurisdictions, this might have an adverse impact on our orders if we cannot adjust to customers' demands in a flexible manner, or lead to challenges to our inventory management as our end customers adjust their shipping requirements in response to port closure or other disruptions in physical delivery channels as a result of anti-pandemic measures imposed by different jurisdictions.

Directors' Report

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. Changes in securities rules and regulations may also pose more challenges to our listing applicant clients in the Financial Services Division as more stringent requirements are imposed on their financial and business performances in order to qualify for listing. This in turn may affect the feasibility or timing of completion of some of the projects in the Financial Services Division.

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 31 of this report.

Our business operation may be affected by future economic, political and foreign policies of the PRC government. The development of PRC's and Hong Kong'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, its foreign policies and foreign relations and its policies on Hong Kong. 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 and political conflicts, may have an adverse impact on the overall global economy and affect all the industries in which the Group operates.

Our business operations may be affected by future economic and political uncertainties in the world economic and political uncertainties as well as public health situations in the world resulted from major events such as sustaining sanctions and export tariffs measures on various countries arising from the ongoing Sino-U.S. trade war, increasing international and local political conflicts, the social unrests in different jurisdictions or terrorist attack events and the waves of the COVID-19 pandemic situations worldwide 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 and political sanctions, including but not limited to the Sino-U.S. trade war, or lockdowns arising from the COVID-19 pandemic situations leading to a shutdown in the global economy, 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 held a 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.

Directors' Report

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 124.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 March 2021, the Group's sales to the largest customer and the five largest customers accounted for approximately 50.6% and 91.4% of the Group's turnover. The Group's purchases from the largest supplier and the five largest suppliers purchases accounted for 13.5% and 36.2% of the Group's purchases.

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 2021.

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. Chu, Raymond
Mr. Ng Kam Seng (appointed on 1 May 2021)

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 21 August 2020, Mr. Lau Ho Ming, Peter, Mr. Poon Pak Ki, Eric and Mr. Chu, Raymond retired and were re-elected by the Shareholders at the annual general meeting of the Company ("2020 AGM") pursuant to the Articles of Association of the Company.

On 1 May 2021, Mr. Ng Kam Seng was appointed as an executive Director. Mr. Ng shall hold office until the next general meeting pursuant to the articles of association of the company ("Articles of Association") and being eligible offer himself for re-election.

In accordance with the Articles of Association, Madam Li Man Yee, Stella, Mr. Chan Siu Wing, Raymond, Mr. Wong Wah On, Edward and Mr. Ng Kam Seng shall retire at the forthcoming annual general meeting ("2021 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. Poon Pak Ki, Eric and Mr. Ng Kam Seng, 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 2021 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 5.

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 2021, 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 (Note 3)	496,464,000	33.7%
Madam Li Man Yee, Stella	9,600,000	–	482,864,000 (Note 2)	–	1,400,000 (Note 3)	493,864,000	33.5%
Mr. Poon Pak Ki, Eric	7,896,000	–	–	–	12,900,000	20,796,000	1.4%
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 2021, 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 2021, 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 *(Note 1)*
Smart Investor Holdings Limited	482,864,000 *(Note 2)*	32.75%
Silver Pointer Limited	106,880,000	7.25%
Benefit Global Limited	159,297,921 *(Note 3)*	10.81%
Clearfield Global Limited	159,297,921 *(Note 3)*	10.81%
BlackPine Private Equity Partners G.P. Limited	159,297,921 *(Note 3)*	10.81%
Chu Sheng Yu, Lawrence	159,297,921 *(Note 3)*	10.81%
	672,000 *(Note 4)*	0.05%

Notes:

1. *Total number of 1,474,232,000 Shares in issue as at 31 March 2021 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. *120,845,921 Shares out of 159,297,921 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.*

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

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 2021 were as follows:

		Number of share options				
SHARE OPTION SCHEME	**Exercise price**	**Balance as at 1 April 2020**	**Lapsed during year**	**Balance as at 31 March 2021**	**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. 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
Mr. Ng Kam Seng *(Note 3)*	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
Non-executive Directors						
Madam Li Man Yee, Stella	HK$1.02	1,400,000	–	1,400,000	3 July 2015	3 July 2015 to 2 July 2025
Mr. Wang Zhao *(Note 2)*	HK$1.02	1,400,000	–	1,400,000	3 July 2015	3 July 2015 to 2 July 2025

SHARE OPTION SCHEME	Exercise price	Number of share options Balance as at 1 April 2020	 Lapsed during year	 Balance as at 31 March 2021	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	8,600,000		8,600,000	3 July 2015	3 July 2015 to 2 July 2025
	HK$0.748	37,003,800	(800,000)	36,203,800	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		131,071,600	(800,000)	130,271,600		

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.*

3. *Mr. Ng Kam Seng resigned as an executive Director of the Company on 1 January 2020. He was appointed as an Executive Director of the Company again on 1 May 2021.*

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 2021 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 130,271,600, representing 8.8% 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 2021 and were not subject to the related disclosure requirements in this Annual Report.

MATERIAL RELATED PARTY TRANSACTIONS

During the year ended 31 March 2021, 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 not subject to the related disclosure requirements in this Annual Report. Details of the related party transactions are set out in note 36 to the consolidated financial statements.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Articles of Association or the laws of the Cayman Islands, being the jurisdiction in which the Company was incorporated, which would oblige the Company to offer new Shares on a pro rata basis to existing Shareholders unless otherwise required by the Stock Exchange.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities for the year ended 31 March 2021.

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 2021, 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 2021 and up to the date of this report.

TAX RELIEF AND EXEMPTION

The Directors are not aware of any tax relief and exemption available to the Shareholders by reason of their holding the Company's securities.

CORPORATE GOVERNANCE

In the opinion of the Directors, the Company has complied with the Code on Corporate Governance Practices as set out in Appendix 14 to the Listing Rules throughout the year under audit with exception as set out in the section "Corporate Governance Report" on pages 8 to 16 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 2021 have been audited by BDO Limited which retires, and being eligible, offers itself for re-appointment at 2021 AGM. A resolution to re-appoint BDO Limited and to authorise the Directors to fix its remuneration will be proposed at 2021 AGM.

On behalf of the Board

Lau Ho Ming, Peter
Executive Chairman
Hong Kong, 30 June 2021

Independent Auditor's Report

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

OPINION

We have audited the consolidated financial statements of Quali-Smart Holdings Limited (the "Company") and its subsidiaries (together the "Group") set out on pages 46 to 123, which comprise the consolidated statement of financial position as at 31 March 2021, 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 2021, 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 judgement, 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(o) on summary of significant accounting polices, 18 and 19 to the consolidated financial statements)

Goodwill arising from business combination is allocated to cash-generating units ("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 2021, the Group had goodwill and intangible assets amounting to approximately HK$130,182,000 and HK$568,000 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 there were impairment losses of approximately HK$10,696,000 in respect of goodwill 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 assumptions 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 judgements 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 and FVLCD 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 judgement 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, actions taken to eliminate threats or safeguards applied.

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, 30 June 2021

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 March 2021

	Notes	Year ended 31 March 2021 HK$'000	2020 HK$'000
Revenue	7	**485,788**	413,297
Cost of sales		**(414,200)**	(348,655)
Gross profit		**71,588**	64,642
Other income, gains and losses	8	**2,716**	5,598
Selling expenses		**(11,227)**	(10,368)
Administrative expenses		**(74,926)**	(75,639)
Impairment loss on goodwill	9	**(10,696)**	(43,905)
Finance costs	10	**(11,646)**	(26,770)
Loss before income tax expense	9	**(34,191)**	(86,442)
Income tax expense	12	**(1,437)**	(1,220)
LOSS AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**(35,628)**	(87,662)
LOSS PER SHARE ATTRIBUTABLE TO THE OWNERS OF THE COMPANY	14		
– Basic and diluted (HK cents)		**(2.42)**	(5.95)

Consolidated Statement of Financial Position

As at 31 March 2021

	Notes	At 31 March 2021 HK$'000	2020 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	*15*	**2,016**	6,951
Investment property	*17*	**6,600**	6,700
Right-of-use assets	*16*	**7,256**	5,351
Goodwill	*18*	**130,182**	140,878
Intangible assets	*19*	**568**	554
Statutory deposit for financial service business		**392**	374
Deposits	*22*	**1,484**	3,388
Total non-current assets		**148,498**	164,196
CURRENT ASSETS			
Inventories	*20*	**84,983**	71,036
Trade receivables	*21*	**62,771**	65,330
Prepayments, deposits and other receivables	*22*	**1,890**	6,996
Promissory notes receivable	*29*	**–**	4,652
Cash and bank balances held on behalf of customers	*23*	**42,146**	43,211
Pledged bank deposits	*24*	**30,985**	62,400
Time deposits	*24*	**19,355**	–
Cash and cash equivalents	*24*	**48,214**	59,957
Total current assets		**290,344**	313,582
CURRENT LIABILITIES			
Trade payables	*25*	**81,448**	59,207
Accruals and other payables	*26*	**5,350**	6,778
Interest-bearing bank borrowings	*27*	**–**	16,962
Lease liabilities	*28*	**5,398**	5,505
Promissory notes payable	*29*	**25,000**	–
Convertible notes	*30*	**–**	78,183
Tax payables		**371**	106
Total current liabilities		**117,567**	166,741
NET CURRENT ASSETS		**172,777**	146,841
TOTAL ASSETS LESS CURRENT LIABILITIES		**321,275**	311,037

Consolidated Statement of Financial Position

As at 31 March 2021

		At 31 March	
		2021	2020
	Notes	**HK$'000**	HK$'000
NON-CURRENT LIABILITIES			
Convertible notes	*30*	**25,999**	–
Lease liabilities	*28*	**2,080**	38
Deferred tax liabilities	*34*	**112**	112
Total non-current liabilities		**28,191**	150
NET ASSETS		**293,084**	310,887
EQUITY			
Share capital	*31*	**287**	287
Reserves		**292,797**	310,600
Total equity		**293,084**	310,887

On behalf of the Board

Lau Ho Ming, Peter
Director

Poon Pak Ki, Eric
Director

Consolidated Statement of Changes in Equity

For the year ended 31 March 2021

	Share capital HK$'000	Share premium HK$'000 *(note 1)*	Property revaluation reserve HK$'000 *(note 2)*	Other reserve HK$'000	Share option reserve HK$'000 *(note 3)*	Convertible notes equity reserve HK$'000 *(note 4)*	Accumulated losses HK$'000	Total HK$'000
At 1 April 2019	287	418,769	6,071	1,000	53,310	45,888	(126,343)	398,982
Lapse of share options	–	–	–	–	(1,055)	–	1,055	–
Early redemption of convertible notes	–	–	–	–	–	(12,047)	11,614	(433)
Loss and total comprehensive income for the year	–	–	–	–	–	–	(87,662)	(87,662)
At 31 March 2020 and 1 April 2020	**287**	**418,769**	**6,071**	**1,000**	**52,255**	**33,841**	**(201,336)**	**310,887**
Lapse of share options	**–**	**–**	**–**	**–**	**(288)**	**–**	**288**	**–**
Issue of convertible notes	**–**	**–**	**–**	**–**	**–**	**17,825**	**–**	**17,825**
Redemption of convertible notes	**–**	**–**	**–**	**–**	**–**	**(33,841)**	**33,841**	**–**
Loss and total comprehensive income for the year	**–**	**–**	**–**	**–**	**–**	**–**	**(35,628)**	**(35,628)**
At 31 March 2021	**287**	**418,769**	**6,071**	**1,000**	**51,967**	**17,825**	**(202,835)**	**293,084**

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 2021

	Notes	Year ended 31 March 2021 HK$'000	2020 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before income tax expense		**(34,191)**	(86,442)
Adjustments for:			
Interest income	*8*	**(231)**	(1,619)
Interest expenses	*10*	**11,646**	26,770
Depreciation of property, plant and equipment	*9*	**6,255**	10,457
Depreciation of right-of-use assets	*9*	**8,669**	9,565
Gain on disposal of property, plant and equipment	*8*	**–**	(1,092)
Expense for early exercise of redemption option of convertible notes	*8*	**–**	910
Impairment loss on goodwill	*9*	**10,696**	43,905
Gain on rental concession of lease	*9*	**(668)**	–
Changes in fair value of investment property	*8*	**100**	300
Operating profit before working capital changes		**2,276**	2,754
(Increase)/decrease in inventories		**(13,947)**	12,687
Decrease/(increase) in trade receivables		**2,559**	(6,187)
Decrease/(increase) in prepayments, deposits and other receivables		**7,010**	(3,503)
(Increase)/decrease in statutory deposit for financial service business		**(18)**	945
Increase/(decrease) in trade payables		**22,241**	(24,812)
Decrease in accruals and other payables		**(1,428)**	(5,459)
Decrease/(increase) in cash and bank balances held on behalf of customers		**1,065**	(5,205)
Cash generated from/(used in) operations		**19,758**	(28,780)
Income taxes paid		**(1,172)**	(2,962)
Net cash generated from/(used in) operating activities		**18,586**	(31,742)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		**214**	1,551
Purchase of property, plant and equipment		**(1,320)**	(713)
Purchase of intangible assets		**(14)**	–
Proceeds from disposal of property, plant and equipment		**–**	5,428
Redemption of promissory notes		**4,669**	–
Increase in time deposits		**(19,355)**	–
Decrease/(increase) in pledged bank deposits		**31,415**	(1,158)
Net cash generated from investing activities		**15,609**	5,108

Consolidated Statement of Cash Flows

For the year ended 31 March 2021

	Notes	Year ended 31 March 2021 HK$'000	2020 HK$'000
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from bank borrowings	*44*	**–**	44,011
Repayment of bank borrowings	*44*	**(16,962)**	(50,155)
Proceeds from issue of promissory notes	*44*	**25,000**	–
Proceeds from issue of convertible notes	*44*	**40,000**	–
Redemption of convertible notes	*44*	**(80,000)**	(30,000)
Principal element of lease rental paid	*44*	**(7,971)**	(9,373)
Interest element of lease rental paid	*44*	**(618)**	(742)
Interest paid	*44*	**(5,387)**	(7,617)
Net cash used in financing activities		**(45,938)**	(53,876)
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(11,743)**	(80,510)
Cash and cash equivalents at beginning of year		**59,957**	140,467
CASH AND CASH EQUIVALENTS AT END OF YEAR		**48,214**	59,957
ANALYSIS OF THE BALANCE OF CASH AND CASH EQUIVALENTS			
Cash and cash equivalents	*24*	**48,214**	59,957

Notes to the Consolidated Financial Statements

For the year ended 31 March 2021

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 activities 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 35 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 30 June 2021.

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

(a) Adoption of new/revised HKFRSs – effective 1 April 2020

The Hong Kong Institute of Certified Public Accountants (the "HKICPA") has issued a number of new or amended HKFRSs that are first effective for the current accounting period of the Group:

- Amendments to HKFRS 16 "Covid-19-Related Rent Concessions (early adopted)"
- Amendments to HKFRS 3 "Definition of a Business"
- Amendments to HKAS 1 and HKAS 8 "Definition of Material"
- Amendments to HKAS 39 HKFRS 7 and HKFRS 9 "Interest Rate Benchmark Reform"

The Group has also early adopted the Amendments to HKFRS 16 "COVID-19-Related Rent Concessions" ("Amendments to HKFRS 16") for annual periods beginning on or after 1 June 2020.

The Group has not early applied any new or amended HKFRSs that is not yet effective for the current accounting period except for the amendment to HKFRS 16 "COVID-19-Related Rent Concessions".

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

(a) Adoption of new/revised HKFRSs – effective 1 April 2020 (continued)

Amendment to HKFRS 16 "COVID-19-Related Rent Concessions"

HKFRS 16 was amended to provide a practical expedient to lessees in accounting for rent concessions arising as a result of the Covid-19 pandemic, by including an additional practical expedient in HKFRS 16 that permits entities to elect not to account for rent concessions as modifications. The practical expedient applies only to rent concessions occurring as a direct consequence of Covid-19 pandemic and only if all of the following criteria are satisfied:

(a) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;

(b) the reduction in lease payments affects only payments originally due on or before 30 June 2021; and

(c) there is no substantive change to other terms and conditions of the lease.

Rent concessions that satisfy these criteria may be accounted for in accordance with this practical expedient, which means the lessee does not need to assess whether the rent concession meets the definition of lease modification. Lessees shall apply other requirements of HKFRS 16 in accounting for the rent concession.

Accounting for rent concessions as lease modifications would have resulted in the Group remeasuring the lease liability to reflect the revised consideration using a revised discount rate, with the effect of the change in the lease liability recorded against the right-of-use asset. By applying the practical expedient, the Group is not required to determine a revised discount rate and the effect of the change in the lease liability is reflected in profit or loss in the period in which the event or condition that triggers the rent concession occurs.

The Group has elected to utilise the practical expedient for all rent concessions that meet the criteria. In accordance with the transitional provisions, the Group has applied the amendment retrospectively, and has not restated prior period figure. As the rent concessions have arisen during the current financial period, there is no retrospective adjustment to opening balance of accumulated losses at 1 April 2020 on initial application of the amendment.

Rent concessions totaling HK$668,000 have been accounted for as negative variable lease payments and recognised as gain on rent concessions of lease in the consolidated financial statement of profit or loss for the year ended 31 March 2021, with a corresponding adjustment to the lease liabilities.

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

(a) Adoption of new/revised HKFRSs – effective 1 April 2020 (continued)

Amendments to HKFRS 3 "Definition of a Business"

The amendments clarify the definition of a business and introduce an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The election to apply the concentration test is made for each transaction. The concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets. If the concentration test is met, the set of activities and assets is determined not to be a business. If the concentration test is failed, the acquired set of activities and assets is further assessed based on the elements of a business.

Amendments to HKAS 1 and HKAS 8 "Definition of Material"

The Group has applied the amendments to HKAS 1 and HKAS 8 for the first time in the current year. The amendments provide a new definition of material that states "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." The amendments also clarify that materiality depends on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements taken as a whole.

The application of the amendments in the current year had no impact on the consolidated financial statements.

Amendments to HKFRS 9, HKAS 39 and HKFRS 7 "Interest Rate Benchmark Reform"

The Group has applied the amendments for the first time in the current year. The amendments modify specific hedge accounting requirements to allow hedge accounting to continue for affected hedges during the period of uncertainty before the hedged items or hedging instruments affected by the current interest rate benchmarks are amended as a result of the on-going interest rate benchmark reform.

The amendments had no impact on the consolidated financial statements as the Group's assessment of hedge effectiveness is not affected by the interest rate benchmark reform.

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

The following new/revised HKFRSs, potentially relevant to the Group's consolidated financial statements, have been issued, but are not yet effective and have not been early adopted by the Group. The Group's current intention is to apply these changes on the date they become effective.

Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and HK Interpretation 5 (2020), Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause[5]
Amendments to HKAS 16	Proceeds before Intended Use[3]
Amendment to HKFRS 16	COVID-19-Related Rent Concessions beyond 30 June 2021[2]
Amendments to HKAS 37	Onerous Contracts - Cost of Fulfilling a Contract[3]
Amendments to HKFRS 3	Reference to the Conceptual Framework[4]
Amendments to HKAS 39, HKFRS 7, HKFRS 9 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018-2020[3]

1 Effective for annual periods beginning on or after 1 January 2021
2 Effective for annual periods beginning on or after 1 April 2021
3 Effective for annual periods beginning on or after 1 January 2022
4 Effective for business combinations for which the date of acquisition is on or after the beginning of the first annual period beginning on or after 1 January 2022
5 Effective for annual periods beginning on or after 1 January 2023

Amendments to HKAS 1 "Classification of Liabilities as Current or Non-current" and HK Interpretation 5 (2020) "Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause"

The amendments clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period, specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability and explain that rights are in existence if covenants are complied with at the end of the reporting period. The amendments also introduce a definition of 'settlement' to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

HK Interpretation 5 (2020) was revised as a consequence of the Amendments to HKAS 1 issued in August 2020. The revision to HK Interpretation 5 (2020) updates the wordings in the interpretation to align with the Amendments to HKAS 1 with no change in conclusion and do not change the existing requirements.

The directors of the Company do not anticipate that the application of the amendments and revision in the future will have any significant impact on the consolidated financial statements.

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 16 "Proceeds before Intended Use"

The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, the proceeds from selling such items, and the cost of producing those items, is recognised in profit or loss.

The directors of the Company is currently assessing the impact that the application of the amendments will have on the consolidated financial statements.

Amendments to HKFRS 16 "COVID-19-Related Rent Concessions beyond 30 June 2021"

The 2021 Amendment to HKFRS 16 extends the availability of the practical expedient in paragraph 46A of HKFRS 16 so that it applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022, provided that the other conditions for applying the practical expedient are met.

The directors of the Company do not anticipate that the application of the amendments in the future will have any significant impact on the consolidated financial statements.

Amendments to HKAS 37 "Onerous Contracts – Cost of Fulfilling a Contract"

The amendments specify that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract (e.g. direct labour and materials) or an allocation of other costs that relate directly to fulfilling contracts (e.g. the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

The directors of the Company is currently assessing the impact that the application of the amendments will have on the consolidated financial statements.

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 HKFRS 3 "Reference to the Conceptual Framework"

The amendments update HKFRS 3 so that it refers to the revised Conceptual Framework for Financial Reporting 2018 instead of the version issued in 2010. The amendments add to HKFRS 3 a requirement that, for obligations within the scope of HKAS 37, an acquirer applies HKAS 37 to determine whether at the acquisition date a present obligation exists as a result of past events. For a levy that would be within the scope of HK(IFRIC)-Int 21 Levies, the acquirer applies HK(IFRIC)-Int 21 to determine whether the obligating event that gives rise to a liability to pay the levy has occurred by the acquisition date. The amendments also add an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination.

The directors of the Company do not anticipate that the application of the amendments in the future will have any significant impact on the consolidated financial statements.

Amendments to HKAS 39, HKFRS 7, HKFRS 9 and HKFRS 16 "Interest Rate Benchmark Reform – Phase 2"

The amendments address issues that might affect financial reporting when a company replaces the old interest rate benchmark with an alternative benchmark rate as a result of the interest rate benchmark reform (the "Reform"). The amendments complement those issued in November 2019 and relate to (a) changes to contractual cash flows in which an entity will not have to derecognise or adjust the carrying amount of financial instruments for changes required by the Reform, but will instead update the effective interest rate to reflect the change to the alternative benchmark rate; (b) hedge accounting in which an entity will not have to discontinue its hedge accounting solely because it makes changes required by the Reform, if the hedge meets other hedge accounting criteria; and (c) disclosures in which an entity will be required to disclose information about new risks arising from the Reform and how it manages the transition to alternative benchmark rates.

The directors of the Company do not anticipate that the application of the amendments in the future will have an impact on the consolidated financial statements.

Annual Improvements to HKFRSs 2018-2020

- HKFRS 9, Financial Instruments, which clarify the fees included in the '10 per cent' test in paragraph B3.3.6 of HKFRS 9 in assessing whether to derecognise a financial liability, explaining that only fees paid or received between the entity and the lender, including fees paid or received by either the entity or the lender on other's behalf are included.

- HKFRS 16, Leases, which amend Illustrative Example 13 to remove the illustration of reimbursement of leasehold improvements by the lessor in order to resolve any potential confusion regarding the treatment of lease incentives that might arise because of how lease incentives are illustrated in that example.

The directors of the Company do not anticipate that the application of the amendments in the future will have any significant 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 "HKFRSs") issued by the 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, which is 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.

Subsequent to acquisition, the carrying amount of non-controlling interests that represent present ownership interests in the subsidiary is the amount of those interests at initial recognition plus such non-controlling interest's share of subsequent changes in equity. Total comprehensive income is attributed to such non-controlling interests even if this results in those non-controlling interests having a deficit balance.

(b) Subsidiaries

A subsidiary is an investee over which the Company is able to exercise control. The Company controls an investee if all three of the following elements are present: power over the investee, exposure, or rights, to variable returns from the investee, and the ability to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

In the Company's statement of financial position, investments in subsidiaries are stated at cost less impairment loss, if any. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

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(o)), 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%
Right-of-use assets	Over the lease terms

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.

When the Group holds a property interest under an operating lease to earn rental income, the Group chooses not to classify and account for these property interests as investment property.

(f) Leasing

All leases (irrespective of whether they are operating leases or finance leases) are required to be capitalised in the statement of financial position as right-of-use assets and lease liabilities, but accounting policy choices exist for an entity to choose not to capitalise (i) leases which are short-term leases and/or (ii) leases for which the underlying asset is of low-value. The Group has elected not to recognise right-of-use assets and lease liabilities for low-value assets and leases for which at the commencement date have a lease term less than 12 months. The lease payments associated with those leases have been expensed on a straight-line basis over the lease term.

Right-of-use asset

The right-of-use asset should be recognised at cost and would comprise: (i) the amount of the initial measurement of the lease liability (see below for the accounting policy to account for lease liability); (ii) any lease payments made at or before the commencement date, less any lease incentives received; (iii) any initial direct costs incurred by the lessee and (iv) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories. Except for right-of-use asset that meets the definition of an investment property to which the Group applies the revaluation model, the Group measures the right-of-use assets applying a cost model. Under the cost model, the Group measures the right-to-use at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liability. For right-of-use asset that meets the definition of an investment property, they are carried at fair value and for right-of-use asset that meets the definition of a leasehold land and buildings held for own use, they are carried at fair value.

The Group accounts for leasehold land and buildings that are held for rental or capital appreciation purpose under HKAS 40 and are carried at fair value. Other than the above right-of-use assets, the Group also has leased a number of properties under tenancy agreements which the Group exercises it judgement and determines that it is a separate class of asset apart from the leasehold land and buildings which is held for own use. As a result, the right-of-use asset arising from the properties under tenancy agreements are carried at depreciated cost.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Leasing (continued)

Lease liability

The lease liability is recognised at the present value of the lease payments that are not paid at the date of commencement of the lease. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group uses the Group's incremental borrowing rate.

The following payments for the right-to-use the underlying asset during the lease term that are not paid at the commencement date of the lease are considered to be lease payments; (i) fixed payments less any lease incentives receivable: (ii) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at commencement date; (iii) amounts expected to be payable by the lessee under residual value guarantees; (iv) the exercise price of a purchase option if the lessee is reasonably certain to exercise that option and (v) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

Subsequent to the commencement date, the Group measures the lease liability by: (i) increasing the carrying amount to reflect interest on the lease liability; (ii) reducing the carrying amount to reflect the lease payments made; and (iii) remeasuring the carrying amount to reflect any reassessment or lease modifications, e.g., a change in future lease payments arising from change in an index or rate, a change in the lease term, a change in the in substance fixed lease payments or a change in assessment to purchase the underlying asset.

Accounting as a lessor

The Group has leased out its investment property to a number of tenants. 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.

(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.

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(o).

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

(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 fair value through profit or loss, 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 is one measurement category into which the Group classifies its debt instrument at:

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 (continued)

(ii) Impairment loss on financial assets

The Group recognises loss allowances for expected credit losses ("ECLs") on trade receivables, and financial assets measured at amortised cost. 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.

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 the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that financial assets that meet either of the following criteria are generally not recoverable:

- when there is a breach of financial covenants by the debtor; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collateral held by the Group).

Irrespective of the above analysis, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

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.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Financial instruments (continued)

(ii) Impairment loss on financial assets (continued)

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.

The Group writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

(iii) Financial liabilities

The Group classifies its financial liabilities, depending on the purpose for which the liabilities were incurred. Financial liabilities at amortised cost 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, lease liabilities, interest-bearing bank borrowings, promissory notes 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.

(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 accumulated losses. 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.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Financial instruments (continued)

(v) Effective interest method

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

(vi) Equity instruments

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

(vii) 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.

(i) 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.

(j) Revenue recognition

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.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) Revenue recognition (continued)

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.

(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.

(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 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)

(k) Income taxes

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

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

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

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

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

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

(l) 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.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(m) 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.

(n) Share-based payments

Where share options are awarded to employees and others providing similar services, the fair value of the services received is measured by reference to the fair value of the options at the date of grant. Such fair value is recognised in profit or loss over the vesting period with a corresponding increase in the share option reserve within equity. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at the end of each reporting period so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. Market vesting conditions are factored into the fair value of the options granted. As long as all non-market vesting conditions are satisfied, a charge is made irrespective of whether the market vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition.

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also recognised in profit or loss over the remaining vesting period.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(o) Impairment of non-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;
- right-of-use assets; 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 HKFRSs, in which case the impairment loss is treated as a revaluation decrease under that HKFRSs.

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 HKFRSs, in which case the reversal of the impairment loss is treated as a revaluation increase under that HKFRSs.

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)

(p) 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.

(q) Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits and assets similar in nature to cash, which are not restricted as to use.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(r) 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.

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 requirements in HKFRS 15 paragraphs B34 - B38 and considered the economic substance of the transactions.

5. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Judgements (continued)

(ii) Determination of the accounting treatment for revenue (continued)

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.

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.

5. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Estimation uncertainty (continued)

(iii) Provision for impairment of receivables

The Group uses provision matrix to calculate ECLs for the trade receivables from the 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 the financial services segment, other financial assets at amortised cost 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.

(iv) 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.

(v) 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.

(vi) 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. 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").

(a) Reportable segments

Management assesses the performance of the operating segments based on the measurement 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 is not allocated to the operating segment as it is not included in the measurement of the segment results that are used by the chief operating decision-marker for assessment of segment performance. The following is an analysis of the Group's revenue and results by reporting segment for the year:

Segment revenue and results

	Manufacturing and sales of toys HK$'000	**Financial services HK$'000** *(note(b))*	**Total HK$'000**
For the year ended 31 March 2021			
External revenue	456,142	29,646	485,788
Segment profit/(loss)	4,010	(24,207)	(20,197)
Corporate income			
– Others			1,517
Central administrative cost (note(a))			(4,994)
Finance cost			(10,517)
Loss before income tax expense			(34,191)

6. OPERATING SEGMENT INFORMATION (continued)

(a) Reportable segments (continued)

Segment revenue and results (continued)

	Manufacturing and sales of toys HK$'000	Financial services HK$'000 *(note(b))*	Total HK$'000
For the year ended 31 March 2020			
External revenue	383,708	29,589	413,297
Segment profit/(loss)	270	(57,573)	(57,303)
Corporate income			
– Others			1,272
Central administrative cost *(note(a))*			(5,523)
Finance cost			(24,888)
Loss before income tax expense			(86,442)

Notes:

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

(b) Segment loss for financial services segment for the year ended 31 March 2021 includes an impairment loss on goodwill of approximately HK$10,696,000 (2020: HK$43,905,000).

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 (other than promissory notes and cash and cash equivalents) are allocated to reportable segments.

	At 31 March	
	2021	2020
	HK$'000	HK$'000
Manufacturing and sales of toys	**136,847**	151,189
Financial services	**234,424**	261,978
Total segment assets	**371,271**	413,167
Unallocated	**67,571**	64,611
Consolidated assets	**438,842**	477,778

Segment liabilities

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

	At 31 March	
	2021	2020
	HK$'000	HK$'000
Manufacturing and sales of toys	**24,961**	31,276
Financial services	**67,486**	55,031
Total segment liabilities	**92,447**	86,307
Unallocated	**53,311**	80,584
Consolidated liabilities	**145,758**	166,891

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 2021

	Manufacturing and sales of toys HK$'000	**Financial services HK$'000**	**Total HK$'000**
Additions to property, plant and equipment	**1,303**	**17**	**1,320**
Additions to right-of-use assets	**–**	**10,574**	**10,574**
Depreciation of property, plant and equipment	**(6,233)**	**(22)**	**(6,255)**
Depreciation of right-of-use assets	**2,783**	**5,886**	**8,669**
Impairment loss on goodwill	**–**	**10,696**	**10,696**
Interest expenses	**(571)**	**(558)**	**(1,129)**

For the year ended 31 March 2020

	Manufacturing and sales of toys HK$'000	Financial services HK$'000	Total HK$'000
Additions to property, plant and equipment	665	48	713
Additions to right-of-use assets	–	124	124
Depreciation of property, plant and equipment	(10,436)	(21)	(10,457)
Gain on disposal of property, plant and equipment	1,092	–	1,092
Depreciation of right-of-use assets	2,782	6,783	9,565
Impairment loss on goodwill	–	43,905	43,905
Interest expenses	(1,381)	(501)	(1,882)

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 deposits (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	
	2021	2020
	HK$'000	HK$'000
North America *(note 1)*	**287,785**	236,203
Western Europe		
– United Kingdom	**37,924**	11,889
– France	**24,166**	15,632
– Others *(note 2)*	**50,038**	59,367
PRC and Taiwan	**11,599**	18,265
Central America, Caribbean and Mexico	**15,820**	13,054
Australia, New Zealand and Pacific Islands	**14,797**	13,705
Others *(note 3)*	**43,659**	45,182
Total	**485,788**	413,297

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

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

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

6. OPERATING SEGMENT INFORMATION (continued)

(b) Geographical information (continued)

(ii) Specified non-current assets

	At 31 March 2021 HK$'000	At 31 March 2020 HK$'000
Mainland China, the PRC	**1,970**	6,788
Hong Kong	**144,652**	153,646
Total	**146,622**	160,434

(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 2021 HK$'000	Year ended 31 March 2020 HK$'000
Customer A	**245,861**	136,550
Customer B	**105,040**	104,130
Customer C	**64,020**	83,959
Total	**414,921**	324,639

(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.

	Manufacturing and Sales of toys segment		Financial services segment		Total	
	2021 HK$'000	2020 HK$'000	**2021 HK$'000**	2020 HK$'000	**2021 HK$'000**	2020 HK$'000
Timing of revenue recognition under HKFRS 15						
– At a point in time	**456,142**	383,708	**11,370**	21,661	**467,512**	405,369
– Over time	**–**	–	**18,276**	7,928	**18,276**	7,928
Total	**456,142**	383,708	**29,646**	29,589	**485,788**	413,297

7. REVENUE

Revenue represents the net invoiced value of goods sold from manufacturing and sales of toys, after allowances for returns and trade discounts, and the provision of financial services. An analysis of revenue is as follows:

	Year ended 31 March	
	2021	2020
	HK$'000	HK$'000
Manufacturing and sales of toys	**456,142**	383,708
Financial services		
– Commission income from securities brokerage	**1,519**	2,079
– Income from placing and underwriting services	**8,076**	18,681
– Advisory income and consultancy services income`	**18,276**	7,928
– Handling fee income and other services income	**1,775**	901
Total	**485,788**	413,297

8. OTHER INCOME, GAINS AND LOSSES

	Year ended 31 March	
	2021	2020
	HK$'000	HK$'000
Other income		
Interest income from bank deposits	**214**	1,551
Interest income from promissory notes	**17**	68
Moulding income	**68**	847
Rental income	**186**	228
	485	2,694
Other gains and losses		
Exchange gains, net	**383**	979
Property, plant and equipment relocation expenses	**(1,215)**	–
Fair value change on investment property	**(100)**	(300)
Loss on early redemption of convertible notes	**–**	(910)
Gain on disposal of property, plant and equipment	**–**	1,092
Others	**3,163**	2,043
	2,231	2,904
Other income, gains and losses	**2,716**	5,598

9. LOSS BEFORE INCOME TAX EXPENSE

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

	Year ended 31 March	
	2021	2020
	HK$'000	HK$'000
Cost of inventories sold	**414,200**	348,655
Depreciation of property, plant and equipment	**6,255**	10,457
Depreciation of right-of-use assets	**8,669**	9,565
Employee benefits expenses (excluding Directors' remuneration *(note 11(a))*):		
Wages and salaries	**26,314**	28,955
Contribution to defined contribution plans *(note)*	**690**	782
Other benefits	**368**	1,137
	27,372	30,874
Auditor's remuneration	**1,508**	1,508
Gain on rental concession of lease	**(668)**	–
Expense relating to short-term leases	**–**	38
Impairment loss on goodwill	**10,696**	43,905

Note: The Group has arranged for its employees to join the Mandatory Provident Fund Scheme (the "MPF Scheme") in Hong Kong, a defined contribution scheme managed by an independent trustee. Under the MPF Scheme, the Group and its employees make monthly contributions to the scheme at 5% (2020: 5%) of the employees' earnings as defined under the Mandatory Provident Fund legislation. Both the Group's and the employees' contributions were subject to a cap of HK$1,500 (2020: HK$1,500) and thereafter contributions are voluntary. Contributions to the MPF Scheme are recognised as an expense in profit or loss when the services are rendered by the employees. During the year ended 31 March 2021, the aggregate amount of the Group's contributions to the aforementioned pension schemes was approximately HK$690,000 (2020: HK$782,000). As at 31 March 2021, the Group was not entitled to any forfeited contributions to reduce its future contributions (2020: Nil).

10. FINANCE COSTS

	Year ended 31 March	
	2021	2020
	HK$'000	HK$'000
Interest on:		
– Bank borrowings	**511**	1,140
– Convertible notes	**8,301**	24,888
– Promissory notes	**2,216**	–
– Lease liabilities	**618**	742
	11,646	26,770

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 2021	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Discretionary bonus HK$'000	Contribution to defined contribution plans HK$'000	Total HK$'000
Executive Directors					
Mr. Lau Ho Ming, Peter	–	1,740	2,073	87	3,900
Mr. Poon Pak Ki, Eric	–	1,116	846	55	2,017
Mr. Chu, Raymond	–	3,000	–	18	3,018
	–	5,856	2,919	160	8,935
Non-executive Director					
Madam Li Man Yee, Stella	240	–	–	–	240
	240	–	–	–	240
Independent non-executive Directors					
Mr. Leung Po Wing, Bowen Joseph	210	–	–	–	210
Mr. Chan Siu Wing, Raymond	180	–	–	–	180
Mr. Wong Wah On, Edward	180	–	–	–	180
	570	–	–	–	570
Total	810	5,856	2,919	160	9,745

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

(a) Directors' remuneration (continued)

Year ended 31 March 2020	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Discretionary bonus HK$'000	Contribution to defined contribution plans HK$'000	Total HK$'000
Executive Directors					
Mr. Lau Ho Ming, Peter	–	1,595	1,750	80	3,425
Mr. Ng Kam Seng *(note (a))*	–	974	1,880	49	2,903
Mr. Poon Pak Ki, Eric	–	1,117	890	55	2,062
Mr. Chu, Raymond	–	3,000	–	18	3,018
	–	6,686	4,520	202	11,408
Non-executive Director					
Madam Li Man Yee, Stella	240	–	–	–	240
	240	–	–	–	240
Independent non-executive Directors					
Mr. Leung Po Wing, Bowen Joseph	210	–	–	–	210
Mr. Chan Siu Wing, Raymond	180	–	–	–	180
Mr. Wong Wah On, Edward	180	–	–	–	180
	570	–	–	–	570
Total	810	6,686	4,520	202	12,218

Note:

(a) *Mr. Ng Kam Seng resigned as an Executive Director on 1 January, 2020 and was appointed as consultant on 2 January 2020. He was appointed as an Executive Director of the Company again on 1 May 2021.*

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 2021 included 3 Directors (2020: 4) and their remuneration is reflected in note 11(a). The remuneration of the remaining 2 highest paid individuals (2020: 1) for the year ended 31 March 2021 is as follows:

	Year ended 31 March	
	2021	2020
	HK$'000	HK$'000
Salaries, allowances and benefits in kind	**4,628**	2,320
Contribution to defined contribution plans	**78**	18
	4,706	2,338

Their remuneration was within the following band:

	Number of individuals	
	2021	2020
HK$2,000,001 to HK$2,500,000	**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 (2020: Nil). None of the Directors nor the five highest paid employees has waived or agreed to waive any remuneration during the year (2020: Nil).

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

	Number of senior management	
	2021	2020
HK$2,000,001 to HK$2,500,000	**2**	1

12. INCOME TAX EXPENSE

For the year ended 31 March 2021, Hong Kong Profits Tax of the selected entity was calculated at 8.25% (2020: 8.25%) of the first HK$2,000,000 estimated assessable profits and 16.5% (2020: 16.5%) of the remaining estimated assessable profits. Hong Kong Profits Tax for the remaining entities within the Group was calculated at 16.5% (2020: 16.5%) of the estimated assessable profits for the year ended 31 March 2021.

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	
	2021	2020
	HK$'000	HK$'000
Current — Hong Kong		
Charge for the year	**1,342**	1,229
Under/(over) provision in prior years	**95**	(9)
Income tax expense for the year	**1,437**	1,220

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	
	2021	2020
	HK$'000	HK$'000
Loss before income tax expense	**(34,191)**	(86,442)
Tax at the applicable tax rate of 16.5% (2020: 16.5%)	**(5,642)**	(14,263)
Tax effect of revenue not taxable for tax purposes	**(472)**	(198)
Tax effect of expenses not deductible for tax purposes	**5,161**	10,683
Tax effect of tax loss not recognised	**4,015**	6,045
Tax effect of temporary difference not recognised	**(1,555)**	(873)
Tax concession	**(165)**	(165)
Under/(over) provision in prior years	**95**	(9)
Income tax expense	**1,437**	1,220

No deferred tax asset has been recognised in respect of the unused tax losses of HK$179,410,000 (2020: HK$155,080,000) 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 the year ended 31 March 2021, nor has any dividend been proposed since the end of the reporting period (2020: HK$ Nil).

14. LOSS PER SHARE

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

	Year ended 31 March	
	2021	2020
	HK$'000	HK$'000
Loss		
Loss for the year attributable to the owner of the Company	**(35,628)**	(87,662)
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

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 2021 of approximately HK$35,628,000 (2020: HK$87,662,000), and on the weighted average number of 1,474,232,000 (2020: 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 2021 (2020: same) as the impact of the potential dilutive ordinary shares outstanding including the convertible notes and outstanding options under the share option scheme have an anti-dilutive effect on the basic loss per share presented for the year ended 31 March 2021 (2020: anti-dilutive).

15. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements HK$'000	Plant and machinery HK$'000	Fixtures, furniture and office equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
31 March 2020					
Cost:					
At 1 April 2019	10,429	66,176	9,551	2,233	88,389
Additions	–	648	65	–	713
Disposals	(6,334)	(40,042)	(1,462)	(1,053)	(48,891)
At 31 March 2020	4,095	26,782	8,154	1,180	40,211
Accumulated depreciation:					
At 1 April 2019	7,829	48,906	9,091	1,532	67,358
Depreciation charge for the year	1,307	8,302	455	393	10,457
Disposals	(6,334)	(35,706)	(1,462)	(1,053)	(44,555)
At 31 March 2020	2,802	21,502	8,084	872	33,260
Net book value:					
At 31 March 2020	1,293	5,280	70	308	6,951

15. PROPERTY, PLANT AND EQUIPMENT (continued)

	Leasehold improvements HK$'000	Plant and machinery HK$'000	Fixtures, furniture and office equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
31 March 2021					
Cost:					
At 1 April 2020	4,095	26,782	8,154	1,180	40,211
Additions	–	1,303	17	–	1,320
Disposals	–	(5,992)	(29)	(148)	(6,169)
At 31 March 2021	4,095	22,093	8,142	1,032	35,362
Accumulated depreciation:					
At 1 April 2020	2,802	21,502	8,084	872	33,260
Depreciation charge for the year	1,275	4,689	39	252	6,255
Disposals	–	(5,992)	(29)	(148)	(6,169)
At 31 March 2021	4,077	20,199	8,094	976	33,346
Net book value:					
At 31 March 2021	18	1,894	48	56	2,016

16. RIGHT-OF-USE ASSETS

The Group leases certain properties in Hong Kong. The periodic rent is fixed over the lease term.

The movements in right-of-use assets during the year are as follows:

	Rented premises HK$'000
At 1 April 2019	14,792
Additions	124
Depreciation	(9,565)
At 31 March 2020 and 1 April 2020	5,351
Additions	10,574
Depreciation	(8,669)
At 31 March 2021	**7,256**

17. INVESTMENT PROPERTY

	2021 **HK$'000**	2020 HK$'000
At 1 April (level 3 recurring fair value)	**6,700**	7,000
Change in fair value *(note 8)*	**(100)**	(300)
At 31 March (level 3 recurring fair value)	**6,600**	6,700

The Group's investment property was valued at 31 March 2020 and 2021, 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.

In estimating the fair value of the property, the highest and best use of the property is their current use. The fair values of the investment property have been adjusted to exclude prepaid or accrued operating lease income to avoid double counting.

The investment property was pledged by the Group as at 31 March 2020 and 2021 respectively, to secure interest-bearing bank borrowings as set out in note 27.

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

Properties	**Fair value hierarchy**	**Valuation technique**	**Significant unobservable inputs**	**Unobservable inputs**	**Relationship of unobservable inputs to fair value**
Office unit in Hong Kong	Level 3	Income capitalisation approach	Terminal yield	2.9% (31 March 2020: 2.9%)	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 (2020: 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.

18. GOODWILL

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

	Financial services HK$'000
Cost	
At 1 April 2019, 31 March 2020 and 31 March 2021	184,783
Impairment	
At 1 April 2019	–
Impairment loss	(43,905)
At 31 March 2020 and 1 April 2020	(43,905)
Impairment loss	(10,696)
At 31 March 2021	(54,601)
Carrying amount	
At 31 March 2021	130,182
At 31 March 2020	140,878

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 the higher of value in use calculation and fair value less cost of disposal.

Goodwill and intangible assets of approximately HK$180,737,000 and HK$554,000 respectively arose from the acquisition of Crosby Securities Limited ("CSL") and goodwill of approximately HK$4,046,000 arose from the acquisition of Crosby Asset Management (Hong Kong) Limited ("CAM") in prior years, were allocated to two different CGUs for impairment assessment.

18. GOODWILL (continued)

As at 31 March 2021, 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 11.9% (2020: 17.0%) estimated by the management. Growth rate used to extrapolate the cash flows beyond the five-year budget plan is 3% (2020: 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. Despite no material deterioration in the operating financial performance of CSL in the financial year ended 31 March 2021 when compared with its performance in the previous financial year, the cash flow projections in the next five years have been revised downwards in view of (i) a more negative revised outlook of the underwriting business of CSL due to increased regulatory uncertainty in completion timetable of transactions; (ii) more conservative assumptions on the bond placing business of CSL; and (iii) more conservative assumptions on the performance of the US securities market in the next financial year affecting the investment advisory business of CSL. As a result, the recoverable amount of CGU in relation to CSL was reduced to approximately HK$134,000,000 (2020: HK$140,000,000), which is lower than its carrying amount of approximately HK$144,696,000. Accordingly, impairment loss on goodwill of approximately HK$10,696,000 (2020: HK$43,905,000) was recognised for the year ended 31 March 2021 while no impairment loss was allocated to the intangible assets under HKAS 36.

All the discount rates used above are pre-tax and reflect specific risks relating to the relevant CGU. The following table illustrates the key assumptions such as EBIT margins, long-term growth rates and pre-tax discount rates used for the value in use calculations of the CGU in relation to CSL:

	At 31 March 2021	At 31 March 2020
Budgeted EBIT margin (average of next five years)	**15%**	19%
Range of budgeted EBIT margin during next five years	**11% to 21%**	-15% to 38%
Long-term growth rate	**3%**	3%
Pre-tax discount rate	**11.9%**	17.0%

lease payments related to the existing office lease of the CSL CGU, which are considered cash outflows from financing activities under HKAS 36, have been excluded in the cash flow projections and hence the above budgeted EBIT margin, as HKAS 36 requires that estimates of future cash flows do not include cash outflows from financing activities. This would avoid double counting any impairment loss contributed by the lease payments as the carrying value of the CSL CGU of approximately HK$144.7 million already includes the right-of-use assets related to the existing office lease of the CSL CGU.

As at 31 March 2021, the recoverable amount of the CGU in relation to CAM was based on fair value less cost of disposal using direct comparison approach as detailed below. During the year ended 31 March 2021, no impairment was provided on goodwill for CAM as the recoverable amount exceeded the carrying amount of the CGU (2020: 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, with an adjustment on the share price changes of the comparable companies from the transaction dates to the year-end date. Higher negative impact on the change in share prices of the comparable companies will result in a lower fair value measurement, and vice versa.

Significant unobservable inputs	**Range**
Share price changes of the comparable companies	-32% to -64%

19. INTANGIBLE ASSETS

	Trading rights, trademarks and website HK$'000
Cost:	
At 1 April 2019, 31 March 2020 and 1 April 2020	**554**
Additions	**14**
At 31 March 2021	**568**
Accumulated amortisation	
At 1 April 2019, 31 March 2020 and 31 March 2021	**–**
Carrying amount	
At 31 March 2021	**568**
At 31 March 2020	554

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. Details of impairment assessment are set out in note 18.

20. INVENTORIES

	At 31 March	
	2021 HK$'000	2020 HK$'000
Raw materials	**53,476**	51,511
Finished goods	**31,507**	19,525
	84,983	71,036

21. TRADE RECEIVABLES

	At 31 March	
	2021	2020
	HK$'000	HK$'000
Trade receivables from Financial services segment	20,867	9,574
Trade receivables from Manufacturing and sales of toys segment	41,904	55,756
	62,771	65,330

Trade receivables from Financial services segment

	At 31 March	
	2021	2020
	HK$'000	HK$'000
Accounts receivable arising from the ordinary course of business of securities brokerage:		
– Cash clients *(note)*	1,499	10
– Clearing house *(note)*	–	1,571
Accounts receivable arising from the ordinary course of business of provision of:		
– Placing commission	18,364	6,600
– Advisory services	1,004	1,393
	20,867	9,574

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	
	2021	2020
	HK$'000	HK$'000
Neither past due nor impaired	1,499	1,581
Less than 1 month past due	5,113	7,993
More than 1 month but less than 2 months past due	1,665	–
More than 2 months but less than 3 months past due	763	–
Over 3 months past due	11,827	–
	20,867	9,574

Note: 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. All of the trade receivables which were over 3 months past due, had been subsequently settled as of the date of this report.

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.

21. TRADE RECEIVABLES (continued)

In the view of the fact that those receivables related to a number of diversified cash clients, cleaning house and issues clients, the subsequent settlement of all receivables past 3 months due, the historical settlement track records of the clients, and no significant increase in credit risk since initial recognition and the respective balance at the end of the reporting period, therefore, the Directors considered the ECL of those balances was immaterial to be recognised for both years.

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

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	
	2021	2020
	HK$'000	HK$'000
Current to 30 days	**22,927**	17,280
31 to 60 days	**6,258**	19,905
61 to 90 days	**12,358**	14,648
Over 90 days	**361**	3,923
	41,904	55,756

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	
	2021	2020
	HK$'000	HK$'000
Neither past due nor impaired	**34,354**	37,592
Less than 1 month past due	**7,480**	15,120
1 to 3 months past due	**70**	1,347
Over 3 months past due	**–**	1,697
	41,904	55,756

Further details on the Group's credit policy and credit risk arising from trade receivables from manufacturing and trading of toys segment are set out in note 42.

22. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	At 31 March	
	2021	2020
	HK$'000	HK$'000
Non-current asset:		
Deposits *(note)*	**1,484**	3,388
Current assets:		
Prepayments	**1,671**	4,574
Deposits *(note)*	**175**	2,374
Other receivables	**44**	48
	1,890	6,996

Note:

Deposits include approximately HK$188,000 (2020: HK$245,000) of rental deposit paid to a related company, Gold Prospect Capital Resources Limited (note 36(i)).

23. 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 25) 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.

24. PLEDGED BANK DEPOSITS AND CASH AND CASH EQUIVALENTS

	At 31 March	
	2021	2020
	HK$'000	HK$'000
Cash and cash equivalents were denominated in *(note(a))*:		
HK$	**34,254**	36,585
Renminbi ("RMB")	**9,597**	4,016
United States Dollars ("US$)	**4,363**	19,356
	48,214	59,957
Time deposits in *(note(b))*:		
USD$	**19,355**	–
Pledged bank deposits in (note(c)):		
HK$	**30,985**	62,400

Note:

(a) *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.*

(b) *Time deposits at 31 March 2021 represented bank deposits placed in banks in Hong Kong and carry interest at approximately 0.2% per annum. The time deposits will mature on 22 April 2021.*

(c) *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 1.91% (2020: 1.91%) per annum.*

25. TRADE PAYABLES

	At 31 March	
	2021	2020
	HK$'000	HK$'000
Trade payables from Financial services segment	**58,561**	50,222
Trade payables from Manufacturing and sales of toys segment	**22,887**	8,985
	81,448	59,207

25. TRADE PAYABLES (continued)

Trade payables from Financial services segment

	At 31 March	
	2021	2020
	HK$'000	HK$'000
Accounts payable arising from the ordinary course of business of securities brokerage and margin financing:		
– Cash clients	**42,101**	44,776
– Margin clients	**47**	11
– Brokers and clearing house	**16,413**	5,435
	58,561	50,222

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 2021, included in trade payable was an amount of approximately HK$42,146,000 (2020: HK$43,211,000) 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	
	2021	2020
	HK$'000	HK$'000
Current to 30 days	**17,527**	5,076
31 to 60 days	**3,334**	1,952
61 to 90 days	**2,018**	1,793
91 to 365 days	**8**	164
	22,887	8,985

26. RECEIPTS IN ADVANCE, ACCRUALS AND OTHER PAYABLES

	At 31 March	
	2021	2020
	HK$'000	HK$'000
Accruals	**2,979**	3,721
Other payables	**2,371**	3,057
	5,350	6,778

27. INTEREST-BEARING BANK BORROWINGS

	At 31 March	
	2021	2020
	HK$'000	HK$'000
Current		
Secured		
– bank loans due for repayment within one year	**–**	16,962

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

(i) An investment property of the Group with aggregate net book value of HK$6,600,000 (2020: HK$6,700,000) (note 17);

(ii) The corporate guarantee from the Company's subsidiary, which is Qualiman Industrial Co. Limited (2020: Qualiman Industrial Co. Limited); and/or

(iii) Legal charges over certain properties in Hong Kong owned by Mr. Lau Ho Ming, Peter, Madam Li Man Yee, Stella and their associates and personal guarantee by Mr. Lau Ho Ming, Peter.

At 31 March 2020, 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 42. As at 31 March 2021, none of the covenants relating to drawn down facilities had been breached (2020: Nil).

28. LEASE LIABILITIES

The analysis of the present value of the future lease payments is as follows:

	As at 31 March	
	2021	2020
	HK$'000	HK$'000
Analysed for reporting purpose as:		
Current liabilities	**5,398**	5,505
Non-current liabilities	**2,080**	38
	7,478	5,543

Movement of lease liabilities during the year:

	2021	2020
	HK$'000	HK$'000
Leased premises		
At 1 April	**5,543**	14,792
Additions	**10,574**	124
COVID-19-related rent concessions *(note)*	**(668)**	–
Interest expense	**618**	742
Lease payments	**(8,589)**	(10,115)
At 31 March	**7,478**	5,543

Note:

As disclosed in note 3(a), the Group has elected to apply the practical expedient introduced by the amendment to HKFRS 16 to all rent concessions that satisfy the criteria. All of the rent concessions entered into during the year ended 31 March 2021 satisfy the criteria to apply the practical expedient. The application of the practical expedient has resulted in the reduction of total lease liabilities of HK$668,000. The effect of this reduction has been recorded in profit or loss in the period in which the event or condition that triggers those payments occurs.

28. LEASE LIABILITIES (continued)

	As at 31 March 2021 Minimum lease payments HK$'000	**As at 31 March 2021** Present value of minimum lease payments HK$'000	As at 31 March 2020 Minimum lease payments HK$'000	As at 31 March 2020 Present value of minimum lease payments HK$'000
Within one year	**5,799**	**5,398**	5,621	5,505
Within a period of more than one year but no more than two years	**2,106**	**2,080**	39	38
	7,905	**7,478**	5,660	5,543
Less: future interest expenses	**(427)**		(117)	
Present value of lease liabilities	**7,478**	**7,478**	5,543	5,543
Less: Amounts due for settlement within twelve months (shown under current liabilities)		**(5,398)**		(5,505)
Amounts due for settlement after twelve months (shown under non-current liabilities)		**(2,080)**		(38)

The Group discounted the lease liabilities at the weighted average incremental borrowing rate of 8.81% for the year ended 31 March 2021 (2020:7.45%).

29. PROMISSORY NOTES RECEIVABLE AND PAYABLE

Current assets

On 29 December 2017, the Company received promissory notes with an aggregate principal amount of HK$8,500,000 as part of the consideration for disposal of the issued share capital of New Creation Global Limited. The promissory notes are unsecured and denominated in HK$. The promissory notes are bearing interest at fixed rate of 1.5% per annum and are payable in arrears. The maturity dates of promissory notes 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 during the year ended 31 March 2020 and the 2017 PN2 has been fully repaid on maturity during the year ended 31 March 2021.

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

Current liabilities

On 11 May 2020, the Group entered into an agreement with Benefit Global Limited, an independent third party pursuant to which the Group issued promissory notes (the "2020 PN") with a principal amount of HK$25.0 million. The 2020 PN is unsecured and denominated in HK$. The 2020 PN is bearing interest at fixed rate of 10% per annum and is repayable on 11 May 2021. On 10 May 2021, the maturity date has been extended to 11 May 2022 under mutual agreement between Benefit Global Limited and the Company. All other terms and conditions of the 2020 PN remain unchanged.

30. CONVERTIBLE NOTES

(a) 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 2021, none of the 2017 CN1 was converted into ordinary shares of the Company (2020: none).

The 2017 CN1 was redeemed in full during the year ended 31 March 2021.

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:

	2021 **HK$'000**	2020 HK$'000
At 1 April	**78,183**	64,238
Redemption	**(80,000)**	–
Effective interest expense	**2,347**	18,754
Interest paid	**(530)**	(4,809)
At 31 March	**–**	78,183

30. CONVERTIBLE NOTES (continued)

(b) 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 2021, none of the 2017 CN2 was converted into ordinary shares of the Company (2020: none).

The 2017 CN2 was early redeemed in full during the year ended 31 March 2020.

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

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

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

	HK$'000
At 1 April 2019	24,191
Effective interest expense	6,134
Interest paid	(1,667)
Early redemption	(28,658)
At 31 March 2020	–

30. CONVERTIBLE NOTES (continued)

(c) On 11 May 2020, the Company issued unsecured convertible notes (the "2020 CN") with principal amount of HK$40,000,000 and the 2020 PN in the principal amount of HK$25.0 million to Benefit Global Limited, an independent third party and the remaining HK$15.0 million in cash, for redeeming the 2017 CN1. The 2020 CN bears interest at 6% per annum and carry a right to convert the principal amount into shares of US$0.000025 each in the share capital of the Company at a conversion price of HK$0.331 per share during the period from 11 May 2020 to 11 May 2023. The Company may at any time before the maturity date redeem the 2020 CN (in whole or in part) at 100% of the principal amount of the 2020 CN together with any accrued but unpaid interest. Any amount of the 2020 CN which remains outstanding on the maturity date will be redeemed at their then outstanding principal amount together with any accrued but unpaid interest.

2020 CN 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 2020 CN as a whole. The effective interest rate of the liability component is 28.15% per annum.

During the year ended 31 March 2021, none of the 2020 CN was converted into ordinary shares of the Company.

The 2020 CN recognised in the consolidated statement of financial position at initial recognition is as follows:

	HK$'000
Fair value of the 2020 CN at 11 May 2020	40,000
Equity component	(17,825)
Fair value of liability component on initial recognition	22,175

The movements of the liability component of 2020 CN for the year are set out below:

	HK$'000
At 1 April 2020	22,174
Effective interest expense	5,954
Interest paid	(2,129)
At 31 March 2021	25,999

30. CONVERTIBLE NOTES (continued)

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

	At 31 March	
	2021	2020
	HK$'000	HK$'000
2017 CN1	**–**	78,183
2020 CN	**25,999**	–
Convertible notes	**25,999**	78,183
Less: balances due within one year included in current liabilities	**–**	(78,183)
Non-current portion	**25,999**	–

31. SHARE CAPITAL

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

	2021		2020	
	Number of shares	**HK$'000**	Number of shares	HK$'000
Authorised:				
Ordinary shares of US$0.000025 each				
At 1 April and 31 March	**6,000,000,000**	**1,168**	6,000,000,000	1,168
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

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 31 March 2019 and 1 April 2019	418,769	(173,130)	53,310	45,888	344,837
Lapse of share options	–	1,055	(1,055)	–	–
Early redemption of convertible notes	–	11,614	–	(12,047)	(433)
Loss and total comprehensive income for the year	–	(29,838)	–	–	(29,838)
At 31 March 2020 and 1 April 2020	**418,769**	**(190,299)**	**52,255**	**33,841**	**314,566**
Lapse of share options	**–**	**287**	**(287)**	**–**	**–**
Issuing new convertible notes	**–**	**–**	**–**	**17,825**	**17,825**
Early redemption of convertible notes	**–**	**33,841**	**–**	**(33,841)**	**–**
Loss and total comprehensive income for the year	**–**	**(40,494)**	**–**	**–**	**(40,494)**
At 31 March 2021	**418,769**	**(196,665)**	**51,968**	**17,825**	**291,897**

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 2021:

		Number of share options				
	Exercise price *(note 1)*	**Balance as at 1 April 2020** *(note 1)*	**Lapsed during the year**	**Balance as at 31 March 2021**	**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
– 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
– Ng Kam Seng *(note 3)*	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
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 2021: (continued)

		Number of share options				
	Exercise price *(note 1)*	Balance as at 1 April 2020 *(note 1)*	Lapsed during the year	Balance as at 31 March 2021	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	8,600,000	–	**8,600,000**	3 July 2015	3 July 2015 to 2 July 2025
	HK$0.748	37,003,800	(800,000)	**36,203,800**	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		**131,071,600**	**(800,000)**	**130,271,600**		

33. EQUITY SETTLED SHARE-BASED PAYMENTS (continued)

Notes:

1. *Upon the share sub-division which 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.*

3. *Mr. Ng Kam Seng resigned as an Executive Director on 1 January, 2020 and was appointed as consultant on 2 January 2020.*

There was no equity settled share-based payment expenses incurred for each of the reporting period ended on 31 March 2021 and 2020 respectively.

The following share options were outstanding during the year:

	2021		2020	
	Weighted average exercise price per share $	**Number of options**	Weighted average exercise price per share $	Number of options
At 1 April	**0.84**	**131,071,600**	0.84	134,291,600
Lapsed during the year	**0.86**	**(800,000)**	0.86	(3,220,000)
At 31 March	**0.84**	**130,271,600**	0.84	131,071,600

The weighted average share price at the date of exercise of options exercised during the year ended 31 March 2021 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 4.71 years (2020: 5.71 years).

Of the total number of share options outstanding as at 31 March 2021, no share option had not been vested and were not exercisable (2020: Nil).

34. DEFERRED TAX

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

	Accelerated tax depreciation HK$'000
At 1 April 2019, 31 March 2020 and 2021	**(112)**

35. INTERESTS IN SUBSIDIARIES

Details of the subsidiaries are as follows:

Company name	Place and date of incorporation/ establishment	Particulars of issued and fully paid share capital	Percentage of equity attributable to the Company Direct %	Indirect %	Place of operation and principal activities
Subsidiaries					
Turbo Gain Investments Limited	British Virgin Islands, 2 March 2012	1 ordinary share of United States dollar ("US$") 1 each	100 (2020: 100)	–	British Virgin Islands/Investment holding
Crosby Asia Limited	British Virgin Islands, 23 April 2015	1 ordinary share of US$1 each	100 (2020: 100)	–	British Virgin Islands/Investment holding
Fortunate Tranquil Limited	British Virgin Islands, 18 January 2018	1 ordinary share of US$1 each	100 (2020: 100)	–	British Virgin Islands/Investment holding
Qualiman Industrial Co. Limited	Hong Kong, 14 November 1996	Ordinary shares of HK$1,000,000	–	100 (2020: 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 (2020: HK$223,644,510)	–	100 (2020: 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 (2020: HK$25,782,332)	–	100 (2020: 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 (2020: 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.

36. 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	
		2021	2020
		HK$'000	HK$'000
Companies controlled by Mr. Lau Ho Ming, Peter and Madam Li Man Yee, Stella			
Gold Prospect Capital Resources Limited	Rental expenses (a)	**2,256**	2,942

(a) The rental expenses paid to Gold Prospect Capital Resources Limited were mutually agreed between the Group and the related party.

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

	Year ended 31 March	
	2021	2020
	HK$'000	HK$'000
Salaries, allowances and benefits in kind	**10,484**	9,006
Discretionary bonus	**2,919**	4,520
Contribution to defined contribution plans	**238**	220
	13,641	13,746

37. CONTINGENT LIABILITIES

The Group did not have any contingent liabilities as at 31 March 2021 (2020: Nil).

38. OPERATING LEASE ARRANGEMENTS

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 2021, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	At 31 March	
	2021	2020
	HK$'000	HK$'000
Within one year	**186**	228

39. CAPITAL COMMITMENTS

As at 31 March 2021, the Group did not have any capital commitments (2020: Nil).

40. 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 2021					
Type of financial assets					
Trade receivables from HKSCC	**2**	**(2)**	**–**	**–**	**–**
At 31 March 2020					
Type of financial assets					
Trade receivables from HKSCC	1,580	(9)	1,571	374	1,945

	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 2021					
Type of financial liabilities					
Trade payables from HKSCC	**1,494**	**(2)**	**1,492**	**(392)**	**1,100**
At 31 March 2020					
Type of financial liabilities					
Trade payables from HKSCC	9	(9)	–	–	–

41. 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	
	2021	2020
	HK$'000	HK$'000
Financial assets at amortised cost:		
Trade receivables	**62,771**	65,330
Promissory notes receivable	**–**	4,652
Deposits and other receivables	**1,703**	5,810
Statutory deposit for financial service business	**392**	374
Pledged bank deposits	**30,985**	62,400
Time deposits	**19,355**	–
Cash and bank balances held on behalf of customers	**42,146**	43,211
Cash and cash equivalents	**48,214**	59,957
	205,566	241,734

Financial liabilities

	At 31 March	
	2021	2020
	HK$'000	HK$'000
Financial liabilities measured at amortised cost:		
Trade payables	**81,448**	59,207
Accruals and other payables	**5,350**	6,778
Convertible notes	**25,999**	78,183
Promissory notes payable	**25,000**	–
Interest-bearing bank borrowings	**–**	16,962
Lease liabilities	**7,478**	5,543
	145,275	166,673

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's major financial instruments include trade and other receivables, pledged bank deposit, cash and bank balances held on behalf of customers, cash and cash equivalents, trade payables, accruals and other payables, promissory notes, lease liabilities, convertible notes and bank borrowings. Details of the financial instruments are disclosed in the respective notes. The risks associated with these financial instruments include market risk (currency risk and interest rate 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. 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 2021, 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.

Definition of stage 1, stage 2 and stage 3 are as below:

Stage 1: Exposures where there has not been a significant increase in credit risk since initial recognition and that are not credit-impaired upon origination, the portion of the life-time ECL associated with the probability of default events occurring within the next 12 months is recognised.

Stage 2: Exposures where there has been a significant increase in credit risk since initial recognition but are not credit-impaired, a life-time ECL (i.e. reflecting the remaining life-time of the financial assets) is recognised.

Stage 3: Exposures are assessed as credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that asset have occurred. For exposures that have become credit-impaired, a life-time ECL is recognised.

42. 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 are 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.

42. 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.

For trade receivable arising from placing commission and advisory services, the Group applied expected credit loss rate based on that of counterparties with similar credit ratings, with adjustment to reflect current conditions and forecasts of future economic conditions.

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%, 0.1%, and 1.5% for the amounts less than 30 days past due, 31days to 90 days past due, and over 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 2021, the trade receivables from the five largest debtors represented 91% (2020: 99%) of the total trade receivables, while the largest debtor represented 46% (2020: 83%) 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.

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk (continued)

Deposit and other receivables

As at 31 March 2021, the Directors assessed the ECLs for 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, pledged bank deposits, cash and bank balances held on behalf of customers, cash and cash equivalents and promissory notes are disclosed in notes 21, 22, 23, 24 and 29 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	Over 2 years but within 3 years HK$'000	Total contractual amount HK$'000	Carrying amount HK$'000
31 March 2021					
Trade payables	81,448	–	–	81,448	81,448
Accruals	2,979	–	–	2,979	2,979
Other payables	2,371	–	–	2,371	2,371
Convertible notes	2,196	2,610	40,270	45,076	25,999
Promissory notes	25,274	–	–	25,274	25,000
Lease liabilities	5,799	2,106	–	7,905	7,478
	120,067	4,716	40,270	165,053	145,275

42. 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	Total contractual amount HK$'000	Carrying amount HK$'000
31 March 2020				
Trade payables	59,207	–	59,207	59,207
Accruals	3,721	–	3,721	3,721
Other payables	3,057	–	3,057	3,057
Convertible notes	80,539	–	80,539	78,183
Interest-bearing borrowings	16,962	–	16,962	16,962
Lease liabilities	5,621	39	5,660	5,543
	169,107	39	169,146	166,673

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.

Fair values

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

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, 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, lease liabilities 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.

Capital management

The capital structure of the Group consists of debts, which includes the borrowings disclosed in note 27, 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	
	2021 HK$'000	2020 HK$'000
Debt	**50,999**	95,145
Equity	**293,084**	310,887
Debt to equity ratio	**17.4%**	30.6%

43. COMPANY STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2021

		At 31 March	
		2021	2020
	Notes	**HK$'000**	HK$'000
CURRENT ASSETS			
Amounts due from subsidiaries		**347,749**	389,168
Prepayments		**330**	579
Promissory notes		**–**	4,652
Cash and cash equivalents		**823**	818
Total current assets		**348,902**	395,217
CURRENT LIABILITIES			
Accruals		**1,829**	1,806
Amount due to a subsidiary		**–**	375
Amount due to a related company		**3,890**	–
Convertible notes		**–**	78,183
Promissory notes		**25,000**	–
Total current liabilities		**30,719**	80,364
NET CURRENT ASSETS		**318,183**	314,853
TOTAL ASSETS LESS CURRENT LIABILITIES		**318,183**	314,853
NON-CURRENT LIABILITY			
Convertible notes		**25,999**	–
NET ASSETS		**292,184**	314,853
EQUITY			
Share capital	*31*	**287**	287
Reserves	*32*	**291,897**	314,566
TOTAL EQUITY		**292,184**	314,853

On behalf of the Board

Lau Ho Ming, Peter
Director

Poon Pak Ki, Eric
Director

44. NOTE SUPPORTING CONSOLIDATED STATEMENT OF CASH FLOWS

Reconciliation of liabilities arising from financing activities:

	Lease liabilities *(note 28)* HK$'000	Interest-bearing bank borrowings *(note 27)* HK$'000	Convertible notes *(note 30)* HK$'000	Promissory notes *(note 29)* HK$'000
At 1 April 2019	14,792	23,106	88,429	–
Changes from cash flows:				
Proceeds from new bank borrowings	–	44,011	–	–
Repayment of bank borrowings	–	(50,155)	–	–
Redemption of convertible notes	–	–	(30,000)	–
Interest paid	(742)	(1,140)	(6,477)	–
Repayment of principal portion of the lease liabilities	(9,373)	–	–	–
Total changes from financing cash flows:	(10,115)	(7,284)	(36,477)	–
Other changes:				
Interest expenses	742	1,140	24,888	–
Addition of lease liabilities	124	–	–	–
Expense for early exercise of redemption option of convertible notes	–	–	910	–
Impact on equity component	–	–	433	–
Total other changes	866	1,140	26,231	–
At 31 March 2020 and 1 April 2020	**5,543**	**16,962**	**78,183**	**–**
Changes from cash flows:				
Proceeds from issue of promissory notes	**–**	**–**	**–**	**25,000**
Repayment of bank borrowings	**–**	**(16,962)**	**–**	**–**
Redemption of convertible notes	**–**	**–**	**(80,000)**	**–**
Proceeds from issue of convertible notes	**–**	**–**	**40,000**	**–**
Interest paid	**(618)**	**(511)**	**(2,660)**	**(2,216)**
Repayment of principal portion of the lease liabilities	**(7,971)**	**–**	**–**	**–**
Total changes from financing cash flows:	**(8,589)**	**(17,473)**	**(42,660)**	**22,784**
Other changes:				
Interest expenses	**618**	**511**	**8,301**	**2,216**
Addition of lease liabilities	**10,574**	**–**	**–**	**–**
COVID-19-related rental concessions	**(668)**	**–**	**–**	**–**
Impact on equity component	**–**	**–**	**(17,825)**	**–**
Total other changes	**10,524**	**511**	**(9,524)**	**2,216**
At 31 March 2021	**7,478**	**–**	**25,999**	**25,000**

45. SUBSEQUENT EVENT

On 10 May 2021, the maturity date of the 2020 PN has been extended to 11 May 2022 under mutual agreement between Benefit Global Limited and the Company. All other terms and conditions of the 2020 PN remain unchanged.

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				
	2021	2020	2019	2018	2017
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
REVENUE	**485,788**	413,297	624,214	775,990	787,704
Cost of sales	**(414,200)**	(348,655)	(539,830)	(667,655)	(693,912)
	14.74%	15.64%	13.52%	13.96%	11.91%
Gross profit	**71,588**	64,642	84,384	108,335	93,792
Other income, gains and losses	**2,716**	5,598	8,891	13,539	28,730
Selling expenses	**(11,227)**	(10,368)	(15,311)	(24,585)	(21,690)
Administrative expenses	**(74,926)**	(75,639)	(81,727)	(109,610)	(140,754)
Impairment loss on goodwill	**(10,696)**	(43,905)	–	–	(3,695)
Impairment loss on intangible assets	**–**	–	–	(11,728)	(33,889)
Fair value changes in derivative financial asset	**–**	–	–	–	(5,129)
Finance costs	**(11,646)**	(26,770)	(24,439)	(19,384)	(10,801)
LOSS BEFORE INCOME TAX EXPENSE	**(34,191)**	(86,442)	(28,202)	(43,433)	(93,436)
Income tax expense	**(1,437)**	(1,220)	(7,585)	(3,736)	(707)
LOSS FOR THE YEAR	**(35,628)**	(87,662)	(35,787)	(47,169)	(94,143)

ASSETS AND LIABILITIES

	As at 31 March				
	2021	2020	2019	2018	2017
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
TOTAL ASSETS	**438,842**	477,778	608,733	649,077	794,856
TOTAL LIABILITIES	**(145,758)**	(166,891)	(209,751)	(219,346)	(372,997)
	293,084	310,887	398,982	429,731	421,859