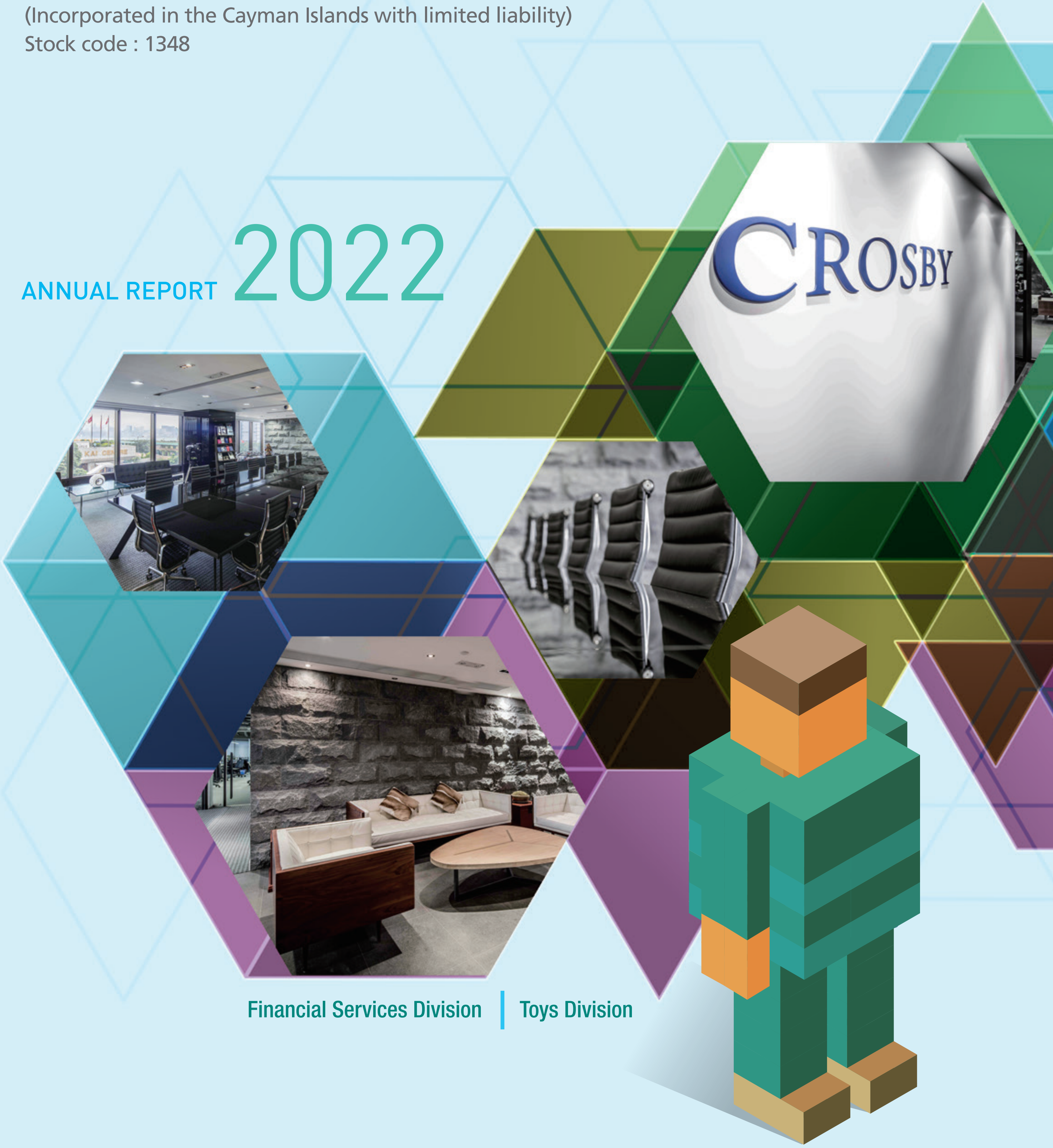
QUALI-SMART HOLDINGS LIMITED
滉達富控股有限公司*

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

ANNUAL REPORT 2022



Financial Services Division | Toys Division

*For identification purpose only

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Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Lau Ho Ming, Peter *(Executive Chairman)*
Mr. Poon Pak Ki, Eric
Mr. 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

AUTHORIZED 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

Conyers 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

Chairman's Statement

On behalf of the board (the "Board") of directors (the "Directors") of Quali-Smart Holdings Limited (the "Company", together with its subsidiaries, the "Group"), I am pleased to present the results of the Group for the year ended 31 March 2022 (the "Reporting Year"). During the Reporting Year, the Group continued to principally engage in the business divisions in toys ("Toy Division") and financial services ("Financial Services Division" or "Crosby").

BUSINESS PERFORMANCE UNDER CONTINUING PERIOD OF GLOBAL PANADEMIC

The Reporting Year continued to be a tough period for businesses globally and domestically among different industries. Challenges arising from the continuing impacts of the global pandemic of COVID-19 by way of social lockdown and hence restricting the labour and supply chain mobility, which pushed up costs of various kinds of production materials as well as labour. During such nearly standstill condition, it also lengthened our production period and further delayed our delivery schedules to customers. Besides, the ongoing political tension between the U.S. and mainland China as well as that in the Europe recently in particular with the war between Russia and Ukarine also continuously accelerated the inflationary pressure on global commodity prices as additional driver in pushing up the costs of production. As a result, the performance of our Toy Division was inevitably affected by the above factors and hence resulted with a segment loss during the Reporting Year.

On the other hand, our Financial Services Division was also much affected by the domestic securities markets in Hong Kong which was shocked by the significant shift in Chinese policies in various sectors that negatively affected investors' confidence in Chinese stocks particularly in leading companies with monopolistic behaviours during the Reporting Year. Apart from that, the global investment sentiment was also much affected as described in above paragraph. Against such backdrop, there was material decrease in bond placing commission income and income from placing and underwriting services during the Reporting Year. Meanwhile, our Financial Services Division made satisfactory progress in the Reporting Year under its investment advisory and management business by attracting new capital from investors and delivering investment returns. Such performance allowed modest improvement in revenues for this division in spite of a substantial reduction in underwriting and placing commission during the Reporting Year in view of the unfavorable market condition.

DEVELOPMENT AND CHALLENGES

With the continuing disruption of the global supply chain under the impact of the global pandemic situations and the Omicron wave of the pandemic, we expect our business environment remains volatile in the coming financial year for our Toy Division. We will still be keen on monitoring its costs control strategies as well as securing our orders with the customers even though the pressure on the gross profit margin is expected to continue.

For our Financial Services Division, under current business condition, we will focus on non-principal based financial services or products for revenue generation with existing capital level. We also look forward on the performance of our investment advisory and management business for which would be able to grow its assets under advisory and management and hence increasing its return. With the joining of the new wealth manager who used to serve at an international financial institution, we hope that more new clients and assets to our Group under advisory and investment would be solicited and hence to improve the return of our Group as a growing proportion to the revenue. At the same time, to maintain our competitiveness in the initial public offering underwriting business, we recently acquired the controlling stake in Ballas Capital Limited, a boutique corporate finance house with full capabilities to act as sponsor, compliance adviser and financial adviser under the Hong Kong Code on Takeovers and Mergers. We expect that we will continue to explore further other strategic alternatives in order to maintain our business competitiveness with a view to accommodating the relevant regulatory changes and market needs.

APPRECIATION

Finally, 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, 23 June 2022

Corporate Governance Report

CORPORATE GOVERNANCE PRACTICES

The Company 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 Reporting Year, the Company had complied with all applicable code provisions under the Code.

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 had complied with the required standards set out in the Model Code during the Reporting Year and up to the date of this report.

Details of the interests and short positions of the Directors in the shares of the Company (the "Shares") and underlying Shares is stated in the Directors' Report of this Annual Report on pages 35 to 36.

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.

As at 31 March 2022, the Board comprised eight Directors, including four executive Directors, one non-executive Director and three independent non-executive Directors ("INED(s)") 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 INEDs has the professional and accounting qualifications as required by the Listing Rules.

Each of the executive Directors, namely Mr. Lau Ho Ming, Peter, Mr. Ng Kam Seng and Mr. Poon Pak Ki, Eric, has entered into a service contract with the Company with a term of 3 years, subject to renewal, 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 Articles 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 20 August 2021 ("2021 AGM"), each of Madam Li Man Yee, Stella, Mr. Chan Siu Wing, Raymond, Mr. Wong Wah On, Edward and Mr. Ng Kam Seng retired and was 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 26 to 28 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 Reporting 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

During the Reporting Year, the post of chief executive officer ("CEO") had remained vacant and the role of CEO has been 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 Reporting 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 Reporting 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 Reporting 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
Mr. Ng Kam Seng	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 C.4 of the Code. 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 Reporting Year was summarized as follows:

1. reviewed the continuing connected transactions for the financial year ended 31 March 2021;
2. reviewed the consolidated financial statements for the financial year ended 31 March 2021;
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 2021;
5. reviewed the independence of the Auditor;
6. approved the Auditor's remuneration and other terms of engagement for the Reporting Year;
7. reviewed and adopted the scope of statutory audit for the Reporting Year;
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 Reporting Year

On the date of this report, the Audit Committee reviewed the consolidated financial statements for the Reporting Year (the "2022 Financial Statements") in conjunction with the Auditor and management. Based on the review and discussions with management, the Audit Committee was satisfied that the 2022 Financial Statements were prepared in accordance with applicable accounting standards, and fairly presented the Group's financial position and results for the Reporting Year.

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 E.1.2 of the Code. 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 Reporting Year:

1. reviewed the remuneration policies of the Directors and senior management and the general staff;

2. reviewed the remuneration package of the newly appointed executive Director; and

3. reviewed the appropriateness of the remuneration policy.

Remuneration of Directors

The remuneration of Directors and the five highest paid employees for the Reporting Year 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.

Remuneration of Directors and Senior Management

The Directors' remuneration for the Reporting Year are set out in note 11a to the consolidated financial statements.

Pursuant to code provision E.1.5 of the CG Code, the remuneration of the members of the senior management (other than the Directors) whose particulars are contained in the section headed "Biographies of Directors and Senior Management" in this Annual Report for the Reporting Year by band is set out below:

Remuneration band (HK$)	Number of individual(s)
HK$2,000,001 to HK$2,500,000	1

NOMINATION COMMITTEE

The Company established a nomination committee of the Board ("Nomination Committee") with written terms of reference in compliance with paragraphs B.3.1 and B.3.2 of the Code. 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 Reporting 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 all 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 Reporting 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 C.4.1 and C.4.2 of the Code. 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 Reporting 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.

Whistleblowing system

There is a whistleblowing system applicable to all stakeholders, including employees, Shareholders, customers and suppliers. The system allows stakeholders to raise concerns, in confidence, with the Audit Committee about possible improprieties in any matter related to the Company.

AUDITOR'S REMUNERATION

During the Reporting Year, the Group was charged HK$1,558,000 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	1,558
Non-audit services:	
– agreed-upon procedures	190
	1.748

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 2022 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 Reporting 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.

2021 AGM

All Directors attended the 2021 AGM to hear views and to answer questions from the Shareholders. At the 2021 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 REPORTING YEAR

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

CONSTITUTIONAL DOCUMENT

The Company has proposed to make certain amendments to the existing articles of association of the Company (the "Existing Articles") to, among other things, (i) conform the Existing Articles to the Core Shareholder Protection Standards set out in Appendix 3 to the Listing Rules; (ii) reflect certain updates in relation to the Listing Rules and the applicable laws of the Cayman Islands; and (iii) make other consequential and housekeeping improvements. A circular containing, among other things, details of the proposed amendments and a notice for convening the annual general meeting of the Company, will be despatched to the Shareholders by around late July 2022. For details, please refer to the announcement of the Company dated 23 June 2022.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The Environmental, Social and Governance Report of the Group will be issued separately from this report and will be available only on the websites of the Stock Exchange and the Company.

On behalf of the Board

Chan Siu Wing, Raymond
Chairman of the Corporate Governance Committee

Hong Kong, 23 June 2022

Management Discussion and Analysis

BUSINESS REVIEW

During the Reporting 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").

During the Reporting Year, impacts arising from the COVID-19 pandemic (the "Pandemic") continued to trouble the business and investment environments globally, particularly during the second half when the Omicron variant wreaked havoc on global public health and global economy. The swings between lockdowns and reopening appeared to have become the "new norm" which posed a lot of challenges to business operations in all fields. The lack of labour in the United States during the Pandemic led to major disruption of the global supply chain which caused chaos in many business disciplines across the world. This problem was further exacerbated in the United Kingdom as the adverse impacts arising from Brexit started to emerge. Many ports in the United States also encountered substantial backlogs which led to a spillover effect on the global logistics industry. The lack of available shipping capacity forced many manufacturers in this part of the world to delay their shipment of products to the western markets, which in turn had a ripple effect up the supply chain. The pileup of inventory also increased the operating costs of the manufacturers and in some cases led to a more stringent working capital requirement. As we entered the last quarter, both Hong Kong and Mainland China started to be severely affected by the Omicron variant, which once again led to widespread suspension of business activities in the region. On the other hand, other western countries began to adopt a different approach and started to reopen their borders, which led to a gradual recovery of their economic activities. As the global economy started to recover from the Pandemic and demands started to pick up, we began to see inflationary pressures on many kinds of commodities, most notably reflected in oil and metal prices. This has had a ripple effect which led to a more general inflation in goods across the board.

Locally, the stock markets received a substantial shock starting last summer as the Chinese Government started to crack down on anti-trust issues in many different sectors and enact its policy of "common prosperity". Many leading companies in the technology, education and real estate sectors were severely affected and required to change their business models. This led to an effective revaluation of their stocks and bonds and caused investors to panic-sell the securities of those companies involved in the crackdown. The Hong Kong stock markets continued to remain depressed throughout the rest of the Reporting Year. The credit crisis of the real estate companies in China also worsened during the Reporting Year as many of them were effectively cut off from further bank financings, leading to multiple defaults in their debt obligations and a partial meltdown in the sector, which effectively completely shut down the debt capital markets for Chinese private enterprises. This has further caused the local investment sentiments to sour and made it difficult to tap fundings from the capital markets, and the plight of the capital markets continued throughout the rest of the Reporting Year. The U.S. capital markets, on the other hand, showed a robust performance during the first three quarters of the Reporting Year, as the markets were buoyed by good corporate results which benefited from the economic recovery. However, as the Federal Reserve turned more hawkish on raising interest rates to combat inflation and war started between Russia and Ukraine, the investment sentiments of the U.S. markets have become substantially more cautious during the fourth quarter of the Reporting Year.

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 Reporting Year, revenue of the Toy Division and its segment loss were approximately HK$415.7 million and HK$14.7 million respectively, representing a decrease of approximately 8.9% and 467.1% respectively over the year ended 31 March 2021 (the "Previous Year"). The drop in revenue from the Toy Division was mainly due to a decrease in shipment of products to both North American and Western European customers. Most notably, revenues from North American customers, which accounted for approximately 59.8% of total revenues from the Toy Division in the Reporting Year, decreased by about 13.7% over the Previous Year. Western European customers, which accounted for about 26.1% of total revenues from the Toy Division in the Reporting Year, also decreased by about 3.2% over the Previous Year. The Pandemic has caused significant disruptions to global logistics leading to a severe shortage in available container shipping capacity. This has led to a substantial delay in shipment of our products to end-customers in overseas markets during the Reporting Year, which has led to a decrease in revenues in the Group's Toy Division and an increase in our inventory and hence our storage costs. Furthermore, there has been an increase in raw material costs for plastic resin and electronic components during FY2022 owing to global supply chain issues and substantial inflationary pressures across a broad category of commodities in the Reporting Year, which, together with rising salary and utilities costs, has caused a material deterioration in the gross margins of the Group's Toy Division from about 9.2% in the Previous Year to about 5.2% in the Reporting Year. The sporadic lockdowns in mainland China and quarantine measures also led to some degree of labour shortage and increased the labour costs of our processing factory. The shortage in power in the late summer months in China during the second quarter also led to an increase in utilities costs associated with our production. All these factors caused a deterioration in the gross margins of the Toy Division and led to a substantial widening of its segment loss for the Reporting Year.

Given the continued uncertainties in the logistics industry and uncertain orders from our end customers, the Toy Division would continue to work with our end customers to seek alternative delivery channels and manage their orders to avoid an excessive pile-up of inventory and hence a further increase in storage costs if possible. The Toy Division would also request the processing factory to implement contingency plans to minimize any major disruptions to the production of our products in view of the uncertain operating situations in China in view of sporadic lockdowns to combat the spread of the Omicron variant. The Toy Division will continue to implement stringent cost controls in product manufacturing using lean production approach, logistic simplification management and minimization of inventory level particularly during non-peak business period and in view of the continued difficult operating environments.

The Financial Services Division

During the Reporting Year, the securities markets in Hong Kong suffered a major shock as a result of a significant shift in Chinese policies in various sectors. The Hang Seng Index closed at 21,996.85 at the end of March 2022, compared with a closing at 28,378.35 at the end of March 2021, representing a staggering drop of about 22.5% during the Reporting Year and breaching 18,500 at one point in March 2022. The Hang Seng China Enterprises Index dropped by an even bigger margin of about 31.7% during the same period, representing a collapse in investor confidence in Chinese stocks. The bearish sentiments were mainly driven by the crack-down on the technology, education, and real estate sectors by the Chinese Government during the Reporting Year, which aimed at removing monopolistic behaviours of certain leading companies in these sectors and enacting the new policy goal of "common prosperity". In addition, the ever-increasing tensions between China and the U.S. also led to a crackdown of U.S.-listed Chinese stocks as they faced substantial pressure of being delisted or sanctioned. These major policy shifts caught investors by surprise and led to a major revaluation of stocks across these important sectors, as investors sold in panic manners to stop loss. Furthermore, almost all channels of financings dried up for real estate companies in China and several issuers defaulted on their debt obligations. This in turn caused a meltdown in the high yield bond markets for these issuers, leading to a collapse in investors' confidence towards high yield issuers in general across the board. Effectively, the debt capital markets had become closed to Chinese private issuers after the second quarter of the Reporting Year. Thus, both the local investment and capital markets encountered major difficulty not seen in recent years during the Reporting Year.

Management Discussion and Analysis

Based on data provided by the Stock Exchange, total funds raised by IPOs during the calendar year ended 31 December 2021 decreased from about HK$400.1 billion for the previous calendar year to about HK$328.9 billion, representing a decrease of about 17.8% on a year-on-year basis. The IPO markets further dried up during the first three months in calendar year 2022 with total fund raised by IPOs of merely HK$14.6 billion, when compared with HK$136.6 billion during the same period in calendar year 2021, representing a staggering drop of about 89.3%. The number of newly listed companies for the calendar year 2021 also dropped to 98 when compared with 154 in the previous calendar year, representing a decline of about 36.4% on a year-on-year basis With the announcement of the new profit requirements for new listing on the Main Board of the Stock Exchange and the entry into the transition period to the enactment of the new rules from January 2022, new listing approvals have slowed down, particularly those related to applications from small-mid cap issuers. Bio-tech issuers and issuers with weighted voting rights continued to be areas which saw growth, with the number of such newly listed issuers increasing by about 42.9% and 125.0% respectively during the calendar year 2021. However, the collapse of investors' sentiments during the Reporting Year had made any capital markets activities highly challenging. During the Reporting Year, the U.S. stock markets showed a modest growth amidst constant threats of growing interest rates and inflation, with the NASDAQ rising from 13,246.87 as of 31 March 2021 to a close of 14,220.52 as of 30 September 2021, representing an increase of about 7.4%. While investors continued to show inertia towards the technology sector in the U.S. market as their performance was bolstered by strong corporate earnings results, the momentum weakened substantially during the second half of the Reporting Year as these stocks were highly sensitive to rising interest rates. The Dow Jones Industrial Average continued to show resilience during the Reporting Year, rising from 32,981.55 as of 31 March 2021 to a close of 34,678.35 as of 31 March 2022, representing a modest increase of about 5.1%.

The investment advisory and management business of Crosby Securities Limited ("CSL") under the Financial Services Division continued to make significant progress during the Reporting Year when compared with the Previous Year. Assets under advisory or management continued to grow by attracting new capital from investors and delivering investment returns, with an investment focus primarily in the U.S. equities markets. During the Reporting Year, assets under advisory or management increased by about 198.9% over the Previous Year, and investment advisory fee and fund management fee increased approximately by an impressive 46.1% over the Previous Year as our portfolio managers continued to outperform the markets substantially and recorded performance fees. As a result, revenues for the Financial Services Division showed a modest improvement in revenues of about 11.3% during the Reporting Year when compared with the Previous Year, despite a substantial reduction in underwriting and placing commission.

The change in sentiments in the Hong Kong capital markets arising from the shifts in Chinese policy this year severely affected the underwriting and bond placement businesses of CSL. The collapse of the high yield bond markets for Chinese private enterprises starting from last summer effectively shut down our bond placement activities, leading to a substantial reduction in bond placing commission of about 79.5% when compared with the Previous Year. Many investors opted to stay out of this asset class for the time being due to the credit crisis and certain of our issuer clients went into technical defaults and financial restructuring. The IPO projects in which Crosby would act as underwriters continued to suffer delays as listing approvals for the candidates concerned had yet to be granted. In a certain case, the listing vetting process had gone on for over twenty months already, spanning two financial years. Where we are assisting certain clients to raise pre-IPO funding, we have requested the candidates to make pre-submissions to the Stock Exchange in order to improve the likelihood of success before a substantial amount of resources would be committed. However, Covid-19 pandemic restrictions have hampered the progress of some of these transactions as all interactions have effectively become virtual, posing challenges to some due diligence and investors' evaluation processes. While we continued to work on several pipeline underwriting projects during the Reporting Year, no underwriting fee revenue was recorded for the Reporting Year due to the above reasons, when compared with underwriting fee revenue of about HK$1.4 million for the Previous Year. Brokerage commission also decreased by about 62.8% as a result of the lack of underwriting activities and the souring investment sentiments in general during the Reporting Year.

During the Reporting Year, the Securities and Futures Commission (the "SFC") also published its consultation conclusions on the proposed code of conduct of bookbuilding and placing activities in the equity capital and debt capital markets. The SFC intends to introduce a sponsor coupling proposal, which requires all IPOs on the Main Board of the Stock Exchange to have an overall coordinator responsible for bookbuilding and placing in the IPO. While an issuer might have more than one overall coordinators, one of them must also be a sponsor of the IPO. Our assessment of the situation is that stand-alone underwriters or sponsors with no combined sponsor and distribution capabilities will find themselves marginalized in the markets. Therefore, during the fourth quarter of the Reporting Year, Crosby Asia Limited, a wholly-owned subsidiary of the Company, entered into a subscription agreement to acquire a majority stake in Ballas Group Limited, which, through its wholly-owned subsidiary Ballas Capital Limited, is a boutique corporate finance house with full capabilities to act as sponsor, compliance adviser and financial adviser under the Hong Kong Code on Takeovers and Mergers. This will allow CSL to provide more comprehensive financial services to our issuer clients and continue to maintain its competitiveness under this new regulatory environment. In addition, this will allow CSL to have a more secure pipeline of IPO underwriting transactions as we will have priority access to act as the global coordinator in IPO transactions sponsored by this corporate finance house. The transaction requires minimum capital outlay from our Group and was completed after the financial year end on 3 May 2022.

FINANCIAL REVIEW

The Toy Division

The Toy Division's revenue for the Reporting Year amounted to approximately HK$415.7 million, representing a decrease of about 8.9% over that of the Previous Year of approximately HK$456.1 million. Such drop in revenue was due to a decrease in sales to some of the Toy Division's top 5 customers. Segment result for this division swung from a segment profit of approximately HK$4.0 million for the Previous Year to a segment loss of about HK$14.7 million for the Reporting Year, which was mainly due to the decrease in revenues and gross margins of the Toy Division arising from rising production costs, including material costs, labour costs and utilities costs at the processing factory of the Toy Division.

Revenue from North America decreased by approximately HK$39.3 million from HK$287.8 million for the Previous Year to approximately HK$248.5 million for the Reporting Year, while revenue from Western Europe decreased by approximately HK$3.5 million from HK$112.1 million for the Previous Year to approximately HK$108.6 million for the Reporting Year. Sales to customers in mainland China and Taiwan decreased by approximately HK$0.7 million from approximately HK$11.6 million for the Previous Year to approximately HK$10.9 million for the Reporting Year. The decrease in revenues from North America region and that of Western Europe was mainly affected by the significant disruption to the global supply chain as the aftermath of the Pandemic during the Reporting Year. The severe shortage in available container shipping capacity led to substantial delay in the shipment of our products to our end-customers in such region. For the decrease in revenue from mainland China and Taiwan during the Reporting Year was mainly attributable to the change in delivery destination as requested by customers in order to cope with their distribution plan varied from time to time in accordance with their respective marketing strategies.

The Financial Services Division

Revenue for the Financial Services Division for the Reporting Year amounted to approximately HK$33.0 million, which increased by about 11.3% when compared with approximately HK$29.6 million for the Previous Year. This is mainly attributable to a material increase in investment advisory fee income of about HK$8.4 million or 46.1% over the Previous Year due to a growth in asset under advisory and the outstanding performance of the portfolio under advisory. Fund management fee income from discretionary management also increased by about HK$2.7 million or 198.9% over the Previous Year due to a growth in asset under management and performance fees accrued. The above increase in asset management and advisory fee income was partially offset by a material decrease in bond placing commission income and income from placing and underwriting services of about HK$6.7 million, or 83.0% over the Previous Year.

Overall, the Financial Services Division recorded a segment loss of approximately HK$65.4 million for the Reporting Year comparing to approximately HK$24.2 million for the Previous Year, representing a significant widening of loss of approximately 170.1%. The increase in segment loss of the Financial Services Division was mainly attributable to (i) the increase in impairment loss of goodwill in relation to the Financial Services Division of about HK$48.5 million in the Reporting Year, which is further explained in the next paragraph, and (ii) the increase in operating loss (excluding the above impairment loss on goodwill) of the Financial Services Division by about HK$3.4 million as there was a decrease in revenue contribution from higher-margin underwriting and bond placing commissions coupled with an increase in consultancy fees paid to portfolio managers arising from the increase in management and performance fees recognized in the investment advisory and fund management business.

Impairment Loss on Goodwill

During the preparation of the audited financial statements of the Group for the Reporting Year, the Directors conducted an assessment of the value-in-use and fair value less cost of disposal of the cash-generating units of CSL (the "CSL CGU") and Crosby Asset Management (Hong Kong) Limited (the "CAM CGU") respectively and hired BMI Appraisals Limited, an independent valuer, to determine the values-in-use and fair value less cost of disposal of the CSL CGU and CAM CGU respectively in accordance with HKAS 36 "Impairment of Assets".

(a) CSL CGU

With reference to the valuation report issued by the independent valuer for the calculation of the value-in-use of the CSL CGU, the Directors determined that the value-in-use of the CSL CGU was about HK$81.0 million as at 31 March 2022, which was less than the carrying value of the CSL CGU of about HK$128.8 million immediately prior to the assessment. Therefore, an impairment loss on goodwill of about HK$47.8 million arising from the CSL CGU was recognized by the Group during the Reporting Year (2021: HK$10.7 million).

BMI Appraisal Limited adopted the income approach for the assessment of the value-in-use of the CSL 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 10.6%. 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 CSL CGU:

	At 31 March 2022	At 31 March 2021
Budgeted EBIT margin (average of next five years)*	**5.3%**	15%
Range of budgeted EBIT margin during next five years*	**-4% to 15%**	11% to 21%
Long-term growth rate	**3%**	3%
Pre-tax discount rate	**10.6%**	11.9%

* 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 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 CSL CGU of approximately HK$128.8 million already includes the right-of-use assets related to the existing office lease of the CSL 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 to reflect the increasing proportion of revenue contribution from our investment advisory and fund management businesses, which carries a lower margin than revenue contribution from our underwriting and placement businesses, when compared with the budget in the Previous Year to reflect the revised outlook of the CSL 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 in advanced negotiation and our assets under advisory and their expected growth with reference to historical track record in our growth in assets under management or advisory. The expected portfolio returns of our portfolio managers or advisors were benchmarked against their respective average historical return performances, as opposed to average historical market index performances in past budgets, as they have already developed a track record for such performance data under CSL. We believe that this approach would provide more relevant references in formulating our budgets. 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 CSL CGU operates and the pre-tax discount rates reflect the specific risks relating to the CSL CGU. The pre-tax discount rate used in the

Reporting Year is lower than that used in the Previous Year as (i) the stock price volatility of the comparable companies in relation to the overall market has decreased, leading to a lower average beta used in determining the cost of equity; and (ii) the weighting of the cost of equity has decreased as the average weighting of the equity component in the capital structure of the comparable companies has decreased, thus resulting in a lower overall weighted average cost of capital or discount rate. Save as discussed above, there was no material change in the methodology used to determine the value-in-use of the CSL CGU for the Reporting Year and the Previous Year.

The EBITs and EBIT margins in our forecasts have been revised downwards for the CSL CGU due to the following reasons:

1) CSL's underwriting business continued to disappoint during the Reporting Year as pipeline transactions continued to be delayed because of the longer-than-expected regulatory approval process. The substantial correction of the stock markets in the Reporting Year made it more challenging to distribute IPOs or placements as investors' confidence has been substantially spooked by the rapid changes in policies in China and rising interest rates in the U.S. Therefore, we have further revised down our projections for underwriting commission and corresponding brokerage commission going forward.

2) The credit crisis for China's private enterprises that broke out since last summer effectively shut down the debt capital markets for such issuers in the near future. The impact of this shift was already seen in the substantial decrease in bond placing commission booked in the Reporting Year. Therefore, we substantially reduced our projections in bond placing commission revenues going forward.

3) In formulating our budgets for the asset management and investment advisory businesses, the expected portfolio returns of our portfolio managers or advisors were benchmarked against their respective average historical return performances, as opposed to average historical market index performances in past budgets, as they have already developed a track record for such performance data under CSL after this business has been commenced for two full financial years. This approach hopes to make the budgets more relevant to the actual performance of the portfolio managers and reflect more accurately the increasing proportion of revenue contribution from our investment advisory and fund management businesses as observed in the past two financial years since we commenced these businesses. As this business segment requires sharing of fees with portfolio managers, it carries a lower margin than revenue contribution from our underwriting and placement businesses. As such, the overall EBIT margins of the CSL CGU are also revised downwards, and hence the overall carrying value of the CSL CGU also decreased.

(b) ***CAM CGU***

With reference to the valuation report issued by the independent valuer for the calculation of the value-in-use of the CAM CGU, the Directors determined that the value-in-use of the CAM CGU was about HK$3.3 million as at 31 March 2022, which was less than the carrying value of the CAM CGU of about HK$4.0 million immediately prior to the assessment. Therefore, an impairment loss on goodwill of about HK$0.7 million was recognized by the Group during the Reporting Year (2021: Nil).

BMI Appraisal Limited adopted the fair value less cost of disposal using direct comparison approach for the assessment of the value-in-use of the CAM CGU, which means that the fair value of the CAM CGU was determined using a direct comparison approach by reference to recent share price of comparable companies that have similar business model, with an adjustment on the share price changes of the comparable companies from the transaction dates to 31 March 2022. This was the same valuation methodology used to determine the value-in-use of the CAM CGU as in previous years. As there was a more significant downward share price adjustments among the comparable companies and a new comparable transaction of lower transaction value, this resulted in a lower fair value measurement for the CAM CGU of about HK$3.3 million at 31 March 2022 (2021: HK$4.0 million), thus leading to an impairment loss on goodwill arising from the CAM CGU of about HK$0.7 million for the Reporting Year. The following table illustrates the key assumptions such used for the value-in-use calculations of the CAM CGU:

	At 31 March 2022	At 31 March 2021
Share price changes of the comparable companies	**-52% to -74%**	-32% to -64%

While the assumptions and other relevant factors for determining the values-in-use of the CSL CGU and CAM 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 businesses of the Financial Services Division 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 Reporting Year amounted to approximately HK$448.7 million, which represents a decrease of about 7.6% from that for the Previous Year of approximately HK$485.8 million. The decrease in total revenue of approximately HK$37.1 million for the Reporting Year was mainly attributable to the decrease in revenues from the Toy Division of approximately HK$40.5 million due to a decrease in sales to certain of its top 5 customers, which was partially offset by an increase in revenues from the Financial Services Division of about HK$3.3 million, or an increase of about 11.3% over the Previous Year.

Gross Margin

The gross margin of the Toy Division decreased significantly from approximately 9.2% for the Previous Year to approximately 5.2% for the Reporting Year, which was mainly attributable to the increase in production costs related to materials (primarily related to plastic resin and electronic components), labour and utilities at the processing factory of the Toy Division. The total gross profit of the Group for the Reporting Year was approximately HK$54.4 million, which decreased by about HK$17.1 million or 24.0% when compared with the Previous Year, which was mainly attributable to the decrease in gross profits from the Toy Division.

Net Loss

The Group's net loss for the Reporting Year amounted to approximately HK$94.4 million, as compared to a net loss of approximately HK$35.6 million for the Previous Year, representing a widening in the Group's net loss by approximately 164.9%. Such increase in net loss was mainly due to:

- a decrease in gross profit of the Group of approximately HK$17.2 million in the Reporting Year;
- an increase in impairment loss on goodwill of approximately HK$37.8 million in the Financial Services Division;
- an increase in administrative expenses of about HK$5.1 million as a result of an increase in consultancy fees paid to the portfolio managers of the Financial Services Division;
- a decrease in other income of about HK$0.2 million as a result of the absence of income from the Employment Support Scheme for the Previous Year;

which was partially offset by:

- a decrease in selling expenses of about HK$0.3 million from the Toy Division as a result of decreased sales in the Reporting Year; and
- a decrease in taxation expenses of about HK$1.4 million from the Toy Division as there was no chargeable profits in the Reporting Year.

Selling Expenses

Selling expenses mainly consisted of transportation fees and declaration fees for the Toy Division. During the Reporting Year, selling expenses decreased 2.7% from approximately HK$11.2 million for the Previous Year to approximately HK$10.9 million for the Reporting Year which was primarily due to an decreased sales for the Toy Division in the Reporting Year.

Administrative Expenses

Administrative expenses mainly consisted of salaries to employees, consultancy fees to consultants, rents and rates for office spaces, depreciation of property, plant and equipment, and other administrative expenses. Administrative expenses increased by 6.8% from approximately HK$75.0 million for the Previous Year to approximately HK$80.0 million for the Reporting Year as a result of an increase in consultancy fees paid to the portfolio managers in the Financial Services Division of about HK$21.1 million and expenses related to short-term leases of about HK$2.3 million of additional storage space due to delay in shipment of products to our customers caused by the shortage in container shipping capacity.

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, and interest income from bank deposits and others. During the Reporting Year, other income, gains and losses decreased by 7.1% from approximately HK$2.7 million for the Previous Year to approximately HK$2.5 million. Such decrease was mainly attributable to absence of the subsidy from the Hong Kong Government's Employment Support Scheme under the Anti-epidemic Fund in the Reporting Year when there was approximately HK$2.3 million of such sundry income for the Previous Year.

Management Discussion and Analysis

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 and interest on lease liabilities arising from the adoption of HKFRS 16 Leases as set out in note 10 to the consolidated financial statements in this annual report. Finance costs increased by about 1.0% from approximately HK$11.6 million for the Previous Year to approximately HK$11.8 million for the Reporting Year, which was primarily due to a decrease in the effective interest expense of the convertible notes issued by the Company to approximately HK$8.0 million for the Reporting Year from approximately HK$8.3 million in the Previous Year. Such decrease was partially offset by and an increase in bank borrowing interest to approximately HK$0.9 million for the Reporting Year from approximately HK$0.5 million in the Previous Year and 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$0.3 million from approximately HK$2.2 million in the Previous Year to about HK$2.5 million in the Reporting Year.

Income Tax Expenses

The Group is subject to income tax on an entity basis on profit arising in or derived from the jurisdiction in which members of the Group are domiciled and operated. The income tax expense decreased by 94.2% from approximately HK$1.4 million for the Previous Year to approximately HK$0.1 million in Reporting Year. Such decrease was mainly due to a decrease in chargeable income attributable to the segment loss of the Toy Division in the Reporting Year.

Inventory

The inventory of the Group decreased by 2.5% to approximately HK$82.8 million as at 31 March 2022 from approximately HK$85.0 million as at 31 March 2021. The inventory turnover period, as calculated by dividing the average closing inventories by the cost of sales of the Toy Division for the period and multiplied by 365 days, increased by 13.0% from 68.7 days for the Previous Year to 77.7 days for the Reporting Year arising from slower shipment during the Reporting Year.

Trade Receivables

Trade receivables from the Toy Division was approximately HK$51.8 million as at 31 March 2022 when compared with approximately HK$41.9 million as at 31 March 2021. The increase in trade receivables of the Toy Division as at 31 March 2022 was primarily due to the change of payment terms by certain customer. 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 41.2 days for the Reporting Year as compared with 39.1 days for the Previous Year.

Trade receivables from the Financial Services Division increased from approximately HK$20.9 million as at 31 March 2021 to approximately HK$36.2 million at 31 March 2022, which was mainly due to an outstanding trade settlement receivable from a client in the ordinary course of business of the Financial Services Division which happened to straddle across the year end, whereas there was no such settlement receivable on 31 March 2021. Such trade settlement receivable was settled within 2 working days after 31 March 2022 in line with market settlement practice.

Trade Payables

Trade payables from the Toy Division as at 31 March 2021 amounted to approximately HK$22.9 million, which increased to approximately of HK$26.3 million at 31 March 2022. The increase was primarily due to the increase in purchases and costs of service incurred for the Reporting Year. The trade payables turnover days for the Toy Division for the Previous Year and the Reporting Year, as calculated by dividing the averaging closing trade payables by the cost of sales from the Toy Division multiplied by 365 days, was 14.0 days and 22.8 days, respectively.

Trade payables from the Financial Services Division as at 31 March 2022 increased from approximately HK$58.6 million at 31 March 2021 to approximately HK$77.0 million at 31 March 2022, which was mainly due to an increase in certain outstanding trade settlement with CCASS concerning the trade by the client in the above section on Trade Receivables which straddled across the year end. Such payable was settled within 2 working days of 31 March 2022 in line with market settlement practice.

LIQUIDITY AND FINANCIAL RESOURCES

For the Reporting 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 Reporting Year, the Group mainly financed its working capital by internal resources and bank borrowings. As at 31 March 2022, cash and cash equivalents amounted to approximately HK$29.4 million (31 March 2021: HK$48.2 million) and an additional amount of approximately HK$31.1 million (31 March 2021: HK$31.0 million) were pledged bank deposits to secure an undrawn banking facility granted to the Group to facilitate settlement purposes of the Financial Services Division. The decrease in cash and cash equivalents was mainly due to the operating expenses and working capital requirements of both the Toy Division and the Financial Services Division during the Reporting Year. Interest-bearing bank borrowings increased from Nil as at 31 March 2021 to about HK$16.0 million to meet any additional capital requirements of the Toy Division to cope with the demands of its production cycle. 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 Reporting Year, was approximately 36.5% (31 March 2021: 17.4%) which was due to an increase in bank borrowings as at 31 March 2022 and a decrease in the consolidated equity of the Group. As at 31 March 2022, all bank borrowings were subject to floating interest rates. The current ratio of the Group, as calculated by total current assets over total current liabilities, was approximately 1.9 (31 March 2021: 2.5).

During the Reporting 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 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 a new 6.0% convertible notes due 2023 in the principal amount of HK$40 million, a 10% promissory note due 2021 (the "2020PN") in the principal amount of HK$25 million and the remaining HK$15 million in cash. 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.

CHARGE ON ASSETS

As at 31 March 2022, certain of the Group's banking facilities and its interest-bearing bank borrowings were secured by pledged bank deposits of approximately HK$31.1 million (31 March 2021: HK$31.0 million) and properties of the Group located in Hong Kong with an aggregate carrying amount of approximately HK$7.0 million (31 March 2021: HK$6.6 million).

CONTINGENT LIABILITIES

As at 31 March 2022, the Group had no contingent liabilities (31 March 2021: Nil).

CAPITAL COMMITMENTS

As at 31 March 2022, there was no material capital commitment of the Group (31 March 2021: 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 2022.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

On 10 February 2022, Crosby Asia Limited, a wholly-owned subsidiary of the Company, entered into a subscription agreement with Ballas Group Limited ("Ballas") to subscribe for such number of ordinary shares in Ballas representing about 52% of the enlarged issued share capital of Ballas. Ballas owns the entire issued share capital of Ballas Capital Limited, which is a company incorporated in Hong Kong and licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the Securities and Futures Ordinance of Hong Kong. Ballas Capital Limited is also licensed to act as sponsors for listings on the Stock Exchange and advise on matters relating to the Hong Kong Codes on Takeovers and Mergers. The subscription did not constitute a notifiable transaction of the Company under the Listing Rules. The transaction completed on 3 May 2022.

Save as disclosed above, the Group did not have any material acquisitions and disposals of subsidiaries and affiliated companies as at 31 March 2022.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

The Group did not have any plans to acquire any material investments or capital assets as at 31 March 2022.

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

EMPLOYEES AND REMUNERATION POLICY

As at 31 March 2022, the Group had a total of 48 employees (31 March 2021: 48). Total staff costs (excluding equity settled share-based payment expenses to eligible persons other than employees and directors) were approximately HK$33.7 million for the Reporting Year (2021: HK$37.1 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

(i) On 20 May 2022, the maturity date of the 2020 PN was further extended from 11 May 2022 to 11 May 2023 under mutual agreement between Benefit Global Limited and the Company. All other terms and conditions of the 2020 PN remains unchanged.

(ii) The Company has proposed to make certain amendments to the Existing Articles to, among other things, (i) conform the Existing Articles to the Core Shareholder Protection Standards set out in Appendix 3 to the Listing Rules; (ii) reflect certain updates in relation to the Listing Rules and the applicable laws of the Cayman Islands; and (iii) make other consequential and housekeeping improvements. A circular containing, among other things, details of the proposed amendments and a notice for convening the forthcoming annual general meeting of the Company ("2022 AGM"), will be despatched to the Shareholders by around late July 2022. For details, please refer to the announcement of the Company dated 23 June 2022.

PROSPECTS

The Reporting Year was another challenging year for both divisions of the Group as the global pandemic situations continued to affect operations of the Group and indeed all businesses around the world. The disruptions to the global supply chain seem look set to continue in the next financial year and are expected to continue to pose challenges to most cross-border manufacturing related activities.

As we slowly ride out of the Omicron wave of the Pandemic in Hong Kong and China, we expect our business environments will continue to remain volatile in the coming financial year, given it is highly uncertain if new variants may emerge. While we expect the Toy Division would continue to secure orders from its customers, we are increasingly unnerved by spiraling inflation driven by a rise in raw material prices. Such inflationary pressure seems to be exacerbated by increasing political tensions globally, particularly in Europe with the war between Russia and Ukraine. If not resolved quickly and amicably, the threats of this conflict to global commodity prices would continue to global manufacturing industries and investment markets around the world. We already saw substantial erosion in gross margins in this past financial year and this might well continue in the foreseeable future. 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. In some cases, we might need to continue to service major clients in order to maintain our long-term relationships despite eroding margins. Slower inventory turnover might become the new norm now as shipping capacity continues to be tight. All these would continue to present substantial challenges for the operations and profitability of our Toy Division in the coming financial year. On a slightly positive note, we have secured some vendor financings with one of our major customers and this might help alleviate some of our working capital pressure in this uncertain time.

Regarding the Financial Services Division, the lack of substantial new capital means that we have to focus on non-principal based financial services or products to generate revenues. The continued development in the investment advisory and management business looks promising and we are hopeful that we would be able to continue growing our assets under advisory and management. We recently signed on another senior wealth manager who used to be at an international financial institution and hopefully he would be able to bring in new investors and transaction opportunities for the Financial Services Division. Given the difficulty we face in the underwriting and placement businesses in the past financial year, the Financial Services Division will increasingly see a growing proportion of its revenue being contributed by the asset management and investment advisory business, subject to the performance of the U.S. equities markets. Although there is fee sharing mechanism with portfolio managers in this business, it also better incentivizes them and aligns their interest with the clients' which shall ultimately benefit all parties involved. The growth in assets under management or advisory shall ultimately generate growth in management fees and performance fees for all involved. On the other hand, we will continue to explore strategic alternatives to maintain our competitiveness in the IPO underwriting business, the latest initiative being the acquisition of a controlling stake in Ballas with sponsor and Takeovers Code advisory capabilities. With this transaction, our Financial Services Division is now able to provide full comprehensive services to issuer clients. We are already working together to assist a prospective listing candidate in the real estate sector as sponsor and global coordinator for its IPO. We hope that this acquisition will allow our underwriting business to maintain a more stable transaction flow and become more competitive after the introduction of the new bookbuilding and placement guideline by the Securities and Futures Commission later this year.

Biographical Details of Directors and Senior Management

EXECUTIVE DIRECTORS

Mr. Lau Ho Ming, Peter

Mr. Lau Ho Ming, Peter ("Mr. Lau"), aged 67, was appointed as an executive 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 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 appointed 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 established 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 relating to industrial and logistic services.

Mr. Poon Pak Ki, Eric

Mr. Poon Pak Ki, Eric, aged 55, was appointed as an executive Director on 3 January 2013. He is responsible for the financial and accounting matters and general administration in the Group. Prior to joining the Group in November 1996, Mr. Poon worked for an audit firm as audit clerk from February 1987 to May 1990. He also has experience of 5 years in accounting and administration for a toy manufacturing company.

Mr. Poon obtained his Bachelor's Degree in Accountancy from The Bolton Institute of Higher Education, the United Kingdom (now known as University of Bolton) in August 2004. In May 2017, Mr. Poon was 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 was admitted as an associate member of The Association of International Accountants.

Mr. Chu, Raymond

Mr. Chu, Raymond, aged 56, was appointed as an independent non-executive Director on 3 January 2013 and resigned on 6 July 2015. Mr. Chu was subsequently appointed as an executive Director on 27 November 2015. Mr. Chu is also the Chief Executive Officer and a director of Crosby Securities Limited, an indirect wholly owned subsidiary of the Company under the financial services division of the Group.

Mr. Chu processed experience of more than 30 years in the financial industry. He was the managing director and head of Sales and Trading Division of Guosen Securities (Hong Kong). 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, the United States of America in May 1989.

Biographical Details of Directors and Senior Management

Mr. Ng Kam Seng

Mr. Ng, aged 41, was re-appointed as an executive Director on 1 May 2021. He is responsible for the corporate development and lean production strategy in the Toy Division of the Group. Prior to re-joining the Group, he served as an executive Director and a member of the corporate governance committee of the Board since the listing of the Company until 31 December 2019. During that time, Mr. Ng was responsible for formulating and implementing the Group 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 60, was appointed as a non-executive Director on 3 January 2013. Madam Li is a member of the Corporate Governance Committee of the Board. She is one of the co-founders of the Group and also a director of certain subsidiaries of the Company.

Madam Li has experience of around 29 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 72, 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 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 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. Mr. Leung held various senior positions in the Government of Hong Kong including 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 has been an independent non-executive director of Paliburg Holdings Limited (stock code: 617) and an independent non-executive director of Regal Real Estate Investment Trust (stock code: 1881) since 13 February 2010 and 28 October 2016 respectively. From 26 March 2010 to 19 August 2019, Mr. Leung was an independent non-executive director of Green Leader Holdings Group Limited (formerly known as North Asia Resources Holdings 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 57, 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 and Hong Kong Finance Group Limited (stock code: 1273), a company listed on the Main Board of the Stock Exchange. Mr. Chan was an independent non-executive director of Nature Home Holding Company Limited (formerly known as Nature Flooring Holding Company Limited) (stock code: 2083) from 4 May 2011 to 31 October 2021, a company listed on the Main Board of the Stock Exchange.

Mr. Wong Wah On, Edward

Mr. Wong Wah On, Edward, aged 58, 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. 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. He has also served as a partner of a certified public accountants' 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 The Hong Kong Chartered Governance Institute (formerly known as Hong Kong Institute of Chartered Secretaries).

SENIOR MANAGEMENT

Mr. Hau Yiu Por

Mr. Hau Yiu Por, aged 65, is the general manager of the Group's operation in mainland China. 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.

The Directors are pleased to present its report together with the audited consolidated financial statements of the Group for the Reporting Year.

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 Reporting Year are set out in the consolidated statement of profit or loss and other comprehensive income on page 47. The board of Directors (the "Board") does not recommend the payment of a final dividend for the Reporting Year. (2021: Nil)

RESERVES

Movements in the reserves for the Reporting Year are set out in the consolidated statement of changes in equity on page 50.

DISTRIBUTABLE RESERVES

Distributable reserves of the Company as at 31 March 2022 calculated under the Company Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands, amounted to approximately HK$198.2 million (2021: HK$291.9 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 (2021: 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 14 to 17. 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 2022 ESG Report to be published on the Company's website www.quali-smart.com.hk.

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

During the Reporting Year, 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 111 to 115. 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 23, the Directors are of the view that there is no immediate material adverse impact arising from the 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 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 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.

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 pages 32 to 33 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 such as the war broke out between Russia and Ukarine in March 2022, 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 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 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 authorization 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 Reporting 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 Reporting Year, our corporate office and our Financial Services Division had not been the subject of any environmental claims, lawsuits, penalties or disciplinary actions.

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

FIVE-YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 118.

MAJOR CUSTOMERS AND SUPPLIERS

For the Reporting Year, the Group's sales to the largest customer and the five largest customers accounted for approximately 54.9% and 92.4% of the Group's turnover. The Group's purchases from the largest supplier and the five largest suppliers purchases accounted for 11.3% and 31.8% 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 Reporting Year.

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 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 20 August 2021, Madam Li Man Yee, Stella, Mr. Chan Siu Wing, Raymond, Mr. Wong Wah On, Edward and Mr. Ng Kam Seng retired and were re-elected by the Shareholders at the 2021 AGM pursuant to the Articles of Association of the Company.

In accordance with the Articles of Association, Mr. Lau Ho Ming, Peter, Mr. Poon Pak Ki, Eric and Mr. Leung Po Wing, Bowen Joseph shall retire at the 2022 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 2022 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 26 to 28.

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 2022, 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. Ng Kam Seng	3,200,000	–	–	–	12,900,000	16,100,000	1.1%
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 2022, 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 2022, 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	7.24%
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 2022 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 2022 were as follows:

		Number of share options				
SHARE OPTION SCHEME	**Exercise price**	**Balance as at 1 April 2021**	**Lapsed during year**	**Balance as at 31 March 2022**	**Date of grant of share options**	**Exercisable periods of share options**
Executive Directors						
Mr. Lau Ho Ming, Peter	HK$1.02	4,000,000	–	4,000,000	3 July 2015	3 July 2015 to 2 July 2025
Mr. Ng Kam Seng *(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
Mr. Poon Pak Ki, Eric	HK$1.02	5,400,000	–	5,400,000	3 July 2015	3 July 2015 to 2 July 2025
	HK$0.748	7,500,000	–	7,500,000	24 March 2016	24 March 2016 to 23 March 2026
Mr. Chu, Raymond *(Note 1)*	HK$0.748	12,847,800	–	12,847,800	24 March 2016	24 March 2016 to 23 March 2026
Non-executive Directors						
Madam Li Man Yee, Stella	HK$1.02	1,400,000	–	1,400,000	3 July 2015	3 July 2015 to 2 July 2025
Mr. Wang Zhao *(Note 2)*	HK$1.02	1,400,000	–	1,400,000	3 July 2015	3 July 2015 to 2 July 2025

SHARE OPTION SCHEME	Exercise price	Number of share options: Balance as at 1 April 2021	Lapsed during year	Balance as at 31 March 2022	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	36,203,800	(800,000)	35,403,800	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		130,271,600	(800,000)	129,471,600		

Notes:

1. *Mr. Chu, Raymond resigned as an independent non-executive Director on 6 July 2015 and was appointed as an executive Director on 27 November 2015.*

2. *Mr. Wang Zhao resigned as a non-executive Director on 27 November 2015.*

3. *Mr. Ng Kam Seng resigned as an executive Director on 1 January 2020 and was re-appointed as an executive Director 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 Reporting Year 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 126,391,600, representing 8.6% 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 Reporting Year and were not subject to the related disclosure requirements in this Annual Report.

MATERIAL RELATED PARTY TRANSACTIONS

During the Reporting Year, 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 Reporting Year.

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 2022, 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 Reporting Year 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 4 to 13 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.

CHANGES IN DIRECTORS' INFORMATION

Save for the disclosures in the section headed "Biographical Details of Directors and Senior Management", which is set out on pages 26 to 28 of this annual report, there is no other information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

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 Reporting Year have been audited by BDO Limited which retires, and being eligible, offers itself for re-appointment at 2022 AGM. A resolution to re-appoint BDO Limited and to authorise the Directors to fix its remuneration will be proposed at 2022 AGM.

On behalf of the Board

Lau Ho Ming, Peter
Executive Chairman
Hong Kong, 23 June 2022

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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 47 to 117, which comprise the consolidated statement of financial position as at 31 March 2022, 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 2022, 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 2022, the Group had goodwill and intangible assets amounting to approximately HK$81,669,000 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$48,513,000 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, 23 June 2022

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 March 2022

	Notes	Year ended 31 March 2022 HK$'000	2021 HK$'000
Revenue	7	**448,655**	485,788
Cost of sales		**(394,217)**	(414,200)
Gross profit		**54,438**	71,588
Other income, gains and losses	8	**2,524**	2,716
Selling expenses		**(10,925)**	(11,227)
Administrative expenses		**(80,048)**	(74,926)
Impairment loss on goodwill	9	**(48,513)**	(10,696)
Finance costs	10	**(11,766)**	(11,646)
Loss before income tax expense	9	**(94,290)**	(34,191)
Income tax expense	12	**(84)**	(1,437)
LOSS AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**(94,374)**	(35,628)
LOSS PER SHARE ATTRIBUTABLE TO THE OWNERS OF THE COMPANY	14		
– Basic and diluted (HK cents)		**(6.40)**	(2.42)

Consolidated Statement of Financial Position

As at 31 March 2022

	Notes	2022 HK$'000	2021 HK$'000
		At 31 March	
NON-CURRENT ASSETS			
Property, plant and equipment	*15*	**6,053**	2,016
Investment property	*17*	**7,000**	6,600
Right-of-use assets	*16*	**1,980**	7,256
Goodwill	*18*	**81,669**	130,182
Intangible assets	*19*	**568**	568
Statutory deposit for financial service business		**402**	392
Deposits	*22*	**376**	1,484
Total non-current assets		**98,048**	148,498
CURRENT ASSETS			
Inventories	*20*	**82,829**	84,983
Trade receivables	*21*	**88,034**	62,771
Prepayments, deposits and other receivables	*22*	**6,403**	1,890
Tax receivables		**1,104**	–
Cash and bank balances held on behalf of customers	*23*	**44,609**	42,146
Pledged bank deposits	*24*	**31,097**	30,985
Time deposits	*24*	**–**	19,355
Cash and cash equivalents	*24*	**29,383**	48,214
Total current assets		**283,459**	290,344
CURRENT LIABILITIES			
Trade payables	*25*	**103,260**	81,448
Accruals and other payables	*26*	**4,727**	5,350
Interest-bearing bank borrowings	*27*	**16,007**	–
Lease liabilities	*28*	**2,087**	5,398
Promissory notes payable	*29*	**25,000**	25,000
Tax payables		**–**	371
Total current liabilities		**151,081**	117,567
NET CURRENT ASSETS		**132,378**	172,777
TOTAL ASSETS LESS CURRENT LIABILITIES		**230,426**	321,275

Consolidated Statement of Financial Position

As at 31 March 2022

	Notes	At 31 March 2022 HK$'000	2021 HK$'000
NON-CURRENT LIABILITIES			
Convertible notes	*30*	**31,604**	25,999
Lease liabilities	*28*	**–**	2,080
Deferred tax liabilities	*34*	**112**	112
Total non-current liabilities		**31,716**	28,191
NET ASSETS		**198,710**	293,084
EQUITY			
Share capital	*31*	**287**	287
Reserves		**198,423**	292,797
Total equity		**198,710**	293,084

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 2022

	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 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 and 1 April 2021	**287**	**418,769**	**6,071**	**1,000**	**51,967**	**17,825**	**(202,835)**	**293,084**
Lapse of share options	**–**	**–**	**–**	**–**	**(287)**	**–**	**287**	**–**
Loss and total comprehensive income for the year	**–**	**–**	**–**	**–**	**–**	**–**	**(94,374)**	**(94,374)**
At 31 March 2022	**287**	**418,769**	**6,071**	**1,000**	**51,680**	**17,825**	**(296,922)**	**198,710**

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 2022

	Notes	Year ended 31 March 2022 HK$'000	2021 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before income tax expense		**(94,290)**	(34,191)
Adjustments for:			
Interest income	*8*	**(128)**	(231)
Interest expenses	*10*	**11,766**	11,646
Depreciation of property, plant and equipment	*9*	**2,123**	6,255
Depreciation of right-of-use assets	*9*	**5,276**	8,669
Impairment loss on goodwill	*9*	**48,513**	10,696
Gain on rental concession of lease	*9*	**–**	(668)
Changes in fair value of investment property	*8*	**(400)**	100
Operating (loss)/profit before working capital changes		**(27,140)**	2,276
Decrease/(increase) in inventories		**2,154**	(13,947)
(Increase)/decrease in trade receivables		**(25,263)**	2,559
(Increase)/decrease in prepayments, deposits and other receivables		**(3,405)**	7,010
Increase in statutory deposit for financial service business		**(10)**	(18)
Increase in trade payables		**21,812**	22,241
Decrease in accruals and other payables		**(623)**	(1,428)
(Increase)/decrease in cash and bank balances held on behalf of customers		**(2,463)**	1,065
Cash generated (used in)/from operations		**(34,938)**	19,758
Income taxes paid		**(1,559)**	(1,172)
Net cash (used in)/generated from operating activities		**(36,497)**	18,586
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		**128**	214
Purchase of property, plant and equipment		**(6,160)**	(1,320)
Purchase of intangible assets		**–**	(14)
Redemption of promissory notes		**–**	4,669
Decrease/(increase) in time deposits		**19,355**	(19,355)
(Increase)/decrease in pledged bank deposits		**(112)**	31,415
Net cash generated from investing activities		**13,211**	15,609

Consolidated Statement of Cash Flows

For the year ended 31 March 2022

	Notes	Year ended 31 March 2022 HK$'000	2021 HK$'000
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from bank borrowings	*44*	**375,057**	–
Repayment of bank borrowings	*44*	**(359,050)**	(16,962)
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)
Principal element of lease rental paid	*44*	**(5,391)**	(7,971)
Interest element of lease rental paid	*44*	**(408)**	(618)
Interest paid	*44*	**(5,753)**	(5,387)
Net cash from/(used in) financing activities		**4,455**	(45,938)
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(18,831)**	(11,743)
Cash and cash equivalents at beginning of year		**48,214**	59,957
CASH AND CASH EQUIVALENTS AT END OF YEAR		**29,383**	48,214
ANALYSIS OF THE BALANCE OF CASH AND CASH EQUIVALENTS			
Cash and cash equivalents	*24*	**29,383**	48,214

Notes to the Consolidated Financial Statements

For the year ended 31 March 2022

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 23 June 2022.

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

(a) Adoption of new/revised HKFRSs – effective 1 April 2021

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 HKAS 39, HKFRS 4, HKFRS 7, HKFRS 9 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2
Amendments to HKFRS 16	COVID-19-Related Rent Concessions
Amendment to HKFRS 16	COVID-19-Related Rent Concessions beyond June 30, 2021

The application of the amendments to HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements. The Group has not early applied any new or amended HKFRSs that is not yet effective for the current accounting year.

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[3]
Hong Kong Interpretation 5 (2020)	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause[3]
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies[3]
Amendments to HKAS 8	Definition of Accounting Estimates[3]
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction[3]
Amendments to HKAS 16	Proceeds before Intended Use[1]
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract[1]
Amendments to HKFRS 3	Reference to the Conceptual Framework[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
Annual Improvements to HKFRSs 2018-2020[1]	

1 Effective for annual periods beginning on or after January 1, 2022
2 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 January 1, 2022
3 Effective for annual periods beginning on or after January 1, 2023
4 The amendments shall be applied prospectively to the sale or contribution of assets occurring in annual periods beginning on or after a date to be determined

Amendments to HKAS 1 "Classification of Liabilities as Current or Non-current" and Hong Kong 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.

Hong Kong Interpretation 5 (2020) was revised as a consequence of the Amendments to HKAS 1 issued in August 2020. The revision to Hong Kong 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.

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

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

Amendments to HKAS 1 and HKFRS Practice Statement 2 "Disclosure of Accounting Policies"

The amendments change the requirements in HKAS 1 with regard to disclosure of accounting policies. The amendments replace all instances of the term 'significant accounting policies' with 'material accounting policy information'. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

The supporting paragraphs in HKAS 1 are also amended to clarify that accounting policy information that relates to immaterial transactions, other events or conditions is immaterial and need not be disclosed. Accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material.

Amendments to HKAS 8 "Definition of Accounting Estimates"

These amendments clarify the distinction between changes in accounting estimates and changes in accounting policies. Accounting estimates are defined as monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify how entities use measurement techniques and inputs to develop accounting estimates.

Amendments to HKAS 12 "Deferred Tax related to Assets and Liabilities arising from a Single Transaction"

The amendments introduce a further exception from the initial recognition exemption. Under the amendments, an entity does not apply the initial recognition exemption for transactions that give rise to equal taxable and deductible temporary differences.

Depending on the applicable tax law, equal taxable and deductible temporary differences may arise on initial recognition of an asset and liability in a transaction that is not a business combination and affects neither accounting nor taxable profit. For example, this may arise upon recognition of a lease liability and the corresponding right-of-use asset applying HKFRS 16 at the commencement date of a lease.

Following the amendments to HKAS 12, an entity is required to recognize the related deferred tax asset and liability, with the recognition of any deferred tax asset being subject to the recoverability criteria in HKAS 12.

The amendments apply to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, at the beginning of the earliest comparative period an entity recognizes:

- A deferred tax asset (to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilized) and a deferred tax liability for all deductible and taxable temporary differences associated with:
  - Right-of-use assets and lease liabilities
  - Decommissioning, restoration and similar liabilities and the corresponding amounts recognized as part of the cost of the related asset
- The cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at that date.

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 recognized in profit or loss.

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 labor 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).

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.

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

The amendments clarify with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. When the transaction with an associate or joint venture that is accounted for using the equity method, any gains or losses resulting from the loss of control of a subsidiary that does not contain a business are recognized in the profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, any gains or losses resulting from the remeasurement of retained interest in any former subsidiary (that has become an associate or a joint venture) to fair value are recognized in the profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.

Annual Improvements to HKFRSs 2018-2020

The annual improvements amends a number of standards, including:

- HKFRS 1 "First-time Adoption of International Financial Reporting Standards", which permit a subsidiary that applies paragraph D16(a) of HKFRS 1 to measure cumulative translation differences using the amounts reported by its parent, based on the parent's date of transition to HKFRSs.

- 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 derecognize 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, 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.

- HKAS 41 "Agriculture" which remove the requirement to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique. The directors do not anticipate that the application of the amendments in the future will have an impact on the Group's consolidated financial statements.

The Group is not yet in a position to state whether these new pronouncements will result in substantial changes to the Group's accounting policies and 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.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Financial instruments (continued)

(iv) Convertible loan notes (continued)

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

(v) Effective interest method

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

(vi) Equity instruments

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

(vii) Derecognition

The Group derecognises a financial asset when the contractual rights to the future cash flows in relation to the financial asset expire or when the financial asset has been transferred and the transfer meets the criteria for derecognition in accordance with HKFRS 9.

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

(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) Defined contribution retirement plan

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for all of its employees in Hong Kong. Contributions are made based on a percentage of the employees' basic salaries and are recognised as an expense in profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

(ii) 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.

(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.

(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.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(p) Related parties (continued)

(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.

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:

5. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Judgements (continued)

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

Manufacturing and trading of toy products (continued)

- 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.

(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.

5. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Estimation uncertainty (continued)

(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:

6. OPERATING SEGMENT INFORMATION (continued)

(a) Reportable segments (continued)

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 2022			
External revenue	415,660	32,995	448,655
Segment loss	(14,720)	(65,379)	(80,099)
Corporate income			
– Others			–
Central administrative cost *(Note(a))*			(3,686)
Finance cost			(10,505)
Loss before income tax expense			(94,290)

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 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)

Notes:

(a) Central administrative cost mainly includes directors' remuneration and legal and professional fees.

(b) Segment loss for financial services segment for the year ended 31 March 2022 includes an impairment loss on goodwill of approximately HK$48,513,000 (2021: HK$10,696,000).

Segment profit/(loss) represents the profit or (loss) earned by each segment without allocation of corporates income 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 cash and cash equivalents) are allocated to reportable segments.

	At 31 March	
	2022	2021
	HK$'000	HK$'000
Manufacturing and sales of toys	**148,908**	136,847
Financial services	**202,111**	234,424
Total segment assets	**351,019**	371,271
Unallocated	**30,488**	67,571
Consolidated assets	**381,507**	438,842

Segment liabilities

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

	At 31 March	
	2022	2021
	HK$'000	HK$'000
Manufacturing and sales of toys	**43,515**	24,961
Financial services	**80,719**	67,486
Total segment liabilities	**124,234**	92,447
Unallocated	**58,563**	53,311
Consolidated liabilities	**182,797**	145,758

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For the year ended 31 March 2022

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 2022

	Manufacturing and sales of toys HK$'000	Financial services HK$'000	Total HK$'000
Additions to property, plant and equipment	**6,086**	**74**	**6,160**
Depreciation of property, plant and equipment	**(2,091)**	**(32)**	**(2,123)**
Depreciation of right-of-use assets	**–**	**(5,276)**	**(5,276)**
Impairment loss on goodwill	**–**	**(48,513)**	**(48,513)**
Interest expenses	**(852)**	**(408)**	**(1,260)**

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)

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 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	
	2022	2021
	HK$'000	HK$'000
North America *(note 1)*	**248,466**	287,785
Western Europe		
– United Kingdom	**32,493**	37,924
– France	**24,380**	24,166
– Others *(note 2)*	**51,693**	50,038
PRC and Taiwan	**10,883**	11,599
Central America, Caribbean and Mexico	**16,545**	15,820
Australia, New Zealand and Pacific Islands	**14,197**	14,797
Others *(note 3)*	**49,998**	43,659
Total	**448,655**	485,788

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 2022 HK$'000	2021 HK$'000
Mainland China, the PRC	**5,917**	1,970
Hong Kong	**91,353**	144,652
Total	**97,270**	146,622

(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 2022 HK$'000	2021 HK$'000
Customer A	**246,343**	245,861
Customer B	**83,872**	105,040
Customer C	**51,319**	64,020
Total	**381,534**	414,921

(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	
	2022 HK$'000	2021 HK$'000	**2022 HK$'000**	2021 HK$'000	**2022 HK$'000**	2021 HK$'000
Timing of revenue recognition under HKFRS 15						
– At a point in time	**415,660**	456,142	**6,287**	11,370	**421,947**	467,512
– Over time	**–**	–	**26,708**	18,276	**26,708**	18,276
Total	**415,660**	456,142	**32,995**	29,646	**448,655**	485,788

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	
	2022	2021
	HK$'000	HK$'000
Manufacturing and sales of toys	**415,660**	456,142
Financial services		
– Commission income from securities brokerage	**589**	1,519
– Income from placing and underwriting services	**1,376**	8,076
– Advisory income and consultancy services income`	**26,708**	18,276
– Handling fee income and other services income	**4,322**	1,775
Total	**448,655**	485,788

8. OTHER INCOME, GAINS AND LOSSES

	Year ended 31 March	
	2022	2021
	HK$'000	HK$'000
Other income		
Interest income from bank deposits	**128**	214
Interest income from promissory notes	**–**	17
Moulding income	**232**	68
Rental income	**202**	186
	562	485
Other gains and losses		
Exchange gains, net	**726**	383
Property, plant and equipment relocation expenses	**(1,026)**	(1,215)
Fair value change on investment property	**400**	(100)
Others	**1,862**	3,163
	1,962	2,231
Other income, gains and losses	**2,524**	2,716

9. LOSS BEFORE INCOME TAX EXPENSE

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

	Year ended 31 March	
	2022	2021
	HK$'000	HK$'000
Cost of inventories sold	**394,217**	414,200
Depreciation of property, plant and equipment	**2,123**	6,255
Depreciation of right-of-use assets	**5,276**	8,669
Employee benefits expenses (excluding Directors' remuneration *(note 11(a))*):		
Wages and salaries	**21,757**	26,314
Contribution to defined contribution plans	**650**	690
Other benefits	**149**	368
	22,556	27,372
Auditor's remuneration	**1,558**	1,508
Gain on rental concession of lease	**–**	(668)
Expense relating to short-term leases	**2,256**	–
Impairment loss on goodwill	**48,513**	10,696

10. FINANCE COSTS

	Year ended 31 March	
	2022	2021
	HK$'000	HK$'000
Interest on:		
– Bank borrowings	**853**	511
– Convertible notes	**8,005**	8,301
– Promissory notes	**2,500**	2,216
– Lease liabilities	**408**	618
	11,766	11,646

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 2022	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	800	87	2,627
Mr. Ng Kam Seng *(note (a))*	–	1,320	1,560	66	2,946
Mr. Poon Pak Ki, Eric	–	1,112	600	55	1,767
Mr. Chu, Raymond	–	3,000	–	18	3,018
	–	7,172	2,960	226	10,358
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	7,172	2,960	226	11,168

Notes to the Consolidated Financial Statements

For the year ended 31 March 2022

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

(a) Directors' remuneration (continued)

Year ended 31 March 2021	Fees	Salaries, allowances and benefits in kind	Discretionary bonus	Contribution to defined contribution plans	Total
	HK$'000	HK$'000	HK$'000	HK$'000	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

Note:

(a) Mr. Ng Kam Seng was appointed as an executive Director 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 2022 included 4 Directors (2021: 3) and their remuneration is reflected in note 11(a). The remuneration of the remaining 1 highest paid individuals (2021: 2) for the year ended 31 March 2022 is as follows:

	Year ended 31 March	
	2022	2021
	HK$'000	HK$'000
Salaries, allowances and benefits in kind	**2,320**	4,628
Contribution to defined contribution plans	**18**	78
	2,338	4,706

Their remuneration was within the following band:

	Number of individuals	
	2022	2021
HK$2,000,001 to HK$2,500,000	**1**	2

During the year, no remuneration was paid by the Group to the Directors or any of the five highest paid employees of the Group as an inducement to join or upon joining the Group or as compensation for loss of office (2021: Nil). None of the Directors nor the five highest paid employees has waived or agreed to waive any remuneration during the year (2021: Nil).

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

	Number of senior management	
	2022	2021
HK$2,000,001 to HK$2,500,000	**1**	2

12. INCOME TAX EXPENSE

For the year ended 31 March 2022, Hong Kong Profits Tax of the selected entity was calculated at 8.25% (2021: 8.25%) of the first HK$2,000,000 estimated assessable profits and 16.5% (2021: 16.5%) of the remaining estimated assessable profits. Hong Kong Profits Tax for the remaining entities within the Group was calculated at 16.5% (2021: 16.5%) of the estimated assessable profits for the year ended 31 March 2022.

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	
	2022	2021
	HK$'000	HK$'000
Current — Hong Kong		
Charge for the year	**–**	1,342
Under provision in prior years	**84**	95
Income tax expense for the year	**84**	1,437

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	
	2022	2021
	HK$'000	HK$'000
Loss before income tax expense	**(94,290)**	(34,191)
Tax at the applicable tax rate of 16.5% (2021: 16.5%)	**(15,558)**	(5,642)
Tax effect of revenue not taxable for tax purposes	**(212)**	(472)
Tax effect of expenses not deductible for tax purposes	**11,037**	5,161
Tax effect of tax loss not recognised	**5,717**	4,015
Tax effect of temporary difference not recognised	**(984)**	(1,555)
Tax concession	**–**	(165)
Under provision in prior years	**84**	95
Income tax expense	**84**	1,437

No deferred tax asset has been recognised in respect of the unused tax losses of HK$214,052,000 (2021: HK$179,410,000) 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 2022, nor has any dividend been proposed since the end of the reporting period (2021: 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 2022 HK$'000	2021 HK$'000
Loss		
Loss for the year attributable to the owner of the Company	**(94,374)**	(35,628)
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 2022 of approximately HK$94,374,000 (2021: HK$35,628,000), and on the weighted average number of 1,474,232,000 (2021: 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 2022 (2021: 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 2022 (2021: 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 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

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 2022					
Cost:					
At 1 April 2021	4,095	22,093	8,142	1,032	35,362
Additions	3,451	2,582	127	–	6,160
At 31 March 2022	**7,546**	**24,675**	**8,269**	**1,032**	**41,522**
Accumulated depreciation:					
At 1 April 2021	4,077	20,199	8,094	976	33,346
Depreciation charge for the year	396	1,632	39	56	2,123
At 31 March 2022	**4,473**	**21,831**	**8,133**	**1,032**	**35,469**
Net book value:					
At 31 March 2022	**3,073**	**2,844**	**136**	**–**	**6,053**

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 2020	5,351
Additions	10,574
Depreciation	(8,669)
At 31 March 2021 and 1 April 2021	7,256
Depreciation	(5,276)
At 31 March 2022	**1,980**

17. INVESTMENT PROPERTY

	2022 HK$'000	2021 HK$'000
At 1 April (level 3 recurring fair value)	**6,600**	6,700
Change in fair value *(note 8)*	**400**	(100)
At 31 March (level 3 recurring fair value)	**7,000**	6,600

The Group's investment property was valued at 31 March 2021 and 2022, 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 2021 and 2022 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	2.7% (31 March 2021: 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 (2021: 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 2020, 31 March 2021 and **31 March 2022**	**184,783**
Impairment	
At 1 April 2020	(43,905)
Impairment loss	(10,696)
At 31 March 2021 and 1 April 2021	(54,601)
Impairment loss	(48,513)
At 31 March 2022	**(103,114)**
Carrying amount	
At 31 March 2022	**81,669**
At 31 March 2021	130,182

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 2022, 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 10.61% (2021: 11.9%) estimated by the management. Growth rate used to extrapolate the cash flows beyond the five-year budget plan is 3% (2021: 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. As there was material deterioration in placing and underwriting commission of CSL in the financial year ended 31 March 2022 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$81,000,000 (2021: HK$134,000,000), which is lower than its carrying amount of approximately HK$128,767,000. Accordingly, impairment loss on goodwill of approximately HK$47,767,000 (2021: HK$10,696,000) was recognised for the year ended 31 March 2022 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 earnings before interest and tax ("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 2022	At 31 March 2021
Budgeted EBIT margin (average of next five years)	**5.3%**	15%
Range of budgeted EBIT margin during next five years	**–4.9% - 15.3%**	11% - 21%
Long-term growth rate	**3%**	3%
Pre-tax discount rate	**10.6%**	11.9%

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$128.8 million already includes the right-of-use assets related to the existing office lease of the CSL CGU.

As at 31 March 2022, 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 2022, impairment loss of approximately HK$746,000 (2021: Nil) was provided on goodwill for CAM as the recoverable amount was reduced to approximately HK$3,300,000 as at 31 March 2022, which was lower than its carrying amount of the CGU of approximately HK$4,046,000 as at 31 March 2021. This is attributable to the poorer share price performance of the comparable companies when compared with their performance in the previous financial year.

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	**At 31 March 2022**	At 31 March 2021
	Range	
share price changes of the comparable companies	**–53% to -74%**	-32% to -64%

19. INTANGIBLE ASSETS

	Trading rights, trademarks and website HK$'000
Cost:	
At 1 April 2020, 31 March 2021 and **31 March 2022**	**568**
Accumulated amortisation	
At 1 April 2020, 31 March 2021 and **31 March 2022**	**–**
Carrying amount	
At 31 March 2022	**568**
At 31 March 2021	568

Trading rights confer rights to CSL to trade securities contracts on or through the Stock Exchange 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	
	2022 **HK$'000**	2021 HK$'000
Raw materials	**55,785**	53,476
Finished goods	**27,044**	31,507
	82,829	84,983

21. TRADE RECEIVABLES

	At 31 March 2022 HK$'000	2021 HK$'000
Trade receivables from Financial services segment	**36,194**	20,867
Trade receivables from Manufacturing and sales of toys segment	**51,840**	41,904
	88,034	62,771

Trade receivables from Financial services segment

	At 31 March 2022 HK$'000	2021 HK$'000
Accounts receivable arising from the ordinary course of business of securities brokerage:		
– Cash clients *(note)*	**25,143**	1,499
Accounts receivable arising from the ordinary course of business of provision of:		
– Placing commission	**9,890**	18,364
– Advisory services	**1,161**	1,004
	36,194	20,867

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 2022 HK$'000	2021 HK$'000
Neither past due nor impaired	**25,143**	1,499
Less than 1 month past due	**1,161**	5,113
More I month but less than 2 months past due	**–**	1,665
More 2 months but less than 3 months past due	**–**	763
Over 3 months past due	**9,890**	11,827
	36,194	20,867

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	
	2022	2021
	HK$'000	HK$'000
Current to 30 days	**9,987**	22,927
31 to 60 days	**8,034**	6,258
61 to 90 days	**27,639**	12,358
Over 90 days	**6,180**	361
	51,840	41,904

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	
	2022	2021
	HK$'000	HK$'000
Neither past due nor impaired	**42,007**	34,354
Less than 1 month past due	**8,368**	7,480
1 to 3 months past due	**1,079**	70
Over 3 months past due	**386**	–
	51,840	41,904

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	
	2022	2021
	HK$'000	HK$'000
Non-current assets:		
Deposits *(note)*	**376**	1,484
Current assets:		
Prepayments	**1,566**	1,671
Deposits *(note)*	**1,265**	175
Other receivables	**3,572**	44
	6,403	1,890

Note:

Deposits include approximately HK$188,000 (2021: HK$188,000) 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	
	2022	2021
	HK$'000	HK$'000
Cash and cash equivalents were denominated in *(note(a))*:		
HK$	**23,755**	34,254
Renminbi ("RMB")	**5,523**	9,597
United States Dollars ("US$)	**105**	4,363
	29,383	48,214
Time deposits in *(note(b))*:		
USD$	**–**	19,355
Pledged bank deposits in *(note(c))*:		
HK$	**31,097**	30,985

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 was 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% (2021: 1.91% per annum).*

25. TRADE PAYABLES

	At 31 March	
	2022	2021
	HK$'000	HK$'000
Trade payables from Financial services segment	**76,969**	58,561
Trade payables from Manufacturing and sales of toys segment	**26,291**	22,887
	103,260	81,448

25. TRADE PAYABLES (continued)

Trade payables from Financial services segment

	At 31 March 2022 HK$'000	At 31 March 2021 HK$'000
Accounts payable arising from the ordinary course of business of securities brokerage and margin financing:		
– Cash clients	**44,563**	42,101
– Margin clients	**46**	47
– Brokers and clearing house	**32,360**	16,413
	76,969	58,561

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 2022, included in trade payable was an amount of approximately HK$44,609,000 (2021: HK$42,146,000) 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 2022 HK$'000	At 31 March 2021 HK$'000
Current to 30 days	**18,524**	17,527
31 to 60 days	**4,269**	3,334
61 to 90 days	**2,952**	2,018
91 to 365 days	**546**	8
	26,291	22,887

26. RECEIPTS IN ADVANCE, ACCRUALS AND OTHER PAYABLES

	At 31 March	
	2022	2021
	HK$'000	HK$'000
Accruals	**3,196**	2,979
Other payables	**1,531**	2,371
	4,727	5,350

27. INTEREST-BEARING BANK BORROWINGS

	At 31 March	
	2022	2021
	HK$'000	HK$'000
Current		
Secured		
– bank loans due for repayment within one year	**16,007**	–

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

i) An investment property of the Group with aggregate net book value of HK$7,000,000 (2021: HK$6,600,000) (note 17);

ii) The corporate guarantee from the Company's subsidiary, which is Qualiman Industrial Co. Limited (2021: 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 2022, 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 2022, none of the covenants relating to drawn down facilities had been breached (2021: Nil).

28. LEASE LIABILITIES

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

	At 31 March	
	2022	2021
	HK$'000	HK$'000
Analysed for reporting purpose as:		
Current liabilities	**2,087**	5,398
Non-current liabilities	**–**	2,080
	2,087	7,478

Movement of lease liabilities during the year:

	2022	2021
	HK$'000	HK$'000
Leased premises		
At 1 April	**7,478**	5,543
Additions	**–**	10,574
COVID-19-related rent concessions *(note)*	**–**	(668)
Interest expense	**408**	618
Lease payments	**(5,799)**	(8,589)
At 31 March	**2,087**	7,478

Note:

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, 2022		As at 31 March, 2021	
	Minimum lease payments HK$'000	**Present value of minimum lease payments HK$'000**	Minimum lease payments HK$'000	Present value of minimum lease payments HK$'000
Within one year	**2,106**	**2,087**	5,799	5,398
Within a period of more than one year but no more than two years	**–**	**–**	2,106	2,080
	2,106	**2,087**	7,905	7,478
Less: future interest expenses	**(19)**		(427)	
Present value of lease liabilities	**2,087**	**2,087**	7,478	7,478
Less: Amounts due for settlement within twelve months (shown under current liabilities)		**(2,087)**		(5,398)
Amounts due for settlement after twelve months (shown under non-current liabilities)		**–**		(2,080)

The Group discounted the lease liabilities at the weighted average incremental borrowing rate of 8.81% for the year ended 31 March 2022 (2021: 8.81%).

29. PROMISSORY NOTES PAYABLE

On 11 May 2020, the Group entered into an agreement with Benefit Global Limited, an independent third party pursuant to which the Group issued a promissory note (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

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 2022, 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:

	At 31 March	
	2022	2021
	HK$'000	HK$'000
At 1 April	**25,999**	22,174
Effective interest expense	**8,005**	5,954
Interest paid	**(2,400)**	(2,129)
At 31 March	**31,604**	25,999

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31. SHARE CAPITAL

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

	2022 Number of shares	2022 HK$'000	2021 Number of shares	2021 HK$'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 1 April 2020	418,769	(190,299)	52,255	33,841	314,566
Lapse of share options	–	288	(288)	–	–
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 and 1 April 2021	**418,769**	**(196,664)**	**51,967**	**17,825**	**291,897**
Lapse of share options	**–**	**287**	**(287)**	**–**	**–**
Loss and total comprehensive income for the year	**–**	**(93,689)**	**–**	**–**	**(93,689)**
At 31 March 2022	**418,769**	**(290,066)**	**51,680**	**17,825**	**198,208**

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 2022:

		Number of share options				
	Exercise price *(note 1)*	Balance as at 1 April 2021 *(note 1)*	Lapsed during the year	Balance as at 31 March 2022	Date of grant of share options	Exercisable periods of share options
Executive Directors						
– Lau Ho Ming, Peter	HK$1.02	4,000,000	–	**4,000,000**	3 July 2015	3 July 2015 to 2 July 2025
– Ng Kam Seng *(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
– Poon Pak Ki, Eric	HK$1.02	5,400,000	–	**5,400,000**	3 July 2015	3 July 2015 to 2 July 2025
	HK$0.748	7,500,000	–	**7,500,000**	24 March 2016	24 March 2016 to 23 March 2026
– Chu, Raymond	HK$0.748	12,847,800	–	**12,847,800**	24 March 2016	24 March 2016 to 23 March 2026
Non-executive Directors						
– Li Man Yee, Stella	HK$1.02	1,400,000	–	**1,400,000**	3 July 2015	3 July 2015 to 2 July 2025
– Wang Zhao *(Note 2)*	HK$1.02	1,400,000	–	**1,400,000**	3 July 2015	3 July 2015 to 2 July 2025

33. EQUITY SETTLED SHARE-BASED PAYMENTS (continued)

Set out below are details of movements of the outstanding share options granted under the Share Option Scheme during the year ended 31 March 2022: (continued)

	Exercise price *(note 1)*	Number of share options: Balance as at 1 April 2021 *(note 1)*	Lapsed during the year	Balance as at 31 March 2022	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	36,203,800	(800,000)	**35,403,800**	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		**130,271,600**	**(800,000)**	**129,471,600**		

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 on 27 November 2015.*

3. *Mr. Ng Kam Seng resigned as executive Director on 1 January 2020 and was re-appointed as an executive Director on 1 May 2021.*

There was no equity settled share-based payment expenses incurred for each of the reporting period ended on 31 March 2022 and 2021 respectively.

The following share options were outstanding during the year:

	2022		2021	
	Weighted average exercise price per share $	**Number of options**	Weighted average exercise price per share $	Number of options
At 1 April	**0.84**	**130,271,600**	0.84	131,071,600
Lapsed during the year	**0.86**	**(800,000)**	0.86	(800,000)
At 31 March	**0.84**	**129,471,600**	0.84	130,271,600

The weighted average share price at the date of exercise of options exercised during the year ended 31 March 2022 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 3.71 years (2021: 4.71 years).

Of the total number of share options outstanding as at 31 March 2022, no share option had not been vested and were not exercisable (2021: 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 2020, 31 March 2021 and 2022	**(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 (2021: 100)	–	British Virgin Islands/Investment holding
Crosby Asia Limited	British Virgin Islands, 23 April 2015	1 ordinary share of US$1 each	100 (2021: 100)	–	British Virgin Islands/Investment holding
Fortunate Tranquil Limited	British Virgin Islands, 18 January 2018	1 ordinary share of US$1 each	100 (2021: 100)	–	British Virgin Islands/Investment holding
Qualiman Industrial Co. Limited	Hong Kong, 14 November 1996	Ordinary shares of HK$1,000,000	–	100 (2021: 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	–	100 (2021: 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	–	100 (2021: 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 (2021: 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.

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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**	
		2022	2021
		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**	2,256

(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	
	2022	2021
	HK$'000	HK$'000
Salaries, allowances and benefits in kind	**11,353**	10,484
Discretionary bonus	**2,960**	2,919
Contribution to defined contribution plans	**304**	238
	14,617	13,641

37. CONTINGENT LIABILITIES

The Group did not have any contingent liabilities as at 31 March 2022 (2021: 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 2022, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	At 31 March	
	2022	2021
	HK$'000	HK$'000
Within one year	**202**	186

39. CAPITAL COMMITMENTS

As at 31 March 2022, the Group did not have any capital commitments (2021: 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 2022					
Type of financial assets					
Trade receivables from HKSCC	**–**	**–**	**–**	**–**	**–**
At 31 March 2021					
Type of financial assets					
Trade receivables from HKSCC	2	(2)	–	–	–

	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 2022					
Type of financial liabilities					
Trade payables from HKSCC	**25,082**	**–**	**25,082**	**(402)**	**24,680**
At 31 March 2021					
Type of financial liabilities					
Trade payables from HKSCC	1,494	(2)	1,492	(392)	1,100

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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	
	2022	2021
	HK$'000	HK$'000
Financial assets at amortised cost:		
Trade receivables	**88,034**	62,771
Deposits and other receivables	**5,213**	1,703
Statutory deposit for financial service business	**402**	392
Pledged bank deposits	**31,097**	30,985
Time deposits	**–**	19,355
Cash and bank balances held on behalf of customers	**44,609**	42,146
Cash and cash equivalents	**29,383**	48,214
	198,738	205,566

Financial liabilities

	At 31 March	
	2022	2021
	HK$'000	HK$'000
Financial liabilities measured at amortised cost:		
Trade payables	**103,260**	81,448
Accruals and other payables	**4,727**	5,350
Convertible notes	**31,604**	25,999
Promissory notes payable	**25,000**	25,000
Interest-bearing bank borrowings	**16,007**	–
Lease liabilities	**2,087**	7,478
	182,685	145,275

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 2022, 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 recognized.

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 service, 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, 31 days 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 2022, the trade receivables from the five largest debtors represented 99% (2021: 91%) of the total trade receivables, while the largest debtor represented 78% (2021: 46%) 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 2022, 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 are disclosed in notes 21, 22, 23 and 24 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 year but within 3 years HK$'000	Total contractual amount HK$'000	Carrying amount HK$'000
31 March 2022					
Trade payables	**103,260**	**–**	**–**	**103,260**	**103,260**
Accruals	**3,196**	**–**	**–**	**3,196**	**3,196**
Other payables	**1,531**	**–**	**–**	**1,531**	**1,531**
Convertible notes	**2,610**	**40,270**	**–**	**42,880**	**31,604**
Promissory notes	**25,274**	**–**	**–**	**25,274**	**25,000**
Interest-bearing borrowings	**16,007**	**–**	**–**	**16,007**	**16,007**
Lease liabilities	**2,106**	**–**	**–**	**2,106**	**2,087**
	153,984	**40,270**	**–**	**194,254**	**182,685**

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	Over 2 year 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

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, promissory notes payable in note 29, 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	
	2022 HK$'000	2021 HK$'000
Debt	**72,611**	50,999
Equity	**198,710**	293,084
Debt to equity ratio	**36.5%**	17.4%

43. COMPANY STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2022

	Notes	At 31 March 2022 HK$'000	2021 HK$'000
CURRENT ASSETS			
Amounts due from subsidiaries		**266,535**	347,749
Prepayments		**339**	330
Cash and cash equivalents		**1,202**	823
Total current assets		**268,076**	348,902
CURRENT LIABILITIES			
Accruals		**1,845**	1,829
Amount due to a related company		**11,132**	3,890
Promissory notes		**25,000**	25,000
Total current liabilities		**37,977**	30,719
NET CURRENT ASSETS		**230,099**	318,183
TOTAL ASSETS LESS CURRENT LIABILITIES		**230,099**	318,183
NON-CURRENT LIABILITY			
Convertible notes		**31,604**	25,999
NET ASSETS		**198,495**	292,184
EQUITY			
Share capital	*31*	**287**	287
Reserves	*32*	**198,208**	291,897
TOTAL EQUITY		**198,495**	292,184

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 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 and 1 April 2021	**7,478**	**–**	**25,999**	**25,000**
Changes from cash flows:				
Repayment of bank borrowings	**–**	**(359,050)**	**–**	**–**
Proceeds from borrowings	**–**	**375,057**	**–**	**–**
Interest paid	**(408)**	**(853)**	**(2,400)**	**(2,500)**
Repayment of principal portion of the lease liabilities	**(5,391)**	**–**	**–**	**–**
Total changes from financing cash flows:	**(5,799)**	**(15,154)**	**(2,400)**	**(2,500)**
Other changes:				
Interest expenses	**408**	**853**	**8,005**	**2,500**
Total other changes	**408**	**853**	**8,005**	**2,500**
At 31 March 2022	**2,087**	**16,007**	**31,604**	**25,000**

45. SUBSEQUENT EVENT

On 3 May 2022, the Group acquired 52% equity interest in Ballas Group Limited at a consideration of US$52. Ballas Group Limited principally engaged in corporate finance services.

On 20 May 2022, the maturity date of the 2020 PN has been extended to 11 May 2023 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				
	2022	2021	2020	2019	2018
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
REVENUE	**448,655**	485,788	413,297	624,214	775,990
Cost of sales	**(394,217)**	(414,200)	(348,655)	(539,830)	(667,655)
	12.13%	14.74%	15.64%	13.52%	13.96%
Gross profit	**54,438**	71,588	64,642	84,384	108,335
Other income, gains and losses	**2,524**	2,716	5,598	8,891	13,539
Selling expenses	**(10,925)**	(11,227)	(10,368)	(15,311)	(24,585)
Administrative expenses	**(80,048)**	(74,926)	(75,639)	(81,727)	(109,610)
Impairment loss on goodwill	**(48,513)**	(10,696)	(43,905)	–	–
Impairment loss on intangible assets	**–**	–	–	–	(11,728)
Finance costs	**(11,766)**	(11,646)	(26,770)	(24,439)	(19,384)
(LOSS) BEFORE INCOME TAX EXPENSE	**(94,290)**	(34,191)	(86,442)	(28,202)	(43,433)
Income tax expense	**(84)**	(1,437)	(1,220)	(7,585)	(3,736)
(LOSS) FOR THE YEAR	**(94,374)**	(35,628)	(87,662)	(35,787)	(47,169)

ASSETS AND LIABILITIES

	As at 31 March				
	2022	2021	2020	2019	2018
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
TOTAL ASSETS	**381,507**	438,842	477,778	608,733	649,077
TOTAL LIABILITIES	**(182,797)**	(145,758)	(166,891)	(209,751)	(219,346)
	198,710	293,084	310,887	398,982	429,731