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 RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 MARCH 2023

FINANCIAL HIGHLIGHTS

- Total revenue for the year ended 31 March 2023 (the "**Current Year**") was approximately HK$341.8 million, representing a decrease of approximately HK$106.9 million or 23.8% from approximately HK$448.7 million for the year ended 31 March 2022 (the "**Previous Year**").

- Revenue from the Toy Division for the Current Year was approximately HK$330.6 million decreased by approximately HK$85.1 million or 20.5% from the Previous Year of approximately HK$415.7 million, whereas revenue from the Financial Services Division was approximately HK$11.2 million for the Current Year, representing a decrease by approximately HK$21.8 million or 66.1%.

- Gross profit for the Current Year was approximately HK$44.9 million, representing a decrease of approximately HK$9.5 million or 17.5% from approximately HK$54.4 million for the Previous Year.

* *For identification purpose only*

- The Group's net loss for the Current Year amounted to approximately HK$72.3 million, as compared to a net loss of approximately HK$94.4 million for the Previous Year, representing a decrease in the Group's net loss of approximately HK$22.1 million or 23.4%. Such decrease was mainly due to:

  - ➢ a decrease in selling expenses of about HK$3.4 million from the Toy Division as a result of decreased sales in the Current Year;

  - ➢ a decrease in impairment loss on goodwill of approximately HK$12.4 million in the Financial Services Division;

  - ➢ a decrease in administrative expenses of about HK$18.4 million as a result of a decrease in consultancy fees paid to the portfolio managers of the Financial Services Division; a decrease in the staff costs arising from salaries of the Group of approximately HK$3.6 million in the Current Year; and the absence of 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 for the Previous Year

  which was partially offset by:

  - ➢ a decrease in gross profit of the Group of approximately HK$9.5 million in the Current Year;

  - ➢ an increase in the expenses attributable to the consolidation of the expenses of the newly acquired Ballas Group Limited and its subsidiary ("**Ballas**") during the Current Year of approximately HK$6.1 million (nil for the Previous Year);

  - ➢ provision for expected credit loss of approximately HK$2.2 million made for clients of the Financial Services Division for the Current Year (nil for the Previous Year); and

  - ➢ the absence of the fair value change on investment property in the Current Year of approximately HK$0.4 million for the Previous Year.

- The Board does not recommend the payment of final dividend for the year ended 31 March 2023

The board (the "**Board**") of directors (the "**Directors**") of Quali-Smart Holdings Limited (the "**Company**") is pleased to present the audited consolidated financial results of the Company and its subsidiaries (collectively referred to as the "**Group**") for the year ended 31 March 2023 together with the comparative audited figures for the preceding financial year in this announcement.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Year ended 31 March	
		2023	2022
	Notes	***HK$'000***	*HK$'000*
Revenue	6	**341,801**	448,655
Cost of sales		**(296,867)**	(394,217)
Gross profit		**44,934**	54,438
Other income, gains and losses	7	**3,000**	2,524
Selling expenses		**(7,521)**	(10,925)
Administrative expenses		**(61,648)**	(80,048)
Impairment loss on goodwill	8	**(36,161)**	(48,513)
Impairment losses recognised on trade receivables		**(2,150)**	–
Finance costs	9	**(12,709)**	(11,766)
Loss before income tax expense	8	**(72,255)**	(94,290)
Income tax expense	10	**(66)**	(84)
LOSS AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**(72,321)**	(94,374)
Loss and total comprehensive income attributable to:			
Owners of the Company		**(72,321)**	(94,374)
Non-controlling interests		**–**	–
		(72,321)	(94,374)
LOSS PER SHARE ATTRIBUTABLE TO THE OWNERS OF THE COMPANY	12		
– Basic and diluted (HK cents)		**(4.91)**	(6.40)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		At 31 March	
		2023	2022
	Notes	***HK$'000***	*HK$'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**7,790**	6,053
Investment property		**–**	7,000
Right-of-use assets		**6,091**	1,980
Goodwill	13	**45,508**	81,669
Intangible assets	14	**568**	568
Statutory deposit for financial service business		**383**	402
Deposits		**376**	376
Total non-current assets		**60,716**	98,048
CURRENT ASSETS			
Inventories	15	**51,727**	82,829
Trade receivables	16	**38,354**	88,034
Prepayments, deposits and other receivables		**2,660**	6,403
Tax receivables		**–**	1,104
Cash and bank balances held on behalf of customers		**28,471**	44,609
Pledged bank deposits		**–**	31,097
Cash and cash equivalents		**61,948**	29,383
Total current assets		**183,160**	283,459
CURRENT LIABILITIES			
Trade payables	17	**54,764**	103,260
Accruals and other payables		**4,169**	4,727
Interest-bearing bank borrowings	18	**–**	16,007
Lease liabilities		**4,505**	2,087
Promissory notes payable	19	**–**	25,000
Convertible notes	20	**39,036**	–
Total current liabilities		**102,474**	151,081
NET CURRENT ASSETS		**80,686**	132,378
TOTAL ASSETS LESS CURRENT LIABILITIES		**141,402**	230,426

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

		At 31 March	
		2023	2022
	Notes	***HK$'000***	*HK$'000*
NON-CURRENT LIABILITIES			
Convertible notes	20	**–**	31,604
Amount due to non-controlling interests		**13,041**	–
Lease liabilities		**1,719**	–
Deferred tax liabilities		**178**	112
Total non-current liabilities		**14,938**	31,716
NET ASSETS		**126,464**	198,710
EQUITY			
Share capital	21	**287**	287
Reserves		**126,102**	198,423
		126,389	198,710
Non-controlling interests		**75**	–
Total equity		**126,464**	198,710

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital	Share premium	Property revaluation reserve	Other reserve	Share option reserve	Convertible notes equity reserve	Accumulated losses	Total	Non-controlling interests	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 April 2021	287	418,769	6,071	1,000	51,967	17,825	(202,835)	293,084	–	293,084
Lapse of share options	–	–	–	–	(287)	–	287	–	–	–
Loss and total comprehensive income for the year	–	–	–	–	–	–	(94,374)	(94,374)	–	(94,374)
At 31 March 2022 and 1 April 2022	287	418,769	6,071	1,000	51,680	17,825	(296,922)	198,710	–	198,710
Acquisition of a subsidiary	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**75**	**75**
Lapse of share options	**-**	**-**	**-**	**-**	**(23,366)**	**-**	**23,366**	**-**	**-**	**-**
Release of revaluation reserve upon disposal of investment property	**-**	**-**	**(6,071)**	**-**	**-**	**-**	**6,071**	**-**	**-**	**-**
Loss and total comprehensive income for the year	**-**	**-**	**-**	**-**	**-**	**-**	**(72,321)**	**(72,321)**	**-**	**(72,321)**
At 31 March 2023	**287**	**418,769**	**-**	**1,000**	**28,314**	**17,825**	**(339,806)**	**126,389**	**75**	**126,464**

NOTES TO FINANCIAL INFORMATION

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**").

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

(a) Adoption of new/revised HKFRSs – effective 1 April 2023

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 16	Property, Plant and Equipment proceeds before Intended Use
Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Annual Improvements to HKFRSs 2018–2020	– Amendment to HKFRS 1, First time adoption of Hong Kong Financial Reporting Standards – Amendment to HKFRS 9, Financial instruments – Amendment to illustrative examples accompanying HKFRS 16, Leases – Amendment to HKAS 41, Agriculture

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[2]
Amendments to HKAS 1	Non-current Liabilities with Covenants[2]
Hong Kong Interpretation 5 (2020)	Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause (HK Int 5 (2020))[3]
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies[1]
Amendments to HKAS 8	Definition of Accounting Estimates[1]
Amendments to HKAS 12	Deferred tax related to assets and liabilities arising from a single transaction[1]
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture[4]

1 Effective for annual periods beginning on or after January 1, 2023

2 Effective for annual periods beginning on or after January 1, 2024

3 Applied when an entity applies Amendments to HKAS 1 "Classification of liabilities as current or non-current"

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

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 "Classification of liabilities as current or non-current"

The amendments clarify the requirements on determining if a liability is current or non-current, in particular the determination over whether an entity has the right to defer settlement of the liability for at least 12 months after the reporting period. The amendments:

- specify that an entity's right to defer settlement must exist at the end of the reporting period;
- clarify that classification is unaffected by management's intentions or expectations about whether the entity will exercise its right to defer settlement;
- clarify how lending conditions affect classification; and
- clarify the classification of liabilities that will or may be settled by issuing an entity's own equity instruments.

The Directors do not anticipate that the application of the amendments and revision in the future will have an impact on the Group's consolidated financial statements.

Amendments to HKAS 1, Non-current Liabilities with Covenants

The narrow-scope amendments to HKAS 1 Presentation of Financial Statements clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the entity's expectations or events after the reporting date (e.g. the receipt of a waver or a breach of covenant). The amendments also clarify what HKAS 1 means when it refers to the 'settlement' of a liability.

The amendments could affect the classification of liabilities, particularly for entities that previously considered management's intentions to determine classification and for some liabilities that can be converted into equity.

They must be applied retrospectively in accordance with the normal requirements in HKAS 8 Accounting Policies, Changes in Accounting Estimates and Errors.

The Directors do not anticipate that the application of the amendments and revision in the future will have an impact on the Group's consolidated financial statements.

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

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

Hong Kong Interpretation 5 (2020) "Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause (HK Int 5 (2020))"

This interpretation is revised as a consequence of Amendments to HKAS 1 Classification of Liabilities as Current or Non-current issued in August 2020, to align the corresponding wordings with no change in conclusion. The Amendments to HKAS 1 clarify how to classify debt and other liabilities as current or non-current but do no change the existing requirements. In particular, the Amendments to HKAS 1 clarify that an entity's right to defer settlement as described in paragraph 69(d) of HKAS 1 must exist at the end of the reporting period and delete the word "unconditional" from the classification principle in that paragraph.

The Directors do not anticipate that the application of the amendments and revision in the future will have an impact on the Group's consolidated financial statements.

Amendments to HKAS 1 and HKFRS Practice Statement 2, "Disclosure of accounting policies"

The amendments seek to promote improved accounting policy disclosures that provide more useful information to investors and other primary users of the financial statements.

Apart from clarifying that entities are required to disclose their "material" rather than "significant" accounting policy, the amendments provide guidance on applying the concept of materiality to accounting policy disclosures.

The Directors do not anticipate that the application of the amendments and revision in the future will have an impact on the Group's consolidated financial statements.

Amendments to HKAS 8, "Definition of Accounting Estimates"

The amendments clarify the distinction between changes in accounting policies and changes in accounting estimates. Among other things, the amendments now define accounting estimates as monetary amounts in financial statements that are subject to measurement uncertainty, and clarify that the effects of a change in an input or a measurement technique used to develop an accounting estimate are changes in accounting estimates unless they result from the correction of prior period errors.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023. Earlier application is permitted. Entities are required to apply the amendments prospectively to changes in accounting estimates and changes in accounting policies occurring on or after the beginning of the first annual reporting period in which the entity applies the amendments.

The Directors do not anticipate that the application of the amendments and revision in the future will have an impact on the Group's consolidated financial statements.

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

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

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

The amendments narrow the scope of the recognition exemption in paragraphs 15 and 24 of HKAS 12 so that it does not apply to such transactions as leases and decommissioning provisions that, on initial recognition, give rise to equal taxable and deductible temporary differences. Consequently, entities will need to recognise a deferred tax asset and a deferred tax liability for temporary differences arising on these transactions.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023. Earlier application is permitted. Entities should apply the amendments to transactions that occur on or after the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to retained earnings or other components of equity at that date.

The Directors do not anticipate that the application of the amendments and revision in the future will have an impact on the Group's consolidated financial statements.

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

The amendments introduce new requirements on loss of control over assets in a transaction with an associate or joint venture. These requirements require the full gain to be recognised when the assets transferred meet the definition of a "business" under HKFRS 3, Business combination.

The amendments as originally issued had an effective date of annual periods beginning on or after 1 January 2016. In December 2015, the IASB Board decided to remove the effective date of the equivalent amendments to IFRS 10 and IAS 28 and indicated that the effective date will be determined when its research project on equity accounting is completed. The HKICPA followed the IASB Board's decision and indefinitely deferred the effective date of the amendments to HKFRS 10 and HKAS 28 accordingly.

The Directors do not anticipate that the application of the amendments and revision 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 HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**").

(b) Basis of measurement

The consolidated financial statements have been prepared under the historical cost basis, except for investment property, which is measured at fair value 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.

5. OPERATING SEGMENT INFORMATION

The Group determines its operating segments based on the information reported to Chief Executive Officer, being the chief operating decision-maker that are used to make strategic decisions. The chief operating decision-maker considers the business primarily on the assessment of operating performance in each operating unit, which is the basis upon which the Group is organised. Each operating unit is distinguished based on types of goods or services delivered or provided. The following summary describes the operations in each of the Group's reportable segments:

– Manufacturing and sales of toys; and

– Securities brokerage, securities margin financing, investment advisory, corporate finance and asset management services ("**Financial services**").

(a) Reportable segments

Management assesses the performance of the operating segments based on the measurement of segment results which represents the net of revenues, other income, gains and losses, costs and expenditures directly attributable to each operating segment. Central administrative cost is not allocated to the operating segment as it is not included in the measurement of the segment results that are used by the chief operating decision-marker for assessment of segment performance. The following is an analysis of the Group's revenue and results by reporting segment for the year:

Segment revenue and results

	Manufacturing and sales of toys *HK$'000*	**Financial services** *HK$'000* *(note(b))*	**Total** *HK$'000*
For the year ended 31 March 2023			
External revenue	**330,600**	**11,201**	**341,801**
Segment profit/(loss)	**2,131**	**(59,492)**	**(57,361)**
Central administrative cost *(note(a))*			**(3,879)**
Gain on bargaining purchase			**81**
Finance cost			**(11,096)**
Loss before income tax expense			**(72,255)**

5. OPERATING SEGMENT INFORMATION (Continued)

(a) Reportable segments (Continued)

	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)
Central administrative cost *(note(a))*			(3,686)
Finance cost			(10,505)
Loss before income tax expense			(94,290)

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 2023 includes an impairment loss on goodwill of approximately HK$36,161,000 (2022: HK$48,513,000).

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.

5. 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	
	2023	2022
	HK$'000	*HK$'000*
Manufacturing and sales of toys	**89,030**	148,908
Financial services	**92,899**	202,111
Total segment assets	**181,929**	351,019
Unallocated	**61,947**	30,488
Consolidated assets	**243,876**	381,507

Segment liabilities

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

	At 31 March	
	2023	2022
	HK$'000	*HK$'000*
Manufacturing and sales of toys	**20,190**	43,515
Financial services	**56,530**	80,719
Total segment liabilities	**76,720**	124,234
Unallocated	**40,692**	58,563
Consolidated liabilities	**117,412**	182,797

5. 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 2023

	Manufacturing and sales of toys *HK$'000*	**Financial services** *HK$'000*	**Total** *HK$'000*
Additions to property, plant and equipment	**5,577**	**155**	**5,732**
Additions to right-of-use assets	**–**	**8,921**	**8,921**
Depreciation of property, plant and equipment	**(3,880)**	**(61)**	**(3,941)**
Depreciation of right-of-use assets	**–**	**(5,599)**	**(5,599)**
Impairment loss on goodwill	**–**	**(36,161)**	**(36,161)**
Interest expenses	**(1,264)**	**(350)**	**(1,614)**

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)

5. 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	
	2023	2022
	HK$'000	*HK$'000*
North America *(note 1)*	**187,651**	248,466
Western Europe		
– United Kingdom	**17,674**	32,493
– France	**14,937**	24,380
– Others *(note 2)*	**39,689**	51,693
People's Republic of China ("**PRC**") and Taiwan	**5,136**	10,883
Central America, Caribbean and Mexico	**31,120**	16,545
Australia, New Zealand and Pacific Islands	**11,206**	14,197
Others *(note 3)*	**34,388**	49,998
Total	**341,801**	448,655

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, Southeast Asia and South America*

5. **OPERATING SEGMENT INFORMATION (Continued)**

(b) Geographical information (Continued)

(ii) Specified non-current assets

	At 31 March	
	2023	2022
	HK$'000	*HK$'000*
Mainland China, the PRC	**7,598**	5,917
Hong Kong	**52,359**	91,353
Total	**59,957**	97,270

(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	
	2023	2022
	HK$'000	*HK$'000*
Customer A	**273,628**	246,343
Customer B*	**N/A**	83,872
Customer C*	**N/A**	51,319
Total	**273,628**	381,534

* The customers contributed less than 10% of the Group revenue during the year ended 31 March 2023.

5. OPERATING SEGMENT INFORMATION (Continued)

(d) Disaggregation of revenue from contracts with customers

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

	Manufacturing and sales of toys segment		Financial services segment		Total	
	Year ended 31 March					
	2023	2022	**2023**	2022	**2023**	2022
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Timing of revenue recognition under HKFRS 15						
– At a point in time	**330,600**	415,660	**7,554**	6,287	**338,154**	421,947
– Over time	**–**	–	**3,647**	26,708	**3,647**	26,708
Total	**330,600**	415,660	**11,201**	32,995	**341,801**	448,655

6. 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	
	2023	2022
	HK$'000	*HK$'000*
Manufacturing and sales of toys	**330,600**	415,660
Financial services		
– Commission income from securities brokerage	**499**	589
– Income from placing and underwriting services	**–**	1,376
– Advisory income and consultancy services income`	**9,454**	26,708
– Handling fee income and other services income	**1,248**	4,322
Total	**341,801**	448,655

7. OTHER INCOME, GAINS AND LOSSES

	Year ended 31 March	
	2023	2022
	HK$'000	*HK$'000*
Other income		
Interest income from bank deposits	**50**	128
Office facilities service income	**45**	–
Moulding income	**194**	232
Rental income	**152**	202
Government grants *(note(a))*	**960**	–
	1,401	562
Other gains and losses		
Exchange gains, net	**543**	726
Property, plant and equipment relocation expenses	**–**	(1,026)
Fair value change on investment property	**–**	400
Gain on proceeds from investment property	**100**	–
Gain on bargain purchase	**81**	–
Waived amounts due to non-controlling interests	**113**	–
Others	**762**	1,862
	1,599	1,962
Other income, gains and losses	**3,000**	2,524

Note:

(a) Included in the amount for year ended 31 March 2023, HK$960,000 represented government grants obtained from Employment Support Scheme("**ESS**") under the Anti-epidemic Fund launched by the Hong Kong SAR Government which had to commit to spend these grants on payroll expenses, and not to reduce employee head count below prescribed levels for a specified period of time. The Company did not have other unfulfilled obligations relating to the program.

8. LOSS BEFORE INCOME TAX EXPENSE

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

	Year ended 31 March	
	2023	2022
	HK$'000	*HK$'000*
Cost of inventories sold	**296,867**	394,217
Depreciation of property, plant and equipment	**3,941**	2,123
Depreciation of right-of-use assets	**5,599**	5,276
Employee benefits expenses:		
Directors' remuneration	**13,534**	11,168
Wages and salaries	**19,378**	21,757
Contribution to defined contribution plans	**598**	650
Other benefits	**112**	149
	33,622	33,724
Auditor's remuneration	**1,545**	1,558
Expense relating to short-term leases	**2,293**	2,256
Impairment loss on goodwill	**36,161**	48,513
Rental income from investing property, less outgoing of HK$15,000 (2022: HK$20,000)	**(137)**	(182)

9. FINANCE COSTS

	Year ended 31 March	
	2023	2022
	HK$'000	*HK$'000*
Interest on:		
– Bank borrowings	**1,270**	853
– Convertible notes	**9,832**	8,005
– Promissory notes	**1,263**	2,500
– Lease liabilities	**344**	408
	12,709	11,766

10. INCOME TAX EXPENSE

For the year ended 31 March 2023, Hong Kong Profits Tax of the selected entity was calculated at 8.25% (2022: 8.25%) of the first HK$2,000,000 estimated assessable profits and 16.5% (2022: 16.5%) of the remaining estimated assessable profits. Hong Kong Profits Tax for the remaining entities within the Group was calculated at 16.5% (2022: 16.5%) of the estimated assessable profits for the year ended 31 March 2023.

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	
	2023	2022
	HK$'000	*HK$'000*
Current – Hong Kong		
Underprovision in prior years	**–**	84
Deferred tax expense	**66**	–
Income tax expense for the year	**66**	84

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	
	2023	2022
	HK$'000	*HK$'000*
Loss before income tax expense	**(72,255)**	(94,290)
Tax at the applicable tax rate of 16.5% (2022: 16.5%)	**(11,922)**	(15,558)
Tax effect of revenue not taxable for tax purposes	**(157)**	(212)
Tax effect of expenses not deductible for tax purposes	**9,700**	11,037
Tax effect of tax loss not recognised	**3,295**	5,717
Tax effect of temporary difference not recognised	**(850)**	(984)
Underprovision in prior years	**–**	84
Income tax expense	**66**	84

No deferred tax asset has been recognised in respect of the unused tax losses of HK$234,022,000 (2022: HK$214,052,000) due to the unpredictability of future profit streams. The unused tax losses can be carried forward indefinitely.

11. DIVIDENDS

No dividend was paid or proposed during the year ended 31 March 2023, nor has any dividend been proposed since the end of the reporting period (2022: HK$ Nil).

12. 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	
	2023	2022
	HK$'000	*HK$'000*
Loss		
Loss for the year attributable to the owners of the Company	**(72,321)**	(94,374)
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 2023 of approximately HK$72,321,000 (2022: HK$94,374,000), and on the weighted average number of 1,474,232,000 (2022: 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 2023 (2022: 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 2023 (2022: anti-dilutive).

13. 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 2021, 31 March 2022 and **31 March 2023**	**184,783**
Impairment	
At 1 April 2021	(54,601)
Impairment loss	(48,513)
At 31 March 2022 and 1 April 2022	(103,114)
Impairment loss	(36,161)
At 31 March 2023	**(139,275)**
Carrying amount	
At 31 March 2023	**45,508**
At 31 March 2022	81,669

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.

13. GOODWILL (Continued)

As at 31 March 2023, 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 12.53% (2022: 10.61%) estimated by the management. Growth rate used to extrapolate the cash flows beyond the five-year budget plan is 3% (2022: 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 a material deterioration in placing and underwriting commission of CSL in the financial year ended 31 March 2023 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 whereas (iii) more positive 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$49,000,000 (2022: HK$81,000,000), which is lower than its carrying amount of approximately HK$85,161,000. Accordingly, impairment loss on goodwill of approximately HK$36,161,000 (2022: HK$47,767,000) was recognised for the year ended 31 March 2023 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 taxes ("**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 2023	At 31 March 2022
Budgeted EBIT margin (average of next five years)	**7.2%**	5.3%
Range of budgeted EBIT margin during next five years	**-5.3% to 16.1%**	-4.9% to 15.3%
Long-term growth rate	**3%**	3%
Pre-tax discount rate	**12.53%**	9.51%

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$49.0 million (2022: HK$85.2 million) already includes the right-of-use assets related to the existing office lease of the CSL CGU.

As at 31 March 2023, 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 2023, no impairment was provided on goodwill for CAM as the recoverable amount exceeded the carrying amount of the CGU (2022:HK$746,000).

13. GOODWILL (Continued)

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 2023 Range**	At 31 March 2022 Range
Share price changes of the comparable companies	-57% to -74%	-53% to -74%

14. INTANGIBLE ASSETS

	Trading rights, trademarks and website *HK$'000*
Cost:	
At 1 April 2021, 31 March 2022 and **31 March 2023**	**568**
Carrying amount	
At 31 March 2022 and **31 March 2023**	**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 13.

15. INVENTORIES

	At 31 March	
	2023	2022
	HK$'000	*HK$'000*
Raw materials	**21,377**	55,785
Finished goods	**30,350**	27,044
	51,727	82,829

16. TRADE RECEIVABLES

	At 31 March	
	2023	2022
	HK$'000	*HK$'000*
Trade receivables from Financial services segment	**9,949**	36,194
Trade receivables from Manufacturing and sales of toys segment	**28,405**	51,840
	38,354	88,034

Trade receivables from contract customers amounted to HK$62,771,000 as at 1 April 2021.

Trade receivables from Financial services segment

	At 31 March	
	2023	2022
	HK$'000	*HK$'000*
Accounts receivable arising from the ordinary course of business of securities brokerage:		
– Cash clients	**1,261**	25,143
– Clearing house	**47**	–
Accounts receivable arising from the ordinary course of business of provision of:		
– Placing commission	**9,890**	9,890
– Advisory services	**901**	1,161
	12,099	–
Less: Provision of expected credit loss	**(2,150)**	–
	9,949	36,194

16. TRADE RECEIVABLES (Continued)

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

	At 31 March	
	2023	2022
	HK$'000	*HK$'000*
Not past due	**667**	25,143
Less than 1 month past due	**1,176**	1,161
Over 3 months past due	**8,106**	9,890
	9,949	36,194

Note:

a) The settlement terms of trade receivables arising from the ordinary course of business of dealing in securities from cash clients and clearing house are one or two days after the respective trade date. All of the trade receivables which were over 3 months past due, had been subsequently settled as of the date of this announcement.

b) 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.

In the view of the fact that those receivables related to a number of diversified cash clients, clearing house and issues clients, 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 the year ended 31 March 2022.

As at 31 March 2023, included in the Group's trade receivables balance were debtors with aggregate carrying amount HK$8,106,000 which was past due over 3 months and was considered as credit-impaired. ECL of HK$2,150,000 was then recognised during the year ended 31 March 2023. For the remaining receivables related to cash clients, clearing house and issues clients, in the view of 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, the Directors considered the ECL of those balances past due within 90 days was immaterial for the year ended 31 March 2023.

16. TRADE RECEIVABLES (Continued)

Trade receivables from Manufacturing and sales of toys segment

The credit period on sales of toys ranges 30 to 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	
	2023	2022
	HK\$'000	*HK\$'000*
Current to 30 days	**7,671**	9,987
31 to 60 days	**3,152**	8,034
61 to 90 days	**15,745**	27,639
Over 90 days	**1,837**	6,180
	28,405	51,840

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	
	2023	2022
	HK\$'000	*HK\$'000*
Neither past due nor impaired	**26,127**	42,007
Less than 1 month past due	**1,749**	8,368
1 to 3 months past due	**418**	1,079
Over 3 months past due	**111**	386
	28,405	51,840

17. TRADE PAYABLES

	At 31 March	
	2023	2022
	HK\$'000	*HK\$'000*
Trade payables from Financial services segment	35,912	76,969
Trade payables from Manufacturing and sales of toys segment	18,852	26,291
	54,764	103,260

17. TRADE PAYABLES (Continued)

Trade payables from Financial services segment

	At 31 March	
	2023	2022
	HK$'000	*HK$'000*
Accounts payable arising from the ordinary course of business of securities brokerage and margin financing:		
– Cash clients	**28,547**	44,563
– Clearing house	**–**	25,082
– Margin clients	**–**	46
– Brokers	**7,365**	7,278
	35,912	76,969

The settlement terms of trade payables attributable to the business of securities brokerage are one to two days after the respective trade date.

As at 31 March 2023, included in trade payables was an amount of approximately HK$28,471,000 (2022: HK$44,609,000) 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	
	2023	2022
	HK$'000	*HK$'000*
Current to 30 days	**16,495**	18,524
31 to 60 days	**2,068**	4,269
61 to 90 days	**11**	2,952
91 to 365 days	**278**	546
	18,852	26,291

18. INTEREST-BEARING BANK BORROWINGS

	At 31 March	
	2023	2022
	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 nil (2022: HK$7,000,000);

ii) The corporate guarantee from the Company's subsidiary, which is Qualiman Industrial Co. Limited (2022: 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, no demand clause for the total bank borrowings.

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. As at 31 March 2023, none of the covenants relating to drawn down facilities had been breached (2022: Nil).

19. 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 and 10 May 2022, the maturity date has been extended to 11 May 2022 and further extended to 11 May 2023 respectively, under mutual agreement between Benefit Global Limited and the Company. All other terms and conditions of the 2020 PN remain unchanged.

The 2020 PN has been fully repaid on maturity during the year ended 31 March 2023.

20. 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 convertible note issued in 2017. 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 years ended 31 March 2023 and 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:

	Year ended 31 March	
	2023	2022
	HK$'000	*HK$'000*
At 1 April	**31,604**	25,999
Effective interest expense	**9,832**	8,005
Interest paid	**(2,400)**	(2,400)
At 31 March	**39,036**	31,604

	At 31 March	
Analysed for reporting purpose:		
Current	**39,036**	–
Non-Current	**–**	31,604
At 31 March	**39,036**	31,604

21. SHARE CAPITAL

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

	2023		2022	
	Number of shares	***HK$'000***	*Number of shares*	*HK$'000*
Authorised:				
Ordinary shares of US$0.000025 each				
At 1 April and 31 March	**6,000,000,000**	**1,168**	6,000,000,000	1,168
Issued and fully paid:				
Ordinary shares of US$0.000025 each				
At 1 April and 31 March	**1,474,232,000**	**287**	1,474,232,000	287

22. RESERVES

Details of the movements in the reserves of the Group during the year are set out in the consolidated statement of changes in equity.

23. 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.

23. EQUITY SETTLED SHARE-BASED PAYMENTS (Continued)

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;

(3) All outstanding or unexercised share options granted to the grantees shall lapse on 16 March 2019 or 16 March 2024; and

(4) The estimate fair value of share options granted on 17 March 2014 was HK$3,911,000.

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;

(3) All outstanding or unexercised share options granted to the grantees shall lapse on 2 July 2025; and

(4) The estimate fair value of share options granted on 3 July 2015 was HK$25,864,188.

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;

(3) All outstanding or unexercised share options granted to the grantees shall lapse on 23 March 2026; and

(4) The estimated fair value of share options granted on 24 March 2016 was HK$38,068,913.

23. 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 2023:

	Number of share options					
	Exercise price *(note 1)*	**Balance as at 1 April 2022** *(note 1)*	**Lapsed during the year**	**Balance as at 31 March 2023**	**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
– Hau Yiu Por	HK$1.02	5,400,000	–	**5,400,000**	3 July 2015	3 July 2015 to 2 July 2025
	HK$0.748	6,800,000	–	**6,800,000**	24 March 2016	24 March 2016 to 23 March 2026
Non-executive Directors						
– Li Man Yee, Stella	HK$1.02	1,400,000	–	**1,400,000**	3 July 2015	3 July 2015 to 2 July 2025
– Wang Zhao *(Note 2)*	HK$1.02	1,400,000	(1,400,000)	**–**	3 July 2015	3 July 2015 to 2 July 2025

23. 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 2023 (Continued):

		Number of share options				
	Exercise price *(note 1)*	**Balance as at 1 April 2022** *(note 1)*	**Lapsed during the year**	**Balance as at 31 March 2023**	**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	3,200,000	–	**3,200,000**	3 July 2015	3 July 2015 to 2 July 2025
	HK$0.748	28,603,800	(13,547,800)	**15,056,000**	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		129,471,600	(60,867,800)	**68,603,800**		

23. 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

23. 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		

23. EQUITY SETTLED SHARE-BASED PAYMENTS (Continued)

Notes:

1. Upon the share sub-division which became effective on 13 January 2016, pro-rata adjustments have been made to the exercise price and the number of outstanding share options accordingly.

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

3. Mr. Ng Kam Seng was re-appointed as an Executive Director of the Company on 1 May 2021 and resigned on 1 December 2022.

There was no equity settled share-based payment expenses incurred for each of the reporting period ended on 31 March 2023 and 2022 respectively.

The following share options were outstanding during the year:

	2023		2022	
	Weighted average exercise price per share *$*	**Number of options**	Weighted average exercise price per share *$*	Number of options
At 1 April	**0.84**	**129,471,600**	0.84	130,271,600
Lapsed during the year	**0.86**	**(60,867,800)**	0.86	(800,000)
At 31 March	**0.84**	**68,603,800**	0.84	129,471,600

The weighted average share price at the date of exercise of options exercised during the year ended 31 March 2023 was HK$0.84. The exercise price of share options outstanding at the end of the reporting period ranged between HK$0.748 to HK$1.02 (after the share sub-division) and their weighted average remaining contractual life was approximately 2.71 years (2022: 3.71 years).

Of the total number of share options outstanding as at 31 March 2023, no share option had not been vested and were not exercisable (2022: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During the Current Year, our Group's core business remains the manufacture of toys operated under Qualiman Industrial Company Limited (the "**Toy Division**") and the provision of financial services operated under Crosby Asia Limited (the "**Financial Services Division**").

The Current Year was one of the most difficult years faced by the Toy Division. The COVID-19 pandemic (the "**Pandemic**") and the related anti-Pandemic/quarantine measures in the People's Republic of China (the "**PRC**" or "**China**") continued to affect the production and logistics arrangement of the Toy Division for most of the time during the Current Year. On the global front, the prolonged war in Ukraine and the rising interest rates led by the United States of America (the "**United States**" or "**U.S.**") adversely affected global businesses, economies, financial markets and consumer markets. These macro environments, as pointed out extensively in our interim report remain unchanged throughout the Current Year.

The Toy Division

During the Current Year, under the backdrop with the ongoing interest rates rising trend in the U.S., the Mainland China's weak economic environment and the looming inflationary threat around the world causing the general end consumers to carve out significantly on non-necessities spending including toys products, in turn affecting our major customers to reduce their inventory level by increasingly operated under the just-in-time orders placing strategies. With the steady resumption of the global economic activities following the peak phase of the Pandemic, the business of the Toy Division still faced stringent challenge during the Current Year comparing to that in the Previous Year. Hence, the revenue of the Toy Division decreased by approximately 20.5% compared to the Previous Year.

The Financial Services Division

During the Current Year, the Hang Seng Index extended the loss from last year and dropped a further 7.43%, from 22,039 in April, 2022 to 20,400 at the end of March 2023. The total turnover on the Stock Exchange continued to contract every year since the beginning of the pandemic in 2020. The Stock Exchange Main Board's turnover went from an average of 154 billion daily in 2020 to a daily average of 147 billion in 2021 and then down to 120 billion in 2022.

A combination of extended lock downs/quarantines during the Pandemic in both Hong Kong and Mainland China, the systemic crack-down on the technology, education and properties sectors by the Chinese Government which aimed at removing monopolistic behaviours as well as achieving a policy goal of "common prosperity", together with the most aggressive and synchronized monetary policy tightening the U.S. Federal Reserve has deployed in the last 40 years which began in 2022, together, have provided the catalyst to shock and turned the stock market to an extended bearish/winter period. Between March 2022 to March 2023, the U.S. Federal Reserve has raised interest rates nine times.

The stock markets continued to be under tremendous pressure. Since the deployment of the "Three Red-Line Property Developers" policy, a flood of property developers has defaulted on their debts. The knock-on effect of this has pushed even the four largest state-owned Chinese lenders, including Industrial & Commercial Bank of China Ltd. to continue to be priced a around 0.4 times their book value in Hong Kong. This level has only been seen momentarily during the depths of the 2008 credit market crash when investors priced the likes of JPMorgan Chase & Co. and the Bank of America down to similar levels for a few months.

These factors have contributed to the worst extended bear markets in the last 3 decades for both the corporate bond/credit market as well as the equities market in Hong Kong. New corporate bond issues were virtually non-existent in 2022. Separately, the Hang Seng Index traded between earnings multiples of 5 to 9 times in 2022 (compared to over 12 times pre-Pandemic in 2019), which effectively eliminated the incentives of most corporations from raising capital through IPOs. All investment banks, including both international and Mainland based, had to trim staff as no one sees the horizon on the recovery of the primary capital markets. The number of IPOs listed on the Stock Exchange went from 168 in 2019 to 154 in 2020, and down to 98 in 2021 and only 90 in 2022.

As a result, both bonds origination/placing was at a stand still for CSL during the Current Year. The total amount of bonds placed decreased substantially and was entirely related to re-financing and workouts. Separately, much of the IPO projects in the pipeline were postponed due either voluntarily by the company as a result of valuation concerns or the Listing Division of the Stock Exchange being more stringent in their approving process at times of economic downturns. While we continued to work on several fund raising and underwriting projects in the pipeline, no underwriting fee revenue was recorded for the Current Year due to the above reasons.

The investment advisory and management business under the Financial Services Division was also affected by the market downturn mainly in the United States during the Current Year in light of the aggressive rate hikes by the Federal Reserve. The NASDAQ Composite Index dropped 33% in 2022 from 15,832 at the beginning of January 2022 to 10,466 at the end of December 2022. During the same period, the main portfolio managed by the investment advisory and management business also dropped by approximately 31%. The overall performance of the Financial Services Division recorded a drop in revenues of approximately HK$6.5 million or about 42% for the Current Year compared to the Previous Year.

FINANCIAL REVIEW

The Toy Division

The Toy Division's revenue for the Current Year amounted to approximately HK$330.6 million, representing a decrease of about 20.5% over that of the Previous Year of approximately HK$415.7 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 loss of approximately HK$14.7 million for the Previous Year to a segment profit of about HK$2.1 million for the Current Year, which was mainly due to the increase in gross margins of the Toy Division arising from the cost saving measures by reducing in warehouse expenses as well as material costs of the Toy Division.

Revenue from North America decreased by approximately HK$60.8 million or 24.5% from HK$248.5 million for the Previous Year to approximately HK$187.7 million for the Current Year, while revenue from Western Europe decreased by approximately HK$36.3 million or 33.4% from HK$108.6 million for the Previous Year to approximately HK$72.3 million for the Current Year. Sales to customers in Mainland China and Taiwan decreased by approximately HK$5.8 million or 52.8% from approximately HK$10.9 million for the Previous Year to approximately HK$5.1 million for the Current Year. The decrease in revenues from North America region and that of Western Europe was mainly affected by the ongoing gloomy outlook on the U.S. economy and the Western Europe as perceived by the market since its interest rate surge policy, affecting our customers to adopt more prudent and cautious approach in placing orders with us during the Current Year.

The Financial Services Division

Revenue for the Financial Services Division for the Current Year amounted to approximately HK$11.2 million, which decreased by about 66.1% when compared with approximately HK$33.0 million for the Previous Year. This is mainly attributable to a material decrease in investment advisory fee income of about HK$23.1 million or 86.3% over the Previous Year due to poor performance of the stock market and hence the investment portfolio under management during the Current Year. The above decrease in asset management and advisory fee income was partially offset by an increase in corporate finance advisory income of approximately HK$5.6 million or 83.0% over the Previous Year attributable to the inclusion of results of Ballas Group for the Current Year whereas nil for the Previous Year.

Overall, the Financial Services Division recorded a segment loss of approximately HK$59.5 million for the Current Year comparing to approximately HK$65.4 million for the Previous Year, which was comparable to the segment loss of the Previous Year. The segment loss of the Financial Services Division for the Current Year was mainly attributable to (i) the impairment loss of goodwill in relation to the Financial Services Division of about HK$36.2 million in the Current Year, which is further explained in the next paragraph, and (ii) a decrease in revenue contribution from the investment advisory and fund management business by approximately HK$6.5 million.

Impairment Loss on Goodwill

During the preparation of the audited financial statements of the Group for the Current Year, the Directors conducted an assessment of the value-in-use 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$49.0 million as at 31 March 2023, which was less than the carrying value of the CSL CGU of about HK$85.2 million immediately prior to the assessment. Therefore, an impairment loss on goodwill of about HK$36.2 million arising from the CSL CGU was recognised by the Group during the Current Year (2022: HK$47.8 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 12.53%. 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 2023	At 31 March 2022
Budgeted EBIT margin (average of next five years)*	**7.2%**	5.3%
Range of budgeted EBIT margin during next five years*	**-5.32% to 16.14%**	-4.9% to 15.3%
Long-term growth rate	**3%**	3%
Pre-tax discount rate	**12.53%**	9.51%

* 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$49.0 million (2022: HK$85.2 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 Current Year is higher than that used in the Previous Year (i) as 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 accompanied with (ii) the weighting of the cost of equity has increased as the average weighting of the equity component in the capital structure of the comparable companies has increased, thus resulting in a higher 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 Current 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 Current 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 Current 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 mid 2021 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 Previous Year and Current 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 more than 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$3.5 million as at 31 March 2023, which was higher than the carrying value of the CAM CGU of about HK$3.3 million immediately prior to the assessment. Therefore, no impairment loss on goodwill was recognised by the Group during the Current Year (2022: HK$0.7 million).

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 2023. 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 moderate downward share price adjustments among the comparable companies and a new comparable transaction of higher transaction value, this resulted in a higher fair value measurement for the CAM CGU of about HK$3.5 million at 31 March 2023 (2022: HK$3.3 million), thus no impairment loss on goodwill arising from the CAM CGU for the Current Year. The following table illustrates the key assumptions such used for the value-in-use calculations of the CAM CGU:

	At 31 March 2023	At 31 March 2022
Share price changes of the comparable companies	**-57% to -74%**	-53% to -74%

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 Current Year amounted to approximately HK$341.8 million, which represents a decrease of HK$106.9 million or about 23.8% from that for the Previous Year of approximately HK$448.7 million. The decrease in total revenue for the Current Year was mainly attributable to the decrease in revenues from the Toy Division of approximately HK$85.1 million or 20.5% due to a decrease in sales to certain of its top 5 customers, and a decrease in revenues from the Financial Services Division of about HK$21.8 million, or 66.1% over the Previous Year.

Gross Margin

The gross margin of the Toy Division increased significantly from approximately 5.2% for the Previous Year to approximately 10.2% for the Current Year, which was mainly attributable to the cost saving measures on decrease warehouse expenses and the drop in prices of production costs related to materials (primarily related to plastic resin and electronic components) of the Toy Division. The total gross profit of the Group for the Current Year was approximately HK$44.9 million, which decreased by about HK$9.5 million or 17.5% when compared with the Previous Year, which was mainly attributable to decrease in sales to top 5 customers during the Current Year from the Toy Division.

Net Loss

The Group's net loss for the Current Year amounted to approximately HK$72.3 million, as compared to a net loss of approximately HK$94.4 million for the Previous Year, representing a decrease by approximately HK$22.1 million or 23.4%. Such decrease in net loss was mainly due to:

- a decrease in selling expenses of about HK$3.4 million from the Toy Division as a result of decreased sales in the Current Year;

- a decrease in impairment loss on goodwill of approximately HK$12.4 million in the Financial Services Division;

- a decrease in administrative expenses of about HK$18.4 million as a result of a decrease in consultancy fees paid to the portfolio managers of the Financial Services Division; a decrease in the staff costs arising from salaries of the Group of approximately HK$3.6 million in the Current Year; and the absence of 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 for the Previous Year.

which was partially offset by:

- a decrease in gross profit of the Group of approximately HK$9.5 million in the Current Year;

- an increase in the expenses attributable to the consolidation of the expenses of the newly acquired Ballas during the Current Year of approximately HK$6.1 million (nil for the Previous Year);

- provision for expected credit loss of approximately HK$2.2 million made for clients of the Financial Services Division for the Current Year (nil for the Previous Year); and

- the absence of the fair value change on investment property in the Current Year was approximately HK$0.4 million for the Previous Year.

Selling Expenses

Selling expenses mainly consisted of transportation fees and declaration fees for the Toy Division. During the Current Year, selling expenses decreased by 31.2% from approximately HK$10.9 million for the Previous Year to approximately HK$7.5 million for the Current Year which was primarily due to decreased sales for the Toy Division in the Current 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 decreased by approximately HK$18.4 million or 23.0% from approximately HK$80.0 million for the Previous Year to approximately HK$61.6 million for the Current Year as a result of (i) a decrease in consultancy fees paid to the portfolio managers in the Financial Services Division of about HK$18.5 million, (ii) the absence of 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 of the Toy Division for the Previous Year and (iii) a decrease in the staff costs arising from salaries of the Group approximately HK$3.6 million in the Current Year.

Such decrease was partially offset by the increase in expenses attributable to the consolidation of the expenses of the newly acquired Ballas during the Current Year of approximately HK$6.1 million (nil for the Previous Year). Meanwhile, there was a provision for expected credit loss of approximately HK$2.2 million made for clients of the Financial Services Division for the Current Year (Nil for the Previous Year) as the net exposure to us. On 5 May 2022, a client of the Company's Financial Services Division was ordered to be wound up by the Grand Court of the Cayman Islands and the joint official liquidators of this client were appointed. On 27 July 2022, this client was also ordered to be wound up by the High Court of Hong Kong and the official receiver became the provisional liquidator. The provisional liquidator is still in the course of investigating into the financial position of this client, while at the same time also liaising with the joint official liquidators appointed by the Grand Court of the Cayman Islands on the affairs of this client. Based on the latest available information on the financial position of this client, the Company considers that such provision is appropriate at this stage.

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 Current Year, other income, gains and losses increased by approximately HK$0.5 million or 18.9% from approximately HK$2.5 million for the Previous Year to approximately HK$3.0 million. Such increase was mainly attributable to the government grant obtained from the ESS under the Anti-epidemic Fund launched by the HKSAR Government in the Current Year for which was nil for the Previous Year.

Finance Costs

Finance costs mainly consisted of interest on the Group's interest-bearing bank borrowings, factoring arrangement from banks and the effective interest of the 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 9 in this announcement. Finance costs increased by about 8.0% from approximately HK$11.8 million for the Previous Year to approximately HK$12.7 million for the Current Year, which was primarily due to an increase in the effective interest expense of the convertible notes issued by the Company to approximately HK$9.8 million for the Current Year from approximately HK$8.0 million in the Previous Year and an increase in bank borrowing interest to approximately HK$1.3 million for the Current Year from approximately HK$0.9 million in the Previous Year. Such increase was partially offset by a decrease in interest on promissory notes issued in May 2020 as partial settlement of the convertible notes issued in June 2017 of approximately HK$1.2 million from approximately HK$2.5 million in the Previous Year to about HK$1.3 million in the Current Year.

Income Tax Expense

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. Income tax expense decreased by 21.4% from approximately HK$0.08 million for the Previous Year to approximately HK$0.07 million in Current Year.

Inventory

The inventory of the Group decreased by 37.5% to approximately HK$51.7 million as at 31 March 2023 from approximately HK$82.8 million as at 31 March 2022. 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 6.5% from 77.7 days for the Previous Year to 82.7 days for the Current Year arising from slower shipment during the Current Year.

Trade Receivables

Trade receivables from the Toy Division was approximately HK$28.4 million as at 31 March 2023 when compared with approximately HK$51.8 million as at 31 March 2022. The decrease in trade receivables of the Toy Division as at 31 March 2023 was primarily due to decrease in revenues from the Toy Division 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 44.3 days for the Current Year as compared with 41.2 days for the Previous Year.

Trade receivables from the Financial Services Division decreased from approximately HK$36.2 million as at 31 March 2022 to approximately HK$9.9 million at 31 March 2023, which was mainly due to decrease in an outstanding trade settlement receivable from certain client in the ordinary course of business of the Financial Services Division which happened to straddle across the year end as at 31 March 2022, whereas there was no such settlement receivable on 31 March 2023. Of which, such receivables on trade settlement receivable for approximately HK$1.3 million was settled within 2 working days after 31 March 2023 in line with market settlement practice.

Included in the trade receivables, there was a client with outstanding balance of approximately HK$9.4 million attributable to placing commission arising from the ordinary course of business remained outstanding as at 31 March 2023. On 5 May 2022, such client of was ordered to be wound up by the Grand Court of the Cayman Islands and the joint official liquidators of this client were appointed. On 27 July 2022, this client was also ordered to be wound up by the High Court of Hong Kong and the official receiver became the provisional liquidator. The official receiver and the provisional liquidator is still in the course of investigating into the financial position of this client, while at the same time also liaising with the joint official liquidators appointed by the

Grand Court of the Cayman Islands on the affairs of this client. Accordingly, the Group has provided for expected credit loss on this client for approximately HK$2.0 million as net exposure to us with reference to the latest available information on the financial position of this client. As this client has yet to announce more details of its financial position, it is currently unclear how this might affect the recoverability of the trade receivables and the Group will continue to monitor the development of the situation.

Trade Payables

Trade payables from the Toy Division as at 31 March 2022 amounted to approximately HK$26.3 million, which decreased to approximately of HK$18.9 million at 31 March 2023. The decrease was primarily due to the decrease in purchases and costs of service incurred for the Current Year. The trade payables turnover days for the Toy Division for the Previous Year and the Current Year, as calculated by dividing the averaging closing trade payables by the cost of sales from the Toy Division multiplied by 365 days, was 22.8 days and 27.8 days, respectively.

Trade payables from the Financial Services Division as at 31 March 2023 decreased from approximately HK$77.0 million at 31 March 2022 to approximately HK$36.0 million at 31 March 2023, which was mainly due to a decrease 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 2023 in line with market settlement practice.

LIQUIDITY AND FINANCIAL RESOURCES

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

For the Current Year, the Group mainly financed its working capital by internal resources and bank borrowings. As at 31 March 2023, cash and cash equivalents amounted to approximately HK$61.9 million (31 March 2022: HK$29.4 million) and no bank deposits was pledged to secure an undrawn banking facility granted to the Group to facilitate settlement purposes of the Financial Services Division (31 March 2022: HK$31.1 million). The increase in cash and cash equivalents of approximately HK$32.6 million as at 31 March 2023 was mainly due to the release of pledged bank deposits of approximately HK$31.1 million in Financial Services Divisions during the Current Year and the inclusion of cash and cash equivalents of approximately HK$12.0 million attributable to Ballas. As at 31 March 2023, there was nil interest-bearing bank borrowings, compared with approximately of HK$16.0 million as at 31 March 2022. The decrease in interest-bearing bank borrowings was mainly due to early settlement by a major customer of the Toy Division during the Current Year as compared to the Previous

Year and hence reducing the need for the use of bank borrowings by the Toy Division. The debt to equity ratio of the Group, calculated as the ratio of the closing debt balance divided by the closing total equity at end of Current Year, was approximately 30.9% (31 March 2022: 36.5%) which was due to a decrease in bank borrowings and early redemptions of the promissory notes in November 2022. As at 31 March 2023, 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 1.8 (31 March 2022: 1.9).

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

CONVERTIBLE NOTES

The Company issued 6% Convertible Notes with a maturity of three years and outstanding principal amounts of HK$40.0 million (the "**2020 Convertible Notes**") on 11 May 2020 to Benefit Global Limited, an independent third party, for the redemption of part of the outstanding principal of the convertible notes issued in 2017. The 2020 Convertible Notes were unsecured, bear interest at 6% per annum and carried rights to convert the principal amount into shares of the Company at an initial conversion price of HK$0.331 per share. The Company had the option to redeem the 2020 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 2020 Convertible Note were fully utilized as follows:

	(HK$ millions)
Partial redemption of the convertible notes issued in 2017	40
TOTAL	40

Subsequent to the year end, on 16 May 2023, the Company redeemed the 2020 Convertible Notes of HK$40.0 million in principal value with the issuance of a new 6.0% convertible notes due 2026 in the principal amount of HK$9.0 million (the "**2023 Convertible Notes**") and a 10.0% promissory note due 2026 in the principal amount of HK$31.0 million (the "**2023 Promissory Note**").

CHARGE ON ASSETS

As at 31 March 2023, the Group had no charge on assets. (31 March 2022: HK$31.1 million).

CONTINGENT LIABILITIES

As at 31 March 2023, the Group had no contingent liabilities (31 March 2022: Nil).

CAPITAL COMMITMENTS

As at 31 March 2023, there was no material capital commitment of the Group (31 March 2022: 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 2023.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

As at 31 March 2023, the Group did not have any material acquisitions and disposals of subsidiaries and affiliated companies.

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 2023.

FOREIGN CURRENCY EXPOSURES

Substantially all the transactions of the Company's subsidiaries in Hong Kong are carried out in United States dollar ("**US$**") and Hong Kong dollar ("**HK$**"). As HK$ is linked to US$, the Group does not have material exchange rate risk on such currency. During the Current Year, the Group did not enter into any deliverable forward contracts to manage the foreign currency risk arising from fluctuation in exchange rate of the RMB against the US$.

EMPLOYEES AND REMUNERATION POLICY

As at 31 March 2023, the Group had a total of 50 employees (31 March 2022: 48). Total staff costs (excluding equity settled share-based payment expenses to eligible persons other than employees and directors) were approximately HK$34.1 million for the year ended 31 March 2023 (2022: HK$33.7 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

Subsequent to the year end, on 16 May 2023, the Company redeemed the 2020 Convertible Notes with the issuance of the 2023 Convertible Note and the 2023 Promissory Note.

PROSPECTS

While the Pandemic has subsided early 2023, we expect our business will continue to face challenges in this coming year caused by the uncertain U.S. economy and lack of sign of the ending of the war in Ukraine, thus affecting much of the West European market of our Toy Division. Furthermore, our customers adopted more diversified strategies in purchase among regions and adopted more minimal inventory maintenance policies. For the Toy Division to remain competitive, we will focus our efforts in devising strategies in managing our costs, in particular, trimming our production sub-contracting costs and overall operating costs.

The Financial Services Division is especially exposed to the economic and market downturn for its lack of capital. Without fundings, counter cyclical or self-sustaining businesses such as principal trading, financial products, leveraged or margin financings, all of which tend to be less correlated to or could sometimes even benefit from the macro economics or market downturns, are not in the arsenal of options for the Financial Services Division to employ. Under the circumstances, the focuses of Financial Services Division remain at building out the investment advisory and management business, and leveraging the synergy between the sponsoring subsidiary, Ballas Capital Limited, and Crosby Securities' capital markets division in building the IPO deal pipeline.

The private wealth management through the recruitment of contracted seasoned bankers on a fee sharing structure, together with developing and introducing new investment strategies, will continue to be the main driver for the expansion in the assets under management ("**AUM**") of our investment advisory and asset management business. Ultimately, the objective is to reach critical mass in AUM to generate stable management and advisory fee income to provide us with a core recurring income stream to support more lumpy businesses such as underwriting of equity fund raising and origination.

With the successful acquisition of a controlling stake in Ballas Capital Limited on 3 May 2022, the Financial Services Division has the ability to capture both sponsoring as well as takeover code advisory businesses, which together give us a more pivotal position in our existing underwriting and syndication businesses, while at the same time positioned to adapt to Securities and Futures Commissions' newly introduced sponsor coupling regime.

PURCHASE, SALE OF REDEMPTION OF LISTED SECURITIES

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

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

The Company adopted the Corporate Governance Code set out in Appendix 14 (the "**Code**") of the Listing Rules as its own code of corporate governance practice. Throughout the Current Year, the Company has complied with all applicable code provisions under the Code with the exception discussed herein below.

Code C.2.1

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

DIRECTORS' SECURITIES TRANSACTIONS

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

SCOPE OF WORK OF AUDITORS

The financial figures in this announcement have been agreed by the Company's auditor, BDO Limited ("**Auditor**"), to the amounts set out in the Group's audited consolidated financial statements for the Current Year. The work performed by Auditor in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA, and consequently no assurance has been expressed by Auditor on this announcement.

REVIEW OF FINANCIAL STATEMENTS

The audit committee of the Board (the "**Audit Committee**") reviewed the audited consolidated financial statements for the Current Year in conjunction with the Auditor. Based on the review and discussions with management, the Audit Committee was satisfied that the audited consolidated financial statements were prepared in accordance with applicable accounting standards, and fairly presented the Group's financial position and results for the Current Year.

PUBLICATION OF THE ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This announcement is published on the website of the Hong Kong Exchanges and Clearing Limited and the Company at www.hkexnews.hk and www.quali-smart.com.hk respectively. The 2023 Annual Report of the Company containing all information required by the Listing Rules will be published on the above websites and dispatched to the shareholders of the Company about mid July 2023.

By Order of the Board
Quali-Smart Holdings Limited
Lau Ho Ming, Peter
Executive Chairman

Hong Kong, 27 June 2023

As at the date of this announcement, the Board comprises Mr. Lau Ho Ming, Peter (Executive Chairman), Mr. Poon Pak Ki, Eric, Mr. Chu, Raymond and Mr. Hau Yiu Por as executive Directors; Madam Li Man Yee, Stella as non-executive Director; and Mr. Leung Po Wing, Bowen Joseph GBS, JP, Mr. Chan Siu Wing, Raymond and Mr. Wong Wah On, Edward as independent non-executive Directors.