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 2021

FINANCIAL HIGHLIGHTS

- Total revenue for the year ended 31 March 2021 (the "**Current Year**") was approximately HK$485.8 million, representing an increase of approximately 17.5% from approximately HK$413.3 million for the year ended 31 March 2020 (the "**Previous Year**").

- Revenue from the Toy Division for the Current Year increased by approximately HK$72.4 million, or approximately 18.9% from the Previous Year to approximately HK$456.1 million, whereas revenue from the Financial Services Division was approximately HK$29.6 million, which was about the same as in the Previous Year.

- Gross profit for the Current Year was approximately HK$71.6 million, representing an increase of approximately 10.7% from approximately HK$64.6 million for the Previous Year.

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

  ➢ an increase in gross profit of the Group of approximately HK$6.9 million in the Current Year;

  ➢ a decrease in impairment loss on goodwill of approximately HK$33.2 million in the Financial Services Division;

  ➢ a decrease in finance costs of approximately HK$15.1 million primarily due to the decrease in effective interest expense of approximately HK$16.6 million for the convertible notes issued by the Company; and

* *For identification purpose only*

- the absence of loss on the early redemption of the convertible notes in the Current Year when compared with approximately HK$0.9 million for the Previous Year.

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

- a decrease in moulding income in the Toy Division of approximately HK$0.8 million in the Current Year which was recorded in the amount of HK$0.8 million in the Previous Year;

- the absence of gain on disposal of certain property, plant and equipment in the Toy Division in the Current Year which was recorded in the amount of approximately HK$1.1 million in the Previous Year;

- an increase in PPE relocation expenses of approximately HK$1.2 million in the Current Year;

- an increase in selling expenses of approximately HK$0.9 million for the Current Year, primarily attributable to an increase in selling expenses of the Toy Division resulting from an increase in revenue from the Toy Division in the Current Year;

- a decrease in interest income from bank deposits of approximately HK$1.3 million in the Current Year which was recorded in the amount of approximately HK$1.6 million in the Previous Year;

- an increase in interest expense on promissory notes of about HK$2.2 million in the Current which was nil in the Previous Year; and

- an increase in taxation expenses for the Toy Division of approximately HK$0.2 million for the Current Year;

• The Board does not recommend the payment of final dividend for the year ended 31 March 2021.

ANNUAL RESULTS

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 2021 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	
		2021	2020
	Notes	***HK$'000***	*HK$'000*
Revenue	6	**485,788**	413,297
Cost of sales		**(414,200)**	(348,655)
Gross profit		**71,588**	64,642
Other income, gains and losses	7	**2,716**	5,598
Selling expenses		**(11,227)**	(10,368)
Administrative expenses		**(74,926)**	(75,639)
Impairment loss on goodwill	8	**(10,696)**	(43,905)
Finance costs	9	**(11,646)**	(26,770)
Loss before income tax expense	8	**(34,191)**	(86,442)
Income tax expense	10	**(1,437)**	(1,220)
LOSS AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**(35,628)**	(87,662)
LOSS PER SHARE ATTRIBUTABLE TO THE OWNERS OF THE COMPANY	12		
– Basic and diluted (HK cents)		**(2.42)**	(5.95)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		At 31 March	
		2021	2020
	Notes	***HK$'000***	*HK$'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**2,016**	6,951
Investment property		**6,600**	6,700
Right-of-use assets		**7,256**	5,351
Goodwill	13	**130,182**	140,878
Intangible assets	14	**568**	554
Statutory deposit for financial service business		**392**	374
Deposits		**1,484**	3,388
Total non-current assets		**148,498**	164,196
CURRENT ASSETS			
Inventories	15	**84,983**	71,036
Trade receivables	16	**62,771**	65,330
Prepayments, deposits and other receivables		**1,890**	6,996
Promissory notes receivable	19	**–**	4,652
Cash and bank balances held on behalf of customers		**42,146**	43,211
Pledged bank deposits		**30,985**	62,400
Time deposits		**19,355**	–
Cash and cash equivalents		**48,214**	59,957
Total current assets		**290,344**	313,582
CURRENT LIABILITIES			
Trade payables	17	**81,448**	59,207
Accruals and other payables		**5,350**	6,778
Interest-bearing bank borrowings	18	**–**	16,962
Lease liabilities		**5,398**	5,505
Promissory notes payable	19	**25,000**	–
Convertible notes	20	**–**	78,183
Tax payables		**371**	106
Total current liabilities		**117,567**	166,741
NET CURRENT ASSETS		**172,777**	146,841
TOTAL ASSETS LESS CURRENT LIABILITIES		**321,275**	311,037

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

		At 31 March	
		2021	2020
	Notes	***HK$'000***	*HK$'000*
NON-CURRENT LIABILITIES			
Convertible notes	20	**25,999**	–
Lease liabilities		**2,080**	38
Deferred tax liabilities		**112**	112
Total non-current liabilities		**28,191**	150
NET ASSETS		**293,084**	310,887
EQUITY			
Share capital	21	**287**	287
Reserves		**292,797**	310,600
Total equity		**293,084**	310,887

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

NOTES 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 2020

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

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

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

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

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

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

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

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

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

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

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

Amendment to HKFRS 16, COVID-19-Related Rent Concessions (Continued)

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

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

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

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

Amendments to HKFRS 3, Definition of a Business

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

Amendments to HKAS 1 and HKAS 8 Definition of Material

The Group has applied the amendments to HKAS 1 and HKAS 8 for the first time in the current year. The amendments provide a new definition of material that states “information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.” The amendments also clarify that materiality depends on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements taken as a whole.

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

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

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

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

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

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

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

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

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

[1] Effective for annual periods beginning on or after 1 January 2021

[2] Effective for annual periods beginning on or after 1 April 2021

[3] Effective for annual periods beginning on or after 1 January 2022

[4] Effective for business combinations for which the date of acquisition is on or after the beginning of the first annual period beginning on or after 1 January 2022

[5] Effective for annual periods beginning on or after 1 January 2023

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

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)

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

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

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

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

Amendments to HKAS 16, Proceeds before Intended Use

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

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

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

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

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

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 37, Onerous Contracts – Cost of Fulfilling a Contract

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

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

Amendments to HKFRS 3, Reference to the Conceptual Framework

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

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

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

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

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

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

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

Annual Improvements to HKFRSs 2018-2020

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

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

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

3. BASIS OF PREPARATION

(a) Statement of compliance

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and interpretations (hereinafter collectively referred to as the "HKFRSs") issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance ("CO"). In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

(b) Basis of measurement

The consolidated financial statements have been prepared under the historical cost basis, except for investment property, which is measured at fair values as explained in the accounting policies set out below.

(c) Functional and presentation currency

Items included in the financial statements of each of the Company's subsidiaries are measured using the currency of the primary economic environment in which the entity operates. The consolidated financial statements are presented in Hong Kong dollars ("HK$"), which is the functional currency of the Company. All values are rounded to the nearest thousand except when otherwise indicated.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries ("the Group"). Inter-company transactions and balances between group companies together with unrealised profits are eliminated in full in preparing the consolidated financial statements. Unrealised losses are also eliminated unless the transaction provides evidence of impairment on the asset transferred, in which case the loss is recognised in profit or loss.

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

5. OPERATING SEGMENT INFORMATION

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

– Manufacturing and sales of toys; and

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

(a) Reportable segments

Management assesses the performance of the operating segments based on the measurement of segment results which represents the net of revenues, other income, gains and losses, costs and expenditures directly attributable to each operating segment. Central administrative cost are not allocated to the operating segment as they are 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:

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

(a) **Reportable segments (Continued)**

Segment revenue and results

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

5. OPERATING SEGMENT INFORMATION (Continued)

(a) Reportable segments (Continued)

Segment revenue and results (Continued)

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

Notes:

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

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

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

5. OPERATING SEGMENT INFORMATION (Continued)

(a) Reportable segments (Continued)

Segment assets

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

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

Segment liabilities

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

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

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 2021

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

For the year ended 31 March 2020

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

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, promissory notes and deposits (the "**specified non-current assets**") is based on the physical location of the assets in the case of property, plant and equipment.

(i) Revenue from external customers

	Year ended 31 March	
	2021	2020
	HK$'000	*HK$'000*
North America *(note 1)*	**287,785**	236,203
Western Europe		
– United Kingdom	**37,924**	11,889
– France	**24,166**	15,632
– Others *(note 2)*	**50,038**	59,367
PRC and Taiwan	**11,599**	18,265
Central America, Caribbean and Mexico	**15,820**	13,054
Australia, New Zealand and Pacific Islands	**14,797**	13,705
Others *(note 3)*	**43,659**	45,182
Total	**485,788**	413,297

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

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

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

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

(b) **Geographical information (Continued)**

(ii) Specified non-current assets

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

(c) **Information about major customers**

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

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

(d) **Disaggregation of revenue from contracts with customers**

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

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

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

7. OTHER INCOME, GAINS AND LOSSES

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

8. LOSS BEFORE INCOME TAX EXPENSE

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

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

9. FINANCE COSTS

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

10. INCOME TAX EXPENSE

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

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

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

	Year ended 31 March	
	2021	2020
	HK$'000	*HK$'000*
Current – Hong Kong		
Charge for the year	**1,342**	1,229
Under/(over) provision in prior years	**95**	(9)
Income tax expense for the year	**1,437**	1,220

The income tax expense for the year can be reconciled to the loss before income tax expense per the consolidated statement of profit or loss and other comprehensive income as follows:

	Year ended 31 March	
	2021	2020
	HK$'000	*HK$'000*
Loss before income tax expense	**(34,191)**	(86,442)
Tax at the applicable tax rate of 16.5% (2020: 16.5%)	**(5,642)**	(14,263)
Tax effect of revenue not taxable for tax purposes	**(472)**	(198)
Tax effect of expenses not deductible for tax purposes	**5,161**	10,683
Tax effect of tax loss not recognised	**4,015**	6,045
Tax effect of temporary difference not recognised	**(1,555)**	(873)
Tax concession	**(165)**	(165)
Under/(over) provision in prior years	**95**	(9)
Income tax expense	**1,437**	1,220

No deferred tax asset has been recognised in respect of the unused tax losses of HK$179,410,000 (2020: HK$155,080,000) due to the unpredictability of future profit streams. The unused tax losses can be carried forward indefinitely.

11. DIVIDENDS

No dividend was paid or proposed during the year ended 31 March 2021, nor has any dividend been proposed since the end of the reporting period (2020: HK$ Nil).

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	
	2021	2020
	HK$'000	*HK$'000*
Loss		
Loss for the year attributable to the owner of the Company	**(35,628)**	(87,662)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic loss per share	**1,474,232,000**	1,474,232,000

The calculation of basic loss per share attributable to the owners of the Company is based on the loss for the year ended 31 March 2021 of approximately HK$35,628,000 (2020: HK$87,662,000), and on the weighted average number of 1,474,232,000 (2020: 1,474,232,000) ordinary shares in issue during the year.

Diluted loss per share is the same as basic loss per share for the year ended 31 March 2021 (2020: same) as the impact of the potential dilutive ordinary shares outstanding including the convertible notes and outstanding options under the share option scheme have an anti-dilutive effect on the basic loss per share presented for the year ended 31 March 2021 (2020: anti-dilutive).

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 2019, 31 March 2020 and 31 March 2021	**184,783**
Impairment	
At 1 April 2019	–
Impairment loss	(43,905)
At 31 March 2020 and 1 April 2020	(43,905)
Impairment loss	(10,696)
At 31 March 2021	**(54,601)**
Carrying amount	
At 31 March 2021	**130,182**
At 31 March 2020	140,878

13. GOODWILL (Continued)

In accordance with HKAS 36 Impairment of assets, management of the Group engaged an independent valuer, BMI Appraisal Limited to perform impairment test for goodwill allocated to the Group's various cash generating units ("CGUs") by comparing their recoverable amounts to their carrying amounts at the end of the reporting period. The recoverable amount of a CGU is determined based on value in use calculation and fair value less cost 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, which were allocated to two different CGUs for impairment assessment.

As at 31 March 2021, the recoverable amount of the CGU in relation to CSL was determined from value in use calculation based on cash flow projections from formally approved budgets, covering a detailed five-year budget plan, and discount rate of 11.9% (2020: 17.0%) estimated by the management. Growth rate used to extrapolate the cash flows beyond the five-year budget plan is 3% (2020: 3%) which reflects the long term growth rate of the industry as forecast by the management. The key assumptions have been determined by the Group's management based on past performance, existing signed mandates and engagements, business plans and outlook and its expectations for the industry development. Despite no material deterioration in the operating financial performance of CSL in the financial year ended 31 March 2021 when compared with its performance in the previous financial year, the cash flow projections in the next five years have been revised downwards in view of (i) a more negative revised outlook of the underwriting business of CSL due to increased regulatory uncertainty in completion timetable of transactions; (ii) more conservative assumptions on the bond placing business of CSL; and (iii) more conservative assumptions on the performance of the US securities market in the next financial year affecting the investment advisory business of CSL. As a result, the recoverable amount of CGU in relation to CSL was reduced to approximately HK$134,000,000 (2020: HK$140,000,000), which is lower than its carrying amount of approximately HK$144,696,000. Accordingly, impairment loss on goodwill of approximately HK$10,696,000 (2020: HK$43,905,000) was recognised for the year ended 31 March 2021 while no impairment loss was allocated to the intangible assets under HKAS 36.

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

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

* lease payments related to the existing office lease of the CSL CGU, which are considered cash outflows from financing activities under HKAS 36, have been excluded in the cash flow 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$144.7 million already includes the right-of-use assets related to the existing office lease of the CSL CGU.

13. **GOODWILL (Continued)**

As at 31 March 2021, the recoverable amount of the CGU in relation to CAM was based on fair value less cost of disposal using direct comparison approach as detailed below. During the year ended 31 March 2021, no impairment was provided on goodwill for CAM as the recoverable amount exceeded the carrying amount of the CGU (2020: Nil).

The level in the fair value hierarchy in arriving at the above recoverable amount is considered under Level 3. The cost of disposal of CAM is estimated by the management as immaterial. The fair value of CAM is determined using direct comparison approach by reference to recent sales price of comparable companies that have similar business model to CAM, with an adjustment on the share price changes of the comparable companies from the transaction dates to the year-end date. Higher negative impact on the change in share prices of the comparable companies will result in a lower fair value measurement, and vice versa.

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

14. **INTANGIBLE ASSETS**

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

Trading rights confer rights to CSL to trade securities contracts on or through The Stock Exchange of Hong Kong Limited such that CSL can conduct its securities brokerage business. Trademarks represent the rights to use the name "Crosby" and the various trademarks of CSL for the purposes of conducting the regulated activities. Website allows CSL to provide a platform to its customers to trade securities online.

14. INTANGIBLE ASSETS (Continued)

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

16. TRADE RECEIVABLES

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

Trade receivables from Financial services segment

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

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

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

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 and cleaning house and no significant increase in credit risk since initial recognition and the respective balance at the end of the reporting period, therefore, the Directors considered the ECL of those balances was immaterial to be recognised for both years.

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

Trade receivables from Manufacturing and sales of toys segment

The credit period on sales of toys ranges 30–90 days from the invoice date. An ageing analysis of the trade receivables at the end of the reporting period, based on the invoice date and before impairment loss, is as follows:

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

16. TRADE RECEIVABLES (Continued)

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

	At 31 March	
	2021	2020
	HK$'000	*HK$'000*
Neither past due nor impaired	**34,354**	37,592
Less than 1 month past due	**7,480**	15,120
1 to 3 months past due	**70**	1,347
Over 3 months past due	**–**	1,697
	41,904	55,756

17. TRADE PAYABLES

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

Trade payables from Financial services segment

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

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

As at 31 March 2021, included in trade payable was an amount of approximately HK$42,146,000 (2020: HK$43,211,000) payable to clients and other institutions in respect of trust and segregated bank balances received and held for clients and other institutions in the course of the conduct of regulated activities.

17. TRADE PAYABLES (Continued)

Trade payables from Manufacturing and sales of toys segment

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

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

	At 31 March	
	2021	2020
	HK$'000	*HK$'000*
Current to 30 days	**17,527**	5,076
31 to 60 days	**3,334**	1,952
61 to 90 days	**2,018**	1,793
91 to 365 days	**8**	164
	22,887	8,985

18. INTEREST-BEARING BANK BORROWINGS

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

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

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

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

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

At 31 March 2020, total bank borrowings were on demand or repayable within one year.

Certain banking facilities are subject to the fulfilment of covenants relating to certain of the Group's financial position ratios, which are to maintain (i) the combined tangible net worth at not less than certain amount; (ii) specific gearing ratio; and (iii) cash deposit at not less than certain amount as are commonly found in lending arrangements with financial institutions. If the Group breaches the covenants, the drawn down facilities shall become repayable on demand.

The Group regularly monitors its compliance with these covenants and does not consider it probable that the bank will exercise its discretion to demand repayment for so long as the Group continues to meet these requirements. As at 31 March 2021, none of the covenants relating to drawn down facilities had been breached (2020: Nil).

19. PROMISSORY NOTES RECEIVABLE AND PAYABLE

Current assets

On 29 December 2017, the Company received promissory notes with an aggregate principal amount of HK$8,500,000 as part of the consideration for disposal of the issued share capital of New Creation Global Limited. The promissory notes are unsecured and denominated in HK$. The promissory notes are bearing interest at fixed rate of 1.5% per annum and are payable in arrears. The maturity dates of promissory note with principal amount of HK$4,000,000 (the "2017 PN1") and HK$4,500,000 (the "2017 PN2") are 12 months and 30 months respectively from the date of issue.

The 2017 PN1 has been fully repaid on maturity during the year ended 31 March 2020 and the 2017 PN2 has been fully repaid on maturity during the year ended 31 March 2021.

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

Current liabilities

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

20. CONVERTIBLE NOTES

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

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

20. CONVERTIBLE NOTES (Continued)

(a) (Continued)

During the year ended 31 March 2021, none of the 2017 CN1 was converted into ordinary shares of the Company (2020: none).

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

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

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

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

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

20. CONVERTIBLE NOTES (Continued)

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

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

During the year ended 31 March 2021, none of the 2017 CN2 was converted into ordinary shares of the Company (2020: none).

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

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

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

20. CONVERTIBLE NOTES (Continued)

(b) (Continued)

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

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

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

2020 CN contains two components, liability component and equity component. Liability component represents the present value of the contractually determined stream of future cash flows discounted at the prevailing market interest rate at that time applicable to instruments of comparable credit status and providing substantially the same cash flows, on the same terms, with the issuer early redemption option. The early redemption option is not separately accounted for because it is considered to be closely related to the host debt. Equity component represents the conversion options, which is determined by deducting the fair value of the liability component from the proceeds of issue of the 2020 CN as a whole. The effective interest rate of the liability component is 28.15% per annum.

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

20. CONVERTIBLE NOTES (Continued)

(c) (Continued)

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

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

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

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

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

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

21. SHARE CAPITAL

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

	2021		2020	
	Number of shares	***HK$'000***	*Number of shares*	*HK$'000*
Authorised:				
Ordinary shares of US$0.000025 each				
At 1 April and 31 March	**6,000,000,000**	**1,168**	6,000,000,000	1,168
Issued and fully paid:				
Ordinary shares of US$0.000025 each				
At 1 April and 31 March	**1,474,232,000**	**287**	1,474,232,000	287

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; and

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

The estimated fair values of share options vested on 17 March 2014 were HK$3,911,000. These fair values were calculated using the Binomial model. The inputs into the model are as follows:

Share price	HK$0.95
Exercise price	HK$1.00
Expected volatility	50.554%
Expected life	5 years/10 years
Risk-free interest rate	1.2010%/2.1656%
Dividend yield	4.274%
Suboptimal factor	2.2

The risk-free rate was based on market yield rate from Hong Kong Monetary Authority Exchange Fund Bills Yield Curve as at the valuation date on 17 March 2014. Expected volatility was estimated by the average of historical daily volatilities of the comparable companies with similar business operation as at valuation date. Dividend yield was estimated by the trailing 12-month dividend payout of the Company divided by Company's closing share price as at the dividend declaration date.

23. EQUITY SETTLED SHARE-BASED PAYMENTS (Continued)

On 3 July 2015, the Company granted 13,400,000 share options (the "**second share option**") to certain eligible participants of the Group under the Share Option Scheme. Set out below were details of the outstanding share options granted under the Share Option Scheme.

(1) All share options granted were at a subscription price of HK$4.07 per Share;

(2) All holders of share options might only exercise their options in the following manner:

The share options will be vested in 3 tranches, i.e. the first 30% from the date immediately after the first anniversary of the Offer Date until the last day of the option period, the second 30% from the date immediately after the second anniversary of the Offer Date until the last day of the option period, the balance 40% from the date immediately after the third anniversary of the Offer Date until the last day of the option period; and

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

The estimated fair values of share options granted on 3 July 2015 were HK$25,864,188. These fair values were calculated using the Binomial Model. The inputs into the model are as follows:

Share price	HK$3.70
Exercise price	HK$4.07
Expected volatility	61.8%
Expected life	10 years
Risk-free interest rate	1.87%
Expected dividend yield	2.04%

The risk-free rate was based on the yield rate of the Hong Kong Government Bond with duration similar to the expected life of the share options. Expected volatility was estimated by the historical volatilities of the Company's share price. Expected dividend yield was estimated by the senior management of the Company.

23. EQUITY SETTLED SHARE-BASED PAYMENTS (Continued)

On 24 March 2016, the Company granted 109,411,600 share options (the "**third share option**") to certain eligible participants of the Group under the Share Option Scheme. Set out below were details of the outstanding share options granted under the Share Option Scheme.

(1) All share options granted were at a subscription price of HK$0.748 per Share;

(2) All holders of share options might only exercise their options in the following manner:

The share options will be vested in 3 tranches, i.e. the first 30% from the date immediately after the first anniversary of the Offer Date until the last day of the option period, the second 30% from the date immediately after the second anniversary of the Offer Date until the last day of the option period, the balance 40% from the date immediately after the third anniversary of the Offer Date until the last day of the option period; and

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

The estimated fair values of share options granted on 24 March 2016 were HK$38,068,913. These fair values were calculated using the Binomial Model. The input into the model are as follows:

Share price	HK$0.7
Exercise price	HK$0.748
Expected volatility	61.5%
Expected life	10 years
Risk-free interest rate	1.36%
Expected dividend yield	1.8%

The risk-free rate was based on the yield rate of the Hong Kong Government Bond with duration similar to the expected life of the share options. Expected volatility was estimated based on the historical volatilities of the Company's share price. Expected dividend yield was estimated by the historical dividend payment record of the Company.

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 2021:

	Number of share options					
	Exercise price *(note 1)*	**Balance as at 1 April 2020** *(note 1)*	**Lapsed during the year**	**Balance as at 31 March 2021**	**Date of grant of share options**	**Exercisable periods of share options**
Executive Directors						
– Lau Ho Ming, Peter	HK$1.02	4,000,000	–	4,000,000	3 July 2015	3 July 2015 to 2 July 2025
– 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)

	Number of share options					
	Exercise price *(note 1)*	Balance as at 1 April 2020 *(note 1)*	Lapsed during the year	Balance as at 31 March 2021	Date of grant of share options	Exercisable periods of share options
Independent Non-executive Directors						
– Leung Po Wing, Bowen Joseph	HK$1.02	1,400,000	–	1,400,000	3 July 2015	3 July 2015 to 2 July 2025
	HK$0.748	1,400,000	–	1,400,000	24 March 2016	24 March 2016 to 23 March 2026
– Chan Siu Wing, Raymond	HK$1.02	1,400,000	–	1,400,000	3 July 2015	3 July 2015 to 2 July 2025
	HK$0.748	1,400,000	–	1,400,000	24 March 2016	24 March 2016 to 23 March 2026
– Wong Wah On, Edward	HK$0.748	1,400,000	–	1,400,000	24 March 2016	24 March 2016 to 23 March 2026
Employees	HK$1.02	8,600,000	–	8,600,000	3 July 2015	3 July 2015 to 2 July 2025
	HK$0.748	37,003,800	(800,000)	36,203,800	24 March 2016	24 March 2016 to 23 March 2026
Consultants	HK$0.25	1,120,000	–	1,120,000	17 March 2014	17 March 2014 to 16 March 2024
	HK$1.02	19,600,000	–	19,600,000	3 July 2015	3 July 2015 to 2 July 2025
	HK$0.748	12,300,000	–	12,300,000	24 March 2016	24 March 2016 to 23 March 2026
Total		131,071,600	(800,000)	130,271,600		

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 resigned as an Executive Director on 1 January, 2020 and was appointed as consultant on 2 January 2020. He was appointed as an Executive Director again on 1 May 2021.

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

The following share options were outstanding during the year:

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

The weighted average share price at the date of exercise of options exercised during the year ended 31 March 2021 was HK$0.84. The exercise price of share options outstanding at the end of the reporting period ranged between HK$0.25 to HK$1.02 (after the share sub-division) and their weighted average remaining contractual life was approximately 4.71 years (2020: 5.71 years).

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

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

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

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

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

The Toy Division

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

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

The Financial Services Division

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

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

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

FINANCIAL REVIEW

The Toy Division

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

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

The Financial Services Division

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

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

Impairment Loss on Goodwill

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

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

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

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

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

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

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

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

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

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

OVERALL GROUP FINANCIAL PERFORMANCE

Revenue

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

Gross Margin

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

Net Loss

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

- an increase in gross profit of the Group of approximately HK$6.9 million in the Current Year;

- a decrease in impairment loss on goodwill of approximately HK$33.2 million in the Financial Services Division;

- a decrease in finance costs of approximately HK$15.1 million primarily due to the decrease in effective interest expense of approximately HK$16.6 million for the convertible notes issued by the Company; and

- the absence of loss on the early redemption of the convertible notes in the Current Year when compared with approximately HK$0.9 million for the Previous Year.

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

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

Selling Expenses

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

Administrative Expenses

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

Other Income, Gains and Losses

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

Finance Costs

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

Income Tax Expenses

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

Inventory

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

Trade Receivables

Trade receivables from the Toy Division was approximately HK$41.9 million as at 31 March 2021 when compared with approximately HK$55.8 million as at 31 March 2020. The decrease in trade receivables of the Toy Division as at 31 March 2021 was primarily due to a rise in shipment of products in March 2020 to avoid the impact from the COVID19 pandemic whereas there was no advance shipment of products requested in or before March 2021 as requested by one of our major customers to manage the risks of lockdowns affecting delivery of products. Accordingly, the trade receivables turnover days for the Toy Division, as calculated by dividing the averaging closing trade receivables by the revenue from the Toy Division multiplied by 365 days, was 39.1 days for the Current Year as compared with 39.9 days for the Previous Year.

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

Trade Payables

Trade payables from the Toy Division as at 31 March 2020 amounted to approximately HK$9.0 million, which increased to approximately of HK$22.9 million at 31 March 2021. The increase was primarily due to the increase in purchases and costs of service incurred for the Current Year. The trade payables turnover days for the Toy Division for the Previous Year and the Current Year, as calculated by dividing the averaging closing trade payables by the cost of sales from the Toy Division multiplied by 365 days, was 12.6 days and 13.9 days, respectively.

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

LIQUIDITY AND FINANCIAL RESOURCES

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

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

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

CONVERTIBLE NOTES

The Company issued 6% Convertible Notes with a maturity of three years and outstanding principal amounts of HK$80 million (the "**2017 Convertible Note**") on 11 May 2017 to Benefit Global Limited, an independent third party, for repayment of liabilities of the Group, business expansion of the Group's Financial Services Division and as general working capital of the Group. The 2017 Convertible Note were unsecured, bore interest at 6% per annum and carried rights to convert the principal amount into shares of the Company at an initial conversion price of HK$0.39 per share. The Company had the option to redeem the 2017 Convertible Note at any time before their maturity at 100% of their principal value plus any accrued but unpaid interest.

The net proceeds from the 2017 Convertible Note were fully utilized as follows:

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

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

CHARGE ON ASSETS

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

CONTINGENT LIABILITIES

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

CAPITAL COMMITMENTS

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

SIGNIFICANT INVESTMENT HELD

Except for investments in subsidiaries, the Group did not hold any significant investment in equity interest in any other company as at 31 March 2021.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

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

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

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

FOREIGN CURRENCY EXPOSURES

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

The Group implemented a foreign currency forward contract policy in relation to the foreign currency contracts for the year. The Group performed cash flow analysis, ongoing monitoring and review of the foreign currency forward contracts on a monthly basis in accordance with the Group's risk management policy. Foreign exchange exposure reports were presented to the Board for review on a quarterly basis. The foreign currency forward contract policy was also reviewed by the Board to ensure it remains consistent with the overall objectives of our Group and the current financial trends in the market.

EMPLOYEES AND REMUNERATION POLICY

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

Remuneration policies in respect of the Directors and senior management of the Group are reviewed regularly by the Remuneration Committee and the Directors, respectively. Remuneration packages of the Group were determined with reference to its remuneration policy based on position, duties and performance of the employees. Employees' remuneration varies according to their positions, which may include salary, overtime allowance, bonus and various subsidies. The performance appraisal cycle varies according to the positions of the employees. Performance appraisal of staff is conducted annually. The performance appraisal is supervised by respective executive Directors of the Group. The Company also adopted a share option scheme for the purpose of rewarding eligible participants for their contribution to the Group.

EVENT AFTER REPORTING PERIOD

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

PROSPECTS

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

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

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

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

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 A.2.1

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

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") set out in Appendix 10 of the Listing Rules as the code of conduct regarding securities transactions by the Directors 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 Auditors 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 Auditors 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 Auditors. 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 2021 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 2021.

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

Hong Kong, 30 June 2021

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. Ng Kam Seng 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.