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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 2022

FINANCIAL HIGHLIGHTS

- Total revenue for the year ended 31 March 2022 (the "**Current Year**") was approximately HK$448.7 million, representing a decrease of approximately 7.6% from approximately HK$485.8 million for the year ended 31 March 2021 (the "**Previous Year**").

- Revenue from the Toy Division for the Current Year decreased by approximately HK$40.5 million, or approximately 8.9% from the Previous Year to approximately HK$415.7 million, whereas revenue from the Financial Services Division was approximately HK$33.0 million, representing an increase by approximately HK$3.3 million.

- Gross profit for the Current Year was approximately HK$54.4 million, representing a decrease of approximately 24.0% from approximately HK$71.6 million for the Previous Year.

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

  - ➢ a decrease in gross profit of the Group of approximately HK$17.2 million in the Current Year;

  - ➢ an increase in impairment loss on goodwill of approximately HK$37.8 million in the Financial Services Division;

  - ➢ an increase in administrative expenses of about HK$5.1 million as a result of an increase in consultancy fees paid to the portfolio managers of the Financial Services Division; and

* *For identification purpose only*

- a decrease in other income of about HK$0.2 million as a result of the absence of income from the Employment Support Scheme for the Previous Year.

which was partially offset by:

- a decrease in selling expenses of about HK$0.3 million from the Toy Division as a result of decreased sales in the Current Year; and

- a decrease in taxation expenses of about HK$1.4 million from the Toy Division as there was no chargeable profits in the Current Year.

• The Board does not recommend the payment of final dividend for the year ended 31 March 2022.

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 2022 together with the comparative audited figures for the preceding financial year in this announcement.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2022

		Year ended 31 March	
		2022	2021
	Notes	***HK$'000***	*HK$'000*
Revenue	6	**448,655**	485,788
Cost of sales		**(394,217)**	(414,200)
Gross profit		**54,438**	71,588
Other income, gains and losses	7	**2,524**	2,716
Selling expenses		**(10,925)**	(11,227)
Administrative expenses		**(80,048)**	(74,926)
Impairment loss on goodwill	8	**(48,513)**	(10,696)
Finance costs	9	**(11,766)**	(11,646)
Loss before income tax expense	8	**(94,290)**	(34,191)
Income tax expense	10	**(84)**	(1,437)
LOSS AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**(94,374)**	(35,628)
LOSS PER SHARE ATTRIBUTABLE TO THE OWNERS OF THE COMPANY	12		
– Basic and diluted (HK cents)		**(6.40)**	(2.42)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		At 31 March	
		2022	2021
	Notes	***HK$'000***	*HK$'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**6,053**	2,016
Investment property		**7,000**	6,600
Right-of-use assets		**1,980**	7,256
Goodwill	13	**81,669**	130,182
Intangible assets	14	**568**	568
Statutory deposit for financial service business		**402**	392
Deposits		**376**	1,484
Total non-current assets		**98,048**	148,498
CURRENT ASSETS			
Inventories	15	**82,829**	84,983
Trade receivables	16	**88,034**	62,771
Prepayments, deposits and other receivables		**6,403**	1,890
Tax receivables		**1,104**	–
Cash and bank balances held on behalf of customers		**44,609**	42,146
Pledged bank deposits		**31,097**	30,985
Time deposits		**–**	19,355
Cash and cash equivalents		**29,383**	48,214
Total current assets		**283,459**	290,344
CURRENT LIABILITIES			
Trade payables	17	**103,260**	81,448
Accruals and other payables		**4,727**	5,350
Interest-bearing bank borrowings	18	**16,007**	–
Lease liabilities		**2,087**	5,398
Promissory notes payable	19	**25,000**	25,000
Tax payables		**–**	371
Total current liabilities		**151,081**	117,567
NET CURRENT ASSETS		**132,378**	172,777
TOTAL ASSETS LESS CURRENT LIABILITIES		**230,426**	321,275

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

		At 31 March	
		2022	2021
	Notes	***HK$'000***	*HK$'000*
NON-CURRENT LIABILITIES			
Convertible notes	20	**31,604**	25,999
Lease liabilities		**–**	2,080
Deferred tax liabilities		**112**	112
Total non-current liabilities		**31,716**	28,191
NET ASSETS		**198,710**	293,084
EQUITY			
Share capital	21	**287**	287
Reserves		**198,423**	292,797
Total equity		**198,710**	293,084

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital *HK$'000*	Share premium *HK$'000*	Property revaluation reserve *HK$'000*	Other reserve *HK$'000*	Share option reserve *HK$'000*	Convertible notes equity reserve *HK$'000*	Accumulated losses *HK$'000*	Total *HK$'000*
At 1 April 2020	287	418,769	6,071	1,000	52,255	33,841	(201,336)	310,887
Lapse of share options	–	–	–	–	(288)	–	288	–
Issue of convertible notes	–	–	–	–	–	17,825	–	17,825
Redemption of convertible notes	–	–	–	–	–	(33,841)	33,841	–
Loss and total comprehensive income for the year	–	–	–	–	–	–	(35,628)	(35,628)
At 31 March 2021 and 1 April 2021	287	418,769	6,071	1,000	51,967	17,825	(202,835)	293,084
Lapse of share options	–	–	–	–	(287)	–	287	–
Loss and total comprehensive income for the year	–	–	–	–	–	–	(94,374)	(94,374)
At 31 March 2022	287	418,769	6,071	1,000	51,680	17,825	(296,922)	198,710

NOTES 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 2021

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

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

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

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

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

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

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

1 Effective for annual periods beginning on or after January 1, 2022.

2 Effective for business combinations for which the date of acquisition is on or after the beginning of the first annual period beginning on or after January 1, 2022.

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

4 The amendments shall be applied prospectively to the sale or contribution of assets occurring in annual periods beginning on or after a date to be determined.

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

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

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

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

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

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

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

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

Amendments to HKAS 8 "Definition of Accounting Estimates"

These amendments clarify the distinction between changes in accounting estimates and changes in accounting policies. Accounting estimates are defined as monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify how entities use measurement techniques and inputs to develop accounting estimates. The Directors do not anticipate that the application of these amendments in the future will have an impact on the financial statements.

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

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

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

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

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

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

Amendments to HKAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction” (Continued)

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

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

Amendments to HKAS 16 “Proceeds before Intended Use”

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

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

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

Amendments to HKFRS 3 “Reference to the Conceptual Framework”

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

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

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

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

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

Annual Improvements to HKFRSs 2018-2020

The annual improvements amends a number of standards, including:

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

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

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

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

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

3. BASIS OF PREPARATION

(a) Statement of compliance

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

(b) Basis of measurement

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

(c) Functional and presentation currency

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of consolidation

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

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

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

Segment revenue and results

	Manufacturing and sales of toys *HK$'000*	Financial services *HK$'000* *(note(b))*	Total *HK$'000*
For the year ended 31 March 2022			
External revenue	**415,660**	**32,995**	**448,655**
Segment loss	**(14,720)**	**(65,379)**	**(80,099)**
Corporate income			
– Others			**–**
Central administrative cost *(Note(a))*			**(3,686)**
Finance cost			**(10,505)**
Loss before income tax expense			**(94,290)**

5. OPERATING SEGMENT INFORMATION (Continued)

(a) Reportable segments (Continued)

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

Notes:

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

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

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

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

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

Segment assets

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

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

Segment liabilities

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

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

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 2022

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

For the year ended 31 March 2021

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

5. OPERATING SEGMENT INFORMATION (Continued)

(b) Geographical information

The following table sets out information about the geographical location of (i) the Group's revenue from external customers and (ii) the Group's specified non-current assets. The geographical location of customers is based on the location at which the services were provided or the goods were delivered. The geographical location of the specified non-current assets other than statutory deposit for financial services business, and deposits (the "**specified non-current assets**") is based on the physical location of the assets in the case of property, plant and equipment.

(i) Revenue from external customers

	Year ended 31 March	
	2022	2021
	HK$'000	*HK$'000*
North America *(note 1)*	**248,466**	287,785
Western Europe		
– United Kingdom	**32,493**	37,924
– France	**24,380**	24,166
– Others *(note 2)*	**51,693**	50,038
PRC and Taiwan	**10,883**	11,599
Central America, Caribbean and Mexico	**16,545**	15,820
Australia, New Zealand and Pacific Islands	**14,197**	14,797
Others *(note 3)*	**49,998**	43,659
Total	**448,655**	485,788

Notes:

1 North America includes United States of America and Canada.

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

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

(ii) Specified non-current assets

	At 31 March	
	2022	2021
	HK$'000	*HK$'000*
Mainland China, the PRC	**5,917**	1,970
Hong Kong	**91,353**	144,652
Total	**97,270**	146,622

5. OPERATING SEGMENT INFORMATION (Continued)

(c) Information about major customers

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

	Year ended 31 March	
	2022	2021
	HK$'000	*HK$'000*
Customer A	**246,343**	245,861
Customer B	**83,872**	105,040
Customer C	**51,319**	64,020
Total	**381,534**	414,921

(d) Disaggregation of revenue from contracts with customers

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

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

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

7. OTHER INCOME, GAINS AND LOSSES

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

8. LOSS BEFORE INCOME TAX EXPENSE

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

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

9. FINANCE COSTS

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

10. INCOME TAX EXPENSE

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

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

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

	Year ended 31 March	
	2022	2021
	HK$'000	*HK$'000*
Current – Hong Kong		
Charge for the year	**–**	1,342
Under provision in prior years	**84**	95
Income tax expense for the year	**84**	1,437

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

	Year ended 31 March	
	2022	2021
	HK$'000	*HK$'000*
Loss before income tax expense	**(94,290)**	(34,191)
Tax at the applicable tax rate of 16.5% (2021: 16.5%)	**(15,558)**	(5,642)
Tax effect of revenue not taxable for tax purposes	**(212)**	(472)
Tax effect of expenses not deductible for tax purposes	**11,037**	5,161
Tax effect of tax loss not recognised	**5,717**	4,015
Tax effect of temporary difference not recognised	**(984)**	(1,555)
Tax concession	**–**	(165)
Under provision in prior years	**84**	95
Income tax expense	**84**	1,437

No deferred tax asset has been recognised in respect of the unused tax losses of HK$214,052,000 (2021: HK$179,410,000) due to the unpredictability of future profit streams. The unused tax losses can be carried forward indefinitely.

11. DIVIDENDS

No dividend was paid or proposed during the year ended 31 March 2022, nor has any dividend been proposed since the end of the reporting period (2021: HK$ Nil).

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	
	2022	2021
	HK$'000	*HK$'000*
Loss		
Loss for the year attributable to the owner of the Company	**(94,374)**	(35,628)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic loss per share	**1,474,232,000**	1,474,232,000

The calculation of basic loss per share attributable to the owners of the Company is based on the loss for the year ended 31 March 2022 of approximately HK$94,374,000 (2021: HK$35,628,000), and on the weighted average number of 1,474,232,000 (2021: 1,474,232,000) ordinary shares in issue during the year.

Diluted loss per share is the same as basic loss per share for the year ended 31 March 2022 (2021: same) as the impact of the potential dilutive ordinary shares outstanding including the convertible notes and outstanding options under the share option scheme have an anti-dilutive effect on the basic loss per share presented for the year ended 31 March 2022 (2021: anti-dilutive).

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 2020, 31 March 2021 and 31 March 2022	**184,783**
Impairment	
At 1 April 2020	(43,905)
Impairment loss	(10,696)
At 31 March 2021 and 1 April 2021	(54,601)
Impairment loss	(48,513)
At 31 March 2022	**(103,114)**
Carrying amount	
At 31 March 2022	**81,669**
At 31 March 2021	130,182

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

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

13. **GOODWILL (Continued)**

As at 31 March 2022, the recoverable amount of the CGU in relation to CSL was determined from value in use calculation based on cash flow projections from formally approved budgets, covering a detailed five-year budget plan, and discount rate of 10.6% (2021: 11.9%) estimated by the management. Growth rate used to extrapolate the cash flows beyond the five-year budget plan is 3% (2021: 3%) which reflects the long term growth rate of the industry as forecast by the management. The key assumptions have been determined by the Group's management based on past performance, existing signed mandates and engagements, business plans and outlook and its expectations for the industry development. As there was material deterioration in placing and underwriting commission of CSL in the financial year ended 31 March 2022 when compared with its performance in the previous financial year, the cash flow projections in the next five years have been revised downwards in view of (i) a more negative revised outlook of the underwriting business of CSL due to increased regulatory uncertainty in completion timetable of transactions; (ii) more conservative assumptions on the bond placing business of CSL; and (iii) more conservative assumptions on the performance of the US securities market in the next financial year affecting the investment advisory business of CSL. As a result, the recoverable amount of CGU in relation to CSL was reduced to approximately HK$81,000,000 (2021: HK$134,000,000), which is lower than its carrying amount of approximately HK$128,767,000. Accordingly, impairment loss on goodwill of approximately HK$47,767,000 (2021: HK$10,696,000) was recognised for the year ended 31 March 2022 while no impairment loss was allocated to the intangible assets under HKAS 36.

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

	At 31 March 2022	At 31 March 2021
Budgeted EBIT margin (average of next five years)	**5.3%**	15%
Range of budgeted EBIT margin during next five years	**-4.9%-15.3%**	11%-21%
Long-term growth rate	**3%**	3%
Pre-tax discount rate	**10.6%**	11.9%

Lease payments related to the existing office lease of the CSL CGU, which are considered cash outflows from financing activities under HKAS 36, have been excluded in the cash flow projections and hence the above budgeted EBIT margin, as HKAS 36 requires that estimates of future cash flows do not include cash outflows from financing activities. This would avoid double counting any impairment loss contributed by the lease payments as the carrying value of the CSL CGU of approximately HK$128.8 million already includes the right-of-use assets related to the existing office lease of the CSL CGU.

As at 31 March 2022, the recoverable amount of the CGU in relation to CAM was based on fair value less cost of disposal using direct comparison approach as detailed below. During the year ended 31 March 2022, impairment loss of approximately HK$746,000 (2021: Nil) was provided on goodwill for CAM as the recoverable amount was reduced to approximately HK$3,300,000 as at 31 March 2022, which was lower than its carrying amount of the CGU of approximately HK$4,046,000 as at 31 March 2021. This is attributable to the poorer share price performance of the comparable companies when compared with their performance in the previous financial year.

13. GOODWILL (Continued)

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

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

14. INTANGIBLE ASSETS

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

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

Trading rights, trademarks and website are considered by the Directors as having indefinite useful lives because there is no foreseeable limit on the period over which the trading rights, trademarks and website are expected to generate cash flows to CSL. Trading rights, trademarks and website are not amortised until their useful lives are determined to be finite. Instead, they are tested for impairment annually and whenever there is an indication that it may be impaired. Details of impairment assessment are set out in note 13.

15. INVENTORIES

	At 31 March	
	2022	2021
	HK$'000	*HK$'000*
Raw materials	**55,785**	53,476
Finished goods	**27,044**	31,507
	82,829	84,983

16. TRADE RECEIVABLES

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

Trade receivables from Financial services segment

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

16. TRADE RECEIVABLES (Continued)

Trade receivables from Financial services segment (Continued)

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

	At 31 March	
	2022	2021
	HK$'000	*HK$'000*
Neither past due nor impaired	**25,143**	1,499
Less than 1 month past due	**1,161**	5,113
More 1 month but less than 2 months past due	**–**	1,665
More 2 months but less than 3 months past due	**–**	763
Over 3 months past due	**9,890**	11,827
	36,194	20,867

Note: The settlement terms of trade receivables arising from the ordinary course of business of dealing in securities from cash clients and clearing house are one or two days after the respective trade date. All of the trade receivables which were over 3 months past due, had been subsequently settled as of the date of this 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, cleaning house and issues clients, the subsequent settlement of all receivables past 3 months due, the historical settlement track records of the clients, and no significant increase in credit risk since initial recognition and the respective balance at the end of the reporting period, therefore, the Directors considered the expected credit loss 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.

16. **TRADE RECEIVABLES (Continued)**

Trade receivables from Manufacturing and sales of toys segment

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

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

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

	At 31 March	
	2022	2021
	HK$'000	*HK$'000*
Neither past due nor impaired	**42,007**	34,354
Less than 1 month past due	**8,368**	7,480
1 to 3 months past due	**1,079**	70
Over 3 months past due	**386**	–
	51,840	41,904

17. **TRADE PAYABLES**

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

17. TRADE PAYABLES (Continued)

Trade payables from Financial services segment

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

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

As at 31 March 2022, included in trade payable was an amount of approximately HK$44,609,000 (2021: HK$42,146,000) payable to clients and other institutions in respect of trust and segregated bank balances received and held for clients and other institutions in the course of the conduct of regulated activities.

Trade payables from Manufacturing and sales of toys segment

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

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

	At 31 March	
	2022	2021
	HK$'000	*HK$'000*
Current to 30 days	**18,524**	17,527
31 to 60 days	**4,269**	3,334
61 to 90 days	**2,952**	2,018
91 to 365 days	**546**	8
	26,291	22,887

18. INTEREST-BEARING BANK BORROWINGS

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

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

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

ii) The corporate guarantee from the Company's subsidiary, which is Qualiman Industrial Co. Limited (2021: Qualiman Industrial Co. Limited); and/or

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

At 31 March 2022, total bank borrowings were on demand or repayable within one year.

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

The Group regularly monitors its compliance with these covenants and does not consider it probable that the bank will exercise its discretion to demand repayment for so long as the Group continues to meet these requirements. As at 31 March 2022, none of the covenants relating to drawn down facilities had been breached (2021: Nil).

19. PROMISSORY NOTES PAYABLE

On 11 May 2020, the Group entered into an agreement with Benefit Global Limited, an independent third party pursuant to which the Group issued a promissory note (the "**2020 PN**") with a principal amount of HK$25.0 million. The 2020 PN is unsecured and denominated in HK$. The 2020 PN is bearing interest at fixed rate of 10% per annum and is repayable on 11 May 2021. On 10 May 2021, 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

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

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

During the year ended 31 March 2022, none of the 2020 CN was converted into ordinary shares of the Company.

20. CONVERTIBLE NOTES (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:

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

21. SHARE CAPITAL

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

	2022		2021	
	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.

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.

23. EQUITY SETTLED SHARE-BASED PAYMENTS (Continued)

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.

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 2022:

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

23. EQUITY SETTLED SHARE-BASED PAYMENTS (Continued)

	Number of share options					
	Exercise price *(note 1)*	Balance as at 1 April 2021 *(note 1)*	Lapsed during the year	Balance as at 31 March 2022	Date of grant of share options	Exercisable periods of share options
Independent Non-executive Directors						
– Leung Po Wing, Bowen Joseph	HK$1.02	1,400,000	–	1,400,000	3 July 2015	3 July 2015 to 2 July 2025
	HK$0.748	1,400,000	–	1,400,000	24 March 2016	24 March 2016 to 23 March 2026
– Chan Siu Wing, Raymond	HK$1.02	1,400,000	–	1,400,000	3 July 2015	3 July 2015 to 2 July 2025
	HK$0.748	1,400,000	–	1,400,000	24 March 2016	24 March 2016 to 23 March 2026
– Wong Wah On, Edward	HK$0.748	1,400,000	–	1,400,000	24 March 2016	24 March 2016 to 23 March 2026
Employees	HK$1.02	8,600,000	–	8,600,000	3 July 2015	3 July 2015 to 2 July 2025
	HK$0.748	36,203,800	(800,000)	35,403,800	24 March 2016	24 March 2016 to 23 March 2026
Consultants	HK$0.25	1,120,000	–	1,120,000	17 March 2014	17 March 2014 to 16 March 2024
	HK$1.02	19,600,000	–	19,600,000	3 July 2015	3 July 2015 to 2 July 2025
	HK$0.748	12,300,000	–	12,300,000	24 March 2016	24 March 2016 to 23 March 2026
Total		130,271,600	(800,000)	129,471,600		

23. EQUITY SETTLED SHARE-BASED PAYMENTS (Continued)

Notes:

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

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

3. Mr. Ng Kam Seng resigned as an Executive Director of the Company on 1 January 2020 and was re-appointed as an Executive Director on 1 May 2021.

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

The following share options were outstanding during the year:

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

The weighted average share price at the date of exercise of options exercised during the year ended 31 March 2022 was HK$0.84. The exercise price of share options outstanding at the end of the reporting period ranged between HK$0.25 to HK$1.02 (after the share sub-division) and their weighted average remaining contractual life was approximately 3.71 years (2021: 4.71 years).

Of the total number of share options outstanding as at 31 March 2022, no share option had not been vested and were not exercisable (2021: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During the year ended 31 March 2022 (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**").

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

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

The Toy Division

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

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

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

The Financial Services Division

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

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

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

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

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

FINANCIAL REVIEW

The Toy Division

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

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

The Financial Services Division

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

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

Impairment Loss on Goodwill

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

(a) CSL CGU

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

BMI Appraisal Limited adopted the income approach for the assessment of the value-in-use of the CSL CGU. It was based on a five-year cash flow projection and extrapolated using a long-term terminal growth rate of 3%, and the cash flows were then discounted at a pre-tax discount rate of about 10.6%. The following table illustrates the key assumptions such as EBIT margins, long-term growth rates and pre-tax discount rates used for the value-in-use calculations of the CSL CGU:

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

* lease payments related to the existing office lease of the CSL CGU, which are considered cash outflows from financing activities under HKAS 36, have been excluded in the cash flow forecast and hence the above budgeted EBIT margin, as HKAS 36 requires that estimates of future cash flows do not include cash outflows from financing activities. This would avoid double counting any impairment loss contributed by the lease payments as the carrying value of the CSL CGU of approximately HK$128.8 million already includes the right-of-use assets related to the existing office lease of the CSL CGU.

Budgeted EBIT margin is the average value of budgeted EBIT as a percentage of budgeted revenue over the five-year forecast period. It has been revised lower as we have adjusted the budgeted revenues in the forecast period to reflect the increasing proportion of revenue contribution from our investment advisory and fund management businesses, which carries a lower margin than revenue contribution from our underwriting and placement businesses, when compared with the budget in the Previous Year to reflect the revised outlook of the CSL CGU as explained below. The budgeted revenue and EBIT are determined based on past performance and expectations regarding our business development, including mandates currently secured or in advanced negotiation and our assets under advisory and their expected growth with reference to historical track record in our growth in assets under management or advisory. The expected portfolio returns of our portfolio managers or advisors were benchmarked against their respective average historical return performances, as opposed to average historical market index performances in past budgets, as they have already developed a track record for such performance data under CSL. We believe that this approach would provide more relevant references in formulating our budgets. The long-term growth rates used are consistent with the growth rates we used in the past for business in the markets in which the CSL CGU operates and the pre-tax discount rates reflect the specific risks relating to the CSL CGU. The pre-tax discount rate used in the

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

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

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

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

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

(b) CAM CGU

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

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

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

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

OVERALL GROUP FINANCIAL PERFORMANCE

Revenue

The Group's revenue for the Current Year amounted to approximately HK$448.7 million, which represents a decrease of about 7.6% from that for the Previous Year of approximately HK$485.8 million. The decrease in total revenue of approximately HK$37.1 million for the Current Year was mainly attributable to the decrease in revenues from the Toy Division of approximately HK$40.5 million due to a decrease in sales to certain of its top 5 customers, which was partially offset by an increase in revenues from the Financial Services Division of about HK$3.3 million, or an increase of about 11.3% over the Previous Year.

Gross Margin

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

Net Loss

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

- a decrease in gross profit of the Group of approximately HK$17.2 million in the Current Year;

- an increase in impairment loss on goodwill of approximately HK$37.8 million in the Financial Services Division;

- an increase in administrative expenses of about HK$5.1 million as a result of an increase in consultancy fees paid to the portfolio managers of the Financial Services Division;

- a decrease in other income of about HK$0.2 million as a result of the absence of income from the Employment Support Scheme for the Previous Year;

which was partially offset by:

- a decrease in selling expenses of about HK$0.3 million from the Toy Division as a result of decreased sales in the Current Year; and

- a decrease in taxation expenses of about HK$1.4 million from the Toy Division as there was no chargeable profits in the Current Year.

Selling Expenses

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

Administrative Expenses

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

Other Income, Gains and Losses

Other income, gains and losses mainly consisted of property, plant and equipment relocation expenses, moulding income, fair value loss on investment property, and interest income from bank deposits and others. During the Current Year, other income, gains and losses decreased by 7.1% from approximately HK$2.7 million for the Previous Year to approximately HK$2.5 million. Such decrease was mainly attributable to absence of the subsidy from the Hong Kong Government's Employment Support Scheme during the COVID-19 pandemic in the Current Year when there was approximately HK$2.3 million of such sundry income for the Previous Year.

Finance Costs

Finance costs mainly consisted of interest on the Group's interest-bearing bank borrowings, factoring arrangement from banks and the effective interest of the convertible notes and promissory notes issued by the Company and interest on lease liabilities arising from the adoption of HKFRS 16 Leases as set out in note 9 in this announcement. Finance costs increased by about 1.0% from approximately HK$11.6 million for the Previous Year to approximately HK$11.8 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$8.0 million for the Current Year from approximately HK$8.3 million in the Previous Year. Such decrease was partially offset by and an increase in bank borrowing interest to approximately HK$0.9 million for the Current Year from approximately HK$0.5 million in the Previous Year and an increase in interest on promissory notes issued in May 2020 as partial settlement of the convertible notes issued in June 2017 of approximately HK$0.3 million from approximately HK$2.2 million in the Previous Year to about HK$2.5 million in the Current Year.

Income Tax Expenses

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

Inventory

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

Trade Receivables

Trade receivables from the Toy Division was approximately HK$51.8 million as at 31 March 2022 when compared with approximately HK$41.9 million as at 31 March 2021. The increase in trade receivables of the Toy Division as at 31 March 2022 was primarily due to the change of payment terms by certain customer. Accordingly, the trade receivables turnover days for the Toy Division, as calculated by dividing the averaging closing trade receivables by the revenue from the Toy Division multiplied by 365 days, was 41.2 days for the Current Year as compared with 39.1 days for the Previous Year.

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

Trade Payables

Trade payables from the Toy Division as at 31 March 2021 amounted to approximately HK$22.9 million, which increased to approximately of HK$26.3 million at 31 March 2022. The increase was primarily due to the increase in purchases and costs of service incurred for the 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 14.0 days and 22.8 days, respectively.

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

LIQUIDITY AND FINANCIAL RESOURCES

For the 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 2022, cash and cash equivalents amounted to approximately HK$29.4 million (31 March 2020: HK$48.2 million) and an additional amount of approximately HK$31.1 million (31 March 2021: HK$31.0 million) were pledged bank deposits to secure an undrawn banking facility granted to the Group to facilitate settlement purposes of the Financial Services Division. The decrease in cash and cash equivalents was mainly due to the operating expenses and working capital requirements of both the Toy Division and the Financial Services Division during the Current Year. Interest-bearing bank borrowings increased from Nil as at 31 March 2021 to about HK$16.0 million to meet any additional capital requirements of the Toy Division to cope with the demands of its production cycle. The debt to equity ratio of the Group, calculated as the ratio of the closing debt balance divided by the closing total equity at end of Current Year, was approximately 36.5% (31 March 2021: 17.4%) which was due to an increase in bank borrowings as at 31 March 2022 and a decrease in the consolidated equity of the Group. As at 31 March 2022, all bank borrowings were subject to floating interest rates. The current ratio of the Group, as calculated by total current assets over total current liabilities, was approximately 1.9 (31 March 2020: 2.5).

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 (the "**2020PN**") in the principal amount of HK$25 million and the remaining HK$15 million in cash. On 10 May 2021, the maturity date of the 2020 PN has been extended to 11 May 2022 under mutual agreement between Benefit Global Limited and the Company. All other terms and conditions of the 2020 PN remains unchanged.

CHARGE ON ASSETS

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

CONTINGENT LIABILITIES

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

CAPITAL COMMITMENTS

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

SIGNIFICANT INVESTMENT HELD

Except for investments in subsidiaries, the Group did not hold any significant investment in equity interest in any other company as at 31 March 2022.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

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

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

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

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

FOREIGN CURRENCY EXPOSURES

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

EMPLOYEES AND REMUNERATION POLICY

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

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

EVENT AFTER REPORTING PERIOD

On 20 May 2022, the maturity date of the 2020 PN has been extended to 11 May 2023 under mutual agreement between Benefit Global Limited and the Company. All other terms and conditions of the 2020 PN remains unchanged.

PROSPECTS

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

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

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

PURCHASE, SALE OF REDEMPTION OF LISTED SECURITIES

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

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

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

Code C.2.1

Pursuant to the code provision under the Code, the roles of chairman and chief executive should be separate and should not be performed by the same individual. The post of chief executive officer of the Group 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 Auditor in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA, and consequently no assurance has been expressed by Auditor on this announcement.

REVIEW OF FINANCIAL STATEMENTS

The audit committee of the Board (the "**Audit Committee**") reviewed the audited consolidated financial statements for the Current Year in conjunction with the 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 2022 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 2022.

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

Hong Kong, 23 June 2022

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.