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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 2019

FINANCIAL HIGHLIGHTS

- Total revenue for the year ended 31 March 2019 (the "**Current Year**") was approximately HK$624.2 million, representing a decrease of approximately 19.4% from approximately HK$774.9 million for the year ended 31 March 2018 (the "**Previous Year**").

- Revenue from the Toy Division for the Current Year decreased by approximately HK$133.2 million, or approximately 17.7% from the Previous Year to approximately HK$619.5 million, while revenue from the Financial Services Division decreased by approximately HK$17.5 million, or approximately 79.0% from the Previous Year to approximately HK$4.7 million.

- Gross profit for the Current Year was approximately HK$84.4 million, representing a decrease of approximately 21.9% from approximately HK$108.0 million for the Previous Year.

- Net loss for the Current Year decreased by approximately HK$11.4 million to approximately HK$35.8 million, as compared to a net loss of approximately HK$47.2 million for the Previous Year. Such decrease in net loss was mainly due to:

  ➢ a decrease in rental and warehouse expenses for the Toy Division of approximately HK$5.1 million for the Current Year and a gain on disposal of certain property, plant and equipment in the Toy Division of approximately HK$5.1 million;

  ➢ a decrease in selling expenses for the Toy Division of approximately HK$9.2 million for the Current Year, attributable to a decrease in revenue from the Toy Division in the Current Year;

* *For identification purpose only*

- a decrease in administrative expenses of the Group approximately HK$22.3 million in the Current Year, of which approximately HK$8.8 million or 64.7% arising from the non-cash, equity settled share-based payment expenses related to the share options granted as a result of a decrease in the number of remaining years of vesting period for the granted share options for the Current Year as compared to the Previous Year; and a decrease in salaries and other benefits of approximately HK$5.2 million as a result of a decrease in the total number of staff and a decrease in directors' salaries, allowances and benefits in kind of approximately HK$4.4 million for the Current Year;

- the absence of segment loss of the discontinued operation, the information and technology division, of approximately HK$12.7 million in the Current Year following the disposal of such division by the Group in December 2017;

whereas the reduction in costs and expenses stated above was partially offset by:

- an increase in segment loss of the Financial Services Division by approximately HK$21.5 million or 85.4%, inclusive of which was an increase in fair value loss on financial assets at fair value through profit and loss of approximately HK$8.0 million following the disposal of certain financial assets held in the form of listed equity securities in Hong Kong;

- the absence of a gain on early redemption of convertible notes in the Current Year which was recorded in the amount of HK$1.3 million in the Previous Year; and

- an increase in finance costs due to the increase in effective interest expense of approximately HK$4.6 million for the convertible notes issued by the Company in the Previous Year.

• The Board does not recommend the payment of final dividend for the year ended 31 March 2019.

ANNUAL RESULTS

The board (the "**Board**") of directors (the "**Directors**") of Quali-Smart Holdings Limited (the "**Company**") is pleased to present the consolidated financial results of the Company and its subsidiaries (collectively referred to as the "**Group**") for the year ended 31 March 2019 together with the comparative figures for the preceding financial year in this announcement.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Year ended 31 March	
		2019	2018
	Notes	***HK$'000***	*HK$'000*
CONTINUING OPERATIONS			
Revenue	5	**624,214**	774,929
Cost of sales		**(539,830)**	(666,886)
Gross profit		**84,384**	108,043
Other income, gains and losses	7	**8,891**	11,544
Selling expenses		**(15,311)**	(24,585)
Administrative expenses		**(81,727)**	(103,983)
Finance costs	9	**(24,439)**	(19,384)
Loss before income tax expense	8a	**(28,202)**	(28,365)
Income tax expense	10	**(7,585)**	(6,146)
LOSS FOR THE YEAR FROM CONTINUING OPERATIONS		**(35,787)**	(34,511)
DISCONTINUED OPERATION			
LOSS FOR THE YEAR FROM A DISCONTINUED OPERATION	8b	**–**	(12,658)
LOSS FOR THE YEAR		**(35,787)**	(47,169)
Other comprehensive income that may be reclassified subsequently to profit or loss			
Fair value loss on available-for-sale investments		**–**	(260)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**(35,787)**	(47,429)
LOSS PER SHARE ATTRIBUTABLE TO THE OWNERS OF THE COMPANY	12		
– Basic and diluted (HK cents)			
From continuing and discontinued operations		**(2.43)**	(3.20)
From continuing operations		**(2.43)**	(2.34)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		At 31 March	
		2019	2018
	Notes	***HK$'000***	*HK$'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**21,031**	21,799
Investment property		**7,000**	6,700
Goodwill	13	**184,783**	184,783
Intangible assets	14	**554**	554
Statutory deposit for financial service business		**1,319**	1,335
Available-for-sale investments	18	**–**	11,740
Deposits		**326**	–
Promissory notes	21	**4,584**	4,517
Total non-current assets		**219,597**	231,428
CURRENT ASSETS			
Inventories	15	**83,723**	94,575
Trade receivables	16	**59,143**	30,682
Financial assets at fair value through profit or loss	17	**–**	11,538
Prepayments, deposits and other receivables		**6,555**	8,960
Cash and bank balances held on behalf of customers		**38,006**	66,334
Pledged bank deposits		**61,242**	60,361
Cash and cash equivalents		**140,467**	141,184
Promissory notes	21	**–**	4,015
Total current assets		**389,136**	417,649
CURRENT LIABILITIES			
Trade payables	19	**84,019**	111,103
Receipts in advance, accruals and other payables		**12,237**	18,794
Interest-bearing bank borrowings	20	**23,106**	13,916
Tax payables		**1,848**	1,437
Total current liabilities		**121,210**	145,250
NET CURRENT ASSETS		**267,926**	272,399
TOTAL ASSETS LESS CURRENT LIABILITIES		**487,523**	503,827

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

		At 31 March	
		2019	2018
	Notes	***HK$'000***	*HK$'000*
NON-CURRENT LIABILITIES			
Convertible notes	22	**88,429**	73,984
Deferred tax liabilities		**112**	112
Total non-current liabilities		**88,541**	74,096
NET ASSETS		**398,982**	429,731
EQUITY			
Share capital	23	**287**	287
Reserves		**398,695**	429,444
Total equity		**398,982**	429,731

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to the owners of the Company										
	Share capital	Share premium	Property revaluation reserve	Investment revaluation reserve	Other reserve	Share option reserve	Convertible notes equity reserve	Accumulated losses	Total	Non-controlling interests	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 April 2017	287	418,769	6,071	–	1,000	41,529	42,725	(89,112)	421,269	590	421,859
Equity settled share-based transactions *(note 25)*	–	–	–	–	–	13,541	–	–	13,541	–	13,541
Lapse of share options	–	–	–	–	–	(4,883)	–	4,883	–	–	–
Early redemption of convertible notes	–	–	–	–	–	–	(42,725)	39,187	(3,538)	–	(3,538)
Disposal of subsidiaries	–	–	–	–	–	–	–	–	–	(590)	(590)
Issue of convertible notes	–	–	–	–	–	–	45,888	–	45,888	–	45,888
Loss for the year	–	–	–	–	–	–	–	(47,169)	(47,169)	–	(47,169)
Other comprehensive income											
Fair value loss on available-for-sale investments	–	–	–	(260)	–	–	–	–	(260)	–	(260)
Total comprehensive income for the year	–	–	–	(260)	–	–	–	(47,169)	(47,429)	–	(47,429)
At 31 March 2018 and 1 April 2018	**287**	**418,769**	**6,071**	**(260)**	**1,000**	**50,187**	**45,888**	**(92,211)**	**429,731**	**–**	**429,731**
Equity settled share-based transactions *(note 25)*	**–**	**–**	**–**	**–**	**–**	**4,778**	**–**	**–**	**4,778**	**–**	**4,778**
Lapse of share options	**–**	**–**	**–**	**–**	**–**	**(1,655)**	**–**	**1,655**	**–**	**–**	**–**
Disposal of debt instruments at fair value through other comprehensive income	**–**	**–**	**–**	**260**	**–**	**–**	**–**	**–**	**260**	**–**	**260**
Loss for the year	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(35,787)**	**(35,787)**	**–**	**(35,787)**
Total comprehensive income for the year	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(35,787)**	**(35,787)**	**–**	**(35,787)**
At 31 March 2019	**287**	**418,769**	**6,071**	**–**	**1,000**	**53,310**	**45,888**	**(126,343)**	**398,982**	**–**	**398,982**

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 2018

In the current year, the Group has applied the following amendments to HKFRSs issued by the HKICPA that are mandatorily effective for an accounting period that begins on or after 1 April 2018:

Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers
Amendments to HKFRS 15	Clarifications to HKFRS 15 Revenue from Contracts with Customers
Amendments to HKAS 40	Transfers of Investment Property
HK(IFRIC) – Int 22	Foreign Currency Transactions and Advance Consideration

Amendments to HKFRS 2 – Classification and Measurement of Share-Based Payment Transactions

The amendments provide requirements on the accounting for the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments; share-based payment transactions with a net settlement feature for withholding tax obligations; and a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.

The adoption of these amendments has no impact on these financial statements as the Group does not have any cash-settled share-based payment transaction and has no share-based payment transaction with net settlement features for withholding tax.

2. **ADOPTION OF NEW OR REVISED HKFRSs (Continued)**

(a) **Adoption of new/revised HKFRSs – effective 1 April 2018 (Continued)**

HKFRS 9 – Financial Instruments

HKFRS 9 replaces HKAS 39 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 April 2018, bringing together all three aspects of the accounting for financial instruments: (1) classification and measurement; (2) impairment and (3) hedge accounting. The adoption of HKFRS 9 from 1 April 2018 has resulted in changes in accounting policies of the Group and the amounts recognised in the consolidated financial statements.

(i) Classification and measurement of financial instruments

HKFRS 9 carries forward the recognition, classification and measurement requirements for financial liabilities from HKAS 39, except for financial liabilities designated at fair value through profit or loss ("FVTPL"), where the amount of change in fair value attributable to change in credit risk of the liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, HKFRS 9 retains the requirements in HKAS 39 for derecognition of financial assets and financial liabilities. However, it eliminates the previous HKAS 39 categories for financial assets of held to maturity financial assets, loans and receivables and available-for-sale financial assets. The adoption of HKFRS 9 has no material impact on the Group's accounting policies related to financial liabilities and derivative financial instruments. The impact of HKFRS 9 on the Group's classification and measurement of financial assets is set out below.

Under HKFRS 9, except for certain trade receivables (that the trade receivables do not contain a significant financing component in accordance with HKFRS 15), an entity shall, at initial recognition, measure a financial asset at its fair value plus, in the case of a financial asset not at FVTPL, transaction costs. A financial asset is classified as: (i) financial assets at amortised cost ("amortised cost"); (ii) financial assets at fair value through other comprehensive income ("FVOCI"); or (iii) FVTPL (as defined in above). The classification of financial assets under HKFRS 9 is generally based on two criteria: (i) the business model under which the financial asset is managed and (ii) its contractual cash flow characteristics (the "solely payments of principal and interest" criterion, also known as "SPPI criterion"). Under HKFRS 9, embedded derivatives are no longer required to be separated from a host financial asset. Instead, the hybrid financial instrument is assessed as a whole for the classification.

2. ADOPTION OF NEW OR REVISED HKFRSs (Continued)

(a) Adoption of new/revised HKFRSs – effective 1 April 2018 (Continued)

HKFRS 9 – Financial Instruments (Continued)

(i) Classification and measurement of financial instruments (Continued)

A financial asset is measured at amortised cost if it meets both of the following conditions and it has not been designated as at FVTPL:

- It is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

- The contractual terms of the financial asset give rise on specified dates to cash flows that meet the SPPI criterion.

A debt investment is measured at FVOCI if it meets both of the following conditions and it has not been designated as at FVTPL:

- It is held within a business model whose objective is to be achieved by both collecting contractual cash flows and selling financial assets; and

- The contractual terms of the financial asset give rise on specified dates to cash flows that meet the SPPI criterion.

On initial recognition of an equity investment that is not held for trading, the Group could irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an investment-by-investment basis. All other financial assets not classified at amortised cost or FVOCI as described above are classified as FVTPL. This includes all derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or FVOCI at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

2. ADOPTION OF NEW OR REVISED HKFRSs (Continued)

(a) Adoption of new/revised HKFRSs – effective 1 April 2018 (Continued)

HKFRS 9 – Financial Instruments (Continued)

(i) Classification and measurement of financial instruments (Continued)

The following accounting policies would be applied to the Group's financial assets:

FVTPL	FVTPL is subsequently measured at fair value. Changes in fair value, dividends and interest income are recognised in profit or loss.
Amortised costs	Financial assets at amortised cost are subsequently measured using the effective interest rate method. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain on derecognition is recognised in profit or loss.
FVOCI (debt instruments)	Debt investments at fair value through other comprehensive income are subsequently measured at fair value. Interest income calculated using the effective interest rate method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss.
FVOCI (equity instruments)	Equity investments at fair value through other comprehensive income are measured at fair value. Dividend income are recognised in profit or loss unless the dividend income clearly represents a recovery of part of the cost of the investments. Other net gains and losses are recognised in other comprehensive income and are not reclassified to profit or loss.

(I) As at 1 April 2018, the unlisted debt investments were reclassified from available-for-sale investments to FVOCI, as the Group's business model is to collect contractual cash flows and sell these financial assets. These unlisted debt investments meet the SPPI criterion. As such, unlisted debt investments with a fair value of HK$11,740,000 were reclassified from available-for-sale investments to financial assets at FVOCI on 1 April 2018.

2. ADOPTION OF NEW OR REVISED HKFRSs (Continued)

(a) Adoption of new/revised HKFRSs – effective 1 April 2018 (Continued)

HKFRS 9 – Financial Instruments (Continued)

(i) Classification and measurement of financial instruments (Continued)

The following table summarises the original measurement categories under HKAS 39 and the new measurement categories under HKFRS 9 for each class of the Group's financial assets as at 1 April 2018:

Financial assets	Original classification under HKAS 39	New classification under HKFRS 9	Carrying amount as at 1 April 2018 under HKAS 39	Carrying amount as at 1 April 2018 under HKFRS 9
			HK$'000	*HK$'000*
Unlisted debt investments	Available-for-sale (at fair value)	Debt instruments at FVOCI	11,740	11,740
Statutory deposit for financial services business	Loans and receivables	Amortised cost	1,335	1,335
Trade receivables	Loans and receivables	Amortised cost	30,682	30,682
Promissory notes	Loans and receivables	Amortised cost	8,532	8,532
Deposits and other receivables	Loans and receivables	Amortised cost	4,553	4,553
Listed equity investments	FVTPL	FVTPL	11,538	11,538
Cash and bank balances held on behalf of customers	Loans and receivables	Amortised cost	66,334	66,334
Pledged bank deposits	Loans and receivables	Amortised cost	60,361	60,361
Bank balances and cash	Loans and receivables	Amortised cost	141,184	141,184

(ii) Impairment of financial assets

The adoption of HKFRS 9 has changed the Group's impairment model by replacing the HKAS 39 "incurred loss model" to the "expected credit losses ("ECLs") model". HKFRS 9 requires the Group to recognised ECLs for trade receivables, financial assets at amortised cost and debt instruments at FVOCI earlier than HKAS 39. Cash and cash equivalents are subject to ECLs model but the impairment is immaterial for the current period.

Under HKFRS 9, the losses allowances are measured on either of the following bases: (1) 12-month ECLs: these are the ECLs that result from possible default events within the 12 months after the reporting date: and (2) lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

2. **ADOPTION OF NEW OR REVISED HKFRSs (Continued)**

(a) Adoption of new/revised HKFRSs – effective 1 April 2018 (Continued)

HKFRS 9 – Financial Instruments (Continued)

(ii) Impairment of financial assets (Continued)

Measurement of ECLs

ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the assets' original effective interest rate.

The Group has elected to measure loss allowances for trade receivables from manufacturing and sales of toys segment using HKFRS 9 simplified approach and has calculated ECLs based on lifetime ECLs. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For other debt financial assets, the ECLs are based on the 12-month ECLs. The 12-month ECLs is the portion of the lifetime ECLs that results from default events on a financial instrument that are possible within 12 months after the reporting date. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECLs. When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

Presentation of ECLs

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets. For debt instruments at FVOCI, the loss allowance is recognised in other comprehensive income, instead of reducing the carrying amount of the assets.

Impact of the ECLs model

As mentioned above, the Group applies the HKFRS 9's simplified approach to measure ECLs which adopts a lifetime ECLs for trade receivables from manufacturing and sales of toys segment. To measure the ECLs, these receivables have been grouped based on shared credit risk characteristics and the days past due. No additional impairment for these receivables as at 1 April 2018 and during the year ended 31 March 2019 is recognised as the amount of additional impairment measured under the ECLs model is insignificant.

No additional impairment for other debt financial assets as at 1 April 2018 and during the year ended 31 March 2019 is recognised as the amount of additional impairment measured under the ECLs model is insignificant.

2. ADOPTION OF NEW OR REVISED HKFRSs (Continued)

(a) Adoption of new/revised HKFRSs – effective 1 April 2018 (Continued)

HKFRS 9 – Financial Instruments (Continued)

(iii) Hedge accounting

Hedge accounting under HKFRS 9 has no impact on the Group as the Group does not apply hedge accounting in its hedging relationships.

(iv) Transition

The Group has applied the transitional provision in HKFRS 9 such that HKFRS 9 was generally adopted without restating comparative information. The reclassifications and the adjustments arising from the new ECLs rules are therefore not reflected in the consolidated statement of financial position as at 31 March 2018, but are recognised in the consolidated statement of financial position on 1 April 2018. Based on the management's assessment, there was no material difference in the carrying amounts of financial assets and financial liabilities resulting from the adoption of HKFRS 9 recognised in the equity as at 1 April 2018.

HKFRS 15 Revenue from Contracts with Customers ("HKFRS 15")

HKFRS 15 supersedes HKAS 11 Construction Contracts, HKAS 18 Revenue and related interpretations. HKFRS 15 has established a five-step model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at the amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The Group has adopted HKFRS 15 using the cumulative effect method without practical expedients. The Group has recognised the cumulative effect (if only) of initially applying HKFRS 15 as an adjustment to the opening balance of retained earnings at the date of initial application (i.e. 1 April 2018). As a result, the financial information presented for 2018 has not been restated.

Based on the assessment of the Group, the adoption of HKFRS 15 from 1 April 2018 has resulted in changes of accounting policies of the Group, however, it does not have significant impact on the timing and amounts of revenue recognition of the Group, and no adjustment to the opening balance of equity at 1 April 2018 has been made.

2. ADOPTION OF NEW OR REVISED HKFRSs (Continued)

(a) Adoption of new/revised HKFRSs – effective 1 April 2018 (Continued)

Amendments to HKFRS 15 – Revenue from Contracts with Customers (Clarifications to HKFRS 15)

The amendments to HKFRS 15 included clarifications on identification of performance obligations; application of principal versus agent; licenses of intellectual property; and transition requirements.

The adoption of these amendments has no impact on these financial statements as the Group had not previously adopted HKFRS 15 and took up the clarifications in this, its first, year.

Amendments to HKAS 40, Investment Property – Transfers of Investment Property

The amendments clarify that to transfer to or from investment properties there must be a change in use and provides guidance on making this determination. The amendment states that a change of use will occur when a property meets, or ceases to meet, the definition of investment property and there is supporting evidence that a change has occurred. The amendments also re-characterise the list of evidence in the standard as a non-exhaustive list, thereby allowing for other forms of evidence to support a transfer.

The adoption of these amendments has no impact on these financial statements as the amendments are consistent with the manner in which the Group has previously assessed transfers.

HK(IFRIC)–Int 22 – Foreign Currency Transactions and Advance Consideration

The Interpretation provides guidance on determining the date of the transaction for determining an exchange rate to use for transactions that involve advance consideration paid or received in a foreign currency and the recognition of a non-monetary asset or non-monetary liability. The Interpretations specifies that the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part thereof) is the date on which the entity initially recognises the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration.

The adoption of the interpretation has no impact on these financial statements as the interpretation is consistent with its existing accounting policy on accounting for these transactions.

2. **ADOPTION OF NEW OR REVISED 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 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.

HKFRS 16	Leases[1]
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments[1]
Amendments to HKAS 1 and HKAS 8	Definition of Material[2]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[1]
Amendments to HKFRS 3	Definition of Business[3]
Annual Improvements to HKFRSs 2015-2017 Cycle	Amendments to HKFRS 3, Business Combinations[1]
Annual Improvements to HKFRSs 2015-2017 Cycle	Amendments to HKAS 12, Income Taxes[1]
Annual Improvements to HKFRSs 2015-2017 Cycle	Amendments to HKAS 23, Borrowing Costs[1]

1 Effective for annual periods beginning on or after 1 January 2019

2 Effective for annual periods beginning on or after 1 January 2020

3 Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020

HKFRS 16 – Leases

HKFRS 16, which upon the effective date will supersede HKAS 17 "Leases "and related interpretations, introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Specifically, under HKFRS 16, a lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Accordingly, a lessee should recognise depreciation of the right-of-use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the statement of cash flows. Also, the right-of-use asset and the lease liability are initially measured on a present value basis. The measurement includes non-cancellable lease payments and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or to exercise an option to terminate the lease. This accounting treatment is significantly different from the lessee accounting for leases that are classified as operating leases under the predecessor standard, HKAS 17.

In respect of the lessor accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

2. ADOPTION OF NEW OR REVISED HKFRSs (Continued)

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

HKFRS 16 – Leases (Continued)

As at 31 March 2019, the Group has non-cancellable operating lease commitments of approximately HK$14,096,000. HKAS 17 does not require the recognition of any right-of-use asset or liability for future payments for these leases; instead, certain information is disclosed as operating lease commitments in note 39. An assessment indicates that these arrangements will meet the definition of a lease under HKFRS 16, and hence the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases upon the application of HKFRS 16. The new requirement to recognise a right-of-use asset and a related lease liability is expected to have a significant impact on the amounts recognised in the Group's consolidated statement of financial position. However, the adoption would not have significant impact on the Group's financial performance.

As allowed by HKFRS 16, the Group plans to use the practical expedient to grant further the previous assessment of which existing arrangement are, or contain leases. The Group will therefore apply the new definition of a lease in HKFRS 16 only to contracts that are entered into on or after the date of initial application. The Group also plans to elect to use the modified retrospective approach for the adoption of HKFRS 16 and will recognise the cumulative effect of initial application as an adjustment to the opening balance of the equity as at 1 April 2019 and will not restate the comparative information.

HK(IFRIC)-Int 23 – Uncertainty over Income Tax Treatments

The Interpretation supports the requirements of HKAS 12, Income Taxes, by providing guidance over how to reflect the effects of uncertainty in accounting for income taxes. Under the Interpretation, the entity shall determine whether to consider each uncertain tax treatment separately or together based on which approach better predicts the resolution of the uncertainty. The entity shall also assume the tax authority will examine amounts that it has a right to examine and has full knowledge of all related information when making those examinations. If the entity determines it is probable that the tax authority will accept an uncertain tax treatment, then the entity should measure current and deferred tax in line with its tax filings. If the entity determines it is not probable, then the uncertainty in the determination of tax is reflected using either the "most likely amount" or the "expected value" approach, whichever better predicts the resolution of the uncertainty.

Amendments to HKAS 1 and HKAS 8 – Definition of Material

The amendments clarify the definition of material and align the definition used across the HKFRSs. Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity. Materiality depends on the nature or magnitude of information, or both. An entity assesses whether information, either individually or in combination with other information, is material in the context of its financial statements taken as a whole.

Amendments to HKFRS 9 – Prepayment Features with Negative Compensation

The amendments clarify that prepayable financial assets with negative compensation can be measured at amortised cost or at fair value through other comprehensive income if specified conditions are met – instead of at fair value through profit or loss.

2. **ADOPTION OF NEW OR REVISED HKFRSs (Continued)**

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

Amendments to HKFRS 3 – Definition of a Business

The amendments clarify the definition of a business, with the objective of assisting entities to determine whether a transaction should be accounted for as a business combination or as an asset acquisition. An entity shall apply these amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2020 and to asset acquisitions that occur on or after the beginning of that period.

Earlier application of these amendments is permitted, including in annual reporting periods beginning before 18 January 2019 (the date of issuance of these amendments). If an entity applies these amendments for an earlier period, it shall disclose that fact.

Annual Improvements to HKFRSs 2015-2017 Cycle – Amendments to HKFRS 3, Business Combinations

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to HKFRS 3 which clarify that when a joint operator of a business obtains control over a joint operation, this is a business combination achieved in stages and the previously held equity interest should therefore be remeasured to its acquisition date fair value.

Annual Improvements to HKFRSs 2015-2017 Cycle – Amendments to HKAS 12, Income Taxes

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to HKAS 12 which clarify that all income tax consequences of dividends are recognised consistently with the transactions that generated the distributable profits, either in profit or loss, other comprehensive income or directly in equity.

Annual Improvements to HKFRSs 2015-2017 Cycle – Amendments to HKAS 23, Borrowing Costs

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to HKAS 23 which clarifies that a borrowing made specifically to obtain a qualifying asset which remains outstanding after the related qualifying asset is ready for its intended use or sale would become part of the funds an entity borrows generally and therefore included in the general pool.

Except as described under HKFRS 16 leases, the Directors anticipate that the application of the above new or amended HKFRSs will have no material impact on the consolidated financial statements.

3. BASIS OF PREPARATION

(a) Statement of compliance

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and interpretations (hereinafter collectively referred to as the "HKFRS") issued by the Hong Kong Institute of Certified Public Accountants ("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, financial assets at FVTPL and debt instruments at FVOCI, which are measured at fair values.

(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. 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.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the dates of acquisition or up to the dates of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

Acquisition of subsidiaries or businesses is accounted for using the acquisition method. The cost of an acquisition is measured at the aggregate of the acquisition-date fair value of assets transferred, liabilities incurred and equity interests issued by the Group, as the acquirer. The identifiable assets acquired and liabilities assumed are principally measured at acquisition-date fair value. The Group's previously held equity interest in the acquiree is re-measured at acquisition-date fair value and the resulting gains or losses are recognised in profit or loss. The Group may elect, on a transaction-by-transaction basis, to measure the non-controlling interests that represent present ownership interests in the subsidiary either at fair value or at the proportionate share of the acquiree's identifiable net assets. All other non-controlling interests are measured at fair value unless another measurement basis is required by HKFRSs. Acquisition-related costs incurred are expensed unless they are incurred in issuing equity instruments in which case the costs are deducted from equity.

4. **BASIS OF CONSOLIDATION (Continued)**

Any contingent consideration to be transferred by the acquirer is recognised at acquisition-date fair value. Subsequent adjustments to consideration are recognised against goodwill only to the extent that they arise from new information obtained within the measurement period (a maximum of 12 months from the acquisition date) about the fair value at the acquisition date. All other subsequent adjustments to contingent consideration classified as an asset or a liability are recognised in profit or loss.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interest. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for in the same manner as would be required if the relevant assets or liabilities were disposed of.

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. **REVENUE**

Revenue, which is also the Group's turnover, represents the net invoiced value of goods sold, after allowances for returns and trade discounts and the provision of Financial services. An analysis of revenue is as follows:

	Year ended 31 March	
	2019	2018
	HK$'000	*HK$'000*
Continuing operations		
Manufacturing and sales of toys	**619,549**	752,719
Financial services		
– Commission income from securities brokerage	**736**	2,973
– Commission income from placing and underwriting	**3,231**	17,907
– Advisory income and consultancy services income	**287**	466
– Interest income from securities margin financing services	**–**	73
– Handling fee income and other services income	**411**	791
	624,214	774,929
Discontinued operation		
Digital publishing, mobile and web application solutions	**–**	1,061
	624,214	775,990

5. REVENUE (Continued)

An analysis of the Group's revenue scoped in under HKFRS 15 for the year is as follows:

	Year ended 31 March	
	2019	2018
	HK$'000	*HK$'000*
Continuing operations		
Manufacturing and sales of toys	**619,549**	752,719
Financial services		
– Commission income from securities brokerage	**736**	2,973
– Commission income from placing and underwriting	**3,231**	17,907
– Advisory income and consultancy services income	**287**	466
– Handling fee income and other services income	**411**	791
	624,214	774,856
Discontinued operation		
Digital publishing, mobile and web application solutions	**–**	1,061
	624,214	775,917

6. OPERATING SEGMENT INFORMATION

The Group determines its operating segments based on the reports reviewed by the chief operating decision-maker that are used to make strategic decisions. The chief operating decision-maker considers the business primarily on the assessment of operating performance in each operating unit, which is the basis upon which the Group is organised. Each operating unit is distinguished based on types of goods or services delivered or provided. During the year ended 31 March 2018, the Group disposed of its digital publishing, mobile and web application solutions segment which is presented as a discontinued operation. 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").

6. OPERATING SEGMENT INFORMATION (Continued)

(a) Reportable segments

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

	Continuing operations		
	Manufacturing and sales of toys	**Financial services**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
For the year ended 31 March 2019			
External revenue	**619,549**	**4,665**	**624,214**
Segment profit/(loss)	**47,860**	**(46,644)**	**1,216**
Corporate income			
– Others			**2,619**
Central administrative cost *(Note (2))*			**(6,196)**
Equity settled share-based payment expenses			**(4,778)**
Finance cost			**(21,063)**
Loss before income tax expense			**(28,202)**
Represented by:			
– from continuing operations			**(28,202)**

6. OPERATING SEGMENT INFORMATION (Continued)

(a) Reportable segments (Continued)

Segment revenue and results (Continued)

	Continuing operations			Discontinued operation	
	Manufacturing and sales of toys	Financial services	Total	Digital publishing, mobile and web application solutions	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* *(note 8)*	*HK$'000*
For the year ended 31 March 2018					
External revenue	752,719	22,210	774,929	1,061	775,990
Segment profit/(loss)	33,299	(25,157)	8,142	(15,068)	(6,926)
Corporate income – Others					1,364
Central administrative cost *(Note (2))*					(7,858)
Equity settled share-based payment expenses					(13,541)
Finance cost					(16,472)
Loss before income tax expense					(43,433)
Represented by:					
– from continuing operations					(28,365)
– from discontinued operation *(note 8(b))*					(15,068)
					(43,433)

Note 1: The Group has initially applied HKFRS 15 using the cumulative effect method. Under this method, the comparative information is not restated and was prepared in accordance with HKAS 18.

Note 2: Central administrative cost mainly includes directors' remuneration (excluding equity settled share-based payment expenses to directors) and legal and professional fees.

6. OPERATING SEGMENT INFORMATION (Continued)

(a) Reportable segments (Continued)

Segment revenue and results (Continued)

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

Segment assets

All assets are allocated to reportable segments other than promissory notes, tax recoverable and cash and cash equivalents.

	At 31 March	
	2019	2018
	HK$'000	*HK$'000*
Manufacturing and sales of toys	**140,346**	147,499
Financial services	**318,588**	347,455
Total segment assets	**458,934**	494,954
Unallocated	**149,799**	154,123
Consolidated assets	**608,733**	649,077

Segment liabilities

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

	At 31 March	
	2019	2018
	HK$'000	*HK$'000*
Manufacturing and sales of toys	**47,577**	69,662
Financial services	**69,834**	71,823
Total segment liabilities	**117,411**	141,485
Unallocated	**92,340**	77,861
Consolidated liabilities	**209,751**	219,346

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

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

Other segment information

Amounts included in the measurement of segment profit/(loss) or segment assets:

For the year ended 31 March 2019

	Continuing operations		
	Manufacturing and sales of toys	**Financial services**	**Total**
	HK$'000	***HK$'000***	***HK$'000***
Additions to property, plant and equipment	**13,899**	**–**	**13,899**
Depreciation of property, plant and equipment	**(14,351)**	**(316)**	**(14,667)**
Gain on disposal of property, plant and equipment	**5,063**	**–**	**5,063**
Fair value loss on financial assets through profit or loss	**–**	**(11,054)**	**(11,054)**
Interest expenses	**(3,174)**	**(202)**	**(3,376)**

For the year ended 31 March 2018

	Continuing operations			Discontinued operation	
	Manufacturing and sales of toys	Financial services	Total	Digital publishing, mobile and web application solutions	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Additions to property, plant and equipment	22,494	8	22,502	4	22,506
Depreciation of property, plant and equipment	(16,287)	(558)	(16,845)	(44)	(16,889)
Loss and disposal of property, plant and equipment	(15)	–	(15)	–	(15)
Loss on disposal of intangible assets	–	(25)	(25)	–	(25)
Amortisation of intangible assets	–	–	–	(2,877)	(2,877)
Impairment loss on intangible assets	–	–	–	(11,728)	(11,728)
Fair value gain on financial assets through profit or loss	–	(3,006)	(3,006)	–	(3,006)
Interest expenses	(2,895)	(17)	(2,912)	(2)	(2,914)

6. OPERATING SEGMENT INFORMATION (Continued)

(b) Geographical information

The following table sets out information about the geographical location of (i) the Group's revenue from external customers and (ii) the Group's specified non-current assets. The geographical location of customers is based on the location at which the services were provided or the goods were delivered. The geographical location of the specified non-current assets other than statutory deposit for Financial services business, promissory notes and available-for-sale investments (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	
	2019	2018
	HK$'000	*HK$'000*
Continuing operations		
North America *(note 1)*	**422,603**	451,114
Western Europe		
– United Kingdom	**35,580**	63,530
– France	**17,975**	27,032
– Netherland	**2,952**	4,537
– Others *(note 2)*	**53,256**	52,427
PRC and Taiwan	**21,481**	75,196
Central America, Caribbean and Mexico	**18,871**	24,772
South America	**7,473**	8,724
Australia, New Zealand and Pacific Islands	**19,587**	21,664
Others *(note 3)*	**24,436**	45,933
	624,214	774,929
Discontinued operation		
Others *(note 3)*	**–**	1,061
Total	**624,214**	775,990

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

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

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

6. OPERATING SEGMENT INFORMATION (Continued)

(b) Geographical information (Continued)

(ii) Specified non-current assets

	At 31 March	
	2019	2018
	HK$'000	*HK$'000*
Mainland China, the PRC	**20,647**	21,317
Hong Kong	**192,721**	192,519
Total	**213,368**	213,836

(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	
	2019	2018
	HK$'000	*HK$'000*
Continuing operations		
Customer A	**223,686**	291,873
Customer B	**213,425**	267,066
Customer C	**106,056**	102,375
Total	**543,167**	661,314

(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.

	Continuing operations				Discontinued operation			
	Manufacturing and Sales of toys segment		Financial services segment		Digital publishing, mobile and web Application Solutions Segment		Total	
	2019	2018	**2019**	2018	**2019**	2018	**2019**	2018
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Timing of revenue recognition under HKFRS 15								
– At a point in time	**619,549**	752,719	**4,378**	21,671	**–**	740	**623,927**	775,130
– Over time	**–**	–	**287**	466	**–**	321	**287**	787
	619,549	752,719	**4,665**	22,137	**–**	1,061	**624,214**	775,917

7. OTHER INCOME, GAINS AND LOSSES

	Year ended 31 March	
	2019	2018
	HK$'000	*HK$'000*
Continuing operations		
Other income		
Interest income from bank deposits	**1,000**	441
Interest income from debt instruments at fair value through other comprehensive income (2018: available-for-sale investments)	**471**	280
Interest income from loans	**–**	798
Interest income from promissory notes	**113**	32
Moulding income	**4,144**	4,255
Rental income	**680**	1,380
	6,408	7,186
Other gains and losses		
Exchange gains, net	**3,379**	3,540
Fair value loss on financial assets at fair value through profit or loss	**(11,054)**	(3,006)
Gain on fair value change on investment property	**300**	500
Gain on disposal of debt instruments at fair value through other comprehensive income	**121**	–
Gain on early redemption of convertible notes	**–**	1,332
Gain/(loss) on disposal of property, plant and equipment	**5,063**	(15)
Others	**4,674**	2,007
	2,483	4,358
Other income, gains and losses	**8,891**	11,544

8. LOSS BEFORE INCOME TAX EXPENSE

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

	Year ended 31 March	
	2019	2018
	HK$'000	*HK$'000*
Continuing operations		
Cost of inventories sold	**539,830**	666,886
Depreciation of property, plant and equipment	**14,667**	16,845
Employee benefits expenses (excluding Directors' remuneration):		
Wages and salaries	**30,933**	35,324
Equity settled share-based payment expenses to employees	**2,036**	5,696
Pension scheme contributions	**850**	1,018
Other benefits	**1,485**	2,314
	35,304	44,352
Equity settled share-based payment expenses to eligible persons other than employees and Directors	**941**	3,006
Auditor's remuneration	**1,528**	2,988
Operating lease charges in respect of land and buildings	**11,862**	11,555

(b) **Discontinued operation**

On 14 December 2017, the Company, as vendor, entered into a sale and purchase agreement with Octagon Special Opportunities Limited, as a purchaser, an independent third party, to dispose of the entire issued share capital of New Creation Global Limited ("New Creation") at a consideration of HK$16,500,000. New Creation is an investment holding company which holds Pulse Mediatech Limited that is principally engaged in the provision of digital publishing and the development of mobile and web application solutions. The disposal was completed on 29 December 2017, the date on which the control of New Creation passed to the purchaser. The revenue, results, and cash flows of the discontinued operation were as follows:

8. LOSS BEFORE INCOME TAX EXPENSE (Continued)

(b) Discontinued operation (Continued)

	For the period from 1 April 2017 to the date of disposal *HK$'000*
Revenue	1,061
Cost of sales	(769)
Gross profit	292
Other income, gains and losses	15
Administrative expenses	(5,625)
Impairment loss on intangible assets	(11,728)
Finance costs	(2)
Loss before income tax credit	(17,048)
Income tax credit	2,410
	(14,638)
Gain on disposal of subsidiaries	1,980
Loss for the period from a discontinued operation	(12,658)
Net cash used in operating activities	(1,662)
Net cash used in investing activities	(4)
Net cash generated from financing activities	1,686
Net cash inflow of a discontinued operation	20

8. LOSS BEFORE INCOME TAX EXPENSE (Continued)

(b) Discontinued operation (Continued)

Loss before income tax credit from the discontinued operation is arrived at after charging:

	For the period from 1 April 2017 to the date of disposal
	HK$'000
Discontinued operation	
Cost of sales	769
Depreciation of property, plant and equipment	44
Amortisation of intangible assets	2,877
Employee benefits expenses (excluding Directors' remuneration):	
Wages and salaries	2,190
Equity settled share-based payment expenses to employees	82
Pension scheme contributions	88
Other benefits	14
	2,374
Impairment loss on intangible assets	11,728

9. FINANCE COSTS

	Year ended 31 March	
	2019	2018
	HK$'000	*HK$'000*
Continuing operations		
Interest on bank and other borrowings:		
– Bank borrowings	**3,174**	2,895
– Convertible notes	**21,063**	16,472
– Others	**202**	17
	24,439	19,384

10. INCOME TAX EXPENSE

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "Bill") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK$2,000,000 of estimated assessable profits of qualifying corporation will be taxed at 8.25%, and estimated assessable profits above HK$2,000,000 will be taxed at 16.5% of the remaining estimated assessable profits for the year ended 31 March 2019. For a group of "connected entities", only one entity within the group can elect to apply the two-tiered profits tax rates.

For the year ended 31 March 2019, Hong Kong Profits Tax of the selected entity was calculated at 8.25% (2018: 16.5%) of the first HK$2,000,000 estimated assessable profits and 16.5% (2018: 16.5%) of the remaining estimated assessable profits. Hong Kong Profits Tax for the remaining entities within the Group was calculated at 16.5% (2018: 16.5%) of the estimated assessable profits for both years.

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	
	2019	2018
	HK$'000	*HK$'000*
Continuing operations		
Current – Hong Kong		
Charge for the year	**7,325**	6,651
Under/(over) provision in prior years	**260**	(453)
	7,585	6,198
Deferred tax credit	**–**	(52)
	7,585	6,146

10. INCOME TAX EXPENSE (Continued)

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	
	2019	2018
	HK$'000	*HK$'000*
Loss before income tax expense from continuing operations	**(28,202)**	(28,365)
Tax at the applicable tax rate of 16.5% (2018: 16.5%)	**(4,653)**	(4,680)
Tax effect of revenue not taxable for tax purposes	**(3,060)**	(448)
Tax effect of expenses not deductible for tax purposes	**9,714**	7,611
Tax effect of tax loss not recognised	**7,634**	4,368
Tax effect of temporary difference not recognised	**(282)**	(59)
Utilisation of tax losses previously not recognised	**(1,863)**	(194)
Tax concession	**(165)**	–
Under/(over) provision in prior years	**260**	(452)
Income tax expense	**7,585**	6,146

No deferred tax asset has been recognised in respect of the unused tax losses of HK$118,442,000 (2018: HK$83,467,000) 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 year ended 31 March 2019, nor has any dividend been proposed since the end of the reporting period (2018: HK$ Nil).

12. LOSS PER SHARE

For continuing and discontinued operations

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

	Year ended 31 March	
	2019	2018
	HK$'000	*HK$'000*
Loss for the year from continuing and discontinued operations attributable to the owners of the Company	**(35,787)**	(47,169)
Less: Loss for the year from discontinued operation	**–**	12,658
Loss for the purpose of basic and diluted loss from continuing operations	**(35,787)**	(34,511)
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 2019 of approximately HK$35,787,000 (2018: HK$47,169,000), and of the weighted average number of 1,474,232,000 (2018: 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 2019 (2018: same) as the impact of the potential dilutive ordinary shares outstanding has an anti-dilutive effect on the basic loss per share presented for the year ended 31 March 2019 (2018: anti-dilutive).

There is no dilutive effect on the convertible notes as they are anti-dilutive (2018: anti-dilutive).

On 11 October 2018, (a) the Company and (b) Zhongtai International Investment Group Limited, Taifu Capital Investments Limited and Great Boom Group Limited (together, the "Subscribers") entered into a restated subscription agreement (the "Restated Subscription Agreement") pursuant to which the Company conditionally agreed to allot and issue, and the Subscribers conditionally agreed to subscribe for, an aggregate of 415,908,000 new ordinary shares of the Company, for an aggregate consideration of HK$145,567,800 in cash at the subscription price of HK$0.35 per subscription share.

12. LOSS PER SHARE (Continued)

For continuing and discontinued operations (Continued)

On 11 October 2018, (i) the Company (as purchaser) and Zhongtai International Financial Corporation ("**ZTI Financial**") (as vendor) entered into the supplemental agreement ("**Supplement ZTI Capital Agreement**") to revise and amend certain terms of the sale and purchase agreement entered into between ZTI Financial and the Company dated 23 February 2018 ("**ZTI Capital Agreement**") pursuant to which the Company conditionally agreed to acquire or procure one of its wholly-owned subsidiaries to acquire, and ZTI Financial conditionally agreed to dispose of, all issued shares of Zhongtai International Capital Limited; and (ii) the Company (as purchaser) and Zhongtai Financial International Limited ("**Zhongtai Financial International**") (as vendor) entered into the supplemental agreement ("**Supplemental ZTI Asset Management Agreement**") to revise and amend certain terms of the sale and purchase agreement entered into between Zhongtai Financial International and the Company dated 23 February 2018 ("**ZTI Asset Management Agreement**") pursuant to which the Company conditionally agreed to acquire or procure one of its wholly-owned subsidiaries to acquire, and Zhongtai Financial International conditionally agreed to dispose of, all issued shares of all issued shares of Zhongtai International Asset Management Limited, collectively the "ZTI Acquisitions".

The consideration for the ZTI Capital Agreement, being HK$30,000,000, shall be satisfied by the allotment and issue by the Company to the Original Offeror (as the designated nominee of ZTI Financial) 85,714,286 new shares of the Company, credited as fully paid, at an issue price of approximately HK$0.35 per Consideration Share, at completion of the ZTI Capital Agreement.

The consideration for the ZTI Asset Management Agreement, being HK$102,000,000, shall be satisfied by the allotment and issue by the Company to the Original Offeror (as the designated nominee of Zhongtai Financial International) 291,428,571 new shares of the Company, credited as fully paid, at an issue price of approximately HK$0.35 per share, at completion of the ZTI Asset Management Agreement.

Completion of the transactions contemplated under the Restated Subscription Agreement, the ZTI Capital Agreement and the ZTI Asset Management Agreement is subject to the satisfaction of various conditions precedent as set out in the joint announcement dated 12 October 2018. As at date of this announcement, such conditions precedent have not yet been satisfied in full and completion of the Restated Subscription Agreement the ZTI Capital Agreement and the ZTI Asset Management Agreement has not yet taken place. These potential contingently issuable shares are anti-dilutive.

12. **LOSS PER SHARE (Continued)**

For a discontinued operation

Basic and diluted loss per share for the discontinued operation is HK cents 0.86 per share, based on the loss for the year ended 31 March 2018 from the discontinued operation was HK$12,658,000 and the denominators detailed above for both basic and diluted loss per share.

13. **GOODWILL**

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

	Digital publishing, mobile and web application solutions *HK$'000*	**Financial services** *HK$'000* *(note a)*	**Total** *HK$'000*
Cost			
At 1 April 2017	51,759	184,783	236,542
Disposal of subsidiaries	(51,759)	–	(51,759)
At 31 March 2018 and 31 March 2019	–	184,783	184,783
Impairment			
At 1 April 2017	(51,759)	–	(51,759)
Disposal of subsidiaries	51,759	–	51,759
At 31 March 2018 and 31 March 2019	–	–	–
Carrying amount			
At 31 March 2019	**–**	**184,783**	**184,783**
At 31 March 2018	–	184,783	184,783

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

13. GOODWILL (Continued)

(a) Approximately HK$180,737,000 and HK$4,046,000 of goodwill were arisen from acquisition of Crosby Securities Limited ("CSL") and Crosby Asset Management (Hong Kong) Limited ("CAM") respectively in prior years, which are allocated to two different CGUs for impairment assessment.

As at 31 March 2019, 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 18.1% (2018: 19.3%) estimated by the management. Growth rate used to extrapolate the cash flows beyond the five-year budget plan is 3% (2018: 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. The cash flow projections have taken into account the worsening financial performance of CSL in the financial year ended 31 March 2019 with the actual net cash flows generating thereon worse than those estimated in the previous impairment assessment. Accordingly, the cash flow projections have been revised downwards. During the year ended 31 March 2019, no impairment was provided on goodwill for CSL as the recoverable amount exceeded the carrying amount of the CGU (2018: HK$ Nil).

As at 31 March 2019, the recoverable amount of the CGU in relation to CAM was based on fair values less costs to disposal using direct comparison approach as detailed below. During the year ended 31 March 2019, no impairment was provided on goodwill for CAM as the recoverable amount exceeded the carrying amount of the CGU (2018: HK$ Nil).

The level in the fair value hierarchy in arriving at the above recoverable amount is considered under Level 3. The cost of disposal of CAM is estimated by the management as immaterial. The fair value of CAM is determined using direct comparison approach by reference to recent sales price of comparable companies that have similar business model to CAM, adjusted for a discount specific to uncertainty on expected profitability of CAM compared to the recent sales. Higher discount for uncertainty on expected profitability will result in a lower fair value measurement, and vice versa.

Significant unobservable inputs	**Range**
Discount for uncertainty on expected profitability	10% (2018: 10%)

All the discount rates used above are pre-tax and reflect specific risks relating to the relevant CGU.

14. INTANGIBLE ASSETS

	Mobile and web application technologies HK$'000 (note a)	Trading rights, trademarks and website HK$'000 (note b)	Total HK$'000
Cost			
At 1 April 2017	87,900	579	88,479
Disposal of subsidiaries	(87,900)	–	(87,900)
Disposals	–	(25)	(25)
At 31 March 2018 and 31 March 2019	–	554	554
Accumulated amortisation			
At 1 April 2017	(53,974)	–	(53,974)
Amortisation for the year	(2,877)	–	(2,877)
Impairment loss	(11,728)	–	(11,728)
Disposal of subsidiaries	68,579	–	68,579
At 31 March 2018 and 31 March 2019	**–**	**–**	**–**
Carrying amount			
At 31 March 2019	**–**	**554**	**554**
At 31 March 2018	–	554	554

Notes:

(a) As at 31 March 2018, intangible assets comprised mobile and web application technologies acquired through the acquisition of the entire interest in the PMT Group in prior years. The fair value of the intangible assets acquired is calculated by an independent professional valuer, BMI Appraisals Limited by using Multi-period Excess Earnings Method. The principal assumptions used in the valuation are i) the estimated useful life of the intangible assets are 10 years and there are no residual value at the end of the useful life; and ii) the weighted average cost of capital used has been determined with reference to the capital structure and risk profile of technology companies in the market whose business are similar to the PMT Group.

Intangible assets are amortised using straight-line method over their estimated useful lives of 10 years, less any impairment losses. Amortisation charge for the year is included in administrative expense line item in the consolidated income statement.

14. INTANGIBLE ASSETS (Continued)

Notes (Continued):

(a) (Continued)

For the year ended 31 March 2018, as a result of disappointing results of IT Division during the period and its negative business outlook, the recoverable amount of digital publishing, mobile and web application solutions as at 30 September 2017 was calculated to be lower than its carrying amount and accordingly, an impairment loss on the intangible assets of approximately HK$11,728,000 was recorded. The recoverable amount of the mobile and web application technologies was determined based on a value-in-use calculation with reference to a valuation performed by an independent professional valuer, BMI Appraisals Limited. The value-in-use calculation is based on cash flow projections from formally approved budgets, covering a detailed five-year budget plans, and discount rate of 19.9% estimated by the management. Growth rate used to extrapolate the cash flows beyond the five-year budget plan is 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 its past performance, its business plans and outlook and its expectations for the industry development.

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

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

As at 31 March 2019, the recoverable amounts of the trading rights, trademarks and website with indefinite useful life have been determinate based on a value-in-use calculation, with reference to a valuation performed by an independent professional valuer, BMI Appraisal Limited. The value-in-use calculation based on cash flow projections from formally approved budgets, covering a detailed five-year budget plan, and discount rate of 18.1% (2018: 19.3%) estimated by the management. Growth rate used to extrapolate the cash flows beyond the five-year budget plan is 3% (2018: 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. The cash flow projections have taken into account the worsening financial performance of CSL in the financial year ended 31 March 2019 with the actual net cash flows generating thereon worse than those estimated in the previous impairment assessment. Accordingly, the cash flow projections have been revised downwards. During the year ended 31 March 2019, no impairment was provided on trading rights, trademarks and website as the recoverable amount exceeded their carrying amount (2018: HK$ Nil).

All the discount rate used above are pre-tax and reflect specific risks relating to the relevant industry.

15. INVENTORIES

	At 31 March	
	2019	2018
	HK$'000	*HK$'000*
Raw materials	**59,118**	63,755
Finished goods	**24,605**	30,820
	83,723	94,575

16. TRADE RECEIVABLES

	At 31 March	
	2019	2018
	HK$'000	*HK$'000*
Trade receivables from Financial services segment	**31,111**	6,550
Trade receivables from Manufacturing and sales of toys segment	**28,032**	24,132
	59,143	30,682

Trade receivables from Financial services segment

	At 31 March	
	2019	2018
	HK$'000	*HK$'000*
Accounts receivable arising from the ordinary course of business of securities brokerage and margin financing:		
– Cash clients *(note (a))*	**31,076**	4,110
– Clearing house *(note (a))*	**–**	673
– Margin clients *(note(b))*	**–**	9
Accounts receivable arising from the ordinary course of business of provision of:		
– Custodian services	**–**	250
– Advisory services	**35**	2,168
	31,111	7,210
Less: Allowance for impairment loss	**–**	(660)
	31,111	6,550

16. TRADE RECEIVABLES (Continued)

Trade receivables from Financial services segment (Continued)

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

	At 31 March	
	2019	2018
	HK$'000	*HK$'000*
On demand	**–**	9
Current – 30 days	**31,111**	4,783
Over 90 days	**–**	1,758
	31,111	6,550

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	
	2019	2018
	HK$'000	*HK$'000*
Neither past due nor impaired	**31,111**	4,792
Past due more than six months but less than one year	**–**	195
Past due more than one years but less than two years	**–**	1,563
	31,111	6,550

Notes:

(a) The settlement terms of trade receivables arising from the ordinary course of business of dealing in securities from cash clients and clearing house are one or two days after the respective trade date.

Receivables that were past due but not impaired represent unsettled trade transactions on the last two days prior to the end of reporting period and also relates to a wide range of independent clients for whom there are no recent history of default.

(b) Margin clients are required to pledge securities as collateral to the Group in order to obtain the credit facilities for securities trading and bear interests at commercial rates. The amount of credit facilities granted to them is determined based on a discount on the market value of securities accepted by the Group. Any excess in the lending ratio will trigger a margin call which the clients have to make good the shortfall. The margin ratio is reviewed and determined periodically. As at 31 March 2019, the market value of securities pledged by clients to the Group as collateral against margin client receivables was approximately HK$ Nil (2018: HK$35,256,000).

16. TRADE RECEIVABLES (Continued)

Trade receivables from Financial services segment (Continued)

An analysis of changes in the corresponding ECL allowances is as follows:

	12-month ECL (Stage 1)	Lifetime ECL not credit-impaired (Stage 2)	Lifetime ECL credit-impaired (Stage 3)	Impairment allowance under HKAS 39	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
As at 1 April 2018	–	–	–	660	660
Restated on adoption of HKFRS 9	–	660	–	(660)	–
Write-back of impairment loss during the year	–	(660)	–	–	(660)
As at 31 March 2019	–	–	–	–	–

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

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.

The management considered the expected loss rate is immaterial and accordingly, no ECLs are recognised.

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	
	2019	2018
	HK$'000	*HK$'000*
Current to 30 days	**14,764**	19,029
31 to 60 days	**3,413**	2,237
61 to 90 days	**7,859**	2,728
Over 90 days	**1,996**	138
	28,032	24,132

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	
	2019	2018
	HK$'000	*HK$'000*
Neither past due nor impaired	**20,186**	21,762
Less than 1 month past due	**6,238**	2,370
1 to 3 months past due	**1,608**	–
	28,032	24,132

Receivables that were neither past due nor impaired relate to the customers for which there was no recent history of default. In general, the Group does not hold any collateral or other credit enhancements over these balances.

The Group applies the simplified approach to provide for ECLs prescribed by HKFRS 9, which permit the use of lifetime ECLs provision for all trade receivables from manufacturing and sales of toys segment. To measure the ECLs, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The ECLs also incorporate forward-looking information. As at 31 March 2019, the Directors consider ECLs against the gross amounts of the trade receivables is immaterial.

17. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	At 31 March	
	2019	2018
	HK$'000	*HK$'000*
Listed equity securities held for trading in Hong Kong, at fair value	–	11,538

The realised and unrealised losses on financial assets at fair value through profit or loss for the year ended 31 March 2019 are approximately HK$11,054,000 (2018: HK$ Nil) and HK$ Nil (2018: HK$3,006,000) respectively.

18. AVAILABLE-FOR-SALE INVESTMENTS

	At 31 March	
	2019	2018
	HK$'000	*HK$'000*
Unlisted investments, at fair value:		
– Debt securities	–	11,740

In October 2017, the Group subscribed to a 5% fixed coupon bond of principal amount of HK$12,000,000 with a term of three years. The bond is unsecured and denominated in HK$. The interest is payable quarterly in arrears. The bond issuer and holder have the option to early redeem all or any part of the outstanding principal amount in the minimum denominations of HK$1,000,000 or in integral multiples of HK$100,000 above HK$1,000,000 during the period between the first day immediately after the second anniversary of the issue date of such bond and the last day immediately preceding the maturity date of the bond. During the year ended 31 March 2018, the fair value loss in respect of the Group's available-for-sale investments recognised in other comprehensive income amounted to approximately HK$260,000.

The fair values of unlisted debt securities were determined using trinomial option pricing method, and the inputs into the model as at 31 March 2018 was 6.94%.

As the above debt securities are not held for trading purpose, the Group has designated these investments as debt instruments at FVOCI at the date of initial application of HKFRS 9. During the year, the Group fully disposed of the debt securities at a consideration of HK$12,121,000.

19. TRADE PAYABLES

	At 31 March	
	2019	2018
	HK$'000	*HK$'000*
Trade payables from Financial services segment	**69,018**	70,946
Trade payables from Manufacturing and sales of toys segment	**15,001**	40,157
	84,019	111,103

Trade payables from Financial services segment

	At 31 March	
	2019	2018
	HK$'000	*HK$'000*
Accounts payable arising from the ordinary course of business of securities brokerage and margin financing:		
– Cash clients	**38,163**	70,946
– Brokers and clearing house	**30,855**	–
	69,018	70,946

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 2019, included in trade payable was an amount of approximately HK$38,006,000 (2018: HK$66,334,000) 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.

19. TRADE PAYABLES (Continued)

Trade payables from Manufacturing and sales of toys segment

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

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

	At 31 March	
	2019	2018
	HK$'000	*HK$'000*
Current to 30 days	**8,135**	27,424
31 to 60 days	**4,859**	9,582
61 to 90 days	**1,589**	2,930
91 to 365 days	**418**	–
More than one year	**–**	221
	15,001	40,157

20. INTEREST-BEARING BANK BORROWINGS

	At 31 March	
	2019	2018
	HK$'000	*HK$'000*
Current		
Secured		
– bank loans due for repayment within one year	**23,106**	13,916

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 (2018: HK$6,700,000);

ii) The corporate guarantee from the Company's subsidiary, which is Qualiman Industrial Co. Limited (2018: Qualiman Industrial Co. Limited); and/or

iii) By legal charges over certain properties in Hong Kong owned by Mr. Lau, Madam Li and their associates and personal guarantee by Mr. Lau.

20. INTEREST-BEARING BANK BORROWINGS (Continued)

At 31 March 2019 and 2018, 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 2019, none of the covenants relating to drawn down facilities had been breached (2018: Nil).

21. PROMISSORY NOTES

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

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

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

	At 31 March 2019	At 31 March 2018
	HK$'000	*HK$'000*
2017 PN1	**–**	4,015
2017 PN2	**4,584**	4,517
Promissory note receivables	**4,584**	8,532
Less: balances due within one year included in current assets	**–**	(4,015)
Non-current portion	**4,584**	4,517

The balance of promissory note receivables is neither past due nor impaired and the Directors are of the opinion that the balance is fully recoverable.

22. CONVERTIBLE NOTES

(a) On 17 December 2014, the Company issued convertible notes (the "2014 CN") with principal amount of HK$58,000,000 as part of the consideration for the acquisition of the entire equity interest in the PMT Group. The 2014 CN are interest-free and carry a right to convert the principal amount into shares of US$0.0001 each (adjusted par value of US$0.000025 upon share sub-division) in the share capital of the Company at an initial conversion price of HK$4.09 per share (adjusted conversion price of HK$1.023 upon share sub-division) during the period from 17 December 2014 to 17 December 2016. The Company may at any time before the maturity date redeem the 2014 CN at par (in whole or in part). Any amount of the 2014 CN which remains outstanding on the maturity date will be redeemed at their then outstanding principal amount.

On initial recognition, the 2014 CN contains two components, liability and equity components. The equity component is presented in equity with heading "convertible notes equity reserve". The effective interest rate of the liability component on initial recognition is 7.3% per annum.

On 9 December 2016, the Company extended the maturity date of the 2014 CN by one year, from 17 December 2016 to 17 December 2017. Save for extension of maturity date, all other terms and conditions of the 2014 CN remain unchanged from the original terms. The extended maturity date is not accounted for as an extinguishment of the original financial liability of 2014 CN as the discounted present value of the cash flow of the 2014 CN with extended maturity date is less than 10% difference from the discounted present value of the cash flow of the outstanding 2014 CN prior to the extension of maturity date. As such, the amount of future cash flow of the extended 2014 CN as at 17 December 2016 discounted by the original effective interest rate amount to approximately HK$53,758,000. The difference between the carrying amount of extended 2014 CN and the amount of discounted future cash flow of the extended 2014 CN of approximately HK$4,242,000 has been recognised in other income, gains or losses.

The decrease in fair value of the derivative financial asset before the extension of maturity date of approximately HK$2,939,000 and the decrease in fair value of the derivative financial asset after the extension of maturity date of approximately HK$2,190,000 have been recognised in profit or loss for the year ended 31 March 2017.

During the year ended 31 March 2018 and 2017, none of the 2014 CN was converted into ordinary shares of the Company.

The 2014 CN was repaid in full during the year ended 31 March 2018.

22. CONVERTIBLE NOTES (Continued)

(a) (Continued)

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

	HK$'000
Fair value of the 2014 CN at 17 December 2014	90,698
Equity component	(42,725)
Derivative financial asset – company redemption options on convertible notes	2,161
Liability component on initial recognition	50,134

The movements of the liability component of 2014 CN for the year are set out below:

	HK$'000
At 1 April 2017	54,944
Gain on extension of convertible notes	–
Effective interest expense	850
Redemption	(55,794)
At 31 March 2018	–

The movements of the derivative financial asset of the 2014 CN for the year are set out below:

	HK$'000
At 1 April 2017	592
Changes in fair value recognised in profit or loss during the year	–
Exercise of redemption option	(592)
At 31 March 2018	–

22. CONVERTIBLE NOTES (Continued)

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

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

During the year ended 31 March 2019, none of the 2017 CN1 was converted into ordinary shares of the Company (2018: none).

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

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

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

	2019	2018
	HK$'000	*HK$'000*
At 1 April	**53,554**	
Convertible notes issued	**–**	46,159
Effective interest expense	**15,502**	11,656
Interest payable	**(4,818)**	(4,261)
At 31 March	**64,238**	53,554

22. CONVERTIBLE NOTES (Continued)

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

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

During the year ended 31 March 2019, none of the 2017 CN2 was converted into ordinary shares of the Company (31 March 2018: none).

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

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

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

	2019	2018
	HK$'000	*HK$'000*
At 1 April	**20,430**	–
Convertible notes issued	**–**	17,953
Effective interest expense	**5,561**	3,966
Interest payable	**(1,800)**	(1,489)
At 31 March	**24,191**	20,430

22. CONVERTIBLE NOTES (Continued)

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

	At 31 March	
	2019	2018
	HK$'000	*HK$'000*
2017 CN1	**64,238**	53,554
2017 CN2	**24,191**	20,430
Convertible notes	**88,429**	73,984
Less: balances due within one year included in current liabilities	**–**	–
Non-current portion	**88,429**	73,984

23. SHARE CAPITAL

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

	2019		2018	
	Number of Shares (Note (b))	***HK$'000***	*Number of Shares (Note (a))*	*HK$'000*
Authorised:				
Ordinary Shares of US$0.000025 each				
At 1 April	**3,000,000,000**	**584**	2,000,000,000	389
Increase	**3,000,000,000**	**584**	1,000,000,000	195
At 31 March	**6,000,000,000**	**1,168**	3,000,000,000	584
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

Notes:

(a) Pursuant to an ordinary resolution passed by shareholders at the annual general meeting of the Company held on 7 September 2017, the authorised share capital of the Company was increased to US$75,000 divided into 3,000,000,000 shares by creating an additional 1,000,000,000 shares, which shall rank pari passu with each other and with the existing shares in all respect upon issue.

(b) Pursuant to an ordinary resolution passed by shareholders at the extraordinary general meeting of the Company held on 16 January 2019, the authorised share capital of the Company was increased to US$150,000 divided into 6,000,000,000 shares by creating an additional 3,000,000,000 shares, which shall rank pari passu with each other and with the existing shares in all respect upon issue.

24. 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.

25. EQUITY SETTLED SHARE-BASED PAYMENTS

The Company adopted a share option scheme pursuant to a resolution in writing passed by the Shareholders on 3 January 2013 (the "Share Option Scheme") for the purpose to grant share options to selected participants as incentives or rewards for their contribution to the Group. Eligible participants of the Share Option Scheme include directors of the Company or any of its subsidiaries, including non-executive directors and independent non-executive directors, other employees of the Group and consultants.

Pursuant to the Share Option Scheme, shares which may be issued upon exercise of all options to be granted under the Share Option Scheme or any other share option scheme adopted by the Company must not in aggregate exceed 10% of the shares of the Company in issue at the time dealings in the shares of the Company first commence on the Stock Exchange. The Company may renew this 10% limit with shareholders' approval provided that each such renewal may not exceed 10% of the shares of the Company in issue as at the date of the shareholders' meeting.

The maximum number of shares of the Company which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of the Company must not in aggregate exceed 30% of the issued share capital of the Company in issue from time to time.

Unless approved by the Shareholders of the Company, the total number of shares of the Company issued and to be issued upon the exercise of options granted to each eligible participant (including exercised and unexercised options) under the Share Option Scheme or any other share option schemes adopted by the Company in any 12-month period must not exceed 1% of the shares of the Company in issue.

On 17 March 2014, the Company granted 10,800,000 share options (the "first share option") to certain eligible participants of the Group under the Share Option Scheme. Set out below were details of the outstanding share options granted under the Share Option Scheme:

(1) All share options granted were at an exercise price of HK$1 per share;

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

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

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

25. EQUITY SETTLED SHARE-BASED PAYMENTS (Continued)

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

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

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

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

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

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

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

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

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

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

25. EQUITY SETTLED SHARE-BASED PAYMENTS (Continued)

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

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

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

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

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

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

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

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

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

25. 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 2019:

	Exercise price *(note 1)*	Number of share options Balance as at 1 April 2018 *(note 1)*	Exercised during the year	Lapsed during the year	Balance as at 31 March 2019	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	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

25. EQUITY SETTLED SHARE-BASED PAYMENTS (Continued)

	Exercise price *(note 1)*	Number of share options: Balance as at 1 April 2018 *(note 1)*	Exercised during the year	Lapsed during the year	Balance as at 31 March 2019	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	10,400,000	–	(1,800,000)	8,600,000	3 July 2015	3 July 2015 to 2 July 2025
	HK$0.748	42,723,800	–	(2,500,000)	40,223,800	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		138,591,600	–	(4,300,000)	134,291,600		

Notes:

1. Upon the share sub-division 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.

25. EQUITY SETTLED SHARE-BASED PAYMENTS (Continued)

Equity settled share-based payment expenses comprise:

	Year ended 31 March	
	2019	2018
	HK$'000	*HK$'000*
Equity settled schemes to employees (including Directors and ex-Directors)	**3,837**	10,535
Equity settled schemes to eligible persons other than employees and Directors	**941**	3,006
	4,778	13,541

Share options were granted to the consultants in light of their continuous contribution to the Group. The Group measured the fair value of services received from the Consultants by reference to the fair value of those granted to eligible employees as management considers that the services provided by the consultants and employees are similar in nature.

The following share options were outstanding during the year:

	2019		2018	
	Weighted average exercise price per share	**Number of options**	Weighted average exercise price per share	Number of options
	$		*$*	
At 1 April	**0.84**	**138,591,600**	0.83	157,855,600
Lapsed after the share sub-division	**0.86**	**(4,300,000)**	0.77	(19,264,000)
At 31 March	**0.84**	**134,291,600**	0.84	138,591,600

The weighted average share price at the date of exercise of options exercised during the year ended 31 March 2019 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 6.71 years (2018: 7.71 years).

Of the total number of share options outstanding as at 31 March 2019, no share option had not been vested and were not exercisable (2018: 54,988,640).

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

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

The Current Year proved to be a challenging one for the Group both in its Toy Division and the Financial Services Division. Business and investment environments changed for the worse drastically as the trade war between the United States and China escalated and threats of strengthening tariff measures ensued in multiple jurisdictions. The situations in Europe were not much better, with Brexit remaining unresolved and in chaos for an extended period of time, further clouding business outlooks and individual propensity to consume in the United Kingdom and across Europe. This deterioration happened against the backdrop of an already fragile environment in the global toy industry following the collapse of Toys R Us in the United States in 2017. To combat the tariff threats, many manufacturers in Hong Kong had to explore diversifications in their supply chain operations in order to mitigate the geographical risks and tighten cost control amidst weakening sales. Under such challenging environments, our Toy Division, despite suffering from an expected reduction in sales, managed to remain vigilant and deliver an improvement in its segment profits from approximately HK$33.3 million in the Previous Year to approximately HK$47.9 million in the Current Year, thanks to its strategies to focus more on a more selected range of high-margin products starting from the Previous Year and more effective cost control measures. On the other hand, the Sino-US trade war sent a chill to the global and domestic capital markets during the Current Year, resulting in substantial volatility and weakened performance across different asset classes. The Current Year saw the Hang Seng Index slip from its peak at the end of January 2018 to its bottom in October 2018, with sentiments largely following the development of the Sino-US trade war. Such volatility in the markets caused securities issuers and investors to be more cautious as general economic outlooks became uncertain. Furthermore, tightened regulatory environments in Hong Kong also led to longer vetting time for initial public offering transactions, further lengthening the time required to complete primary market issuance transactions. As a result, this caused the placing and underwriting commissions of the Financial Services Division to decrease markedly during the Current Year. However, there is a silver lining in that the Financial Services Division continues to have a healthy pipeline of projects and it has recently been appointed as the global coordinator and bookrunner for several initial public offerings in Hong Kong expected to come to the markets during the 2019-20 financial year.

During the Current Year, the Group continued to proceed with the execution of the proposed acquisitions of Zhongtai International Capital Limited and Zhongtai International Asset Management Limited by the Group and the introduction of Zhongtai Financial International Limited as our new controlling shareholder. While the transactions have taken substantially longer than we have hoped and consumed a considerable amount of our management time and resources, especially from the Financial Services Division, we continue to believe that completion of the transactions would strengthen the capital base of the Group, diversify the product offerings of the Financial Services Division and broaden its business networks in China. The Group continues to strive to work with Zhongtai to try to complete the various transactions as set out above in the coming financial 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 through its sub-contractors 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 focused in serving customers of internationally reputable toy brands that are considered to be more reliable in order placing and better credit worthiness and higher transparency on its business background in general.

During the Current Year, revenue of the Toy Division and its segment profit were approximately HK$619.5 million and HK$47.9 million respectively, representing a decrease of 17.7% and an increase of 43.7% respectively over the Previous Year. The noticeable drop in revenue from the Toy Division was mainly due to a decrease in orders placed by customers in North America, Central America, Western Europe, PRC and Taiwan and other counties around Asia and Africa. Contributing to the decrease in revenue of the Toy Division, customers from North America and United Kingdom accounted for approximately 37.5%, PRC and Taiwan for approximately 35.6%, Asia and Africa for approximately 14.3%, France for approximately 6.0%, Central America and nearby for approximately 3.9%. However, with the effective cost control measures adopted by the Group, such as inventory rationalisation and automation in manufacturing process, and the consistency in focusing on higher-margin products, the Toy Division was able to offset the unfavorable impact from the decrease in revenue and improve its segment profit during the Current Year. In addition, the Toy Division continued to have a strong relationship with its major customers. As the outlook for the global toy industry remains uncertain and challenging amidst the Sino-US trade war and the chaotic Brexit situations, the Toy Division will continue to maintain high efficiency operation management with the implementation of stringent cost controls in product manufacturing using lean production approach, logistic simplification management and minimization of inventory level particularly during non-peak business period. We will also continue to adopt automation in the manufacturing process in order to improve labour efficiency and flexibility in manufacturing.

The Financial Services Division

During the Current Year, there was a drastic change in investment sentiments in the securities markets globally and in Hong Kong. The Hang Seng Index dropped to its intra-year low at 24,585.53 on 30 October 2018, when compared with a closing at 30,093.38 as of 31 March 2018, representing a decrease of over 18%. While the markets did rebound subsequently, following the sentiments surrounding the developments of the Sino-US trade war, investment sentiments became more muted in general amidst the increased volatility. Average daily turnover value of the HKEx was volatile following the movements of the markets in general, starting at approximately HK$108.4 billion in April 2018 and dropping to a low of HK$71.9 billion in December 2018 and rebounding to about HK$110.6 billion in March 2019. The market capitalization of the Hong Kong securities market also decreased by 13.1% from HK$34.4 trillion as of closing on 31 March 2018 to approximately HK$29.9 trillion as of closing on 31 December 2018 and rebounding to approximately HK$33.8 trillion as of 31 March 2019. However, such rebound was only largely reversed in May 2019 as the developments of the Sino-US trade war turned to the worse. Based on data provided by The Stock Exchange of Hong Kong Limited, while total equity funds raised for the twelve months ended 31 December 2018 only showed a mild decrease to HK$541.7 billion from HK$581.4 for the twelve months ended 31 December 2017, total equity funds raised dropped more drastically in the first three months ended 31 March 2019 to HK$40.8 billion from HK$120.9 billion for the comparable period in the previous year.

The tensions arising from the Sino-US trade war led to a general change in investors' expectations of business and economic outlooks, leading to a more cautious appetite towards both primary issuance and secondary transactions. Tightening monetary and industry policies towards certain major sectors in China, such as real estate and internet games, also sent a chill to the investment markets as previous exuberance in these sectors are now subdued, leading to a substantial price correction and re-rating of these stocks in general. This also spilled over to the primary issuance markets as investors became more conservative towards pricings. Coupled with tightened regulatory scrutiny of initial public offering transactions, this often led to delayed execution of primary issuance transactions and in some cases, withdrawal of transactions.

The securities brokerage services of the Financial Services Division continued to service mainly institutional and corporate brokerage clients during the Current Year. Against the macro-environments set out above, the equity underwriting commissions received by the Financial Services Division decreased substantially during the Current Year as Crosby only completed one initial public offering transaction in Hong Kong as a joint bookrunner. Completion of several other initial public offering transactions in which Crosby is acting as global coordinator and lead bookrunner had been postponed to the first half of the coming financial year, due to longer than expected time to complete the regulatory vetting process for these listing applicants. As a result, recognition of these underwriting commissions did not materialise during the Current Year. An increase in interest rates and a weakened investors' appetite towards credits in China during the Current Year also led to a spike in bond yields, especially in the non-investment grade corporate bond class, and a drop in bond prices in general. This has led to higher financing costs for our bond issuer clients and weaker investors' appetite towards the product, thus leading to a contraction in bond placement amount and bond placing commission received by the Financial Services Division.

The Financial Services Division made some progress in its investment advisory business during the Current Year as it entered into an investment advisory agreement with a reputable international financial institution. We remain committed to seeking ways to expand the capital base of the Financial Services Division in order to increase its capacity to participate in more principal-based activities, including underwriting bigger-scale transactions and securities margin financings. As set out in the joint announcements of the Company on 25 February 2018, 12 October 2018 and further update on 29 November 2018, the Group is still in the process of executing the transactions as set out in these announcements to introduce Zhongtai Financial International Limited as our new controlling shareholder and acquire Zhongtai International Capital Limited and Zhongtai International Asset Management Limited. While these transactions have taken longer than expected to complete, if successfully consummated, they are expected to strengthen the capital base of the Group, diversify the product offerings of the Financial Services Division and broaden our business networks in China. The Group has devoted a significant amount of management time and resources to the negotiations and execution of these transactions during the Current Year, and we continue to strive to work with the counterparty to try to complete the various transactions as set out above as soon as possible in the coming financial year.

FINANCIAL REVIEW

The Toy Division

The Toy Division's revenue for the Current Year amounted to approximately HK$619.5 million, representing a decrease of 17.7% over that of the Previous Year of approximately HK$752.7 million. Such decrease in revenue was due to a decrease in sales to some of the Toy Division's top 5 customers. However, segment profit for this division increased substantially to approximately HK$47.9 million or by approximately HK$14.6 million for the Current Year from approximately HK$33.3 million for the Previous Year, representing an increase of 43.7%. Such increase in segment profit was mainly due to an improvement in gross profit margin benefiting from a change in products mix from smaller product items to more scalable and sophisticated products which generated higher gross profit margin as demanded by one of our major customers with more sales orders covering the entire period in the Current Year whereas such orders were placed only towards the latter part of the Previous the Year. The improvement in the segment profit for the Toy Division was also due to a decrease in rental and warehouse expenses of approximately HK$5.1 million, a decrease in selling expenses of approximately HK$9.2 million and a one-off gain on disposal of certain property, plant and equipment in the Toy Division of approximately HK$5.1 million.

Revenue from North America decreased by approximately HK$28.5 million from HK$451.1 million for the Previous Year to approximately HK$422.6 million for the Current Year, while revenue from Western Europe decreased by approximately HK$37.8 million from HK$147.5 million for the Previous Year to approximately HK$109.8 million for the Current Year. Sales to customers in mainland China and Taiwan decreased by approximately HK$53.7 million from HK$75.2 million for the Previous Year to approximately HK$21.5 million for the Current Year, and sales to other Asian countries and Africa decreased by approximately HK$21.5 million from approximately HK$45.9 million for the Previous Year to approximately HK$24.4 million. It was noted that the decrease in revenue during the Current Year was a global trend instead of a regional reallocation, as sentiments in the global toy industry was in general weakened due to the uncertain economic outlooks in all major markets amidst increasing tensions from multilateral trade wars.

The Financial Services Division

Revenue for the Financial Services Division for the Current Year amounted to approximately HK$4.7 million comparing to that of HK$22.2 million in the Previous Year, representing a decrease of 79.0% over the Previous Year. This is mainly attributable to a decrease in underwriting and placing commissions and securities brokerage commission income earned during the Current Year as explained in the Business Review section.

Overall, the Financial Services Division recorded a segment loss of approximately HK$46.6 million for the Current Year comparing to approximately HK$25.2 million for the Previous Year, representing an increase in loss of approximately 85.4%. The increase in segment loss of the Financial Services Division was mainly attributable to (i) the decrease in revenue during the Current Year as explained above; and (ii) an increase in fair value loss on financial assets at fair value through profit or loss of about HK$8.0 million arising from the disposal of certain listed securities in Hong Kong, and was partially offset by a reduction of employee benefits expenses in the Financial Services Division of approximately HK$3.6 million during the Current Year as no replacement staff were hired for some positions following natural staff turnover.

Overall Group Financial Performance

Revenue

The Group's revenue from continuing operations for the Current Year amounted to approximately HK$624.2 million, which represents a decrease of 19.4% from that for the Previous Year of approximately HK$774.9 million. The decrease in total revenue of approximately HK$150.7 million for the Current Year was mainly attributable to the Toy Division of approximately HK$133.2 million because of a decrease in sales to certain of its top 5 customers and to the Financial Services Division of approximately of HK$17.5 million resulting from a decrease in underwriting and placement commissions.

Gross Margin

The gross margin of the Toy Division recorded a favorable increase from approximately 11.4% for the Previous Year to approximately 12.9% for the Current Year due to (i) a shift to new higher margin products which are more scaleable and sophisticated as demanded by a major customer during the entire period in the Current Year. The Toy Division also received more orders for more scalable products in general which typically generated higher margins during the Current Year and (ii) a decrease in warehouse storage expenses of HK$5.1 million incurred in the Previous Year which is no longer applicable in the Current Year because of reduction in sales order and hence less warehouse storage was required for lower level of inventories manufactured. Meanwhile, the total gross profit from continuing operations of the Group for the Current Year decreased by 21.9% to approximately HK$84.4 million from approximately HK$108.0 million in the Previous Year. Despite the improvement in gross margins of the Toy Division, the general decrease in revenue in the Toy Division and the Financial Services Division led to a decrease in the total gross profit from continuing operations of the Group for the Current Year.

Net Loss

The Group's net loss from continuing operations for the Current Year amounted to approximately HK$35.8 million, as compared to a net loss from continuing operations of approximately HK$34.5 million for the Previous Year and a total net loss for the Group of approximately HK$47.2 million for the Previous Year (which included a net loss from a discontinued operation for the Previous Year of approximately HK$12.7 million), representing a decrease in the Group's total net loss of approximately 24.1%. Such decrease in total net loss was mainly due to:

- a decrease in rental and warehouse expenses for the Toy Division of approximately HK$5.1 million for the Current Year and a gain on disposal of certain property, plant and equipment in the Toy Division of approximately HK$5.1 million;

- a decrease in selling expenses for the Toy Division of approximately HK$9.2 million for the Current Year, attributable to a decrease in revenue from the Toy Division in the Current Year;

- a decrease in administrative expenses of the Group of approximately HK$22.3 million in the Current Year, of which approximately HK$8.8 million or 64.7% arising from the non-cash, equity settled share-based payment expenses related to the share options granted as a result of a decrease in the number of remaining years of vesting period for the granted share options for the Current Year as compared to the Previous Year; and a decrease in salaries of approximately HK$5.2 million as a result of a decrease in the total number of staff and a decrease in directors' salaries, allowances and benefits in kind of approximately HK$4.4 million for the Current Year;

- the absence of segment loss of the discontinued operation, the information and technology division, of approximately HK$12.7 million in the Current Year following the disposal of such division by the Group in December 2017;

whereas the reduction in costs and expenses stated above was partially offset by:

- an increase in segment loss of the Financial Services Division by approximately HK$21.5 million or 85.4%, inclusive of which was an increase in fair value loss on financial assets at fair value through profit and loss of approximately HK$8.0 million following the disposal of certain financial assets held in the form of listed equity securities in Hong Kong;

- the absence of a gain on early redemption of convertible notes in the Current Year which was recorded in the amount of HK$1.3 million in the Previous Year; and

- an increase in finance costs due to the increase in effective interest expense of approximately HK$4.6 million for the convertible notes issued by the Company in the Previous Year.

Selling Expenses

Selling expenses for the Toy Division mainly consisted of transportation fees and declaration fees. During the Current Year, selling expenses decreased 37.7% from approximately HK$24.6 million for the Previous Year to approximately HK$15.3 million for the Current Year which was due to a decrease in transportation cost as a result of decreased sales in the Current Year.

Administrative Expenses

Administrative expenses from continuing operations mainly consisted of salaries to employees, equity-settled share-based payment expenses, rents and rates for office spaces, depreciation of property, plant and equipment, and other administrative expenses. Administrative expenses decreased by 21.4% from approximately HK$104.0 million for the Previous Year to approximately HK$81.7 million for the Current Year, which was primarily due to a decrease in the total number of staff which in turn led to a decrease in staff costs arising from salary and the equity settled share-based payment expenses related to the grant of share options of approximately HK$5.2 million and HK$5.7 million, respectively, and decrease in directors' remuneration of approximately HK$7.4 million and a decrease in legal and professional fee incurred in the Current Year of approximately HK$1.2 million related to the proposed acquisitions of Zhongtai International Capital Limited and Zhongtai International Asset Management Limited and the proposed issuance of new shares and general offers as detailed in the joint announcements issued by the Company and Zhongtai International Investment Group Limited dated 25 February 2018 and 12 October 2018 respectively.

Other Income, Gains and Losses

Other income, gains and losses mainly consisted of moulding income, fair value loss on financial assets at fair value through profit and loss, gain on extension/early redemption of convertible notes, interest income from bank deposits and others. During the Current Year, other income, gains and losses from continuing operations decreased 23.0% from approximately HK$11.5 million for the Previous Year to approximately HK$8.9 million. Such decrease was mainly attributable to (i) an increase in gain on disposal of property, plant and equipment of approximately of HK$5.1 million for the Current Year; (ii) an increase in other gains of sundries nature of approximately HK$2.7 million for the Current Year, which was offset by (a) an increase in fair value loss on financial assets at fair value through profit and loss of approximately HK$8.0 million from approximately HK$3.0 million in the Previous Year to approximately HK$11.1 million for the Current Year following the disposal of certain listed securities in Hong Kong during the Current Year; and (b) a decrease in gain arising from the early redemption of the convertibles notes from approximately HK$1.3 million for the Previous Year to nil for the Current 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 promissory notes and the convertible notes issued by the Company. Finance costs from continuing operations increased by 26.1% from approximately HK$19.4 million for the Previous Year to approximately HK$24.4 million for the Current Year, which is primarily due to an increase in the effective interest expense of approximately HK$4.6 million of the convertible notes issued by the Company in the 2017 as a result of full-year recognition of its effective interest expense.

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 from continuing operations increased 23.4% from approximately HK$6.1 million for the Previous Year to approximately HK$7.6 million. Such increase was mainly due to the tax effect arising from the increase of non-deductible expenses in forms of fair value loss on financial assets at fair value through profit or loss for the Current Year compared to the Previous Year for the Financial Services Division and increase in finance costs for interest on convertible notes issued in May 2017 and June 2017 respectively for the Current Year.

Inventory

The inventory of the Group decreased by 11.5% to approximately HK$83.7 million as at 31 March 2019 from approximately HK$94.6 million as at 31 March 2018. 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 18.0% from 51.1 days for the Previous Year to 60.3 days for the Current Year arising from customers requisition for lengthened delivery schedule on products during the Current Year.

Trade Receivables

Trade receivables from the Toy Division was approximately HK$28.0 million as at 31 March 2019 when compared with approximately HK$24.1 million as at 31 March 2018. The modest increase in trade receivables of the Toy Division as at 31 March 2019 was primarily due to a change of financial arrangement from factoring arrangement to post-shipment export trade loan offered by banks for one of top 5 customers during the Current Year. 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 15.4 days for the Current Year as compared with 14.7 days for the Previous Year.

Trade receivables from the Financial Services Division increased from approximately HK$6.6 million as at 31 March 2018 to approximately HK$31.1 million at 31 March 2019, which was mainly the result of an increase in outstanding trade pending normal settlement from its clients in its ordinary course of business on 31 March 2019.

Trade Payables

Trade payables from the Toy Division as at 31 March 2018 amounted to approximately HK$40.2 million, which decreased to approximately of HK$15.0 million at 31 March 2019. The decrease was primarily due to the decrease in purchases and costs of service incurred for the Current Year. The trade payables turnover days for the Toy Division for the Previous Year and the Current Year, as calculated by dividing the averaging closing trade payables by the cost of sales from the Toy Division multiplied by 365 days, was 25.4 days and 18.6 days, respectively.

Trade payables from the Financial Services Division as at 31 March 2019 slightly decreased from approximately HK$70.9 million at 31 March 2018 to approximately HK$69.0 million at 31 March 2019, which was mainly due to an increase in normal outstanding trade settlement with CCASS pending outstanding trade in its normal and ordinary course of business on 31 March 2019 largely offset by a decrease in payable to clients in respect of trust and segregated bank balances held on behalf of them in its normal and ordinary course of business.

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 2019, cash and cash equivalents remained relatively stable when compared with the Previous Year and amounted to approximately HK$140.5 million (31 March 2018: HK$141.2 million) and an additional HK$61.2 million (31 March 2018: HK$60.4 million) were pledged bank deposits to secure an undrawn banking facility granted to the Group to facilitate settlement purposes of the Financial Services Division. Interest-bearing bank borrowings, on the other hand, increased from approximately HK$13.9 million as at 31 March 2018 to approximately HK$23.1 million as at 31 March 2019. Hence, 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 28.0% (31 March 2018: 20.5%). As at 31 March 2019, 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 3.2 (31 March 2018: 2.9).

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

CONVERTIBLE NOTES

The Company issued two tranches of 6% Convertible Notes with a maturity of three years and outstanding principal amounts of HK$80.0 million and HK$30.0 million (the "2017 Convertible Notes") on 11 May 2017 and 2 June 2017, respectively, 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 Notes are unsecured, bear interest at 6% per annum and carry rights to convert the principal amount into shares of the Company at an initial conversion price of HK$0.39 per share, representing 282,051,281 conversion shares or 19.1% of the issued share capital of the Company as at the date of this announcement, or 16.1% of the issued share capital of the Company as at the date of this announcement as enlarged by the conversion shares. The Company has the option to redeem the 2017 Convertible Notes 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 Notes have been fully utilized as follows:

	(HK$ millions)
(i) Full redemption of the convertible notes issued in 2014	58.0
(ii) Business expansion and working capital of the Financial Services Division	52.0
TOTAL	110.0

CHARGE ON ASSETS

As at 31 March 2019, certain of the Group's banking facilities and its interest-bearing bank borrowings were secured by pledged bank deposits of approximately HK$61.2 million (31 March 2018: HK$60.4 million) and properties of the Group located in Hong Kong with an aggregate carrying amount of approximately HK$7.0 million (31 March 2018: HK$6.7 million).

CONTINGENT LIABILITIES

As at 31 March 2019, the Group had no contingent liabilities (31 March 2018: Nil).

OPERATING LEASE ARRANGEMENTS

The Group leases certain of its office premises and a quarter for certain Directors under operating lease arrangements for terms ranging from one to two years.

As at 31 March 2019, the total future minimum lease payments under non-cancellable operating leases due within one year and due in the second to fifth year inclusive amounted to approximately HK$10.9 million and HK$3.2 million respectively (31 March 2018: HK$8.2 million and HK$0.04 million).

CAPITAL COMMITMENTS

As at 31 March 2019, there was no capital commitment of the Group (31 March 2018: 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 2019.

During the Current Year, the Group fully disposed of the debt securities held as debt instruments at FVOCI (2018: available-for-sale investments) and the listed equity securities held for trading in Hong Kong as financial assets at fair value through profit and loss. As such, there was no carrying value for such financial assets of the Group as of 31 March 2019 (31 March 2018: HK$23.3 million)

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

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

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

Save for the proposed acquisitions of Zhongtai International Capital Limited and Zhongtai International Asset Management Limited by the Group as set out in the joint announcements issued by the Company and Zhongtai International Investment Group Limited dated 25 February 2018 and 12 October 2018 respectively, which shall be subject to the fulfillment of various conditions precedent, the Group did not have any plans to acquire any material investments or capital assets as at 31 March 2019.

FOREIGN CURRENCY EXPOSURES

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

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

EMPLOYEES AND REMUNERATION POLICY

As at 31 March 2019, the Group had a total of 54 employees (31 March 2018: 62). Total staff costs (excluding equity settled share-based payment expenses to eligible persons other than employees and directors) were approximately HK$47.6 million for the year ended 31 March 2019 (2018: HK$66.3 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.

PROPOSED SUBSCRIPTION, PROPOSED ACQUISITIONS, PROPOSED SHARE PURCHASE AGREEMENT AND POSSIBLE UNCONDITIONAL MANDATORY CASH OFFERS

(I) Restated Subscription Agreement

On 11 October 2018, (a) the Company and (b) Zhongtai International Investment Group Limited (the "**Original Offeror**"), Taifu Capital Investments Limited and Great Boom Group Limited (together, the "**Subscribers**") entered into a restated subscription agreement ("**Restated Subscription Agreement**") pursuant to which the Company conditionally agreed to allot and issue, and the Subscribers conditionally agreed to subscribe for, an aggregate of 415,908,000 shares ("**Subscription Shares**"), for an aggregate consideration of HK$145,567,800 in cash at the subscription price of HK$0.35 per subscription share (the "**Subscription**"). The subscription agreement dated 23 February 2018 entered into between the Subscribers and the Company ("**Initial Subscription Agreement**"), details of which were set out in the joint announcement of the Company and the Original Offeror on 25 February 2018, has been terminated and superseded by the Restated Subscription Agreement.

Following the completion of the Restated Subscription Agreement, the Original Offeror and its concert parties (including the Subscribers and their respective concert parties) will be interested in a total of 415,908,000 shares of the Company, representing (i) approximately 22.0% of the total issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares only (assuming no outstanding share options granted by the Company ("**Share Options**") or the 2017 convertible notes issued by the Company ("**2017 Convertibles Notes**") will be exercised or converted and no other shares will be allotted or issued at or prior to completion of the Restated Subscription Agreement); and (ii) approximately 18.03% of the total issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares only (assuming all of the outstanding Share Options and 2017 Convertible Notes will be exercised and converted but no other shares will be allotted or issued at or prior to completion of the Restated Subscription Agreement). Completion of the Restated Subscription Agreement is subject to the satisfaction of various conditions precedent as set out in the joint announcement of the Original Offeror and the Company dated 12 October 2018 (the "**Joint Announcement**").

As at the date of this announcement, such conditions precedent have not yet been satisfied in full and completion of the Subscription has not yet taken place.

For details of the Restated Subscription Agreement, please refer to the Joint Announcement.

(II) Proposed Acquisitions of Zhongtai International Capital Limited and Zhongtai International Asset Management Limited

On 11 October 2018, (i) the Company (as purchaser) and Zhongtai International Financial Corporation ("**ZTI Financial**") (as vendor) entered into the supplemental agreement ("**Supplement ZTI Capital Agreement**") to revise and amend certain terms of the sale and purchase agreement entered into between ZTI Financial and the Company dated 23 February 2018 ("**ZTI Capital Agreement**") pursuant to which the Company conditionally agreed to acquire or procure one of its wholly-owned subsidiaries to acquire, and ZTI Financial conditionally agreed to dispose of, all issued shares of Zhongtai International Capital Limited; and (ii) the Company (as purchaser) and Zhongtai Financial International Limited ("**Zhongtai Financial International**") (as vendor) entered into the supplemental agreement ("**Supplemental ZTI Asset Management Agreement**") to revise and amend certain terms of the sale and purchase agreement entered into between Zhongtai Financial International and the Company dated 23 February 2018 ("**ZTI Asset Management Agreement**") pursuant to which the Company conditionally agreed to acquire or procure one of its wholly-owned subsidiaries to acquire, and Zhongtai Financial International conditionally agreed to dispose of, all issued shares of all issued shares of Zhongtai International Asset Management Limited, collectively the "ZTI Acquisitions".

The consideration for the ZTI Capital Agreement, being HK$30,000,000, shall be satisfied by the allotment and issue by the Company to the Original Offeror (as the designated nominee of ZTI Financial) 85,714,286 new shares of the Company, credited as fully paid, at an issue price of approximately HK$0.35 per Consideration Share, at completion of the ZTI Capital Agreement.

The consideration for the ZTI Asset Management Agreement, being HK$102,000,000, shall be satisfied by the allotment and issue by the Company to the Original Offeror (as the designated nominee of Zhongtai Financial International) 291,428,571 new shares of the Company, credited as fully paid, at an issue price of approximately HK$0.35 per share, at completion of the ZTI Asset Management Agreement.

The new shares to be issued as consideration for the ZTI Acquisitions ("**Consideration Shares**"), being an aggregate of 377,142,857 shares of the Company, represent (i) approximately 20.37% of the total issued share capital of the Company as enlarged by the allotment and issue of the Consideration Shares only (assuming no outstanding Share Options or Convertible Notes will be exercised or converted and no other shares of the Company will be allotted or issued at or prior to completion of the ZTI Acquisitions); and (ii) approximately 16.63% of the total issued share capital of the Company as enlarged upon completion of the Subscription and the ZTI Acquisitions (assuming no outstanding Share Options or Convertible Notes will be exercised or converted and no other Shares will be allotted or issued at or prior to the completion of the Subscription and the ZTI Acquisitions).

Completion of the ZTI Acquisitions is subject to the satisfaction of various conditions precedent as set out in the Joint Announcement. As at the date of this announcement, such conditions precedent have not yet been satisfied in full and completion of the ZTI Acquisitions has not yet taken place.

For details of the Supplemental ZTI Capital Agreement and the Supplemental ZTI Asset Management Agreement, please refer to the Joint Announcement.

(III) The Share Purchase Agreement

The Company was informed by Smart Investor Holdings Limited, the controlling shareholder of the Company, Mr. Lau Ho Ming, Peter, being the executive chairman and Madam Li Man Yee, Stella, being the non-executive director of the Company (collectively, the "**Vendors**") that, on 11 October 2018, the Vendors and the Original Offeror entered into the share purchase agreement ("**Share Purchase Agreement**"), pursuant to which the Vendors conditionally agreed to sell and the Original Offeror conditionally agreed to purchase all the shares held by the Vendors in the Company of an aggregate of 502,064,000 shares (the "**Sale Shares**"). The Sale Shares represent (i) approximately 34.05% of the total issued share capital of the Company as at the date of this Joint Announcement; and (ii) approximately 22.14% of the total issued share capital of the Company as enlarged upon completion of the Subscription and the ZTI Acquisitions (assuming no outstanding Share Options or Convertible Notes will be exercised or converted and no other Shares will be allotted or issued at or prior to completion of the Subscription and the ZTI Acquisitions). The total consideration for the Sale Shares under the Share Purchase Agreement is HK$356,465,440 (equivalent to HK$0.71 per Share).

Completion of the Share Purchase Agreement is subject to the satisfaction of various conditions precedent as set out in the Joint Announcement. As at the date of this announcement, such conditions precedent have not yet been satisfied in full and completion of the Share Purchase Agreement has not yet taken place.

For details of the Share Purchase Agreement, please refer to the Joint Announcement.

(IV) Novation Deeds and Supplemental Agreements

(a) The Company, the Subscribers and Zhongtai Financial International Limited, being the sole shareholder of the Original Offeror ("**New Offeror**"), entered into a deed of novation in relation to the Restated Subscription Agreement, pursuant to which the Original Offeror agreed to assign and novate, and the New Offeror agreed to assume and perform, all the rights and obligations of the Original Offeror under the Restated Subscription Agreement with effect from 29 November 2018.

(b) The Vendors, the Original Offeror and the New Offeror entered into a deed of novation in relation to the Share Purchase Agreement, pursuant to which the Original Offeror agreed to assign and novate, and the New Offeror agreed to assume and perform, all the rights and obligations of the Original Offeror under the Share Purchase Agreement with effect from the 29 November 2018.

(c) The Company also entered into supplemental agreements with ZTI Financial and the New Offeror respectively to revise certain terms of the ZTI Capital Agreement and the ZTI Asset Management Agreement, pursuant to which the consideration for the ZTI Acquisitions shall be satisfied by the allotment and issue of consideration shares to the New Offeror (as, where appropriate, the designated nominee of ZTI Financial).

Details of the above are set out in the announcement of the Company dated 29 November 2018.

(V) Possible Unconditional Mandatory Cash Offers

Completion of the Subscription, the ZTI Acquisitions and the Share Purchase Agreement will take place simultaneously (the "**Completion**"). Immediately following Completion, the New Offeror and its concert parties (including the Subscribers and their respective concert parties) will be interested in a total of 1,295,114,857 issued Shares, representing (i) approximately 57.12% of the enlarged issued share capital of the Company (as enlarged by the Subscription Shares and the Consideration Shares and assuming no outstanding Share Options or Convertible Notes will be exercised or converted and no other Shares will be allotted or issued at or prior to Completion); (ii) approximately 54.05% of the enlarged issued share capital of the Company (as enlarged by the Subscription Shares and the Consideration Shares and assuming all the Share Options (except for those Share Options held by Mr. Lau and Madam Li) will be exercised but no Convertible Notes will be converted and no other Shares will be allotted or issued at or prior to Completion).

Pursuant to Rule 26.1 and Rule 13 of the Takeovers Code, the New Offeror is required to make unconditional mandatory offers in cash in relation to (A) the share offer for all the issued shares (excluding the shares already owned by or agreed to be acquired by the New Offeror and its concert parties at the time when the share offer is made); (B) the option offer for the cancellation of all outstanding Share Options; and (C) the convertible notes offer for all outstanding 2017 Convertible Notes.

For details of the share offer, the option offer and the convertible notes offer and the latest status, please refer to the Joint Announcement and the subsequent update announcements issued by the Company and the New Offeror.

WARNING: as each of the Restated Subscription Agreement, the proposed acquisitions of Zhongtai International Capital Limited and Zhongtai International Asset Management Limited and the Share Purchase Agreement is subject to the fulfilment and/or waiver, as applicable, of various conditions precedent as set out in the Joint Announcement and the share offer, the option offer and the convertible notes offer will only be made if completion of the Restated Subscription Agreement and the Share Purchase Agreement takes place, the share offer, the option offer and the convertible notes offer may or may not be made. Therefore, shareholders, optionholders, the convertible noteholders and/or potential investors of the Company should exercise caution when dealing in the securities of the Company. Persons who are in doubt as to the action they should take should consult their licensed securities dealers or registered institutions in securities, bank managers, solicitors, professional accountants or other professional advisers.

PROSPECTS

The Current Year was a challenging year for the Group in both its Toy Division and the Financial Services Division amidst a chaotic global political and economic environment. Despite these challenges, through dedication and focus in the Current Year, the Toy Division was still capable of improving its segment performance through its cost efficiency management measures, production automation and a clear focus on higher margin products. Going forward, we do not foresee that the global trade environments will become any easier, as there is no sign that trade protectionism will subside in the near future, particularly for the risks of additional tariffs being further imposed with the Sino-US trade war in full blast. This may continue to impact purchase orders from our major customers in the traditional western markets. Our Toy Division will continue to pursue the above strategies to maintain its performance amidst such challenges in the global industry environment. Yet, the Group continues to maintain a cautious and conservative business outlook in its Toy Division in view of the harsh and difficult business conditions. It will also seek to further diversify its supply chains, including but not limited to increased cooperations with sub-contractors in other jurisdictions in order to mitigate the risks arising from the Sino-US trade war.

For the Financial Services Division, both the Hong Kong and global securities markets are expected to remain highly volatile amidst the political and economic uncertainties locally and worldwide. While this, together with tightened regulatory measures locally, have had impacts on the Financial Services Division in causing some delays in the completion of its projects, we remain cautiously optimistic in the business prospects of the Financial Services Division as evidenced by a reasonably healthy pipeline in its underwriting and placing mandates. In fact, Crosby is already acting as global coordinator and/or lead bookrunner in three initial public offerings in Hong Kong completed during the first quarter of the 2019/20 financial year. We expect that the Financial Services Division will continue to focus on the distribution of primary equity and debt market transactions in the small to mid-cap sectors.

Finally, we will continue to work towards completing the transactions with the Zhongtai Group. While the transactions have taken much longer than we have expected, we have crossed a lot of hurdles and are now waiting for the green light from the China Securities Regulatory Commission to complete the transactions. We will continue to work towards completing the transactions with the Zhongtai Group as soon as possible, which is expected to strengthen the capital base of the Group and its businesses given the substantial resources and networks of the Zhongtai Group.

PURCHASE, SALE OF REDEMPTION OF LISTED SECURITIES

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

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

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

Code A.2.1

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

DIRECTORS' SECURITIES TRANSACTIONS

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

SCOPE OF WORK OF AUDITORS

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

REVIEW OF FINANCIAL STATEMENTS

The audit committee of the Board (the "**Audit Committee**") reviewed the 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 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 2019 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 2019.

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

Hong Kong, 28 June 2019

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