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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 2017

FINANCIAL HIGHLIGHTS

- Revenue for the year ended 31 March 2017 (the "**Current Year**") was approximately HK$787.7 million, representing an increase of 2.2% from approximately HK$770.4 million for the year ended 31 March 2016 (the "**Previous Year**").

- Gross profit for the Current Year was approximately HK$93.8 million, representing an increase of 16.7% from approximately HK$80.4 million for the Previous Year.

- Loss for the Current Year amounted to approximately HK$94.1 million, as compared to a net loss of approximately HK$77.6 million for the Previous Year. Such increase was mainly due to (i) an increase in consolidated administrative expenses of the Group arising from (a) an increase in the equity settled share-based payment expenses of approximately HK$17.9 million, particularly related to a new tranche of share options granted towards the end of the Previous Year; and (b) an increase in employee benefits and rental expenses of the Group of approximately HK$13.7 million and 8.3 million respectively for the Current Year, which is partially offset by an increase in the consolidated gross profit of the Group of approximately HK$13.4 million mainly contributed by the Financial Services Division of the Group during the Current Year when compared with the Previous Year; and (ii) the impairment loss in relation to the intangible assets of the IT Division of the Group of approximately HK$33.9 million for the Current Year, which is offset by a substantial decrease in the impairment loss on goodwill of approximately HK$44.4 million from about HK$48.1 million in the Previous Year to HK$3.7 million in the Current Year. The increase in net loss of the Group was also partially offset by an increase in gain on disposal of subsidiaries of approximately HK$8.6 million for the Current Year.

- The Board does not recommend the payment of final dividend for the year ended 31 March 2017.

* *For identification purpose only*

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 2017 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	
		2017	2016
	Notes	***HK$'000***	*HK$'000*
REVENUE	5	**787,704**	770,409
Cost of sales		**(693,912)**	(690,046)
Gross profit		**93,792**	80,363
Other income, gains and losses	7	**28,730**	19,682
Selling expenses		**(21,690)**	(18,739)
Administrative expenses		**(140,754)**	(95,534)
Impairment loss on goodwill	8	**(3,695)**	(48,064)
Impairment loss on intangible assets	8	**(33,889)**	–
Fair value loss/(gain) on derivative financial asset	8	**(5,129)**	581
Finance costs	9	**(10,801)**	(11,061)
LOSS BEFORE INCOME TAX EXPENSE	8	**(93,436)**	(72,772)
Income tax expense	10	**(707)**	(4,801)
LOSS FOR THE YEAR		**(94,143)**	(77,573)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME – CONTINUED

		Year ended 31 March	
		2017	2016
	Note	***HK$'000***	*HK$'000*
LOSS FOR THE YEAR		**(94,143)**	(77,573)
Other comprehensive income attributable to the owners of the Company that may be classified to profit or loss in subsequent periods:			
Exchange differences on translating foreign operations		**(775)**	(1,069)
Release of translation reserve upon disposal of subsidiaries		**(3,017)**	–
Other comprehensive income attributable to the owners of the Company that will not be classified to profit or loss in subsequent periods:			
Revaluation surplus upon transfer of owner-occupied leasehold buildings to investment property		**–**	6,071
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**(97,935)**	(72,571)
Loss attributable to:			
Owners of the Company		**(94,143)**	(77,572)
Non-controlling interests		**–**	(1)
		(94,143)	(77,573)
Total comprehensive income attributable to:			
Owners of the Company		**(97,935)**	(72,570)
Non-controlling interests		**–**	(1)
		(97,935)	(72,571)
Loss per share	12		
– Basic and diluted (HK cents)		**(6.48)**	(5.97)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		At 31 March	
		2017	2016
	Notes	***HK$'000***	*HK$'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**16,231**	44,460
Prepaid land lease payments		**–**	6,952
Investment property		**6,200**	6,200
Goodwill	13	**184,783**	188,478
Intangible assets	14	**34,505**	77,151
Interests in a joint venture		**–**	–
Deferred tax asset		**–**	1,717
Statutory deposit for financial service business		**406**	396
Total non-current assets		**242,125**	325,354
CURRENT ASSETS			
Inventories	15	**92,028**	108,764
Trade receivables	16	**44,666**	457,360
Financial assets at fair value through profit or loss		**14,544**	18,222
Prepayments, deposits and other receivables		**66,556**	29,679
Derivative financial asset	20	**592**	5,721
Cash and bank balances held on behalf of customers		**204,358**	91
Cash and cash equivalents		**129,987**	221,633
Total current assets		**552,731**	841,470
CURRENT LIABILITIES			
Trade payables	17	**262,776**	407,093
Receipts in advance, accruals and other payables		**13,784**	27,585
Amount due to a related company		**–**	102
Interest-bearing bank borrowings	18	**33,615**	49,051
Promissory notes	19	**–**	45,000
Convertible notes	20	**54,944**	55,055
Tax payables		**2,115**	326
Total current liabilities		**367,234**	584,212
NET CURRENT ASSETS		**185,497**	257,258
TOTAL ASSETS LESS CURRENT LIABILITIES		**427,622**	582,612

CONSOLIDATED STATEMENT OF FINANCIAL POSITION – CONTINUED

		At 31 March	
		2017	2016
	Notes	***HK$'000***	*HK$'000*
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings	18	**–**	7,667
Promissory notes	19	**–**	79,792
Deferred tax liabilities		**5,763**	12,805
Total non-current liabilities		**5,763**	100,264
NET ASSETS		**421,859**	482,348
EQUITY			
Share capital	21	**287**	281
Reserves	22	**420,982**	481,477
		421,269	481,758
Non-controlling interests		**590**	590
Total equity		**421,859**	482,348

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to the owners of the Company												
	Share capital	Share premium	Capital reserve	Statutory reserve	Translation reserve	Property revaluation reserve	Other reserve	Share option reserve	Convertible notes equity reserve	Retained earnings/ (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$'000*	*HK$'000*	*HK$'000*
At 1 April 2015	224	163,406	9,271	799	4,861	–	2,100	2,223	42,725	71,996	297,605	591	298,196
Exercise of share options *(note 23)*	3	4,342	–	–	–	–	–	(1,150)	–	–	3,195	–	3,195
Equity settled share-based transactions *(note 23)*	–	–	–	–	–	–	–	12,818	–	–	12,818	–	12,818
Proceeds from subscription of new shares	54	245,585	–	–	–	–	–	–	–	–	245,639	–	245,639
Issuing expenses of subscription new shares	–	(3,929)	–	–	–	–	–	–	–	–	(3,929)	–	(3,929)
Disposal of subsidiaries	–	–	–	–	–	–	(1,000)	–	–	–	(1,000)	–	(1,000)
Loss for the year	–	–	–	–	–	–	–	–	–	(77,572)	(77,572)	(1)	(77,573)
Other comprehensive income													
Exchange differences arising on translation of foreign operations	–	–	–	–	(1,069)	–	–	–	–	–	(1,069)	–	(1,069)
Revaluation surplus upon transfer of owner-occupied leasehold buildings to investment property	–	–	–	–	–	6,071	–	–	–	–	6,071	–	6,071
Total comprehensive income for the year	–	–	–	–	(1,069)	6,071	–	–	–	(77,572)	(72,570)	(1)	(72,571)
Transfer to statutory reserve	–	–	–	45	–	–	–	–	–	(45)	–	–	–
At 31 March 2016 and 1 April 2016	**281**	**409,404**	**9,271**	**844**	**3,792**	**6,071**	**1,100**	**13,891**	**42,725**	**(5,621)**	**481,758**	**590**	**482,348**
Exercise of share options *(note 23)*	**6**	**9,365**	**–**	**–**	**–**	**–**	**–**	**(2,507)**	**–**	**–**	**6,864**	**–**	**6,864**
Equity settled share-based transactions *(note 23)*	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**30,682**	**–**	**–**	**30,682**	**–**	**30,682**
Lapse of share options *(note 23)*	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(537)**	**–**	**537**	**–**	**–**	**–**
Disposal of subsidiaries	**–**	**–**	**(9,271)**	**(844)**	**–**	**–**	**(100)**	**–**	**–**	**10,115**	**(100)**	**–**	**(100)**
Loss for the year	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(94,143)**	**(94,143)**	**–**	**(94,143)**
Other comprehensive income													
Exchange differences arising on translation of foreign operations	**–**	**–**	**–**	**–**	**(775)**	**–**	**–**	**–**	**–**	**–**	**(775)**	**–**	**(775)**
Release of translation reserve upon disposal of subsidiaries	**–**	**–**	**–**	**–**	**(3,017)**	**–**	**–**	**–**	**–**	**–**	**(3,017)**	**–**	**(3,017)**
Total comprehensive income for the year	**–**	**–**	**–**	**–**	**(3,792)**	**–**	**–**	**–**	**–**	**(94,143)**	**(97,935)**	**–**	**(97,935)**
At 31 March 2017	**287**	**418,769**	**–**	**–**	**–**	**6,071**	**1,000**	**41,529**	**42,725**	**(89,112)**	**421,269**	**590**	**421,859**

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 January 2016

The Group has adopted the following new/revised HKFRSs for the first time for the financial year beginning 1 April 2016:

HKFRSs (Amendments)	Annual Improvements 2012-2014 Cycle
Amendments to HKAS 1	Disclosure Initiative
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to HKAS 27	Equity Method in Separate Financial Statements
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations

Amendments to HKAS 1 – Disclosure Initiative

The amendments are designed to encourage entities to use judgement in the application of HKAS 1 when considering the layout and content of their financial statements.

Included in the clarifications is that an entity's share of other comprehensive income from equity accounted interests in associates and joint ventures is split between those items that will and will not be reclassified to profit or loss, and presented in aggregate as a single line item within those two groups.

The adoption of the amendments has no impact on these financial statements.

Amendments to HKAS 16 and HKAS 38 – Clarification of Acceptable Methods of Depreciation and Amortisation

The amendments to HKAS 16 prohibit the use of a revenue-based depreciation method for items of property, plant and equipment. The amendments to HKAS 38 introduce a rebuttable presumption that amortisation based on revenue is not appropriate for intangible assets. This presumption can be rebutted if either the intangible asset is expressed as a measure of revenue or revenue and the consumption of the economic benefits of the intangible asset are highly correlated. The amendments are applied prospectively.

The adoption of the amendments has no impact on these financial statements as the Group has not previously used revenue-based depreciation methods.

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

(a) Adoption of new/revised HKFRSs – effective 1 January 2016 – Continued

Amendments to HKAS 27 – Equity Method in Separate Financial Statements

The amendments allow an entity to apply the equity method in accounting for its investments in subsidiaries, joint ventures and associates in its separate financial statements. The amendments are applied retrospectively in accordance with HKAS 8.

The adoption of the amendments has no impact on these financial statements as the Company has not elected to apply the equity method in its separate financial statements.

Amendments to HKFRS 11 – Accounting for Acquisitions of Interests in Joint Operations

The amendments require an entity to apply the relevant principles of HKFRS 3 Business Combinations when it acquires an interest in a joint operation that constitutes a business as defined in that standard. The principles of HKFRS 3 are also applied upon the formation of a joint operation if an existing business as defined in that standard is contributed by at least one of the parties. The amendments are applied prospectively.

The adoption of the amendments has no impact on these financial statements as the Group has not acquired or formed a joint operation.

(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.

Amendments to HKAS 7	Disclosure Initiative[1]
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses[1]
Amendments to HKFRS 2	Classification and Measurement of Share-Based Payment Transactions[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
HKFRS 9	Financial Instruments[2]
HKFRS 15	Revenue from Contracts with Customers[2]
Amendments to HKFRS 15	Revenue from Contracts with Customers (Clarifications to HKFRS 15)[2]
HKFRS 16	Leases[3]

[1] Effective for annual periods beginning on or after 1 January 2017

[2] Effective for annual periods beginning on or after 1 January 2018

[3] Effective for annual periods beginning on or after 1 January 2019

[4] The amendments were originally intended to be effective for periods beginning on or after 1 January 2016. The effective date has now been deferred/removed. Early application of the amendments of the amendments continues to be permitted.

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

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

Amendments to HKAS 7 – Disclosure Initiative

The amendments introduce an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities.

Amendments to HKAS 12 – Recognition of Deferred Tax Assets for Unrealised Losses

The amendments relate to the recognition of deferred tax assets and clarify some of the necessary considerations, including how to account for deferred tax assets related to debt instruments measured of fair value.

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.

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

The amendments clarify the extent of gains or losses to be recognised when an entity sells or contributes assets to its associate or joint venture. When the transaction involves a business the gain or loss is recognised in full, conversely when the transaction involves assets that do not constitute a business the gain or loss is recognised only to the extent of the unrelated investors' interests in the joint venture or associate.

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

HKFRS 9 – Financial Instruments

HKFRS 9 introduces new requirements for the classification and measurement of financial assets. Debt instruments that are held within a business model whose objective is to hold assets in order to collect contractual cash flows (the business model test) and that have contractual terms that give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding (the contractual cash flow characteristics test) are generally measured at amortised cost. Debt instruments that meet the contractual cash flow characteristics test are measured at fair value through other comprehensive income ("FVTOCI") if the objective of the entity's business model is both to hold and collect the contractual cash flows and to sell the financial assets. Entities may make an irrevocable election at initial recognition to measure equity instruments that are not held for trading at FVTOCI. All other debt and equity instruments are measured at fair value through profit or loss ("FVTPL").

HKFRS 9 includes a new expected loss impairment model for all financial assets not measured at FVTPL replacing the incurred loss model in HKAS 39 and new general hedge accounting requirements to allow entities to better reflect their risk management activities in financial statements.

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

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

HKFRS 9 – Financial Instruments – Continued

HKFRS 9 carries forward the recognition, classification and measurement requirements for financial liabilities from HKAS 39, except for financial liabilities designated at 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.

During the year ended 31 March 2017, all of the Group's financial assets and financial liabilities, except derivative financial asset and held-for trading investment, were carried out at amortised costs without significant impairment on the former, the implementation of HKFRS 9 is not expected to result in any significant impact on the Group's financial position and results of operations.

HKFRS 15 – Revenue from Contracts with customers

The new standard establishes a single revenue recognition framework. The core principle of the framework is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. HKFRS 15 supersedes existing revenue recognition guidance including HKAS 18 Revenue, HKAS 11 Construction Contracts and related interpretations.

HKFRS 15 requires the application of a 5 steps approach to revenue recognition:

Step 1: Identify the contract(s) with a customer
Step 2: Identify the performance obligations in the contract
Step 3: Determine the transaction price
Step 4: Allocate the transaction price to each performance obligation
Step 5: Recognise revenue when each performance obligation is satisfied

HKFRS 15 includes specific guidance on particular revenue related topics that may change the current approach taken under HKFRS. The standard also significantly enhances the qualitative and quantitative disclosures related to revenue.

Amendments 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 Directors have performed a preliminary assessment and expect that the implementation of the HKFRS 15 would not result in any significant impact on the Group's financial position and results of operations. Meanwhile, there will be additional disclosure requirement under HKFRS 15 upon its adoption. However, the Directors are still in the process of assessing the full impact of the application of HKFRS 15 on the Group's financial statements and it is not practicable to provide a reasonable financial estimate of the effect until the Directors complete the detailed review. As a result, the above preliminary assessment is subject to change. The Directors do not intend to early apply the standard.

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

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

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 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.

As at 31 March 2017, the Group has non-cancellable operating lease commitments of approximately HK$21,163,000. 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. A preliminary 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 financial statements and the Directors are currently assessing its potential impact. It is not practicable to provide a reasonable estimate of the financial effect until the Directors complete the review.

3. BASIS OF PREPARATION

(a) Statement of compliance

The consolidated financial statements have been prepared in accordance with HKFRSs (which collective terms include all applicable individual HKFRSs, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the HKICPA. The consolidated financial statements also include the applicable disclosures requirements of the Hong Kong Companies Ordinance and the applicable Rules Governing the Listing of Securities on the Main Board of the Stock Exchange (the "Listing Rules").

(b) Basis of measurement

The consolidated financial statements have been prepared under the historical cost basis except for:

- investment property;
- held-for-trading investment; and
- derivative financial assets.

which are stated at fair values. It should be noted that accounting estimates and assumptions are used in preparation of the financial statements. Although these estimates are based on management's best knowledge and judgement of current events and actions, actual results may ultimately differ from those estimates.

(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.

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.

Changes in the Group's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the Group's interest and the non-controlling interest are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

4. BASIS OF CONSOLIDATION – CONTINUED

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	
	2017	2016
	HK$'000	*HK$'000*
Manufacturing and sales of goods	**768,097**	765,737
Digital publishing, mobile and web application solutions	**2,833**	1,836
Financial services	**16,774**	2,836
	787,704	770,409

6. OPERATING SEGMENT INFORMATION

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

– Manufacturing and sales of toys;

– Digital publishing, mobile and web application solutions; 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

	Manufacturing and sales of toys *HK$'000*	Digital publishing, mobile and web application solutions *HK$'000*	Financial Services *HK$'000*	Total *HK$'000*
For the year ended 31 March 2017				
External revenue	**768,097**	**2,833**	**16,774**	**787,704**
Segment profit/(loss)	**23,240**	**(49,511)**	**(34,129)**	**(60,400)**
Corporate income				
– Others				**15,285**
Central administrative cost*				**(5,225)**
Equity settled share-based payment expenses				**(30,682)**
Finance cost				**(7,285)**
Fair value change in derivative financial asset				**(5,129)**
Loss before income tax expense				**(93,436)**

6. OPERATING SEGMENT INFORMATION – CONTINUED

(a) Reportable segments – Continued

	Manufacturing and sales of toys *HK$'000*	Digital publishing, mobile and web application solutions *HK$'000*	Financial Services *HK$'000*	Total *HK$'000*
For the year ended 31 March 2016				
External revenue	765,737	1,836	2,836	770,409
Segment profit/(loss)	32,375	(62,512)	(15,056)	(45,193)
Corporate income				
– Others				2,236
Central administrative cost*				(9,711)
Equity settled share-based payment expenses				(12,818)
Finance costs				(8,213)
Fair value change in derivative financial asset				581
Net gain on derivative financial instruments				346
Loss before income tax expense				(72,772)

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

Segment profit/(loss) represents the profit or (loss) earned by each segment without allocation of corporate income, net gain on derivative financial instruments, fair value gain on financial assets, fair value change in derivative financial asset and central administrative cost. This is the information reported to the chief operating decision maker for the purpose of resource allocation and performance assessment.

6. OPERATING SEGMENT INFORMATION – CONTINUED

(a) Reportable segments – Continued

Segment assets

All assets are allocated to reportable segments other than deferred tax asset, prepayment, tax recoverable, derivative financial asset, cash and cash equivalent.

	2017	2016
	HK$'000	*HK$'000*
Manufacturing and sales of toys	**150,164**	233,185
Digital publishing, mobile and web application solutions	**34,964**	81,057
Financial Services	**475,726**	618,332
Total segment assets	**660,854**	932,574
Unallocated	**134,002**	234,250
Consolidated assets	**794,856**	1,166,824

Segment liabilities

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

	2017	2016
	HK$'000	*HK$'000*
Manufacturing and sales of toys	**98,041**	106,525
Digital publishing, mobile and web application solutions	**1,594**	2,963
Financial Services	**210,540**	382,010
Total segment liabilities	**310,175**	491,498
Unallocated	**62,822**	192,978
Consolidated liabilities	**372,997**	684,476

6. OPERATING SEGMENT INFORMATION – CONTINUED

(a) Reportable segments – Continued

Other segment information

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

For the year ended 31 March 2017

	Manufacturing and sales of toys *HK$'000*	**Digital publishing, mobile and web application solutions** *HK$'000*	**Financial Services** *HK$'000*	**Total** *HK$'000*
Additions to property, plant and equipment	**7,811**	**29**	**25**	**7,865**
Depreciation of property, plant and equipment	**(17,291)**	**(149)**	**(671)**	**(18,111)**
Loss on disposal of property, plant and equipment	**–**	**–**	**(54)**	**(54)**
Amortisation of prepaid lease payments	**(104)**	**–**	**–**	**(104)**
Amortisation of intangible assets	**–**	**(8,790)**	**–**	**(8,790)**
Impairment loss on goodwill	**–**	**(3,695)**	**–**	**(3,695)**
Impairment loss on intangible assets	**–**	**(33,889)**	**–**	**(33,889)**
Fair value gains on financial assets through profit or loss	**–**	**–**	**2,737**	**2,737**
Bad debt recovery	**787**	**–**	**–**	**787**
Interest expenses	**(2,546)**	**(1)**	**(969)**	**(3,516)**

For the year ended 31 March 2016

	Manufacturing and sales of toys *HK$'000*	Digital publishing, mobile and web application solutions *HK$'000*	Financial Services *HK$'000*	Total *HK$'000*
Additions to property, plant and equipment	6,116	125	419	6,660
Depreciation of property, plant and equipment	(19,253)	(291)	(278)	(19,822)
Loss on disposal of property, plant and equipment	(34)	–	–	(34)
Amortisation of prepaid lease payments	(201)	–	–	(201)
Amortisation of intangible assets	–	(8,790)	–	(8,790)
Impairment loss on goodwill	–	(48,064)	–	(48,064)
Fair value gains on financial assets through profit or loss	–	–	3,983	3,983
Reversal of impairment loss on trade receivable	6,966	–	–	6,966
Interest expenses	(2,805)	–	(43)	(2,848)

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 property, plant and equipment, investment property and prepaid land lease payments ("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 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	
	2017	2016
	HK$'000	*HK$'000*
North America *(note 1)*	**462,614**	351,313
Western Europe		
– United Kingdom	**60,693**	86,965
– France	**27,718**	43,103
– Netherland	**5,006**	16,158
– Others *(note 2)*	**48,471**	99,227
PRC and Taiwan	**84,814**	67,208
Central America, Caribbean and Mexico	**22,318**	32,494
South America	**14,218**	25,356
Australia, New Zealand and Pacific Islands	**14,860**	15,888
Others *(note 3)*	**46,992**	32,697
Total	**787,704**	770,409

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, Sandi Arabia and Southeast Asia.

(ii) Specified non-current assets

	Year ended 31 March	
	2017	2016
	HK$'000	*HK$'000*
Mainland China, the PRC	**14,925**	48,160
Hong Kong	**7,506**	9,452
Total	**22,431**	57,612

6. OPERATING SEGMENT INFORMATION – CONTINUED

(c) Information about major customers

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

	Year ended 31 March	
	2017	2016
	HK$'000	*HK$'000*
Customer A	**245,142**	315,689
Customer B	**247,759**	128,670
Customer C	**125,451**	99,038
Customer D*	**82,599**	–
Customer E*	**–**	121,008

* The customer contributed less than 10% of the Group's revenue during the year ended 31 March 2016 or 31 March 2017.

7. OTHER INCOME, GAINS AND LOSSES

	Year ended 31 March	
	2017	2016
	HK$'000	*HK$'000*
Other income		
Interest income from bank deposits	**16**	19
Interest income from bonds	**660**	–
Moulding income	**4,159**	3,802
Rental income	**911**	379
	5,746	4,200
Other gains and losses		
Exchange gains, net	**292**	242
Gain on disposal of subsidiaries	**11,877**	3,303
Net gain on derivative financial instruments	**–**	346
Fair value gain on financial assets at fair value through profit or loss	**2,737**	3,983
Loss on changes in fair value of investment property	**–**	(400)
Loss on early redemption of promissory notes	**(887)**	(1,214)
Gain on extension of convertible notes	**4,242**	–
Loss on disposal of property, plant and equipment	**(54)**	(34)
Bad debt recovery	**787**	–
Reversal of impairment loss on trade receivables	**–**	6,966
Others	**3,990**	2,290
	22,984	15,482
Other income, gains and losses	**28,730**	19,682

8. LOSS BEFORE INCOME TAX EXPENSE

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

	Year ended 31 March	
	2017	2016
	HK$'000	*HK$'000*
Cost of inventories sold	**693,912**	690,046
Depreciation of property, plant and equipment	**18,113**	23,443
Amortisation of prepaid land lease payments	**104**	201
Amortisation of intangible assets	**8,790**	8,790
Employee benefits expenses (excluding Directors' remuneration):		
Wages and salaries	**55,199**	42,792
Equity settled share-based payment expenses to employees	**14,224**	3,120
Pension scheme contributions	**2,295**	3,025
Other benefits	**4,332**	4,812
	76,050	53,749
Fair value gain/(loss) on derivative financial asset	**5,129**	(581)
Equity settled share-based payment expenses to eligible persons other than employees and directors	**6,331**	4,540
Auditor's remuneration	**1,768**	1,692
Operating lease charges in respect of land and buildings	**11,687**	3,377
Impairment loss on goodwill	**3,695**	48,064
Impairment loss on intangible assets	**33,889**	–

9. FINANCE COSTS

	Year ended 31 March	
	2017	2016
	HK$'000	*HK$'000*
Interest on bank and other borrowings:		
– Bank borrowings	**2,546**	3,309
– Promissory notes	**3,363**	3,886
– Convertible notes	**4,131**	3,866
– Bank overdrafts	**761**	–
	10,801	11,061

10. INCOME TAX EXPENSE

Hong Kong profits tax has been provided on the estimated assessable profit arising in Hong Kong at the rate of 16.5% during the year (2016: 16.5%). Taxes on profits assessable elsewhere have been calculated at the rate of tax prevailing in the locations in which the Group operates.

The PRC corporate income tax rate of the Company's subsidiary operating in the PRC during the year was 25% on its taxable profit (2016: 25%).

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

	Year ended 31 March	
	2017	2016
	HK$'000	*HK$'000*
Current – Hong Kong		
Charge for the year	**6,886**	6,316
Under/(over) provision in prior years	**666**	(65)
	7,552	6,251
Current – the PRC		
Charge for the year	**197**	300
	7,749	6,551
Deferred tax credit	**(7,042)**	(1,750)
Income tax expense for the year	**707**	4,801

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	
	2017	2016
	HK$'000	*HK$'000*
Loss before income tax expense	**(93,436)**	(72,772)
Tax at the applicable tax rate of 16.5% (2016: 16.5%)	**(15,417)**	(12,007)
Effect of different tax rate of a subsidiary operating in other jurisdiction	**44**	16
Tax effect of revenue not taxable for tax purposes	**(3,405)**	(1,591)
Tax effect of expenses not deductible for tax purposes	**11,183**	13,062
Tax effect of tax loss not recognised	**6,961**	5,350
Tax effect of temporary difference not recognised	**675**	113
Utilisation of tax losses previously not recognised	**–**	(77)
Under/(over) provision in prior years	**666**	(65)
Income tax expense	**707**	4,801

No deferred tax asset has been recognised in respect of the unused tax losses of HK$76,218,000(2016: HK$34,030,000) due to the unpredictability of future profit streams. The unused tax losses can be carried forward indefinitely. In addition, as at 31 March 2016, the aggregate amount of temporary differences associated with the unremitted earnings of the Company's subsidiary established in the PRC, of which deferred tax liabilities have not been recognised are approximately of HK$7,211,000. It is because in the opinion of the Directors, it is not probable that this subsidiary will distribute its earnings accrued from 1 January 2008 to 31 March 2016 in the foreseeable future.

11. DIVIDENDS

No dividend was paid or proposed during the year ended 31 March 2017, nor has any dividend been proposed since the end of reporting period (2016: Nil).

12. LOSS PER SHARE

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	
	2017	2016
	HK$'000	*HK$'000*
Loss		
Loss for the year attributable to the owner of the Company	**(94,143)**	(77,572)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic loss per share	**1,452,276,833**	1,299,533,918

Notes:

(a) 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 2017 of approximately HK$94,143,000 (2016: HK$77,572,000), and of the weighted average number of 1,452,276,833 (2016: 1,299,533,918) ordinary shares in issue during the year.

(b) For the purpose of calculation of basic loss per share for the year ended 31 March 2016, the share subdivision being effective on 13 January 2016 was deemed to be effective throughout the period from 1 April 2014 to 31 March 2016.

Diluted losses per share are the same as basic loss per share for the year ended 31 March 2017 (2016: same) as the impact of the potential dilutive ordinary shares outstanding has an anti-dilutive effect on the basic losses per share presented for the year ended 31 March 2017 (2016: anti-dilutive).

There is no dilutive effect on the convertible notes as they are anti-dilutive (2016: Nil).

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	Financial Services	Total
	HK$'000	*HK$'000*	*HK$'000*
	(note a)	*(note b)*	
Cost			
At 1 April 2015	51,759	–	51,759
Acquired through business combination	–	184,783	184,783
At 31 March 2016, 1 April 2016 and 31 March 2017	51,759	184,783	236,542
Impairment			
At 1 April 2015	–	–	–
Impairment loss	(48,064)	–	(48,064)
At 31 March 2016 and 1 April 2016	(48,064)	–	(48,064)
Impairment loss	(3,695)	–	(3,695)
At 31 March 2017	(51,759)	–	(51,759)
Carrying value			
At 31 March 2017	–	184,783	184,783
At 31 March 2016	3,695	184,783	188,478

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) The recoverable amount of the CGU in relation to digital publishing, mobile and web application solutions was approximately HK$34,000,000 (2016: HK$80,300,000) and determined from value-in-use calculation based on cash flow projections from formally approved budgets, covering a detailed five-year budget plans, and discount rate of 19.5% (2016: 21.3%) estimated by the management. Growth rate used to extrapolate the cash flows beyond the five-year budget plan is 3% (2016: 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 and its expectations for the industry development. During the year ended 31 March 2017, as a result of losing certain customers, fierce competition for talents in the information technology industry and decrease in demand for digital publishing and digital marketing campaign, the recoverable amount of digital publishing, mobile and web application solutions was calculated to be lower than its carrying amount and accordingly, impairment loss on goodwill of approximately HK$3,695,000 (2016: HK$48,064,000).

(b) 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 during the year ended 31 December 2016, which are allocated to two different CGUs for impairment assessment.

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 20.0% (2016: 21.1%) estimated by the management. Growth rate used to extrapolate the cash flows beyond the five-year budget plan is 3% (2016: 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 and its expectations for the industry development. During the year ended 31 March 2017, no impairment was provided on goodwill for CSL as the recoverable amount exceeded the carrying amount of the CGU (2016: Nil).

The recoverable amount of the CGU in relation to CAM was based on fair values less costs to disposal using direct comparison approach (2016: value-in-use calculation) by reference to recent sales of similar companies that have similar business model to CAM. Other key estimation included the cost of disposal based on estimation by the management of the Group. During the year ended 31 March 2017, no impairment was provided on goodwill for CAM as the recoverable amount exceeded the carrying amount of the CGU (2016: Nil).

The level in the fair value hierarchy in arriving the above recoverable amount is considered under Level 3. 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	5%

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 2015	87,900	–	87,900
Acquired through business combination	–	25	25
Additions	–	521	521
At 31 March 2016 and 1 April 2016	87,900	546	88,446
Additions	–	33	33
At 31 March 2017	87,900	579	88,479
Accumulated amortisation			
At 1 April 2015	(2,505)	–	(2,505)
Amortisation for the year	(8,790)	–	(8,790)
At 31 March 2016 and 1 April 2016	(11,295)	–	(11,295)
Amortisation for the year	(8,790)	–	(8,790)
Impairment loss	(33,889)	–	(33,889)
At 31 March 2017	(53,974)	–	(53,974)
Carrying value:			
At 31 March 2017	33,926	579	34,505
At 31 March 2016	76,605	546	77,151

Notes:

(a) Intangible assets comprised mobile and web application technologies acquired through the acquisition of the entire interest in PMT Group. 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; 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.

14. INTANGIBLE ASSETS – CONTINUED

Notes: – CONTINUED

(a) – CONTINUED

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.

As at 31 March 2017, the recoverable amount of the mobile and web application technologies 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 based on cash flow projections from formally approved budgets, covering a detailed five-year budget plans, and discount rate of 19.5% (2016: 21.3%) estimated by the management. Growth rate used to extrapolate the cash flows beyond the five-year budget plan is 3% (2016: 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 and its expectations for the industry development. During the year ended 31 March 2017, as a result of losing certain customers, fierce competition for talents in the information technology industry and decrease in demand for digital publishing and digital marketing campaign, the recoverable amount of digital publishing, mobile and web application solutions was calculated to be lower than its carrying amount and accordingly, impairment loss on the intangible assets of approximately HK$33,889,000 (2016: Nil).

(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 of the Group 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 the 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 2017, the recoverable amounts of the trading rights, trademarks and website with indefinite useful life have been determinate based on a value-in-use calculation, which 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 20.0% (2016:21.1%) estimated by the management. Growth rate used to extrapolate the cash flow beyond the five-year budget plan is 3% (2016: 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 and its expectations for the industry development. During the year ended 31 March 2017, no impairment was provided on trading rights, trademarks and website as the recoverable amount exceeded their carrying amount.

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

15. INVENTORIES

	At 31 March	
	2017	2016
	HK$'000	*HK$'000*
Raw materials	**56,349**	76,698
Work in progress	**–**	5,376
Finished goods	**35,679**	26,690
	92,028	108,764

16. TRADE RECEIVABLES

	At 31 March	
	2017	2016
	HK$'000	*HK$'000*
Trade receivables from financial services segment	**7,051**	388,706
Trade receivables from toys and information technology segments	**37,615**	68,654
	44,666	457,360

Trade receivables from financial services segment

	At 31 March	
	2017	2016
	HK$'000	*HK$'000*
Accounts receivable arising from the ordinary course of business of securities brokerage and margin financing:		
– Cash clients	**1,312**	383,658
– Clearing house	**943**	–
– Brokers	**473**	–
– Margin clients	**3,023**	5,014
Accounts receivable arising from the ordinary course of business of provision of:		
– Custodian services	**250**	–
– Investment advisory services	**1,710**	660
– Asset management services	**–**	34
	7,711	389,366
Less: Allowance for impairment loss	**(660)**	(660)
	7,051	388,706

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 provision for impairment is as follows:

	At 31 March	
	2017	2016
	HK$'000	*HK$'000*
On demand	**3,023**	5,014
Current – 30 days	**3,778**	383,684
61 – 90 days	**250**	8
	7,051	388,706

Ageing analysis of trade receivables of the financial services segment based on due date and net of provision for impairment is as follows:

	At 31 March	
	2017	2016
	HK$'000	*HK$'000*
Neither past due nor impaired	**7,051**	388,706

The movements of impairment loss on trade receivables of the financial services segment are as follows:

	At 31 March	
	2017	2016
	HK$'000	*HK$'000*
At 1 April	**660**	–
Acquired through business combinations	**–**	660
At 31 March	**660**	660

The settlement terms of trade receivables from the business of securities brokerage are one or two days after the respective trade date.

16. TRADE RECEIVABLES – CONTINUED

Trade receivables from financial services segment – Continued

Margin clients are required to pledge securities as collateral to the Group in order to obtain the credit facilities for securities trading. 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. As at 31 March 2017, the market value of securities pledged by clients to the Group as collateral against margin client receivables was HK$23,315,760 (31 March 2016: HK$24,514,000). The amounts due from margin clients are repayable on demand and carry interest at a range from 8% to 9% per annum.

The Group allows a credit period ranging from 0 to 90 days to its clients arising from the business of provision of investment advisory, corporate finance advisory and asset management services. All such accounts receivables are not past due at the reporting dates for which the Directors believe that no impairment allowance is necessary in respect of these balance as there has not been a significant change in credit quality and the balances are considered fully recoverable.

Trading limits are set for customers. The Group seeks to maintain tight control over its outstanding accounts receivable in order to minimise credit risk. Overdue balances are regularly monitored by management.

Trade receivables from toys and information technology segments

The credit period on sales of goods ranges 30–90 days from the invoice date. An aged 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	
	2017	2016
	HK$'000	*HK$'000*
Current to 30 days	**27,115**	34,702
31 to 60 days	**2,093**	1,914
61 to 90 days	**7,419**	5,389
Over 90 days	**988**	26,649
	37,615	68,654
Less: Allowance for impairment loss	**–**	–
	37,615	68,654

16. TRADE RECEIVABLES – CONTINUED

Trade receivables from toys and information technology segments – Continued

An aged analysis of the trade receivables that are not considered to be impaired is as follows:

	At 31 March	
	2017	2016
	HK$'000	*HK$'000*
Neither past due nor impaired	**26,497**	38,911
Less than 1 month past due	**4,956**	4,227
1 to 3 months past due	**5,845**	4,610
Over 3 months past due	**317**	20,906
	37,615	68,654

Receivables that were neither past due nor impaired relate to the customers for which there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, the Directors are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral or other credit enhancements over these balances.

The below table reconciled the impairment loss of trade receivables of toys and information technology segments for the year:

	At 31 March	
	2017	2016
	HK$'000	*HK$'000*
At 1 April	**–**	12,046
Impairment loss recognised	**–**	–
Recovery of impairment loss previously recognised	**–**	(6,966)
Bad debts written off	**–**	(5,080)
At 31 March	**–**	–

17. TRADE PAYABLES

	At 31 March	
	2017	2016
	HK$'000	*HK$'000*
Trade payables from financial services segment	**210,082**	380,325
Trade payables from toys and information technology segments	**52,694**	26,768
	262,776	407,093

Trade payables from financial services segment

	At 31 March	
	2017	2016
	HK$'000	*HK$'000*
Accounts payable arising from the ordinary course of business of securities brokerage and margin financing:		
– Cash clients	**205,480**	16,225
– Margin clients	**291**	1
– Brokers and clearing house	**4,311**	364,099
	210,082	380,325

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 the 31 March 2017, included in trade payable was an amount of approximately HK$204,358,000 (2016: HK$91,000) payable to clients and other institutions in respect of trust and segregated bank balances received and held for clients and other institutions in the course of the conduct of regulated activities.

17. TRADE PAYABLES – CONTINUED

Trade payables from toys and information technology segments

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

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

	At 31 March	
	2017	2016
	HK$'000	*HK$'000*
Current to 30 days	**42,092**	15,352
31 to 60 days	**8,408**	6,782
61 to 90 days	**1,801**	2,812
91 to 365 days	**244**	514
More than one year	**149**	1,308
	52,694	26,768

18. INTEREST-BEARING BANK BORROWINGS

	At 31 March	
	2017	2016
	HK$'000	*HK$'000*
Current		
Secured		
– bank loans due for repayment within one year	**33,615**	49,051
Non-current		
Secured		
– bank loans due for repayment after one year	**–**	7,667
Total interest-bearing bank borrowings	**33,615**	56,718

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

(i) the Company's corporate guarantees and cross guarantees from the Company's subsidiary, which is Qualiman Industrial Co. Limited (2016: Qualiman Industrial Co. Limited, and Sunmart Company Limited); and

(ii) an investment property of the Group with aggregate net book value of HK$6,200,000 (2016: HK$6,200,000).

18. INTEREST-BEARING BANK BORROWINGS – CONTINUED

At 31 March 2017, total current and non-current bank borrowings were scheduled to be repaid as follows:

	At 31 March	
	2017	2016
	HK$'000	*HK$'000*
On demand or within one year	**33,615**	49,051
More than one year, but not exceeding two years	**–**	4,000
More than two years, but not exceeding five years	**–**	3,667
	33,615	56,718

Certain banking facilities are subject to the fulfillment 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 2017, none of the covenants relating to drawn down facilities had been breached (2016: Nil).

19. PROMISSORY NOTES

Year ended 31 March 2016 – Acquisitions of CSL and CAM

On 23 November 2015, the Company issued promissory notes with an aggregate principal amount of HK$166,363,636 as part of the consideration for the acquisition of the remaining 90% of the issued share capital of CSL. The promissory notes are unsecured and denominated in HKD. The promissory notes are bearing interest at fixed rate of 5% per annum and are payable in arrears. The maturity date is 18 months from the date of issue.

On initial recognition, the fair values of the promissory notes are determined based on the present value of the contractual stream of future cash flows discounted at approximately 10.22% per annum. The discount rates are determined with reference to the yield rate with credit rating and duration similar to the promissory notes.

During the year, the Group repaid the sum of HK$79,333,333(2016: HK$87,030,303) in outstanding principal amount of the promissory notes.

19. PROMISSORY NOTES – CONTINUED

Year ended 31 March 2016 – Acquisitions of CSL and CAM – Continued

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

	HK$'000
Fair value of promissory notes at 23 November 2015	163,708

Non-current liabilities

The movements of the promissory notes for the year are set out below:

	At 31 March	
	2017	2016
	HK$'000	*HK$'000*
At 1 April	**79,792**	20,089
Promissory notes issued on 23 November 2015	**–**	163,708
Effective interest expense	**3,153**	3,886
Interest payables	**(4,499)**	(2,075)
Loss on early redemption of promissory notes	**887**	1,214
Early redemption	**(79,333)**	(107,030)
At 31 March	**–**	79,792

Current liabilities

On 31 March 2016, the Group entered into an agreement with an independent third party pursuant to which the Group issued a structured note with a principal amount of HK$20,000,000 and a promissory note with a principal amount of HK$25,000,000 (collectively the "Note"). The Note is unsecured and denominated in HKD. The Note is bearing interest at fixed rate of 6% per annum and is repayable in arrears. The maturity date is 1 April 2016 and the Note was repaid in full upon maturity.

On 1 April 2016, the Group entered an agreement with an independent third party pursuant to which the Group issued an unsecured structured note with a principal amount of HK$45,000,000. The note is bearing interest at fixed rate of 6% per annum and is repayable in arrears. The maturity date is 29 April 2016 and it was repaid in full upon maturity.

20. CONVERTIBLE NOTES

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 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 contain 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 assets before the extension of maturity date of approximately HK$2,939,000 and the decrease in fair value of the derivative financial assets 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 2017 and 2016, none of the 2014 CN was converted into ordinary share of the Company.

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

20. CONVERTIBLE NOTES – CONTINUED

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

	At 31 March	
	2017	2016
	HK$'000	*HK$'000*
At 1 April	**55,055**	51,189
Gain on extension of convertible notes	**(4,242)**	–
Effective interest expense	**4,131**	3,866
At 31 March	**54,944**	55,055

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

	At 31 March	
	2017	2016
	HK$'000	*HK$'000*
At 1 April	**5,721**	5,140
Changes in fair value recognised in profit or loss during the year	**(5,129)**	581
At 31 March	**592**	5,721

21. SHARE CAPITAL

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

	Notes	**2017** Number of Shares	**2017** HK$'000	2016 Number of Shares	2016 HK$'000
Authorised:					
Ordinary Shares of US$0.000025 (For the period from 1 April 2015 to 12 January 2016: US$0.0001) each					
At 1 April	(a)	**2,000,000,000**	**389**	500,000,000	389
Share subdivision	(c)	**–**	**–**	1,500,000,000	–
At 31 March		**2,000,000,000**	**389**	2,000,000,000	389
Issued and fully paid:					
Ordinary Shares of US$0.000025 (For the period from 1 April 2015 to 12 January 2016: US$0.0001) each					
At 1 April		**1,446,780,000**	**281**	288,000,000	224
Subscription of new shares	(b)	**–**	**–**	70,500,000	54
Issue of ordinary shares upon exercise of share options	23	**27,452,000**	**6**	3,195,000	3
Share subdivision	(c)	**–**	**–**	1,085,085,000	–
At 31 March		**1,474,232,000**	**287**	1,446,780,000	281

Notes:

(a) On 14 March 2012, the Company was incorporated in the Cayman Islands with an authorised capital of US$50,000 divided into 500,000,000 ordinary shares of US$0.0001 each. One subscriber Share was issued at par for cash.

(b) On 22 July 2015, the Company entered into a subscription agreements with certain subscribers which are independent third parties. On 28 July 2015, the subscription was completed. The Company issued 30,000,000 new Shares with par value of US$0.0001 each at a price of HK$2.95 each. The issued share capital of the Company was thus increased by HK$23,000. The excess of the subscription proceeds over the nominal value of share capital issued net of the expenses incurred thereon was credited as share premium. The Company intended to apply the net proceeds for the general working capital of the Group, future development of the Group's business of other appropriate investment as may be identified by the Directors.

On 20 November 2015, the Company entered into a subscription agreements with certain subscribers which are independent third parties. On 14 December 2015, the subscription was completed. The Company issued 40,500,000 new Shares with par value of US$0.0001 each at a price of HK$3.88 each. The issued share capital of the Company was thus increased by HK$31,000. The excess of the subscription proceeds over the nominal value of share capital issued net of the expenses incurred thereon was credited as share premium. The Company intended to apply the net proceeds for the repayment of the promissory note issued as partial consideration for the acquisition of Crosby Securities Limited and as general working capital.

21. SHARE CAPITAL – CONTINUED

Notes: – Continued

(c) Pursuant to an ordinary resolution passed by shareholders at the extraordinary general meeting of the Company held on 12 January 2016, each existing share of the Company was subdivided into four subdivided shares. Immediately upon the share subdivision became effective on 13 January 2016 (the "share sub-division"), the Company had 1,446,780,000 shares in issue and fully paid.

22. RESERVES

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

23. EQUITY SETTLED SHARE-BASED PAYMENTS

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

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

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

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

23. EQUITY SETTLED SHARE-BASED PAYMENTS – CONTINUED

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

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

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

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

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

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

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

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

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

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

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

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

23. EQUITY SETTLED SHARE-BASED PAYMENTS – CONTINUED

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

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

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

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

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

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

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

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

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

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

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

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

23. EQUITY SETTLED SHARE-BASED PAYMENTS – CONTINUED

Set out below are details of movements of the outstanding share options granted under the Share Option Scheme during the year ended 31 March 2017:

	Number of share options						
	Exercise price *(Note 1)*	Balance as at 1 April 2016 *(Note 1)*	Exercised during the year	Lapsed during the year	Balance as at 31 March 2017	Date of grant of share options	Exercisable periods of share options
Executive Directors							
– Lau Ho Ming, Peter	HK$0.25	6,720,000	(6,720,000)	–	–	17 March 2014	17 March 2014 to 16 March 2024
	HK$1.02	4,000,000	–	–	4,000,000	3 July 2015	3 July 2015 to 2 July 2025
– Ng Kam Seng	HK$0.25	2,240,000	(2,240,000)	–	–	17 March 2014	17 March 2014 to 16 March 2024
	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$0.25	1,400,000	(1,400,000)	–	–	17 March 2014	17 March 2014 to 16 March 2024
	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 *(Note 2)*	HK$0.25	672,000	(672,000)	–	–	17 March 2014	17 March 2014 to 16 March 2024
	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$0.25	6,720,000	(6,720,000)	–	–	17 March 2014	17 March 2014 to 16 March 2024
	HK$1.02	1,400,000	–	–	1,400,000	3 July 2015	3 July 2015 to 2 July 2025
– Chu Sheng Yu, Lawrence *(Note 3)*	HK$0.25	672,000	(672,000)	–	–	17 March 2014	17 March 2014 to 16 March 2024
– Wang Zhao *(Note 4)*	HK$1.02	1,400,000	–	–	1,400,000	3 July 2015	3 July 2015 to 2 July 2025

23. EQUITY SETTLED SHARE-BASED PAYMENTS – CONTINUED

Set out below are details of movements of the outstanding share options granted under the Share Option Scheme during the year ended 31 March 2017 – Continued:

		Number of share options					
	Exercise Price *(Note 1)*	Balance as at 1 April 2016 *(Note 1)*	Exercised during the year	Lapsed during the year	Balance as at 31 March 2017	Date of grant of share options	Exercisable periods of share options
Independent Non-executive Directors							
– Leung Po Wing, Bowen Joseph	HK$0.25	672,000	(672,000)	–	–	17 March 2014	17 March 2014 to 16 March 2024
	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$0.25	672,000	(672,000)	–	–	17 March 2014	17 March 2014 to 16 March 2024
	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 *(Note 5)*	HK$0.748	1,400,000	–	–	1,400,000	24 March 2016	24 March 2016 to 23 March 2026
Employees	HK$0.25	6,356,000	(5,444,000)	(912,000)	–	17 March 2014	17 March 2014 to 16 March 2019
	HK$1.02	13,600,000	–	(1,400,000)	12,200,000	3 July 2015	3 July 2015 to 2 July 2025
	HK$0.748	65,063,800	–	(4,876,000)	60,187,800	24 March 2016	24 March 2016 to 23 March 2026
Consultants	HK$0.25	3,360,000	(2,240,000)	–	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		192,495,600	(27,452,000)	(7,188,000)	157,855,600		

23. EQUITY SETTLED SHARE-BASED PAYMENTS – CONTINUED

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. Chu, Raymond resigned as an independent Non-executive Director of the Company on 6 July 2015 and was appointed as an executive director of the Company on 27 November 2015.

3. Mr. Chu Sheung Yu, Lawrence resigned as a Non-executive Director of the Company on 1 July 2015.

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

5. Mr. Wong Wah On, Edward was appointed as an independent non-executive director of the Company on 24 September 2015.

Equity settled share-based payment expenses comprise:

	Year ended 31 March	
	2017	2016
	HK$'000	*HK$'000*
Equity settled schemes to employees (including directors and ex-directors)	**24,351**	8,278
Equity settled schemes to eligible persons other than employees and directors	**6,331**	4,540
	30,682	12,818

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.

23. EQUITY SETTLED SHARE-BASED PAYMENTS – CONTINUED

The following share options were outstanding during the year:

	2017		2016	
	Weighted average exercise price per share	**Number of options**	Weighted average exercise price per share	Number of options
	$		*$*	
At 1 April *(note 1)*	**0.75**	**192,495,600**	1	10,566,000
Granted on 3 July 2015 before the share sub-division *(note 1)*	**–**	**–**	4.07	13,400,000
Granted on 24 March 2016 after the share sub-division *(note 2)*	**–**	**–**	0.748	109,411,600
Exercised before the share sub-division *(Note 1)*	**–**	**–**	1	(3,195,000)
Exercised after the share sub-division *(Note 2)*	**0.25**	**(27,452,000)**	–	–
Lapsed after the share sub-division *(Note 2)*	**0.74**	**(7,188,000)**	–	–
Effect of share sub-division *(Note 3)*	**–**	**–**	–	62,313,000
At 31 March	**0.83**	**157,855,600**	0.75	192,495,600

Notes:

1. The numbers of shares and weighted average exercise price were presented as before the share sub-division.

2. The numbers of shares and weighted average exercise price were presented as after the share sub-division.

3. It represented the effects of adjustments made to the numbers of share options as a result of the share sub-division.

The weighted average share price at the date of exercise of options exercised during the year was HK$0.63 (2016: HK$4.41 (before the share sub-division)). The exercise price of share options outstanding at the end of the year ranged between HK$0.25 to HK$1.02 (after the share sub-division) and their weighted average remaining contractual life was 8.73 years (2016: 9.23 years).

Of the total number of share options outstanding as at 31 March 2017, 109,714,920 share options had not been vested and were not exercisable (31 March 2016: 192,495,600).

24. DISPOSAL OF SUBSIDIARIES

Year ended 31 March 2017

On 7 October 2016, the Company, as vendor, entered into a sale and purchase agreement with Mr. Yau Wing Hay, Uri, as a purchaser, an independent third party, to dispose of the entire issued share capital of Next Horizon Holdings Limited ("Next Horizon") at a consideration of HK$32,000,000. The transaction was completed on 17 October 2016.

Next Horizon is an investment holding company which holds Sunmart Company Limited and Foshan Nanhai Haoda Precison Toys Company Limited (佛山市南海浩達精密玩具有限公司), both of which are principally engaged in trading and manufacture of toys and other products.

	HK$'000
Net assets disposed of:	
Property, plant and equipment	17,239
Cash and cash equivalents	5,814
Prepaid land lease payments	6,588
Deferred tax assets	1,717
Inventories	4,673
Trade receivables	2,226
Prepayments, deposits and other receivables	145
Tax recoverable	2,008
Trade payables	(1,706)
Accrued liabilities, other payables and deposits received	(15,464)
Amount due to fellow subsidiaries	(100)
	23,140
Release of translation reserve	(3,017)
Gain on disposal of subsidiaries	11,877
Total consideration satisfied by:	
Cash	32,000
Net cash inflow arising on disposal:	
Cash received	32,000
Cash and cash equivalents disposed of	(5,814)
Net cash inflow on disposal	26,186

24. DISPOSAL OF SUBSIDIARIES – CONTINUED

Year ended 31 March 2016

On 27 November 2015, the Company, as vendor, entered into a sale and purchase agreement with Grandrich International Limited, as the purchaser, a related company, to dispose the entire issued share capital of Victor Gold Investments Limited ("Victor Gold") at the consideration of HK$70,000,000. The transaction was completed on 31 March 2016.

Victor Gold is an investment holding company which indirectly holds (i) a property, which includes certain workshop unit and car parking spaces in TML Tower in Tsuen Wan, Hong Kong, which the Group currently uses as its headquarters in Hong Kong; and (ii) Qualiman Technology & Products Company Limited which has been inactive since 1 April 2013.

	HK$'000
Net assets disposed of:	
Property, plant and equipment	67,090
Cash and cash equivalents	580
Deposits	145
Other payables	(103)
Amounts due to fellow subsidiaries	(1,000)
Deferred tax assets	61
Tax payables	(76)
	66,697
Gain on disposal of subsidiaries	3,303
Total consideration satisfied by:	
Cash	70,000
Net cash inflow arising on disposal:	
Cash received	70,000
Cash and cash equivalents disposed of	(580)
Net cash inflow on disposal	69,420

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

For the year ended 31 March 2017 (the "**Current Year**"), the global economy has experienced new uncertainties arising from the unstable political situation and weak economy in the United States with the election of a new president, the commencement of Brexit procedures and the subsequent impact on the United Kingdom and EU markets, the weakening Renminbi increasing the likelihood of capital outflows and hence causing potential volatility in the Hong Kong stock markets. With our Group engaged in the same core business divisions in toys ("**Toy Division**"), information technology ("**IT Division**") and financial services ("**Financial Services Division**") as in the previous financial year, there were different levels of challenges and impact affecting the performance of the Group but in general the Group recorded a slight improvement in revenue for the Current Year as performance in the Toy Division remained relatively stable and there were new contributions from the Financial Services Division which made good progress in securing transactions in the primary issuance markets in the Hong Kong stock markets. On the other hand, the performance of the IT Division, despite some modest improvements, remained unsatisfactory which led to further rationalisation of the businesses of the IT Division.

The Toy Division

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

During the Current Year, the Group has disposed of certain of its subsidiaries which are principally engaged in the trading and manufacture of toy products serving mainly newer and smaller customers with less significant contribution to the Group. In view of the substantial costs such as labour and other fixed running costs related to maintaining the production facility in China for such subsidiaries and the occasional bad debts arising from such smaller customers that contributed to a net loss situation in recent years, the Group resolved to dispose of such subsidiaries. Such disposal allowed the Group to obtain liquidity from this loss-making investment and offload the various fixed operating and potential redundancy costs associated with such subsidiaries, while allowing the Toy Division to focus on more long-term, internationally reputable customers with stronger credit history. Following the disposal, there was no adverse impact on the current operation of the Toy Division and the Group recorded a gain on disposal of approximately HK$11.9 million as a result.

During the Current Year, revenue of the Toy Division and its segment profit were HK$768.1 million and HK$23.2 million respectively, representing an increase of 0.3% and decrease of 28.2% respectively over the year ended 31 March 2016 ("**Previous Year**"). The revenue from the Toy Division remained relatively stable despite the disposal of the Sunmart subsidiaries as the contribution of such subsidiaries was less significant and the Group managed to maintain strong orders from several existing major customers of international repute. On the other hand, the decrease in segment profit was mainly a result of the absence of any gain from reversal of impairment loss on trade receivables which was present in the Previous Year and new operating lease payment for the Group's headquarters which was disposed of by the Group in the Previous Year.

The IT Division

During the Current Year, the IT Division mainly engaged in the provision of digital media design, marketing and project management services as well as website application. The IT Division continued to face challenging business environments in terms of business development as well as hiring qualified talents at reasonable costs due to the keen competition among market competitors in terms of general customers budget control and hence tightening service demand, contract size and talents retention. The ongoing boom of competing startups further imposed fierce competition in the market for both projects and talents which caused the Group to adhere to a more prudent and cautious approach so as to achieve break-even position and moderate repositioning the business of this division by leveraging on and adjusting the existing technology products of the IT Division to service new customer demands. With the above approach adopted for the year, the IT Division successfully serviced a diverse group of primarily local customers in different industries and focused mainly on projects with moderate working capital requirements and of a smaller scale which mitigated the risk exposure of the entire Group. Comparing to the Previous Year, the revenues and segment loss of the IT Division managed to increase by about 54.3% and decrease by 20.8% respectively. However, in view of the stringent operating condition, the performance of the IT Division remained in a net loss position during the Current Year, albeit less than in the Previous Year, particularly with the impairment losses made on its intangible assets and goodwill as the Directors considered that such measure was necessary with reference to the applicable business outlook and condition of the IT Division.

The revenue and segment loss of the IT Division were approximately HK$2.8 million and HK$49.5 million for the year under review, respectively, inclusive of impairment loss on goodwill of about HK$3.7 million and impairment loss on intangible assets of about HK$33.9 million. This represents an increase in revenue of about 54.3% from HK$1.8 million in the Previous Year and a decrease in segment loss of about 20.8% from HK$62.5 million in the Previous Year, which included an impairment loss on goodwill of about HK$48.1 million.

The Financial Services Division

During 2016, the performance of the Hong Kong securities markets was substantially weaker than in 2015, as a result of weakened investor sentiments arising from the continued uncertainty in the political environments in the United States and the United Kingdom and concerns over capital outflows from China and the devaluation of the Renminbi weakening the overall Chinese economy. Average daily turnover of The Stock Exchange of Hong Kong decreased by approximately 37% in 2016 to about HK$67 billion when compared with about HK$106 billion for 2015. This had a negative impact on the securities brokerage revenue of the Financial Services Division which did not increase as much as we had hoped for, increasing by only about HK$4.8 million over the Previous Year. The securities brokerage services of the Financial Services Division continued to service mainly institutional and corporate brokerage clients during the Current Year.

On the other hand, the Financial Services Division actively participated in the primary issue markets during the Current Year, acting as bookrunners and underwriters of several initial public offerings and bond issuances for listed issuers in Hong Kong covering both the Main Board and the Growth Enterprise Markets of The Stock Exchange of Hong Kong Limited, leading to an increase in underwriting and placing commissions of approximately HK$7.8 million over the Previous Year. Despite heightened market volatility and a drop in the total amount of funds raised, there were still 126 new listings in Hong Kong with total fund raising amount of almost HK$200 billion in calendar year 2016, making Hong Kong the world leader in total fund raised in initial public offerings for the second consecutive year, based on information available from The Stock Exchange of Hong Kong. The Financial Services Division has a healthy pipeline of transactions for primary issuance in the coming financial year and is expected to remain active in acting as bookrunners and underwriters in initial public offerings and bond issuances in Hong Kong going forward.

For the Financial Services Division, contributions from securities margin financings remained relatively immaterial during the Current Year despite an increase over the Previous Year as a substantial amount of the capital of the Financial Services Division remained secured for settlement purposes, thus limiting its capabilities to expand rapidly in areas requiring a more extensive deployment of capital. The Financial Services Division also recorded a fair value gain on financial assets at fair value through profit or loss of about HK$2.7 million when compared with a fair value gain of about HK$4.0 million during the Previous Year, which was a result of a substantial decrease in the unrealized gains of the investment portfolio of the Financial Services Division of about 82% during the Current Year partially offset by recording a realised gain of about HK$1.8 million when compared with a realised loss position during the Previous Year. 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.

FINANCIAL REVIEW

The Toy Division

The Toy Division's revenue for the Current Year amounted to approximately HK$768.1 million, which represents an increase of 0.3% over that of the Previous Year of approximately HK$765.7 million. Such increase in revenue was due to an increase in sales to some of the Toy Division's top 5 customers. Furthermore, segment profit for this division accounted for approximately HK$23.2 million for the Current Year comparing to approximately HK$32.4 million for the Previous Year, representing a decrease of 28.2%. Such decrease in segment profit was mainly due to absence of reversal of impairment loss on trade receivables for the Current Year which amounted to about HK$7.0 for the Previous Year million and operating lease payment of approximately HK$3.4 million in respect of the head office of the Group during the Current Year subsequent to its disposal in the Previous Year.

Revenue from North America increased from approximately HK$351.3 million for the Previous Year to approximately HK$462.6 million for the Current Year, while revenue from Western Europe decreased from approximately HK$245.5 million for the Previous Year to approximately HK$141.9 million for the Current Year. Sales to customers in new developing regions, namely mainland China and Taiwan and Others increased from approximately HK$67.2 million for the Previous Year to approximately HK$84.8 million for the Current Year and from approximately HK$32.7 million for the Previous Year to approximately HK$47.0 million for the Current Year, respectively, representing an increase of 26.2% and 43.7% over the Previous Year, respectively. Generally, the change in regional distribution was mainly due to change in delivery destination as requested by the customers during the year under review in order to cope with their distribution plan. As our Toy Division mainly serves customers of international reputable brands, their global marketing network and hence delivery plans varied from time to time in accordance with their respective marketing strategies.

The IT Division

For the IT Division, revenue and segment loss for the Current Year were approximately HK$2.8 million and HK$49.5 million, respectively, inclusive of impairment loss on goodwill of about HK$3.7 million and impairment loss on intangible assets of about HK$33.9 million. This compares with the revenue and segment loss of the PMT Group of about HK$1.8 million and HK$62.5 million, respectively, during the Previous Year, which included an impairment loss on goodwill of about HK$48.1 million. The increase in revenues of the IT Division of about 54.3% in the Current Year was mainly contributed by an improvement in revenues from web development projects using the QR Site technology and the Maestro digital publishing technology of the IT Division.

The Financial Services Division

Revenue for the Financial Services Division for the Current Year amounted to approximately HK$16.8 million comparing to that of HK$2.8 million in the Previous Year, representing an increase of 6 times over the Previous Year. This is mainly attributable to a full year consolidation of the financial result for this division in the Current Year when compared to approximately four months of financial results in the Previous Year after the Group acquired this division in November 2015. The increase in revenues of the Financial Services Division mainly came from an increase in brokerage commission income of about HK$4.8 million and an increase in underwriting and placing commission of about HK$7.8 million during the Current Year when compared with the Previous Year.

Overall, the Financial Services Division accounted for approximately HK$34.1 million segment loss for the Current Year. The main contributing factors leading to the loss, despite an improvement in revenues, were the increase in rental expenses and salary expenses of the Financial Services Division. The increase in both was mainly a result of taking into account of such expenses for the full financial year as opposed to about four months in the Previous Year.

Overall Group Financial Performance

Revenue

The Group's revenue for the Current Year amounted to approximately HK$787.7 million, which represents an increase of 2.2% from that for the Previous Year of approximately HK$770.4 million. The growth in total revenue for the Current Year was mainly contributed by the Financial Services Division.

Gross Margin

The gross margin of the Toy Division decreased slightly from approximately 10.1% for the Previous Year to approximately 9.9% for the Current Year due to an increase in subcontracting fees. Meanwhile, gross profit of the Group for the Current Year increased by 16.71% to approximately HK$93.8 million from that of the Previous Year of approximately HK$80.4 million. Such improvement was mainly due to an increase in revenue and gross margin contributed by the Financial Services Division being consolidated to the Group's result on a full year basis for the Current Year.

Net Loss

The Group's net loss for the Current Year amounted to approximately HK$94.1 million, as compared to a net loss of approximately HK$77.6 million for the Previous Year. Such increase was mainly due to (i) an increase in consolidated administrative expenses of the Group arising from (a) an increase in the equity settled share-based payment expenses of approximately HK$17.9 million, particularly related to a new tranche of share options granted towards the end of the Previous Year; and (b) an increase in salary and rental expenses of the Group of approximately HK$13.7 million and 8.3 million respectively for the Current Year, which is partially offset by an increase in the consolidated gross profit of the Group of approximately HK$13.4 million mainly contributed by the Financial Services division of the Group during the Current Year when compared with the Previous Year; and (ii) the impairment loss in relation to the intangible assets of the IT Division of the Group of approximately HK$33.9 million for the Current Year, which is offset by a substantial decrease in the impairment loss on goodwill of approximately HK$44.4 million from about HK$48.1 million in the Previous Year to HK$3.7 million in the Current Year. The increase in net loss of the Group was also partially offset by an increase in gain on disposal of subsidiaries of approximately HK$8.6 million for the Current Year.

Impairment Loss on Goodwill and Intangible Assets

As explained in the previous annual report and interim report of the Company, the PMT Group suffered setbacks in its business strategies after losing some of its key clients in China for its digital publishing solutions due to a change in their business plans in developing their own in-house solutions rather than using the digital publishing solutions of the PMT Group. In an effort to adopt a more cautious approach of achieving break-even first and repositioning its business, the PMT Group cut down its costs during the year under review while trying to adjust its technology to service a wider target customer group by offering more generic mobile and web development solutions in Hong Kong and grow its revenues in this area. However, such efforts were partly hampered by the difficulty experienced by the PMT Group to retain or hire good information technology talents locally under the Group's austerity measures, as a lot of talents appeared to either favour larger Internet conglomerates or join the continuing boom in local technology start-up trends. On the other hand, the more cautious approach adopted by the PMT Group also meant that it was difficult for it to compete more effectively in some bigger scale projects which required more aggressive human resources and working capital and which in turn would undesirably increase the risk exposure of the entire Group. As a result, while the PMT Group managed to secure a diverse group of local customers during the Current Year with an improvement in revenues and gross profit of about 54.3% and 80.5% respectively over the Previous Year, the overall revenues of the PMT Group remained unsatisfactory and the PMT Group was in a net loss position during the Current Year. In view of the above, the Directors are of the view that an impairment loss of the intangible assets and goodwill of the PMT Group would be necessary for the Current Year.

During the annual audit process, the Directors of the Company hired BMI Appraisals Limited, an independent valuer, to determine the value-in-use of the assets of the PMT Group in accordance with HKAS 36 "Impairment of Assets". The Directors have made reference to the valuation report issued by the independent valuer for the calculation of the value in use of the assets of the PMT Group.

BMI Appraisals Limited adopted the income approach for the assessment of the value-in-use of the PMT Group. It was based on a five-year cash flow projection and extrapolated using a long-term terminal growth rate, and the cash flows were then discounted with at a pre-tax discount rate of about 19.5% (compared with a pre-tax discount rate of 21.3% used in the Previous Year) estimated by the management. The modest decrease in the discount rate adopted in the Current Year compared with the Previous Year was due to an increase in the weight of debt in the capital structure of the PMT Group. The long-term growth rate used to extrapolate the cash flows beyond the five year plan is 3% which is the same as that used in the Previous Year and reflects the long term growth rate of the industry as forecast by the management. The Group's management adjusted further down the cash flow projections of the PMT Group based on its recent historical performance, their assessment of the impact of the factors set out in the paragraphs above and the cautious business outlook of the PMT Group in the future, with the objective of achieving break-even first rather than taking on additional risks from further capital exposure. The key assumptions have been determined by the Group's management based on past performance and its expectation of the PMT Group's future performance and the industry development as a whole.

As the carrying amount of the intangible assets and goodwill of the PMT Group was about HK$67.8 million and HK$3.7 million respectively immediately prior to the assessment of the value-in-use, an impairment loss on goodwill of about HK$3.7 million and an impairment loss on intangible assets of about HK$33.9 million arose during the year under review as a result of the assessed value-in-use of the assets of the PMT Group of about HK$34.0 million.

Selling Expenses

Selling expenses for the Toy Division mainly consisted of transportation fees and declaration fees. During the Current Year, it increased 16.0% from approximately HK$18.7 million for the Previous Year to approximately HK$21.7 million for the Current Year which was due to an increase in price charged on transportation cost by our service providers as well as increased transportation costs incurred on sales to certain customer and increase in declaration charges on moulding equipment transported during Current Year.

Administrative Expenses

Administrative expenses mainly consisted of salaries to employees, equity-settled share-based payment expenses, rents and rates for office spaces, depreciation of property, plant and equipment, amortisation of intangible assets and other administrative expenses. Administrative expenses increased by 47.4% from approximately HK$95.5 million for the Previous Year to approximately HK$140.8 million for the Current Year, which was primarily due to the increase in the total number of staff after the acquisition of the Financial Services Division, an increase in staff costs arising from salary and the equity settled share-based payment expenses related to the grant of share options of approximately HK$13.7 million and HK$17.9 million respectively and the full year recognition of the other costs applicable to the Financial Services Division for the Current Year when compared to only about four months of result consolidation in the Previous Year.

Other Income, Gains and Losses

Other income, gains and losses mainly consisted of moulding income, gain on disposal of subsidiaries, fair value gain on financial assets at fair value through profit and loss, gain on extension of convertible notes, interest income from bank deposits and others. During the Current Year, other income, gains and losses increased 45.9% from approximately HK$19.7 million for the Previous Year to approximately HK$28.7 million. Such increase was mainly attributable to (i) an increase in gain on the disposal of subsidiaries by about HK$8.6 million from approximately HK$3.3 million for the Previous Year to approximately HK$11.9 million for the Current Year; (ii) a decrease in fair value gain on financial assets at fair value through profit loss by approximately HK$1.3 million from approximately HK$4.0 million for the Previous Year to about HK$2.7 million for the Current Year from the Financial Services Division; (iii) an increase in gain arising from the extension of the maturity date of the convertibles notes from nil for the Previous Year to about HK$4.2 million for the Current Year; and (iv) a decrease in reversal of impairment loss on trade receivables from approximately HK$7.0 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 decreased by 2.4% from approximately HK$11.1 million for the Previous Year to approximately HK$10.8 million for the Current Year, which is primarily due to a decrease in the effective interest expense of the convertible note and promissory note issued by the Company in the Current Year of approximately HK$0.3 million, as the promissory note was fully repaid during the Current Year.

Income Tax Expenses

The Group is subject to income tax on an entity basis on profit arising in or derived from the jurisdiction in which members of the Group are domiciled and operated. The income tax expense decreased 85.4% from approximately HK$4.8 million for the Previous Year to approximately HK$0.7 million. Such decrease was mainly due to the deferred tax adjustment arising from the impairment of intangible assets for Current Year.

Inventory

The inventory of the Group decreased by 15.4% to approximately HK$92.0 million as at 31 March 2017 from approximately HK$108.8 million as at 31 March 2016. The inventory turnover period, as calculated by dividing the average closing inventories by the cost of sales of the Toy Division for the period and multiplied by 365 days, decreased by 17.2% from 64.0 days for the Previous Year to 53.0 days for the Current Year arising from customers requisition for sooner delivery of products during the Current Year.

Trade Receivables

Trade receivables from the Toy Division and the IT Division as at 31 March 2017 decreased from approximately HK$68.7 million at 31 March 2016 to HK$37.6 million at 31 March 2017, which was primarily due to sooner settlement from certain customers during the Current Year. Accordingly, the trade receivables turnover days for the Toy Division and the IT Division, as calculated by dividing the averaging closing trade receivables by the revenues from the Toy Division and the IT Division for the Current Year multiplied by 365 days, was 25.2 days as compared with 34.1 days for the Previous Year.

Trade receivables from the Financial Services Division as at 31 March 2016 decreased from approximately HK$388.7 million to HK$7.1 million at 31 March 2017, which was mainly a result of a substantial decrease in settlement amount receivable from dealing in securities on behalf of our cash clients at the end of the Current Year. Coincidentally, there was a substantial surge in trading activities with settlement crossing the end of the financial year in the Previous Year, leading to a sharp increase in trade receivables related to the securities brokerage business at the end of the Previous Year, which was substantially decreased at the end of the Current Year. The settlement terms of accounts receivable arising from the Financial Services Division are typically one to two days after the trade date. All accounts receivable from cash clients were not past due at 31 March 2017.

Trade Payables

Trade payables from the Toy Division and the IT Division as at 31 March 2017 increased from approximately HK$26.8 million at 31 March 2016 to HK$52.7 million at 31 March 2017, which was primarily due to the increase in purchases and costs of service incurred for the Current Year. The significant increase was attributable to the change in operating approach of the division during the Current Year following its disposal of the subsidiaries in PRC for which functioned as one of the production plants of the Group. Subsequent to the disposal, the Group incurred sub-contracting fee instead of bearing its own production costs and such sub-contracting fee was classified as trade payables for the Current Year. The trade payables turnover days for the Toy Division and the IT Division, as calculated by dividing the averaging closing trade payables by the cost of sales from the Toy Division and the IT Division for the Current Year multiplied by 365 days, was 21.0 days as compared with 18.9 days for the Previous Year.

Trade payables from the Financial Services Division as at 31 March 2017 decreased from approximately HK$380.3 million at 31 March 2016 to HK$210.1 million at 31 March 2017, which was mainly a decrease in payable to cash clients or the clearing house for settlement of trades arising from the same set of factors explained in the previous paragraph on trade receivables from the Financial Services Division. The settlement terms for such trade payable attributable to dealing in securities are typically one to two days after the trade date.

LIQUIDITY AND FINANCIAL RESOURCES

For the Current Year, the Group mainly financed its working capital by internal resources and bank borrowings. As at 31 March 2017, cash and cash equivalents amounted to approximately HK$130.0 million (31 March 2016: HK$221.6 million). The decrease was mainly due to the redemption of promissory notes during the Current Year. 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 21.0% (31 March 2016: 49.1%). As at 31 March 2017, all bank borrowings were subject to floating interest rates. The current ratio of the Group, as calculated by total current assets over total current liabilities, was approximately 1.51 (31 March 2016: 1.44).

During the Current Year, save for the shares issued upon the exercise of granted share option by the grantees under the Share Option Scheme adopted by the Company, no new shares were issued during the Current Year. Meanwhile, the proceeds from the issuance of shares in July 2015 and December 2015 were fully utilized as intended as at 31 March 2017.

PROMISSORY NOTES

On 23 November 2015, as part of the settlement of the consideration for the acquisition of all of the existing shares of Crosby Securities Limited not already owned by the Company or any of its subsidiaries, the Company issued promissory notes with a total principal amount of approximately HK$166.4 million. The remaining outstanding amount of the promissory note had already been fully repaid as of 31 March 2017.

CHARGE ON ASSETS

As at 31 March 2017, certain of the Group's banking facilities and its interest-bearing bank borrowings were secured by properties of the Group located in Hong Kong with an aggregate carrying amount of approximately HK$6.2 million (31 March 2016: HK$6.2 million).

CONTINGENT LIABILITIES

As at 31 March 2017, the Group had no contingent liabilities (31 March 2016: 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 2017, 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$13.0 million and HK$8.2 million respectively (31 March 2016: 7.5 million and HK$0.04 million). The increase in such future minimum lease payments under non-cancellable operating leases was mainly a result of the disposal of the properties served as headquarters of the Group in Previous Year and hence rental was incurred on the same for Current Year.

CAPITAL COMMITMENTS

As at 31 March 2017, there is no capital commitment of the Group (31 March 2016: Nil).

SIGNIFICANT INVESTMENT HELD

Except for investments in subsidiaries and certain financial assets with carrying value of about HK$14.5 million held by the Financial Services Division, the Group did not hold any significant investment in equity interest in any other company as at 31 March 2017.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

During the Current Year, there was no material acquisition made by the Group. On the other hand, on 7 October 2016, the Company, as vendor, entered into a sale and purchase agreement with Mr. Yau Wing Hay, Uri, as a purchaser, an independent third party, to dispose of the entire issued share capital of Next Horizon Holdings Limited ("Next Horizon") for a consideration of HK$32 million. The transaction was completed on 17 October 2016.

Save as disclosed otherwise, the Group did not have any material acquisitions and disposals of subsidiaries and affiliated companies during the Current Year.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

As at 31 March 2017, the Group did not have any plans to acquire any material investments or capital assets.

FOREIGN CURRENCY EXPOSURES

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

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 2017, the Group had a total of 76 employees (31 March 2016: 520). Total staff costs (excluding equity settled share-based payment expenses to eligible persons other than employees and directors) were approximately HK$98.0 million for the year ended 31 March 2017 (2016: HK$68.2 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.

EVENTS AFTER REPORTING PERIOD

On 2 May 2017, the Company entered into a subscription agreement with an independent third party (the "subscriber") to issue 6% convertible notes with a principal amount of HK$80,000,000 for the intended use of repayment of the liabilities of the Group and expansion of the Group's financial services business. Based on the conversion price of HK$0.39 per conversion share, 205,128,205 ordinary shares will be allotted and issued by the Company upon exercise in full of the conversion rights attached to the convertible notes. The convertible notes entitle the subscriber to convert them into ordinary shares of the Company at any time falling three years after the date of issue of the convertible notes. The subscription was completed on 11 May 2017.

On 22 May 2017, the Company entered into a subscription agreement with the same subscriber to issue 6% convertible notes with a principal amount of HK$30,000,000. The intended use of proceeds of the convertibles notes is the same as those for the convertible notes issued on 11 May 2017. Based on the conversion price of HK$0.39 per conversion share, 76,923,076 ordinary shares will be allotted and issued by the Company upon exercise in full of the conversion rights attached to the convertible notes. The convertible notes entitle the subscriber to convert them into ordinary shares of the Company at any time falling three years after the date of issue of the convertible notes. The subscription was completed on 2 June 2017.

On 13 June 2017, the Company redeemed in full the convertibles notes of outstanding principal amount of HK$58 million which were issued on 17 December 2014 ("2014 CN") with its maturity date extended to 17 December 2017 by the Company in December 2016 pursuant to the exercise of the right conferred upon the Company as governed under the terms and conditions of the 2014 CN. Thereafter, the 2014 CN has been fully redeemed.

PROSPECTS

During the Current Year, the Group strengthened its Toy Division by disposing of some of its loss-making operations and removing the burden of some of its fixed costs. Going forward, the Toy Division will strive to carry on its current business by way of outsourcing its manufacturing functions to quality reliable production service providers and focusing on high-quality international brand customers. This will allow the Toy Division to more effectively focus on the changing demands of its major and large customers while maintaining flexibility in its cost structure. For the IT Division, the Group will continue to review and assess the market environment particularly in the information technology segment applicable to the Group in order to adjust its strategies in identifying the appropriate business focus and strategic options for the IT Division, including the possibility of a disposal, in order to maintain a healthy structure for the Group in general.

Going forward, we expect the Financial Services Division will continue to focus on participating in more primary market transactions. We expect the Hong Kong IPO markets to remain strong in 2017, and are encouraged by the possibility of the introduction of various new markets in the future under the latest proposals from The Stock Exchange of Hong Kong. During the first quarter of 2017, the Financial Services Division already completed its first transaction acting as sole bookrunner and sole lead manager for an IPO on the Main Board of The Stock Exchange of Hong Kong. The Financial Services Division has a healthy pipeline of fund raising transactions covering both the IPO markets and new debt issuances by listed issuers in Hong Kong.

We are also working hard to enhance our settlement capability in order to improve our institutional brokerage platform. We managed to expand our capital base modestly with the issuance of the convertible notes completed in May and June 2017, and we are in discussion with various financial institutions to widen our liquidity options in order to provide the Financial Services Division with more capital flexibility. We hope that these efforts will not only improve the performance of our institutional brokerage platform, but allow us to free up more capital to pursue more lucrative principal-based activities, including securities margin financing and principal finance/investments opportunities.

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.

Code A.6.7

Pursuant to the code provision A.6.7 of the Code stipulates that the non-executive Directors should attend general meetings and develop a balanced understanding of the views of the Shareholders. Madam. Li Man Yee, Stella was unable to attend the annual general meeting of the Company held on 26 August 2016 as she had other business engagement.

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 audited consolidated financial statements for the Current Year. The work performed by Auditors in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA, and consequently no assurance has been expressed by Auditors on this announcement.

REVIEW OF FINANCIAL STATEMENTS

The audit committee of the Board (the "Audit Committee") reviewed the 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 2017 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 on or about 28 July 2017.

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

Hong Kong, 28 June 2017

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