QUALI-SMART HOLDINGS LIMITED
滉達富控股有限公司*

(Incorporated in the Cayman Islands with limited liability)
Stock code : 1348

*For identification purpose only

CONTENTS

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Lau Ho Ming, Peter
(Executive Chairman) (retired on 9 November 2023)
Mr. Chu, Raymond *(Chairman)*
(redesignated on 9 November 2023)
Mr. Poon Pak Ki, Eric
Mr. Hau Yiu Por
Ms. Tang Yuen Ching, Irene (appointed on 9 November 2023)

Non-executive Director

Madam Li Man Yee, Stella (retired on 9 November 2023)

Independent Non-executive Directors

Mr. Leung Po Wing, Bowen Joseph *GBS, JP*
Mr. Chan Siu Wing, Raymond
Mr. Wong Wah On, Edward

COMMITTEES OF THE BOARD OF DIRECTORS

Audit Committee

Mr. Chan Siu Wing, Raymond *(Chairman)*
Mr. Leung Po Wing, Bowen Joseph *GBS, JP*
Mr. Wong Wah On, Edward

Remuneration Committee

Mr. Leung Po Wing, Bowen Joseph *GBS, JP (Chairman)*
Mr. Chan Siu Wing, Raymond
Mr. Lau Ho Ming, Peter (resigned 9 November 2023)
Mr. Wong Wah On, Edward (appointed on 9 November 2023)
Mr. Chu, Raymond (appointed on 9 November 2023)
Mr. Poon Pak Ki, Eric (appointed 9 November 2023)

Nomination Committee

Mr. Leung Po Wing, Bowen Joseph *GBS, JP (Chairman)*
Mr. Chan Siu Wing, Raymond
Mr. Lau Ho Ming, Peter (resigned 9 November 2023)
Mr. Wong Wah On, Edward (appointed on 9 November 2023)
Mr. Chu, Raymond (appointed on 9 November 2023)
Mr. Poon Pak Ki, Eric (appointed 9 November 2023)

Corporate Governance Committee

Mr. Chan Siu Wing, Raymond *(Chairman)*
Madam Li Man Yee, Stella (resigned 9 November 2023)
Mr. Poon Pak Ki, Eric
Mr. Chu, Raymond (appointed on 9 November 2023)
Ms. Tang Yuen Ching, Irene (appointed on 9 November 2023)

COMPANY SECRETARY

Ms. Tang Yuen Ching, Irene

AUTHORIZED REPRESENTATIVES

Mr. Poon Pak Ki, Eric
Ms. Tang Yuen Ching, Irene

AUDITOR

BDO Limited
25th Floor, Wing On Centre
111 Connaught Road
Central
Hong Kong

REGISTERED OFFICE

Cricket Square, Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Workshop C, 19/F.,
TML Tower
3 Hoi Shing Road
Tsuen Wan
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN THE CAYMAN ISLANDS

Conyers Trust Company (Cayman) Limited
Cricket Square, Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
17/F., Far East Finance Centre
16 Harcourt Road
Hong Kong

PRINCIPAL BANKERS

DBS Bank (Hong Kong) Limited
Hang Seng Bank Limited
Industrial and Commercial Bank of China (Asia) Limited

COMPANY'S WEBSITE

www.quali-smart.com.hk

STOCK CODE

1348

BOARD LOT

2,000

Chairman's Statement

On behalf of the board (the "**Board**") of directors (the "**Directors**") of Quali-Smart Holdings Limited (the "**Company**", together with its subsidiaries, the "**Group**"), I am pleased to present the results of the Group for the year ended 31 March 2024 (the "**Current Year**" or "**Reporting Year**"). During the Current Year, the Group continued to principally engage in the business divisions in manufacturing and sales of toys ("**Toys Division**") and financial services ("**Financial Services Division**").

BUSINESS PERFORMANCE

Toys Division

In the Current Year, the Toys Division of the Group continued to face ongoing challenges. Both economic environment as well as geo-political conflicts between China and the U.S. have together negatively affected our margins and turnover, respectively. Increased material costs as well as continued lofty interest rates are ultimately passed on from our suppliers to hit our profit margins. On top, the escalated and continuing geo-political conflicts between China and the U.S. have caused our clients to divert orders to suppliers residing in other Southeast Asian countries. As a result, revenues from the Toys Division for the Current Year have decreased by just over 49%, compared to the Previous Year.

Financial Services Division

Likewise, the Financial Services Division, itself being a high market beta business, has been seriously impacted by both the market and economic downturn in Hong Kong as well as Mainland China. The daily turnover of the Hong Kong Stock Exchange continued its path of contraction. Overall, averaged daily turnover in the past 12 months shrunk to around HK$110 billion, from around HK$120 billion in the previous year. The number of IPOs and the aggregate proceeds were the lowest since 2009, following a dismal showing the previous year. As an international financial centre, valuations on the blue chip index stocks, HSI in Hong Kong, averaged below 9 times throughout the reporting period, compared to the S&P 500 index which traded at over 24 times multiple in the same period. The local corporate bond market was still quiet in terms of fund raising activities, due to the credit crisis spill over in the China property related sector. On the other hand, the performance of the investment advisory and assets management business improved substantially due to the continued bullish run in the U.S. market. Income from investment advisory and assets management business of the Financial Services Division increased by over 23% in the Current Year compared to the previous year. This increase has largely offset the decrease in revenues from brokerage, and originations businesses. Overall, the Financial Services Division recorded a decrease in revenue of approximately 3.3% compared to the Previous Year.

DEVELOPMENT AND CHALLENGES

Toys Division

Our counter-measures to the squeeze in both profit margins as well as turnover have been to run a tight ship by cutting costs where they make sense. At the same time, we have also been strategizing in canvassing for new clients and orders. We expect this macro trend to continue the coming year and we shall continue our efforts in the above respect.

Financial Services Division

It's been a good year for our investment advisory and assets management business for its exposures in the U.S. market and we foresee that trend to continue in the coming year on the back of a possible interest rate pivot and also an election year in the U.S. Meanwhile, to counter the local economic downturn and bearish capital market, we have been and will continue to expand our business, both client base as well as markets and product reach to being more global. We hope to stay opportunistic and hungry in bringing on stand-alone deals and projects in the coming year. Our financial services platform has remained largely an opened platform keeping ourselves low cost, flexible while expandable, helping to attract talents and partners.

APPRECIATION

Finally, on behalf of the Board, I would like to take this opportunity to extend my utmost gratitude to our valued clients, Shareholders and all of the business associates for their continued support for and confidence in the Group. I also wish to express my sincere appreciation to our management and employees as a whole for their great efforts during this challenging period. Our Group will continue to endeavor in maximizing our value to our Shareholders and stakeholders for its return and contribution in the long term.

Chu, Raymond
Chairman and Executive Director

Hong Kong, 24 June 2024

Corporate Governance Report

CORPORATE GOVERNANCE PRACTICES

The Company is committed to maintaining high standards of corporate governance and recognises the importance of incorporating elements of good corporate governance practices in the management structures and internal control procedures of the Group so as to achieve effective accountability. The Company adopted the Corporate Governance Code set out in Appendix 14 (the "**CG Code**") of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") (the "**Listing Rules**") as its own code of corporate governance practice. Throughout the Current Year, the Company had complied with all applicable code provisions under the CG Code.

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. Having made specific enquiries of all Directors, each Director had complied with the required standards set out in the Model Code during the Current Year and up to the date of this report.

Details of the interests and short positions of the Directors in the shares of the Company (the "**Shares**") and underlying Shares is stated in the Directors' Report of this Annual Report on page 34.

THE BOARD

The Board is responsible for the leadership and control of the Group and oversees the Group's businesses, strategic decisions and performance. The Board has delegated the day-to-day responsibility to the executive Directors and senior management who perform their duties.

As at 31 March 2024, the Board comprised seven Directors, including four executive Directors, and three independent non-executive Directors ("**INED(s)**") as follows:

Executive Directors

Mr. Chu, Raymond *(Chairman)*
Mr. Poon Pak Ki, Eric
Mr. Hau Yiu Por
Ms. Tang Yuen Ching, Irene

Independent Non-executive Directors

Mr. Leung Po Wing, Bowen Joseph *GBS, JP*
Mr. Chan Siu Wing, Raymond
Mr. Wong Wah On, Edward

One of the INEDs has the professional and accounting qualifications as required by the Listing Rules.

Each of the executive Directors, namely Mr. Poon Pak Ki, Eric, Mr. Hau Yiu Por and Ms. Tang Yuen Ching, Irene, has entered into a service contract with the Company with a term of 3 years, subject to renewal, and Mr. Chu, Raymond has entered into an employment contract with the Group with no fixed term as the chief executive officer of Crosby Securities Limited, an indirect wholly owned subsidiary of the Company under the Financial Services Division, while the non-executive Director and INEDs were appointed with a fixed term of 12 months, subject to renewal. Pursuant to the articles of association of the Company ("**Articles of Association**"), one-third of the Directors are subject to retirement at annual general meeting of the Company at least once every three years. All retiring Directors shall be eligible for re-election. At the annual general meeting of the Company held on 28 August 2023 ("**2023 AGM**"), each of Madam Li Man Yee, Stella, Mr. Chan Siu Wing, Raymond, Mr. Chu, Raymond and Mr. Hau Yiu Por retired and was re-elected as a Director by the shareholders of the Company ("**Shareholders**"). The Company has arranged appropriate insurance cover for the Directors in respect of legal action against them.

The Board members have no financial, business, family or other material/relevant relationship with each other save as disclosed in the section "Biographies of Directors and Senior Management" of this Annual Report. Given the nature and business objectives of the Company, the Board has a balance of skill and experience appropriate for the requirements of the business of the Company. The biography of each Director was set out in the section "Biographies of Directors and Senior Management" on pages 25 to 27 of this Annual Report.

Continuous Professional Development

All Directors provided information to the Company with their participation in continuous professional development which is relevant to develop and refresh their knowledge and skills. The Company arranged induction program to the newly appointed Directors upon their appointment. The program contained an overview of directors' responsibilities and obligations of a listed issuer, and was designed to further their knowledge and understanding of the Group's culture and operations. On-going development and training of Directors is encouraged so that they can perform their duties appropriately. The company secretary of the Company (the "**Company Secretary**") regularly circulated details of training courses which may be of interest to Directors. All Directors are encouraged to attend relevant training courses at the Company's expense.

Board Proceedings

The Board convened four regular meetings in the Current Year with intervals of not more than 4 months. Notices of not less than 14 days were given to all Directors and each Director was invited to include matters in the agenda. The Company Secretary assisted the Chairman in establishing the meeting agenda. Detailed agenda and related meeting materials were circulated to all Directors at least three days before the date of the regular meetings.

Minutes were recorded in sufficient detail and draft minutes have been circulated to all Board members for comments. Finalised minutes were also sent to all Directors for their records within reasonable time after the meetings. All minutes were kept by the Company Secretary and were open for inspection by Directors.

CHAIRMAN AND CHIEF EXECUTIVE

During the Current Year, the post of chief executive officer ("**CEO**") had remained vacant and the role of CEO has been taken up by the executive Directors to ensure a balance of power and responsibilities has been maintained.

The Chairman held a meeting with non-executive Directors, without presence of other executive Directors, during the Current Year to review the performance of the executive Directors and communicated among the non-executive Directors their concerns on the operations and control procedures. The Board adopted the recommendation from the non-executive Directors.

Corporate Governance Report

BOARD COMMITTEES

The Board has established four committees, namely the (i) audit committee; (ii) remuneration committee; (iii) nomination committee and (iv) corporate governance committee. Each committee was delegated with appropriate authority and was accountable to the Board within the committee's scope of duties. Each committee adopted proper terms of reference stating clearly its duties, responsibilities and authority. All the terms of reference were disclosed on the Company's and the Stock Exchange's websites.

Members of each committee are as follows:

Audit Committee

Mr. Chan Siu Wing, Raymond *(Chairman)*
Mr. Leung Po Wing, Bowen Joseph *GBS, JP*
Mr. Wong Wah On, Edward

Remuneration Committee

Mr. Leung Po Wing, Bowen Joseph *GBS, JP (Chairman)*
Mr. Chan Siu Wing, Raymond
Mr. Lau Ho Ming, Peter (resigned on 9 November 2023)
Mr. Wong Wah On, Edward (appointed on 9 November 2023)
Mr. Chu, Raymond (appointed on 9 November 2023)
Mr. Poon Pak Ki, Eric (appointed on 9 November 2023)

Nomination Committee

Mr. Leung Po Wing, Bowen Joseph *GBS, JP (Chairman)*
Mr. Chan Siu Wing, Raymond
Mr. Lau Ho Ming, Peter (resigned on 9 November 2023)
Mr. Wong Wah On, Edward (appointed on 9 November 2023)
Mr. Chu, Raymond (appointed on 9 November 2023)
Mr. Poon Pak Ki, Eric (appointed on 9 November 2023)

Corporate Governance Committee

Mr. Chan Siu Wing, Raymond *(Chairman)*
Madam Li Man Yee, Stella (resigned on 9 November 2023)
Mr. Poon Pak Ki, Eric
Mr. Chu, Raymond (appointed on 9 November 2023)
Ms. Tang Yuen Ching, Irene (appointed on 9 November 2023)

Each Board committee met during the Current Year pursuant to the respective terms of reference. The proceedings of those meetings were the same as those for the Board.

Number of regular meetings of the Board and Board committees held during the Current Year and the attendance of Directors and Board committee members are as follows:

	Board	Audit Committee	Remuneration Committee	Nomination Committee	Corporate Governance Committee	Non-executive Directors	Independent Non-executive Directors
Executive Directors							
Mr. Lau Ho Ming, Peter *(note 1)*	2/2	N/A	N/A	1/1	N/A	N/A	N/A
Mr. Poon Pak Ki, Eric	4/4	N/A	1/1	1/1	1/1	N/A	N/A
Mr. Chu, Raymond	4/4	N/A	1/1	1/1	1/1	N/A	N/A
Mr. Hau Yiu Por	4/4	N/A	N/A	N/A	N/A	N/A	N/A
Ms. Tang Yuen Ching Irene *(note 2)*	2/2	N/A	N/A	N/A	1/1	N/A	N/A
Non-executive Director							
Madam Li Man Yee, Stella *(note 3)*	1/2	N/A	N/A	N/A	N/A	1/1	N/A
Independent Non-executive Directors							
Mr. Leung Po Wing, Bowen Joseph	4/4	4/4	2/2	1/1	N/A	1/1	1/1
Mr. Chan Siu Wing, Raymond	4/4	4/4	2/2	1/1	1/1	1/1	1/1
Mr. Wong Wah On, Edward	4/4	4/4	1/1	1/1	N/A	1/1	1/1

Notes:

1. *Mr. Lau Ho Ming retired as executive Chairman and executive Director as well as member of the nomination committee and remuneration committee of the Board on 9 November 2023.*

2. *Ms. Tang Yuen Ching, Irene was appointed as an executive Director and a member of the corporate governance committee of the Board on 9 November 2023.*

3. *Madam Li Man Yee, Stella retired as a Non-executive Director and a member of the corporate governance committee of the Board on 9 November 2023.*

AUDIT COMMITTEE

The Company established an audit committee of the Board (the "**Audit Committee**") with written terms of reference in compliance with Rules 3.21 and 3.22 of the Listing Rules. The written terms of reference of the Audit Committee was adopted pursuant to paragraph D.3.3 of the CG Code. The chairman of the Audit Committee, Mr. Chan Siu Wing, Raymond, has the appropriate professional qualifications and all members of the Audit Committee are INEDs. The primary duties of the Audit Committee are, among other things, to review and supervise the financial reporting process and internal control systems as well as the risk management of the Group.

The work of the Audit Committee during the Current Year was summarized as follows:

1. reviewed the continuing connected transactions for the financial year ended 31 March 2023;

2. reviewed the consolidated financial statements for the financial year ended 31 March 2023;

3. approved and recommended the engagement of BDO Limited, the auditor of the Company (the "**Auditor**") to perform agreed-upon procedures review services;

4. reviewed the condensed consolidated financial statements for the interim period ended 30 September 2023;

5. reviewed the independence of the Auditor;

6. approved the Auditor's remuneration and other terms of engagement for the Current Year;

7. reviewed and adopted the scope of statutory audit for the Current Year;

8. reviewed the Group's internal control, financial controls and risk management systems;

9. reviewed the adequacy of resources, staff qualifications and experience, training programs and budget of the Group's accounting and financial reporting function; and

10. reviewed the Auditor's significant findings.

Internal Control

The Company has no internal audit function and the Audit Committee is responsible for organizing regular review of risk management and internal control with assistance from external advisers, if necessary.

The Audit Committee and the Board reviewed the effectiveness of the Group's risk management and internal control systems and are of the view that the risk management and internal control systems are adequate and effective to safeguard shareholders' investment and assets of the Group.

Review of the Consolidated Financial Statements for the Current

On the date of this report, the Audit Committee reviewed the consolidated financial statements for the Current Year (the "**2024 Financial Statements**") in conjunction with the Auditor and management. Based on the review and discussions with management, the Audit Committee was satisfied that the 2024 Financial Statements were prepared in accordance with applicable accounting standards, and fairly presented the Group's financial position and results for the Current Year.

Re-appointment of the Auditor

The Audit Committee was satisfied with the Auditor's work, its independence and objectivity and therefore recommended the re-appointment of the Auditor for the Shareholders' approval at the forthcoming annual general meeting.

REMUNERATION COMMITTEE

The Company established a remuneration committee of the Board ("**Remuneration Committee**") with written terms of reference in compliance with Rules 3.25 and 3.26 of the Listing Rules. The written terms of reference of the Remuneration Committee was adopted pursuant to paragraph E.1.2 of the CG Code. The primary duties of the Remuneration Committee are, among other things, to review and make recommendations to the Board on terms of remuneration packages, bonuses and other compensation payable to Directors and senior management of the Group. The Remuneration Committee shall also ensure that no Director or any of his/her associate is involved in deciding his/her own remuneration.

The Remuneration Committee performed the following duties during the Current Year:

1. reviewed the remuneration policies of the Directors and senior management and the general staff;

2. reviewed the remuneration package of the newly appointed executive Director; and

3. reviewed the appropriateness of the remuneration policy.

Remuneration of Directors

The remuneration of Directors and the five highest paid employees for the Current Year as required to be disclosed pursuant to Appendix 16 to the Listing Rules are set out in notes 11(a) and 11(b) to the financial statements.

Remuneration of Directors and Senior Management

The Directors' remuneration for the Current Year are set out in note 11(a) to the consolidated financial statements.

During the Current Year, there was no members of the senior management (other than the Directors) whose particulars are contained in the section headed "Biographies of Directors and Senior Management" in this Annual Report whose remuneration is subject to disclosure pursuant to code provision E.1.5 of the CG Code.

NOMINATION COMMITTEE

The Company established a nomination committee of the Board ("**Nomination Committee**") with written terms of reference in compliance with paragraphs B.3.1 and B.3.2 of the CG Code. The primary duties of the Nomination Committee are, among other things, to make recommendations to the Board on the appointment of Directors and the management of the Board succession.

During the Current Year, the Nomination Committee performed the followings:

1. reviewed the Board Diversity Policy and the objectives and targets set for implementing the Board Diversity Policy and whether the Board had the appropriate balance of skills, experience and diversity of perspectives necessary to enhance the effectiveness of the Board and to maintain high standards of corporate governance;

2. reviewed the structure, size and composition of the Board;

3. reviewed the independence of the INEDs;

4. reviewed the time commitment of non-executive Directors;

5. reviewed the nomination policy;

6. nominated the members of Board for retirement and re-election at the annual general meeting, considered and recommended the candidates to the Board for consideration to be appointed as the executive directors of the Company;

7. reviewed the reason for Mr. Lau Ho Ming, Peter retirement as the executive Chairman;

8. recommended the redesignation of Mr. Chu, Raymond as the chairman of the Board and a member of the Nomination Committee, Remuneration Committee and the corporate governance committee of the Board ("**Corporate Governance Committee**");

9. recommended the appointment of Ms. Tang Yuen Ching, Irene as an executive Director and a member of the Corporate Governance Committee; and

10. recommended the appointment of other existing Directors as members of respective Board committees to enhance their effectiveness.

The Nomination Committee was satisfied that all the non-executive Directors have given sufficient time and attention to the affairs of the Group. Each executive Director is suitably qualified for his position, and has sufficient experience to hold the position so as to carry out his duties effectively and efficiently. The Nomination Committee was also satisfied that the Board composition has met all the diversity criteria, namely the age, gender and professional background of the Directors, as set in the objectives and targets adopted by the Company on 22 November 2013.

Independence of INEDs

To ensure objective and constructive opinion and viewpoints from the INEDs, the independence of the INEDs would be assessed upon appointments and reviewed annually and at any other time where the circumstances suggest appropriate. The Company also received a written confirmation from each of the INEDs confirming his independence during the Current Year and up to the date of this report. The Nomination Committee together with the Board considered each of the INEDs to be independent.

Board Diversity Policy

The Board Diversity Policy was adopted by the Board on 22 November 2013. Under such policy, Board appointments will continue to be made on a merit basis and candidates will be considered against objective criteria, with due regard for the benefits of diversity on the Board. A diversity of perspectives shall be achieved through consideration of a number of factors, including but not limited to gender, age, cultural and educational background and professional experience. In forming its perspective on diversity, the Company will also take into consideration factors based on its own business and specific needs from time to time. The Board believes that such merit-based appointments will enable the Company to serve its customers, employees, Shareholders and other stakeholders well.

CORPORATE GOVERNANCE COMMITTEE

The Company established a Corporate Governance Committee with written terms of reference in compliance with paragraphs C.4.1 and C.4.2 of the CG Code. The primary duties of the Corporate Governance Committee are, among other things, to develop and review the Company's policies and practices on corporate governance and make recommendations to our Board and to review and monitor our Company's policies and practices on compliance with legal and regulatory requirements.

During the Current Year, the work of the Corporate Governance Committee was summarised as follows:

1. reviewed the corporate governance manual;

2. reviewed the exception in compliance of the CG Code; and

3. reviewed the continuous professional development training obtained by the Directors.

Whistleblowing system

There is a whistleblowing system applicable to all stakeholders, including employees, Shareholders, customers and suppliers. The system allows stakeholders to raise concerns, in confidence, with the Audit Committee about possible improprieties in any matter related to the Company.

AUDITORS REMUNERATION

During the Current Year, the Group was charged HK$1,120,000 for audit services and HK$140,000 for non-audit services by the auditors.

Service rendered	**Fee paid/payables**
	HK$'000
Audit services – statutory audit	1,120
Non-audit services:	
– agreed-upon procedures	140
	1,260

ACCOUNTABILITY

The Board is responsible for overseeing the preparation of financial statements which give a true and fair view of the Group's state of affairs, results, and cash flows for the year. Management provided the Board with management accounts and updates regularly to give a balanced and understandable assessment of the Group's performance, financial position, and prospects to enable the Board as a whole and each Director to discharge their duties. In preparing the 2024 Financial Statements, the Board:

1. have adopted suitable accounting policies and applied them consistently;

2. have made judgments and estimates prudently and reasonably; and

3. assumed the Company will continued in business and prepared the financial statements on a going concern basis.

COMPANY SECRETARY

All Directors have access to the advice and services of the Company Secretary. The Company Secretary reports to the Chairman on board governance matters, and is responsible for ensuring that Board and Board committees procedures are followed, and for facilitating communications among Directors, senior management as well as with Shareholders. During the Current Year, the Company Secretary undertook over 15 hours of professional training to update her skills and knowledge.

DIVIDEND POLICY

Dividends may be paid out by ways of cash or by other means we consider appropriate. Payment of any dividends will be made at the discretion of our Board and will be based upon our earnings, cash flow, financial condition, capital requirements, statutory fund reserve requirements and any other conditions that our Directors consider relevant. The declaration, payment and amount of any future dividends will be subject to our constitutional document comprising the Articles of Association and where necessary, the approval of our Shareholders.

COMMUNICATIONS WITH SHAREHOLDERS AND INVESTORS

The Company valued the views and comments from the Shareholders. The Board gives priority to clear and transparent communications with all Shareholders to understand the Group's performance and prospects. Shareholders' right in nominating Director and the communication policies are published in the Company's website.

Convening of extraordinary general meeting on requisition by the Shareholders

According to the Articles of Association, any one or more Shareholder holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Company Secretary, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition. The written requisition shall be sent to the Company Secretary at the following address:

Company Secretary
Quali-Smart Holdings Limited
Workshop C on 19th Floor
TML Tower
3 Hoi Shing Road
Tsuen Wan
Hong Kong

Shareholders are encouraged to participate in general meetings or to appoint proxies to attend and vote at meetings for and on their behalf if they are unable to attend the meetings.

Procedures for directing Shareholders' enquiries to the Board

Shareholders may at any time contact the Company Secretary at the principle place of business in Hong Kong for the Company's information to the extent such information is publicly available. The Company will endeavor to respond to their queries in a timely manner. Shareholders may also make enquiries with the Directors at their general meetings.

In addition, the Shareholders can contact Tricor Investor Services Limited, the Company's Hong Kong branch share registrar and transfer office, if they have any enquiries about their shareholdings and entitlements to dividends.

Procedures for putting forward proposals at general meetings by the Shareholders

A Shareholder may nominate person, other than a retiring Director and the Shareholder himself/herself, to be appointed as a Director ("**Proposed Director**") by submitting a duly signed written notice ("**Nomination Notice**") together with the Proposed Director's curricular vitae with contact details, a written record of Proposed Director's willingness to be elected, copy of identification documents, information and other details (including but not limited to details as required by Rule 13.51(2) of the Listing Rules or other applicable rules) of the Proposed Director, to the Company Secretary at the principle place of business in Hong Kong.

The period for lodgment of the Nomination Notice shall commence no earlier than the day after the despatch of the notice of a general meeting and end no later than 7 days prior to the date of such general meeting.

Other than the above concerning a proposal of a person for election as Director, Shareholders may follow the procedures set out in paragraph "Convening of extraordinary general meeting on requisition by Shareholders" above to convene an extraordinary general meeting for any business specified in such written requisition.

2023 AGM

All Directors attended the 2023 AGM to hear views and to answer questions from the Shareholders except for Madam Li Man Yee, Stella was absent because of arrangement of other business affairs on that date. At the 2023 AGM, separate resolutions were proposed on each substantial issue. All resolutions were passed by way of a poll and verified by the independent scrutineer, Tricor Investor Services Limited, the Company's Hong Kong branch registrar and transfer office.

The process of the Company's general meeting will be monitored and reviewed on a regular basis, and, if necessary, changes will be made to ensure that Shareholders' needs are best served. Appropriate arrangements for the forthcoming annual general meetings of the Company shall be in place to encourage Shareholders' participation.

Dissemination of Corporate Communication

The Company has adopted electronic dissemination of corporate communications pursuant to Rule 2.07A of the Listing Rules. As a result, both the English and Chinese versions of all future corporate communications will only be available electronically on the website of the Company at http://www.quali-smart.com.hk and the HKExnews website at www.hkexnews.hk in place of printed copies, unless otherwise requested by the Shareholders. The Company will send all actionable corporate communications to its Shareholders individually in electronic form by email or printed copies (as the case may be). For details, please refer to the notice issued by the Company on 16 January 2024.

CHANGES AFTER THE CURRENT YEAR

This report takes into account the changes that have occurred since the end of the Current Year and to the date of this report.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The Environmental, Social and Governance Report of the Group will be issued separately from this report and will be available only on the websites of the Stock Exchange and the Company.

On behalf of the Board

Chan Siu Wing, Raymond
Chairman of the Corporate Governance Committee

Hong Kong, 24 June 2024

Management Discussion and Analysis

BUSINESS REVIEW

During the Current Year, our Group's core business remained as the Toys Division operated under Qualiman Industrial Company Limited and the Financial Services Division operated under Crosby Asia Limited.

Both the Toys and Financial Services Divisions faced challenges throughout the year. The anticipated economic uplift for both Mainland China and Hong Kong from the end of COVID-19 pandemic (the "**Pandemic**") quarantine measures in the People's Republic of China (the "**PRC**" or "**China**") was largely offset by ongoing geo-political tension between the U.S. and China which affected the order book of the Toys Division for most of the Current Year. To put some numbers into perspective, between 2015 to 2018 China accounted for 20% of all imports into the U.S. Between January 2023 to May 2023, imports from China into the U.S. were down to 13.4% (amounted to USD169 billion in that period). Mexico, on the other hand, for that same period imported USD195 billion into the U.S., and has become the biggest trading partner of the U.S.. Canada, over the same period between January 2023 to May 2023 imported USD176 billion into the U.S., surpassing China. On the global front, the prolonged war in Ukraine and the sustained higher interest rates led by the United States of America (the "**United States**" or "**U.S.**") adversely affected global businesses, economies, and financial markets. These macro environments, as pointed out extensively in our interim report remain unchanged throughout Current Year.

Toys Division

During the Current Year, the toy industry continued to face several geopolitical headwinds that weighed on its performance. Ongoing trade disputes between major economic powers like the U.S. and China continued to lead to increased tariffs and supply chain disruptions that squeezed toy manufacturers' profit margins. Accordingly, suppliers had to absorb higher input costs or pass them on to consumers, hampering sales.

Additionally, economic volatility stemming from factors like interest rate hikes and inflation dampened consumer confidence and disposable incomes. Families became more cautious with discretionary spending on toys, leading to softer demand in certain categories.

However, the industry grappled with residual supply chain disruptions stemming from the COVID-19 pandemic. Shortages of key materials and components hampered production, leading to out-of-stock issues for some of the most popular new toy releases. This put pressure on profit margins as manufacturers had to rely on more expensive shipping methods.

Overall, the Current Year was a mixed bag for the toys trading sector, with pockets of resilience and expansion amidst lingering supply challenges.

Financial Services Division

During the Current Year, the Hang Seng Index continued its downward trajectory, declining by an additional 5.2%, from 20,400 at the end of March 2023 to 19,350 at the end of March 2024. The average daily turnover on the Hong Kong Stock Exchange Main Board contracted further to around HK$110 billion, from HK$120 billion in prior year.

Factors Contributing to Market Downturn

The extended bearish market conditions were driven by a combination of factors, including:

1. *Lingering Effects of the Pandemic:* While the pandemic situation and quarantine were over, the Hong Kong economy actually recorded a contraction of real GDP in quarter-on-quarter terms between April to June of 2023, the quarter immediately after the Hong Kong and Mainland border was re-opened.

2. *Regulatory Tightening:* Mainland Government's tightening on various sectors, such as technology, education, and properties, aimed at removing monopolistic behaviors and promoting "common prosperity," added to market uncertainties. The knock-on effects of the 3-Redlines guideline imposed on property developers in China extended to the greater consumer spending behaviours and the increase in loan provisioning in the banking sectors.

3. *Aggressive Monetary Policy Tightening:* The U.S. Federal Reserve's aggressive and Hong Kong's synchronized monetary policy tightening, which began in 2022, continued to impact Hong Kong as well as the global capital markets. Between April 2023 and March 2024, the Federal Reserve raised interest rates an additional 4 times, bringing the total number of 13 rate hikes since March 2022.

Impact on Specific Sectors

The stock markets remained under immense pressure, with the property sector facing significant challenges. The implementation of "Three Red-Line Property Developers" policy resulted in a wave of defaults among property developers, causing ripple effects across the financial sector. Even the four largest state-owned Chinese lenders, including Industrial & Commercial Bank of China Ltd., continued to trade at around 0.4 times of their book value in Hong Kong, a level reminiscent of the depths of the 2008 credit market crash. This bearish sentiment reflects the state of the economies in both Hong Kong and China, along with various factors such as China risks (e.g. LGFV, property stocks overhang, flagging exports, dependency ratio, regulatory driven market causing unexpected volatility, sluggish consumer spendings, worsening geopolitical isolation, etc.).

Capital Markets and IPO Activity

The extended bear market conditions in both the credit market and the equities market in Hong Kong persisted, with new corporate bond issues remaining scarce throughout the period. The overhang in the flood of defaulting Chinese property and corporate bonds, together with the elevated interest rate environment continued to stifle both issuances as well as demands. The Hang Seng Index traded at earnings multiples of around 8 times during the Current Year, further discouraging corporations from raising capital through IPOs. Investment banks, both international and Mainland-based, continued to reduce staff as the recovery of the primary capital markets remained elusive. The number of IPOs listed on the Hong Kong Stock Exchange declined further, with only 75 new listings during the Current Year. In comparison, the number of IPOs listed on the Hong Kong Stock Exchange totaled 168 in 2019, and 154 in 2020, and then down to 98 in 2021 and 90 in 2022. Additionally, Hong Kong had not seen an IPO debut larger than USD1 billion since October 2022. In fact, last quarter of the Current Year, from January 2024 to March 2024 witnessed the lowest proceeds from IPO in the Hong Kong market since 2009.

As a result, Crosby Securities Limited experienced a standstill in bond origination and placing during the Current Year. The total amount of bonds placed decreased substantially and the related revenues were mainly related to re-financing, workouts and bond trading. Separately, many IPO projects in the pipeline were postponed due to valuation concerns or more stringent approval processes by the Listing Division of the Hong Kong Stock Exchange during economic downturns. As a result, while we continued to work on several fundraising and underwriting projects in the pipeline, no underwriting fee revenue was recorded for the Current Year.

The investment advisory and investment management business improved over the Current Year, driven by strong recovery of the U.S. stock market in 2023. Contrary to the Hang Seng Index, the NASDAQ Composite Index recovered 34% this year from 12,189 (close of 3 April 2023) to 16,397 (close of 28 March 2024).

The overall performance of the Financial Services Division recorded a drop in revenues of approximately HK$0.3 million or about 3.3% for the Current Year compared to the previous year.

Management Discussion and Analysis

FINANCIAL REVIEW

The Toys Division

The Toys Division's revenue for the Current Year amounted to approximately HK$166.4 million, representing a decrease of about 49.7% over that of the Previous Year of approximately HK$330.6 million. Such drop in revenue was due to a decrease in sales to certain top 5 customers of the Toys Division. Segment profit for this division decreased by approximately HK$0.7 million or 32.2% to approximately HK$1.4 million for the Current Year from approximately HK$2.1 million for the Previous Year. Such decrease in segment profit was mainly due to a decrease in orders placed by certain major customers from markets located in North America and Western Europe.

Revenue from North America decreased by approximately HK$84.9 million or 45.3% from HK$187.7 million for the Previous Year to approximately HK$102.7 million for the Current Year, while revenue from Western Europe decreased by approximately HK$44.1 million or 61.1% from HK$72.3 million for the Previous Year to approximately HK$28.2 million for the Current Year. Sales to customers in Central America, Caribbean and Mexico decreased by approximately HK$17.6 million or 56.7% from approximately HK$31.1 million for the Previous Year to approximately HK$13.5 million for the Current Year. The decrease in revenues from North, Central America region and that of Western Europe was mainly affected by the ongoing gloomy outlook on the U.S. economy and the Western Europe as perceived by the market since its interest rate surge policy, affecting our customers to adopt more prudent and cautious approach in placing orders with us during the Current Year.

The Financial Services Division

Revenue for the Financial Services Division for the Current Year amounted to approximately HK$10.8 million, which decreased by about 3.3% comparing with approximately HK$11.2 million for the Previous Year. This was mainly attributable to a decrease in corporate finance advisory income of about HK$1.1 million or 18.8% over the Previous Year as the poor performance of the stock market and hence the investment portfolio under management during the Current Year. The above decrease in corporate finance advisory income was partially offset by an increase in investment advisory fee income of approximately HK$0.8 million or 23.1% during the Current Year.

Overall, the Financial Services Division recorded a segment loss of approximately HK$67.1 million for the Current Year comparing to approximately HK$59.5 million for the Previous Year, representing an increase of approximately HK$7.6 million or 12.7%. Such increase was mainly attributable to the segment loss of the Financial Services Division for the Current Year provision of impairment loss of goodwill and intangible assets in relation to the Financial Services Division of about HK$45.5 million and HK$0.6 million in the Current Year, which is further explained in the next paragraph.

Impairment Loss on Goodwill

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

(a) **CSL CGU**

With reference to the valuation report issued by the independent valuer for the calculation of the value-in-use of the CSL CGU, the Directors determined that the value-in-use of the CSL CGU was reduced to zero as at 31 March 2024, which was less than the carrying value of the CSL CGU of about HK$44.5 million immediately prior to the assessment. Such decrease in value-in-use was mainly attributable to the business outlook in view of the domestic and global investment market sentiments and hence its impact on the business on CSL. Therefore, an impairment loss on goodwill of about HK$42.2 million arising from the CSL CGU was recognised by the Group during the Current Year (2023: HK$36.2 million).

BMI Appraisal Limited adopted the income approach for the assessment of the value-in-use of the CSL CGU. It was based on a five-year cash flow projection and extrapolated using a long-term terminal growth rate of 2.5%, and the cash flows were then discounted at a pre-tax discount rate of about 15.53%. The following table illustrates the key assumptions such as EBIT margins, long-term growth rates and pre-tax discount rates used for the value-in-use calculations of the CSL CGU:

	At 31 March 2024	At 31 March 2023
Budgeted EBIT margin (average of next five years)	**-11.41%**	7.2%
Range of budgeted EBIT margin during next five years	**-15.32% to 0.91%**	-5.3% to 16.1%
Revenue growth rate within 5 years	**-7.63% to 595.64%**	-6.43% to 632.03%
Long-term growth rate	**2.5%**	3%
Pre-tax discount rate	**15.53%**	12.53%

Budgeted EBIT margin is the average value of budgeted EBIT as a percentage of budgeted revenue over the five-year forecast period. It has been revised lower as we have adjusted the budgeted revenues in the forecast period to reflect the increasing proportion of revenue contribution from our investment advisory and fund management businesses, which carries a lower margin than revenue contribution from our underwriting and placement businesses, when compared with the budget in the Previous Year to reflect the revised outlook of the CSL CGU as explained below. The budgeted revenue and EBIT are determined based on past performance and expectations regarding our business development, including mandates currently secured or in advanced negotiation and our assets under advisory and their expected growth with reference to historical track record in our growth in assets under management or advisory. The expected portfolio returns of our portfolio managers or advisors were benchmarked against their respective average historical return performances, as opposed to average historical market index performances in past budgets, as they have already developed a track record for such performance data under CSL. We believe that this approach would provide more relevant references in formulating our budgets. The long-term growth rates used are consistent with the growth rates we used in the past for business in the markets in which the CSL CGU operates and the pre-tax discount rates reflect the specific risks relating to the CSL CGU. The pre-tax discount rate used in the Current Year is higher than that used in the Previous Year (i) as the stock price volatility of the comparable companies in relation to the overall market has decreased, leading to a lower average beta used in determining the cost of equity; and accompanied with (ii) the weighting of the cost of equity has increased as the average weighting of the equity component in the capital structure of the comparable companies has increased, thus resulting in a higher overall weighted average cost of capital or discount rate. Save as discussed above, there was no material change in the methodology used to determine the value-in-use of the CSL CGU for the Current Year and the Previous Year.

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

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

2) The credit crisis for China's private enterprises that broke out since mid 2021 effectively shut down the debt capital markets for such issuers in the near future. The impact of this shift was already seen in the substantial decrease in bond placing commission booked in the Previous Year and Current Year. Therefore, we substantially reduced our projections in bond placing commission revenues going forward.

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

(b) CAM CGU

With reference to the valuation report issued by the independent valuer for the calculation of the value-in-use of the CAM CGU, the Directors determined that the value-in-use of the CAM CGU was reduced to zero as at 31 March 2024, which was lower than the carrying value of the CAM CGU of about HK$3.3 million immediately prior to the assessment. Therefore, an impairment loss on goodwill of about HK$3.3 million was recognised by the Group during the Current Year (2023: Nil).

BMI Appraisal Limited adopted the fair value less cost of disposal using direct comparison approach for the assessment of the value-in-use of the CAM CGU, which means that the fair value of the CAM CGU was determined using a direct comparison approach by reference to recent share price of comparable companies that have similar business model, with an adjustment on the share price changes of the comparable companies from the transaction dates to 31 March 2024. This was the same valuation methodology used to determine the value-in-use of the CAM CGU as in previous years. As there was a moderate downward share price adjustments among the comparable companies and a new comparable transaction of lower transaction value, this resulted in a lower fair value measurement for the CAM CGU as nil at 31 March 2024 (2023: HK$3.5 million), thus there was an impairment loss on goodwill arising from the CAM CGU for approximately HK$3.3 million recognized for the Current Year. The following table illustrates the key assumptions such used for the value-in-use calculations of the CAM CGU:

	At 31 March 2024	At 31 March 2023
Share price changes of the comparable companies	**Not applicable**	-57% to -74%
Net assets value	**HK$211,000**	Not applicable

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

OVERALL GROUP FINANCIAL PERFORMANCE

Revenue

The Group's revenue for the Current Year amounted to approximately HK$177.3 million, which represents a decrease of HK$164.5 million or about 48.1% from that of the Previous Year of approximately HK$341.8 million. The decrease in total revenue for the Current Year was mainly attributable to the decrease in revenues from the Toys Division of approximately HK$164.2 million or 49.7%, arising from the decrease in sales to certain of its top 5 customers as well as the decrease in revenues from the Financial Services Division of about HK$0.4 million or 3.3% over the Previous Year.

Gross Margin

The gross margin of the Toys Division increased slightly from approximately 10.2% for the Previous Year to approximately 10.3% for the Current Year. The total gross profit of the Group for the Current Year was approximately HK$28.0 million, which decreased by about HK$16.9 million or 37.7% when compared with the Previous Year. Such decrease was mainly attributable to the decrease in sales to top 5 customers during the Current Year from the Toys Division.

Net Loss

The Group's net loss for the Current Year amounted to approximately HK$74.0 million, as compared to a net loss of approximately HK$72.3 million for the Previous Year, representing an increase by approximately HK$1.7 million or 2.4%. Such increase in net loss was mainly due to:

- a decrease in gross profit of the Group of approximately HK$16.9 million in the Current Year;
- an increase in interest expense on promissory notes issued in May 2023 as partial settlement of the convertible notes issued in May 2020 of approximately HK$1.5 million from approximately HK$1.2 million in the Previous Year to about HK$2.7 million in the Current Year;
- an increase in impairment loss on goodwill of approximately HK$9.3 million in the Financial Services Division;

which was partially offset by:

- a decrease in selling expenses of about HK$3.7 million from the Toys Division as a result of decreased sales in the Current Year;
- a decrease in administrative expenses of about HK$13.6 million as a result of (i) a decrease in the staff costs arising from salaries of the Group approximately HK$7.0 million in the Current Year; (ii) a decrease in operating leases expenses of about approximately HK$2.0 million for office rental of the Toys Division and the Financial Service Division in the Current Year; (iii) a decrease in consultation expenses by approximately HK$2.0 million; (iv) a decrease in software and information system expenses by approximately HK$0.4 million; (v) a decrease in professional service expenses by approximately HK$0.4 million; (vi) a decrease in audit service expenses by approximately HK$0.4 million; (vii) a decrease in insurance expenses by approximately HK$0.3 million and (viii) a decrease in lease amortisation expenses by approximately HK$0.3 million;
- a decrease by provision for expected credit loss of approximately HK$2.2 million made for clients of the Financial Services Division for the Current Year (approximately HK$2.2 million for the Previous Year); and
- a decrease in the effective interest expense of the convertible notes issued by the Company by approximately HK$7.3 million for the Current Year from approximately HK$9.8 million in the Previous Year to about HK$2.5 million in the Current Year.

Management Discussion and Analysis

Selling Expenses

Selling expenses mainly consisted of transportation fees and declaration fees for the Toys Division. During the Current Year, selling expenses decreased by 50.1% from approximately HK$7.5 million for the Previous Year to approximately HK$3.8 million for the Current Year which was primarily due to decreased sales for the Toys Division in the Current Year.

Administrative Expenses

Administrative expenses mainly consisted of salaries to employees, consultancy fees to consultants, rents and rates for office spaces, depreciation of property, plant and equipment, and other administrative expenses. Administrative expenses decreased by approximately HK$13.6 million or 22.0% from approximately HK$61.6 million for the Previous Year to approximately HK$48.0 million for the Current Year as a result of (i) a decrease in the staff costs arising from salaries of the Group approximately HK$7.0 million in the Current Year; (ii) a decrease in operating leases expenses of about approximately HK$2.0 million for office rental of the Toys Division and the Financial Service Division in the Current Year; (iii) a decrease in consultation expenses by approximately HK$2.0 million; (iv) a decrease in software and information system expenses by approximately HK$0.4 million; (v) a decrease in professional service expenses by approximately HK$0.4 million; (vi) a decrease in audit service expenses by approximately HK$0.4 million; (vii) a decrease in insurance expenses by approximately HK$0.3 million and (viii) a decrease in lease amortisation expenses by approximately HK$0.3 million.

Other Income, Gains and Losses

Other income, gains and losses mainly consisted of moulding income, interest income from bank deposits and others. During the Current Year, other income, gains and losses decreased by approximately HK$1.6 million or 52.4% from approximately HK$3.0 million for the Previous Year to approximately HK$1.4 million. Such decrease was mainly attributable to the absence of government grant obtained from the ESS under the Anti-epidemic Fund launched by the HKSAR Government in the Previous Year amounting to HK$1.0 million.

Finance Costs

Finance costs mainly consisted of interest on the Group's interest-bearing bank borrowings, factoring arrangement from banks and the effective interest of the convertible notes and promissory notes issued by the Company and interest on lease liabilities arising from the adoption of HKFRS 16 Leases as set out in note 10 to the consolidated financial statements in this Annual Report. Finance costs decreased by about 56.8% from approximately HK$12.7 million for the Previous Year to approximately HK$5.5 million for the Current Year, which was primarily due to a decrease in the effective interest expense of the convertible notes issued by the Company to approximately HK$2.5 million for the Current Year from approximately HK$9.8 million in the Previous Year and a decrease in bank borrowing interest to nil for the Current Year from approximately HK$1.3 million in the Previous Year. Such decrease was partially offset by an increase in interest on promissory notes issued in May 2023 as partial settlement of the convertible notes issued in May 2020 by approximately HK$1.5 million from approximately HK$1.2 million in the Previous Year to about HK$2.7 million in the Current Year.

Income Tax Expense

The Group is subject to income tax on an entity basis on profit arising in or derived from the jurisdiction in which members of the Group are domiciled and operated.

Inventory

The inventory of the Group decreased by 68.2% to approximately HK$16.4 million as at 31 March 2024 from approximately HK$51.7 million as at 31 March 2023. The inventory turnover period, as calculated by dividing the average closing inventories by the cost of sales of the Toys Division for the period and multiplied by 365 days, increased by 0.8% from 82.7 days for the Previous Year to 83.3 days for the Current Year arising from slower shipment during the Current Year.

Trade Receivables

Trade receivables from the Toys Division was approximately HK$18.7 million as at 31 March 2024 when compared with approximately HK$28.4 million as at 31 March 2023. The decrease in trade receivables of the Toys Division as at 31 March 2024 was primarily due to decrease in revenues from the Toys Division by certain customer. Accordingly, the trade receivables turnover days for the Toys Division, as calculated by dividing the averaging closing trade receivables by the revenue from the Toys Division multiplied by 365 days, was 51.6 days for the Current Year as compared with 44.3 days for the Previous Year.

Trade receivables from the Financial Services Division decreased from approximately HK$9.9 million as at 31 March 2023 to approximately HK$6.3 million at 31 March 2024, which was mainly due to an assignment of trade receivable from a client attributable to placing commission arising the ordinary course of business of the Financial Services Division.

Included in the trade receivables, there was a client with outstanding balance of approximately HK$6.0 million attributable to placing commission arising from the ordinary course of business remained outstanding as at 31 March 2024. On 5 May 2022, such client of was ordered to be wound up by the Grand Court of the Cayman Islands and the joint official liquidators of this client were appointed. On 27 July 2022, this client was also ordered to be wound up by the High Court of Hong Kong and the official receiver became the provisional liquidator. The official receiver and the provisional liquidator is still in the course of investigating into the financial position of this client, while at the same time also liaising with the joint official liquidators appointed by the Grand Court of the Cayman Islands on the affairs of this client. On 21 June 2023, an order was further made by High Court of Hong Kong in appointing the joint and several liquidators of such client. Accordingly, the Group has provided for expected credit loss on this client for approximately HK$2.0 million up to 31 March 2024 as net exposure to us with reference to the latest available information on the financial position of this client. As this client has yet to provide more details of its financial position, it is currently unclear how this might affect the recoverability of the trade receivables and the Group will continue to monitor the development of the situation.

Trade Payables

Trade payables from the Toys Division as at 31 March 2023 amounted to approximately HK$18.9 million, which decreased to approximately of HK$10.6 million at 31 March 2024. The decrease was primarily due to the decrease in purchases and costs of service incurred for the Current Year. The trade payables turnover days for the Toys Division for the Previous Year and the Current Year, as calculated by dividing the averaging closing trade payables by the cost of sales from the Toys Division multiplied by 365 days, was 27.8 days and 36.0 days, respectively.

Trade payables from the Financial Services Division as at 31 March 2024 increased from approximately HK$36.0 million at 31 March 2023 to approximately HK$53.4 million at 31 March 2024, which was mainly due to an increase in cash held for cash clients arising from the ordinary course of business of the Financial Services Division.

Management Discussion and Analysis

LIQUIDITY AND FINANCIAL RESOURCES

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

For the Current Year, the Group mainly financed its working capital by internal resources and bank borrowings. As at 31 March 2024, cash and cash equivalents amounted to approximately HK$57.5 million (31 March 2023: HK$61.9 million). The decrease in cash and cash equivalents of approximately HK$4.4 million as at 31 March 2024 was mainly due to the bank time fixed deposit of the Toys Division approximately HK$20.5 million (31 March 2023: Nil) during the Current Year. As at 31 March 2024 and 31 March 2023, there was nil interest-bearing bank borrowings. 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 66.1% (31 March 2023: 30.9%) which was due to a decrease in closing total equity. As at 31 March 2024, the current ratio of the Group, as calculated by total current assets over total current liabilities, was approximately 2.1 (31 March 2023: 1.8).

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

CONVERTIBLE NOTES

On 11 May 2020, the Company issued 6% convertible notes with a maturity of three years with principal value of HK$40.0 million 2020 CN, to redeem the remaining HK$80.0 million in principal value of the convertible notes issued in 2017 by itself. On 16 May 2023, the Company issued 6% convertible notes with a maturity of three years in principal amounts of HK$9.0 million 2023 CN and a 10.0% promissory notes due 2026 in the principal amount of HK$31.0 million, the 2023 PN to Benefit Global Limited, an independent third party, for redeeming the 2020 CN. Net proceeds of the HK$9.0 million was raised under the 2023 CN.

As at the date of this Annual Report, the net proceeds of HK$9.0 million from the 2023 CN have been used as follows:

	HK$ millions
Partial redemption of the 2020 Convertible Notes	9.0
TOTAL	9.0

CHARGES ON ASSETS

As at 31 March 2024, the Group had no charge on assets. (31 March 2023: Nil).

CONTINGENT LIABILITIES

As at 31 March 2024, the Group had no contingent liabilities (31 March 2023: Nil).

CAPITAL COMMITMENTS

As at 31 March 2024, there was no material capital commitment of the Group (31 March 2023: Nil).

SIGNIFICANT INVESTMENT HELD

Except for investments in subsidiaries, the Group did not hold any significant investment in equity interest in any other company as at 31 March 2024.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

As at 31 March 2024, the Group did not have any material acquisitions and disposals of subsidiaries and affiliated companies.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

The Group did not have any plans to acquire any material investments or capital assets as at 31 March 2024.

FOREIGN CURRENCY EXPOSURES

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

EMPLOYEES AND REMUNERATION POLICY

As at 31 March 2024, the Group had a total of 45 employees (31 March 2023: 50). Total staff costs (excluding equity settled share-based payment expenses to eligible persons other than employees and directors) were approximately HK$26.6 million for the year ended 31 March 2024 (2023: HK$33.6 million).

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

EVENT AFTER REPORTING YEAR

The Board is not aware of any significant event affecting the Group and requiring disclosure that has been taken place subsequent to 31 March 2024 and up to the date of this Annual Report.

Management Discussion and Analysis

PROSPECTS

In the upcoming year, we expect our business will face ongoing challenges due to several factors which include the sustained high interest rate environment, the continued geopolitical isolation imposed on China causing manufacturing orders to be further diversified to other ASEAN nations, and the extended period of weak economic conditions in Greater China. These factors are expected to impact both the valuation and the liquidity of the capital markets.

The Financial Services Division is especially exposed to the economic and market downturn for its lack of capital. Without sufficient fundings, counter-cyclical or self-sustaining businesses such as principal trading, financial products, leveraged or margin financings, which all tend to be less correlated to macro economics or market downturns, are not in the arsenal of options for the Financial Services Division. Given these circumstances, the focuses of Financial Services Division remain at expanding its private wealth business, the investment advisory and management business, and leveraging the synergy between the sponsoring subsidiary, Ballas Capital Limited, and Crosby Securities' capital markets division in building the IPO deal pipeline. With the strong performance of the US stock market, we anticipate a significant growth of 50% on revenue for our investment advisory and management business compared to the Previous Year.

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

Biographies of Directors and Senior Management

EXECUTIVE DIRECTORS

Mr. Chu, Raymond

Mr. Chu, Raymond, aged 58, was appointed as an independent non-executive Director on 3 January 2013 and resigned on 6 July 2015. Mr. Chu was subsequently appointed as an executive Director on 27 November 2015. On 9 November 2023, Mr. Chu was redesignated and appointed as the chairman of the Board and a member of the Nomination Committee, Remuneration Committee and Corporate Governance Committee. Mr. Chu is also the Chief Executive Officer and a director of Crosby Securities Limited, an indirect wholly owned subsidiary of the Company under the Financial Services Division of the Group.

Mr. Chu processed experience of more than 30 years in the financial industry. He was the managing director and head of Sales and Trading Division of Guosen Securities (Hong Kong). Prior to that, he was the managing director (Equity Derivatives Trading, Institutional Equity Asia Pacific) of The Bank of Nova Scotia from May 2010 to November 2011 and held senior positions with a number of reputable financial institutions between 2002 and 2010.

Mr. Chu obtained a Bachelor's Degree of Science in Business Administration (International Business) from The California State University, the United States of America in May 1989.

Mr. Poon Pak Ki, Eric

Mr. Poon Pak Ki, Eric, aged 57, was appointed as an executive Director on 3 January 2013. Mr Poon is a member of the Corporate Governance Committee. On 9 November 2023, Mr. Poon was further appointed as a member of the Nomination Committee and the Remuneration Committee. He is responsible for the financial and accounting matters and general administration in the Group. Prior to joining the Group in November 1996, Mr. Poon worked for an audit firm as audit clerk from February 1987 to May 1990. He also has experience over 30 years in accounting and administration for a toy manufacturing company.

Mr. Poon obtained his Bachelor's Degree in Accountancy from The Bolton Institute of Higher Education, the United Kingdom (now known as University of Bolton) in August 2004. In May 2017, Mr. Poon was admitted as a member of The Institute of Public Accountants and an associate of The Institute of Financial Accountants. On 30 August 2019, Mr. Poon was admitted as an associate member of The Association of International Accountants.

Mr. Hau Yiu Por

Mr. Hau, aged 67, was appointed as an executive Director on 1 December 2022. He is the General Manager and a director of Qualiman Industrial Co., Limited, a wholly owned subsidiary of the Company. Mr. Hau is responsible for the Group's operation in the mainland China. He joined the Group in January 1999. Mr. Hau leads a team of managers that schedules and executes productions, and coordinates related logistics. Mr. Hau has experience of over 20 years in the toy manufacturing industry. Prior to joining the Group in January 1999, Mr. Hau held senior positions with international reputable toy companies.

Mr. Hau obtained a Higher Certificate in Textile Technology from The Hong Kong Polytechnic (now known as The Hong Kong Polytechnic University) in November 1981. He also obtained a Technician Certificate in Fashion & Clothing Manufacture from Technical Education and Industrial Training Department Hong Kong in July 1982 and a Management Services Certificate (work study/Operation & Management) from Institute of Management Services in August 1983.

Biographies of Directors and Senior Management

Ms. Tang Yuen Ching Irene

Ms. Tang Yuen Ching, Irene, aged 54, was appointed as the Company Secretary on 24 March 2015, and as an executive Director and a member of the Corporate Governance Committee on 9 November 2023.

Ms. Tang has extensive experience in company secretarial practices in respect of listed companies in Hong Kong and also has more than 20 years of experiences in the financial reporting and auditing field. Ms. Tang also acts as the company secretary of Apex Ace Holding Limited (stock code 6036), a company listed on the main board of the Stock Exchange.

Ms. Tang holds a Bachelor of Business Administration (Honours) in Accountancy from the Hong Kong Polytechnic University and is a member of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of the Chartered Certified Accountants.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Leung Po Wing, Bowen Joseph *GBS, JP*

Mr. Leung Po Wing, Bowen Joseph GBS, JP, aged 74, was appointed as an independent non-executive Director on 3 January 2013. Mr. Leung is the chairman for each of the Nomination Committee and the Remuneration Committee as well as a member of the Audit Committee of the Board respectively.

Mr. Leung served the Government of Hong Kong for 32 years until his retirement as the director of the Office of the Government of the Hong Kong in Beijing ("**Beijing Office**") in November 2005. Mr. Leung joined the administrative service in June 1973 and rose to the rank of Administrative Officer Staff Grade A1 in June 1996. During his service in the administrative service, Mr. Leung had served in various policy bureaux and departments. Mr. Leung held various senior positions in the Government of Hong Kong including Deputy Secretary for District Administration (later retitled as Deputy Secretary for Home Affairs) from April 1987 to September 1990, Deputy Secretary for Planning, Environment and Lands from September 1990 to December 1992, Private Secretary, Government House from December 1992 to March 1995, Secretary for Planning, Environment and Lands from May 1995 to November 1998 and director of the Beijing Office from November 1998 to November 2005. Mr. Leung has extensive experience in corporate leadership and public administration. During his tenure as the director of the Beijing Office, he had made commendable efforts in promoting Hong Kong in the mainland China, as well as fostering closer links and co-operation between Hong Kong and the mainland China.

Mr. Leung obtained a Bachelor's Degree of Social Science from The University of Hong Kong in 1971. Mr. Leung has been an independent non-executive director of Paliburg Holdings Limited (stock code: 617) and an independent non-executive director of Regal Real Estate Investment Trust (stock code: 1881) since 13 February 2008 and 28 October 2016 respectively. From 26 March 2010 to 19 August 2019, Mr. Leung was an independent non-executive director of Green Leader Holdings Group Limited (formerly known as North Asia Resources Holdings Limited) (stock code: 61). All these companies are listed on the Stock Exchange.

Mr. Chan Siu Wing, Raymond

Mr. Chan Siu Wing, Raymond, aged 59, was appointed as an independent non-executive Director on 3 January 2013. Mr. Chan is the chairman of each of the Audit Committee and the Corporate Governance Committee of the Board and a member of the Remuneration Committee and the Nomination Committee of the Board. Mr. Chan has experience of over 25 years in the field of accounting, taxation, finance and trust.

Mr. Chan obtained a Bachelor's Degree in Economics from The University of Sydney in April 1986. Mr. Chan is a member of each of The Hong Kong Institute of Certified Public Accountants and The Macau Society of Certified Practicing Accountants.

Mr. Chan currently holds the office of an independent non-executive director of Phoenitron Holdings Limited (stock code: 8066), a company listed on the GEM of the Stock Exchange. Mr. Chan was an independent non-executive director of each of Nature Home Holding Company Limited (formerly known as Nature Flooring Holding Company Limited) (stock code: 2083) from 4 May 2011 to 31 October 2021 and Hong Kong Finance Group Limited (stock code: 1273) from 4 September 2013 to 1 November 2022, both companies listed on the Main Board of the Stock Exchange.

Mr. Wong Wah On, Edward

Mr. Wong Wah On, Edward, aged 60, was appointed as an independent non-executive Director and a member of the Audit Committee on 24 September 2015. On 9 November 2023, Mr. Wong was further appointed as a member of the Nomination Committee and the Remuneration Committee.

Mr. Wong is currently an executive director of Feishang Anthracite Resources Limited (stock code: 1738), a company listed on the Main Board of the Stock Exchange. He is also a director, the chairman and the chief executive officer of China Natural Resources, Inc. ("**CHNR**"), a company listed on NASDAQ (stock code: CHNR). He was previously the financial controller, chief financial officer, executive director and company secretary of the CHNR group for over 20 years until January 2014. He has also served as a partner of a certified public accountants' firm in Hong Kong since July 1995. From October 1992 to December 1994, Mr. Wong was the deputy finance director of Hong Wah (Holdings) Limited, a private investment company. From July 1988 to October 1992, Mr. Wong worked at the audit department of Ernst & Young, Hong Kong, providing professional auditing services to clients in a variety of business sectors.

Mr. Wong graduated from The Hong Kong Polytechnic University with a professional diploma in company secretaryship and administration in 1988. He was accredited as a certified public accountant (practising) by the Hong Kong Institute of Certified Public Accountants in September 1993, and was admitted as a fellow member in November 1999. He was also a fellow member of the Association of Chartered Certified Accountants and an associate member of The Hong Kong Chartered Governance Institute (formerly known as Hong Kong Institute of Chartered Secretaries).

Directors' Report

The Directors are pleased to present its report together with the audited consolidated financial statements of the Group for the Current Year.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding and the provision of management services. Details of the principal activities of its subsidiaries are set out in note 36 to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The financial results of the Group for the Current Year are set out in the consolidated statement of profit or loss and other comprehensive income on page 46. The Board does not recommend the payment of a final dividend for the Current Year (2023: Nil).

RESERVES

Movements in the reserves for the Current Year are set out in the consolidated statement of changes in equity on page 49.

DISTRIBUTABLE RESERVES

Distributable reserves of the Company as at 31 March 2024 calculated under the Company Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands, amounted to approximately HK$46.7 million (2023: HK$123.7 million).

SHARE CAPITAL

Details of the movement in share capital of the Company during the Current Year is set out in note 30 to the consolidated financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment during the year are set out in note 15 to the consolidated financial statements respectively.

CHARITABLE CONTRIBUTIONS

During the Current year, the Group made for charitable contributions of HK$5,000 (2023: HK$5,000).

BUSINESS REVIEW

Further discussion and analysis of the Group's activities as required by Schedule 5 to the Hong Kong Companies Ordinance (Chapter 622 of the Laws of Hong Kong), including a fair review of the Group's business, a description of the principal risks and uncertainties facing the Group, particulars of important events affecting the Group that have occurred since the end of the Current Year, an indication of likely future development in the Group's business, an analysis using financial key performance indicators, a discussion on the Group's environmental policies and performance and the compliance with the relevant laws and regulations that have a significant impact on the Group, and an account of the Group's key relationships with its employees, customers and suppliers and others that have a significant impact on the Group and on which the Group's success depends can be found in the preceding sections of this Annual Report set out on pages 14 to 24. The preceding sections form part of this report. Further details relating to the Group's relationships with its key stakeholders and the Group's environmental policies and performance can be found in the Company's 2024 ESG Report to be published on the Company's website www.quali-smart.com.hk.

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

During the Current Year, as far as the Board and the management are aware, there was no material breach of or non-compliance with the applicable laws and regulations by the Group that has a significant impact on the business and operations of the Group.

RELATIONSHIP WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

The Group understands the importance of maintaining a good relationship with its employees, customers and suppliers to meet its immediate and long-term business goals. The Group encourages employees to strengthen their knowledge of the industries in which the Group operate and attend courses or training sessions to improve their professional knowledge. The Group also maintains ongoing communications with its employees, customers and suppliers through various channels such as regular meetings, calls and emails in order to allow employees to contribute to the development of the Group, deliver better customer services to our clients and obtain better services and cooperation from our suppliers.

PRINCIPAL RISKS AND UNCERTAINTIES FACING THE GROUP

The following section lists out the key risks and uncertainties faced by the Group. It is a non-exhaustive list and there may be other risks and uncertainties further to the key risk areas outlined below. Besides, this Annual Report does not constitute a recommendation or an advice for anyone to invest in the securities of the Company and investors are advised to make their own judgment or consult their own investment advisors before making any investment in the securities of the Company.

Financial risks

Details on financial risks on foreign currency, credit on trade receivables and margin financing, liquidity, interest rate and price facing the Group on its operation can be referred to note 42 to consolidated financial statements included in this Annual Report on pages 109 to 113. Taking into consideration the liquidity positions and working capital sufficiency of the Group as a whole, as highlighted in the "Liquidity and Financial Resources" section in this Annual Report on page 22, the Directors are of the view that there is no immediate material adverse impact arising from the Pandemic on the Group's liquidity positions and working capital sufficiency with reference to our operations and capital commitments.

Market risks

The performance of the Group's financial assets and the operations of its Financial Services Division are subject to volatility in the capital markets, which may cause fluctuations in the prices and liquidity of financial assets and impact the global primary and secondary securities markets in which the Financial Services Division operates. This in turn may affect the timing, the volume, the pricing and the marketability of the primary or secondary market transactions in which the Financial Services Division participates or the performance of the assets under advisory of the Financial Services Division, which in turn may affect the revenues of the Financial Services Division. The uncertainties arising from the changing situations of the Pandemic and its resulting impact on the global financial markets may further exacerbate the volatility in the capital markets, which might lead to further volatility and unpredictability of the performance of our Financial Services Division.

Seasonality of products demand

Our Group's business is generally seasonal in nature particularly in the Toys Division. It is possible that seasonality in demand for our customers' products might affect our Group's sales in the future. Market conditions faced by our customers may be volatile and are beyond the control of the Group. Future downturns in the end markets of our customers may affect the business of our Group, particularly in the Toys Division. In particular, due to the Pandemic, our end customers might adjust their distribution strategies and orders, which in turn might affect our businesses with them. Depending on changes in the circumstances such as lockdown measures in different jurisdictions, this might have an adverse impact on our orders if we cannot adjust to customers' demands in a flexible manner, or lead to challenges to our inventory management as our end customers adjust their shipping requirements in response to port closure or other disruptions in physical delivery channels as a result of anti-Pandemic measures imposed by different jurisdictions.

Reliance on major customers and suppliers

Our stable relationship with our major customers and suppliers enables our business to achieve stable revenue and profitability level. On the other hand, if there are any changes in such relationships, which may lead to withdrawals, cancellations or terminations of transactions, the Group's performance and business growth may be adversely affected.

Competition for talents

Our businesses, particularly our Financial Services Division, does face intense competition for talents. The Group's performance may be adversely affected if we fail to retain and motivate our employees or to attract suitable replacements should vacancies in key positions arise.

Regulatory risks

The Group's operations are subject to various applicable laws and regulations in different jurisdictions. In particular, the Financial Services Division operates in a strictly regulated business environment, and any non-compliance with rules and regulations may have material and adverse impact or consequences. Non-compliance may arise due to failures and limitations of the Group's internal control system, failure in or disruption to its computer systems and data storage or potential employee misconduct, amongst others. Changes in securities rules and regulations may also pose more challenges to our listing applicant clients in the Financial Services Division as more stringent requirements are imposed on their financial and business performances in order to qualify for listing. This in turn may affect the feasibility or timing of completion of some of the projects in the Financial Services Division.

Environmental and social risks

We recognize the importance of environmental protection and have adopted stringent measures for environmental protection in order to ensure the compliance by us of the prevailing environmental protection laws and regulations.

In view of the enhancing awareness on the responsibilities to the environment and social community the Group has businesses engaged in, the Group has adopted certain environmental policies in order to help preserving the nature by minimizing emission and disposal of waste generated during the course of business activities. Details of which are set out on pages 31 to 32 of this report.

Our business operation may be affected by future economic, political and foreign policies of the PRC government. The development of PRC's and Hong Kong's economy is based on many factors, including but not limited to structure of economy, government involvement, control of foreign exchange, allocation of resources and capital investment, its foreign policies and foreign relations and its policies on Hong Kong. However, any of such changes to the economic and political strategies and policies of the PRC government, and/or its relationships with foreign governments, such as the ongoing Sino-U.S. trade war and political conflicts such as the war broke out between Russia and Ukraine in March 2022 which is still continuing in 2024, may have an adverse impact on the overall global economy and affect all the industries in which the Group operates.

Our business operations may be affected by future economic and political uncertainties in the world economic and political uncertainties as well as public health situations in the world resulted from major events such as sustaining sanctions and export tariffs measures on various countries arising from the ongoing Sino-U.S. trade war, increasing international and local political conflicts, the social unrests in different jurisdictions or terrorist attack events and the waves of the Pandemic situations worldwide may have short-term and long-term effects on the global economy and the performance of the global capital markets, which in turn may adversely impact the performance of the Group. Any additional trade tariffs imposed by other countries on our products as a result of multilateral trade wars and political sanctions, including but not limited to the Sino-U.S. trade war, or lockdowns arising from the Pandemic situations leading to a shutdown in the global economy, are beyond our control any may adversely impact the performance of the Group. The Toys Division in this regard will seek to expand our sub-contractor networks in order to mitigate this risk.

Security over cyber risks and data protection

The Company and the Group in general is obliged to protect sensitive users information at all times and is committed to protecting clients' privacy and is fully aware that any loss or leakage of sensitive user information could have a significant negative impact on affected users and the Company's reputation, even lead to potential legal action against the Company. Being abided by the Personal Data (Privacy) Ordinance (issued by the Privacy Commissioner for Personal Data) in collection, use and holding of clients' information. The Group has adopted a compliance manual that sets out the specific procedure for handling and protecting clients' data particularly by the Financial Services Division. The Group owes a contractual obligation of confidentiality to the clients in terms of their information; therefore, the Group treats clients' transaction records and personal information as private and confidential, subject to disclosure requirements under the relevant laws, rules and regulations, in which the Group is required to comply with. Information collected will only be used for the purpose for which it has been collected. Clients will be told in advance on how the collected data will be used. The Group prohibits the provision of consumer information to a third party without authorization from its client. Clients always have the rights to review and revise their data, and to opt out from any direct marketing events. If there are any requests for client information or clients' business, the Legal and Compliance team will be consulted to ensure the appropriateness of disclosure under the regulatory laws and policies. A strong commitment to protect clients' privacy has enabled the Group to stay competitive in the market. To ensure adequate security, the Company strives to provide the highest level of protection to such data. In this regard, the Company has formulated policies and control measures to protect user data. Information security is ensured through effective management systems, encryption, access restrictions and process protocols.

Meanwhile, the Group has also adopted relevant security measures to mitigate risks associated with cyber security applicable to daily information transfer through Internet downloading, websites access or E-Mails exchanged. Namely, firewall installation in computer server system; anti-virus scanning when files and E-Mails are downloaded from the Internet; and whenever and any files are opened or copied, or programs are run on users personal computers. Besides, all Internet addresses being accessed by users in our headquarter are logged centrally and monitored by IT Department for identifying any abnormal activity or possible malicious cyberattack on the relevant systems.

Past performance and forward looking statements

The performance and the results of the operations of the Group as set out in this Annual Report are historical in nature and past performance is not a guarantee of future performance. This Annual Report may contain forward looking statements and opinions that involve risks and uncertainties. Actual results may also differ materially from expectations discussed in such forward-looking statements and opinions. Neither the Group nor the Directors, employees or agents of the Group assume any obligations or liabilities in the event that any of the forward-looking statements or opinions does not materialize or turns out to be incorrect.

ENVIRONMENTAL POLICIES

Subsequent to the disposal of certain subsidiaries of the Group which held a manufacturing plant for the Toys Division in October 2016, the Group is no longer engaged in the manufacturing industry directly and has such function assigned to appointment of sub-contractors instead. In order to ensure the Group's commitment as an environmentally and social responsibly business, the Toys Division maintains its strict policies in selecting its sub-contractors by imposing corresponding requirement on them in respect of environmental protection, social responsibilities on workers welfare maintenance as well as proper compliance of the relevant regulation applicable to them within their territories of operation. During the Current Year, the Toys Division had not been the subject of any claims in the form of any compensation or penalty levied for environmental disruption or inappropriate treatment towards workers by the production plants engaged by the Group for business.

Besides, we believe that our Financial Services Division operates in an industry that is not a major source of environmental pollution. We are committed to building an environmental-friendly corporate which strives to minimize our usage of energy and office stationery and encourage recycling of materials used in the office. Our Financial Services Division continued in offering e-statements to its clients in order minimize paper usage. During the Current Year, our corporate office and our Financial Services Division had not been the subject of any environmental claims, lawsuits, penalties or disciplinary actions.

Directors' Report

In general, the Group's headquarter is determined in adopting energy saving measures such as utilization of power-saving office lighting system in the form of LEDs and maximization of the use of natural daylight as office lighting purpose. Also, we maintain water filtering equipment for staff consumption purpose instead of using bottled water and install water-saving dispensing tap equipment for the office washrooms in order to reduce excessive water wastage. Further details on the policies on environmental, social and governance will be further provided in the Environmental, Social and Governance Report when it is published by the Company.

FIVE-YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 116.

MAJOR CUSTOMERS AND SUPPLIERS

For the Current Year, the Group's sales to the largest customer and the five largest customers accounted for approximately 74.7% and 93.8% of the Group's turnover. The Group's purchases from the largest supplier and the five largest suppliers purchases accounted for 18.2% and 52.8% of the Group's purchases.

Save as disclosed above and elsewhere in this Annual Report, none of the Directors or any of their associates or any Shareholders (which, to the best knowledge of the Directors, own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest customers and suppliers for the Current Year.

DIRECTORS

The Directors during the Current Year and up to the date of this report were as follows:

Executive Directors

Mr. Lau Ho Ming, Peter *(Executive Chairman)* (retired on 9 November 2023)
Mr. Chu, Raymond *(Chairman)* (redesignated on 9 November 2023)
Mr. Poon Pak Ki, Eric
Mr. Hau Yiu Por
Ms. Tang Yuen Ching, Irene (appointed on 9 November 2023)

Non-executive Director

Madam Li Man Yee, Stella (retired on 9 November 2023)

Independent non-executive Directors

Mr. Leung Po Wing, Bowen Joseph *GBS, JP*
Mr. Chan Siu Wing, Raymond
Mr. Wong Wah On, Edward

All the INEDs have met the independence guidelines set out in Rule 3.13 of the Listing Rules of the Stock Exchange and the Board considered each INED is independent.

On 28 August 2023, Madman Li Man Yee, Stella, Mr. Chan Siu Wing, Raymond, Mr. Chu, Raymond and Mr. Hau Yiu Por retired and were re-elected by the Shareholders at the 2023 AGM pursuant to the Articles of Association of the Company.

On 9 November 2023, Ms. Tang Yuen Ching, Irene was appointed as an executive Director. Ms. Tang shall hold office until the next general meeting pursuant to the Articles of Association and being eligible offer herself for re-election.

In accordance with the Articles of Association, Mr. Wong Wah On, Edward, Mr. Poon Pak Ki, Eric and Ms. Tang Yuen Ching, Irene shall retire at the 2024 AGM and, being eligible, offer themselves for re-election. The remaining Directors shall continue in office.

DIRECTORS SERVICE CONTRACTS

Each of the executive Directors, Mr. Poon Pak Ki, Eric, Mr. Hau Yiu Por and Ms. Tang Yuen Ching Irene, has entered into a service contract with the Company with a term of 3 years which shall be terminated by either party by serving no less than 3 months' notice in writing subject to the terms and conditions of such service contract.

Each of the non-executive Directors, including the INEDs has signed an appointment letter with a fixed appointment term of 1 year subject to automatic renewal of a further period of 1 year.

Save as disclosed above, no Director proposed for re-election at 2024 AGM whose contract is not determinable by the Company within 1 year without payment of compensation, other than statutory compensation.

BIOGRAPHIES OF DIRECTORS

Biographies of Directors are set out in the section "Biographical Details of Directors and Senior Management" on pages 25 to 27.

DIRECTORS, RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Apart from disclosed under the headings of "Directors' Interests in Shares and Underlying Shares of the Company" and "Share Option Scheme" in this report and otherwise in the Annual Report, neither the Company nor any of its subsidiaries was a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of Shares in, or debentures of, the Company or any other body corporate at any time during the Current Year or at the end of the Current Year.

DIRECTORS, INTERESTS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 31 March 2024, the interests or short positions of the Directors in the Shares, underlying Shares or debentures of the Company and associated corporations (within the meaning of Part XV of the Securities Futures Ordinance (Charter 571 of the Laws of Hong Kong) (the "**SFO**") as recorded in the register to be kept under which have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO) or which is required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein or which is required to notify the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules, is as follows:

Long positions

Name of Director	Number of Shares held				Number of underlying Shares (note 1)	Total	Percentage of issued share capital
	Personal interest	Corporate interests	Family interests	Other interests			
Mr. Poon Pak Ki, Eric	7,896,000	–	–	–	12,900,000	20,796,000	1.41%
Mr. Chu, Raymond	27,448,000	–	–	–	12,847,800	40,295,800	2.73%
Mr. Hau Yiu Por	2,340,000	–	–	–	12,200,000	14,540,000	0.99%
Ms. Tang Yuen Ching Irene *(note 2)*	–	–	–	–	1,200,000	1,200,000	0.08%
Mr. Leung Po Wing, Bowen Joseph	–	–	–	–	2,800,000	2,800,000	0.19%
Mr. Chan Siu Wing, Raymond	–	–	–	–	2,800,000	2,800,000	0.19%
Mr. Wong Wah On, Edward	–	–	–	–	1,400,000	1,400,000	0.10%

Notes:

1. *This interest represents the interests in the underlying Shares in respect of share options granted by the Company to the Directors as beneficial owners.*

2. *Ms. Tang was appointed as an executive Director on 9 November 2023.*

Save as those disclosed above, as at 31 March 2024, none of the Directors had any interests or short positions in the Shares, underlying Shares, or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS

As at 31 March 2024, the interests or short positions of substantial Shareholders, other than the Directors or the chief executives of the Company whose interests and short positions in the Shares and of its associated corporations (within the meaning of Part XV of the SFO) as set out above, had 5% or more interests or short positions in the Shares and underlying Shares of the Company as recorded in the register required to be maintained by the Company under Section 336 of the SFO were as follows:

Long positions

Name	Total number of Shares held	Percentage of shareholding *(note 1)*
Smart Investor Holdings Limited	482,864,000 *(note 2)*	32.75%
Silver Pointer Limited	106,880,000	7.25%
Benefit Global Limited	218,463,111 *(note 3)*	14.82%
Clearfield Global Limited	218,463,111 *(note 3)*	14.82%
BlackPine Private Equity Partners G.P. Limited	218,463,111 *(note 3)*	14.82%
Chu Sheng Yu, Lawrence	218,463,111 *(note 3)*	14.82%
	672,000 *(note 4)*	0.05%

Notes:

1. *Total number of 1,474,232,000 Shares in issue as at 31 March 2024 has been used for the calculation for the approximate percentage.*

2. *These Shares are registered in the name of Smart Investor, a company owned as to approximately 67.4% by Mr. Lau Ho Ming, Peter and approximately 32.6% by Madam Li Man Yee, Stella.*

3. *111,111,111 Shares out of 218,463,111 Shares are the underlying Shares representing the total number of conversion Shares convertible under the Convertible Notes issued by the Company to Benefit Global, a company wholly owned by Clearfield Global Limited, which is in turn wholly owned by BlackPine Private Equity Partners G.P. Limited and ultimately wholly owned by Mr. Chu Sheng Yu, Lawrence.*

4. *672,000 Shares are registered in the name of Mr. Chu Sheng Yu, Lawrence in his personal capacity.*

SHARE SCHEMES

The Company did not adopt any share award scheme during the Current Year and upto the date of this report.

Share Option Scheme

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**") as incentives or rewards for eligible participants who contribute to the Group. As at 31 March 2024, there was no remaining life of the Share Option Scheme. Details of the Share Option Scheme are disclosed in note 33 to the consolidated financial statements.

On 17 March 2014 (the "**2014 Grant Date**"), the Company granted 10,800,000 share options (the "**Option(s)**") to certain eligible participants (the "**Grantees**") of the Group under the Share Option Scheme at a subscription price of HK$1.00 per Share, subject to adjustment. The closing price per Share immediately before the 2014 Grant Date was HK$0.90.

On 3 July 2015 (the "**2015 Grant Date**"), the Company granted 13,400,000 share options (the "**Option(s)**") to certain eligible participants (the "**Grantees**") of the Group under the Share Option Scheme at a subscription price of HK$4.07 per Share, subject to adjustment. The closing price per Share immediately before the 2015 Grant Date was HK$3.70.

On 24 March 2016 (the "**2016 Grant Date**"), the Company granted 109,411,600 share options (the "**Option(s)**") to certain eligible participants (the "**Grantees**") of the Group under the Share Option Scheme to certain eligible participants of the Group under the Share Option Scheme at a subscription price of HK$0.748 per Share, subject to adjustment. The closing price per Share immediately before the 2016 Grant Date was HK$0.70.

Details of the outstanding Options under the Share Option Scheme as at 31 March 2024 were as follows:

SHARE OPTION SCHEME	Exercise price *(note 1)*	Number of share options Balance as at 1 April 2023 *(note 1)*	Forfeited during year	Balance as at 31 March 2024	Date of grant of share options	Exercisable periods of share options
Executive Directors						
Mr. Lau Ho Ming, Peter *(note 2)*	HK$1.02	4,000,000	–	4,000,000	3 July 2015	3 July 2015 to 2 July 2025
Mr. Poon Pak Ki, Eric	HK$1.02	5,400,000	–	5,400,000	3 July 2015	3 July 2015 to 2 July 2025
	HK$0.748	7,500,000	–	7,500,000	24 March 2016	24 March 2016 to 23 March 2026
Mr. Chu, Raymond	HK$0.748	12,847,800	–	12,847,800	24 March 2016	24 March 2016 to 23 March 2026
Mr. Hau Yiu Por	HK$1.02	5,400,000	–	5,400,000	3 July 2015	3 July 2015 to 2 July 2025
	HK$0.748	6,800,000	–	6,800,000	24 March 2016	24 March 2016 to 23 March 2026
Ms. Tang Yuen Ching, Irene *(note 3)*	HK$1.02	600,000	–	600,000	3 July 2015	3 July 2015 to 2 July 2025
	HK$0.748	600,000	–	600,000	24 March 2016	24 March 2016 to 23 March 2026

SHARE OPTION SCHEME	Exercise price *(note 1)*	Number of share options: Balance as at 1 April 2023 *(note 1)*	Forfeited during year	Balance as at 31 March 2024	Date of grant of share options	Exercisable periods of share options
Non-executive Directors						
Madam Li Man Yee, Stella *(note 2)*	HK$1.02	1,400,000	–	1,400,000	3 July 2015	3 July 2015 to 2 July 2025
Independent Non-executive Directors						
Mr. Leung Po Wing, Bowen Joseph	HK$1.02	1,400,000	–	1,400,000	3 July 2015	3 July 2015 to 2 July 2025
	HK$0.748	1,400,000	–	1,400,000	24 March 2016	24 March 2016 to 23 March 2026
Mr. Chan Siu Wing, Raymond	HK$1.02	1,400,000	–	1,400,000	3 July 2015	3 July 2015 to 2 July 2025
	HK$0.748	1,400,000	–	1,400,000	24 March 2016	24 March 2016 to 23 March 2026
Mr. Wong Wah On, Edward	HK$0.748	1,400,000	–	1,400,000	24 March 2016	24 March 2016 to 23 March 2026
Employees *(note 3)*	HK$1.02	2,600,000	(1,400,000)	1,200,000	3 July 2015	3 July 2015 to 2 July 2025
	HK$0.748	14,456,800	(400,000)	14,056,800	24 March 2016	24 March 2016 to 23 March 2026
Total		68,603,800	(1,800,000)	66,803,800		

Notes:

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

2. *Mr. Lau Ho Ming, Peter and Madam Li Man Yee, Stella retired as an executive Chairman and Non-executive Director respectively on 9 November 2023. Mr. Lau was appointed as a senior advisor to the Company on the same date.*

3. *Ms. Tang Yuen Ching, Irene was appointed as an executive Director on 9 November 2023 and hence the balance as at 1 April 2023 has been restated.*

Upon acceptance of the Options, the Company received the consideration of HK$1.00 from each of the Grantees. The Options will be vested in 3 tranches: (i) 30% of the Options shall be exercisable from the date immediately after the first anniversary of the Grant Date until the last day of the respective exercise period; (ii) 30% of the Options shall be exercisable from the date immediately after the second anniversary of the Grant Date until the last day of the respective exercise period; and (iii) 40% of the Options shall be exercisable from the date immediately after the third anniversary of the Grant Date until the last day of the respective exercise period. As at 31 March 2024, the number of shares that may be issued in respect of share options granted under the Share Option Scheme divided by the weighted average number of Shares in issue during the Current Year was 4.5%.

Save as the above, there has been no options lapsed and cancelled during the Current under the Share Option Scheme.

Summary of major terms of the Share Option Scheme are as follows:

(i) Purposes of the scheme

The purpose of the Share Option Scheme is to enable the Group to grant options to selected participants as incentives or rewards for their contribution to our Group. The Directors consider the Share Option Scheme will enable the Group to reward the employees, the Directors and other selected participants for their contributions to the Group.

(ii) The Participants

The following persons of the Company, any member of the Group or of an entity ("**Invested Entity**") in which the Group holds an equity interest may be invited by the Directors to join the Share Option Scheme at the Directors' absolute discretion:

(a) employees and directors;

(b) suppliers and customers;

(c) persons or entities that provides research, development or other technological support;

(d) holders of any securities;

(e) advisers (professional or otherwise) or consultants to any area of business or business development; and

(f) any other group or classes of participants who have contributed or may contribute by way of joint venture, business alliance or other business arrangement to the development and growth of the Group.

(iii) Number of Shares available for issue

As at the date of this report, the total number of Shares may be allotted and issued upon exercise of the outstanding Options was 66,803,800, representing 4.5% of the issued share capital.

(iv) Maximum entitlement of each participant

The total number of Shares issued and to be issued upon exercise of the options granted to each participant other than a Director, chief executive or substantial Shareholders of the Company who accepts the offer for the grant of an option under the Share Option Scheme in any 12-month period shall not exceed 1% of the issued share capital of the Company. Any further grant of options in excess of this limit is subject to Shareholders' approval in a general meeting.

Options granted to a Director, chief executive or substantial Shareholder of the Company, or to any of their associates, are subject to approval by the INEDs. Where any grant of options to a substantial Shareholder or an INED, or to any of their associates, in excess of 0.1% of the Shares in issue at any time and with an aggregate value (based on the price of the Company's shares at the date of grant) in excess of HK$5 million, within any 12-month period, are subject to Shareholders' approval in a general meeting.

(v) Time of acceptance and exercise of option

An offer of the grant of the option may be accepted by a participant within 21 days from the date of the offer of grant of the option.

An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period to be determined and notified by the Directors to each grantee (the "**Option Period**"), which period may commence on the date upon which the offer for the grant of options is made but shall end in any event not later than 10 years from the date of grant of the option subject to the provisions for early termination thereof. Holders of the options granted under the Share Option Scheme may only exercise their options in the following manner:

Maximum percentage of Options exercisable	Exercise period
30%	From the date immediately after the first anniversary of the offer date until the last day of the Option Period
30%	From the date immediately after the second anniversary of the offer date until the last day of the Option Period
40%	From the date immediately after the third anniversary of the offer date until the last day of the Option Period

Outstanding and unexercised options at the end of each vesting period may be rolled over to the next vesting period and exercisable during the Option Period.

(vi) Subscription price for Shares and consideration for the option

The subscription price for Shares will be a price determined by the Directors, but shall not be less than the highest of (i) the closing price of Shares as stated in the Stock Exchange's daily quotations sheet for trade in one or more board lots of the Shares on the date of the offer of grant, which must be a business day; (ii) the average closing price of Shares as stated in the Stock Exchange's daily quotations sheet for the five trading days immediately preceding the date of the offer of grant; and (iii) the nominal value of the Shares.

A nominal consideration of HK$1.00 is payable on acceptance of the grant of an option.

(vii) Period of the Share Option Scheme

The Share Option Scheme will remain in force for a period of 10 years commencing on the date on which the Share Option Scheme was adopted.

CONTINUING CONNECTED TRANSACTIONS

The Group had certain transactions which constituted continuing connected transactions of the Group pursuant to Chapter 14A of the Listing Rules during the Current Year and were not subject to the related disclosure requirements in this report.

MATERIAL RELATED PARTY TRANSACTIONS

During the Current Year, the Group had certain transactions with related parties as defined under the applicable accounting standard. Those related party transactions that also fell under the definition of "connected transactions" or "continuing connected transactions" (as the case may be) in Chapter 14A of the Listing Rules and were not subject to the related disclosure requirements in this report. Details of the related party transactions are set out in note 37 to the consolidated financial statements.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Articles of Association or the laws of the Cayman Islands, being the jurisdiction in which the Company was incorporated, which would oblige the Company to offer new Shares on a pro rata basis to existing Shareholders unless otherwise required by the Stock Exchange.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

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

PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, at least 25% of the Company's total issued share capital was held by public as at the date of this report.

MANAGEMENT CONTRACTS

No contracts, other than employment contracts, concerning the management and administration of the whole and any part of the Group's business were entered into or existed during the Current Year.

CONTRACTS OF SIGNIFICANCE

Save as disclosed under "MATERIAL RELATED PARTY TRANSACTIONS", no contracts of significance in relation to the Group's business to which the Company or its subsidiaries was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at any time during the Current Year or at the end of the Current Year.

Save as disclosed above, as at 31 March 2024, no contract of significance had been entered into between the Company, or any of its subsidiaries, and the controlling Shareholders or any of its subsidiaries.

DEED OF NON-COMPETITION

The controlling Shareholders, namely Mr. Lau Ho Ming, Peter, Madam Li Man Yee, Stella and Smart Investor, entered into a deed of non-competition in favour of the Company dated 10 January 2013 (the "Deed of Non-Competition") as set out in the section of "Connected Transactions and Relationship with the Controlling Shareholders" under the Prospectus. The controlling Shareholders confirmed their compliance of all the undertakings provided under the Deed of Non-Competition during the Current Year and up to the date of this report.

TAX RELIEF AND EXEMPTION

The Directors are not aware of any tax relief and exemption available to the Shareholders by reason of their holding the Company's securities.

CORPORATE GOVERNANCE

In the opinion of the Directors, the Company has complied with the Corporate Governance Code as set out in Appendix 14 to the Listing Rules throughout the year under audit with exception as set out in the section "Corporate Governance Report" on pages 4 to 13 of this Annual Report.

PERMITTED INDEMNITY PROVISION

Under the articles of association of the Company, generally, the Directors shall be indemnified out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses for acts done, concurred in or omitted in when discharging their duties in the affairs of the Company, other than any matter in respect of any fraud or dishonesty.

In addition, the Company has taken out and maintained insurance for the Directors against liabilities to third parties that may be incurred in the course of performing their duties as at the date of this report.

AUDITOR

The consolidated financial statements for the Current Year have been audited by BDO Limited which retires, and being eligible, offers itself for re-appointment at 2024 AGM. A resolution to re-appoint BDO Limited and to authorise the Directors to fix its remuneration will be proposed at 2024 AGM.

On behalf of the Board

Chu, Raymond
Chairman and executive Director
Hong Kong, 24 June 2024

Independent Auditor's Report

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To the Shareholders of Quali-Smart Holdings Limited
(incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Quali-Smart Holdings Limited (the "**Company**") and its subsidiaries (together the "**Group**") set out on pages 46 to 115, which comprise the consolidated statement of financial position as at 31 March 2024, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 March 2024, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("**HKSAs**") issued by the HKICPA. Our responsibilities under those standards are further described in the "*Auditor's Responsibilities for the Audit of the Consolidated Financial Statements*" section of our report. We are independent of the Group in accordance with the HKICPA's "*Code of Ethics for Professional Accountants*" (the "**Code**"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Impairment assessment of goodwill and intangible assets

(refer to notes 4(c), 4(f) and 4(m) on material accounting policy information, 18 and 19 to the consolidated financial statements)

Goodwill arising from business combination is allocated to cash-generating units ("**CGUs**") of "Financial Services" for annual impairment testing. Besides, the Group's intangible assets which are trading rights, trademark and website, are allocated to relevant CGUs and subject to annual impairment testing.

As at 31 March 2024, the Group has fully impaired the goodwill, and intangible assets respectively relating to the relevant CGUs.

Management has performed impairment test on goodwill and intangible assets in accordance with the Group's accounting policies and impairment losses of approximately HK$45,508,000, and HK$585,000 in respect of goodwill and intangible assets for the CGUs of financial services is recognised for the year ended 31 March 2024.

These assessments were based on value in use ("**VIU**") and fair value less cost of disposal ("**FVLCD**") calculations. VIU calculation primarily uses cash flow projections based on five-year financial budgets approved by management. There are a number of assumptions and estimates involved in the preparation of cash flow projections for the period covered by the approved budgets. Key assumptions include expected growth in revenues, timing of future capital expenditures, growth rates, and selection of pre-tax discount rates to reflect specific risks relating to the relevant CGUs. FVLCD involves the selection of valuation model, adoption of key assumptions and input data, which are subject to management judgement.

We have identified the impairment assessment of goodwill and intangible assets as a key audit matter because of its significance to the consolidated financial statements and because VIU and FVLCD calculations involve significant management judgements and estimates with respect to the underlying cash flows or fair value.

Our response:
Our procedures in relation to the management's impairment assessment of goodwill and intangible assets included:

- considering the historical accuracy of management's budgeting processes;
- evaluating the independent valuer's competence, capabilities and objectivity;
- conducting in-depth discussions with management and independent valuer about the cash flow projections used in FVLCD calculation, the cash flow projections used in VIU calculation and assessing the appropriateness of the significant assumptions and critical judgement areas which affect the VIU calculation;
- benchmarking the growth rates and discount rates used in VIU calculation against independent industry data and comparable companies; and
- engaging in-house valuation specialist to assist us evaluating and assessing the appropriateness of the key assumptions used in VIU calculation and FVLCD calculation.

OTHER INFORMATION IN THE ANNUAL REPORT

The directors are responsible for the other information. The other information comprises the information included in the Company's annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

DIRECTORS' RESPONSIBILITIES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Independent Auditor's Report

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The directors are also responsible for overseeing the Group's financial reporting process. The Audit Committee assists the directors in discharging their responsibility in this regard.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, in accordance with the terms of our engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

BDO Limited
Certified Public Accountants

Lam Tsz Ka
Practising Certificate Number P06838
Hong Kong, 24 June 2024

Consolidated Statement of Profit or Loss and Other Comprehensive Income

	Notes	Year ended 31 March 2024 HK$'000	 2023 HK$'000
Revenue	*7*	**177,259**	341,801
Cost of sales		**(149,255)**	(296,867)
Gross profit		**28,004**	44,934
Other income, gains and losses	*8*	**1,429**	3,000
Selling expenses		**(3,756)**	(7,521)
Administrative expenses		**(48,062)**	(61,648)
Impairment loss on goodwill	*9*	**(45,508)**	(36,161)
Impairment loss on intangible assets	*9*	**(585)**	–
Impairment losses recognized on trade receivables		**–**	(2,150)
Finance costs	*10*	**(5,490)**	(12,709)
Loss before income tax expense	*9*	**(73,968)**	(72,255)
Income tax credit/(expense)	*12*	**10**	(66)
LOSS AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**(73,958)**	(72,321)
Loss and total comprehensive income attributable to:			
Owners of the Company		**(73,941)**	(72,321)
Non-controlling interests		**(17)**	–
		(73,958)	(72,321)
LOSS PER SHARE ATTRIBUTABLE TO THE OWNERS OF THE COMPANY			
– Basic and diluted (HK cents)	*14*	**(5.02)**	(4.91)

Consolidated Statement of Financial Position

		At 31 March	
		2024	2023
	Notes	**HK$'000**	HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	*15*	**3,579**	7,790
Right-of-use assets	*16*	**1,631**	6,091
Goodwill	*18*	**–**	45,508
Intangible assets	*19*	**–**	568
Statutory deposit for financial service business		**372**	383
Deposits	*22*	**200**	376
Total non-current assets		**5,782**	60,716
CURRENT ASSETS			
Inventories	*20*	**16,428**	51,727
Trade receivables	*21*	**24,954**	38,354
Prepayments, deposits and other receivables	*22*	**2,338**	2,660
Cash and bank balances held on behalf of customers	*23*	**49,032**	28,471
Time deposits	*24*	**20,480**	–
Cash and cash equivalents	*24*	**57,537**	61,948
Total current assets		**170,769**	183,160
CURRENT LIABILITIES			
Trade payables	*25*	**63,982**	54,764
Accruals and other payables	*26*	**3,933**	4,169
Lease liabilities	*27*	**1,719**	4,505
Convertible notes	*29*	**–**	39,036
Amount due to non-controlling interests	*34*	**13,041**	–
Total current liabilities		**82,675**	102,474
NET CURRENT ASSETS		**88,094**	80,686
TOTAL ASSETS LESS CURRENT LIABILITIES		**93,876**	141,402

Consolidated Statement of Financial Position

		At 31 March	
		2024	2023
	Notes	**HK$'000**	HK$'000
NON-CURRENT LIABILITIES			
Promissory notes	*28*	**31,000**	–
Convertible notes	*29*	**6,138**	–
Amount due to non-controlling interests	*34*	**–**	13,041
Lease liabilities	*27*	**–**	1,719
Deferred tax liabilities	*33*	**178**	178
Provision for long services payments		**392**	–
Total non-current liabilities		**37,708**	14,938
NET ASSETS		**56,168**	126,464
EQUITY			
Share capital	*30*	**287**	287
Reserves		**55,823**	126,102
		56,110	126,389
Non-controlling interests		**58**	75
Total equity		**56,168**	126,464

On behalf of the Board

Chu, Raymond	**Poon Pak Ki, Eric**
Director	*Director*

Consolidated Statement of Changes in Equity

	Share capital HK$'000	Share premium HK$'000 *(note 1)*	Property revaluation reserve HK$'000 *(note 2)*	Other reserve HK$'000	Share option reserve HK$'000 *(note 3)*	Convertible notes equity reserve HK$'000 *(note 4)*	Accumulated losses HK$'000	Total HK$'000	Non-controlling interest HK$'000	Total HK$'000
At 1 April 2023	287	418,769	6,071	1,000	51,680	17,825	(296,922)	198,710	–	198,710
Acquisition of a subsidiary	–	–	–	–	–	–	–	–	75	75
Lapse of share options	–	–	–	–	(23,366)	–	23,366	–	–	–
Release of revaluation reserve upon disposal of Investment property	–	–	(6,071)	–	–	–	6,071	–	–	–
Loss and total comprehensive income for the year	–	–	–	–	–	–	(72,321)	(72,321)	–	(72,321)
At 31 March 2023 and 1 April 2023	**287**	**418,769**	**-**	**1,000**	**28,314**	**17,825**	**(339,806)**	**126,389**	**75**	**126,464**
Redemption of convertible notes	**-**	**-**	**-**	**-**	**-**	**(17,825)**	**17,825**	**-**	**-**	**-**
Issue of convertible notes	**-**	**-**	**-**	**-**	**-**	**3,662**	**-**	**3,662**	**-**	**3,662**
Lapse of share options	**-**	**-**	**-**	**-**	**(813)**	**-**	**813**	**-**	**-**	**-**
Loss and total comprehensive income for the year	**-**	**-**	**-**	**-**	**-**	**-**	**(73,941)**	**(73,941)**	**(17)**	**(73,958)**
At 31 March 2024	**287**	**418,769**	**-**	**1,000**	**27,501**	**3,662**	**(395,109)**	**56,110**	**58**	**56,168**

Notes:

1. *The share premium account of the Group represents the premium arising from the issuance of shares above its par value.*

2. *Property revaluation reserve comprised the revaluation surplus arising from the transfer of owner-occupied property to investment property at the date of change in use.*

3. *Cumulative expenses recognised on the granting of share options to the eligible participants over the vesting period net of the offset of lapse and forfeiture of the share options granted.*

4. *Amount of proceeds on issue of the outstanding convertible notes relating to the equity component (i.e. option to convert the debt into share capital).*

Consolidated Statement of Cash Flows

	Notes	Year ended 31 March 2024 HK$'000	2023 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before income tax expense		**(73,968)**	(72,255)
Adjustments for:			
Interest income	*8*	**(828)**	(50)
Interest expenses	*10*	**5,490**	12,709
Depreciation of property, plant and equipment	*9*	**4,405**	3,941
Depreciation of right-of-use assets	*9*	**4,460**	5,599
Impairment loss on goodwill	*9*	**45,508**	36,161
Impairment loss on intangible assets	*9*	**585**	–
Impairment losses recognized on trade receivables	*9*	**–**	2,150
Waived amount due to subsidiary shareholders	*8*	**–**	(113)
Gain on bargaining purchase	*8*	**–**	(81)
Gain on proceeds from investment property	*8*	**–**	(100)
Operating loss before working capital changes		**(14,348)**	(12,039)
Decrease in inventories		**35,299**	31,102
Decrease in trade receivables		**13,400**	48,213
Decrease in prepayments, deposits and other receivables		**498**	4,535
Decrease in statutory deposit for financial service business		**11**	19
Increase/(decrease) in trade payables		**9,218**	(48,496)
Decrease in accruals and other payables		**(236)**	(593)
(Increase)/decrease in cash and bank balances held on behalf of customers		**(20,561)**	16,138
Increase in provision for long service payments		**392**	–
Cash generated from operations		**23,673**	38,879
Income taxes refund		**10**	1,104
Net cash from operating activities		**23,683**	39,983
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		**828**	50
Purchase of property, plant and equipment		**(194)**	(5,678)
Purchase of intangible assets		**(17)**	–
Proceeds from disposal of investment property		**–**	7,100
Acquisition of subsidiaries, net of cash acquired		**–**	11,968
Placement of time deposits		**(45,412)**	–
Withdrawal of time deposits		**24,932**	–
Decrease in pledged bank deposits		**–**	31,097
Net cash (used in)/generated from investing activities		**(19,863)**	44,537

Consolidated Statement of Cash Flows

	Notes	Year ended 31 March 2024 HK$'000	2023 HK$'000
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from bank borrowings	*44*	**–**	61,938
Repayment of bank borrowings	*44*	**–**	(77,945)
Proceeds from issue of convertible notes	*29*	**9,000**	–
Proceeds from issue of promissory notes	*28*	**31,000**	–
Redemption of convertibles notes	*29*	**(40,000)**	–
Redemption of promissory notes	*44*	**–**	(25,000)
Principal element of lease rental paid	*44*	**(4,505)**	(5,671)
Interest element of lease rental paid	*44*	**(238)**	(344)
Interest paid	*44*	**(3,488)**	(4,933)
Net cash used in financing activities		**(8,231)**	(51,955)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		**(4,411)**	32,565
Cash and cash equivalents at beginning of year		**61,948**	29,383
CASH AND CASH EQUIVALENTS AT END OF YEAR		**57,537**	61,948
ANALYSIS OF THE BALANCE OF CASH AND CASH EQUIVALENTS			
Cash and cash equivalents	*24*	**57,537**	61,948

Notes to the Consolidated Financial Statements

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**").

The principal activities of the Company is investment holding and the provision of management services to subsidiaries. Details of the principal activities of the Company's subsidiaries are set out in note 36 to the consolidated financial statements.

The consolidated financial statements were approved and authorised for issue by the board of directors of the Company (the "**Directors**") on 24 June 2024.

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

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

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

HKFRS 17	Insurance contract
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to HKAS 12	International Tax Reform – Pillar Two Model Rules
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies

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

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

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

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

Amendments to HKAS 1	Classification of Liabilities as Current or Non-current[1]
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback[1]
Amendments to HKAS 21	Lack of Exchangeability[2]
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an investor and its Associate or Joint Venture[3]

1 Effective for annual periods beginning on or after January 1, 2024
2 Effective for annual periods beginning on or after 1 January 2025
3 The amendments shall be applied prospectively to the sale or contribution of assets occurring in annual periods beginning on or after a date to be determined

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

3. BASIS OF PREPARATION

(a) Statement of compliance

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

(b) Basis of measurement

The consolidated financial statements have been prepared under the historical cost basis.

(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. MATERIAL ACCOUNTING POLICIES

(a) Basis of consolidation

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

(b) Subsidiaries

A subsidiary is an investee over which the Company is able to exercise control.

In the Company's statement of financial position, investments in subsidiaries are stated at cost less impairment loss, if any. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

(c) Goodwill

Where the fair value of identifiable assets and liabilities exceed the aggregate of the fair value of consideration paid, the amount of any non-controlling interest in the acquiree and the acquisition date fair value of the acquirer's previously held equity interest in the acquiree, the excess is recognised in profit or loss on the acquisition date, after re-assessment.

Goodwill is measured at cost less impairment losses. For the purpose of impairment testing, goodwill arising from an acquisition is allocated to each of the relevant cash-generating units that are expected to benefit from the synergies of the acquisition. A cash-generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. A cash-generating unit to which goodwill has been allocated is tested for impairment annually, by comparing its carrying amount with its recoverable amount (see note 4(m)), and whenever there is an indication that the unit may be impaired.

For goodwill arising on an acquisition in a financial year, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that financial year. When the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated to reduce the carrying amount of any goodwill allocated to the unit first, and then to the other assets of the unit pro-rata on the basis of the carrying amount to each asset in the unit. However, the loss allocated to each asset will not reduce the individual asset's carrying amount to below its fair value less cost of disposal (if measurable) or its value in use (if determinable), whichever is the higher. Any impairment loss for goodwill is recognised in profit or loss and is not reversed in subsequent periods.

4. MATERIAL ACCOUNTING POLICIES (continued)

(d) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and the costs directly attributable to the acquisition of the items.

The useful lives, residual value and depreciation method are reviewed, and adjusted if appropriate, at the end of each reporting period. The useful lives are as follows:

Leasehold improvements	Over the shorter of the lease terms and 35%
Plants and machinery	9.5% or 35%
Fixtures, furniture and office equipment	35%
Motor vehicles	18% or 35%

An asset is written down immediately to its recoverable amount if its carrying amount is higher than the asset's estimated recoverable amount.

(e) Leasing

All leases (irrespective of whether they are operating leases or finance leases) are required to be capitalised in the statement of financial position as right-of-use assets and lease liabilities, but accounting policy choices exist for an entity to choose not to capitalise (i) leases which are short-term leases and/or (ii) leases for which the underlying asset is of low-value. The Group has elected not to recognise right-of-use assets and lease liabilities for low-value assets and leases for which at the commencement date have a lease term less than 12 months. The lease payments associated with those leases have been expensed on a straight-line basis over the lease term.

Right-of-use asset

The right-of-use asset should be recognised at cost and the right-of-use assets are amortised over the lease terms.

The Group presents right-of-use assets as a separate line item on the consolidated statement of financial position.

Lease liability

The lease liability is recognised at the present value of the lease payments that are not paid at the date of commencement of the lease. The lease payments are discounted using the relevant reporting entity's incremental borrowing rate.

The payments (generally the fixed payment less any lease incentive for the Group) for the right-to-use the underlying asset during the lease term that are not paid at the commencement date of the lease are considered to be lease payments.

Subsequent to the commencement date, the Group measures the lease liability by: (i) increasing the carrying amount to reflect interest on the lease liability; (ii) reducing the carrying amount to reflect the lease payments made; and (iii) remeasuring the carrying amount to reflect any reassessment or lease modifications, e.g., a change in future lease payments arising from change in an index or rate, a change in the lease term, a change in the in substance fixed lease payments or a change in assessment to purchase the underlying asset.

The Group presents lease liabilities as a separate line item on the consolidated statement of financial position.

4. MATERIAL ACCOUNTING POLICIES (continued)

(f) Intangible assets

(i) Acquired intangible assets

Intangible assets acquired separately are initially recognised at cost. The cost of intangible assets acquired in a business combination is fair value at the date of acquisition. Subsequently, intangible assets with finite useful lives are carried at cost less accumulated amortisation and accumulated impairment losses.

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. The Group's intangible assets with indefinite useful lives represents trading rights. Such intangible assets are not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether the indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for on a prospective basis.

(ii) Impairment

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount.

(g) Financial instruments

(i) Financial assets

A financial asset (unless it is a trade receivable without a significant financing component) is initially measured at fair value plus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There is one measurement category into which the Group classifies its debt instrument at:

Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Financial assets at amortised cost are subsequently measured using the effective interest rate method. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain on derecognition is recognised in profit or loss.

(ii) Impairment loss on financial assets

The Group recognises loss allowances for expected credit losses ("**ECLs**") on trade receivables, and financial assets measured at amortised cost. The ECLs are measured on either of the following bases: (1) 12-month ECLs: these are the ECLs that result from possible default events within the 12 months after the reporting date: and (2) lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument. The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the assets' original effective interest rate.

4. MATERIAL ACCOUNTING POLICIES (continued)

(g) Financial instruments (continued)

(ii) Impairment loss on financial assets (continued)

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

For other debt financial assets, the ECLs are based on the 12-month ECLs. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due, unless the Group has reasonable and supportable information that demonstrate otherwise.

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that financial assets that meet either of the following criteria are generally not recoverable:

- when there is a breach of financial covenants by the debtor; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collateral held by the Group).

Irrespective of the above analysis, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

The Group considers a financial asset to be credit-impaired when: (1) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (2) the financial asset is more than 90 days past due.

Interest income on credit-impaired financial assets is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset. For non credit-impaired financial assets interest income is calculated based on the gross carrying amount.

The Group writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

4. MATERIAL ACCOUNTING POLICIES (continued)

(g) Financial instruments (continued)

(iii) Financial liabilities

The Group classifies its financial liabilities, depending on the purpose for which the liabilities were incurred. Financial liabilities at amortised cost are initially measured at fair value, net of directly attributable costs incurred.

Financial liabilities measured at amortised cost

Financial liabilities at amortised cost including trade payables, accruals and other payables, lease liabilities, interest-bearing bank borrowings, promissory notes and the liability components of convertible notes issued by the Group are subsequently measured at amortised cost, using the effective interest method. The related interest expense is recognised in profit or loss.

Gains or losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

(iv) Convertible loan notes

Convertible loan notes issued by the Group that contain both the liability and conversion option components are classified separately into their respective items on initial recognition. Conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is classified as an equity instrument.

On initial recognition, the fair value of the liability component is determined using the prevailing market interest of similar non-convertible debts. The difference between the proceeds of the issue of the convertible loan notes and the fair value assigned to the liability component, representing the conversion option for the holder to convert the loan notes into equity, is included in equity (convertible notes equity reserve).

In subsequent periods, the liability component of the convertible loan notes is carried at amortised cost using the effective interest method. The equity component, represented by the option to convert the liability component into ordinary shares of the Company, will remain in convertible loan notes equity reserve until the embedded option is exercised (in which case the balance stated in convertible loan notes equity reserve will be transferred to share capital and share premium). Where the option remains unexercised at the expiry dates, the balance stated in convertible notes equity reserve will be released to the accumulated losses. No gain or loss is recognised upon conversion or expiration of the option.

Transaction costs that relate to the issue of the convertible loan notes are allocated to the liability and equity components in proportion to the allocation of the proceeds. Transaction costs relating to the equity component are charged directly to equity. Transaction costs relating to the liability component are included in the carrying amount of the liability portion and amortised over the period of the convertible loan notes using the effective interest method.

4. MATERIAL ACCOUNTING POLICIES (continued)

(g) Financial instruments (continued)

(v) Derecognition

The Group derecognises a financial asset when the contractual rights to the future cash flows in relation to the financial asset expire or when the financial asset has been transferred and the transfer meets the criteria for derecognition in accordance with HKFRS 9.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires.

(h) Inventories

Inventories are initially recognised at cost, and subsequently at the lower of cost and net realisable value. Cost comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Cost is calculated using the first-in first out method. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

(i) Revenue recognition

(i) Sales of toys

Customers obtain control of the toy products when the goods are delivered to and have been accepted. Revenue is thus recognised when the customers accepted the products. There is generally only one performance obligation. Invoices are usually payable within 30 to 90 days. The Group obtains control of a good or a right to services in advance of transferring those goods or services to the customer, the Group is a principal.

(ii) Commission income from securities brokerage

Brokerage commission income is recognised on a trade date basis when the relevant transactions are executed.

(iii) Advisory income and consultancy services income

Depending on the nature of the services and the contract terms, advisory income and consultancy services income are recognised in profit or loss over time using a method that depicts the Group's performance, or at a point in time when the service is completed.

(iv) Handling fee income

Handling fee income is recognised at the point in time when the services are provided and fee received based on the listed price of relevant services notified to the customers.

(v) Management fee & performance fee

Management fee income are recognised over time as those services are provided continuously over the contract period and the customers consumed the benefits when they are received. Invoices for these services income are issued on a regular basis based on the terms stated in the contract. Performance fees are recognised on the performance fee valuation day of the managed accounts when there is a positive performance for the relevant performance period and it is determined that it will not result in significant reversal in a subsequent period, taking into consideration the relevant basis of calculation for the managed accounts. Performance fees, if any, are deducted from the customer's account balance on a regular basis as mutually agreed.

4. MATERIAL ACCOUNTING POLICIES (continued)

(i) Revenue recognition (continued)

(vi) Other income

Moulding income is recognised at the point in time when the legal title of mould is passed to customer.

(j) Income taxes

Income taxes for the year comprise current tax and deferred tax.

Current tax is based on the profit or loss from ordinary activities adjusted for items that are non-assessable or disallowable for income tax purposes and is calculated using tax rates that have been enacted or substantively enacted at the end of reporting period.

Deferred tax is generally recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding amounts used for tax purposes. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Deferred tax is measured at the tax rates expected to apply in the period when the liability is settled or the asset is realised based on tax rates that have been enacted or substantively enacted at the end of reporting period.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Income taxes are recognised in profit or loss except when they relate to items recognised in other comprehensive income in which case the taxes are also recognised in other comprehensive income or when they relate to items recognised directly in equity in which case the taxes are also recognised directly in equity.

(k) Employee benefits

(i) Defined contribution retirement plan

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "**MPF Scheme**") under the Mandatory Provident Fund Schemes Ordinance for all of its employees in Hong Kong. Contributions are made based on a percentage of the employees' basic salaries and are recognised as an expense in profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

(ii) Short term employee benefits

Short term employee benefits are employee benefits (other than termination benefits) that are expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the related service. Short term employee benefits are recognised in the year when the employees render the related service.

4. MATERIAL ACCOUNTING POLICIES (continued)

(l) Share-based payments

Where share options are awarded to employees and others providing similar services, the fair value of the services received is measured by reference to the fair value of the options at the date of grant. Such fair value is recognised in profit or loss over the vesting period with a corresponding increase in the share option reserve within equity. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at the end of each reporting period so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. Market vesting conditions are factored into the fair value of the options granted. As long as all non-market vesting conditions are satisfied, a charge is made irrespective of whether the market vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition.

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also recognised in profit or loss over the remaining vesting period.

(m) Impairment of non-financial assets

At the end of each reporting period, the Group reviews the carrying amounts of the following assets to determine whether there is any indication that those assets have suffered an impairment loss or an impairment loss previously recognised no longer exists or may have decreased:

- property, plant and equipment;
- right-of-use assets; and
- investments in subsidiaries

If the recoverable amount (i.e. the greater of the fair value less costs of disposal and value in use) of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. For corporate assets or portion of corporate assets which cannot be allocated on a reasonable and consistent basis to a cash-generating unit, the Group compares the carrying amount of a group of cash-generating units, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of cash-generating units, with the recoverable amount of the group of cash-generating units. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit or the group of cash-generating units. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit or the group of cash-generating units. An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount under another HKFRSs, in which case the impairment loss is treated as a revaluation decrease under that HKFRSs.

4. MATERIAL ACCOUNTING POLICIES (continued)

(m) Impairment of non-financial assets (continued)

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount under another HKFRSs, in which case the reversal of the impairment loss is treated as a revaluation increase under that HKFRSs.

Value in use is based on the estimated future cash flows expected to be derived from the asset or cash generating unit (see note 4(c)), discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash generating unit.

5. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the consolidated financial statements:

(i) Determination of functional currency

The Group measures foreign currency transactions in the respective functional currencies of the subsidiaries. In determining the functional currencies of the group entities, judgements are required to determine the currency that mainly influences sales prices for goods and services and of the country whose competitive forces and regulations mainly determines the sales prices of its goods and services. The functional currencies of the group entities are determined based on management's assessment of the economic environment in which the entities operate and the entities' process of determining sales prices.

(ii) Determination of the accounting treatment for revenue

Manufacturing and trading of toy products

The Group is principally engaged in the manufacture and trading of toy products. The Group manufactures finished products for customers according to their specifications and the products are sold by customers under their own brand names. The major customer of the Group may be involved in the raw materials procurement procedures and under such circumstances will make settlement to the suppliers on behalf of the Group. The amounts settled by the major customer will be set off against the trade receivable from the major customer. In determining whether the revenue shall be recorded on a net basis or gross basis, the Group has made reference to indicators and requirements stated in the requirements in HKFRS 15 paragraphs B34 – B38 and considered the economic substance of the transactions.

5. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Judgements (continued)

(ii) Determination of the accounting treatment for revenue (continued)

Manufacturing and trading of toy products (continued)

Determining whether an entity is acting as a principal or as an agent requires judgements and consideration of all relevant facts and circumstances, and the Group considers itself does not has an agency relationship with the customer under HKFRS 15 based on the following criteria:

– The Group is primarily responsible for fulfilling the promise to provide the specified goods;

– The Group controls the specified goods before their transfer to the customer;

– The Group has inventory risk before the specified goods has been transferred to the customer; and

– The Group has discretion in establishing the prices for the specified goods.

The Group also considers that the economic substance of the raw materials purchase transaction and the sales transaction with Customer A is not a linked transaction, it should be dealt with as separate transaction. As a result, trading revenue is presented on a gross basis.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period are discussed below.

(i) Provision for obsolete and slow-moving inventories

Management of the Group reviews an ageing analysis at the end of each reporting period, and makes allowance for obsolete and slow-moving items. These estimates are based on the current market conditions and the historical experience of selling merchandise of similar nature. It could change as a result of changes in market conditions. Such changes will have impact on the carrying amounts of inventories and the allowance of the inventories in the period in which such estimates have been changed. The Group reassesses these estimates at the end of each reporting period.

(ii) Provision for impairment of receivables

The Group uses provision matrix to calculate ECLs for the trade receivables from the manufacturing and sales of toys segment. The provision rates are based on debtors' ageing as groupings of various debtors that have same credit periods and similar payment patterns. The provision matrix is based on the Group's historical default rates taking into consideration forward-looking information that is reasonable and supportable available without undue costs or effort. At the reporting date, the historical observed default rates are updated and changes in the forward-looking information are considered by the management.

The management estimates the amount of impairment allowance for ECLs on trade receivables from the financial services segment, other financial assets at amortised cost based on the credit risk of the respective financial instrument. The loss allowance is measured as the difference between the asset's carrying amount and the present value of estimate future cash flows with the consideration of expected future credit loss of the respective financial instrument and collateral value. The assessment of the credit risk of the respective financial instrument involves high degree of estimation and uncertainty about future economic conditions which have an adverse effect on debtors' business, debtors' creditworthiness, the payment delinquency or default in interest or principal payments, and fair values of collaterals.

5. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Estimation uncertainty (continued)

(iii) Impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment. For the purposes of impairment reviews, the recoverable amount of goodwill is determined based on value in use calculations. The value in use calculations primarily use cash flow projections based on five-year financial budgets approved by management. There are a number of assumptions and estimates involved in the preparation of cash flow projections for the period covered by the approved budgets. Key assumptions include the expected growth in revenues, timing of future capital expenditures, growth rates and selection of discount rates to reflect the risks involved. Management prepares the financial budgets reflecting actual and prior year performance and market development expectations. Judgements are required to determine key assumptions adopted in the cash flow projections and changes to key assumptions can significantly affect these cash flow projections and therefore the results of the impairment reviews.

(iv) Impairment loss on intangible assets

Determining whether an intangible asset is impaired requires an estimation of the future cash flow and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise.

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; and

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

(a) Reportable segments

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

6. OPERATING SEGMENT INFORMATION (continued)

(a) Reportable segments (continued)

Segment revenue and results

	Manufacturing and sales of toys HK$'000	Financial services HK$'000 (note(b))	Total HK$'000
For the year ended 31 March 2024			
External revenue	**166,431**	**10,828**	**177,259**
Cost of sales/financial services *(note(c))*	**(149,255)**	**(20,116)**	**(169,371)**
Segment profit/(loss)	**1,444**	**(67,071)**	**(65,627)**
Central administrative cost *(note(a))*			**(3,089)**
Finance cost			**(5,252)**
Loss before income tax expense			**(73,968)**

	Manufacturing and sales of toys HK$'000	Financial services HK$'000 (note(b))	Total HK$'000
For the year ended 31 March 2023			
External revenue	330,600	11,201	341,801
Cost of sales/financial services *(note(c))*	(296,867)	(20,455)	(317,322)
Segment profit/(loss)	2,131	(59,492)	(57,361)
Central administrative cost *(note(a))*			(3,879)
Gain on bargaining purchase			81
Finance cost			(11,096)
Loss before income tax expense			(72,255)

Notes:

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

(b) Segment loss for financial services segment for the year ended 31 March 2024 includes an impairment loss on goodwill of approximately HK$45,508,000 (2023: HK$36,161,000).

(c) Cost of financial services was grouped into administrative expenses of the consolidated statement of profit or loss and other comprehensive income.

6. OPERATING SEGMENT INFORMATION (continued)

(a) Reportable segments (continued)

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

Segment assets

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

	At 31 March	
	2024	2023
	HK$'000	HK$'000
Manufacturing and sales of toys	**39,256**	89,030
Financial services	**59,278**	92,899
Total segment assets	**98,534**	181,929
Unallocated	**78,017**	61,947
Consolidated assets	**176,551**	243,876

Segment liabilities

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

	At 31 March	
	2024	2023
	HK$'000	HK$'000
Manufacturing and sales of toys	**11,583**	20,190
Financial services	**69,944**	56,530
Total segment liabilities	**81,527**	76,720
Unallocated	**38,856**	40,692
Consolidated liabilities	**120,383**	117,412

6. OPERATING SEGMENT INFORMATION (continued)

(a) Reportable segments (continued)

Other segment information

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

For the year ended 31 March 2024

	Manufacturing and sales of toys HK$'000	**Financial services HK$'000**	**Total HK$'000**
Additions to property, plant and equipment	**–**	**194**	**194**
Depreciation of property, plant and equipment	**(4,288)**	**(117)**	**(4,405)**
Depreciation of right-of-use assets	**–**	**(4,460)**	**(4,460)**
Selling expenses	**(3,756)**	**–**	**(3,756)**
Impairment loss on goodwill	**–**	**(45,508)**	**(45,508)**
Impairment loss on intangible assets	**–**	**(585)**	**(585)**
Interest expenses	**–**	**(828)**	**(828)**

For the year ended 31 March 2023

	Manufacturing and sales of toys HK$'000	Financial services HK$'000	Total HK$'000
Additions to property, plant and equipment	5,577	101	5,678
Additions to Right-of-use assets	–	8,921	8,921
Depreciation of property, plant and equipment	(3,880)	(61)	(3,941)
Depreciation of right-of-use assets	–	(5,599)	(5,599)
Selling expenses	(7,521)	–	(7,521)
Impairment loss on goodwill	–	(36,161)	(36,161)
Interest expenses	(1,264)	(350)	(1,614)

6. OPERATING SEGMENT INFORMATION (continued)

(b) Geographical information

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

(i) Revenue from external customers

	Year ended 31 March	
	2024	2023
	HK$'000	HK$'000
North America *(note 1)*	**102,726**	187,651
Western Europe		
– United Kingdom	**7,291**	17,674
– France	**6,949**	14,937
– Others *(note 2)*	**13,924**	39,689
PRC and Taiwan	**4,836**	5,136
Central America, Caribbean and Mexico	**13,475**	31,120
Australia, New Zealand and Pacific Islands	**4,080**	11,206
Others *(note 3)*	**23,978**	34,388
Total	**177,259**	341,801

Notes

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

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

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

(ii) Specified non-current assets

	At 31 March	
	2024	2023
	HK$'000	HK$'000
Mainland China, the PRC	**3,346**	7,598
Hong Kong	**1,864**	52,359
Total	**5,210**	59,957

6. OPERATING SEGMENT INFORMATION (continued)

(c) Information about major customers

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

	Year ended 31 March	
	2024	2023
	HK$'000	HK$'000
Customer A	**132,442**	273,628
Customer B	**28,198**	N/A
Total	**160,640**	273,628

(d) Disaggregation of revenue from contracts with customers

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

	Manufacturing and sales of toys segment		Financial services segment		Total	
	2024	2023	**2024**	2023	**2024**	2023
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Timing of revenue recognition under HKFRS 15						
– At a point in time	**166,431**	330,600	**6,339**	7,554	**172,770**	338,154
– Over time	**–**	–	**4,489**	3,647	**4,489**	3,647
Total	**166,431**	330,600	**10,828**	11,201	**177,259**	341,801

Notes to the Consolidated Financial Statements

7. REVENUE

Revenue represents the net invoiced value of goods sold from manufacturing and sales of toys, after allowances for returns and trade discounts, and the provision of financial services. An analysis of revenue is as follows:

	Year ended 31 March	
	2024	2023
	HK$'000	HK$'000
Manufacturing and sales of toys	**166,431**	330,600
Financial services		
– Commission income from securities brokerage	**233**	499
– Advisory income and consultancy services income	**9,057**	9,454
– Handling fee income and other services income	**1,538**	1,248
Total	**177,259**	341,801

8. OTHER INCOME, GAINS AND LOSSES

	Year ended 31 March	
	2024	2023
	HK$'000	HK$'000
Other income		
Interest income from bank deposits	**828**	50
Office facilities service income	**–**	45
Moulding income	**6**	194
Rental income	**–**	152
Government grants *(note(a))*	**–**	960
	834	1,401
Other gains and losses		
Exchange gains, net	**97**	543
Gain on proceeds from investment property	**–**	100
Gain on bargain purchase	**–**	81
Waived amount due to subsidiary shareholders	**–**	113
Others	**498**	762
	595	1,599
Other income, gains and losses	**1,429**	3,000

Note:

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

9. LOSS BEFORE INCOME TAX EXPENSE

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

	Year ended 31 March	
	2024	2023
	HK$'000	HK$'000
Cost of inventories sold	**149,255**	296,867
Depreciation of property, plant and equipment	**4,405**	3,995
Depreciation of right-of-use assets	**4,460**	5,599
Employee benefits expenses		
Directors' remuneration *(note 11(a))*	**7,721**	13,534
Wages and salaries	**17,697**	19,378
Contribution to defined contribution plans	**495**	598
Other benefits	**722**	112
	26,635	33,622
Auditor's remuneration	**1,120**	1,545
Expense relating to short-term leases	**1,137**	2,293
Impairment loss on goodwill	**45,508**	36,161
Impairment loss on intangible assets	**585**	–
Rental income from investing property, less outgoings of HK$Nil (2023: HK$15,000)	**–**	(137)

10. FINANCE COSTS

	Year ended 31 March	
	2024	2023
	HK$'000	HK$'000
Interest on:		
– Bank borrowings	**–**	1,270
– Convertible notes	**2,533**	9,832
– Promissory notes	**2,719**	1,263
– Lease liabilities	**238**	344
	5,490	12,709

Notes to the Consolidated Financial Statements

11. DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID EMPLOYEES

(a) Directors' remuneration

Remuneration paid or payable to each director is disclosed as follows:

Year ended 31 March 2024	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Discretionary bonus HK$'000	Retirement scheme contribution HK$'000	Total HK$'000
Executive Directors					
Mr. Lau Ho Ming, Peter *(note (a))*	–	1,190	73	22	1,285
Mr. Poon Pak Ki, Eric	–	855	92	27	974
Mr. Chu, Raymond	–	3,000	–	18	3,018
Mr. Hau Yiu Por *(note (b))*	–	1,023	100	17	1,140
Ms. Tang Yuen Ching, Irene *(note (c))*	–	520	10	–	530
	–	6,588	275	84	6,947
Non-executive Director					
Madam Li Man Yee, Stella *(note (a))*	160	–	–	–	160
	160	–	–	–	160
Independent non-executive Directors					
Mr. Leung Po Wing, Bowen Joseph	226	–	–	–	226
Mr. Chan Siu Wing, Raymond	194	–	–	–	194
Mr. Wong Wah On, Edward	194	–	–	–	194
	614	–	–	–	614
Total	774	6,588	275	84	7,721

11. DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID EMPLOYEES (continued)

(a) Directors' remuneration (continued)

Year ended 31 March 2023	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Discretionary bonus HK$'000	Retirement scheme contribution HK$'000	Total HK$'000
Executive Directors					
Mr. Lau Ho Ming, Peter	–	1,740	800	87	2,627
Mr. Ng Kam Seng *(note (d))*	–	1,080	1,565	54	2,699
Mr. Poon Pak Ki, Eric	–	1,164	769	56	1,989
Mr. Chu, Raymond	–	3,000	–	18	3,018
Mr. Hau Yiu Por *(note (b))*	–	1,259	1,069	63	2,391
	–	8,243	4,203	278	12,724
Non-executive Director					
Madam Li Man Yee, Stella	240	–	–	–	240
	240	–	–	–	240
Independent non-executive Directors					
Mr. Leung Po Wing, Bowen Joseph	210	–	–	–	210
Mr. Chan Siu Wing, Raymond	180	–	–	–	180
Mr. Wong Wah On, Edward	180	–	–	–	180
	570	–	–	–	570
Total	810	8,243	4,203	278	13,534

Notes:

(a) Mr. Lau Ho Ming, Peter and Madam Li Man Yee, Stella retired on 9 November 2023.

(b) Mr. Hau Yiu Por was appointed as an executive Director on 1 December 2022.

(c) Ms. Tang Yuen Ching Irene was appointed as an executive Director on 9 November 2023.

(d) Mr. Ng Kam Seng resigned on 30 December 2022.

(e) The remunerations paid or payable to executive Directors of the Company were for their services in connection with the management of the affairs of the Group.

(f) The remunerations paid or payable to independent non-executive Directors' shown above were for their services as Directors.

11. DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID EMPLOYEES (continued)

(b) Five highest paid employees

The five individuals whose remuneration were the highest in the Group for the year ended 31 March 2024 included 5 Directors (2023: 5) and their remuneration is reflected in note 11(a). The remaining individual's emolument for the year ended 31 March 2024 is as follows:

	Year ended 31 March	
	2024	2023
	HK$'000	HK$'000
Salaries, allowances and benefits in kind	**–**	–
Contribution to defined contribution plans	**–**	–
	–	–

12. INCOME TAX EXPENSE

For the year ended 31 March 2024, Hong Kong Profits Tax of the selected entity was calculated at 8.25% (2023: 8.25%) of the first HK$2,000,000 estimated assessable profits and 16.5% (2023: 16.5%) of the remaining estimated assessable profits. Hong Kong Profits Tax for the remaining entities within the Group was calculated at 16.5% (2023: 16.5%) of the estimated assessable profits for the year ended 31 March 2024.

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

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

	Year ended 31 March	
	2024	2023
	HK$'000	HK$'000
Current – Hong Kong		
Over provision in prior years	**(10)**	–
Deferred tax expenses *(note 33)*	**–**	66
Income tax (credit)/expense for the year	**(10)**	66

12. 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	
	2024	2023
	HK$'000	HK$'000
Loss before income tax expense	**(73,968)**	(72,255)
Tax at the applicable tax rate of 16.5% (2023: 16.5%)	**(12,204)**	(11,922)
Tax effect of revenue not taxable for tax purposes	**–**	(157)
Tax effect of expenses not deductible for tax purposes	**9,532**	9,700
Tax effect of tax loss not recognised	**2,693**	3,295
Tax effect of temporary difference not recognised	**(21)**	(850)
Over-provision in prior years	**(10)**	–
Income tax (refund)/expense	**(10)**	66

No deferred tax asset has been recognised in respect of the unused tax losses of HK$250,343,000 (2023: HK$234,022,000) due to the unpredictability of future profit streams. The unused tax losses can be carried forward indefinitely.

13. DIVIDENDS

No dividend was paid or proposed during the year ended 31 March 2024, nor has any dividend been proposed since the end of the reporting period (2023: HK$ Nil).

14. LOSS PER SHARE

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

	Year ended 31 March	
	2024	2023
	HK$'000	HK$'000
Loss		
Loss for the year attributable to the owner of the Company	**(73,941)**	(72,321)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic loss per share	**1,474,232,000**	1,474,232,000

The calculation of basic loss per share attributable to the owners of the Company is based on the loss for the year ended 31 March 2024 of approximately HK$73,941,000 (2023: HK$72,321,000), and on the weighted average number of 1,474,232,000 (2023: 1,474,232,000) ordinary shares in issue during the year.

Diluted loss per share is the same as basic loss per share for the year ended 31 March 2024 (2023: same) as the impact of the potential dilutive ordinary shares outstanding including the convertible notes and outstanding options under the share option scheme have an anti-dilutive effect on the basic loss per share presented for the year ended 31 March 2024 (2023: anti-dilutive).

15. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements HK$'000	Plant and machinery HK$'000	Fixtures, furniture and office equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
31 March 2023					
Cost:					
At 1 April 2022	7,546	24,675	8,269	1,032	41,522
Additions	66	5,412	86	114	5,678
Disposals	(3,734)	(11,112)	(90)	–	(14,936)
At 31 March 2023	3,878	18,975	8,265	1,146	32,264
Accumulated depreciation:					
At 1 April 2022	4,473	21,831	8,133	1,032	35,469
Depreciation charge for the year	1,218	2,601	85	37	3,941
Disposals	(3,734)	(11,112)	(90)	–	(14,936)
At 31 March 2023	1,957	13,320	8,128	1,069	24,474
Carrying value:					
At 31 March 2023	1,921	5,655	137	77	7,790

15. PROPERTY, PLANT AND EQUIPMENT (continued)

	Leasehold improvements HK$'000	Plant and machinery HK$'000	Fixtures, furniture and office equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
31 March 2024					
Cost:					
At 1 April 2023	**3,878**	**18,975**	**8,265**	**1,146**	**32,264**
Additions	**–**	**–**	**194**	**–**	**194**
At 31 March 2024	**3,878**	**18,975**	**8,459**	**1,146**	**32,458**
Accumulated depreciation:					
At 1 April 2023	**1,957**	**13,320**	**8,128**	**1,069**	**24,474**
Depreciation charge for the year	**1,230**	**3,004**	**131**	**40**	**4,405**
At 31 March 2024	**3,187**	**16,324**	**8,259**	**1,109**	**28,879**
Carrying value:					
At 31 March 2024	**691**	**2,651**	**200**	**37**	**3,579**

16. RIGHT-OF-USE ASSETS

The Group leases certain properties in Hong Kong. The periodic rent is fixed over the lease term.

The movements in right-of-use assets during the year are as follows:

	Rented premises HK$'000
At 1 April 2022	1,980
Additions	8,921
Acquisition of subsidiary	789
Depreciation	(5,599)
At 31 March 2023 and 1 April 2023	**6,091**
Depreciation	(4,460)
At 31 March 2024	**1,631**

16. RIGHT-OF-USE ASSETS (continued)

	2024 HK$'000	2023 HK$'000
Expense relating to short-term leases	**1,519**	2,591
Total cash outflow for leases	**6,024**	8,605

The Group regularly entered into short-term leases for office. As at 31 March 2024 and 2023, the portfolio of short-term leases is similar to the portfolio of short-term leases to which the short-term lease expense disclosed above.

17. INVESTMENT PROPERTY

	2024 HK$'000	2023 HK$'000
At 1 April 2023/2022 (level 3 recurring fair value)	**–**	7,000
Disposal	**–**	(7,000)
At 31 March 2024/2023 (level 3 recurring fair value)	**–**	–

The sale of investment property has taken place on 21 December 2022 with HK$7,100,000.

18. GOODWILL

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

	Financial services HK$'000
Cost	
At 1 April 2022, 31 March 2023 and **31 March 2024**	**184,783**
Impairment	
At 1 April 2022	(103,114)
Impairment loss	(36,161)
At 31 March 2023 and 1 April 2023	(139,275)
Impairment loss	(45,508)
At 31 March 2024	**(184,783)**
Carrying amount	
At 31 March 2024	**–**
At 31 March 2023	45,508

18. GOODWILL (continued)

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

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

As at 31 March 2024, 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 15.53% (2023: 12.53%) estimated by the management. Growth rate used to extrapolate the cash flows beyond the five-year budget plan is 2.5% (2023: 3%) which reflects the long term growth rate of the industry as forecast by the management. The key assumptions have been determined by the Group's management based on past performance, existing signed mandates and engagements, business plans and outlook and its expectations for the industry development As there was a material deterioration in placing and underwriting services of CSL in the financial year ended 31 March 2024 when compared with its forecasted performance made in the previous financial year and in the local capital market environment, the cash flow projections in the next five years have been revised downwards in view of their unfavourable performance resulting from the deteriorated economic environment. As a result, the recoverable amount of CGU in relation to CSL was reduced to zero (2023: HK$49,000,000), which is lower than its carrying amount of approximately HK$44,548,000. Accordingly, impairment loss on goodwill of approximately HK$42,208,000 (2023: HK$36,161,000) was recognised for the year ended 31 March 2024.

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

	At 31 March 2024	At 31 March 2023
Budgeted EBIT margin (average of next five years)	**-11.41%**	7.2%
Range of budgeted EBIT margin during next five years	**-15.32% – 0.91%**	-5.2% to 16.4%
Revenue growth rate within 5 years	**-7.63% – 595.64%**	-6.43% – 632.03%
Long-term growth rate	**2.5%**	3.0%
Pre-tax discount rate	**15.53%**	12.53%

18. GOODWILL (continued)

As at 31 March 2024 and 2023, the recoverable amount of the CGU in relation to CAM was based on fair value less cost of disposal using direct comparison approach as detailed below. During the year ended 31 March 2024, an impairment loss on goodwill of HK$3,300,000 (2023: Nil) was recognised as the carrying amount exceeded the recoverable amount of the CGU. The level in the fair value hierarchy in arriving at the above recoverable amount is considered under Level 3. The cost of disposal of CAM is estimated by the management as immaterial.

The fair value of CAM as at 31 March 2024 is determined using adjusted net assets value of CAM. The fair value of CAM as at 31 March 2023 is determined using direct comparison approach by reference to recent sales price of comparable companies that have similar business model to CAM, with an adjustment on the share price changes of the comparable companies from the transaction dates to the year-end date. Higher negative impact on the change in share prices of the comparable companies will result in a lower fair value measurement, and vice versa.

Significant unobservable inputs	**At 31 March 2024 Range**	At 31 March 2023 Range
Share price changes of the comparable companies	**Not applicable**	–57% to –74%
Net assets value	**HK$211,000**	Not applicable

19. INTANGIBLE ASSETS

	Trading rights, trademarks and website HK$'000
Cost:	
At 1 April 2022, 31 March 2023 and 1 April 2023	568
Additions	17
At 31 March 2024	**585**
Impairment	
At 1 April 2022, 31 March 2023 and 1 April 2023	–
Impairment loss	(585)
At 31 March 2024	**(585)**
Carrying amount	
At 31 March 2024	**–**
At 31 March 2023	568

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

Trading rights, trademarks and website are considered by the Directors as having indefinite useful lives because there is no foreseeable limit on the period over which the trading rights, trademarks and website are expected to generate cash flows to CSL. Trading rights, trademarks and website are not amortised until their useful lives are determined to be finite. Instead, they are tested for impairment annually and whenever there is an indication that it may be impaired. Details of impairment assessment are set out in note 18.

In respect of the intangible assets which were allocated in the CGU of CSL, the Directors conducted a review of the recoverable amounts of the CGU containing the intangible assets during the year ended 31 March 2024. The recoverable amount for the CGU were determined based on value in use calculations using cash flows projections covering the useful life of the intangible assets. The recoverable amount of the CGU was reduced to zero and accordingly an impairment loss on the intangible assets of HK$585,000 is recognised in profit or loss for the year ended 31 March 2024. Further details on impairment assessment of the CGU of the financial services segment are set out in note 18.

20. INVENTORIES

	At 31 March 2024 HK$'000	2023 HK$'000
Raw materials	**9,282**	21,377
Finished goods	**7,146**	30,350
	16,428	51,727

21. TRADE RECEIVABLES

	At 31 March 2024 HK$'000	2023 HK$'000
Trade receivables from Financial services segment	**6,293**	9,949
Trade receivables from Manufacturing and sales of toys segment	**18,661**	28,405
	24,954	38,354

Trade receivables from Financial services segment

	At 31 March 2024 HK$'000	2023 HK$'000
Accounts receivable arising from the ordinary course of business of securities brokerage:		
– Cash clients *(note(a))*	**89**	1,261
– Clearing house	**350**	47
Accounts receivable arising from the ordinary course of business of provision of:		
– Placing commission	**6,452**	9,890
– Advisory services	**1,402**	901
	8,293	12,099
Less: Allowance for impairment loss *(note(b))*	**(2,000)**	(2,150)
	6,293	9,949

21. TRADE RECEIVABLES (continued)

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

	At 31 March	
	2024	2023
	HK$'000	HK$'000
Neither past due nor impaired	**439**	667
Less than 1 month past due	**1,152**	1,176
1 to 3 months past due	**101**	–
Over 3 months past due	**4,601**	8,106
	6,293	9,949

Notes:

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

(b) *Expected loss rates are based on actual loss experience over the past 3 years. These rates are adjusted to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.*

In the view of the fact that those receivables related to a number of diversified cash clients, clearing house and issues clients, the historical settlement track records of the clients, and no significant increase in credit risk since initial recognition and the respective balance at the end of the reporting period, therefore, the Directors considered the ECL of those balances was immaterial to be recognised for the year ended 31 March 2023.

As at 31 March 2024, included in the Group's trade receivables balance were debtors with aggregate carrying amount HK$4,601,000 which was past due over 3 months and was considered as credit-impaired. ECL of HK$2,000,000 has been recognised during the year ended 31 March 2023. For the remaining receivables related to cash clients, clearing house and institutions, in the view of the historical settlement track records of the clients, and no significant increase in credit risk since initial recognition and the respective balance at the end of the reporting period, the Directors considered the ECL of those balances past due within 90 days was immaterial for the year ended 31 March 2024.

21. TRADE RECEIVABLES (continued)

	Life time ECL (credit impaired) HK$'000
As at 1 April 2022	–
ECL charged to profit or loss	2,150
As at 31 March 2023 and 1 April 2023	2,150
Bed debts written off	(150)
As at 31 March 2024	**2,000**

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

Trade receivables from Manufacturing and sales of toys segment

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

	At 31 March	
	2024 HK$'000	2023 HK$'000
Current to 30 days	**8,308**	7,671
31 to 60 days	**1,407**	3,152
61 to 90 days	**8,604**	15,745
Over 90 days	**342**	1,837
	18,661	28,405

21. TRADE RECEIVABLES (continued)

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

	At 31 March	
	2024	2023
	HK$'000	HK$'000
Not past due	**17,790**	26,127
Less than 1 month past due	**539**	1,749
1 to 3 months past due	**332**	418
Over 3 months past due	**–**	111
	18,661	28,405

Further details on the Group's credit policy and credit risk arising from trade receivables from financial services segment and manufacturing and sales of toys segment are set out in note 42.

22. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	At 31 March	
	2024	2023
	HK$'000	HK$'000
Non-current assets:		
Deposits	**200**	376
Current assets:		
Prepayments	**1,133**	1,476
Deposits	**1,138**	1,143
Other receivables	**67**	41
	2,338	2,660

23. CASH AND BANK BALANCES HELD ON BEHALF OF CUSTOMERS

The Group maintains segregated trust accounts with authorised institutions to hold clients' monies arising from its normal course of business. The Group has classified the clients' monies as cash and bank balances held on behalf of customers under the current assets section of the consolidated statement of financial position and recognised the corresponding trade payable (note 25) to respective clients on the grounds that it is liable for any loss or misappropriation of clients' monies. The cash held on behalf of customers is restricted and governed by the Securities and Futures (Client Money) Rules under the Securities and Futures Ordinance.

24. TIME DEPOSITS AND CASH AND CASH EQUIVALENTS

	At 31 March	
	2024	2023
	HK$'000	HK$'000
Cash and cash equivalents were denominated in (note(a)):		
– HK$	**50,821**	57,057
– Renminbi("**RMB**")	**98**	4,790
– United States Dollars ("**US$**")	**6,271**	101
– Singapore Dollars ("**SGD**")	**347**	–
	57,537	61,948
Time deposits in (note(b)):		
– HK$	**20,480**	–

Notes:

(a) Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default.

(b) Time deposits as at 31 March 2024 represented bank deposits placed in banks in Hong Kong and carry interest at approximately 4.63% per annum. The time deposits were matured on 15 April 2024.

25. TRADE PAYABLES

	At 31 March 2024 HK$'000	2023 HK$'000
Trade payables from Financial services segment	**53,426**	35,912
Trade payables from Manufacturing and sales of toys segment	**10,556**	18,852
	63,982	54,764

Trade payables from Financial services segment

	At 31 March 2024 HK$'000	2023 HK$'000
Accounts payable arising from the ordinary course of business of securities brokerage and margin financing:		
– Cash clients	**49,470**	28,547
– Brokers and clearing house	**3,956**	7,365
	53,426	35,912

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

As at 31 March 2024, included in trade payable was an amount of approximately HK$49,032,000 (2023: HK$28,471,000) 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.

25. TRADE PAYABLES (continued)

Trade payables from Manufacturing and sales of toys segment

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

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

	At 31 March	
	2024	2023
	HK$'000	HK$'000
Current to 30 days	**9,779**	16,495
31 to 60 days	**408**	2,068
61 to 90 days	**366**	11
91 to 365 days	**3**	278
	10,556	18,852

26. RECEIPTS IN ADVANCE, ACCRUALS AND OTHER PAYABLES

	At 31 March 2024 HK$'000	2023 HK$'000
Accruals	**2,982**	3,125
Other payables	**951**	1,044
	3,933	4,169

27. LEASE LIABILITIES

The analysis of the present value of the future lease payments is as follows:

	As at 31 March 2024 HK$'000	2023 HK$'000
Analysed for reporting purpose as:		
Current liabilities	**1,719**	4,505
Non-current liabilities	**–**	1,719
	1,719	6,224

Movement of lease liabilities during the year:

	2024 HK$'000	2023 HK$'000
Leased premises		
At 1 April	**6,224**	2,087
Acquisition of subsidiary	**–**	887
Additions	**–**	8,921
Interest expense	**238**	344
Lease payments	**(4,743)**	(6,015)
At 31 March	**1,719**	6,224

27. LEASE LIABILITIES (continued)

	As at 31 March 2024		As at 31 March 2023	
	Future lease payments HK$'000	**Present value of Future lease payments HK$'000**	Future lease payments HK$'000	Present value of Future lease payments HK$'000
Within one year	**1,734**	**1,719**	4,743	4,505
Within a period of more than one year but no more than two years	**–**	**–**	1,734	1,719
	1,734	**1,719**	6,477	6,224
Less: future interest expenses	**(15)**	**–**	(253)	–
Present value of lease liabilities	**1,719**	**1,719**	6,224	6,224
Less: Amounts due for settlement within twelve months (shown under current liabilities)		**1,719**		(4,505)
Amounts due for settlement after twelve months (shown under non-current liabilities)		**–**		1,719

The Group discounted the lease liabilities at the weighted average incremental borrowing rate of 6.28% for the year ended 31 March 2024 (2023: 7.94%).

28. PROMISSORY NOTES PAYABLE

On 16 May 2023, the Group entered into an agreement with Benefit Global Limited, an independent third party pursuant to which the Group issued a promissory note (the "**2023 PN**") with a principal amount of HK$31.0 million. The 2023 PN is unsecured and denominated in HK$. The 2023 PN is bearing interest at fixed rate of 10% per annum and is repayable on 16 May 2026. The Company may at any time before the maturity date redeem the 2023 PN (in whole or in part) at 100% of the principal amount of the 2023 PN together with any accrued but unpaid interest (the early redemption option). The exercise price of the early redemption option is approximately equal to the amortised cost of the 2023 PN. Therefore, the early redemption option is not separately accounted for because it is considered to be closely related to the host debt.

29. CONVERTIBLE NOTES

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

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

During the year ended 31 March 2024 and 31 March 2023, none of the 2020 CN was converted into ordinary shares of the Company. The 2020 CN was early redeemed in full during the year ended 31 March 2024.

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

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

29. CONVERTIBLE NOTES (continued)

(a) (continued)

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

	At 31 March	
	2024	2023
	HK$'000	HK$'000
At 1 April	**39,036**	31,604
Effective interest expense	**1,260**	9,832
Interest paid	**(296)**	(2,400)
Redemption	**(40,000)**	–
At 31 March	**–**	39,036
Current	**–**	39,036
Non-Current	**–**	–
At 31 March	**–**	39,036

(b) On 16 May 2023, the Company issued unsecured convertible notes (the "**2023 CN**") with principal amount of HK$9,000,000 and the 2023 PN in the principal amount of HK$31.0 million to Benefit Global Limited, an independent third party, for redeeming the convertible notes issued in 2020. The 2023 CN bears interest at 6% per annum and carry a right to convert the principal amount into shares of US$0.000025 each in the share capital of the Company at a conversion price of HK$0.081 per share during the period from 16 May 2023 to 16 May 2026. The Company may at any time before the maturity date redeem the 2023 CN (in whole or in part) at 100% of the principal amount of the 2023 CN together with any accrued but unpaid interest. Any amount of the 2023 CN which remains outstanding on the maturity date will be redeemed at their then outstanding principal amount together with any accrued but unpaid interest.

2023 CN contains two components, liability component and equity component. Liability component represents the present value of the contractually determined stream of future cash flows discounted at the prevailing market interest rate at that time applicable to instruments of comparable credit status and providing substantially the same cash flows, on the same terms, with the issuer early redemption option. The exercise price of the early redemption option is approximately equal to the amortised cost of the convertible notes before separating the equity component. Therefore the early redemption option is not separately accounted for because it is considered to be closely related to the host debt. Equity component represents the conversion options, which is determined by deducting the fair value of the liability component from the proceeds of issue of the 2023 CN as a whole. The effective interest rate of the liability component is 25.53% per annum.

During the year ended 31 March 2024, none of the 2023 CN was converted into ordinary shares of the Company.

29. CONVERTIBLE NOTES (continued)

(b) (continued)

The 2023 CN recognised in the consolidated statement of financial position at initial recognition is as follows:

	HK$'000
Fair value of the 2023 CN at 16 May 2023	9,000
Equity component	(3,662)
Fair value of liability component on initial recognition	5,338

The movements of the liability component of 2023 CN for the year are set out below:

	HK$'000
At 1 April 2023	–
2023 CN issued	5,338
Effective interest expense	1,273
Interest paid	(473)
At 31 March 2024	**6,138**
Current	–
Non-Current	6,138
At 31 March 2024	**6,138**

30. SHARE CAPITAL

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

	2024 Number of shares	2024 HK$'000	2023 Number of shares	2023 HK$'000
Authorised:				
Ordinary shares of US$0.000025 each				
At 1 April and 31 March	**6,000,000,000**	**1,168**	6,000,000,000	1,168
Issued and fully paid:				
Ordinary shares of US$0.000025 each				
At 1 April and 31 March	**1,474,232,000**	**287**	1,474,232,000	287

31. RESERVES

Details of the movements in the reserves of the Company during the year are as follows:

	Share premium HK$'000	Accumulated losses HK$'000	Share option reserve HK$'000	Convertible notes equity reserve HK$'000	Total HK$'000
At 1 April 2022	418,769	(290,066)	51,680	17,825	198,208
Lapse of share options	–	23,366	(23,366)	–	–
Loss and total comprehensive income for the year	–	(74,475)	–	–	(74,475)
At 31 March 2023 and 1 April 2023	**418,769**	**(341,175)**	**28,314**	**17,825**	**123,733**
Lapse of share options	**–**	**813**	**(813)**	**–**	**–**
Issuing new convertible notes	**–**	**–**	**–**	**3,662**	**3,662**
Redemption of convertible notes	**–**	**17,825**	**–**	**(17,825)**	**–**
Loss and total comprehensive income for the year	**–**	**(80,681)**	**–**	**–**	**(80,681)**
At 31 March 2024	**418,769**	**(403,218)**	**27,501**	**3,662**	**46,714**

32. EQUITY SETTLED SHARE-BASED PAYMENTS

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

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

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

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

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

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

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

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

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

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

32. EQUITY SETTLED SHARE-BASED PAYMENTS (continued)

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

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

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

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

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

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

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

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

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

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

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

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

Notes to the Consolidated Financial Statements

32. 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 2024:

		Number of share options				
	Exercise price *(note 1)*	Balance as at 1 April 2023 *(note 1)*	Forfeited during the year	Balance as at 31 March 2024	Date of grant of share options	Exercisable periods of share options
Executive Directors						
– Lau Ho Ming, Peter *(note 2)*	HK$1.02	4,000,000	–	**4,000,000**	3 July 2015	3 July 2015 to 2 July 2025
– Poon Pak Ki, Eric	HK$1.02	5,400,000	–	**5,400,000**	3 July 2015	3 July 2015 to 2 July 2025
	HK$0.748	7,500,000	–	**7,500,000**	24 March 2016	24 March 2016 to 23 March 2026
– Chu, Raymond	HK$0.748	12,847,800	–	**12,847,800**	24 March 2016	24 March 2016 to 23 March 2026
– Hau Yiu Por *(note 3)*	HK$1.02	5,400,000	–	**5,400,000**	3 July 2015	3 July 2015 to 2 July 2025
	HK$0.748	6,800,000	–	**6,800,000**	24 March 2016	24 March 2016 to 23 March 2026
– Tang Yuen Ching, Irene *(note 4)*	HK$1.02	600,000	–	**600,000**	3 July 2015	3 July 2015 to 2 July 2025
	HK$0.748	600,000	–	**600,000**	24 March 2016	24 March 2016 to 23 March 2026
Non-executive Directors						
– Li Man Yee, Stella *(note 2)*	HK$1.02	1,400,000	–	**1,400,000**	3 July 2015	3 July 2015 to 2 July 2025

32. 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 2024 (continued):

	Exercise price *(note 1)*	Number of share options Balance as at 1 April 2023 *(note 1)*	Forfeited during the year	Balance as at 31 March 2024	Date of grant of share options	Exercisable periods of share options
Independent Non-executive Directors						
– Leung Po Wing, Bowen Joseph	HK$1.02	1,400,000	–	**1,400,000**	3 July 2015	3 July 2015 to 2 July 2025
	HK$0.748	1,400,000	–	**1,400,000**	24 March 2016	24 March 2016 to 23 March 2026
– Chan Siu Wing, Raymond	HK$1.02	1,400,000	–	**1,400,000**	3 July 2015	3 July 2015 to 2 July 2025
	HK$0.748	1,400,000	–	**1,400,000**	24 March 2016	24 March 2016 to 23 March 2026
– Wong Wah On, Edward	HK$0.748	1,400,000	–	**1,400,000**	24 March 2016	24 March 2016 to 23 March 2026
Employees *(note 4)*	HK$1.02	2,600,000	(1,400,000)	**1,200,000**	3 July 2015	3 July 2015 to 2 July 2025
	HK$0.748	14,456,000	(400,000)	**14,056,000**	24 March 2016	24 March 2016 to 23 March 2026
Total		**68,603,800**	**(1,800,000)**	**66,803,800**		

32. EQUITY SETTLED SHARE-BASED PAYMENTS (continued)

Set out below are details of movements of the outstanding share options granted under the Share Option Scheme during the year ended 31 March 2023:

		Number of share options				
	Exercise price *(note 1)*	Balance as at 1 April 2022 *(note 1)*	Forfeited during the year	Balance as at 31 March 2023	Date of grant of share options	Exercisable periods of share options
Executive Directors						
– Lau Ho Ming, Peter	HK$1.02	4,000,000	–	4,000,000	3 July 2015	3 July 2015 to 2 July 2025
– Ng Kam Seng *(note 5)*	HK$1.02	5,400,000	(5,400,000)	–	3 July 2015	3 July 2015 to 2 July 2025
	HK$0.748	7,500,000	(7,500,000)	–	24 March 2016	24 March 2016 to 23 March 2026
– Poon Pak Ki, Eric	HK$1.02	5,400,000	–	5,400,000	3 July 2015	3 July 2015 to 2 July 2025
	HK$0.748	7,500,000	–	7,500,000	24 March 2016	24 March 2016 to 23 March 2026
– Chu, Raymond	HK$0.748	12,847,800	–	12,847,800	24 March 2016	24 March 2016 to 23 March 2026
– Hau Yiu Por *(note 3)*	HK$1.02	5,400,000	–	5,400,000	3 July 2015	3 July 2015 to 2 July 2025
	HK$0.748	6,800,000	–	6,800,000	24 March 2016	24 March 2016 to 23 March 2026
Non-executive Directors						
– Li Man Yee, Stella	HK$1.02	1,400,000	–	1,400,000	3 July 2015	3 July 2015 to 2 July 2025
– Wang Zhao *(Note 6)*	HK$1.02	1,400,000	(1,400,000)	–	3 July 2015	3 July 2015 to 2 July 2025

32. EQUITY SETTLED SHARE-BASED PAYMENTS (continued)

Set out below are details of movements of the outstanding share options granted under the Share Option Scheme during the year ended 31 March 2023: (continued)

	Exercise price *(note 1)*	Number of share options: Balance as at 1 April 2022 *(note 1)*	Number of share options: Forfeited during the year	Number of share options: Balance as at 31 March 2023	Date of grant of share options	Exercisable periods of share options
Independent Non-executive Directors						
– Leung Po Wing, Bowen Joseph	HK$1.02	1,400,000	–	1,400,000	3 July 2015	3 July 2015 to 2 July 2025
	HK$0.748	1,400,000	–	1,400,000	24 March 2016	24 March 2016 to 23 March 2026
– Chan Siu Wing, Raymond	HK$1.02	1,400,000	–	1,400,000	3 July 2015	3 July 2015 to 2 July 2025
	HK$0.748	1,400,000	–	1,400,000	24 March 2016	24 March 2016 to 23 March 2026
– Wong Wah On, Edward	HK$0.748	1,400,000	–	1,400,000	24 March 2016	24 March 2016 to 23 March 2026
Employees *(note 3)*	HK$1.02	3,200,000	–	3,200,000	3 July 2015	3 July 2015 to 2 July 2025
	HK$0.748	28,603,800	(13,547,800)	15,056,000	24 March 2016	24 March 2016 to 23 March 2026
Consultants	HK$0.25	1,120,000	(1,120,000)	–	17 March 2014	17 March 2014 to 16 March 2024
	HK$1.02	19,600,000	(19,600,000)	–	3 July 2015	3 July 2015 to 2 July 2025
	HK$0.748	12,300,000	(12,300,000)	–	24 March 2016	24 March 2016 to 23 March 2026
Total		**129,471,600**	**(60,867,800)**	**68,603,800**		

32. EQUITY SETTLED SHARE-BASED PAYMENTS (continued)

Notes:

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

2. *Mr. Lau Ho Ming, Peter and Madam Li Man Yee, Stella retired on 9 November 2023.*

3. *Mr. Hau Yiu Por was appointed as an executive Director on 1 December 2022 and hence the balance as at 1 April 2022 has been restated.*

4. *Ms. Tang Yuen Ching, Irene was appointed as an executive Director on 9 November 2023 and hence the balance as at 1 April 2023 has been restated.*

5. *Mr. Ng Kam Seng was re-appointed as an executive Director on 1 May 2021 and resigned on 1 December 2022.*

6. *Mr. Wang Zhao resigned as a non-executive Director on 27 November 2015.*

There was no equity settled share-based payment expenses incurred for each of the reporting period ended on 31 March 2024 and 2023 respectively.

The following share options were outstanding during the year:

	2024		2023	
	Weighted average exercise price per share $	**Number of options**	Weighted average exercise price per share $	Number of options
At 1 April	**0.84**	**68,603,800**	0.84	129,471,600
Lapsed during the year	**0.86**	**(1,800,000)**	0.86	(60,867,800)
At 31 March	**0.84**	**66,803,800**	0.84	68,603,800

The weighted average share price at the date of exercise of options exercised during the year ended 31 March 2024 was HK$0.84. The exercise price of share options outstanding at the end of the reporting period ranged between HK$0.748 to HK$1.02 (after the share sub-division) and their weighted average remaining contractual life was approximately 1.71 years (2023: 2.71 years).

Of the total number of share options outstanding as at 31 March 2024, no share option had not been vested and were not exercisable (2023: Nil).

As at 31 March 2024, the number of shares that may be issued in respect of share options granted under the Share Option Scheme divided by the weighted average number of Shares in issue during the current year was 4.5%.

33. DEFERRED TAX

Details of the deferred tax liabilities recognised and movements during the year:

	Accelerated tax depreciation HK$'000
At 1 April 2022	(112)
Charged to profit or loss	(66)
31 March 2023, 1 April 2023 and **31 March 2024**	(178)

34. AMOUNT DUE TO NON-CONTROLLING INTERESTS

The amount due to non-controlling interests were non-trade in nature, unsecured, interest-free and will not be demanded for repayment within 24 months from the date of 3 May 2022.

35. ACQUISITION OF SUBSIDIARIES

Year ended 31 March 2023

On 10 February 2022, Crosby Asia Limited (a wholly-owned subsidiary of the Company), entered into a subscription agreement with Ballas Group Limited to subscribe for such number of ordinary shares in Ballas Group Limited as representing about 52% of the enlarged issued share capital of Ballas Group Limited for a total consideration paid US$52 (HK$408). Ballas Group Limited owns the entire issued share capital of Ballas Capital Limited, which is a company incorporated in Hong Kong and licensed to carry on Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the Securities and Futures Ordinance of Hong Kong. Ballas Capital Limited is also licensed to act as sponsors for listings on the Stock Exchange and advise on matters relating to the Hong Kong Codes on Takeovers and Mergers. The subscription did not constitute a notifiable transaction of the Company under the Listing Rules.

The transaction completed on 3 May 2022. Upon the completion of the transaction, Ballas Group Limited and Ballas Capital Limited ("**Ballas Group**") became indirect non-wholly owned subsidiaries of the Company. Ballas Group are principally engaged in provision of corporate finance advisory services and underwriting and placing services.

The purchase consideration of the acquisition comprised of cash of US$52 (equivalent to HK$408).

No acquisition-related costs were incurred.

35. ACQUISITION OF SUBSIDIARIES (continued)

The fair values of the identifiable assets and liabilities of Ballas Group at date of acquisitions were as follows:

	HK$'000
Right of use assets	789
Trade receivables	683
Deposits	526
Prepayment & other receivables	266
Cash and cash equivalents	11,968
Other payables and accruals	(35)
Lease liabilities	(887)
Amount due to shareholders	(13,154)
	156
Non-controlling interests	(75)
Net assets acquired	81

Bargaining purchase arising on acquisitions:

	HK$'000
Consideration paid	–
Less: net assets acquired	(81)
Gain on bargain purchase	(81)

The Group recognised a gain on bargain purchase of approximately HK$81,000 in the business combination.

Net cash outflow on acquisitions of Ballas Group was as follows:

	HK$'000
Cash consideration paid	–
Less: cash and cash equivalent balances acquired	(11,968)
Net cash inflow on acquisitions	(11,968)

Since its acquisition, Ballas Group contributed revenue of HK$5,627,000 and net profit of HK$384 to the Group for the period from 3 May 2022 to 31 March 2023. Had the combination taken place on 1 April 2022, the revenue and the loss before income tax expense of the Group for the year ended 31 March 2023 would have been HK$350,137,000 and HK$72,701,000 respectively. This pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 April 2022, nor intended to be a projection of future results.

36. INTERESTS IN SUBSIDIARIES

Details of the subsidiaries are as follows:

Company name	Place and date of incorporation/ establishment	Particulars of issued and fully paid share capital	Percentage of equity attributable to the Company Direct %	Percentage of equity attributable to the Company Indirect %	Place of operation and principal activities
Subsidiaries					
Turbo Gain Investments Limited	British Virgin Islands, 2 March 2012	1 ordinary share of US$1 each	100 (2023: 100)	–	British Virgin Islands/Investment holding
Crosby Asia Limited ("**CAL**")	British Virgin Islands, 23 April 2015	1 ordinary share of US$1 each	100 (2023: 100)	–	British Virgin Islands/Investment holding
Fortunate Tranquil Limited	British Virgin Islands, 18 January 2018	1 ordinary share of US$1 each	100 (2023: 100)	–	British Virgin Islands/Investment holding
Qualiman Industrial Co. Limited	Hong Kong, 14 November 1996	Ordinary shares of HK$1,000,000	–	100 (2023: 100)	Hong Kong and the People's Republic of China/Manufacture and trading of toys and other products
Crosby Securities Limited	Hong Kong, 23 May 2012	Ordinary shares of HK$233,644,510 (2023: HK$223,644,510)	–	100 (2023: 100)	Hong Kong/Securities brokerage, securities margin financing, provision of investment advisory, corporate finance advisory and asset management services
Crosby Asset Management (Hong Kong) Limited	Hong Kong, 30 May 1986	Ordinary shares of HK$25,782,332	–	100 (2023: 100)	Hong Kong/Provision of investment advisory and fund management services
Crosby Financial Products Limited	Hong Kong, 11 December 2015	Ordinary shares of HK$1	–	100 (2023: 100)	Hong Kong/Trading and investment in securities, debts and funds
Ballas Group Limited("**Ballas**") *(note (a))*	Republic of Seychelles, 17 August 2016	100 Ordinary shares of US$1 each	–	52% (2023: 52%)	Republic of Seychelles/Investment holding
Ballas Capital Limited *(note (a))*	Hong Kong, 17 August 2016	Ordinary shares of HK$15,000,000	–	52% (2023: 52%)	Hong Kong/Corporate finance advisory services and underwriting and placing services

Note:

(a) On 3 May 2022, CAL subscribe 52% of the enlarged issued share capital of Ballas. Ballas owns the entire issued share capital of Ballas Capital Limited.

None of the subsidiaries had issued any debt securities at the end of the year. Balances with subsidiaries are unsecured, interest-free and repayable on demand.

37. RELATED PARTY TRANSACTIONS

(i) In addition to the transactions detailed elsewhere in this consolidated financial statements, the Group had the following material transactions with related parties during the year:

Relationship/name of related party	Nature of transaction	Year ended 31 March	
		2024	2023
		HK$'000	HK$'000
Companies controlled by Mr. Lau Ho Ming, Peter and Madam Li Man Yee, Stella			
Gold Prospect Capital Resources Limited	Rental expenses (a)	**1,519**	2,591

(a) The rental expenses paid to Gold Prospect Capital Resources Limited were mutually agreed between the Group and the related party.

(ii) Compensation of key management personnel of the Group, including Directors' remuneration as disclosed in note 11(a) is as follows:

	Year ended 31 March	
	2024	2023
	HK$'000	HK$'000
Salaries, allowances and benefits in kind	**9,224**	11,135
Discretionary bonus	**275**	3,134
Contribution to defined contribution plans	**145**	311
	9,644	14,580

38. CONTINGENT LIABILITIES

The Group did not have any contingent liabilities as at 31 March 2024 (2023: Nil).

39. CAPITAL COMMITMENTS

As at 31 March 2024, the Group did not have any capital commitments (2023: Nil).

40. OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES

The following tables present details of financial instruments subject to offsetting, enforceable master netting arrangements and similar agreements.

	Financial assets subject to offsetting				
				Related amounts not offset in the consolidated statement of financial position	
	Gross amount of recognised financial assets	**Gross amount of recognised financial liabilities offset in the consolidated statement of financial position**	**Net amount of financial assets presented in the consolidated statement of financial position**	**Cash collateral received**	**Net amount**
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 31 March 2024					
Type of financial assets					
Trade receivables from Hong Kong Securities Clearing Company Limited ("**HKSCC**")	**439**	**(89)**	**350**	**372**	**722**
At 31 March 2023					
Type of financial assets					
Trade receivables from HKSCC	77	(30)	47	383	430

	Financial liabilities subject to offsetting				
				Related amounts not offset in the consolidated statement of financial position	
	Gross amount of recognised financial liabilities	**Gross amount of recognised financial assets offset in the consolidated statement of financial position**	**Net amount of financial liabilities presented in the consolidated statement of financial position**	**Cash collateral received**	**Net amount**
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 31 March 2024					
Type of financial liabilities					
Trade payables from HKSCC	**89**	**(89)**	**–**	**–**	**–**
At 31 March 2023					
Type of financial liabilities					
Trade payables from HKSCC	30	(30)	–	–	–

41. FINANCIAL INSTRUMENTS BY CATEGORY

The following table shows the carrying amounts and fair value of financial assets and liabilities of the Group at the end of the reporting period:

Financial assets

	At 31 March	
	2024	2023
	HK$'000	HK$'000
Financial assets at amortised cost:		
Trade receivables	**24,954**	38,354
Deposits and other receivables	**1,405**	1,560
Statutory deposit for financial service business	**372**	383
Time deposits	**20,480**	–
Cash and bank balances held on behalf of customers	**49,032**	28,471
Cash and cash equivalents	**57,537**	61,948
	153,780	130,716

Financial liabilities

	At 31 March	
	2024	2023
	HK$'000	HK$'000
Financial liabilities measured at amortised cost:		
Trade payables	**63,982**	54,764
Accruals and other payables	**3,933**	4,169
Convertible notes	**6,138**	39,036
Amount due to non-controlling interests	**13,041**	13,041
Promissory notes payable	**31,000**	–
Lease liabilities	**1,719**	6,224
	119,813	117,234

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's major financial instruments include trade receivables, deposits and other receivables, pledged bank deposit, cash and bank balances held on behalf of customers, cash and cash equivalents, trade payables, accruals and other payables, promissory notes, lease liabilities, convertible notes and bank borrowings. Details of the financial instruments are disclosed in the respective notes. The risks associated with these financial instruments include market risk (currency risk and interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Foreign currency risk

Substantially all the transactions of the Company's subsidiaries in Hong Kong are carried out in US$ and HK$. As HK$ is linked to US$, the Group does not have material exchange rate risk on such currency.

Interest rate risk

The Group currently does not have any interest rate hedging policy. The Group monitors the interest rate risk exposure closely and may consider to enter any hedging activities if the need arises.

The Group's cash flow interest rate risk relates primarily to bank balances which are all short-term in nature. Interest-bearing financial liabilities are mainly bank borrowings, promissory notes and convertible notes with fixed interest rates which expose the Group to fair value interest rate risk.

Credit risk

As at 31 March 2024, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position, mainly including trade receivables, deposits and other receivables, promissory notes, cash and bank balances held on behalf of customers, pledged bank deposits and cash and cash equivalents.

Definition of stage 1, stage 2 and stage 3 are as below:

Stage 1: Exposures where there has not been a significant increase in credit risk since initial recognition and that are not credit-impaired upon origination, the portion of the life-time ECL associated with the probability of default events occurring within the next 12 months is recognized.

Stage 2: Exposures where there has been a significant increase in credit risk since initial recognition but are not credit-impaired, a life-time ECL (i.e. reflecting the remaining life-time of the financial assets) is recognised.

Stage 3: Exposures are assessed as credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that asset have occurred. For exposures that have become credit-impaired, a life-time ECL is recognised.

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk (continued)

Significant increase in credit risk

As explained in note 3, the Group monitors all financial assets that are subject to impairment allowances to assess whether there has been a significant increase in credit risk since initial recognition. If there has been a significant increase in credit risk, the Group will measure the loss allowance based on lifetime rather than 12-month ECLs.

At the end of each reporting period, the Group should evaluate if there is a significant increase in credit risk on trade receivables from financial service segment since the initial recognition. A variety of factors were considered whereby the evaluation stage of ECLs of relevant financial instrument, which includes regulatory and operating environment, internal and external credit rating, solvency, managing ability, repayment history and other forward-looking information. When performing evaluation on the significant increase in credit risk, the Group should take below factors into consideration, including but not limited to:

- Significant increase in credit spread;
- Actual or expected significant changes in external credit rating on the obligor or the debts;
- Significant adverse changes in business, financial and/or economic conditions in which the debtor operates;
- Actual or expected forbearance or restructuring;
- Actual or expected significant adverse change in operating results of the debtor;
- Significant change in collateral value (margin financing only) which is expected to increase risk of default; and
- Early signs of cash flow/liquidity problems such as delay in payment.

For the debtor's contractual payments (including principal and interest) that are more than 30 days past due, the Group considers a financial instrument to have experienced a significant increase in credit risk and classified it into Stage 2, unless the Group has reasonable and supportable information that demonstrates otherwise.

Definition of default and credit impaired financial asset

The Group defines a financial instrument as in default, which is aligned with the definition of credit-impaired. Evidence that a financial instrument is credit impaired include observable data about the follow events:

- Significant financial difficulty of the debtor;
- Debtors are in breach of contract, such as defaulting on interest or becoming overdue on interest or principal payments overdue;
- The creditor of the debtor, for economic or contractual reasons relating to the debtor's financial difficulty, having granted to the debtor a concession that the creditor would not otherwise consider;
- It is becoming probable that the debtor will enter bankruptcy or other financial restructuring; and
- The debtor leaves any of principal, advance or interest of the Group overdue for more than 90 days.

The credit impairment on a financial asset may be caused by the combined effect of multiple events and may not necessarily due to a single event.

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk (continued)

Trade receivables from financial services segment

In respect of amounts due from clients, individual credit evaluations are performed on all clients (including cash and margin clients). Cash clients are required to place deposits as prescribed in the Group's credit policy before execution of any purchase transactions. Receivables due from cash clients are due within the settlement period commonly adopted in the relevant market practices, which is usually within a few days from the trade date. Because of the prescribed deposit requirements and the short settlement period involved, credit risk arising from the amounts due from cash clients is considered low. The Group normally obtains liquid securities and/or cash deposits as collateral for providing margin financing to its clients. Margin loans due from margin clients are repayable on demand. Market conditions and adequacy of securities collateral and margin deposits of each margin account and futures account are monitored by management on a daily basis. Margin calls and forced liquidation are made where necessary. As at 31 March 2024, there are no outstanding balance of margin loans (31 March 2023: nil).

In order to minimise the credit risk, the management of the Group has formulated a defined fixed credit policy and delegated a team responsible for determination of credit limits and maintenance margin ratio/collateral coverage ratio for the margin financing, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. Any subsequent change in value as well as quality of collateral is closely monitored in order to determine whether any corrective action is required. In addition, the Group reviews the recoverable amount of each individual debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the Directors consider that the Group's credit risk is significantly reduced.

For trade receivable arising from placing commission and advisory service, the Group applied expected credit loss rate based on historical credit record of customers, with adjustment to reflect current conditions and forecasts of future economic conditions.

Trade receivables from manufacturing and sales of toys segment

In respect of trade receivables from manufacturing and sales of toys segment, these evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customers as well as pertaining to the economic environment in which the customers operate. Ongoing credit evaluation is performed on the financial condition of the customers. The Group does not obtain collateral from customers.

Expected loss rate of trade receivables from manufacturing and sales of toys segment are assessed to be 0.01%, 0.1%, and 1.5% for the amounts less than 30 days past due, 31 days to 90 days past due, and over 90 days past due respectively. Hence, the provision for ECLS for trade receivables from manufacturing and sales of toy segments was assessed to be immaterial.

As at 31 March 2024, the trade receivables from the five largest debtors represented 100% (2023: 100%) of the total trade receivables, while the largest debtor represented 87% (2023: 91%) of the total trade receivables. Given the credit worthiness and reputation of the major debtors, management believes the risk arising from concentration is manageable and not significant.

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk (continued)

Deposit and other receivables

As at 31 March 2024, the Directors assessed the ECLs for deposit and other receivables are not material when they do not have default history and the debtors has a strong capacity to meet its contractual cash flow obligations in the near term.

Cash and bank balances held on behalf of customers, pledged bank deposits and cash and cash equivalents

In respect of cash deposited with banks and financial institutions, the credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies. There has been no recent history of default in relation to these financial institutions. The ECLs of bank balances and cash is close to zero.

Further quantitative data in respect of the Group's exposure to credit risk arising from trade receivables, deposits and other receivables, pledged bank deposits, cash and bank balances held on behalf of customers, cash and cash equivalents are disclosed in notes 21, 22, 23 and 24 respectively.

Liquidity risk

The Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

The following tables show the remaining contractual maturities at the end of the reporting period of the Group's financial liabilities, based on undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the reporting date) and the earliest date the Group can be required to pay.

	Within 1 year or on demand HK$'000	Over 1 year but within 2 years HK$'000	Over 2 year but within 3 years HK$'000	Total contractual amount HK$'000	Carrying amount HK$'000
31 March 2024					
Trade payables	63,982	–	–	63,982	63,982
Accruals	2,982	–	–	2,982	2,982
Other payables	951	–	–	951	951
Convertible notes	540	540	9,068	10,148	6,138
Promissory notes	3,099	3,100	31,382	37,581	31,000
Amount due to non-controlling interests	13,041	–	–	13,041	13,041
Lease liabilities	1,734	–	–	1,734	1,719
	86,329	3,640	40,450	130,419	119,813

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk (continued)

	Within 1 year or on demand HK$'000	Over 1 year but within 2 years HK$'000	Over 2 year but within 3 years HK$'000	Total contractual amount HK$'000	Carrying amount HK$'000
31 March 2023					
Trade payables	54,764	–	–	54,764	54,764
Accruals	3,125	–	–	3,125	3,125
Other payables	1,044	–	–	1,044	1,044
Convertible notes	40,270	–	–	40,270	39,036
Amount due to non-controlling interests	–	13,041	–	13,041	13,041
Lease Liabilities	4,743	1,734	–	6,477	6,224
	103,946	14,775	–	118,721	117,234

Fair values

In the opinion of the Directors, the carrying amounts of financial assets and liabilities approximate their fair values.

Financial instruments not measured at fair value

The fair values of cash and cash equivalents, cash and bank balances held on behalf of customers, time deposits, statutory deposit for financial service business, trade receivables, deposits and other receivables, trade payables, accruals and other payables and interest-bearing bank borrowings approximate to their carrying amounts largely due to the short-term maturities of these instruments.

The fair values of the non-current portion of promissory notes, lease liabilities and convertible notes have been calculated by discounting the expected future cash flows using rates currently available for instruments on similar terms, credit risk and remaining maturities.

Capital management

The capital structure of the Group consists of debts, which includes the promissory notes payable in note 28, convertible notes in note 29, and equity attributable to owners of the Company, comprising share capital and reserves as disclosed in notes 30 and 31 respectively. The Group's risk management reviews the capital structure on a semi-annual basis. As part of this review, the management considers the cost of capital and the risks associated with each class of capital. The Group's overall strategy remains unchanged from prior year.

	At 31 March	
	2024	2023
	HK$'000	HK$'000
Debt	**37,138**	39,036
Equity	**56,168**	126,464
Debt to equity ratio	**66.1%**	30.9%

43. COMPANY STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2024

		At 31 March	
		2024	**2023**
	Notes	**HK$'000**	HK$'000
NON-CURRENT ASSET			
Amounts due from subsidiaries		**148,493**	208,118
Total non-current asset		**148,493**	208,118
CURRENT ASSETS			
Prepayments		**187**	335
Cash and cash equivalents		**986**	1,251
Total current assets		**1,173**	1,586
CURRENT LIABILITIES			
Accruals		**1,507**	1,476
Amount due to a related company		**63,990**	45,172
Convertible notes		**–**	39,036
Total current liabilities		**65,497**	85,684
NET CURRENT LIABILITIES		**(64,324)**	(84,098)
TOTAL ASSETS LESS CURRENT LIABILITIES		**84,169**	124,020
NON-CURRENT LIABILITIES			
Convertible notes		**6,138**	–
Promissory notes		**31,000**	–
Provision for long service payments		**30**	–
Total non-current liabilities		**37,168**	–
NET ASSETS		**47,001**	124,020
EQUITY			
Share capital	*30*	**287**	287
Reserves	*31*	**46,714**	123,733
TOTAL EQUITY		**47,001**	124,020

On behalf of the Board

Chu, Raymond
Director

Poon Pak Ki, Eric
Director

44. NOTE SUPPORTING CONSOLIDATED STATEMENT OF CASH FLOWS

Reconciliation of liabilities arising from financing activities:

	Lease liabilities (note 27) HK$'000	Interest-bearing bank borrowings HK$'000	Convertible notes (note 29) HK$'000	Promissory notes (note 28) HK$'000
At 1 April 2022	2,087	16,007	31,604	25,000
Changes from cash flows:				
Repayment of bank borrowings	–	(77,945)	–	–
Proceeds from borrowings	–	61,938	–	–
Redemption of promissory notes	–	–	–	(25,000)
Interest paid	(344)	(1,270)	(2,400)	(1,263)
Repayment of principal portion of the lease liabilities	(5,671)	–	–	–
Total changes from financing cash flows:	(6,015)	(17,277)	(2,400)	(26,263)
Other changes:				
Acquisition of subsidiaries, net of cash acquired	887	–	–	–
Interest expenses	344	1,270	9,832	1,263
Addition of lease liabilities	8,921	–	–	–
Total other changes	10,152	1,270	9,832	1,263
At 31 March 2023 and 1 April 2023	**6,224**	**–**	**39,036**	**–**
Changes from cash flows:				
Redemption of Convertible notes	**–**	**–**	**(40,000)**	**–**
Proceeds from issue of convertible notes	**–**	**–**	**9,000**	**–**
Proceeds from issue of promissory notes	**–**	**–**	**–**	**31,000**
Interest paid	**(238)**	**–**	**(769)**	**(2,719)**
Repayment of principal portion of the lease liabilities	**(4,505)**	**–**	**–**	**–**
Total changes from financing cash flows:	**(4,743)**	**–**	**(31,769)**	**28,281**
Other changes:				
Interest expenses	**238**	**–**	**2,533**	**2,719**
Equity component	**–**	**–**	**(3,662)**	**–**
Total other changes	**238**	**–**	**(1,129)**	**2,719**
At 31 March 2024	**1,719**	**–**	**6,138**	**31,000**

Five-Year Financial Summary

A summary of the results and of the assets and liabilities of the Group for the last five financial years is prepared on the basis set out in the notes below:

RESULTS

	Year ended 31 March				
	2024	2023	2022	2021	2020
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
REVENUE	**177,259**	341,801	448,655	485,788	413,297
Cost of sales	**(149,255)**	(296,867)	(394,217)	(414,200)	(348,655)
	15.80%	13.15%	12.13%	14.74%	15.64%
Gross profit	**28,004**	44,934	54,438	71,588	64,642
Other income, gains and losses	**1,429**	3,000	2,524	2,716	5,598
Selling expenses	**(3,756)**	(7,521)	(10,925)	(11,227)	(10,368)
Administrative expenses	**(48,062)**	(61,648)	(80,048)	(74,926)	(75,639)
Impairment loss on goodwill	**(45,508)**	(36,161)	(48,513)	(10,696)	(43,905)
Impairment loss on intangible assets	**(585)**	–	–	–	–
Impairment losses recognised on trade receivables	**–**	(2,150)	–	–	–
Finance costs	**(5,490)**	(12,709)	(11,766)	(11,646)	(26,770)
(LOSS) BEFORE INCOME TAX EXPENSE	**(73,968)**	(72,255)	(94,290)	(34,191)	(86,442)
Income tax expense	**10**	(66)	(84)	(1,437)	(1,220)
(LOSS) FOR THE YEAR	**(73,958)**	(72,321)	(94,374)	(35,628)	(87,662)

ASSETS AND LIABILITIES

	As at 31 March				
	2024	2023	2022	2021	2020
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
TOTAL ASSETS	**176,551**	243,876	381,507	438,842	477,778
TOTAL LIABILITIES	**(120,383)**	(117,412)	(182,797)	(145,758)	(166,891)
	56,168	126,464	198,710	293,084	310,887