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

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 1348)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 MARCH 2024

FINANCIAL HIGHLIGHTS

- Total revenue for the year ended 31 March 2024 (the "**Current Year**") was approximately HK$177.3 million, representing a decrease of approximately HK$164.5 million or 48.1% from approximately HK$341.8 million for the year ended 31 March 2023 (the "**Previous Year**").

- Revenue from the Toys Division for the Current Year was approximately HK$166.4 million decreased by approximately HK$164.2 million or 49.7% from the Previous Year of approximately HK$330.6 million, whereas revenue from the Financial Services Division was approximately HK$10.8 million for the Current Year, representing a decrease by approximately HK$0.4 million or 3.3%.

- Gross profit for the Current Year was approximately HK$28.0 million, representing a decrease of approximately HK$16.9 million or 37.7% from approximately HK$44.9 million for the Previous Year.

* *For identification purpose only*

- 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 in the Group's net loss of approximately HK$1.7 million or 2.4%. Such increase 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 note 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; and

  ➢ 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$3.8 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$2.3 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.

- The Board does not recommend the payment of final dividend for the year ended 31 March 2024.

The board (the "**Board**") of directors (the "**Directors**") of Quali-Smart Holdings Limited (the "**Company**") is pleased to present the audited consolidated financial results of the Company and its subsidiaries (collectively referred to as the "**Group**") for the year ended 31 March 2024 together with the comparative audited figures for the preceding financial year in this announcement.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Year ended 31 March	
		2024	2023
	Notes	***HK$'000***	*HK$'000*
Revenue	6	**177,259**	341,801
Cost of sales		**(149,255)**	(296,867)
Gross profit		**28,004**	44,934
Other income, gains and losses	7	**1,429**	3,000
Selling expenses		**(3,756)**	(7,521)
Administrative expenses		**(48,062)**	(61,648)
Impairment loss on goodwill	8	**(45,508)**	(36,161)
Impairment loss on intangible assets		**(585)**	–
Impairment losses recognised on trade receivables		**–**	(2,150)
Finance costs	9	**(5,490)**	(12,709)
Loss before income tax expense	8	**(73,968)**	(72,255)
Income tax credit/(expense)	10	**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	12		
– Basic and diluted (HK cents)		**(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		**3,579**	7,790
Right-of-use assets		**1,631**	6,091
Goodwill	13	**–**	45,508
Intangible assets	14	**–**	568
Statutory deposit for financial service business		**372**	383
Deposits		**200**	376
Total non-current assets		**5,782**	60,716
CURRENT ASSETS			
Inventories	15	**16,428**	51,727
Trade receivables	16	**24,954**	38,354
Prepayments, deposits and other receivables		**2,338**	2,660
Cash and bank balances held on behalf of customers		**49,032**	28,471
Time deposits		**20,480**	–
Cash and cash equivalents		**57,537**	61,948
Total current assets		**170,769**	183,160
CURRENT LIABILITIES			
Trade payables	17	**63,982**	54,764
Accruals and other payables		**3,933**	4,169
Lease liabilities		**1,719**	4,505
Convertible notes	19	**–**	39,036
Amount due to non-controlling interests		**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 (CONTINUED)

		At 31 March	
		2024	2023
	Notes	***HK$'000***	*HK$'000*
NON-CURRENT LIABILITIES			
Promissory notes	18	**31,000**	–
Convertible notes	19	**6,138**	–
Amount due to non-controlling interests		**–**	13,041
Lease liabilities		**–**	1,719
Deferred tax liabilities		**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	20	**287**	287
Reserves	21	**55,823**	126,102
		56,110	126,389
Non-controlling interests		**58**	75
Total equity		**56,168**	126,464

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital *HK$'000*	Share premium *HK$'000*	Property revaluation reserve *HK$'000*	Other reserve *HK$'000*	Share option reserve *HK$'000*	Convertible notes equity reserve *HK$'000*	Accumulated losses *HK$'000*	Total *HK$'000*	Non-controlling interests *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 TO FINANCIAL INFORMATION

1. CORPORATE INFORMATION

Quali-Smart Holdings Limited (the "**Company**") was incorporated as an exempted company with limited liability in the Cayman Islands on 14 March 2012 under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The Company's registered office is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands and its principal place of business in Hong Kong is located at Workshop C on 19th Floor, TML Tower, No. 3 Hoi Shing Road, Tsuen Wan, Hong Kong. The ordinary shares in the capital of the Company (the "**Shares**") are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

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

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

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

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 1 January 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 HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**").

(b) Basis of measurement

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

(c) Functional and presentation currency

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

4. 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.

5. OPERATING SEGMENT INFORMATION

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

– Manufacturing and sales of toys; and

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

(a) Reportable segments

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

Segment revenue and results

	Manufacturing and sales of toys *HK$'000*	**Financial services** *HK$'000* *(note(b))*	**Total** *HK$'000*
For the year ended 31 March 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)**

5. OPERATING SEGMENT INFORMATION (Continued)

(a) Reportable segments (Continued)

	Manufacturing and sales of toys *HK$'000*	Financial services *HK$'000* *(note(b))*	Total *HK$'000*
For the year ended 31 March 2023			
External revenue	330,600	11,201	341,801
Cost of sales/financial services *(note(c))*	(296,867)	(20,455)	(317,322)
Segment 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.

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

5. OPERATING SEGMENT INFORMATION (Continued)

(a) Reportable segments (Continued)

Segment assets

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

	At 31 March	
	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

5. OPERATING SEGMENT INFORMATION (Continued)

(a) Reportable segments (Continued)

Other segment information

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

For the year ended 31 March 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)

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

(b) Geographical information

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

(i) Revenue from external customers

	Year ended 31 March	
	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
People's Republic of China ("**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

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

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

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

5. OPERATING SEGMENT INFORMATION (Continued)

(b) Geographical information (Continued)

(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

(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

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

(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**	
			Year ended 31 March			
	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

6. **REVENUE**

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

	Year ended 31 March	
	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

7. 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 amounts due to non-controlling interests	**–**	113
Others	**498**	762
	595	1,599
Other income, gains and losses	**1,429**	3,000

Note:

(a) Included in the amount for the 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 which 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.

8. 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**	3,941
Depreciation of right-of-use assets	**4,460**	5,599
Employee benefits expenses:		
Directors' remuneration	**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 outgoing of HK$Nil (2023: HK$15,000)	**–**	(137)

9. 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

10. 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 expense	**–**	66
Income tax expense for the year	**(10)**	66

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 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.

11. 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).

12. LOSS PER SHARE

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

	Year ended 31 March	
	2024	2023
	HK$'000	*HK$'000*
Loss		
Loss for the year attributable to the owners 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).

13. GOODWILL

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

	Financial services
	HK$'000
Cost	
At 1 April 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

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

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

13. GOODWILL (Continued)

As at 31 March 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% to 0.91%**	-5.2% to 16.4%
Revenue growth rate within 5 years	**-7.63% to 595.64%**	-6.43% to 632.03%
Long-term growth rate	**2.5%**	3.0%
Pre-tax discount rate	**15.53%**	12.53%

13. **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

14. **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

14. INTANGIBLE ASSETS (Continued)

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

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

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 that 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 13.

15. INVENTORIES

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

16. TRADE RECEIVABLES

	At 31 March	
	2024	2023
	HK$'000	*HK$'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	2023
	HK$'000	*HK$'000*
Accounts receivable arising from the ordinary course of business of securities brokerage:		
– Cash clients	**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: Provision of expected credit loss	**(2,000)**	(2,150)
	6,293	9,949

16. **TRADE RECEIVABLES (Continued)**

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

	At 31 March	
	2024	2023
	HK$'000	*HK$'000*
Not past due	**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

Note:

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

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 then 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.

16. **TRADE RECEIVABLES (Continued)**

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	2023
	HK$'000	*HK$'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

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*
Neither past due nor impaired	**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

17. **TRADE PAYABLES**

	At 31 March	
	2024	2023
	HK$'000	*HK$'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

17. TRADE PAYABLES (Continued)

Trade payables from Financial services segment

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

The settlement terms of trade payables 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 payables 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.

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

18. 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.

19. 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 a promissory note 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 note 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. Any amount of the 2020 CN which remains outstanding on the maturity date will be redeemed at their then outstanding principal amount together with any accrued but unpaid interest.

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

During the years 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 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

19. CONVERTIBLE NOTES (Continued)

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

	Year ended 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

	At 31 March	
Analysed for reporting purpose:		
Current	**–**	–
Non-Current	**–**	31,604
At 31 March	**–**	31,604

(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 note 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 (the early redemption option). 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 note 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.

19. CONVERTIBLE NOTES (Continued)

(b) (Continued)

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

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

20. SHARE CAPITAL

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

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

21. RESERVES

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

22. 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. As at 31 March 2024, there was no remaining life of the Share Option Scheme.

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.

22. EQUITY SETTLED SHARE-BASED PAYMENTS (Continued)

On 17 March 2014, the Company granted 10,800,000 share options 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 estimate fair value of share options granted on 17 March 2014 was HK$3,911,000.

On 3 July 2015, the Company granted 13,400,000 share options 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 estimate 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 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.

22. 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 5)*	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 4)*	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 6)*	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 5)*	HK$1.02	1,400,000	–	**1,400,000**	3 July 2015	3 July 2015 to 2 July 2025

22. 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):

		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
Independent Non-executive Directors						
– Leung Po Wing, Bowen Joseph	HK$1.02	1,400,000	–	**1,400,000**	3 July 2015	3 July 2015 to 2 July 2025
	HK$0.748	1,400,000	–	**1,400,000**	24 March 2016	24 March 2016 to 23 March 2026
– Chan Siu Wing, Raymond	HK$1.02	1,400,000	–	**1,400,000**	3 July 2015	3 July 2015 to 2 July 2025
	HK$0.748	1,400,000	–	**1,400,000**	24 March 2016	24 March 2016 to 23 March 2026
– Wong Wah On, Edward	HK$0.748	1,400,000	–	**1,400,000**	24 March 2016	24 March 2016 to 23 March 2026
Employees	HK$1.02	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**		

22. **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 3)*	HK$1.02	5,400,000	(5,400,000)	–	3 July 2015	3 July 2015 to 2 July 2025
	HK$0.748	7,500,000	(7,500,000)	–	24 March 2016	24 March 2016 to 23 March 2026
– Poon Pak Ki, Eric	HK$1.02	5,400,000	–	5,400,000	3 July 2015	3 July 2015 to 2 July 2025
	HK$0.748	7,500,000	–	7,500,000	24 March 2016	24 March 2016 to 23 March 2026
– Chu, Raymond	HK$0.748	12,847,800	–	12,847,800	24 March 2016	24 March 2016 to 23 March 2026
– Hau Yiu Por *(note 4)*	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 2)*	HK$1.02	1,400,000	(1,400,000)	–	3 July 2015	3 July 2015 to 2 July 2025

22. 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):

		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
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	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		

22. 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. Wang Zhao resigned as a Non-executive Director on 27 November 2015.

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

4. 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.

5. Mr. Lau Ho Ming, Peter and Madam Li Man Yee, Stella retired as 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.

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

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 ***HK$***	**Number of options**	Weighted average exercise price per share *HK$*	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 2023 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%.

MANAGEMENT DISCUSSION ANALYSIS

BUSINESS REVIEW

During the Current Year, our Group's core business remained as manufacture of toys operated under Qualiman Industrial Company Limited (the "**Toys Division**") and provision of financial services operated under Crosby Asia Limited (the "**Financial Services Division**").

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.

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. 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 note 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.

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 9 to the Financial Information in this announcement. 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.

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 note 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 announcement, 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 ("**USD**") 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.

SHARE SCHEMES

The Company did not have any share award scheme during the Current Year and up to the date of this announcement. For details of the Share Option Scheme, please refer to note 23 to the "Notes to Financial Information".

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 announcement.

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 Reporting 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.

PURCHASE, SALE OF REDEMPTION OF LISTED SECURITIES

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

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

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

Code C.2.1

Pursuant to the code provision under the Code, the roles of chairman and chief executive should be separate and should not be performed by the same individual. The post of chief executive officer of the Group ("**CEO**") has been vacant since the re-designation of Mr. Lau Ho Ming, Peter as the Executive Chairman of the Company with effect from 25 November 2013. He ceased to act as the CEO since then. Mr. Lau retired on 9 November 2023. On the same date, Mr. Chu Raymond was appointed as the Chairman of the Board. During the Current Year, the role of CEO has been taken up by the executive Directors. The Directors believe such arrangement would achieve a better balance of power and responsibilities.

DIRECTORS' SECURITIES TRANSACTIONS

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

SCOPE OF WORK OF AUDITOR

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and the related notes thereto for the year ended 31 March 2024 as set out in the preliminary announcement have been agreed by the Group's auditor, BDO Limited, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by BDO Limited in this respect did not constitute an assurance engagement and consequently no opinion or assurance conclusion has been expressed by BDO Limited on the preliminary announcement.

REVIEW OF FINANCIAL STATEMENTS

The audit committee of the Board (the "**Audit Committee**") reviewed the audited consolidated financial statements for the Current Year in conjunction with the Auditor. Based on the review and discussions with management, the Audit Committee was satisfied that the audited consolidated financial statements were prepared in accordance with applicable accounting standards, and fairly presented the Group's financial position and results for the Current Year.

PUBLICATION OF THE ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This announcement is published on the website of the Hong Kong Exchanges and Clearing Limited and the Company at www.hkexnews.hk and www.quali-smart.com.hk respectively. The 2024 Annual Report of the Company containing all information required by the Listing Rules will be published on the above websites and dispatched to the shareholders of the Company about mid July 2024.

By Order of the Board
Quali-Smart Holdings Limited
Chu, Raymond
Chairman and Executive Director

Hong Kong, 24 June 2024

As at the date of this announcement, the Board comprises Mr. Chu, Raymond (Chairman), Mr. Poon Pak Ki, Eric, Mr. Hau Yiu Por and Ms. Tang Yuen Ching, Irene as executive Directors; and Mr. Leung Po Wing, Bowen Joseph GBS, JP, Mr. Chan Siu Wing, Raymond and Mr. Wong Wah On, Edward as independent non-executive Directors.