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Quali-Smart Holdings Limited

(滙達富控股有限公司*)

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 1348)

PROPOSED ISSUE AND SUBSCRIPTION OF 6% CONVERTIBLE NOTES DUE 2020 UNDER GENERAL MANDATE

PROPOSED ISSUE AND SUBSCRIPTION OF THE CONVERTIBLE NOTES

On 2 May 2017 (after trading hours), the Subscriber entered into the Subscription Agreement with the Company pursuant to which the Company agreed to issue, and the Subscribers agreed to subscribe for the Convertible Notes with a principal amount of HK\$80,000,000, subject to the terms and conditions of the Subscription Agreement.

Based on the Conversion Price of HK\$0.39 per Conversion Share, 205,128,205 Conversion Shares will be allotted and issued by the Company upon exercise in full of the conversion rights attached to the Convertible Notes, representing (i) approximately 13.9% of the existing issued share capital of the Company; and (ii) approximately 12.2% of the issued share capital of the Company as enlarged by the issue of the Conversion Shares, assuming there is no other change in the issued share capital of the Company between the date of this announcement and the full conversion of the Convertible Notes.

The Conversion Price of HK\$0.39 per Conversion Share represents (i) a discount of approximately 18.8% to the closing price of HK\$0.48 per Share as quoted on the Stock Exchange on the date of this announcement; and (ii) a discount of approximately 17.9% to the average closing price of HK\$0.475 per Share as quoted on the Stock Exchange over the 5 consecutive trading days of the Shares immediately preceding the date of this announcement.

Completion of the Subscription shall be conditional upon the completion conditions as set out in the sub-section headed "Conditions precedent to Completion of the Subscription" under the section headed "Principal Terms of the Subscription Agreement" in this announcement. The Convertible Notes will be issued under the General Mandate and the net proceeds from the Subscription are estimated to be approximately HK\$80 million, which the Company intends to use for repayment of the liabilities of the Group, the expansion of the Group's financial services business

under the Crosby Group and as general working capital of the Group.

Shareholders and potential investors should note that Completion is subject to the fulfillment or waiver (if applicable) of certain conditions under the Subscription Agreement. As the Subscription may or may not proceed, Shareholders and potential investors are reminded to exercise caution when dealing in the securities of the Company.

PRINCIPAL TERMS OF THE SUBSCRIPTION AGREEMENT

Date

2 May 2017

Parties

Issuer: the Company

The Subscriber: Benefit Global Limited

To the best of the Directors' knowledge and having made all reasonable enquiries, each of the Subscriber and its ultimate beneficial owners is a third party independent of the Company and its connected persons.

Conditions precedent to Completion of the Subscription

Pursuant to the Subscription Agreement, Completion is conditional upon the fulfillment or waiver (as the case may be) of the following:–

- (a) the Listing Committee of the Stock Exchange granting the approval for the listing of, and permission to deal in, the Conversion Shares (and such approval not being subsequently revoked or withdrawn);
- (b) the current listing of the Shares not having been withdrawn, the Shares continuing to be traded on the Stock Exchange on and prior to the date of Completion (save for (i) any temporary trading halt or suspension in trading in connection with transactions contemplated under the Subscription Agreement; or (ii) such other period or in such other circumstances as the Subscriber may agree) and neither the Stock Exchange nor the SFC having indicated that it will object to such continued listing for any reason;
- (c) each of the warranties under the Subscription Agreement remaining true, complete and accurate and not misleading at Completion as if repeated at Completion and at all times between the date of the Subscription Agreement and Completion;
- (d) the Company having duly performed and observed all of the obligations, undertakings, covenants and agreements required to be performed and observed by it prior to Completion under the Subscription Agreement; and

(e) there having been no material adverse changes prior to Completion.

The Subscriber may jointly waive (in full or in part) any of the conditions precedent set out in paragraphs (b), (c), (d) and (e) above. The condition precedent set out in paragraph (a) cannot be waived by the Company or the Subscriber.

If any of the above conditions precedent have not been fulfilled (or waived, if applicable) by the Long Stop Date (or such other date as the parties may agree), then neither the Company nor the Subscriber shall be bound to proceed with the transactions contemplated under the Subscription Agreement.

Completion

Completion shall take place on or before the fifth business day following the fulfillment or the waiver (if applicable) of the conditions precedent stated above (or such other date as the Company and the Subscriber may agree in writing).

Principal terms of the Convertible Notes

Upon Completion, the Company will issue the Convertible Notes in an aggregate principal amount of HK\$80,000,000 to the Subscriber.

The principal terms and conditions of the Convertible Notes are summarized below:

Issuer: The Company.

Principal Amount: HK\$80,000,000.

Maturity Date: The third anniversary of the date of issue of the Convertible Notes, or, if that is not a business day, the first business day thereafter.

Conversion: Provided that (i) any conversion of the Convertible Notes does not result in the Subscriber and/or the holder(s) of the Convertible Notes and/or the parties acting in concert with any of them and/or their respective associates being interested in 30% or more of the voting rights as carried by the issued Shares of the Company or such lower percentage as may from time to time be specified in the Takeovers Code as being the level triggering a mandatory general offer obligation under the Takeovers Code on the part of the holder of the Convertible Notes which exercised the conversion rights attaching to the Convertible Notes; and (ii) any conversion of the Convertible Notes does not result in the public float of the Shares being less than 25% (or any given percentage as required by the Listing Rules) of the issued Shares, the holder of the Convertible Notes may convert the whole or part (in principal amounts of not less than a whole multiple of HK\$1,000,000 on each conversion or integral multiples thereof unless the amount of the outstanding

principal amount of the Convertible Notes is less than HK\$1,000,000 in which case the whole (but not part only) of the principal amount shall be convertible) of the outstanding principal amount of the Convertible Notes at any time during the period commencing from the date of the issue of the Convertible Notes up to 4:00 p.m. (Hong Kong time) on the Maturity Date.

Interest: The Convertible Notes shall bear interest on its outstanding principal amount at the simple interest rate of six (6)% per annum, payable quarterly in arrears during the term of the Notes and accrued on a daily basis.

If the Company fails to pay any amount payable by it under the Notes on its due date, interest shall accrue on the overdue amount from the second day commencing from the due date to the date of actual payment of the overdue amount (both days inclusive) at a simple interest rate of twenty-four percent (24%) per annum accrued on a daily basis.

Security: The Convertible Notes shall be unsecured.

Conversion Price: The Convertible Notes may be converted into the Conversion Shares at the Conversion Price of HK\$0.39 per Conversion Share, representing

- a. a discount of approximately 18.8% over the closing price of HK\$0.48 per Share as quoted on the Stock Exchange on 2 May 2017, being the date of this announcement; and
- b. a discount of approximately 17.9% over the average of the closing prices of approximately HK\$0.475 per Share for the five consecutive trading days of the Shares immediately preceding the date of this announcement.

The Conversion Price shall be subject to adjustments upon the occurrence of any consolidation or sub-division of the Shares in issue or a capitalisation of profits or reserves by the ratio of the number of Shares in issue immediately after such alteration against the number of Shares in issue immediately before such alteration. Such adjustment shall be effective from the close of business in Hong Kong on the date on which the consolidation or sub-division or capitalisation becomes effective.

Other than the above, there are no other adjustments to the Conversion Price under the terms and conditions of the Convertible Notes.

The Conversion Price was determined after arm's length

negotiations between the Company and the Subscriber and was determined with reference to the recent trends in the price and volume traded of the Shares and the current market conditions. The Directors are of the view that the terms of the Subscription Agreement are fair and reasonable and are in the interests of the Company and its Shareholders as a whole.

Conversion Shares: Assuming the conversion rights attached to the Convertible Notes are exercised in full at the Conversion Price of HK\$0.39 per Conversion Share, 205,128,205 Conversion Shares will be allotted and issued by the Company upon exercise in full of the conversion rights attached to the Convertible Notes, representing:

- (i) 13.9% of the existing issued share capital of the Company; and
- (ii) approximately 12.2% of the issued share capital of the Company as enlarged by the issue of the Conversion Shares, assuming there is no other change in the issued share capital of the Company between the date of this announcement and the full conversion of the Convertible Notes.

The nominal value of such Conversion Shares will be US\$0.000025 per Share and the net price for each Conversion Share will be HK\$0.39.

Status: The Conversion Shares, when allotted and issued, will rank *pari passu* in all respects with all Shares in issue at the date of allotment and issue of such Conversion Shares.

Redemption: (1) Unless previously converted or redeemed, the Company may redeem the Convertible Notes (in whole or in part) at 100% of the principal amount of such Convertible Notes together with any accrued but unpaid interest at any time before the Maturity Date.

(2) The Company shall redeem the Convertible Notes on the Maturity Date at the redemption amount which is 100% of the principal amount of the Convertible Notes then outstanding together with any accrued but unpaid interest.

(3) Upon the occurrence of an event of default under the terms and conditions of the Convertible Notes, holder(s) of the Convertible Notes may request the Company to redeem the Convertible Notes then

outstanding at an amount which is 100% of the principal amount of the Convertible Notes then outstanding together with any accrued but unpaid interest (including any default interest which may be applicable).

Voting Rights: The holder(s) of the Convertible Notes shall not be entitled to attend or vote at any meetings of the Company by reason only of it being a holder of the Convertible Notes.

Transferability: The Convertible Notes may be assigned or transferred in whole or in part (in principal amounts of not less than a whole multiple of HK\$1,000,000 on each transfer or integral multiples thereof) of its outstanding principal amount provided that a duly completed transfer form in respect of the assignment or transfer shall be served on the Company prior to such assignment or transfer. Any assignment or transfer of the Convertible Notes to a connected person of the Company shall be subject to the compliance of the requirements under the Listing Rules.

Listing: No application will be made for a listing on the Convertible Notes on the Stock Exchange or any other stock exchange. Application will be made by the Company to the Listing Committee for the listing of, and permission to deal in the Conversion Shares.

General Mandate

The Conversion Shares will be allotted and issued under the General Mandate which was granted to the Directors pursuant to an ordinary resolution of the Shareholders passed at the annual general meeting on 26 August 2016 to allot and issue up to 290,385,600 Shares, which has an aggregate nominal amount representing 20% of the aggregate nominal value of the share capital of the Company in issue at the date of passing such resolution. The General Mandate has not been previously utilised prior to the issue of the Conversion Shares. As the Conversion Shares are to be issued under the General Mandate, the issue of the Conversion Shares is not subject to any Shareholders' approval.

USE OF PROCEEDS OF THE ISSUE OF THE CONVERTIBLE NOTES

The net proceeds from the issue of the Convertible Notes after deducting necessary related expenses are estimated to be approximately HK\$80 million, which will be used for repayment of the liabilities of the Group, the expansion of the Group's financial services business under the Crosby Group and as general working capital of the Group.

EFFECT ON THE SHAREHOLDING STRUCTURE OF THE COMPANY

The shareholding in the Company (a) as at the date of this announcement; (b) immediately after the completion of the Share Subscription (assuming no further Shares will be issued or repurchased from the date of this announcement to the date of completion of the Subscription); (c) immediately after the completion of the Share Subscription and upon exercise in full of the conversion rights attached to the Convertible Notes (assuming no further Shares will be issued or repurchased from the date of this announcement to the date of the full conversion of the Convertible Notes) are as follows:-

	As at the date of this announcement		Immediately upon exercise in full of the conversion rights attached to the Convertible Notes	
	No. of Shares	Approximate %	No. of Shares	Approximate %
Directors:				
Mr. Lau Ho Ming Peter (Note 1)	492,464,000	33.40	492,464,000	29.33
Mr. Ng Kam Seng	3,200,000	0.22	3,200,000	0.19
Mr. Poon Pak Ki, Eric	2,000,000	0.13	2,000,000	0.12
Madam Li Man Yee, Stella (Note 1)	9,600,000	0.65	9,600,000	0.57
Mr. Leung Po Wing Bowen Joseph	384,000	0.03	384,000	0.02
Sub-total:	507,648,000	34.43	507,648,000	30.23
Public Shareholders:				
The Subscriber (Note 3)	-	-	205,128,205	12.21
Other Shareholders	966,584,000	65.57	966,584,000	57.56
Total (Note 2)	1,474,232,000	100.00	1,679,360,205	100.00

Notes:

- 482,864,000 shares are held by a company registered in the name of Smart Investor Holdings Limited ("Smart Investor"), a company owned as to 67.4% by Mr. Lau Ho Ming, Peter, the Executive Chairman of the Company, and 32.6% by Madam Li Man Yee, Stella, a non-executive Director of the Company and the spouse of Mr. Lau Ho Ming, Peter. Another 9,600,000 shares are held by Mr. Lau Ho Ming, Peter personally. Madam Li Man Yee, Stella also holds 9,600,000 shares personally. Both Mr. Lau Ho Ming, Peter and Madam Li Man Yee are deemed to be interested in all of the above 502,064,000 shares in aggregate.
- Save for the above, as at the date of this announcement, the Company also has outstanding convertible notes of HK\$58,000,000 in outstanding principal amount which can be converted

into 56,695,992 Shares and outstanding share options granted under its share option scheme of 157,855,600 Shares.

- 3. Mr. Chu Sheng Yu, Lawrence, the ultimate beneficial owner of the Subscriber, also holds 672,000 Shares, representing 0.05% and 0.04% of the existing issued share capital and the issued share capital as enlarged by the Conversion Shares of the Company, respectively, directly in his personal capacity.*

The Subscriber will not become a core connected person to the Company upon closing of the Subscription. As disclosed in the above shareholding table, immediately after the completion of the Subscription, the Company will continue to comply with the public float requirement under the Listing Rules.

FUND RAISING ACTIVITIES IN THE PAST TWELVE MONTHS

The Company has not conducted any equity fund raising activities in the past twelve months before the date of this announcement.

REASONS FOR THE SUBSCRIPTION

The Group has been engaged in three core businesses, namely, toy manufacturing, information technology and the financial services businesses.

To implement the expansion plan of the financial services business under the Crosby Group, the Directors believe that it would benefit the Group if the Company could raise new capital to provide the liquid capital required for the securities brokerage businesses of the Crosby Group which would enhance its underwriting and settlement capabilities. It would also provide capital to expand its securities margin financing business. Furthermore, the net proceeds from the issuance of the Convertible Notes would also allow the Group to repay some of its existing financial liabilities which will become due in the next twelve months and provide general working capital of the Group.

Based on the above considerations, the Directors are of the view that the terms of the Subscription Agreement are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

INFORMATION OF THE SUBSCRIBER

The Subscriber is an investment holding company incorporated in the British Virgin Islands which is beneficially wholly-owned by Mr. Chu Sheng Yu, Lawrence, who is an experienced financial investor in both the public and private equity markets. Mr. Chu Sheng Yu, Lawrence served as a non-executive Director of the Company from 22 June 2013 to 30 June 2015. He also previously served as a director of the Tung Wah Group of Hospitals from 2014 to 2016.

GENERAL

Shareholders and potential investors should note that the completion of the Subscription is subject to the fulfillment of conditions precedent under the Subscription Agreement. As the Subscription may or may not proceed, Shareholders and potential investors are reminded to exercise caution when dealing in the Shares.

DEFINITIONS

The following terms have the following meanings in this announcement unless the context otherwise requires:

“acting in concert”	has the same meaning as ascribed to it under the Takeovers Code
“associate(s)”	has the same meaning as ascribed to it under the Listing Rules
“Board”	the board of Directors
“Company”	Quali-Smart Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the issued Shares of which are listed on the Main Board
“Completion”	completion of the Subscription
“Crosby Group”	Crosby Asia Limited and its subsidiaries, which are wholly-owned subsidiaries of the Company conducting the financial services business of the Group
“connected person(s)”	has the meaning ascribed to it in the Listing Rules
“Conversion Notes”	the 6% convertible notes in the aggregate principal amount of HK\$80,000,000 to be issued by the Company to the Subscriber pursuant to the Subscription Agreement
“Conversion Price”	the initial conversion price of HK\$0.39 per Conversion Share (subject to adjustment)
“Conversion Shares”	the new shares to be allotted and issued by the Company upon the exercise of the conversion rights attached to the Convertible Notes
“Directors”	directors of the Company
“General Mandate”	the general mandate which was granted to the Directors pursuant to an ordinary resolution passed at the Company’s annual general meeting 26 August 2016 to issue and allot up

to 290,385,600 Shares, representing 20% of the aggregate nominal value of the share capital of the Company in issue on the date of passing such resolution, none of which have been utilised as of the date of this announcement

“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Listing Committee”	the listing committee of the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	16 May 2017
“Main Board”	the Main Board of the Stock Exchange
“PRC”	The People’s Republic of China
“SFC”	The Securities and Futures Commission in Hong Kong
“Share(s)”	ordinary share(s) of US\$0.000025 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscriber”	Benefit Global Limited, which is beneficially wholly-owned by Mr. Chu Sheng Yu, Lawrence
“Subscription”	the subscription of the Convertible Notes pursuant to the terms and conditions of the Subscription Agreement
“Subscription Agreement”	the subscription agreement dated 2 May 2017 between the Company and the Subscriber in relation to the Subscription
“Takeovers Code”	the Code on Takeovers and Mergers issued by the SFC in Hong Kong
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“US\$”	United States dollars, the lawful currency of the United States
“%”	per cent

For illustrative purpose, the exchange rate used in this announcement is US\$1.00 = HK\$7.75

By Order of the Board
Quali-Smart Holdings Limited

Lau Ho Ming, Peter
Executive Chairman

Hong Kong, 2 May 2017

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

** for identification purposes only*