

QUALI-SMART HOLDINGS LIMITED

滙達富控股有限公司*

(Incorporated in the Cayman Islands with limited liability)

Stock code : 1348

* For identification purpose only



2013/14
INTERIM REPORT



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Corporate Information

Board of Directors

Executive Directors

Mr. Lau Ho Ming, Peter (*Chief Executive Officer*)
Mr. Poon Pak Ki, Eric
Mr. Ng Kam Seng

Non-executive Directors

Madam Li Man Yee, Stella (*Chairperson*)
Mr. Chu Sheng Yu, Lawrence

Independent Non-executive Directors

Mr. Leung Po Wing, Bowen Joseph *GBS, JP*
Mr. Chan Siu Wing, Raymond
Mr. Chu, Raymond

Committees of the Board of Directors

Audit Committee

Mr. Chan Siu Wing, Raymond (*Chairman*)
Mr. Leung Po Wing, Bowen Joseph *GBS, JP*
Mr. Chu, Raymond

Remuneration Committee

Mr. Chu, Raymond (*Chairman*)
Mr. Chan Siu Wing, Raymond
Mr. Lau Ho Ming, Peter

Nomination committee

Mr. Leung Po Wing, Bowen Joseph *GBS, JP* (*Chairman*)
Mr. Chu, Raymond
Mr. Lau Ho Ming, Peter

Corporate Governance Committee

Mr. Chan Siu Wing, Raymond (*Chairman*)
Mr. Chu Sheng Yu, Lawrence
Mr. Ng Kam Seng

Company Secretary

Ms. Cheung Chung Yee, Fendi

Authorized Representatives

Mr. Ng Kam Seng
Ms. Cheung Chung Yee, Fendi

Compliance Adviser

The compliance adviser's agreement was terminated with effect from 10 October 2013 and the Company is in the course of identifying a replacing compliance adviser

Auditor

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

Registered Office

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

Principal Place of Business in Hong Kong

Workshop 3 on 19th Floor
Cheung Tat Centre
No. 18 Cheung Lee Street
Chai Wan
Hong Kong

Principal Place of Business in the PRC

No. 38 South Guanhe Road
Guanyao, Shishan Town
Nanhai District
Foshan City
Guangdong Province
People's Republic of China

Corporate Information (Continued)

Principal Share Registrar and Transfer Office in the Cayman Islands

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

Hong Kong Branch Share Registrar and Transfer Office

Tricor Investor Services Limited
Level 22, Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

Principal Bankers

DBS Bank (Hong Kong) Limited
Hang Seng Bank Limited
The Hongkong and Shanghai Banking Corporation Limited
Industrial and Commercial Bank of China (Asia) Limited

Company's Website

www.quali-smart.com.hk



Management Discussion and Analysis

Business Review

The Group is a toy manufacturer offering services primarily on an OEM basis. The Group manufactures products for its customers according to their specifications, and the products are sold by its customers under their own brand names. Same as in previous years, the Group's key customers mainly comprise internationally reputable toy brands. Headquartered in Hong Kong, the Group has a production base which is located in Foshan, Guangdong Province, the People's Republic of China ("PRC").

Aiming to provide the customers with one-stop development services, the Group offers its customers a wide spectrum of manufacturing services encompassing design, prototyping, mould making, product validation, multi-skilled manufacturing processes, general assembly and packaging. Equipped with multi-production lines and multi-disciplinary engineering experience, the Group is capable of manufacturing diversified product classes in its production operations with focus on toy products for infants aged 3 or below which require very stringent safety standards. The key manufacturing capabilities of the Group include plastics processing such as injection moulding, metal tube forming, electronic assembly such as printed circuit board assembly, sewing operation for handling different types of fabric products, decoration process such as silk-screen printing and spray coating.

During the six months ended 30 September 2013 (the "Current Period"), the Group's revenue remained stable in obtaining sales from its customers during the peak period of the production cycle. The Group did not see substantial changes in customer demands for the toy products from the western markets which continued to hold. The Group will continue to look for opportunities to expand its customer base through collaboration in product development and marketing, as well as through referral by its existing customers.

Financial Review

The Group's revenue for the Current Period amounted to approximately HK\$533.5 million, which is similar to that for the six months ended 30 September 2012 (the "Previous Period") of approximately HK\$532.8 million. The revenue remained stable despite a decrease in sales to the Group's top customer, which is offset by an increase in sales to its second largest customer.

Revenue from North America decreased slightly from approximately HK\$287.6 million for the Previous Period to approximately HK\$279.2 million for the Current Period due to the more conservative approach adopted by customers from that region in placing orders, while the revenue from Western Europe increased from approximately HK\$166.1 million for the Previous Period to approximately HK\$185.5 million for the Current Period.

Gross profit of the Group for the Current Period decreased by 11.7% to approximately HK\$59.6 million from that of the Previous Period of approximately HK\$67.5 million due to an increase in costs arising from the appreciation of Renminbi ("RMB") and an increase in the costs of raw materials such as resins.

The Group's net profit for the period increased by 10.1% from approximately HK\$20.5 million in the Previous Period to approximately HK\$22.6 million in the Current Period which is mainly due to the increase in other income and gains as more new moulds were made for existing customers and there was a decrease in administrative expenses due to the absence of the one-off financial impact from the listing expenses and underwriting fees ("Listing Expenses") which occurred in the Previous Period.

Management Discussion and Analysis (Continued)

Selling expenses mainly consisted of transportation fees and declaration fees. Selling expenses decreased slightly by 3.3% from approximately HK\$13.8 million for the Previous Period to approximately HK\$13.3 million for the Current Period.

Administrative expenses mainly consisted of salaries to employees, rents and rates for office spaces, depreciation on property, plant and equipment and other administrative expenses. Administrative expenses decreased by 8.1% from approximately HK\$27.1 million for the Previous Period to approximately HK\$24.9 million for the Current Period, which is primarily due to the absence of the one-off financial impacts from the Listing Expenses which occurred in the Previous Period.

Other income and gains mainly consisted of moulding income, net gain/loss on derivative financial instruments, interest income and others. Other income and gains increased by 2.5 times from approximately HK\$2.1 million for the Previous Period to approximately HK\$7.4 million for the Current Period, which is primarily due to an increase of 68.6% in moulding income as more new moulds were made for the existing customers. Such income increased from approximately HK\$2.9 million for the Previous Period to HK\$4.8 million for the Current Period. A net gain on derivative financial instruments of approximately HK\$1.7 million for dealing with the RMB exchange risk arising from normal operations of the Group was also recorded in the Current Period, compared with a net loss of approximately HK\$1.8 million for the Previous Period.

Finance costs mainly consisted of interest on the Group's interest-bearing bank borrowings and factoring arrangement from banks. Finance costs remained stable at approximately HK\$1.1 million for the Current Period when compared with approximately HK\$1.2 million for the Previous Period.

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 operate. The income tax expense decreased by 27.8% to approximately HK\$5.0 million for the Current Period, as compared with approximately HK\$7.0 million for the Previous Period. Despite the increase in net profit, the income tax expense decreased due to the absence of non-tax deductible items, such as Listing Expenses, which were booked in the Previous Period.

The inventory of the Group increased by 7.5% to approximately HK\$165.1 million as at 30 September 2013 from approximately HK\$153.6 million as at 31 March 2013, which was primarily due to manufacture of more finished goods in the peak season in preparation for being shipped out to the customers. The inventory days, as calculated by dividing the average closing inventories by the cost of sales for the period/year and multiplied by 182.5 days/365 days, decreased from 82.7 days for the year ended 31 March 2013 to 61.5 days for the Current Period, which was due to the seasonality nature of our business during the peak sales season.

Trade receivables as at 30 September 2013 increased from approximately HK\$58.5 million to approximately HK\$203.7 million, which was primarily due to the seasonality of the Group's business as the Group was in the peak sales season. During the peak sales season, there was a substantial increase in trade receivables due to the large quantity of sales orders from the customers. Historically, the Group's trade receivables dropped back to comparable levels after the peak sales months. It is the Group's policy to grant interest free credit periods ranging from 30 to 75 days, in general, to its customer from the invoice date. The Group seeks to maintain strict control over outstanding receivables to minimize credit risk. Overdue balances are reviewed regularly by senior management. The trade receivables turnover days, as calculated by dividing the average closing trade receivables by the revenue for the period/year and multiplied by 182.5 days/365 days, for the Current Period was 44.8 days as compared with 32.7 days for the year ended 31 March 2013, which is in general within the credit period granted to the Group's customers.



Management Discussion and Analysis (Continued)

Trade payables as at 30 September 2013 increased from approximately HK\$51.0 million to approximately HK\$122.3 million, which was primarily due to the purchase of more raw materials to support the increase in production during the peak sales season. The trade payables turnover days, as calculated by dividing the average closing trade payables by the cost of sales for the period/year and multiplied by 182.5 days/365 days, for the Current Period was 33.4 days as compared with 34.8 days for the year ended 31 March 2013. The trade payables turnover days for the current period was shortened as compared to that Previous Period due to the Group utilized a new banking facility of an import trade loan to settle payables to our suppliers directly according to the invoices in a timely fashion via lending banks as a result faster on average then to settle payables via internal working capital according to the respective credit period agreed with the suppliers in the Previous Period.

Liquidity and financial resources

The Group maintained a prudent financial management approach toward its treasury policies and hence a healthy liquidity position during the Current Period. 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 risk, the Board closely monitors 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.

During the period under review, the Group mainly financed its working capital by internal resources and bank borrowings. As at 30 September 2013, cash and cash equivalents amounted to approximately HK\$76.7 million (31 March 2013: HK\$80.4 million). The group has its primary source of fund from cash generated from the operating activities and short-term bank loans. The modest decrease in cash and cash equivalents is primarily due to the seasonality nature of the business and the increase in yet-to-mature account receivables.

For the Current Period, the Group had a net cash used in operating activities of approximately HK\$54.9 million as compared to a net cash from operating activities of approximately HK\$31.9 million for the Previous Period. The Group had a net cash used in operating activities for the Current Period which is primarily attributable to (i) the approximately HK\$145.2 million increase in trade receivables due to the peak sales seasonality factor of the Group's business; (ii) the approximately HK\$11.5 million increase in inventories due to primarily increase in finished goods as our Groups manufactured more finished goods in preparation for shipping the products out to our customers during the peak sales months; and which was partially offset by the approximately HK\$71.3 million increase in trade payables. During the Current Period, the Group settled the trade payables to our suppliers faster on average when compared with the Previous Period as the Group utilised a new banking facility of an import trade loan to settle payables via the lending bank as opposed to settlement by the Group's internal working capital according to the respective credit periods agreed with the suppliers in the Previous Period. The import trade loan was drawn down by receipt of supplier invoices and evidence of material delivery and the lending bank settled the payment to the suppliers directly according to the invoices in a timely fashion. This has led to a quicker settlement of trade payables than in the Previous Period and thus a decrease net cash flow from operating activities which was effectively offset in part by an increase in net cash flow from financing activities arising from the drawdown of the new import trade loan to settle the payables as referred to above and in the paragraphs below.

During the Current Period, the Group had a net cash used in investing activities of approximately HK\$9.5 million as compared to a net cash from investing activities of approximately HK\$1.8 million for the Previous Period. The Group had net cash used in investing activities for the Current Period is mainly due to the acquisition of property, plant and equipment of approximately HK\$9.6 million which was part of the capital expenditure plan as described in the "Management Discussion and Analysis" section in the 2013 Annual Report.

Management Discussion and Analysis (Continued)

During the Current Period, the Group had a net cash from financing activities of approximately HK\$60.5 million as compared to a net cash used in financing activities of approximately HK\$44.5 million for the Previous Period. The Group had a net cash from financing activities for the Current Period is mainly due to the HK\$62.1 million increase of interest-bearing bank borrowings as a result of the drawdown a new import trade loan granted by a bank.

Accordingly, interest-bearing bank borrowings increased to approximately HK\$113.0 million as at 30 September 2013 (31 March 2013: HK\$50.9 million). Approximately HK\$113.0 million (31 March 2013: HK\$50.4 million) of the total bank borrowings would be due for repayment within one year while no borrowings (31 March 2013: HK\$0.5 million) would be due for repayment after one year. The current ratio of the Group, as calculated by total current assets over total current liabilities, was approximately 1.7 (31 March 2013: 2.2). As at 30 September 2013, all bank borrowings were subject to floating interest rates.

As a result of an increase in bank borrowings, the debt to equity ratio of the Group, calculated as the ratio of the closing debt balance over the closing total equity, was approximately 50.3% as at 30 September 2013 (31 March 2013: 25.2%).

Charge on Assets

The Group's leasehold land and building located in Hong Kong with a net book value of HK\$628,000 (31 March 2013: Nil) were pledged with a bank for the facilities granted to the Group. Details of the securities for the banking facilities are stated in note 18 to the condensed consolidated financial statements.

Contingent Liabilities

As at 30 September 2013, the Group had no contingent liabilities (31 March 2013: Nil).

Operating Lease Arrangements

The Group leases certain of its office premises under operating lease arrangements for terms ranging from one to three years.

As at 30 September 2013, the Group had total future minimum lease payments under non-cancellable operating leases of approximately HK\$3.0 million (31 March 2013: HK\$4.1 million), of which approximately HK\$2.1 million (31 March 2013: HK\$2.2 million) would fall due within one year and approximately HK\$0.9 million (31 March 2013: HK\$1.9 million) would fall due in the second to fifth year, inclusive.

Capital Commitments

As at 30 September 2013, the commitment of the Group for the acquisition of property, plant and equipment was nil (31 March 2013: HK\$634,000).

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 30 September 2013.



Management Discussion and Analysis (Continued)

Material Acquisitions and Disposals of Subsidiaries and Affiliated Companies

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

Future Plans for Material Investments and Capital Assets

As at 30 September 2013, the Group did not have plans to acquire any material investments or capital assets other than those set out in the “Use of Proceeds” paragraph under “Management Discussion and Analysis” section in the 2013 Annual Report.

Foreign Currency Exposures

There has been no material change to the Group’s foreign currency forward contract policy as set out in the 2013 Annual Report. The Group is exposed to RMB exchange rate risk as disclosed in the 2013 Annual Report as the expenses or expenditures incurred in the operation of the Group’s subsidiary in the PRC were denominated in RMB. The Group had an outstanding non-deliverable forward contract with a notional amount of US\$5.0 million as at 30 September 2013 (31 March 2013: US\$10.0 million) to manage the foreign currency risk arising from fluctuation in exchange rate of the RMB against the US\$.

Employees and Remuneration Policy

As at 30 September 2013, the Group had a total of 798 employees. Total staff costs were approximately HK\$26.9 million for the Current Period (Previous Period: HK\$25.8 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 the chief executive officer of the Group. Staff employed by a subsidiary established in the PRC are also provided with pension funds, medical insurance, unemployment insurance and other relevant insurance in accordance with the prevailing regulatory requirements of the PRC. The Company also adopted a share option scheme for the purpose of rewarding eligible participants for their contribution to the Group.

Prospects

The Group’s key customers mainly comprise internationally reputable toy brands which mainly distribute their products in North America and Western Europe. Based on the current market situations, the Group’s current production level and the on-going business relationship with the existing customers, the Directors expect the revenue of the Group would remain stable for the year ending 31 March 2014. With the aim of further developing the business of the Group and continuing its growth, the Group will continue to focus on further expanding its production capacity, improving the production efficiency, strengthening and expanding the customer base, and enhancing the design and product development capabilities.

Other Information

Interim Dividend

The Board has declared an interim dividend of HK cents 5 per share (2012: Nil), amounting to a total of HK\$12.0 million (2012: Nil), for the year ending 31 March 2014 to the shareholders of the Company (“Shareholders”) whose names appear on the register of members of the Company (“Register of Members”) on Thursday, 12 December 2013.

Closure of Register of Members

The Register of Members will be closed and no transfer of shares will be registered from Monday, 9 December 2013 to Thursday, 12 December 2013, both dates inclusive, for the purpose of determining the entitlements of the Shareholders to the interim dividend. To qualify for the interim dividend, all properly completed transfer forms accompanied by the relevant share certificates must be lodged for registration with the Company's Hong Kong branch registrar and transfer office, Tricor Investor Services Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong no later than 4:30 pm on Friday, 6 December 2013.

Review of Interim Results

The unaudited condensed consolidated financial statements and the interim report for the six months ended 30 September 2013 have not been reviewed by the auditor of the Company but have been reviewed by the Audit Committee. The Audit Committee also discussed the financial related matters, including the accounting principles and practices adopted by the Group, with the management during the period under review. The Audit Committee was satisfied that the unaudited condensed consolidated financial statements of the Group for the six months ended 30 September 2013 have been prepared in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants.

Purchase, Sale or Redemption of the Company's Listed Securities

Neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 September 2013.

Corporate Governance

The Company adopted the Corporate Governance Code (the “Code”) set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the “Stock Exchange”) (the “Listing Rules”) as its own code of corporate governance practice. Throughout the interim period under review, the Company has complied with all applicable code provisions under the Code.



Other Information (Continued)

Directors' Securities Transactions

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

Directors' Interests in Shares and Underlying Shares of the Company

As at 30 September 2013, the interests or short positions of the Directors in the shares, underlying shares or debentures of the Company and associated corporations (within the meaning of Part XV of the Securities Futures Ordinance (Charter 571 of the Laws of Hong Kong) ("SFO")) as recorded in the register to be kept under which have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO) or which is required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein or which is required to notify the Company and the Stock Exchange pursuant to the Model Code, is as follows:

Long positions

Name of Director	Number of Shares held					Percentage of issued shares capital
	Personal interest	Corporate interests	Family interests	Other interests	Total	
Lau Ho Ming, Peter	—	115,920,000 (Note)	—	—	115,920,000	48.3%
Li Man Yee, Stella	—	—	115,920,000 (Note)	—	115,920,000	48.3%

Note: These Shares are registered in the name of Smart Investor Holdings Limited ("Smart Investor"), a company owned as to 67.4% by Mr. Lau Ho Ming, Peter and 32.6% by Madam Li Man Yee, Stella respectively. As Mr. Lau controls more than one-third of the voting power of Smart Investor, by virtue of the provisions in Part XV of the SFO, Mr. Lau is deemed to be interested in all the Shares held by Smart Investor. Madam Li is the spouse of Mr. Lau. By virtue of the provisions of Part XV of the SFO, Madam Li is deemed to be interested in all the Shares in which Mr. Lau is interested or deemed to be interested.

Save as those disclosed above, as at 30 September 2013, none of the Directors had any interests or short positions in the shares, underlying shares, or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Other Information (Continued)

Substantial Shareholders

As at 30 September, 2013, the interests or short positions of substantial shareholders, other than the Directors or the chief executives of the Company whose interests and short positions in the shares of the Company and of its associated corporations (within the meaning of Part XV of the SFO) as set out above, had 5% or more interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be maintained by the Company under Section 336 of the SFO were as follows:

Long Positions

Name	Capacity	Total number of Shares held	Percentage of shareholding
Smart Investor	Beneficial Owner	115,920,000 (Note)	48.3%
Silver Pointer Limited	Beneficial Owner	33,600,000	14.0%

Note: These Shares were registered in the name of Smart Investor, a company owned as to 67.4% by Mr. Lau Ho Ming, an executive Director and the Chief Executive Officer, and as to 32.6% by Madam Li Man Yee, Stella, the non-executive Chairperson respectively.

Share Option Scheme

The Company adopted a share option scheme pursuant to a resolution in writing passed by the Shareholders on 3 January 2013 as incentives or rewards for eligible participants who contribute to the Group. No options have been granted, exercised or cancelled since its adoption.

Changes in Directors

Mr. Tang Yu Ming, Nelson resigned as a non-executive Director with effect from 22 June 2013 and Mr. Chu Sheng Yu, Lawrence was appointed as a non-executive Director with effect from 22 June 2013.



Other Information (Continued)

Update of Directors' Information

There has been update in the biographical details of certain Directors namely, Mr. Chu Sheng Yu, Lawrence, a non-executive Director, and Mr. Chan Siu Wing, Raymond and Mr. Chu, Raymond, independent non-executive Directors. Their updated biographical details are as set out below:

Mr. Chu Sheng Yu, Lawrence

Mr. Chu Sheng Yu, Lawrence, aged 33, was appointed as a non-executive Director with effect from 22 June 2013. He is also a member of the corporate governance committee of the Board. He is currently the managing director of BlackPine Zheng He Capital Management Limited and a member of the board of directors of AMTD Asia (Holdings) Limited, a subsidiary of Cheung Kong Holdings (stock code: 0001) a company listed on the Stock Exchange. Mr. Chu is an experienced investment management professional and previously worked as a portfolio manager in UBS O'Connor in Hong Kong. Prior to UBS O'Connor, Mr. Chu was a strategy executive in the Chairman's office of EMI. He began his career at UBS Warburg in the technology and merger and acquisitions investment banking groups in London and Hong Kong. Mr. Chu graduated from University of Chicago with a Bachelor of Arts in Economics. He also serves on the board of governors of the Chinese International School of Hong Kong.

Mr. Chan Siu Wing, Raymond

Mr. Chan Siu Wing, Raymond, aged 49, was appointed as an independent non-executive Director on 3 January 2013. Mr. Chan is the chairman of each of the Audit Committee and the Corporate Governance Committee of the Board and a member of the Remuneration Committee of the Board.

Mr. Chan has experience of over 20 years in the field of accounting, taxation, finance and trust. He currently is an executive director of ENM Holdings Limited (stock code: 128), a company listed on the Stock Exchange. Prior to that, Mr. Chan worked as the group chief operating officer of Chinachem Group from November 2008 to August 2011 and the financial controller and company secretary of Hua Xia Healthcare Holdings Limited (stock code: 8143), a company listed on the Stock Exchange, from June 2005 to August 2008.

Mr. Chan obtained a Bachelor's Degree in Economics from the University of Sydney in April 1986. Mr. Chan is a certified public accountant of the Hong Kong Institute of Certified Public Accountants, a certified practicing accountant of the Australian Society of Certified Practicing Accountants, and a member of the Macau Society of Certified Practicing Accountants.

Mr. Chan has been an independent non-executive director of a number of companies listed in Hong Kong and overseas over the past 10 years, among the others, Pan Asia Mining Limited (formerly known as Intelli-Media Group (Holdings) Limited (stock code : 8173), a company listed on the Growth Enterprise Market of the Stock Exchange, for the period from September 2008 to November 2010 and Orient Energy and Logistics Holdings Limited (which was delisted from the Frankfurt Stock Exchange on 15 December 2012) for the period from June 2011 to September 2011. He currently holds the office of independent non-executive director of each of Phoenitron Holdings Limited (stock code: 8066), a company listed on the Growth Enterprise Market of the Stock Exchange, Nature Flooring Holding Company Limited (formerly known as China Flooring Holding Company Limited) (stock code: 2083) and Hong Kong Finance Group Limited (stock code: 1273), both companies whose shares are listed on the Main Board of the Stock Exchange.

Other Information (Continued)

Mr. Chu, Raymond

Mr. Chu, Raymond, aged 47, was appointed as our independent non-executive Director on 3 January 2013. He is the chairman of the Remuneration Committee of the Board and a member of each of the Audit Committee and the Nomination Committee of the Board.

Mr. Chu possessed experience of more than 20 years in the financial industry. He is currently the managing director and head of Sales and Trading Division under Guosen Securities (HK). Prior to that, he was the managing director (Equity Derivatives Trading, Institutional Equity Asia Pacific) of The Bank of Nova Scotia from May 2010 to November 2011 and held senior positions with a number of reputable financial institutions between 2002 and 2010.

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

Compliance Adviser

Quali-Smart Holdings Limited (the "Company") and Sun Hung Kai International Limited ("SHKI") mutually agreed to terminate the compliance adviser's agreement entered into between SHKI and the Company dated 9 January 2013 in relation to the appointment of SHKI as the compliance adviser of the Company, with effect from 10 October 2013 due to the changes in personnel of SHKI and hence SHKI might not have the required qualification/licence to carry out its obligation as the compliance adviser of the Company. The Company is in the course of identifying a qualified compliance adviser to fill the vacancy as soon as possible and in any event within three months from 10 October 2013 pursuant to Rule 3A.27 of the Listing Rules.



Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 September 2013

		Six months ended 30 September	
	Notes	2013 HK\$'000 (Unaudited)	2012 HK\$'000 (Unaudited)
REVENUE	4	533,489	532,809
Cost of sales		(473,859)	(465,305)
Gross profit		59,630	67,504
Other income and gains	4	7,354	2,096
Selling expenses		(13,340)	(13,801)
Administrative expenses		(24,929)	(27,133)
Finance costs	6	(1,098)	(1,180)
PROFIT BEFORE INCOME TAX EXPENSE	5	27,617	27,486
Income tax expense	7	(5,039)	(6,983)
PROFIT FOR THE PERIOD		22,578	20,503
Other comprehensive income:			
Exchange differences arising on translating foreign operations		505	(199)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		23,083	20,304
Earnings per share for profit attributable to the owners of the Company	9		
— Basic (HK cents)		9.41	11.39
— Diluted (HK cents)		N/A	N/A

Condensed Consolidated Statement of Financial Position

As at 30 September 2013

	<i>Notes</i>	At 30 September 2013 HK\$'000 (Unaudited)	At 31 March 2013 HK\$'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	10	40,252	34,659
Prepaid land lease payments	10	7,871	7,782
Total non-current assets		48,123	42,441
CURRENT ASSETS			
Inventories	11	165,093	153,579
Trade receivables	12	203,705	58,473
Prepayments, deposits and other receivables	13	1,313	2,834
Derivative financial instruments	14	1,574	1,014
Cash and cash equivalents	15	76,737	80,391
Total current assets		448,422	296,291
CURRENT LIABILITIES			
Trade payables	16	122,306	50,969
Receipts in advance, accruals and other payables	17	31,437	32,691
Interest-bearing bank borrowings	18	113,044	50,937
Income tax payable		4,936	2,396
Total current liabilities		271,723	136,993
NET CURRENT ASSETS		176,699	159,298
TOTAL ASSETS LESS CURRENT LIABILITIES		224,822	201,739
Net assets		224,822	201,739
EQUITY			
Share capital	19	187	187
Reserves	20	224,635	201,552
Total equity		224,822	201,739

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 September 2013

	Attributable to the owners of the Company							Total HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Capital reserve HK\$'000	Statutory reserve HK\$'000	Translation reserve HK\$'000	Other reserve HK\$'000	Retained earnings HK\$'000	
Unaudited for the six months ended 30 September 2013								
At 1 April 2013 (audited)	187	104,048	9,271	584	4,464	2,100	81,085	201,739
Profit for the period	—	—	—	—	—	—	22,578	22,578
Other comprehensive income								
Exchange differences arising on translating foreign operations	—	—	—	—	505	—	—	505
Total comprehensive income for the period	—	—	—	—	505	—	22,578	23,083
Transfer to statutory reserve	—	—	—	58	—	—	(58)	—
At 30 September 2013 (unaudited)	187	104,048	9,271	642	4,969	2,100	103,605	224,822
Unaudited for the six months ended 30 September 2012								
At 1 April 2012 (audited)	2,178	24,977	9,271	479	4,406	—	58,499	99,810
Share issue expenses	—	(2,827)	—	—	—	—	—	(2,827)
Reduction in capital upon Reorganisation	(2,100)	—	—	—	—	2,100	—	—
Profit for the period	—	—	—	—	—	—	20,503	20,503
Other comprehensive income								
Exchange differences arising on translating foreign operations	—	—	—	—	(199)	—	—	(199)
Total comprehensive income for the period	—	—	—	—	(199)	—	20,503	20,304
Transfer to statutory reserve	—	—	—	58	—	—	(58)	—
At 30 September 2012 (unaudited)	78	22,150	9,271	537	4,207	2,100	78,944	117,287

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 September 2013

	Notes	Six months ended 30 September	
		2013 HK\$'000 (Unaudited)	2012 HK\$'000 (Unaudited)
Net cash (used in)/generated from operating activities		(54,929)	31,870
Net cash (used in)/generated from investing activities		(9,464)	1,763
Net cash generated from/(used in) financing activities		60,468	(44,493)
Decrease in cash and cash equivalents		(3,925)	(10,860)
Cash and cash equivalents at 1 April		80,391	39,827
Effect of exchange rate changes on cash and cash equivalents		(270)	18
Cash and cash equivalents at 30 September		76,196	28,985
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and cash equivalents as stated in the condensed consolidated statement of financial position		76,737	28,985
Less: Bank overdraft	18	(541)	—
Cash and cash equivalents as stated in the consolidated statement of cash flows		76,196	28,985

Notes to the Condensed Consolidated Financial Statements

1. Basis of Preparation

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 3 on 19th Floor, Cheung Tat Centre, No. 18 Cheung Lee Street, Chai Wan, Hong Kong. The ordinary shares of the Company (the “Shares”) have been listed on the Main Board of the Stock Exchange of Hong Kong Limited (the “Stock Exchange”) since 23 January 2013.

The unaudited condensed consolidated financial statements of the Company and its subsidiaries (collectively known as the “Group”) for the six months ended 30 September 2013 (“Interim Condensed Financial Statements”) have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and the applicable disclosure requirements of Appendix 16 of the Rules Governing the Listing of Securities on the Stock Exchange. Interim Condensed Financial Statements have not been audited by the Company’s auditor but have been reviewed by the audit committee of the Company.

The Interim Condensed Financial Statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the audited consolidated financial statements of the Group for the year ended 31 March 2013 (the “2013 Annual Financial Statements”).

The accounting policies applied in preparing the Interim Condensed Financial Statements are consistent with those applied in preparing the 2013 Annual Financial Statements except those set out in Note 2 below.

2. Adoption of New or Revised Hong Kong Financial Reporting Standards (“HKFRSs”)

(a) Adoption of new/revised HKFRSs – effective 1 April 2013

In the current period, the Group has adopted for the first time the following new standards, amendments and interpretations (“the New HKFRSs”) issued by the HKICPA which are relevant to and effective for the Group’s financial statements for the annual accounting period beginning on 1 April 2013:

Amendments to HKFRSs	Annual Improvements to HKFRSs 2009–2011 Cycle
Amendments to HKAS 1 (Revised)	Presentation of financial statements — Presentation of items of other comprehensive income
Amendments to HKFRS 7	Financial instruments: Disclosures — Offsetting financial assets and financial liabilities
HKFRS 10	Consolidated financial statements
HKFRS 11	Joint arrangements
HKFRS 12	Disclosure of interests in other entities
HKFRS 13	Fair value measurements
HKAS 27 (2011)	Separate financial statements
HKAS 28 (2011)	Investments in associates and joint ventures

The adoption of the New HKFRSs has no significant impact on the Interim Condensed Financial Statements.

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

For the new/revised HKFRSs that have been issued but are not yet effective and have not been early adopted by the Group, the directors of the Company (the “Directors”) anticipate that all of the pronouncements will be adopted in the Group’s accounting policy for the first period beginning after the effective date of the pronouncements. The Directors are currently assessing the impact of the new and revised HKFRSs upon initial application but are not yet in a position to state whether they would have material financial impact on the Group’s results and financial position.

Notes to the Condensed Consolidated Financial Statements (Continued)

3. Operating Segment Information

The Group determines its operating segments based on the reports reviewed by the chief operating decision-maker that are used to make strategic decisions.

(a) Reportable segments

No separate business segment information is presented as the Group has only one business segment which is the manufacture and sale of toys.

(b) Geographical information

The following table sets out information about the geographical location of (i) the Group's revenue from external customers and (ii) the Group's property, plant and equipment and prepaid land lease payments ("specified non-current assets"). The geographical location of customers is based on the location at which the services were provided or the goods were delivered. The geographical location of the specified non-current assets is based on the physical location of the assets in the case of property, plant and equipment.

(i) Revenue from external customers

	Six months ended 30 September	
	2013	2012
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
North America (<i>note 1</i>)	279,221	287,574
Western Europe		
— United Kingdom	76,464	53,973
— France	25,317	27,348
— Netherland	15,051	13,222
— Others (<i>note 2</i>)	68,673	71,560
South America	11,366	16,391
People's Republic of China ("PRC") and Taiwan	11,130	14,505
Australia, New Zealand and Pacific Islands	16,306	15,771
Central America, Caribbean and Mexico	13,726	15,592
Others (<i>note 3</i>)	16,235	16,873
Total	533,489	532,809

Notes:

1 North America includes United States of America and Canada.

2 Others include Germany, Belgium, Italy, Ireland and Spain.

3 Others include Africa, India, Japan, Korea, Mediterranean, Russia and Southeast Asia.

Notes to the Condensed Consolidated Financial Statements (Continued)

3. Operating Segment Information (continued)

(b) Geographical information (continued)

(ii) Specified non-current assets

	At 30 September 2013 HK\$'000 (Unaudited)	At 31 March 2013 HK\$'000 (Audited)
Mainland China, the PRC	47,192	41,505
Hong Kong	931	936
Total	48,123	42,441

(c) Information about major customers

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

	Six months ended 30 September 2013 HK\$'000 (Unaudited)	2012 HK\$'000 (Unaudited)
Customer A	180,564	236,872
Customer B	135,908	86,327

Notes to the Condensed Consolidated Financial Statements (Continued)

4. Revenue, Other Income and Gains

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

	Six months ended	
	30 September	
	2013	2012
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Revenue		
Sale of goods	533,489	532,809
Other income and gains		
Moulding income	4,813	2,855
Net gain/(loss) on derivative financial instruments	1,731	(1,756)
Interest income from bank deposits	8	11
Exchange gains, net	164	182
Others	638	804
	7,354	2,096



Notes to the Condensed Consolidated Financial Statements (Continued)

5. Profit Before Income Tax Expense

The Group's profit before income tax expense is arrived at after charging:

	Six months ended 30 September	
	2013 HK\$'000 (Unaudited)	2012 HK\$'000 (Unaudited)
Cost of inventories sold	473,859	465,305
Depreciation	4,600	4,240
Amortisation of prepaid land lease payments	104	86
Employee benefits expenses:		
Wages and salaries	22,348	22,586
Pension scheme contributions	2,100	1,420
Other benefits	2,427	1,840
	26,875	25,846
Auditor's remuneration	482	428
Operating lease charges in respect of land and buildings	1,186	1,112

6. Finance Costs

	Six months ended 30 September	
	2013 HK\$'000 (Unaudited)	2012 HK\$'000 (Unaudited)
Interest on bank advance and other borrowings wholly repayable within five years	1,098	1,180

The analysis shows the finance costs of bank borrowings, including term loans which contain a repayment on demand clause, in accordance with the agreed scheduled repayment dates set out in the loan agreements.

Notes to the Condensed Consolidated Financial Statements (Continued)

7. Income Tax Expense

Hong Kong profits tax has been provided on the estimated assessable profit arising in Hong Kong at the rate of 16.5% during six months ended 30 September 2013 (2012: 16.5%). Taxes on profits assessable elsewhere have been calculated at the rate of tax prevailing in the locations in which the Group operates.

The PRC corporate income tax rate of the Group's subsidiary operating in the PRC during six months ended 30 September 2013 was 25% on its taxable profit (2012: 25%).

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

	Six months ended	
	30 September	
	2013	2012
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Current — Hong Kong		
Charge for the period	4,846	6,786
Current — PRC		
Charge for the period	193	197
Total tax charge for the period	5,039	6,983

The income tax expense for the period can be reconciled to the profit before income tax expense per the condensed consolidated statement of comprehensive income as follows:

	Six months ended	
	30 September	
	2013	2012
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Profit before income tax expense	27,617	27,486
Tax at the applicable tax rate of 16.5% (2012: 16.5%)	4,557	4,535
Effect of different tax rate of a subsidiary operating in other jurisdiction	42	46
Tax effect of revenue not taxable for tax purposes	(314)	(32)
Tax effect of expenses not deductible for tax purposes	683	2,376
Tax effect of temporary difference not recognised	71	58
Income tax expense	5,039	6,983

Notes to the Condensed Consolidated Financial Statements (Continued)

7. Income Tax Expense (continued)

As at 30 September 2013, no deferred tax asset has been recognised in respect of the deductible temporary differences of HK\$71,000 (2012: HK\$58,000) as the amounts are immaterial to the Group. In addition, no deferred tax liabilities of HK\$5,402,000 as at 30 September 2013 (At 31 March 2013: HK\$4,875,000) has been recognised for withholding taxes that would be repayable on the unremitted earnings of the Group's subsidiary established in the PRC. It is because in the opinion of the Directors, it is not probable that this subsidiary will distribute its earnings accrued from 1 January 2008 to 30 September 2013 in the foreseeable future. Accordingly no deferred tax liabilities have been recognised as at 30 September 2013.

8. Dividends

The Directors have declared an interim dividend of HK cents 5 per share, totalling HK\$12,000,000 for the six months ended 30 September 2013 (2012: Nil).

9. Earnings Per Share Attributable to Owners of the Company

The calculation of basic earnings per share is based on the profit attributable to owners of the Company for the six months ended 30 September 2013 of approximately HK\$22,578,000 (2012: HK\$20,503,000), and of the weighted average number of 240,000,000 (2012: 180,000,000, being the number of shares immediately prior to the listing of the Shares on the Main Board of the Stock Exchange) Shares issued.

No diluted earnings per share are presented as the Group has no potential Shares in issue for the six months ended 30 September 2013 (2012: Nil).



Notes to the Condensed Consolidated Financial Statements (Continued)

10. Property, Plant and Equipment, and Prepaid Land Lease Payments

	Property, plant and equipment HK\$'000	Prepaid land lease payments HK\$'000
Net Book value at 1 April 2013 (Audited)	34,659	7,782
Additions	9,632	—
Disposals	(22)	—
Amortisation	—	(104)
Depreciation	(4,600)	—
Exchange differences	583	193
Net book value at 30 September 2013 (Unaudited)	40,252	7,871

The Group's leasehold land and buildings are located in Hong Kong and the PRC and are held under medium term leases. Certain of the Group's leasehold land and buildings located in Hong Kong with net book value of HK\$628,000 has been pledged to a bank for facilities granted to the Group.

The land use rights are located in the PRC and held under medium-term lease.

11. Inventories

	At 30 September 2013 HK\$'000 (Unaudited)	At 31 March 2013 HK\$'000 (Audited)
Raw materials	76,033	110,279
Work in progress	19,767	11,570
Finished goods	69,293	31,730
	165,093	153,579

Notes to the Condensed Consolidated Financial Statements (Continued)

12. Trade Receivables

The credit period on sales of goods ranges 30–75 days from the invoice date. An aged analysis of the trade receivables at the end of the reporting period, based on the invoice date, is as follows:

	At 30 September 2013 HK\$'000 (Unaudited)	At 31 March 2013 HK\$'000 (Audited)
Current to 30 days	113,680	35,837
31 to 60 days	65,553	9,014
61 to 90 days	17,466	7,043
Over 90 days	7,006	6,579
	203,705	58,473

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

	At 30 September 2013 HK\$'000 (Unaudited)	At 31 March 2013 HK\$'000 (Audited)
Neither past due nor impaired	154,959	47,438
Less than 1 month past due	42,067	5,826
1 to 3 months past due	6,402	3,484
Over 3 months past due	277	1,725
	203,705	58,473

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

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

Notes to the Condensed Consolidated Financial Statements (Continued)

13. Prepayments, Deposits and Other Receivables

	At 30 September 2013 HK\$'000 (Unaudited)	At 31 March 2013 HK\$'000 (Audited)
Prepayments	755	582
Deposits	74	789
Other receivables	484	1,463
	1,313	2,834

At 30 September 2013, the balances of deposits and other receivables were neither past due nor impaired. Financial assets included in the above balances relate to receivables for which there was no recent history of default.

14. Derivative Financial Instruments

The derivative financial instruments represent certain RMB/US\$ foreign exchange forward contracts held by the Group, of which the contract periods were within 25 months (At 31 March 2013: 25 months). The Group would sell US Dollars to the bank in exchange for Renminbi ("RMB") at agreed forward rates.

As at 30 September 2013, the notional amount of the outstanding forward contracts were US\$5.0 million (At 31 March 2013: US\$10 million).

The fair values of foreign currency forward contracts are measured using quoted forward exchange rates and yield curves derived from quoted interest rates, with the assumptions that there will be no material change in the political, legal, fiscal, technological, market and economic conditions that will materially affect the price of the underlying currencies of the foreign exchange forward contracts and the interest rates and exchange rates will not differ materially from those of present or expected.

Notes to the Condensed Consolidated Financial Statements (Continued)

14. Derivative Financial Instruments (continued)

The below table reconciled the movements of the derivative financial instruments during the period/year:

	At 30 September 2013 HK\$'000 (Unaudited)	At 31 March 2013 HK\$'000 (Audited)
Balance as at 1 April	1,014	6,191
Net gain/(loss) on derivative financial instruments during the period/year	1,731	(107)
Settlements during the period/year	(1,171)	(5,070)
Balance as at 30 September/31 March	1,574	1,014

15. Cash and Cash Equivalents

	At 30 September 2013 HK\$'000 (Unaudited)	At 31 March 2013 HK\$'000 (Audited)
Cash and cash equivalents were denominated in:		
HK\$	69,289	76,183
RMB	2,147	1,399
US\$	5,301	2,809
	76,737	80,391

RMB is not freely convertible into other currencies. Under PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

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

Notes to the Condensed Consolidated Financial Statements (Continued)

16. Trade Payables

The Group normally obtains credit terms of 15–90 days from its suppliers. Trade payables are interest-free.

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

	At 30 September 2013 HK\$'000 (Unaudited)	At 31 March 2013 HK\$'000 (Audited)
Current to 30 days	80,778	28,375
31 to 60 days	16,220	13,801
61 to 90 days	21,542	7,351
Over 90 days	3,766	1,442
	122,306	50,969

17. Receipts in Advance, Accruals and Other Payables

	At 30 September 2013 HK\$'000 (Unaudited)	At 31 March 2013 HK\$'000 (Audited)
Receipts in advance	23,619	1,252
Accruals and other payables	7,818	31,439
	31,437	32,691



Notes to the Condensed Consolidated Financial Statements (Continued)

18. Interest-Bearing Bank Borrowings

	At 30 September 2013 HK\$'000 (Unaudited)	At 31 March 2013 HK\$'000 (Audited)
Current		
Secured		
— bank overdraft	541	—
— bank loans due for repayment within one year	112,503	50,437
— bank loans due for repayment after one year which contain a repayment on demand clause	—	500
	113,044	50,937

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

- (i) Company's corporate guarantees and cross guarantees from the Company's subsidiaries, namely Qualiman Industrial Co. Limited, Qualiman Technology & Products Co. Limited and Sunmart Company Limited;
- (ii) guarantee duly issued by The Government of the Hong Kong Special Administrative Region in favour of the bank in respect of the facilities under the Special Loan Guarantee Scheme;
- (iii) the pledge of the Group's leasehold land and building located in Hong Kong.

At 30 September 2013, total current and non-current bank borrowings and overdraft were scheduled to be repaid as follows:

	At 30 September 2013 HK\$'000 (Unaudited)	At 31 March 2013 HK\$'000 (Audited)
On demand or within one year	113,044	50,437
More than one year, but not exceeding two years	—	500
	113,044	50,937

Note: The amounts due are based on the scheduled repayment dates in the loan agreements and ignore the effect of any repayment on demand clause.

Notes to the Condensed Consolidated Financial Statements (Continued)

18. Interest-Bearing Bank Borrowings (continued)

Certain of the banking facilities are subject to the fulfillment of covenants relating to certain of the Group's financial position ratios, which are to maintain (i) the combined tangible net worth at not less than a certain amount; and (ii) specific gearing ratio of the Group as are commonly found in lending arrangements with financial institutions. If the Group breaches the covenants, the drawn down facilities shall become repayable on demand. In addition, certain of the Group's term loan agreements contain clauses which give the lender the right at its sole discretion to demand immediate repayment at any time irrespective of whether the Group has complied with the covenants and met the scheduled repayment obligations.

The Group regularly monitors its compliance with these covenants and does not consider it probable that the bank will exercise its discretion to demand repayment for so long as the Group continues to meet these requirements. As at 30 September 2013, none of the covenants relating to drawn down facilities had been breached (At 31 March 2013: Nil).

19. Share Capital

	Number of Shares	HK\$'000
Authorised:		
Ordinary shares of US\$0.0001 each		
At 1 April 2013 and 30 September 2013	500,000,000	389
Issued and fully paid:		
Ordinary shares of US\$0.0001 each		
At 1 April 2013 and 30 September 2013	240,000,000	187

20. Reserves

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

Share premium

The share premium account of the Group represents the premium arising from the issuance of Shares at premium.

Capital reserve

Capital reserve represents the difference between issued share capital of the Company and the aggregate nominal value of the respective share capital/paid-in capital of the companies now comprising the Group. The capital reserve also resulted from the acquisition of additional interest in a subsidiary which represents the difference between fair value of the considerations given and the carrying amount of the net assets attributable to the additional interest in a subsidiary acquired from non-controlling interests.

Notes to the Condensed Consolidated Financial Statements (Continued)

20. Reserves (continued)

Statutory reserve

In accordance with the Company Law of the PRC, the Company's subsidiary registered in the PRC is required to appropriate 10% of the annual statutory net profit after taxation (after offsetting any prior years' losses) to the statutory reserve fund. When the balance of the statutory reserve fund reaches 50% of the entity's registered capital, any further appropriation is optional. The statutory reserve fund can be utilised to offset prior years' losses or to increase the registered capital. However, such balance of the statutory reserve fund must be maintained at a minimum of 50% of the registered capital after such usages.

Translation reserve

The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of the Group's presentation currency.

21. Related Party Transactions

- (i) In addition to the transactions detailed elsewhere in this Interim Report, the Group had the following material transactions with related parties during the period:

Relationship/name of related party	Nature of transaction	Six months ended	
		30 September 2013 HK\$'000 (Unaudited)	2012 HK\$'000 (Unaudited)
<i>Companies controlled by Mr. Lau Ho Ming, Peter and the non-executive Chairperson, Madam Li Man Yee, Stella or their close family member</i>			
Goldrich International Limited	Rental expenses (a)	72	72
Goldrich International Properties Limited	Rental expenses (a)	72	72
Loyal Gold (Hong Kong) Limited	Rental expenses (a)	588	588
		732	732
<i>Directors/Non-executive Chairperson</i>			
Mr. Lau Ho Ming, Peter	Rental expenses (a)	21	21
Madam Li Man Yee, Stella	Rental expenses (a)	144	144
		165	165

Notes to the Condensed Consolidated Financial Statements (Continued)

21. Related Party Transactions (continued)

- (a) The rental expenses paid to Goldrich International Limited, Goldrich International Properties Limited, Loyal Gold (Hong Kong) Limited, Mr. Lau Ho Ming, Peter and the non-executive Chairperson, Madam Li Man Yee, Stella were mutually agreed between the Group and the related parties.
- (ii) Compensation of key management personnel of the Group, including Directors' remuneration is as follows:

	Six months ended	
	30 September	
	2013	2012
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Key Management Personnel Compensation, excluding executive Directors		
Salaries, allowances and benefits in kind	1,252	701
Pension scheme contributions	31	26
Executive Directors		
Salaries, allowances, bonus and benefits in kind		
Mr. Lau Ho Ming, Peter	2,077	1,094
Mr. Ng Kam Seng	1,218	537
Mr. Poon Pak Ki, Eric	678	501
Pension scheme contributions		
Mr. Lau Ho Ming, Peter	22	19
Mr. Ng Kam Seng	22	17
Mr. Poon Pak Ki, Eric	20	17
	5,320	2,912

Notes to the Condensed Consolidated Financial Statements (Continued)

22. Operating Lease Arrangements

As lessee

The Group leases certain of its office premises under operating lease arrangements. Leases for these properties are negotiated for terms ranging from one to three years.

As at 30 September 2013, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	At 30 September 2013 HK\$'000 (Unaudited)	At 31 March 2013 HK\$'000 (Audited)
Within one year	2,107	2,170
In the second to fifth year, inclusive	897	1,919
	3,004	4,089

23. Capital Commitments

As at 30 September 2013, the commitments for the acquisition of property, plant and equipment:

	At 30 September 2013 HK\$'000 (Unaudited)	At 31 March 2013 HK\$'000 (Audited)
Contracted, but not provided for, in respect of acquisition of property, plant and equipment	—	634

24. Subsequent Events

The Group did not have any significant subsequent events taken place subsequent to 30 September 2013.

25. Approval of the Interim Condensed Financial Statements

The Interim Condensed Financial Statements were approved and authorized for issue by the Board of Directors on 22 November 2013.