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

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

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2018

FINANCIAL HIGHLIGHTS

- Revenue for the six months ended 30 September 2018 (the "**Current Period**") was approximately HK$459.2 million, representing a decrease of approximately HK$99.2 million or 17.8% from approximately HK$558.4 million for the six months ended 30 September 2017 (the "**Previous Period**"), which was mainly attributable to the decrease in revenue from the Toy Division and the Financial Services Division of approximately HK$90.5 million and HK$8.7 million, respectively, or approximately 16.5% and 73.8%, respectively, on a period-on-period basis, as a result of a more prudent attitude in placing orders by our customers in the Toy Division and the substantial change in sentiments in the capital and investment markets amidst a more bearish outlook on the global economy in light of the ongoing China-US trade war in the Current Period as compared to the Previous Period.

- Gross profit for the Current Period was approximately HK$57.3 million, representing a decrease of approximately HK$14.6 million or 20.3% from approximately HK$71.9 million for the Previous Period mainly in line with the decrease in revenue from the Toy Division and the Financial Services Division.

* *For identification purpose only*

- Loss for the Current Period was approximately HK$15.9 million, compared with the loss of approximately HK$20.0 million for the Previous Period, representing a reduction of loss of about HK$4.1 million on a period-on-period basis. The decrease in loss for the Current Period was mainly attributable to (i) the absence of the loss incurred by the discontinued IT Division of the Group which was disposed of in December 2017 and which accounted for approximately HK$13.5 million of the loss in the Previous Period (of which approximately HK$11.7 million was due an impairment loss on intangible assets of the IT Division); (ii) a decrease in selling expenses of approximately HK$4.5 million attributable to the Toy Division in line with the decrease in its revenue; and (iii) a decrease in costs of approximately HK$4.5 million and HK$4.4 million arising from a reduction in salaries expenses and the non-cash, equity settled share-based payment expenses related to the share options granted as a result of a decrease in the number of remaining years of vesting period for the granted share options, respectively, for the Current Period as compared to the Previous Period. On the other hand, the above contribution to the loss reduction was partially offset by (a) a decrease in gross profits of approximately HK$14.6 million as a result of a reduction in revenues as highlighted above; (b) an increase in finance costs of approximately HK$5.2 million attributable to the effective interest expenses on outstanding convertible notes; (c) an increase in administrative expenses in the form of legal and professional fee of approximately HK$3.1 million incurred for the proposed subscription of new shares by Zhongtai Financial International Limited and the acquisition of Zhongtai International Capital Limited and Zhongtai International Asset Management Limited as detailed in the announcements of the Company dated 25 February 2018 and 12 October 2018, respectively.

- The Board does not recommend the payment of any interim dividend for the six months ended 30 September 2018.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Notes	Six months ended 30 September 2018 HK$'000 (Unaudited)	2017 HK$'000 (Unaudited) (Re-presented)
CONTINUING OPERATION			
REVENUE	5	**459,238**	558,412
Cost of sales		**(401,938)**	(486,500)
Gross profit		**57,300**	71,912
Other income and gains	5	**2,450**	3,265
Selling expenses		**(13,439)**	(17,950)
Administrative expenses		**(46,100)**	(52,152)
Finance costs	6	**(11,839)**	(6,705)
LOSS BEFORE INCOME TAX EXPENSE	7	**(11,628)**	(1,630)
Income tax expense	8	**(4,267)**	(4,826)
LOSS FOR THE PERIOD FROM CONTINUING OPERATIONS		**(15,895)**	(6,456)
DISCONTINUED OPERATION		**–**	–
LOSS FOR THE PERIOD FROM DISCONTINUED OPERATION		**–**	(13,494)
LOSS FOR THE PERIOD		**(15,895)**	(19,950)
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:			
Fair value loss on financial assets at fair value through other comprehensive income		**(143)**	–
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**(16,038)**	(19,950)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (CONTINUED)

		Six months ended 30 September	
		2018	2017
		HK$'000	*HK$'000*
	Notes	**(Unaudited)**	(Unaudited) (Re-presented)
Loss attributable to:			
Loss for the period from continuing operations		**(15,895)**	(6,456)
Loss for the period from discontinued operation		**–**	(13,494)
LOSS FOR THE PERIOD ATTRIBUTABLE TO OWNERS OF THE COMPANY		**(15,895)**	(19,950)
Total comprehensive income attributable to:			
Owners of the Company		**(15,895)**	(19,950)
Non-controlling interests		**–**	–
		(15,895)	(19,950)
Loss per share			
– Basic and diluted *(HK cents)*			
From continuing and discontinued operations	9	**(1.08)**	(1.35)
From continuing operations	9	**(1.08)**	(1.35)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	At 30 September 2018 HK$'000 (Unaudited)	At 31 March 2018 HK$'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	10	**25,876**	21,799
Investment property		**6,700**	6,700
Goodwill		**184,783**	184,783
Intangible assets		**554**	554
Statutory deposits for financial service business		**1,313**	1,335
Promissory notes		**4,551**	4,517
Available-for-sale investments		**–**	11,740
Financial assets at fair value through other comprehensive income		**11,597**	–
Total non-current assets		**235,374**	231,428
CURRENT ASSETS			
Inventories	12	**106,155**	94,575
Trade receivables	13	**257,710**	30,682
Promissory notes		**4,045**	4,015
Financial assets at fair value through profit or loss	14	**9,841**	11,538
Prepayments, deposits and other receivables		**9,823**	8,960
Cash and bank balances held on behalf of customers		**62,466**	66,334
Pledged bank deposits		**60,752**	60,361
Cash and cash equivalents		**101,315**	141,184
Total current assets		**612,107**	417,649

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

	Notes	At 30 September 2018 HK$'000 (Unaudited)	At 31 March 2018 HK$'000 (Audited)
CURRENT LIABILITIES			
Trade payables	15	**203,445**	111,103
Deposits received, accruals and other payables		**25,169**	18,794
Interest-bearing bank borrowings	16	**117,411**	13,916
Tax payable		**4,098**	1,437
Total current liabilities		**350,123**	145,250
NET CURRENT ASSETS		**261,984**	272,399
TOTAL ASSETS LESS CURRENT LIABILITIES		**497,358**	503,827
NON-CURRENT LIABILITIES			
Convertible notes		**80,758**	73,984
Deferred tax liabilities		**112**	112
Total non-current liabilities		**80,870**	74,096
NET ASSETS		**416,488**	429,731
EQUITY			
Share capital	17	**287**	287
Reserves		**416,201**	429,444
TOTAL EQUITY		**416,488**	429,731

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2018

	Attributable to the owners of the Company										
	Share capital *HK$'000*	Share premium *HK$'000* *(note 1)*	Property revaluation reserve *HK$'000* *(note 2)*	Investment revaluation reserve *HK$'000*	Other reserve *HK$'000*	Share option reserve *HK$'000* *(note 3)*	Convertible notes equity reserve *HK$'000* *(note 4)*	(Accumulated losses)/ retained earnings *HK$'000*	Total *HK$'000*	Non-controlling interests *HK$'000*	Total *HK$'000*
Unaudited for the six months ended 30 September 2018											
At 1 April 2018 (audited)	**287**	**418,769**	**6,071**	**(260)**	**1,000**	**50,187**	**45,888**	**(92,211)**	**429,731**	**–**	**429,731**
Equity settled share-based transactions *(note 18)*	–	–	–	–	–	2,795	–	–	2,795	–	2,795
Lapse of share options *(note 18)*	–	–	–	–	–	(1,656)	–	1,656	–	–	–
Loss for the period	–	–	–	–	–	–	–	(15,895)	(15,895)	–	(15,895)
Other comprehensive income											
Fair value loss on financial assets at fair value through other comprehensive income	–	–	–	(143)	–	–	–	–	(143)	–	(143)
Total comprehensive income for the period	–	–	–	(143)	–	–	–	(15,895)	(16,038)	–	(16,038)
At 30 September 2018 (unaudited)	**287**	**418,769**	**6,071**	**(403)**	**1,000**	**51,326**	**45,888**	**(106,450)**	**416,488**	**–**	**416,488**

For the six months ended 30 September 2017

	Attributable to the owners of the Company									
	Share capital *HK$'000*	Share premium *HK$'000* *(note 1)*	Property revaluation reserve *HK$'000* *(note 2)*	Other reserve *HK$'000*	Share option reserve *HK$'000* *(note 3)*	Convertible notes equity reserve *HK$'000* *(note 4)*	(Accumulated losses)/ retained earnings *HK$'000*	Total *HK$'000*	Non-controlling interests *HK$'000*	Total *HK$'000*
Unaudited for the six months ended 30 September 2017										
At 1 April 2017 (audited)	287	418,769	6,071	1,000	41,529	42,725	(89,112)	421,269	590	421,859
Early redemption of convertible notes	–	–	–	–	–	(42,725)	39,187	(3,538)	–	(3,538)
Issuing new convertible notes	–	–	–	–	–	47,879	–	47,879	–	47,879
Equity settled share-based transactions *(note 18)*	–	–	–	–	7,209	–	–	7,209	–	7,209
Lapse of share options *(note 18)*	–	–	–	–	(2,892)	–	2,892	–	–	–
Loss for the period	–	–	–	–	–	–	(19,950)	(19,950)	–	(19,950)
Total comprehensive income for the period	–	–	–	–	–	–	(19,950)	(19,950)	–	(19,950)
At 30 September 2017 (unaudited)	287	418,769	6,071	1,000	45,846	47,879	(66,983)	452,869	590	453,459

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

Notes:

1. The share premium account of the Group represents the premium arising from the issuance of Shares above its per value.

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

3. Cumulative expenses recognised on the granting of share options to the eligible participants over the vesting period.

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

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Six months ended 30 September	
	2018	2017
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Net cash flows (used in)/generated from operating activities	**(128,009)**	21,713
Net cash flows used in investing activities	**(10,308)**	(28,456)
Net cash flows generated from financing activities	**98,448**	117,462
Net (decrease)/increase in cash and cash equivalents	**(39,869)**	110,719
Cash and cash equivalents at 1 April	**141,184**	129,987
Cash and cash equivalents at 30 September	**101,315**	240,706

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

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

The unaudited condensed consolidated financial statements of the Company and its subsidiaries (collectively known as the "**Group**") for the six months ended 30 September 2018 ("**Interim Condensed Financial Statements**") have been prepared in accordance with Hong Kong Accounting Standard 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 board of directors of the Company ("**Board**").

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 2018 (the "**2018 Annual Financial Statements**").

The Interim Condensed Financial Statements were approved and authorised for issue by the Board on 30 November 2018.

2. BASIS OF PREPARATION

The accounting policies applied in preparing the Interim Condensed Financial Statements are consistent with those applied in preparing the 2017 Annual Financial Statements, except for the amendments and interpretations of Hong Kong Financial Reporting Standards ("**New/amended HKFRSs**") issued by HKICPA which have been become effective in this period as detailed in note 2 of the 2018 Annual Financial Statements. The adoption of such new/amended HKFRSs has no material impact on the accounting policies in the Group's Interim Condensed Financial Statements for the period, expect for new significant judgements and key sources of estimation uncertainty related to application of HKFRS 9 and HKFRS 15 as described in note 3.

3. APPLICATION OF NEW AND AMENDMENTS TO HKFRSs

The HKICPA has issued a number of new or amendments to HKFRSs that are first effective for the current accounting period of the Group:

• HKFRS 9	Financial Instruments
• HKFRS 15	Revenue from Contracts with Customers
• HK(IFRIC)-Interpretation 22	Foreign Currency Transactions and Advance Considerations
• Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
• Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
• Amendments to HKAS 28 included in Annual Improvements to HKFRSs 2014–2016 Cycle	Investments in Associates and Joint Ventures
• Amendments to HKAS 40	Transfers of Investment Property
• Amendments to HKFRS 1 included in Annual Improvements to HKFRSs 2014–2016 Cycle	First-time Adoption of Hong Kong Financial Reporting Standards

The impact of the adoption of HKFRS 9 Financial Instruments (see note 3A below) and HKFRS 15 Revenue from Contracts with Customers (see note 3B below) have been summarised below. The other new or amended HKFRSs that are effective from 1 January 2018 did not have any material impact on the Group's accounting policies.

A. HKFRS 9 Financial Instruments

(i) Classification and measurement of financial instruments

HKFRS 9 replaces HKAS 39 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: (1) classification and measurement; (2) impairment and (3) hedge accounting. The adoption of HKFRS 9 from 1 January 2018 has resulted in changes in accounting policies of the Group and the amounts recognised in the Interim Condensed Financial Statements.

HKFRS 9 basically retains the existing requirements in HKAS 39 for the classification and measurements of financial liabilities. However, it eliminates the previous HKAS 39 categories for financial assets of held to maturity financial assets, loans and receivables and available-for-sale financial assets. The adoption of HKFRS 9 has no material impact on the Group's accounting policies related to financial liabilities and derivative financial instruments. The impact of HKFRS 9 on the Group's classification and measurement of financial assets is set out below.

3. APPLICATION OF NEW AND AMENDMENTS TO HKFRSs (Continued)

A. HKFRS 9 Financial Instruments (Continued)

(i) Classification and measurement of financial instruments (Continued)

Under HKFRS 9, except for certain trade receivables (that the trade receivables do not contain a significant financing component in accordance with HKFRS 15), an entity shall, at initial recognition, measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss ("**FVTPL**"), transaction costs. A financial asset is classified as: (i) financial assets at amortised cost ("**amortised costs**"); (ii) financial assets at fair value through other comprehensive income ("**FVTOCI**"); or (iii) FVTPL (as defined in above). The classification of financial assets under HKFRS 9 is generally based on two criteria: (i) the business model under which the financial asset is managed and (ii) its contractual cash flow characteristics (the "**solely payments of principal and interest**" criterion, also known as "**SPPI criterion**"). Under HKFRS 9, embedded derivatives are no longer required to be separated from a host financial asset. Instead, the hybrid financial instrument is assessed as a whole for the classification.

A financial asset is measured at amortised cost if it meets both of the following conditions are met and it has not been designated as at FVTPL:

- It is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

- The contractual terms of the financial asset give rise on specified dates to cash flows that meet the SPPI criterion.

A debt investment is measured at FVTOCI if it meets both of the following conditions and it has not been designated as at FVTPL:

- It is held within a business model whose objective is to be achieved by both collecting contractual cash flows and selling financial assets; and

- The contractual terms of the financial asset give rise on specified dates to cash flows that meet the SPPI criterion.

On initial recognition of an equity investment that is not held for trading, the Group could irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an investment-by-investment basis. All other financial assets not classified at amortised cost or FVTOCI as described above are classified as FVTPL. This includes all derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or FVTOCI at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

3. APPLICATION OF NEW AND AMENDMENTS TO HKFRSs (Continued)

A. HKFRS 9 Financial Instruments (Continued)

(i) Classification and measurement of financial instruments (Continued)

The following accounting policies would be applied to the Group's financial assets as follows:

FVTPL

FVTPL is subsequently measured at fair value. Changes in fair value, dividends and interest income are recognised in profit or loss.

Amortised costs

Financial assets at amortised cost are subsequently measured using the effective interest rate method. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain on derecognition is recognised in profit or loss.

FVTOCI (debt investments)

Debt investments at fair value through other comprehensive income are subsequently measured at fair value. Interest income calculated using the effective interest rate method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss.

FVTOCI (equity investments)

Equity investments at fair value through other comprehensive income are measured at fair value. Dividend income are recognised in profit or loss unless the dividend income clearly represents a recovery of part of the cost of the investments. Other net gains and losses are recognised in other comprehensive income and are not reclassified to profit or loss.

(a) As of 1 April 2018, certain unquoted debt investments were reclassified from available-for-sale investments at fair value to FVTOCI. These unquoted debt instrument has no quoted price in an active market. The Group intends to hold these unquoted debt investments for long term strategic purposes. In addition, the Group has designated such unquoted equity instrument at the date of initial application as measured at FVTOCI. As at 1 April 2018, there was no material difference between the previous carrying amount and the fair value.

3. **APPLICATION OF NEW AND AMENDMENTS TO HKFRSs (Continued)**

A. **HKFRS 9 Financial Instruments (Continued)**

(i) Classification and measurement of financial instruments (Continued)

The following table summarises the original measurement categories under HKAS 39 and the new measurement categories under HKFRS 9 for each class of the Group's financial assets as at 1 April 2018:

Financial assets	Original classification under HKAS 39	New classification under HKFRS 9	Carrying amount as at 1 April 2018 under HKAS 39	Carrying amount as at 1 April 2018 under HKFRS 9
			HK$'000	*HK$'000*
Unlisted debt investments	Available-for-sale investments (at fair value) *(note 3A(i)(a))*	FVTOCI	11,740	11,740
Trade receivables	Loans and receivables *(note 3A(ii))*	Amortised cost	30,682	30,682
Promissory notes	Loans and receivables *(note 3A(ii))*	Amortised cost	8,532	8,532
Deposits and other receivables	Loans and receivables *(note 3A(ii))*	Amortised cost	4,553	4,553
Cash and bank balances held on behalf of customers	Loans and receivables	Amortised cost	66,334	66,334
Pledged bank deposits	Loans and receivables	Amortised cost	60,361	60,361
Bank balances and cash	Loans and receivables	Amortised cost	141,184	141,184

(ii) Impairment of financial assets

The adoption of HKFRS 9 has changed the Group's impairment model by replacing the HKAS 39 "incurred loss model" to the "expected credit losses ("**ECLs**") model". HKFRS 9 requires the Group to recognised ECL for trade receivables, financial assets at amortised costs and debt investment at FVTOCI earlier than HKAS 39. Cash and cash equivalents are subject to ECL model but the impairment is immaterial for the current period.

Under HKFRS 9, the losses allowances are measured on either of the following bases: (1) 12 months ECLs: these are the ECLs that result from possible default events within the 12 months after the reporting date: and (2) lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

3. APPLICATION OF NEW AND AMENDMENTS TO HKFRSs (Continued)

A. HKFRS 9 Financial Instruments (Continued)

(ii) Impairment of financial assets (Continued)

Measurement of ECLs

For trade receivables, the Group has applied the standard simplified approach and has calculated ECLs based on lifetime ECLs. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic conditions.

For deposit and other receivables, promissory notes and debt investment at FVTOCI, the ECLs are based on the 12-months ECLs. The 12-months ECLs is the portion of the lifetime ECLs that results from default events on a financial instrument that are possible within 12 months after the reporting date. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECLs. When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

Presentation of ECLs

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets. For debt investment at FVTOCI, the loss allowance is recognised in other comprehensive income, instead of reducing the carrying amount of the assets.

Impact of the ECL model

ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the assets' original effective interest rate.

The Group assessed the ECLs of financial assets measured at amortised cost as at 1 April 2018. There was no significant change to the loss allowance for these financial assets of the Group as at 1 April 2018.

(iii) Hedge accounting

Hedge accounting under HKFRS 9 has no impact on the Group as the Group does not apply hedge accounting in its hedging relationships.

3. APPLICATION OF NEW AND AMENDMENTS TO HKFRSs (Continued)

A. HKFRS 9 Financial Instruments (Continued)

(iv) Transition

The Group has applied the transitional provision in HKFRS 9 such that HKFRS 9 was generally adopted without restating comparative information. The reclassifications and the adjustments arising from the new ECLs rules are therefore not reflected in the statement of financial position as at 31 March 2018, but are recognised in the statement of financial position on 1 April 2018. This means that differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of HKFRS 9 are recognised in retained earnings and reserves as at 1 April 2018. Accordingly, the information presented for year ended 31 March 2018 does not reflect the requirements of HKFRS 9 but rather those of HKAS 39.

The following assessments have been made on the basis of the facts and circumstances that existed at the date of initial application of HKFRS 9:

- The determination of the business model within which a financial asset is held;

- The designation and revocation of previous designations of certain financial assets and financial liabilities as measured at FVTPL; and

- The designation of certain investments in equity investments not held for trading as at FVTOCI.

B. HKFRS 15 Revenue from Contracts with Customers

HKFRS 15 supersedes HKAS 11 Construction Contracts, HKAS 18 Revenue and related interpretations. HKFRS 15 has established a five-steps model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at the amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

For the Financial Services division, the adoption of HKFRS 15 did not result in significant changes to the Group’s accounting policies regarding the recognition of commission income from securities brokerage services, fee from investment, corporate finance and other advisory or significant impact on the Interim Condensed Financial Statements.

Under HKAS 18, revenue for the Toy Division from sale of goods is generally recognised when the risks and rewards of ownership have passed to the customers. Under HKFRS 15, revenue is recognised when the customer obtains control of the promised good or service in the contract. Adoption of the new revenue standard does not have significant impact on how it recognises revenue from sale of goods.

4. OPERATING SEGMENT INFORMATION

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

– Manufacturing and sales of toys; and

– Digital publishing, mobile and web application solutions (discontinued from 29 December 2017); and

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

(a) Reportable segments

Management assesses the performance of the operating segments based on the measure of segment results which represents the net of revenues, incomes and gains, costs and expenditures directly attributable to each operating segment. Central administrative costs are not allocated to the operating segment as they are not included in the measure of the segment results that are used by the chief operating decision-marker for assessment of segment performance.

4. OPERATING SEGMENT INFORMATION (Continued)

(a) Reportable segments (Continued)

The following is an analysis of the Group's revenue and results by reporting segment for the period:

Segment revenue and results

	Continuing Operations			Discontinued Operation	
	Manufacturing and sales of toys *HK$'000*	**Financial Services** *HK$'000*	**Total** *HK$'000*	**Digital publishing, mobile and web application solutions** *HK$'000*	**Total** *HK$'000*
For the period ended 30 September 2018 (Unaudited)					
External revenue	**456,132**	**3,106**	**459,238**	**–**	**459,238**
Segment profit/(loss)	**25,604**	**(18,850)**	**6,754**	**–**	**6,754**
Central administrative cost*					**(18,382)**
Loss before income tax expense					**(11,628)**
Represented by:					
– from continuing operations					**(11,628)**
– from discontinued operation					**–**
					(11,628)
For the period ended 30 September 2017 (Unaudited)					
External revenue	546,566	11,846	558,412	626	559,038
Segment profit/(loss)	26,417	(14,293)	12,124	(15,792)	(3,668)
Central administrative cost*					(13,754)
Loss before income tax expense					(17,422)
Represented by:					
– from continuing operations					(1,630)
– from discontinued operation					(15,792)
					(17,422)

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

4. OPERATING SEGMENT INFORMATION (Continued)

(a) Reportable segments (Continued)

Segment revenue and results (Continued)

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

Segment assets

All assets are allocated to reportable segments other than prepayments, cash and cash equivalents.

	At 30 September 2018	At 31 March 2018
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Manufacturing and sales of toys	**392,391**	147,499
Financial Services	**340,915**	347,455
Total segment assets	**733,306**	494,954
Unallocated	**114,175**	154,123
Consolidated assets	**847,481**	649,077

Segment liabilities

All liabilities are allocated to reportable segments other than accruals, convertible notes, income tax payable and deferred tax liabilities.

	At 30 September 2018	At 31 March 2018
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Manufacturing and sales of toys	**275,032**	69,662
Financial Services	**65,839**	71,823
Total segment liabilities	**340,871**	141,485
Unallocated	**90,122**	77,861
Consolidated liabilities	**430,993**	219,346

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

(a) **Reportable segments (Continued)**

Other segment information

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

For the period ended 30 September 2018 (Unaudited)

	Continuing Operations			**Discontinued Operation**	
	Manufacturing and sales of toys	**Financial Services**	**Total**	**Digital publishing, mobile and web application solutions**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Additions to property, plant and equipment	**11,436**	**–**	**11,436**	**–**	**11,436**
Depreciation of property, plant and equipment	**(7,100)**	**(259)**	**(7,359)**	**–**	**(7,359)**
Fair value loss on financial assets at FVTPL	**–**	**(1,697)**	**(1,697)**	**–**	**(1,697)**
Interest expenses	**(1,738)**	**–**	**(1,738)**	**–**	**(1,738)**

For the period ended 30 September 2017 (Unaudited)

	Continuing Operations			Discontinued Operation	
	Manufacturing and sales of toys	Financial Services	Total	Digital publishing, mobile and web application solutions	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Additions to property, plant and equipment	19,475	8	19,483	–	19,483
Depreciation of property, plant and equipment	(7,798)	(292)	(8,090)	(23)	(8,113)
Amortisation of intangible assets	–	–	–	(2,198)	(2,198)
Fair value loss on financial assets at FVTPL	–	(2,472)	(2,472)	–	(2,472)
Impairment loss on intangible assets *(note 11)*	–	–	–	(11,728)	(11,728)
Interest expenses	(1,769)	(17)	(1,786)	–	(1,786)

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

(b) Geographical information

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

(i) Revenue from external customers

	Six months ended 30 September	
	2018	2017
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited) (Re-presented)
Continuing operations		
North America *(note 1)*	**311,364**	329,376
Western Europe		
– United Kingdom	**36,584**	43,140
– France	**14,688**	19,488
– Netherland	**2,141**	3,454
– Others *(note 2)*	**29,724**	33,879
South America	**5,543**	5,685
PRC and Taiwan	**18,895**	62,986
Australia, New Zealand and Pacific Islands	**9,910**	12,553
Central America, Caribbean and Mexico	**13,801**	19,249
Others *(note 3)*	**16,588**	28,602
	459,238	558,412
Discontinued operation		
Others *(note 3)*	**–**	626
Total	**459,238**	559,038

Notes:

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

2. Others include Greece, Italy, Spain, Denmark and Germany.

3. Others include Hong Kong, Africa, India, Japan, Korea, Puerto Rico, Russia and Southeast Asia.

4. OPERATING SEGMENT INFORMATION (Continued)

(b) Geographical information (Continued)

(ii) Specified non-current assets

	At 30 September 2018	At 31 March 2018
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Mainland China, the PRC	**25,314**	21,317
Hong Kong	**192,599**	192,519
Total	**217,913**	213,836

(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	
	2018	2017
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Customer A	**178,238**	225,568
Customer B	**148,128**	178,703
Customer C	**75,026**	76,885

5. 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 and provision of financial services. An analysis of revenue, other income and gains is as follows:

	Six months ended 30 September	
	2018	2017
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited) (Re-presented)
Revenue		
Continuing operations		
Manufacturing and sales of toys	**456,132**	546,566
Financial Services	**3,106**	11,846
	459,238	558,412
Discontinued operation	**–**	626
	459,238	559,038
Other income and gains		
Continuing operations		
Moulding income	**667**	1,670
Rental income	**590**	690
Service income	**–**	720
Fair value (loss) on financial assets at FVTPL	**(1,697)**	(2,472)
Interest income from bank deposits	**614**	80
Exchange gains, net	**1,512**	1,351
Others	**764**	1,226
	2,450	3,265

6. FINANCE COSTS

	Six months ended 30 September	
	2018	2017
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited) (Re-presented)
Continuing operations		
Interest on bank and other borrowings:		
– Bank borrowings	**1,738**	1,786
– Convertible notes	**10,101**	4,919
	11,839	6,705

7. LOSS BEFORE INCOME TAX EXPENSE

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

	Six months ended 30 September	
	2018	2017
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
		(Re-presented)
Continuing operations		
Cost of inventories sold	**401,938**	486,500
Depreciation of property, plant and equipment	**7,359**	8,090
Employee benefits expenses (including Directors' remuneration):		
Wages and salaries	**23,706**	28,224
Equity settled share-based payment expenses	**2,148**	5,501
Pension scheme contributions	**525**	563
Other benefits	**1,920**	1,894
	28,299	36,182
Equity settled share-based payment expenses to eligible persons other than employees and Directors	**647**	1,707
Auditor's remuneration	**818**	849
Operating lease charges in respect of land and buildings	**5,855**	5,880

(b) Discontinued operation

On 14 December 2017, the Company, as vendor, entered into a sale and purchase agreement with Octagon Special Opportunities Limited, as a purchaser, an independent third party, to dispose of the entire issued share capital of New Creation Global Limited ("**New Creation**") at a consideration of HK$16,500,000. New Creation is an investment holding company which holds Pulse Mediatech Limited that is principally engaged in provision of digital publishing and the development of mobile and web application solutions. The disposal was completed on 29 December 2017, the date on which the control of New Creation passed to the purchaser.

7. LOSS BEFORE INCOME TAX EXPENSE (Continued)

(b) Discontinued operation (Continued)

The results of the discontinued operation during the prior period are presented below:

	Six months ended 30 September 2017
	HK$'000
	(Unaudited)
Revenue	626
Cost of inventories sold	(268)
Gross profit	358
Other income and gains	(5)
Administrative expenses	(4,417)
Impairment loss on intangible assets *(note 11)*	(11,728)
Loss before income tax credit	(15,792)
Income tax credit	2,298
Loss for the period from the discontinued operation	(13,494)

8. INCOME TAX EXPENSE

Hong Kong Profits Tax were calculated at 16.5% on the estimated assessable profits arising in Hong Kong for the six months ended 30 September 2017; and at 8.25% on the first HK$2 million of estimated assessable profits and at 16.5% for the portion of the estimated assessable profits above HK$2 million for the six months ended 30 September 2018. Taxes on profits assessable elsewhere have been calculated at the rate of tax prevailing in the locations in which the Group operates.

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

	Six months ended 30 September	
	2018	2017
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
		(Re-presented)
Continuing operations		
Current – Hong Kong Profit Tax		
Charge for the period	**4,267**	4,879
Deferred tax credit	**–**	(53)
Income tax expense for the period	**4,267**	4,826

8. INCOME TAX EXPENSE (Continued)

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

	Six months ended 30 September	
	2018	2017
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
		(Re-presented)
Loss before income tax expense from continuing operations	**(11,628)**	(1,630)
Tax at the applicable tax rate of 16.5% (2017: 16.5%)	**(1,919)**	(269)
Effect of different tax rate of a subsidiary operating in other		
Tax effect of revenue not taxable for tax purposes	**(280)**	(461)
Tax effect of expenses not deductible for tax purposes	**1,172**	1,287
Tax effect of tax loss not recognised	**5,294**	4,269
Income tax expense	**4,267**	4,826

No deferred tax asset has been recognised in respect of the unused tax losses of HK$115,552,000 (For the six months ended 30 September 2017: HK$117,885,000) due to the unpredictability of future profit streams. The unused tax losses can be carried forward indefinitely.

9. LOSS PER SHARE

The calculation of the basic and diluted loss per share attributable to the ordinary equity holders of the Company is based on the following data:

	Six months ended 30 September	
	2018	2017
	HK$'000	*HK$'000*
		(Re-presented)
Loss for the period from continuing and discontinued operations attributable to the owner of a Company	**(15,895)**	(19,950)
Less: Loss for the period from a discontinued operation	**–**	13,494
Loss for the purpose of basic and diluted loss from continuing operations	**(15,895)**	(6,456)
Number of shares	***'000***	*'000*
Weighted average number of ordinary shares for the purposes of basic loss per share	**1,474,232**	1,474,232

9. LOSS PER SHARE (Continued)

The calculation of basic loss per share attributable to the owners of the Company is based on the loss for the period ended 30 September 2018 of approximately HK$15,895,000 (2017: HK$19,950,000), and of the weighted average number of 1,474,232,000 (2017: 1,474,232,000) ordinary shares in issue during the period.

Diluted loss per share is the same as basic loss per share for the period ended 30 September 2018 (2017: same) as the impact of the potential dilutive ordinary shares outstanding has an anti-dilutive effect on the basic loss per share presented for the period ended 30 September 2018 (2017: anti-dilutive).

There is no dilutive effect on the convertible notes as they are anti-dilutive (2017: anti-dilutive).

On 23 February 2018, (a) the Company and (b) Zhongtai International Investment Group Limited, Taifu Capital Investments Limited and Great Boom Group Limited (together, the "**Subscribers**") entered into a subscription agreement (the "**Initial Subscription Agreement**") pursuant to which the Company conditionally agreed to allot and issue, and the Subscribers conditionally agreed to subscribe for, an aggregate of 2,283,848,000 new ordinary shares of the Company, for an aggregate consideration of HK$799,346,800 in cash at the subscription price of HK$0.35 per subscription share.

On 11 October 2018, the Company and the Subscribers entered into the restated subscription agreement ("**Restated Subscription Agreement**") pursuant to which the Company conditionally agreed to allot and issue, and the Subscribers conditionally agreed to subscribe for an aggregate of 415,908,000 new shares of the Company, for an aggregate consideration of HK$145,567,800 in cash at the subscription price of HK$0.35 per subscription share ("**Subscription**"). The Initial Subscription Agreement dated 23 February 2018 has been terminated and superseded by the Restated Subscription Agreement.

On 23 February 2018, the Company, as purchaser, and Zhongtai International Financial Corporation ("**ZTI Financial**"), as vendor, entered into a sale and purchase agreement (the "**ZTI Capital Agreement**") pursuant to which the Company conditionally agreed to acquire or procure one of its wholly-owned subsidiaries to acquire, and ZTI Financial conditionally agreed to dispose of, all issued shares of Zhongtai International Capital Limited for a consideration of HK$30,000,000.

On the same date, the Company, as purchaser, and Zhongtai Financial International Limited ("**Zhongtai Financial International**"), as vendor, entered into a sale and purchase agreement (the "**ZTI Asset Management Agreement**") pursuant to which the Company conditionally agreed to acquire or procure one of its wholly-owned subsidiaries to acquire, and Zhongtai Financial International conditionally agreed to dispose of, all issued shares of Zhongtai International Asset Management Limited for a consideration of HK$102,000,000.

Furthermore, on 11 October 2018, (i) the Company and ZTI Financial entered into the Supplemental ZTI Capital Agreement to revise and amend certain terms of the ZTI Capital Agreement; (ii) the Company and Zhongtai Financial International entered into the Supplemental ZTI Asset Management Agreement to revise and amend certain terms of the ZTI Asset Management Agreement.

9. LOSS PER SHARE (Continued)

The consideration for ZTI Capital Agreement, being HK$30,000,000, shall be satisfied by the allotment and issue by the Company to the Offeror 85,714,286 new shares of the Company, credited as fully paid, at an issue price of approximately HK$0.35 per share, at completion of the ZTI Capital Agreement.

The consideration for ZTI Asset Management Agreement, being HK$102,000,000, shall be satisfied by the allotment and issue by the Company to the Offeror 291,428,571 new shares of the Company, credited as fully paid, at an issue price of approximately HK$0.35 per share, at completion of the ZTI Asset Management Agreement.

Completion of the transactions set out in the Restated Subscription Agreement, the ZTI Capital Agreement and the ZTI Asset Management Agreement is subject to the satisfaction of various conditions precedent which have yet to be satisfied in full as at the date of this announcement. Therefore, completion of these agreements has not yet taken place.

The potential contingently issuable shares resulting from the completion of the Restated Subscription Agreement, the ZTI Capital Agreement and the ZTI Asset Management Agreement are anti-dilutive.

For a discontinued operation

Basic and diluted loss per share for the period ended 30 September 2017 from the discontinued operation is approximately HK cents 0.92 per share, based on the loss for the period ended 30 September 2017 from the discontinued operation of approximately HK$13,494,000 and the denominators detailed above for both basic and diluted loss per share.

10. PROPERTY, PLANT AND EQUIPMENT

	HK$'000
Net book value at 1 April 2018 (Audited)	21,799
Additions	11,436
Depreciation	(7,359)
Net book value at 30 September 2018 (Unaudited)	**25,876**

11. INTANGIBLE ASSETS

	Mobile And web application technologies *HK$'000* *(Note)*	Trading rights, trademarks and website *HK$'000*	Total *HK$'000*
Cost:			
At 1 April 2017 (Audited)	87,900	579	88,479
Disposal of subsidiaries	(87,900)	–	(87,900)
Disposals	–	(25)	(25)
At 31 March 2018 (Audited) and **30 September 2018 (Unaudited)**	**–**	**554**	**554**
Accumulated amortisation:			
At 1 April 2017 (Audited)	(53,974)	–	(53,974)
Amortisation for the period	(2,877)	–	(2,877)
Impairment loss	(11,728)	–	(11,728)
Disposal of subsidiaries	68,579	–	68,579
At 31 March 2018 (Audited) and **30 September 2018 (Unaudited)**	**–**	**554**	**554**
Carrying value:			
At 30 September 2018 (Unaudited)	**–**	**554**	**554**
At 31 March 2018 (Audited)	–	554	554

11. INTANGIBLE ASSETS (Continued)

Note:

During the period from 1 April 2017 to 30 September 2017, intangible assets primarily comprised mobile and web application technologies acquired through the acquisition of the entire interest in PMT Group. The fair value of the intangible assets acquired is calculated by an independent professional valuer, BMI Appraisals Limited by using Multi-period Excess Earnings Method. The principal assumptions used in the valuation are i) the estimated useful life of the intangible assets are 10 years and there are no residual value at the end of the useful life; ii) the weighted average cost of capital used has been determined with reference to the capital structure and risk profile of technology companies in the market whose business are similar to the PMT Group.

Intangible assets are amortised using straight-line method over their estimated useful lives of 10 years, less any impairment losses. Amortisation charge for the such period is included in administrative expense line item in the consolidated income statement.

As at 30 September 2017, the recoverable amount of the mobile and web application technologies based on a value-in-use calculation with reference to a valuation performed by an independent professional valuer, BMI Appraisals Limited. The value-in-use calculation based on cash flow projections from formally approved budgets, covering a detailed five-year budget plans, and discount rate of 19.9% estimated by the management. Growth rate used to extrapolate the cash flows beyond the five-year budget plan is 3% which reflects the long term growth rate of the industry as forecast by the management. The key assumptions have been determined by the Group's management based on past performance and its expectations for the industry development. During the six months ended 30 September 2017, as a result of disappointing results of IT Division during the period and its negative business outlook, the recoverable amount of digital publishing, mobile and web application solutions was calculated to be lower than its carrying amount and accordingly, impairment loss on the intangible assets of approximately HK$11,728,000.

12. INVENTORIES

	At 30 September 2018	At 31 March 2018
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Raw materials	**57,196**	63,755
Finished goods	**48,959**	30,820
	106,155	94,575

13. TRADE RECEIVABLES

	At 30 September 2018 *HK$'000* (Unaudited)	At 31 March 2018 *HK$'000* (Audited)
Trade receivables from financial services segment	**4,824**	6,550
Trade receivables from toys segment	**252,886**	24,132
	257,710	30,682

Trade receivables from financial services segment

	At 30 September 2018 *HK$'000* (Unaudited)	At 31 March 2018 *HK$'000* (Audited)
Accounts receivable arising from the ordinary course of business of securities brokerage and margin financing:		
– Cash clients	**3,051**	4,110
– Clearing house	**–**	673
– Margin clients	**–**	9
Accounts receivable arising from the ordinary course of business of provision of:		
– Custodian services	**250**	250
– Investment advisory services	**2,183**	2,168
	5,484	7,210
Less: Allowance for impairment loss	**(660)**	(660)
	4,824	6,550

13. TRADE RECEIVABLES (Continued)

Trade receivables from financial services segment (Continued)

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

	At 30 September 2018	At 31 March 2018
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
On demand	**3,051**	9
Current – 30 days	**–**	4,783
31 – 60 days	**15**	–
Over 90 days	**1,758**	1,758
	4,824	6,550

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

	At 30 September 2018	At 31 March 2018
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Neither past due nor impaired	**3,051**	4,792
Past due less than six months	**15**	–
Past due more than six months but less than one year	**–**	195
Past due more than one year but less than two year	**1,758**	1,563
	4,824	6,550

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

Margin clients are required to pledge securities as collateral to the Group in order to obtain the credit facilities for securities trading. The amount of credit facilities granted to them is determined based on a discount on the market value of securities accepted by the Group. Any excess in the lending ratio will trigger a margin call which the clients have to make good the shortfall. As at 30 September 2018, no securities was pledged by clients to the Group as collateral against margin client receivables (31 March 2018: HK$35,256,000). The amounts due from margin clients are repayable on demand and carry interest at 9% per annum.

13. TRADE RECEIVABLES (Continued)

Trade receivables from financial services segment (Continued)

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

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

Trade receivables from toys segment

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

	At 30 September 2018 *HK$'000* **(Unaudited)**	At 31 March 2018 *HK$'000* (Audited)
Current to 30 days	**118,114**	19,029
31 – 60 days	**67,810**	2,237
61 – 90 days	**50,961**	2,728
Over 90 days	**16,001**	138
	252,886	24,132

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

	At 30 September 2018 *HK$'000* **(Unaudited)**	At 31 March 2018 *HK$'000* (Audited)
Neither past due nor impaired	**191,503**	21,762
Less than 1 month past due	**58,340**	2,370
1 to 3 months past due	**3,040**	–
Over 3 months past due	**3**	–
	252,886	24,132

13. TRADE RECEIVABLES (Continued)

Trade receivables from toys segment (Continued)

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.

14. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	At 30 September 2018 *HK$'000* **(Unaudited)**	At 31 March 2018 *HK$'000* (Audited)
Listed equity securities held for trading in Hong Kong, at fair value	**9,841**	11,538

15. TRADE PAYABLES

	At 30 September 2018 *HK$'000* **(Unaudited)**	At 31 March 2018 *HK$'000* (Audited)
Trade payables from financial services segment	**65,511**	70,946
Trade payables from toys segment	**137,934**	40,157
	203,445	111,103

15. TRADE PAYABLES (Continued)

Trade payables from financial services segment

	At 30 September 2018	At 31 March 2018
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Accounts payable arising from the ordinary course of business of securities brokerage and margin financing:		
– Cash clients	**62,652**	70,946
– Brokers and clearing house	**2,859**	–
	65,511	70,946

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

As at the 30 September 2018, included in trade payable was an amount of approximately HK$62,466,000 (31 March 2018: HK$66,334,000) payable to clients to 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 toys segment

The Group normally obtains credit terms of ranging from 15 to 60 days from its suppliers. Trade payables are interest-free. An aged analysis of the trade payables at the end of the reporting period, based on the invoice date, is as follows:

	At 30 September 2018	At 31 March 2018
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Current to 30 days	**78,266**	27,424
31 to 60 days	**28,557**	9,582
61 to 90 days	**20,068**	2,930
More than 90 days but less than 365 days	**10,847**	–
More than 365 days	**196**	221
	137,934	40,157

16. INTEREST-BEARING BANK BORROWINGS

	At 30 September 2018 HK$'000 (Unaudited)	At 31 March 2018 HK$'000 (Audited)
Current		
Secured		
– bank loans due for repayment within one year	**117,411**	13,916

As at 30 September 2018, the Group's banking facilities and its interest-bearing bank borrowings are secured either (i) by Company's corporate guarantees and cross guarantees from the Company's subsidiary, which is Qualiman Industrial Co. Limited; or (ii) by legal charges over certain properties in Hong Kong owned by Mr. Lau, Madam Li and their associates and personal guarantee by Mr. Lau.

At 30 September 2018, total current and non-current bank borrowings were scheduled to be repaid as follows:

	At 30 September 2018 HK$'000 (Unaudited)	At 31 March 2018 HK$'000 (Audited)
On demand or within one year	**117,411**	13,916

Certain banking facilities are subject to the fulfilment of covenants relating to certain of the Group's financial position ratios, which are to maintain (i) the combined tangible net worth at not less than certain amount; and (ii) specific gearing ratio. If the Group breaches the covenants, the drawn down facilities shall become repayable on demand.

The Group regularly monitors its compliance with these covenants and does not consider it probable that the bank will exercise its discretion to demand repayment for so long as the Group continues to meet these requirements. As at 30 September 2018, none of the covenants relating to draw down facilities had been breached (31 March 2018: Nil).

17. SHARE CAPITAL

	Number of Shares	*HK$'000*
Authorised:		
Ordinary Shares of US$0.000025 each		
At 1 April 2018 (Audited) and **at 30 September 2018 (Unaudited)**	**3,000,000,000**	**584**
Issued and fully paid:		
Ordinary Shares of US$0.000025 each		
At 1 April 2018 and **at 30 September 2018 (Unaudited)**	**1,474,232,000**	**287**

18. EQUITY SETTLED SHARE-BASED PAYMENTS

There has been no changes in the Company's share option scheme, details of which are disclosed in the 2018 Annual Financial Statements.

18. 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 period ended 30 September 2018:

	Exercise price	Number of share options: Balance as at at 1 April 2018	Lapsed during the period	Balance as at during 30 September of 2018	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	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
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 1)*	HK$1.02	1,400,000	–	1,400,000	3 July 2015	3 July 2015 to 2 July 2025
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	10,400,000	(1,800,000)	8,600,000	3 July 2015	3 July 2015 to 2 July 2025
	HK$0.748	42,723,800	(2,500,000)	40,223,800	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		**138,591,600**	**(4,300,000)**	**134,291,600**		

18. EQUITY SETTLED SHARE-BASED PAYMENTS (Continued)

Note:

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

	Six months ended 30 September	
	2018	2017
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Equity settled schemes to employees (including Directors and ex-Directors)	**2,148**	5,501
Equity settled schemes to eligible persons other than employees and Directors	**647**	1,707
	2,795	7,208

Share options were granted to the consultants in light of their continuous contribution to the Group. The Group measured the fair value of services from the Consultants by reference to the fair value of those granted to eligible employees as management considers that the services provided by the consultants and employees are similar in nature.

The exercise price of the first share option outstanding was HK$0.25 and the weighted average remaining contractual life was 0.46 and 5.46 years (2017: 1.46 and 6.46 years). The exercise price of the second share option outstanding as at 30 September 2018 was HK$1.02 and the weighted average remaining contractual life was 6.76 years (2017: 7.76 years). The exercise price of the third share option outstanding as at 30 September 2018 was HK$0.748 (2017: HK$0.748) and the weighted average remaining contractual life was 7.46 years (2017: 8.48 years). Of the total number of share options outstanding as at 30 September 2018, 33,828,640 out of 134,291,600 share options had not vested and were not exercisable (31 March 2018: 54,988,640 share options had not vested and were not exercisable). The weighted average share price at the date of exercise of options exercised during the period was HK$0.76.

19. DIVIDENDS

At the Board meeting held on 30 November 2018, the Directors did not propose an interim dividend for the period ended 30 September 2018 (2017: Nil).

20. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

The following table provides an analysis of financial instruments that are measured at fair value at the end of each reporting period for recurring measurement, grouped into Level 1 to 3 based on the degree to which the fair value is observable in accordance to the Group's accounting policy.

	Fair Value			
Financial assets	**At 30 September 2018** HK$'000 (Unaudited)	**At 31 March 2018** HK$'000 (Audited)	**Fair value hierarchy**	**Valuation technique(s) and key input(s)**
Listed equity securities classified as financial assets at fair value through profit or loss	9,841	11,538	Level 1	Quoted bid price
Unlisted debt securities classified as financial assets at fair value through other comprehensive income (As at 31 March 2018: Available-for-sale, investments)	11,597	11,740	Level 3	Trinomial option pricing model

There were no transfers between the different levels of the fair value hierarchy for the six months ended 30 September 2018.

The Directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the Interim Condensed Financial Statements approximate their fair values.

21. EVENTS AFTER THE REPORTING DATE

(I) The Initial Subscription Agreement and the Restated Subscription Agreement

On 23 February 2018, (a) the Company and (b) Zhongtai International Investment Group Limited (the "**Offeror**"), Taifu Capital Investments Limited and Great Boom Group Limited (together, the "**Subscribers**") entered into a subscription agreement (the "**Initial Subscription Agreement**") pursuant to which the Company conditionally agreed to allot and issue, and the Subscribers conditionally agreed to subscribe for, an aggregate of 2,283,848,000 new shares of the Company, for an aggregate consideration of HK$799,346,800 in cash at the subscription price of HK$0.35 per subscription share. On 11 October 2018, the Company and the Subscribers entered into the restated subscription agreement ("**Restated Subscription Agreement**") pursuant to which the Company conditionally agreed to allot and issue, and the Subscribers conditionally agreed to subscribe for an aggregate of 415,908,000 new shares of the Company, for an aggregate consideration of HK$145,567,800 in cash at the subscription price of HK$0.35 per subscription share ("**Subscription**"). The Initial Subscription Agreement dated 23 February 2018 has been terminated and superseded by the Restated Subscription Agreement.

Completion of the transaction contemplated under the Restated Subscription Agreement is subject to the satisfaction of various conditions precedent as set out in the joint announcement of the Company dated 12 October 2018 ("**Joint Announcement**"). As at date of this announcement, such conditions precedent have not yet been satisfied in full and completion of the Restated Subscription Agreement has not yet taken place.

(II) Proposed Acquisitions of Zhongtai International Capital Limited and Zhongtai International Asset Management Limited

On 23 February 2018, the Company, as purchaser, and Zhongtai International Financial Corporation ("**ZTI Financial**"), as vendor, entered into a sale and purchase agreement (the "**ZTI Capital Agreement**") pursuant to which the Company conditionally agreed to acquire or procure one of its wholly-owned subsidiaries to acquire, and ZTI Financial conditionally agreed to dispose of, all issued shares of Zhongtai International Capital Limited for a consideration of HK$30,000,000.

On the same date, the Company, as purchaser, and Zhongtai Financial International Limited ("**Zhongtai Financial International**"), as vendor, entered into a sale and purchase agreement (the "**ZTI Asset Management Agreement**") pursuant to which the Company conditionally agreed to acquire or procure one of its wholly-owned subsidiaries to acquire, and Zhongtai Financial International conditionally agreed to dispose of, all issued shares of Zhongtai International Asset Management Limited for a consideration of HK$102,000,000.

On 11 October 2018, (i) the Company and ZTI Financial entered into the Supplemental ZTI Capital Agreement to revise and amend certain terms of the ZTI Capital Agreement; (ii) the Company and Zhongtai Financial International entered into the Supplemental ZTI Asset Management Agreement to revise and amend certain terms of the ZTI Asset Management Agreement.

21. EVENTS AFTER THE REPORTING DATE (Continued)

(II) Proposed Acquisitions of Zhongtai International Capital Limited and Zhongtai International Asset Management Limited (Continued)

The consideration for ZTI Capital Agreement, being HK$30,000,000, shall be satisfied by the allotment and issue by the Company to the Offeror 85,714,286 new shares of the Company, credited as fully paid, at an issue price of approximately HK$0.35 per share, at completion of the ZTI Capital Agreement.

The consideration for ZTI Asset Management Agreement, being HK$102,000,000, shall be satisfied by the allotment and issue by the Company to the Offeror 291,428,571 new shares of the Company, credited as fully paid, at an issue price of approximately HK$0.35 per share, at completion of the ZTI Asset Management Agreement.

Completion of the transactions in relation to the ZTI Capital Agreement and the ZTI Asset Management Agreement is subject to the satisfaction of various conditions precedent as set out in the Joint Announcement. As at date of this announcement, such conditions precedent have not yet been satisfied in full and completion of the above acquisitions has not yet taken place.

(III) The Share Purchase Agreement

The Company was informed by Smart Investor Holdings Limited, Mr. Lau Ho Ming, Peter and Madam Li Man Yee, Stella (together, the "**Vendors**"), being the substantial shareholders of the Company, that on 11 October 2018, the Vendors and the Offeror entered into the share purchase agreement, pursuant to which the Vendors conditionally agreed to sell and the Offeror conditionally agreed to purchase an aggregate of 502,064,000 shares of the Company ("**Share Purchase Agreement**").

Completion of the transactions in relation to the Share Purchase Agreement is subject to the satisfaction of various conditions precedent as set out in the Joint Announcement. As at date of this announcement, such conditions precedent have not yet been satisfied in full and completion of the above transaction has not yet taken place.

Completion of the Subscription, the ZTI Asset Management Agreement, the ZTI Capital Agreement and the Share Purchase Agreement will take place simultaneously. As at date of this announcement, none of the above transactions has been completed.

(IV) Novation Deeds and Supplemental Agreements

(a) The Company, the Subscribers and Zhongtai Financial International Limited, being the sole shareholder of the Offeror ("**New Offeror**"), entered into a deed of novation in relation to the Restated Subscription Agreement, pursuant to which the Offeror agreed to assign and novate, and the New Offeror agreed to assume and perform, all the rights and obligations of the Offeror under the Restated Subscription Agreement with effect from 29 November 2018.

(b) The Vendors, the Offeror and the New Offeror entered into a deed of novation in relation to the Share Purchase Agreement, pursuant to which the Offeror agreed to assign and novate, and the New Offeror agreed to assume and perform, all the rights and obligations of the Offeror under the Share Purchase Agreement with effect from the 29 November 2018.

(c) The Company also entered into supplemental agreements with ZTI Financial and the New Offeror respectively to revise certain terms of the ZTI Capital Agreement and the ZTI Asset Management Agreement, pursuant to which the consideration for the ZTI Acquisitions shall be satisfied by the allotment and issue of consideration shares to the New Offeror (as, where appropriate, the designated nominee of ZTI Financial).

Details of the above are set out in the announcement of the Company dated 29 November 2018.

BUSINESS REVIEW

For the six months ended 30 September 2018 (the "**Current Period**"), the general global economy still faced ongoing challenges not limited to the strengthening tariff measures arising from the ongoing trade war between the United States and China but also the change in the interest-rate cycle that suppressed investment incentives of enterprises and individuals, ultimately leading to a negative impact on individual propensity to consume. The shock waves arising from the collapse of Toys R Us in the United State last year continued to stifle business sentiments in the toy industry in general, as retailers became very cautious in placing orders and manufacturers became more prudent in assessing credit qualities of retailers. Moreover, the performance of the global and domestic capital markets have also substantially weakened due to the uncertain business conditions and outlooks induced by the US-China trade war and the foreseeable tightening monetary policy with the increase in interest rates by the Federal Reserve of United States. On the European side, the issues arising from Brexit continued to trouble business sentiments as the final outcome of Brexit remains uncertain, leading to corporates delaying long-term investment decisions and adopting more prudent business approaches. Against this relatively bearish backdrop in the macroeconomic environments, the Group's operations in the Toy Division and the Financial Services Division both faced substantial challenges during the Current Period and suffered from weaker performances when compared with the Previous Period.

Continuing Operations

The Toy Division

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

During the Current Period, revenue and segment profit of the Toy Division were approximately HK$456.1 million and HK$25.6 million respectively, representing a decrease of 16.5% and 3.1% respectively over the Previous Period. It was noted that there was a significant decrease of approximately HK$66.4 million or 36.4% in contributions from markets such as the PRC and Taiwan, Central America, Caribbean and Mexico and Western Europe during the Current Period mainly attributable to the uncertain business conditions arising from the ongoing changes on tariffs and related trade policies between the US and these countries. For the North American markets, there was a moderate decrease in the Current Period of approximately HK$18.0 million or 5.5% as compared to the Previous Period, as a result of more prudent customer orders from the North American markets following the Toy R Us debacle last year. Despite the difficult business conditions the Toy Division was facing, its gross margin did slightly improve from 11.0% in the Previous Period to approximately 11.8% in the Current Period, thanks to the effective costs control measures adopted by the Group and our shift to focus more on higher-margin product orders. The Toy Division will continue to maintain its high efficiency operation management with the implementation of stringent cost controls in product manufacturing using lean production approach, logistic simplification management and minimization of inventory level particularly during non-peak business period and such approach was expected to be strictly adhered during the current challenging period.

The Financial Services Division

During the Current Period, there was a drastic change in investment sentiments in the securities markets globally and in Hong Kong. The Hang Seng Index dropped from 30,093.38 as at 31 March 2018 to 27,788.52 as at 30 September 2018. Average daily turnover value of the Hong Kong Stock Exchange ("**HKEx**") decreased by approximately 30.5% from about HK$131.6 billion in March 2018 to about HK$91.5 billion in September 2018. The market capitalisation of the Hong Kong securities markets also decreased from about HK$34.4 trillion as at 31 March 2018 to about HK$32.2 trillion as at 30 September 2018, despite an increase in the number of listed companies from 2,179 as at 31 March 2018 to 2,268 as at 30 September 2018. The change in the sentiments of the Hong Kong securities and capital markets was mainly a result in a change in expectations of business and economic outlooks as a result of the increasing tensions from the US-China trade war and the materialisation of the increase in interest rates. Tightening monetary and industry policies towards certain major sectors in China, such as internet gaming and property, also sent a chill to the investment markets as previous exuberance in these sectors was now subdued, leading to a substantial correction in market prices and values of securities in general. This also spilled over to the primary issuance markets as investors became more cautious towards making decisions and more demanding in pricings, often leading to postponements or even cancellations of transactions.

The securities brokerage services of the Financial Services Division continued to service mainly institutional and corporate brokerage clients during the Current Period. There was a substantial decrease in underwriting and placing commissions received by the Financial Services Division in the Current Period as the majority of the primary issuance transactions we were working on had yet to materialise, given the challenges faced by the primary issuance markets in general as highlighted above. The placing commissions received by the Financial Services Division during the Current Period were mainly derived from placements of corporate bonds by listed issuers in Hong Kong. Issuers were in general more cautious towards bond issuance during the Current Period as pricings of non-investment grade bonds became less attractive to them due to a rapid increase in yields, leading to a reduction in the total amount placed. While in the Previous Period the Financial Services Division received substantial equity underwriting and brokerage income from its role as the sole bookrunner in an initial public offering on the HKEx, the equity underwriting projects it was working on during the Current Period had yet to complete and make contributions to the financial performance of the Group in the Current Period,

Contributions from securities margin financings remained insignificant during the Current Period as a substantial amount of the capital of the Financial Services Division remained secured for settlement purposes, thus limiting its capabilities to expand rapidly in areas requiring a wider capital base or more extensive deployment of capital. The Financial Services Division also recorded a fair value loss on financial assets at fair value through profit or loss of about HK$1.7 million when compared with a fair value loss of about HK$2.5 million during the Previous Period, which was a result of a decrease in the fair value of the investment portfolio of the Financial Services Division during the Current Period, in line with the decrease in the performance of the securities markets in Hong Kong in general during the Current Period.

We remain committed to seeking ways to expand the capital base of the Financial Services Division in order to increase its capacity to participate in more principal-based activities, including participating in underwriting of bigger-scale transactions and securities margin financings. As set out in the announcements of the Company on 25 February 2018, 12 October 2018 and further update on 29 November 2018, the Group is still in the process of executing the transactions as set out in these announcements to introduce Zhongtai Financial International Limited as our new controlling shareholder and acquire Zhongtai International Capital Limited and Zhongtai International Asset Management Limited. If successfully consummated, these transactions will strengthen the capital base of the Group and diversify the product offerings of the Financial Services Division, as well as broadening the business network of the division in China. A significant amount of management time and resources had been dedicated to the negotiations and execution of these transactions during the Current Period, and we continue to strive to work with them to try to complete the various transactions as set out above during this financial year.

Discontinued Operation

The IT Division

During the Current Period, the Group was no longer engaged in the business of the IT Division following the disposal of the relevant subsidiaries in December 2017. Comparing to the Previous Period, the Group has its loss reduced by approximately HK$13.5 million (including an impairment loss on intangible assets of approximately HK$11.7 million) in form of segment loss incurred by the discontinued IT Division in the Previous Period.

FINANCIAL REVIEW

Continuing Operations

Revenue

The Group's revenue from continuing operations for the Current Period amounted to approximately HK$459.2 million for which the Toy Division and the Financial Services Division contributed approximately HK$456.1 million and HK$3.1 million, respectively, representing a decrease of approximately HK$99.2 million or 17.8% as compared to total Group's revenues of approximately HK$558.4 million for the Previous Period.

The decrease in the Group's revenue for the Current Period of approximately HK$99.2 million was mainly attributable to the decrease in revenue contributed by the Toy Division of approximately HK$90.5 million and the Financial Services Division of approximately HK$8.7 million, representing a decrease of approximately 16.5% and 73.8%, respectively, on a period-on-period basis.

The decrease in the revenue of the Toy Division was mainly attributable to the decrease in orders placed by the customers from markets located in the PRC and Taiwan by approximately HK$44.1 million, Western Europe by approximately HK$16.8 million and North America by approximately HK$18.0 million when compared with the Previous Period. Such decrease in orders could be attributable to a generally weakened market condition arising from the sustaining trade war between the US and China and hence withholding the order placing volume by the customers in view of the uncertain tariff policies imposed by both the US and Chinese Governments. This bearish sentiment was further built on top of the uncertainty in the toy industry created by the collapse of Toy R Us in the United States last year.

Revenues for the Financial Services Division during the Current Period amounted to approximately HK$3.1 million, representing a decrease of approximately HK$8.7 million or 73.8% from approximately HK$11.8 million for the Previous Period. The decrease in revenue for the Current Period was mainly due to a substantial decrease in underwriting and placing commissions received by the Financial Services Division in the Current Period due to a reduction in the amount of securities placed in the Current Period, whereas the Financial Services Division received substantial equity underwriting commissions from an initial public offering in the Previous Period.

Gross Margin and Gross Profit

The Toy Division reported an increase in gross margin from approximately 11.0% for the Previous Period to approximately 11.8% for the Current Period. Despite a slight improvement in gross margins, gross profit of the Group for the Current Period decreased by about 20.3% to approximately HK$57.3 million from HK$71.9 million for the Previous Period as a result of the decrease in revenues in the Toy Division and the Financial Services Division. The improvement in the gross margin for the Toy Division was mainly due to the effective cost control measures it adopted during the Current Period as well as the its focus on customers demanding more scalable and sophisticated products which rendered higher margins.

Selling Expenses

Selling expenses for the Toy Division mainly consisted of transportation fees and declaration fees. During the Current Period, selling expenses for the Toy Division decreased by approximately HK$4.5 million or 25.1% from approximately HK$18.0 million for the Previous Period to approximately HK$13.4 million for the Current Period. Such decrease was mainly due to decrease in sales orders for the Current Period as explained above.

Administrative Expenses

Administrative expenses from continuing operations 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 approximately HK$6.1 million or 11.6% from approximately HK$52.2 million for the Previous Period to approximately HK$46.1 million for the Current Period. The decrease was primarily due to the decrease in expenses related to salaries and wages to approximately HK$23.7 million for the Current Period from approximately HK$28.2 million for the Previous Period, representing a decrease of approximately HK$4.5 million or 16.0% on a period-on-period basis, arising from natural turnover. Furthermore, there was a substantial decrease in costs arising from the equity settled share-based payment expenses related to the grant of share options of the Company of approximately HK$4.4 million as the number of remaining years of vesting period for the granted share options were further reduced during the Current Period as compared to that of the Previous Period. Such reduction in administrative expenses was partially offset by an increase in legal and professional fees of approximately HK$3.1 million resulting from the ongoing transactions with Zhongtai International Investment Group Limited.

Other Income and Gains

Other income and gains decreased to HK$2.5 million during the Current Period from approximately HK$3.3 million for the Previous Period, representing a decrease of approximately HK$0.8 million or 24.2%. Such decrease was mainly attributable to the decrease in moulding income from the Toy Division from approximately HK$1.7 million for the Previous Period to approximately HK$0.7 million for the Current Period as there were fewer sales orders and hence fewer new moulds were made for customers.

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 issued by the Company. Finance costs increased by 76.5% to approximately HK$11.8 million for the Current Period when compared with approximately HK$6.7 million for the Previous Period, which was primarily due to the full-period recognition of the effective interest of the convertible notes issued by the Company in May 2017 and June 2017 of approximately HK$10.1 million for the Current Period whereas only approximately five-month period of interest recognition was accounted for in the Previous Period (2017: HK$4.9 million).

Income Tax

The Group is subject to income tax on an entity basis on profit arising in or derived from the jurisdiction in which members of the Group are domiciled and operated. The income tax expense decreased by 11.6% to approximately HK$4.3 million for the Current Period, as compared with approximately HK$4.8 million for the Previous Period. Such decrease was mainly due to decrease in taxable income attributable to the decrease in revenue generated in the Current Period as explained above.

Net Loss

The Group's net loss for the Current Period amounted to approximately HK$15.9 million, representing a reduction of loss of about HK$4.1 million on a period-on-period basis. The decrease in loss for the Current Period was mainly attributable to (i) the absence of the loss incurred by the discontinued IT Division of the Group which was disposed of in December 2017 and which accounted for approximately HK$13.5 million of the loss in the Previous Period (of which approximately HK$11.7 million was due an impairment loss on intangible assets of the IT Division); (ii) a decrease in selling expenses of approximately HK$4.6 million attributable to the Toy Division in line with the decrease in its revenue; and (iii) a decrease in costs of approximately HK$4.5 million and HK$4.4 million arising from a reduction in salaries expenses and the non-cash, equity settled share-based payment expenses related to the share options granted as a result of a decrease in the number of remaining years of vesting period for the granted share options, respectively, for the Current Period as compared to the Previous Period. On the other hand, the above contribution to the loss reduction was partially offset by (a) a decrease in gross profits of approximately HK$14.6 million as a result of a reduction in revenues as highlighted above; (b) an increase in finance costs of approximately HK$5.1 million attributable to the effective interest expenses on outstanding convertible notes; (b) an increase in administrative expenses in the form of legal and professional fee of approximately HK$3.1 million incurred for the proposed subscription of new shares by Zhongtai International Investment Group Limited and the acquisition of Zhongtai International Capital Limited and Zhongtai International Asset Management Limited as detailed in the announcements of the Company dated 25 February 2018 and 12 October 2018, respectively.

Inventory

The inventory of the Group, comprising mainly inventory of the Toy Division, increased by 12.2% to approximately HK$106.2 million as at 30 September 2018 from approximately HK$94.6 million as at 31 March 2018. The inventory turnover period, as calculated by dividing the average closing inventories by the cost of sales for the year/period and multiplied by 365 days/182.5 days, decreased by 10.8% from 51.1 days for the year ended 31 March 2018 to 45.6 days for the Current Period. The extent of decrease in inventory turnover period was consistent with that of the same period in 2017 due to the non-peak season and peak season of the toy manufacturing cycle ending in March and September, respectively, in each year.

Trade Receivables

Trade receivables from the Toy Division increased to approximately HK$252.9 million as at 30 September 2018 from approximately HK$24.1 million at 31 March 2018, which was primarily due to the increase in sales of the Toy Division for the Current Period during the peak season of its business cycle. The trade receivables turnover days, calculated as dividing the average closing trade receivables by the revenue for the period/year and multiplied by 182.5 days/365 days, was 55.4 days for Current Period, as compared with 14.7 days for the year ended 31 March 2018. The increase in the trade receivables turnover days during the Current Period as compared to the year ended 31 March 2018 was mainly attributable to the increase in sales to certain major customers during the Current Period which is the peak season of the toy manufacturing business and there was a change in settlement basis for a major customer during the Current Period as compared to Previous Period.

For the Financial Services Division, trade receivables mainly arose from dealing in securities on behalf of our cash clients which decreased to approximately HK$4.8 million as at 30 September 2018 when compared to HK$6.6 million as at 31 March 2018, representing a decrease of approximately HK$1.8 million or 26.4%. The decrease in trade receivables as at 30 September 2018 was mainly due to a decrease in outstanding receivable from cash clients in its securities trading business as at the end of the Current Period when compared with 31 March 2018.

Trade Payables

Trade payables from the Toy Division increased to approximately HK$137.9 million as at 30 September 2018 when compared with approximately HK$40.2 million as at 31 March 2018, representing an increase of approximately HK$97.8 million or 243.5%, which was primarily due to the purchase of more raw materials to support the increase in production during the peak season for the Toy Division.

The trade payables turnover days for the Toy Division for the Current Period, as calculated as dividing the average closing trade payables by the cost of sales for the period/year and multiplied by 182.5 days/365 days, were 40.4 days for Current Period as compared with 25.4 days for the year ended 31 March 2018. The increase in the trade payables turnover days for the Current Period as compared to the year ended 31 March 2018 was mainly attributable to the increase in purchases of raw materials to cope with the increase in customer orders during the Current Period which is the peak season of business.

Trade payables from the Financial Services Division were mainly payable to cash clients or the clearing house for settlement of trades. The settlement terms for such trade payable attributable to dealing in securities are typically one to two days after the trade date. As at 30 September 2018, such trade payables amounted to HK$65.5 million, representing a decrease by approximately 7.7% from approximately HK$70.9 million as at 31 March 2018. The decrease was mainly due to a decrease in outstanding trade settlements payable to counterparties in the securities brokerage business as at the end of the Current Period when compared with 31 March 2018.

LIQUIDITY AND FINANCIAL RESOURCES

For the Current Period, the Group continued to maintain a prudent and cautious financial management approach towards its treasury policies and 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 risk, 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 Period, the Group mainly financed its working capital by internal resources and bank borrowings. As at 30 September 2018, cash and cash equivalents of the Group amounted to approximately HK$101.3 million (31 March 2018: HK$141.2 million) and HK$60.8 million (31 March 2018: HK$60.4 million) were pledged bank deposits to secure an undrawn banking facility granted to the Group to facilitate settlement purposes of the Financial Services Division. The decrease was mainly due to the cash used to finance the working capital requirements of the Group's businesses during the Current Period. Interest-bearing bank borrowings as at 30 September 2018 amounted to approximately HK$117.4 million, compared with about HK$13.9 million as at 31 March 2018. The increase in interest-banking bank borrowings was mainly due to the working capital requirements of the Toy Division as it entered its peak production season. The debt to equity ratio of the Group, calculated as the ratio of the closing debt balance divided by the closing total equity of the period/year, increased to approximately 47.6% (31 March 2018: 20.5%) as a result of the increase in bank borrowings to facilitate the working capital requirements during the peak production season of the Toy Division. As at 30 September 2018, all bank borrowings were subject to floating interest rates. The current ratio of the Group, as calculated by total current assets over total current liabilities, was approximately 1.75 (31 March 2018: 2.88).

CONVERTIBLE NOTES

The Company issued two tranches of 6% Convertible Notes with a maturity of three years and outstanding principal amounts of HK$80.0 million and HK$30.0 million (the "**2017 Convertible Notes**") on 11 May 2017 and 2 June 2017, respectively, to Benefit Global Limited, an independent third party, for repayment of liabilities of the Group, business expansion of the Group's Financial Services Division and as general working capital of the Group. The 2017 Convertible Notes are unsecured, bear interest at 6% per annum and carry rights to convert the principal amount into shares of the Company at an initial conversion price of HK$0.39 per share, representing 282,051,281 conversion shares or 19.1% of the issued share capital of the Company as at the date of this announcement, or 16.1% of the issued share capital of the Company as at the date of this announcement as enlarged by the conversion shares. The Company has the option to redeem the 2017 Convertible Notes at any time before their maturity at 100% of their principal value plus any accrued but unpaid interest.

As at the date of this announcement, the net proceeds from the 2017 Convertible Notes have been used as follows:

		(HK$ millions)
(i)	Full redemption of the convertible notes issued in 2014	58.0
(ii)	Business expansion and working capital of the Financial Services Division	52.0
	TOTAL	110.0

CHARGE ON ASSETS

As at 30 September 2018, certain of the Group's banking facilities and its interest-bearing bank borrowings were secured and pledged by bank deposits of approximately HK$60.8 million (31 March 2018: HK$60.4 million) and properties of the Group located in Hong Kong with an aggregate net book value of approximately HK$6.2 million (31 March 2018: HK$6.2 million).

CONTINGENT LIABILITIES

As at 30 September 2018, the Group had no contingent liabilities (31 March 2018: Nil).

OPERATING LEASE ARRANGEMENTS

As lessee

The Group leased certain of its office premises and a quarter for certain Directors under operating lease arrangements for terms ranging from one to two years.

As at 30 September 2018, the total future minimum lease payments under non-cancellable operating leases due within one year and due in the second to fifth year inclusive amounted to approximately HK$10.8 million and HK$6.9 million respectively (31 March 2018: HK$8.2 million and HK$0.04 million).

As lessor

The Group leases an investment property under operating lease arrangements for a term of two years. The terms of leases generally also required the tenants to pay security deposits. As at 30 September 2018, the Group had total future minimum lease receivables under non-cancellable operating leases due within one year for approximately HK$0.1 million (31 March 2018: HK$0.6 million).

CAPITAL COMMITMENTS

As at 30 September 2018, there was no capital commitment of the Group (31 March 2018: Nil).

SIGNIFICANT INVESTMENT HELD

Except for investments in subsidiaries and certain financial assets with a total carrying value of approximately HK$21.4 million, the Group did not hold any significant investment in equity interest in any other company as at 30 September 2018.

The total carrying value of financial assets at fair value through profit and loss or other comprehensive income held by the Group amounted to approximately HK$21.4 million and represented approximately 2.5% of the total consolidated assets of the Group as of 30 September 2018 (31 March 2018: HK$23.3 million and 3.6%). The decrease in such carrying value was mainly due to the fair value loss on the financial assets through profit and loss of approximately HK$1.7 million during the Current Period.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

During the six months ended 30 September 2018, the Group did not have any material acquisitions and disposals of subsidiaries and affiliated companies.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

Saved for the proposed acquisitions of Zhongtai International Capital Limited and Zhongtai International Asset Management Limited by the Group as set out in the joint announcements issued by the Company and Zhongtai International Investment Group Limited (the "**Offeror**") dated 25 February 2018 and 12 October 2018, respectively, which shall be subject to the fulfillment of various conditions precedent including but not limited to independent shareholders' approval, the Group did not have any plans to acquire any material investments or capital assets as at 30 September 2018.

FOREIGN CURRENCY EXPOSURES

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

The Group implemented a foreign currency forward contract policy in relation to foreign currency contracts for the Current Period. The Group performed cash flow analysis, ongoing monitoring and review of foreign currency forward contracts on a monthly basis in accordance with the Group's risk management policy. Foreign exchange exposure reports were presented to the Board for review on a quarterly basis. The foreign currency forward contract policy was also reviewed by the Board to ensure it remains consistent with the overall objectives of our Group and the current financial trends in the market.

EMPLOYEES AND REMUNERATION POLICY

As at 30 September 2018, the Group had a total of 56 employees (31 March 2018: 62). Total staff costs were approximately HK$28.3 million for the period ended 30 September 2018 (2017: HK$38.1 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.

PROPOSED SUBSCRIPTION, PROPOSED ACQUISITIONS, PROPOSED SHARE PURCHASE AGREEMENT AND POSSIBLE UNCONDITIONAL MANDATORY CASH OFFERS

(I) Restated Subscription Agreement

On 11 October 2018, (a) the Company and (b) Zhongtai International Investment Group Limited (the "**Offeror**"), Taifu Capital Investments Limited and Great Boom Group Limited (together, the "**Subscribers**") entered into a restated subscription agreement ("**Restated Subscription Agreement**") pursuant to which the Company conditionally agreed to allot and issue, and the Subscribers conditionally agreed to subscribe for, an aggregate of 415,908,000 shares ("**Subscription Shares**"), for an aggregate consideration of HK$145,567,800 in cash at the subscription price of HK$0.35 per subscription share (the "**Subscription**"). The subscription agreement dated 23 February 2018 entered into between the Subscribers and the Company ("**Initial Subscription Agreement**"), details of which were set out in the joint announcement of the Company and the Offeror on 25 February 2018, has been terminated and superseded by the Restated Subscription Agreement.

Following the completion of the Restated Subscription Agreement, the Offeror and its concert parties (including the Subscribers and their respective concert parties) will be interested in a total of 415,908,000 shares of the Company, representing (i) approximately 22.0% of the total issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares only (assuming no outstanding share options granted by the Company ("**Share Options**") or the 2017 convertible notes issued by the Company ("**2017 Convertibles Notes**") will be exercised or converted and no other shares will be allotted or issued at or prior to completion of the Restated Subscription Agreement); and (ii) approximately 18.03% of the total issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares only (assuming all of the outstanding Share Options and 2017 Convertible Notes will be exercised and converted but no other shares will be allotted or issued at or prior to completion of the Restated Subscription Agreement). Completion of the Restated Subscription Agreement is subject to the satisfaction of various conditions precedent as set out in the joint announcement of the Offeror and the Company dated 12 October 2018 (the "**Joint Announcement**").

As at the date of this announcement, such conditions precedent have not yet been satisfied in full and completion of the Subscription has not yet taken place.

For details of the Restated Subscription Agreement, please refer to the Joint Announcement.

(II) Proposed Acquisitions of Zhongtai International Capital Limited and Zhongtai International Asset Management Limited

On 11 October 2018, (i) the Company (as purchaser) and Zhongtai International Financial Corporation ("**ZTI Financial**") (as vendor) entered into the supplemental agreement ("**Supplement ZTI Capital Agreement**") to revise and amend certain terms of the sale and purchase agreement entered into between ZTI Financial and the Company dated 23 February 2018 ("**ZTI Capital Agreement**") pursuant to which the Company conditionally agreed to acquire or procure one of its wholly-owned subsidiaries to acquire, and ZTI Financial conditionally agreed to dispose of, all issued shares of Zhongtai International Capital Limited; and (ii) the Company (as purchaser) and Zhongtai Financial International Limited ("**Zhongtai Financial International**") (as vendor) entered into the supplemental agreement ("**Supplemental ZTI Asset Management Agreement**") to revise and amend certain terms of the sale and purchase agreement entered into between Zhongtai Financial International and the Company dated 23 February 2018 ("**ZTI Asset Management Agreement**") pursuant to which the Company conditionally agreed to acquire or procure one of its wholly-owned subsidiaries to acquire, and Zhongtai Financial International conditionally agreed to dispose of, all issued shares of all issued shares of Zhongtai International Asset Management Limited, collectively the "ZTI Acquisitions".

The consideration for the ZTI Capital Agreement, being HK$30,000,000, shall be satisfied by the allotment and issue by the Company to the Offeror (as the designated nominee of ZTI Financial) 85,714,286 new shares of the Company, credited as fully paid, at an issue price of approximately HK$0.35 per Consideration Share, at completion of the ZTI Capital Agreement.

The consideration for the ZTI Asset Management Agreement, being HK$102,000,000, shall be satisfied by the allotment and issue by the Company to the Offeror (as the designated nominee of Zhongtai Financial International) 291,428,571 new shares of the Company, credited as fully paid, at an issue price of approximately HK$0.35 per share, at completion of the ZTI Asset Management Agreement.

The new shares to be issued as consideration for the ZTI Acquisitions ("**Consideration Shares**"), being an aggregate of 377,142,857 shares of the Company, represent (i) approximately 20.37% of the total issued share capital of the Company as enlarged by the allotment and issue of the Consideration Shares only (assuming no outstanding Share Options or Convertible Notes will be exercised or converted and no other shares of the Company will be allotted or issued at or prior to completion of the ZTI Acquisitions); and (ii) approximately 16.63% of the total issued share capital of the Company as enlarged upon completion of the Subscription and the ZTI Acquisitions (assuming no outstanding Share Options or Convertible Notes will be exercised or converted and no other Shares will be allotted or issued at or prior to the completion of the Subscription and the ZTI Acquisitions).

Completion of the ZTI Acquisitions is subject to the satisfaction of various conditions precedent as set out in the Joint Announcement. As at the date of this announcement, such conditions precedent have not yet been satisfied in full and completion of the ZTI Acquisitions has not yet taken place.

For details of the Supplemental ZTI Capital Agreement and the Supplemental ZTI Asset Management Agreement, please refer to the Joint Announcement.

(III) The Share Purchase Agreement

The Company was informed by Smart Investor Holdings Limited, the controlling shareholder of the Company, Mr. Lau Ho Ming, Peter, being the executive chairman and Madam Li Man Yee, Stella, being the non-executive director of the Company (collectively, the "**Vendors**") that, on 11 October 2018, the Vendors and the Offeror entered into the share purchase agreement ("**Share Purchase Agreement**"), pursuant to which the Vendors conditionally agreed to sell and the Offeror conditionally agreed to purchase all the shares held by the Vendors in the Company of an aggregate of 502,064,000 shares (the "**Sale Shares**"). The Sale Shares represent (i) approximately 34.05% of the total issued share capital of the Company as at the date of this Joint Announcement; and (ii) approximately 22.14% of the total issued share capital of the Company as enlarged upon completion of the Subscription and the ZTI Acquisitions (assuming no outstanding Share Options or Convertible Notes will be exercised or converted and no other Shares will be allotted or issued at or prior to completion of the Subscription and the ZTI Acquisitions). The total consideration for the Sale Shares under the Share Purchase Agreement is HK$356,465,440 (equivalent to HK$0.71 per Share).

Completion of the Share Purchase Agreement is subject to the satisfaction of various conditions precedent as set out in the Joint Announcement. As at the date of this announcement, such conditions precedent have not yet been satisfied in full and completion of the Share Purchase Agreement has not yet taken place.

For details of the Share Purchase Agreement, please refer to the Joint Announcement.

(IV) Novation Deeds and Supplemental Agreements

(a) The Company, the Subscribers and Zhongtai Financial International Limited, being the sole shareholder of the Offeror ("**New Offeror**"), entered into a deed of novation in relation to the Restated Subscription Agreement, pursuant to which the Offeror agreed to assign and novate, and the New Offeror agreed to assume and perform, all the rights and obligations of the Offeror under the Restated Subscription Agreement with effect from 29 November 2018.

(b) The Vendors, the Offeror and the New Offeror entered into a deed of novation in relation to the Share Purchase Agreement, pursuant to which the Offeror agreed to assign and novate, and the New Offeror agreed to assume and perform, all the rights and obligations of the Offeror under the Share Purchase Agreement with effect from the 29 November 2018.

(c) The Company also entered into supplemental agreements with ZTI Financial and the New Offeror respectively to revise certain terms of the ZTI Capital Agreement and the ZTI Asset Management Agreement, pursuant to which the consideration for the ZTI Acquisitions shall be satisfied by the allotment and issue of consideration shares to the New Offeror (as, where appropriate, the designated nominee of ZTI Financial).

Details of the above are set out in the announcement of the Company dated 29 November 2018.

(V) Possible Unconditional Mandatory Cash Offers

Completion of the Subscription, the ZTI Acquisitions and the Share Purchase Agreement will take place simultaneously (the "**Completion**"). Immediately following Completion, the Offeror and its concert parties (including the Subscribers and their respective concert parties) will be interested in a total of 1,295,114,857 issued Shares, representing (i) approximately 57.12% of the enlarged issued share capital of the Company (as enlarged by the Subscription Shares and the Consideration Shares and assuming no outstanding Share Options or Convertible Notes will be exercised or converted and no other Shares will be allotted or issued at or prior to Completion); (ii) approximately 54.05% of the enlarged issued share capital of the Company (as enlarged by the Subscription Shares and the Consideration Shares and assuming all the Share Options (except for those Share Options held by Mr. Lau and Madam Li) will be exercised but no Convertible Notes will be converted and no other Shares will be allotted or issued at or prior to Completion).

Pursuant to Rule 26.1 and Rule 13 of the Takeovers Code, the Offeror is required to make unconditional mandatory offers in cash in relation to (A) the share offer for all the issued shares (excluding the shares already owned by or agreed to be acquired by the Offeror and its concert parties at the time when the share offer is made); (B) the option offer for the cancellation of all outstanding Share Options; and (C) the convertible notes offer for all outstanding 2017 Convertible Notes.

For details of the share offer, the option offer and the convertible notes offer, please refer to the Joint Announcement.

Warnings: The completion of the transactions highlighted in this section is subject to fulfillment and/or waiver, as applicable, of various conditions precedent under the respective agreements as set out above. For details of these conditions precedent, please refer to the Joint Announcement. In particular, the share offer, the option offer and the convertible notes offer will only be made if completion takes place. Accordingly, these offers may or may not be made. Shareholders, optionholders, the convertible note holders and/or potential investors of the Company should therefore exercise caution when dealing in the securities of the Company (including the shares, the share options, the convertible notes of the Company and rights in respect of them). Persons who are in doubt as to the action they should take should consult their licensed securities dealers or registered institutions in securities, bank managers, solicitors, professional accountants or other professional advisers.

PROSPECTS

During the Current Period, the results of the Group's Toy Division managed to maintain its gross margin and segment results despite a general decrease in revenue during the hard time of its businesses. With the multilateral trade wars carrying on between the US and China as well as the US and its adjacent territories and some of the European countries, it is expected that the business outlook for the toy industry in the western markets will remain highly challenging and uncertain. This may further impact the purchase orders placed by customers located in such territories leading to potential volatility in the performance of the Toy Division. Going forward, the Toy Division will continue to remain alert as its business continues to be highly susceptible to any volatility in the global macro environments. As its clientele spans the globe, the Toy Division continues to constantly review its market and products profile and be more pro-active in working with its customers' requests as well as structure of its customers in response to any changes in political and economic environments globally. On the cost side, it will continue to enhance its lean production approach by working closely with its sub-contractors and review strategies which will allow it to maintain a tight but flexible cost control. Focus will still be maintained in exploring business opportunities on products involving a technology component and potentially higher margin with existing customers or reliable, potential new customers. We hope these strategies will allow the Toy Division to remain competitive amidst rocky global economic environments.

For the Financial Services Division, both the Hong Kong and global securities markets are expected to remain highly volatile and likely to head towards substantial correction during the second half of the current financial year, given the materialisation of the increase in interest rates, more bearish global economic outlooks due to multilateral trade wars and tightened monetary policies in general. While this has impacted the Financial Services Division in causing some delays or hiccups in the materialisation of its projects, we remain cautiously optimistic in the business prospects of the Financial Services Division and will continue to focus on the primary equity and debt market transactions in the small to mid-cap sectors. As of the date of this announcement, the Financial Services Division are actively working on a number of potential underwriting transactions for initial public offerings on the HKEx. We believe the recent correction in the markets is just part of the normal cycles which have been seen in the financial services industry in the past and we continue to believe in the long-term prospects of the financial services markets in Hong Kong and Greater China given the unique position played by the Hong Kong capital markets in providing a wide array of international capital, products and services for corporates and clients in the Greater China markets. We will continue to work towards completing the transactions with the Zhongtai Group which is expected to strengthen the capital base of the Group and its businesses given the substantial resources and network they possess. Our target to complete the transactions with the Zhongtai Group in this financial year remains unchanged.

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 2018.

CORPORATE GOVERNANCE

The Company adopted the Corporate Governance Code set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") (the "**Code**") 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 with the exception discussed herein below.

Code A.2.1

Pursuant to the code provision under the Code, the roles of chairman and chief executive should be separate and should not be performed by the same individual. The post of chief executive officer of the Group has been vacant since the redesignation of Mr. Lau Ho Ming, Peter as the Executive Chairman of the Company with effect from 25 November 2013. He has ceased to act as the chief executive officer of the Group ("**CEO**") since then. The role of chief executive officer has been taken up by all 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. Having made specific enquiries of all Directors, all the Directors have complied with the required standard set out in the Model Code during the interim period and up to the date of this announcement.

UPDATE OF DIRECTOR'S INFORMATION

There has been no update in the biographical details of the Directors further to those disclosed in the 2018 Annual Report of the Company.

REVIEW OF INTERIM RESULTS

The Audit Committee has reviewed the unaudited condensed consolidated financial statements and the interim report for the six months ended 30 September 2018 and 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 2018 have been prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants.

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND 2018/19 INTERIM REPORT

This announcement is published on the website of the Stock Exchange and the Company at www.hkexnews.hk and www.quali-smart.com.hk respectively. The 2018/19 interim report of the Company containing all information required by the Listing Rules will be published on the above websites and dispatched to the Shareholders on or about 21 December 2018.

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

Hong Kong, 30 November 2018

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