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

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

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2016

FINANCIAL HIGHLIGHTS

- Revenue for the six months ended 30 September 2016 was approximately HK$502.3 million, representing a decrease of 0.9% from approximately HK$507.0 million for the six months ended 30 September 2015.

- Gross profit for the six months ended 30 September 2016 was approximately HK$59.7 million, representing an increase of 14.6% from approximately HK$52.1 million for the six months ended 30 September 2015.

- Loss for the six months ended 30 September 2016 was approximately HK$30.0 million, compared with the loss of approximately HK$0.4 million for the six months ended 30 September 2015. Major components which contributed to the loss for the Current Period include the newly consolidated net loss of approximately HK$15.2 million of the Financial Services Division for the Current Period and approximately HK$6.3 million of the IT Division, respectively; increase in finance costs to HK$6.6 million in the Current Period as compared to HK$4.2 million in the Previous Period which includes the effective interest on the promissory notes and the convertible notes of HK$2.1 million and HK$2.0 million respectively for the Current Period comparing to HK$0.6 million and HK$1.9 million in the Previous Period and the increase in staff costs of approximately HK$11.6 million arising from the non-cash, equity settled share-based payment expenses related to the share options granted.

- The Board does not recommend the payment of any interim dividend for the six months ended 30 September 2016.

* *For identification purposes only*

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Notes	Six months ended 30 September 2016 HK$'000 (Unaudited)	2015 HK$'000 (Unaudited)
REVENUE	4	**502,337**	507,031
Cost of sales		**(442,640)**	(454,923)
Gross profit		**59,697**	52,108
Other income and gains	4	**9,447**	4,234
Selling expenses		**(15,245)**	(15,809)
Administrative expenses		**(73,605)**	(37,594)
Fair value changes in derivative financial asset		**–**	3,726
Finance costs	5	**(6,577)**	(4,231)
(LOSS)/PROFIT BEFORE INCOME TAX EXPENSE	6	**(26,283)**	2,434
Income tax expense	7	**(3,709)**	(2,803)
LOSS FOR THE PERIOD		**(29,992)**	(369)
Other comprehensive income that may be classified to profit or loss in subsequent periods:			
Exchange differences on translating foreign operations		**(670)**	(764)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**(30,662)**	(1,133)
Loss attributable to:			
Owners of the Company		**(29,992)**	(366)
Non-controlling interests		**–**	(3)
		(29,992)	(369)
Total comprehensive income attributable to:			
Owners of the Company		**(30,662)**	(1,130)
Non-controlling interests		**–**	(3)
		(30,662)	(1,133)
			(restated)
Losses per share			
— Basic and diluted (HK cents)	8	**(2.07)**	(0.03)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	**At 30 September 2016** ***HK$'000*** **(Unaudited)**	At 31 March 2016 *HK$'000* (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	9	**37,610**	44,460
Prepaid land lease payments	9	**6,633**	6,952
Investment property		**6,200**	6,200
Goodwill		**188,478**	188,478
Intangible assets		**72,765**	77,151
Interest in a joint venture		**–**	–
Held-to-maturity investment		**10,241**	–
Deferred tax asset		**1,717**	1,717
Statutory deposits for financial service business		**632**	396
Total non-current assets		**324,276**	325,354
CURRENT ASSETS			
Inventories	10	**95,643**	108,764
Trade receivables	11	**234,144**	457,360
Financial assets at fair value through profit or loss	12	**18,180**	18,222
Prepayments, deposits and other receivables		**65,747**	29,679
Derivative financial asset		**5,721**	5,721
Cash and bank balances held on behalf of customers		**25,311**	91
Cash and cash equivalents		**173,337**	221,633
Total current assets		**618,083**	841,470

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

	Notes	At 30 September 2016 HK$'000 (Unaudited)	At 31 March 2016 HK$'000 (Audited)
CURRENT LIABILITIES			
Trade payables	13	**207,408**	407,093
Receipts in advance, accruals and other payables		**30,107**	27,585
Amount due to a related company		**–**	102
Interest-bearing bank borrowings	14	**81,275**	49,051
Promissory notes		**81,853**	45,000
Convertible notes		**57,095**	55,055
Tax payable		**3,733**	326
Total current liabilities		**461,471**	584,212
NET CURRENT ASSETS		**156,612**	257,258
TOTAL ASSETS LESS CURRENT LIABILITIES		**480,888**	582,612
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings	14	**–**	7,667
Promissory notes		**–**	79,792
Deferred tax liabilities		**12,080**	12,805
Total non-current liabilities		**12,080**	100,264
Net assets		**468,808**	482,348
EQUITY			
Share capital	15	**282**	281
Reserves		**467,936**	481,477
		468,218	481,758
Non-controlling interests		**590**	590
Total equity		**468,808**	482,348

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2016

	Attributable to the owners of the Company												
	Share capital HK$'000	Share premium HK$'000 (note 1)	Capital reserve HK$'000 (note 2)	Statutory reserve HK$'000 (note 3)	Translation reserve HK$'000 (note 4)	Property revaluation reserve HK$'000 (note 5)	Other reserve HK$'000	Share option reserve HK$'000 (note 6)	Convertible notes equity reserve HK$'000 (note 7)	(Accumulated losses)/ retained earnings HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total HK$'000
Unaudited for the six months ended 30 September 2016													
At 1 April 2016 (audited)	**281**	**409,404**	**9,271**	**844**	**3,792**	**6,071**	**1,100**	**13,891**	**42,725**	**(5,621)**	**481,758**	**590**	**482,348**
Equity settled share-based Transactions *(note 16)*	–	–	–	–	–	–	–	15,835	–	–	15,835	–	15,835
Lapsed of share options *(note 16)*	–	–	–	–	–	–	–	(605)	–	605	–	–	–
Exercise of share options *(note 16)*	1	1,726	–	–	–	–	–	(440)	–	–	1,287	–	1,287
Loss for the period	–	–	–	–	–	–	–	–	–	(29,992)	(29,992)	–	(29,992)
Other comprehensive income													
Exchange differences arising on translation of foreign operations	–	–	–	–	(670)	–	–	–	–	–	(670)	–	(670)
Total Comprehensive income for the period	–	–	–	–	(670)	–	–	–	–	(29,992)	(30,662)	–	(30,662)
Transfer to statutory reserve	–	–	–	102	–	–	–	–	–	(102)	–	–	–
At 30 September 2016 (unaudited)	**282**	**411,130**	**9,271**	**946**	**3,122**	**6,071**	**1,100**	**28,681**	**42,725**	**(35,110)**	**468,218**	**590**	**468,808**

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (Continued)

	Attributable to the owners of the Company												
	Share capital *HK$'000*	Share premium *HK$'000* *(note 1)*	Capital reserve *HK$'000* *(note 2)*	Statutory reserve *HK$'000* *(note 3)*	Translation reserve *HK$'000* *(note 4)*	Property revaluation reserve *HK$'000* *(note 5)*	Other reserve *HK$'000*	Share option reserve *HK$'000* *(note 6)*	Convertible notes equity reserve *HK$'000* *(note 7)*	(Accumulated losses)/ retained earnings *HK$'000*	Total *HK$'000*	Non-controlling interests *HK$'000*	Total *HK$'000*
Unaudited for the six months ended 30 September 2015													
At 1 April 2015 (audited)	224	163,406	9,271	799	4,861	–	2,100	2,223	42,725	71,996	297,605	591	298,196
Equity settled share-based transactions *(note 16)*	–	–	–	–	–	–	–	4,218	–	–	4,218	–	4,218
Exercise of share options *(note 16)*	3	4,342	–	–	–	–	–	(1,150)	–	–	3,195	–	3,195
Proceeds from placing of new shares	23	88,477	–	–	–	–	–	–	–	–	88,500	–	88,500
Loss for the period	–	–	–	–	–	–	–	–	–	(366)	(366)	(3)	(369)
Other comprehensive income													
Exchange differences arising on translation of foreign operations	–	–	–	–	(764)	–	–	–	–	–	(764)	–	(764)
Total comprehensive income for the period	–	–	–	–	(764)	–	–	–	–	(366)	(1,130)	(3)	(1,133)
Transfer to statutory reserve	–	–	–	51	–	–	–	–	–	(51)	–	–	–
At 30 September 2015 (unaudited)	250	256,225	9,271	850	4,097	–	2,100	5,291	42,725	71,579	392,388	588	392,976

Notes:

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

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

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

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

5. 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.

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

7. 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	
	2016	2015
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Net cash flows used in operating activities	**(13,791)**	(41,737)
Net cash flows used in investing activities	**(13,022)**	(42,857)
Net cash flows (used in)/from financing activities	**(21,632)**	120,176
Net (decrease)/increase in cash and cash equivalents	**(48,445)**	35,582
Cash and cash equivalents at 1 April	**221,633**	67,170
Effect of exchange rate changes on cash and cash equivalents	**149**	224
Cash and cash equivalents at 30 September	**173,337**	102,976

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 2016 ("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 2016 (the "2016 Annual Financial Statements").

The Interim Condensed Financial Statements were approved and authorised for issue by the Board on 29 November 2016.

2. BASIS OF PREPARATION

The accounting policies applied in preparing the Interim Condensed Financial Statements are consistent with those applied in preparing the 2016 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 2016 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.

3. OPERATING SEGMENT INFORMATION

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

– Digital publishing, mobile and web application solutions; 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.

3. **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

	Manufacturing and sales of toys	Digital publishing, mobile and web application solutions	Financial Services	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
For the period ended 30 September 2016				
External revenue	**492,589**	**1,139**	**8,609**	**502,337**
Segment profit/(loss)	**16,740**	**(6,293)**	**(15,172)**	**(4,725)**
Central administrative cost				**(21,558)**
Loss before income tax expense				**(26,283)**
For the period ended 30 September 2015				
External revenue	**505,845**	**1,186**	**–**	**507,031**
Segment profit/(loss)	**17,909**	**(7,330)**	**–**	**10,579**
Corporate income				
– Others				**26**
Central administrative cost				**(13,425)**
Fair value gain on financial assets at fair value through profit or loss ("FVTPL")				**394**
Fair value change in derivative financial asset				**3,726**
Net gain on derivative financial instruments				**1,134**
Profit before income tax expense				**2,434**

3. OPERATING SEGMENT INFORMATION (Continued)

(a) Reportable segments (Continued)

Segment profit/(loss) represents the profit or (loss) earned by each segment without allocation of corporate income, net gain on derivative financial instruments, fair value change in derivative financial assets 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 deferred tax asset, prepayments, derivative financial asset, cash and cash equivalents and cash and bank balance held on behalf of customers.

	At 30 September 2016 *HK$'000* **(Unaudited)**	At 31 March 2016 *HK$'000* (Audited)
Manufacturing and sales of toys	**313,735**	233,185
Digital publishing, mobile and web application solutions	**76,817**	81,057
Financial Services	**342,492**	618,332
Total segment assets	**733,044**	932,574
Unallocated	**209,315**	234,250
Consolidated assets	**942,359**	1,166,824

Segment liabilities

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

	At 30 September 2016 *HK$'000* **(Unaudited)**	At 31 March 2016 *HK$'000* (Audited)
Manufacturing and sales of toys	**221,263**	106,525
Digital publishing, mobile and web application solutions	**3,334**	2,963
Financial Services	**93,588**	382,010
Total segment liabilities	**318,185**	491,498
Unallocated	**155,366**	192,978
Consolidated liabilities	**473,551**	684,476

3. **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 2016

	Manufacturing and sales of toys *HK$'000*	**Digital publishing, mobile and web application solutions** *HK$'000*	**Financial Services** *HK$'000*	**Total** *HK$'000*
Additions to property, plant and equipment	**2,756**	**20**	**–**	**2,776**
Depreciation of property, plant and equipment	**(8,551)**	**(97)**	**(382)**	**(9,030)**
Amortisation of prepaid lease payments	**(95)**	**–**	**–**	**(95)**
Amortisation of intangible assets	**–**	**(4,395)**	**–**	**(4,395)**
Fair value gain on financial assets at FVTPL	**–**	**–**	**6,373**	**6,373**
Bad debt recovery	**787**	**–**	**–**	**787**
Interest expenses	**(1,545)**	**–**	**(931)**	**(2,476)**

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

For the period ended 30 September 2015

	Manufacturing and sales of toys *HK$'000*	Digital publishing, mobile and web application solutions *HK$'000*	Financial Services *HK$'000*	Total *HK$'000*
Additions to property, plant and equipment	4,697	–	–	4,697
Depreciation of property, plant and equipment	(9,368)	(138)	–	(9,506)
Amortisation of prepaid lease payments	(100)	–	–	(100)
Amortisation of intangible assets	–	(4,395)	–	(4,395)
Interest expenses	(1,537)	–	–	(1,537)

3. 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	
	2016	2015
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
North America *(note 1)*	**301,496**	236,901
Western Europe		
– United Kingdom	**43,899**	57,452
– France	**19,328**	28,327
– Netherland	**6,268**	9,802
– Others *(note 2)*	**31,405**	76,043
South America	**10,069**	17,608
PRC and Taiwan	**41,660**	37,724
Australia, New Zealand and Pacific Islands	**8,788**	8,866
Central America, Caribbean and Mexico	**15,684**	19,935
Others *(note 3)*	**23,740**	14,373
Total	**502,337**	507,031

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.

3. OPERATING SEGMENT INFORMATION (Continued)

(b) Geographical information (Continued)

(ii) Specified non-current assets

	At 30 September 2016	At 31 March 2016
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Mainland China, the PRC	**42,272**	48,160
Hong Kong	**8,171**	9,452
Total	**50,443**	57,612

(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	
	2016	2015
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Customer A	**148,981**	188,385
Customer B	**160,913**	88,373
Customer C*	**–**	79,081

* Customer contributed less than 10% of the Group's revenue during the period ended 30 September 2016.

4. REVENUE, OTHER INCOME AND GAINS

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

	Six months ended 30 September	
	2016	2015
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Revenue		
Manufacturing and sales of toys	**492,589**	505,845
Digital publishing, mobile and web application solutions	**1,139**	1,186
Financial Services	**8,609**	–
	502,337	507,031
Other income and gains		
Moulding income	**367**	1,456
Rental income	**672**	300
Net gain on derivative financial instruments	**–**	1,134
Fair value gain on financial assets at FVTPL	**6,373**	394
Interest income from bank deposits	**4**	4
Exchange gains/(loss), net	**71**	(2)
Bad debt recovery	**787**	–
Others	**1,173**	948
	9,447	4,234

5. FINANCE COSTS

	Six months ended 30 September	
	2016	2015
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Interest on bank and other borrowings:		
– Bank borrowings	**2,476**	1,771
– Promissory notes	**2,061**	562
– Convertible notes	**2,040**	1,898
	6,577	4,231

6. (LOSS)/PROFIT BEFORE INCOME TAX EXPENSE

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

	Six months ended 30 September	
	2016	2015
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Cost of inventories sold	**442,640**	454,923
Depreciation of property, plant and equipment	**9,030**	11,372
Amortisation of prepaid land lease payments	**95**	100
Amortisation of intangible assets	**4,395**	4,395
Employee benefits expenses (including Directors' remuneration):		
Wages and salaries	**37,077**	19,654
Equity settled share-based payment expenses	**12,663**	2,735
Pension scheme contributions	**1,321**	1,774
Other benefits	**2,317**	1,828
	53,378	25,991
Equity settled share-based payment expenses to eligible persons other than employees and Directors	**3,172**	1,483
Fair value changes in derivative financial asset	**–**	(3,726)
Auditor's remuneration	**811**	919
Operating lease charges in respect of land and buildings	**6,413**	1,008

7. INCOME TAX EXPENSE

Hong Kong profits tax has been provided on the estimated assessable profit arising in Hong Kong at the rate of 16.5% during the six months ended 30 September 2016 (2015: 16.5%). Taxes on profits assessable elsewhere have been calculated at the rate of tax prevailing in the locations in which the Group operates.

The PRC corporate income tax rate of the Company's subsidiary operating in the PRC during the six months ended 30 September 2016 was 25% on its taxable profit (2015: 25%).

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

	Six months ended 30 September	
	2016	2015
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Current — Hong Kong		
Charge for the period	**4,237**	2,621
Current — PRC		
Charge for the period	**197**	182
	4,434	2,803
Deferred tax credit	**(725)**	–
Income tax expense for the period	**3,709**	2,803

7. INCOME TAX EXPENSE (Continued)

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

	Six months ended 30 September	
	2016	2015
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
(Loss)/profit before income tax expense	**(26,283)**	2,434
Tax at the applicable tax rate of 16.5% (2015: 16.5%)	**(4,337)**	402
Effect of different tax rate of a subsidiary operating in other jurisdiction	**96**	31
Tax effect of revenue not taxable for tax purposes	**(1,063)**	(904)
Tax effect of expenses not deductible for tax purposes	**1,317**	(2,305)
Tax effect of tax loss not recognised	**7,590**	493
Tax effect of temporary difference not recognised	**106**	476
Income tax expense	**3,709**	2,803

As at 30 September 2016, no deferred tax asset has been recognised in respect of the deductible temporary differences of HK$3,836,000 (2015: HK$3,315,000) as the amounts are immaterial to the Group. No deferred tax asset has been recognised in respect of the unused tax losses of HK$80,030,000 (At 31 March 2016: HK$34,030,000) due to the unpredictability of future profit streams. The unused tax losses can be carried forward indefinitely. In addition, as at 30 September 2016, the aggregate amount of temporary differences associated with the unremitted earnings of the Company's subsidiary established in the PRC, of which deferred tax liabilities have not been provided are approximately of HK$8,139,000 (At 31 March 2016: HK$7,211,000). It is because in the opinion of the Directors, it is not probable that this subsidiary will distribute its earnings accrued from 1 January 2008 to 30 September 2016 in the foreseeable future.

8. LOSSES PER SHARE

The calculation of basic losses per share attributable to the owners of the Company is based on the loss for the six months ended 30 September 2016 of approximately HK$29,992,000 (2015: HK$369,000), and of the weighted average number of 1,451,327,674 Shares (2015 (restated): 1,196,647,500 Shares) in issued during the period.

For the purpose of calculation of basic loss per share for the period ended 30 September 2016, the share subdivision being effective on 13 January 2016 was deemed to be effective throughout the period from 1 April 2015 to 30 September 2015.

Diluted loss per share are the same as basic loss per share for the period ended 30 September 2016 (2015: 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 2016 (2015: anti-dilutive).

There is no dilutive effect on the convertible notes as they are anti-dilutive (2015: Nil).

9. PROPERTY, PLANT AND EQUIPMENT, AND PREPAID LAND LEASE PAYMENTS

	Property, plant and equipment *HK$'000*	Prepaid land lease payments *HK$'000*
Net Book value at 1 April 2016 (Audited)	**44,460**	**6,952**
Additions	**2,776**	**–**
Amortisation	**–**	**(95)**
Depreciation	**(9,030)**	**–**
Exchange differences	**(596)**	**(224)**
Net book value at 30 September 2016 (Unaudited)	**37,610**	**6,633**

The Group's leasehold land and buildings are located in the PRC.

The prepaid land lease payments are for the land use rights located in the PRC.

10. INVENTORIES

	At 30 September 2016 ***HK$'000*** **(Unaudited)**	At 31 March 2016 *HK$'000* (Audited)
Raw materials	**49,670**	76,698
Work in progress	**12,207**	5,376
Finished goods	**33,766**	26,690
	95,643	108,764

11. TRADE RECEIVABLES

	At 30 September 2016 ***HK$'000*** **(Unaudited)**	At 31 March 2016 *HK$'000* (Audited)
Trade receivables from financial services segment	**64,558**	388,706
Trade receivables from toys and information technology segments	**169,586**	68,654
	234,144	457,360

11. TRADE RECEIVABLES (Continued)

Trade receivables from financial services segment

	At 30 September 2016 *HK$'000* **(Unaudited)**	At 31 March 2016 *HK$'000* (Audited)
Accounts receivable arising from the ordinary course of business of securities brokerage and margin financing:		
– Cash clients	**14,444**	383,658
– Margin clients	**3,206**	5,014
– Clearing house	**5,079**	–
Accounts receivable arising from the ordinary course of business of provision of:		
– Investment advisory services	**660**	660
– Asset management services	**39**	34
– Securities brokerage services	**41,790**	–
	65,218	389,366
Less: Allowance for impairment loss	**(660)**	(660)
	64,558	388,706

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 2016 *HK$'000* **(Unaudited)**	At 31 March 2016 *HK$'000* (Audited)
On demand	**3,206**	5,014
Current – 30 days	**61,298**	383,684
61 – 90 days	**–**	8
Over 90 days	**54**	–
	64,558	388,706

11. TRADE RECEIVABLES (Continued)

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 2016	At 31 March 2016
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Neither past due nor impaired	**64,558**	388,706

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 2016, the market value of securities pledged by clients to the Group as collateral against margin client receivables was HK$23,536,000 (31 March 2016: HK$24,514,000). The amounts due from margin clients are repayable on demand and carry interest at 9% per annum.

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. All such accounts receivable are not past due at the reporting dates for which 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.

11. **TRADE RECEIVABLES (Continued)**

Trade receivables from toys and information technology segments

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 2016	At 31 March 2016
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Current to 30 days	**107,127**	34,702
31 – 60 days	**52,707**	1,914
61 – 90 days	**7,268**	5,389
Over 90 days	**2,484**	26,649
	169,586	68,654

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

	At 30 September 2016	At 31 March 2016
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Neither past due nor impaired	**107,127**	38,911
Less than 1 month past due	**52,707**	4,227
1 to 3 months past due	**7,268**	4,610
Over 3 months past due	**2,484**	20,906
	169,586	68,654

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.

11. **TRADE RECEIVABLES (Continued)**

The below table reconciled the impairment loss of trade receivables of toys and information technology segments for the period/year:

	At 30 September 2016 *HK$'000* **(Unaudited)**	At 31 March 2016 *HK$'000* (Audited)
At 1 April	**–**	12,046
Recovery of impairment loss previously recognised	**–**	(6,966)
Bad debts written off	**–**	(5,080)
At 30 September/31 March	**–**	–

12. **FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS**

	At 30 September 2016 *HK$'000* **(Unaudited)**	At 31 March 2016 *HK$'000* (Audited)
Listed equity securities held for trading in Hong Kong, at fair value	**18,180**	18,222
	18,180	18,222

13. **TRADE PAYABLES**

	At 30 September 2016 *HK$'000* **(Unaudited)**	At 31 March 2016 *HK$'000* (Audited)
Trade payables from financial services segment	**89,548**	380,325
Trade payables from toys and information technology segments	**117,860**	26,768
	207,408	407,093

13. TRADE PAYABLES (Continued)

Trade payables from financial services segment

	At 30 September 2016	At 31 March 2016
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Accounts payable arising from the ordinary course of business of securities brokerage and margin financing:		
– Cash clients	**30,378**	16,225
– Margin clients	**–**	1
– Clearing house	**–**	364,099
– Securities brokerage services	**59,170**	–
	89,548	380,325

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 2016, included in trade payable was an amount of approximately HK$25,311,000 (31 March 2016: HK$91,000) 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 and information technology 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 2016	At 31 March 2016
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Current to 30 days	**116,086**	15,352
31 to 60 days	**93**	6,782
61 to 90 days	**45**	2,812
More than 90 days but less than 365 days	**376**	514
More than 365 days	**1,260**	1,308
	117,860	26,768

14. INTEREST-BEARING BANK BORROWINGS

	At 30 September 2016	At 31 March 2016
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Current		
Secured		
– bank loans due for repayment within one year	**81,275**	49,051
Non-current		
Secured		
– bank loans due for repayment after one year	**–**	7,667
Total interest-bearing bank borrowings	**81,275**	56,718

The Group's banking facilities and its interest-bearing bank borrowings are secured by Company's corporate guarantees and cross guarantees from the Company's subsidiaries, which are Qualiman Industrial Co. Limited and Sunmart Company Limited.

At 30 September 2016, total current and non-current bank borrowings were scheduled to be repaid as follows:

	At 30 September 2016	At 31 March 2016
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
On demand or within one year	**81,275**	49,051
More than one year, but not exceeding two years	**–**	4,000
More than two years, but not exceeding five years	**–**	3,667
	81,275	56,718

Certain banking facilities are subject to the fulfillment of covenants relating to certain of the Group's financial position ratios, which are to maintain (i) the combined tangible net worth at not less than 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 2016, none of the covenants relating to draw down facilities had been breached (31 March 2016: Nil).

15. SHARE CAPITAL

	Notes	**Number of Shares**	***HK$'000***
Authorised:			
Ordinary Shares of US$0.000025 each			
At 1 April 2016 and 30 September 2016	*(a), (b)*	2,000,000,000	389
Issued and fully paid:			
Ordinary Shares of US$0.000025 each			
At 1 April 2016		1,446,780,000	281
Issue of ordinary shares upon exercise of share options	*16*	5,148,000	1
At 30 September 2016 (unaudited)		1,451,928,000	282

Notes:

(a) On 14 March 2012, the Company was incorporated in the Cayman Islands with an authorised capital of US$50,000 divided into 500,000,000 ordinary shares of US$0.0001 each. One subscriber Share was issued at par for cash.

(b) Pursuant to an ordinary resolution passed by shareholders at the extraordinary general meeting of the Company held on 12 January 2016, each existing share of the Company was subdivided into four subdivided shares. Immediately upon the share subdivision became effective on 13 January 2016 (the "share sub-division"), the Company had 1,446,780,000 shares in issue and fully paid.

16. EQUITY SETTLED SHARE-BASED PAYMENTS

There has been no changes in the Company's share option scheme, details of which are disclosed in the 2016 Annual Financial Statements.

Set out below are details of movements of the outstanding share options granted under the Share Option Scheme during the period ended 30 September 2016:

		Number of share options					
	Exercise price	Balance as at at 1 April 2016	Exercised during the period	Lapsed during the period	Balance as at 30 September 2016	Date of grant of share options	Exercisable periods of share options
Executive Directors							
– Lau Ho Ming, Peter	HK$0.25	6,720,000	–	–	6,720,000	17 March 2014	17 March 2014 to 16 March 2024
	HK$1.02	4,000,000	–	–	4,000,000	3 July 2015	3 July 2015 to 2 July 2025
– Ng Kam Seng	HK$0.25	2,240,000	(960,000)	–	1,280,000	17 March 2014	17 March 2014 to 16 March 2024
	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$0.25	1,400,000	(600,000)	–	800,000	17 March 2014	17 March 2014 to 16 March 2024
	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$0.25	672,000	(288,000)	–	384,000	17 March 2014	17 March 2014 to 16 March 2024
	HK$0.748	12,847,800	–	–	12,847,800	24 March 2016	24 March 2016 to 23 March 2026

16. EQUITY SETTLED SHARE-BASED PAYMENTS (Continued)

	Exercise price	Number of share options Balance as at at 1 April 2016	Exercised during the period	Lapsed during the period	Balance as at 30 September 2016	Date of grant of share options	Exercisable periods of share options
Non-executive Directors							
– Li Man Yee, Stella	HK$0.25	6,720,000	–	–	6,720,000	17 March 2014	17 March 2014 to 16 March 2024
	HK$1.02	1,400,000	–	–	1,400,000	3 July 2015	3 July 2015 to 2 July 2025
– Chu Sheng Yu, Lawrence *(Note 1)*	HK$0.25	672,000	–	–	672,000	17 March 2014	17 March 2014 to 16 March 2024
– Wang Zhao *(Note 2)*	HK$1.02	1,400,000	–	–	1,400,000	3 July 2015	3 July 2015 to 2 July 2025
Independent Non-executive Directors							
– Leung Po Wing, Bowen Joseph	HK$0.25	672,000	(288,000)	–	384,000	17 March 2014	17 March 2014 to 16 March 2024
	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$0.25	672,000	(288,000)	–	384,000	17 March 2014	17 March 2014 to 16 March 2024
	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

16. EQUITY SETTLED SHARE-BASED PAYMENTS (Continued)

	Exercise price	Number of share options: Balance as at at 1 April 2016	Exercised during the period	Lapsed during the period	Balance as at 30 September 2016	Date of grant of share options	Exercisable periods of share options
Employees	HK$0.25	6,356,000	(2,724,000)	(912,000)	2,720,000	17 March 2014	17 March 2014 to 16 March 2024
	HK$1.02	13,600,000	–	(1,400,000)	12,200,000	3 July 2015	3 July 2015 to 2 July 2025
	HK$0.748	65,063,800	–	(4,608,000)	60,455,800	24 March 2016	24 March 2016 to 23 March 2026
Consultants	HK$0.25	3,360,000	–	–	3,360,000	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		**192,495,600**	**(5,148,000)**	**(6,920,000)**	**180,427,600**		

Notes:

1. Mr. Chu Sheng Yu, Lawrence resigned as a Non-executive Director of the Company on 1 July 2015.

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

	Six months ended 30 September 2016 *HK$'000* (Unaudited)	2015 *HK$'000* (Unaudited)
Equity settled schemes to employees (including Directors)	**12,663**	2,735
Equity settled schemes to eligible persons other than employees and Directors	**3,172**	1,483
	15,835	4,218

16. **EQUITY SETTLED SHARE-BASED PAYMENTS (Continued)**

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 as at 30 September 2016 was HK$0.25 (2015: HK$1 (before the share sub-division)) and the weighted average remaining contractual life was 2.46 and 7.46 years (2015: 3.46 and 8.46 years). The exercise price of the second share option outstanding as at 30 September 2016 was HK$1.02 (2015: HK$4.07 (before the share sub-division)) and the weighted average remaining contractual life was 8.76 years (2015: 9.76 years). The exercise price of the third share option outstanding as at 30 September 2016 was HK$0.748 (2015: Nil) and the weighted average remaining contractual life was 9.48 years (2015: Nil). Of the total number of share options outstanding as at 30 September 2016, 180,427,600 share options had not vested and were not exercisable (31 March 2016: 192,495,600 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 (2015: HK$4.41 (before the share sub-division)).

17. **DIVIDENDS**

At the Board meeting held on 29 November 2016, the Directors did not propose an interim dividend for the period ended 30 September 2016 (2015: Nil).

BUSINESS REVIEW

During the period under review, the Group was engaged in three core businesses, namely, toy manufacturing (the “Toy Division”), information technology (the “IT Division”) and the financial services (the “Financial Services Division”) businesses.

The Toy Division

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

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

For the period ended 30 September 2016 ("Current Period"), revenue of the Toy Division and its segmental profit were HK$492.6 million and HK$16.7 million respectively, representing a decrease of 2.6% and a decrease of 6.5% respectively over the six months ended 30 September 2015 (the "Previous Period"). While the Toy Division only suffered a modest drop in sales from its customers for the peak period of the production cycle, production environments remained challenging for the Toy Division as labour costs and material costs adhered to a rising trend, leading to a slight decrease in gross margin from 10.3% for the Previous Period to 10.2% for the Current Period. Decrease in moulding income also contributed to the drop in the performance of the Toy Division for the Current Period.

In view of the stringent business environment facing the Toy Division, the Group will continue to focus its attention on a selected number of credit-worthy customers which can generate more stable margins; further review and rationalise the current cost structure and control so as to generate better operational efficiency and profitability.

The IT Division

During the Current Period, the Group's IT Division was operated by the PMT Group. The revenue and segmental loss for the IT Division were approximately HK$1.1 million and HK$6.3 million, respectively, representing a decrease by 4.0% and an improvement by 14.2%, respectively, over the Previous Period. The change is mainly due to a reduction in staff costs and related expenses arising of a cost rationalization plan implemented during the Current Period. As demand for digital publishing and digital marketing campaign remained sluggish during the Current Period, the IT Division explored alternative revenue sources and generated income from mobile and web application projects which could utilize the technologies owned by the PMT Group. Nonetheless, the performance of the IT Division will continue to be affected by the Group's efforts to balance the objective of its cost rationalisation plan in achieving break-even for the IT Division as soon as practicable and growing revenues with a more aggressive roll-out of our technology services and development of new products in general, which would inevitably increase costs in the short run. In view of this, the IT Division will continue to adopt a cautious approach in expanding its business scope.

The Financial Services Division

Following the establishment of the Financial Services Division in November 2015, this Division has continued to implement its business development strategy and become active in both the primary and secondary securities markets in Hong Kong. During the Current Period, Crosby Securities Limited, the main operating entity in the Financial Services Division, acted as joint bookrunner and joint lead manager for an initial public offering in Hong Kong as well as placing agents for multiple bond issues by listed companies in Hong Kong, although income from secondary markets trading was not as promising due to a general decline in average turnover of the Hong Kong stock market. Revenue and segmental loss for the Financial Services Division for the Current Period were approximately HK$8.6 million and HK$15.2 million, respectively. The Financial Services Division also recorded a fair value gain on financial assets of HK$6.4 million during the Current Period arising from its principal trading activities. As a substantial part of the capital raised for the Group's expansion in the Financial Services Division is currently reserved for maintaining the regulatory required capital for settlement of its clients' trades, the principal finance business of the Financial Services Division will require further capital to expand its operating scope. In view of the timing the Financial Services Division joining the Group which is after the reporting period ended 30 September 2015, no comparative results is available for the Previous Period.

FINANCIAL REVIEW

The Group's revenue for the Current Period amounted to approximately HK$502.3 million, which is a decrease of 0.9% from that for the Previous Period of approximately HK$507.0 million. Major components attributable to the decrease is summarized as below.

The Toy Division's revenue for the Current Period amounted to approximately HK$492.6 million, which represents a 2.6% decrease from that for the Previous Period of approximately HK$505.8 million. The modest decrease in revenue was due to a decrease in number of newer and smaller customers of the Toy Division's during the Current Period as compared to that of the Previous Period.

Revenue from North America increased by 27.3% to approximately HK$301.5 million for the Current Period when compared to approximately HK$236.9 million for the Previous Period, whereas revenue from Western Europe experienced significant decrease to approximately HK$100.9 million for the Current Period comparing to approximately HK$171.6 million for the Previous Period. Such decrease was mainly due to a generally weak market and economic environment in Europe, especially in view of the uncertainty brought by the result of the referendum to exit the European Union by the United Kingdom, leading to more conservative orders from Western European customers. Revenues from the PRC and Taiwan, on the other hand, increased by approximately 10.4% from about HK$37.7 million in the Previous Period to approximately HK$41.7 million in the Current Period. Revenues from South America decreased by approximately 42.6% to approximately HK$10.1 million from approximately HK$17.6 million for the Previous Period.

The IT Division's revenue for the Current Period amounted to approximately HK$1.1 million comparing with HK$1.2 million for the Previous Period, representing a modest decrease of 4.0% as the IT Division focused its resources on mobile and web application development projects.

The Financial Services Division's revenue for the Current Period amounted to approximately HK$8.6 million, mainly arising from placing commission from primary issuances and brokerage and trading commission. No comparative figure was available for the Previous Period because the completion of acquisition of this Division was done in November 2015, which was beyond the reporting timeframe for the Previous Period.

Meanwhile, a decrease in gross margin was noted for the Toy Division from approximately 10.3% for the Previous Period to approximately 10.2% for the Current Period. Gross profit of the Group for the Current Period increased by about 14.6% to approximately HK$59.7 million from HK$52.1 million for the Previous Period.

The Group's net loss for the Current Period amounted to approximately HK$30.0 million, representing a significant increase from approximately HK$0.4 million for the Previous Period. Such increase is mainly due to the inclusion of additional consolidated net loss of approximately of HK$15.2 million for the Current Period as a result of the consolidation of the results of the Financial Services Division which was acquired in November 2015, while the results of the Financial Services Division were not present in the consolidated results for the Previous Period. In addition, an increase in finance costs of approximately HK$1.5 million was recognised for the Current Period arising from the promissory notes issued for the acquisition of the Crosby Group, which were absent in the Previous Period. Furthermore, there was an increase in staff costs of approximately HK$11.6 million arising from the non-cash, equity settled share-based payment expenses related to the share options granted.

Selling expenses for the Toy Division mainly consisted of transportation fees and declaration fees. Selling expenses for the Toy Division decreased by 3.8% from approximately HK$15.8 million for the Previous Period to approximately HK$15.2 million for the Current Period. Such decrease was mainly due to decrease in sales for the Current Period.

Administrative expenses mainly consisted of salaries to employees, rents and rates for office spaces, depreciation on property, plant and equipment, and other administrative expenses. Administrative expenses increased by 95.7% from approximately HK$37.6 million for the Previous Period to approximately HK$73.6 million for the Current Period. The significant increase is primarily due to the newly consolidated results for the Financial Services Division during Current Period. Administrative expenses attributable to the Financial Services Division for the Current Period was approximately HK$29.9 million which was absent in the Previous Period. Besides, there was an increase in staff costs and administrative expenses for approximately of HK$9.9 million and HK$1.7 million for Current Period mainly resulted from the equity settled share-based payment expenses related to the grant of share options mainly to employees and Directors of the Company.

Other income and gains increased to HK$9.4 million during the Current Period from approximately of HK$4.2 million for the Previous Period, representing an increase of about 123.1%. Such increase was primarily due to an increase of fair value gain on financial assets at FVTPL arising from the principal trading activities of the Financial Services Division to approximately HK$6.4 million for the Current Period from approximately HK$0.4 million for the Previous Period. There was also an increase in bad debt recovery on trade receivables for the Current Period of approximately HK$0.8 million which was written off as bad debt during the Previous Period. Furthermore, there was also an increase in other miscellaneous income (such as order reworking charges on customers of Toy's Division) to approximately HK$1.2 million for the Current Period when compared to the same of approximately HK$0.9 million for the Previous Period.

However, increase in the above other income and gains for the Current Period was offset by a decrease in moulding income of approximately HK$1.1 million when compared to that for the Previous Period because fewer new moulds were required to be made for the existing customers, a decrease in net gain on derivative financial instruments of approximately HK$1.1 million arising from the change in fair value for the foreign exchange forward contracts entered during the Previous Period but not for the Current Period.

Finance costs mainly consisted of interest on the Group's interest-bearing bank borrowings, factoring arrangement from banks and the effective interest of the promissory notes and the convertible notes issued by the Company. Finance costs increased by 55.5% to approximately HK$6.6 million for the Current Period when compared with approximately HK$4.2 million for the Previous Period, which is primarily due to the effective interest of the convertible notes issued by the Company in December 2014 charged during Current Period of approximately HK$2.0 million (2015: HK$1.9 million) and promissory notes issued by the Company in November 2015 charged during Current Period of approximately HK$2.1 million (2015: HK$0.6 million).

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 increased by 32.3% to approximately HK$3.7 million for the Current Period, as compared with approximately HK$2.8 million for the Previous Period.

The inventory of the Group decreased by 12.1% to approximately HK$95.6 million as at 30 September 2016 from approximately HK$108.8 million as at 31 March 2016 which was primarily due to the request by the customers for advancing the shipment schedule during the Current Period as compared to that of the Previous Period. 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 34.1% from 64.0 days for the year ended 31 March 2016 to 42.2 days for the Current Period.

Trade receivables from Toy Division and the IT Division as at 30 September 2016 increased from approximately HK$68.7 million at 31 March 2016 to approximately HK$169.6 million, which was primarily due to a change of financial arrangement from factoring arrangement to post-shipment export trade loan offered by banks for one of the top 5 customers for the Toy Division. 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 43.9 days for the period ended 30 September 2016 as compared with 34.1 days for the year ended 31 March 2016.

For the Financial Services Division, trade receivables as at 30 September 2016 amounted to approximately HK$64.6 million, representing a decrease by approximately from HK$388.7 million as at 31 March 2016 by approximately 83.4%, which mainly arose from dealing in securities on behalf of our cash clients. The relatively high trade receivables arising from dealing in securities on behalf of our cash clients as at 31 March 2016 was mainly due to a surge in trading activities immediately before such date leading to an unusually large amount of trade receivables pending settlement on 31 March 2016. The settlement terms of accounts receivable arising from the Financial Services Division are typically one to two days after the trade date. All accounts receivable from cash clients were not past due at 30 September 2016.

Trade payables from the Toy Division and the IT Division as at 30 September 2016 of approximately HK$117.9 million was increased from HK$26.8 million as at 31 March 2016, which was primarily due to the purchase of more raw materials to support the increase in production during the peak sales season for the Toy Division.

Trade payables from the Financial Services Division which 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 2016, such trade payables amounted to HK$89.5 million, representing a decrease by approximately 76.5% from approximately HK$380.3 million as at 31 March 2016. The decrease was mainly due to a surge in trading activities immediately before 31 March 2016 leading to an unusually large amount of trade payables pending settlement on 31 March 2016.

The trade payables turnover days for the Toy Division and the IT 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 29.8 days for Current Period as compared with 18.9 days for the year ended 31 March 2016.

LIQUIDITY AND FINANCIAL RESOURCES

In view of the stringent competitive market environment and the performance of the Group for the Current Period, the Group was determined to maintain a prudent 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 2016, cash and cash equivalents amounted to approximately HK$173.3 million (31 March 2016: HK$221.6 million). The decrease was mainly due to the working capital required in the operations of the Group during the Current Period. Furthermore, as a result of the acquisition of the PMT Group in December 2014 and the Crosby Group in November 2015, the Group had a carrying value of promissory notes of HK$81.9 million (31 March 2016: HK$79.8 million) and convertible notes of HK$57.1 million (31 March 2016: HK$55.1 million). Hence, 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, was approximately 47.0% (31 March 2016: 49.1%). As at 30 September 2016, 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 1.3 (31 March 2016: 1.4).

CHARGE ON ASSETS

As at 30 September 2016, certain of the Group's banking facilities and its interest-bearing bank borrowings were secured by properties of the Group located in Hong Kong with an aggregate net book value of HK$6.2 million (31 March 2016: HK$6.2 million).

CONTINGENT LIABILITIES

As at 30 September 2016, the Group had no contingent liabilities (31 March 2016: Nil).

OPERATING LEASE ARRANGEMENTS

The Group leases 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 2016, 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$10.3 million and HK$6.5 million respectively (31 March 2016: HK$7.5 million and HK$0.04 million).

The Group also leased 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 2016, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants for approximately HK$2.3 million (31 March 2016: HK$0.2 million).

CAPITAL COMMITMENTS

As at 30 September 2016, there is no capital commitments of the Group (31 March 2016: Nil).

SIGNIFICANT INVESTMENT HELD

Except for investments in subsidiaries and in listed securities held for trading Hong Kong as detailed in note 12 to the interim condensed financial statements, the Group did not hold any significant investment in equity interest in any other company as at 30 September 2016.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

During the period ended 30 September 2016, the Group did not have any material acquisitions and disposals of subsidiaries and affiliated companies.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

As at 30 September 2016 and upto date of this announcement, the Group did not have any plans to acquire any material investments or capital assets.

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$, the Group does not have material exchange rate risk on such currency. The expenses or expenditures incurred in the operations of the Company's subsidiary in the PRC were denominated in RMB, which expose the Group to foreign currency risk. The Group entered into deliverable forward contracts ("DF") to manage the foreign currency risk arising from fluctuation in exchange rate of the RMB against the US$.

As at 30 September 2016, the Group did not enter any of such contract.

EMPLOYEES AND REMUNERATION POLICY

As at 30 September 2016, the Group had a total of 510 employees (31 March 2016: 520). Total staff costs were approximately HK$53.4 million for the period ended 30 September 2016 (2015: HK$26.0 million).

Remuneration policies in respect of the Directors and senior management of the Group are reviewed regularly by the Remuneration Committee and the Directors, respectively. Remuneration packages of the Group were determined with reference to its remuneration policy based on position, duties and performance of the employees. Employees' remuneration varies according to their positions, which may include salary, overtime allowance, bonus and various subsidies. The performance appraisal cycle varies according to the positions of the employees. Performance appraisal of staff is conducted annually. The performance appraisal is supervised by the chief executive officer of the Group. Staff employed by a subsidiary established in the PRC are also provided with pension funds, medical insurance, unemployment insurance and other relevant insurance in accordance with the prevailing regulatory requirements of the PRC. The Company also adopted a share option scheme for the purpose of rewarding eligible participants for their contribution to the Group.

PROSPECTS

The Current Period marked the commencement of the first full financial year when the Group operates three core businesses, namely the Toy Division, the IT Division and the Financial Services Division. While it is an exciting time for the Group, new challenges emerged in the global economy during the Current Period as a result of the result of the referendum in the United Kingdom to exit the European Union and the new paradigm expected in the United States following the presidential election there. These events may have a not trivial impact on the performance of the Group's Toy Division as they create uncertain environments in the market sentiment of the Toy Division's major markets, namely Western Europe and North America. While the Toy Division will continue to focus on clients of higher credit quality and those from regions of emerging demands, the Group remains determined to lower the operating costs of the Toy Division by streamlining its permanent cost structures such as labour and facility costs. The IT Division, on the other hand, will continue to explore new service areas which can benefit from the use of its existing technologies, despite the setbacks it experienced in the last financial year due to the change of business strategies of several of its key clients, while cautiously controlling its costs in the process. The above global events also have an impact on the development of the Financial Services Division of the Group in that the capital markets become subject to greater volatility which may pose challenges to activities in both the primary and secondary markets. Given these developments, the Financial Services Division will continue to focus its activities in the primary markets, including underwriting of both equity and debt equity issuances, which generate more lucrative fee income for the Group. It will also continue to strive for strategic cooperation opportunities with financial institutions in the Greater China markets to expand its business and client coverage and explore with strategic investors or partners to provide further expansion capital for growing its principal finance business and participating in co-investment opportunities.

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 2016.

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.

Code A.6.7

Pursuant to the code provision A.6.7 of the Code stipulates that the non-executive Directors should attend general meetings and develop a balanced understanding of the views of the Shareholders. Madam Li Man Yee, Stella was unable to attend the annual general meeting of the Company held on 26 August 2016 as she had other business engagement.

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 report.

SUBSEQUENT EVENTS

On 7 October 2016, the Company, as vendor, and an independent purchaser entered into the sale and purchase agreement pursuant to which the Company has agreed to sell and the purchaser has agreed to purchase the entire issued share capital of a wholly-owned subsidiary for a total aggregate consideration of HK$32,000,000. The disposal was completed on 17 October 2016. For details please refer to the announcements of the Company dated 7 October 2016 and 17 October 2016 respectively.

UPDATE OF DIRECTOR'S INFORMATION

There has been no update in the biographical details of the Directors except Mr. Leung Po Wing, Bowen GBS, JP, an independent non-executive Director. Mr. Leung's updated biographical detail is as set out below:

Mr. Leung Po Wing, Bowen Joseph

Mr. Leung Po Wing, Bowen Joseph GBS, JP, aged 67, was appointed as an independent non-executive Director on 3 January 2013. Mr. Leung is the chairman for each of the Nomination Committee and the Remuneration Committee as well as a member of the Audit Committee of the Board respectively.

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

Mr. Leung obtained a Bachelor's Degree of Social Science from the University of Hong Kong in 1971. Mr. Leung is currently an independent non-executive director of each of Paliburg Holdings Limited (stock code: 617) and North Asia Resources Holdings Limited (stock code: 61). On 28 October 2016, Mr. Leung has also been appointed as the independent non-executive director of Regal Real Estate Investment Trust (stock code 1881). All these companies are listed on the Stock Exchange

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 2016 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 2016 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 2016/17 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 2016/17 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 2016.

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

Hong Kong, 29 November 2016

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.