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

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

**DISCLOSEABLE TRANSACTION:
DISPOSAL OF THE ENTIRE ISSUED SHARE CAPITAL OF THE TARGET**

THE DISPOSAL

On 7 October 2016 after trading hours, the Company, as vendor, and the 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 the Target for a total aggregate consideration of HK\$32,000,000.

The Target is a wholly-owned subsidiary of the Company and is an investment holding company. The Target Group is one of the subsidiaries of the Company which is principally engaged in the trading and manufacture of toy products. Upon Completion, the Company will cease to hold any equity interest of the Target Group and the Target Group will cease to be wholly-owned subsidiaries of the Group.

LISTING RULES IMPLICATIONS

The Disposal constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules as the applicable percentage ratios as defined under Rule 14.06 of the Listing Rules are more than 5% but less than 25% and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

THE SALE AND PURCHASE AGREEMENT

Date: 7 October 2016

Parties: (1) The Company as vendor
(2) The Purchaser

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, the Purchaser is an Independent Third Party.

The Company has agreed to sell and the Purchaser has agreed to purchase the entire issued share capital of the Target subject to the terms and conditions of the Sale and Purchase Agreement.

Consideration and terms of payment

The total consideration for the Disposal is HK\$32,000,000, which shall be settled by the Purchaser in the following manners:

- (a) HK\$10,000,000 shall be payable in cash to the Vendor within five (5) Business Days of the date of this Agreement as a refundable deposit; and
- (b) the remaining balance of HK\$22,000,000 shall be paid to the Company in cash upon completion of the Sale and Purchase Agreement.

The total consideration for the Disposal was determined after arm's length negotiations between the parties to the Sale and Purchase Agreement with reference to the unaudited consolidated net asset value of the Target Group as at 31 August 2016, the prospect of the businesses and the ongoing running costs of the Target Group and the reasons and benefits of the Disposal as stated under the section headed "Reasons and Benefits of the Disposal". As such, the Directors are of the view that the terms of the Disposal were concluded after arm's length negotiations and are in the interest of the Company and the Shareholders as a whole.

Conditions precedent to the Sale and Purchase Agreement and Completion

The Sale and Purchase Agreement is conditional upon the fulfillment (or waiver) of the following conditions, amongst others:

- (i) the compliance by the Company of all applicable requirements of the Listing Rules applicable to the Disposal; and
- (ii) the Company having obtained all necessary corporate and regulatory approvals, authorisations, consents and licenses, if applicable.

Unless otherwise agreed by the parties to the Sale and Purchase Agreement, completion of the Disposal shall take place within five (5) business days following the day on which all the conditions precedent to the completion of the Disposal set out above have been fulfilled or waived (as the case may be). If the conditions above have not been fulfilled or waived (as the case may be, other than condition (i) above which cannot be waived) on or before 31 October 2016 or such other date as the parties may agree in writing, the Sale and Purchase Agreement shall forthwith become null and void and cease to have any effect whatsoever save for any antecedent breach, upon which the Company shall return the refundable deposits already paid to the Company (without cost and interest) to the Purchaser within five (5) business days of the date of termination of the Sale and Purchase Agreement.

INFORMATION ON THE TARGET GROUP

The Target is an investment holding company incorporated in the British Virgin Islands on 6 March 2012 and is a wholly-owned subsidiary of the Company. It currently holds the entire issued share capital of Sunmart, which in turn holds the entire paid-up capital of Foshan Haoda.

Sunmart is a company incorporated in Hong Kong with limited liability on 15 August 2003 and is an indirect wholly-owned subsidiary of the Company. Foshan Haoda is a wholly foreign owned enterprise established in the PRC on 15 March 2001 with limited liability and is an indirect

wholly-owned subsidiary of the Company. Both Sunmart and Foshan Haoda are principally engaged in the trading and manufacture of toy products.

The audited consolidated financial information of the Target Group for each of the two financial years ended 31 March 2016, after elimination of inter-company transactions, is summarised below:

	For the year ended 31 March 2015	For the year ended 31 March 2016
	HK\$'000	HK\$'000
Net (Loss)/ Profit before taxation	(10,507)	211
Net (Loss) after taxation	(9,096)	(114)

The unaudited consolidated net asset value (after elimination of inter-company accounts) of the Target Group as at 31 August 2016 was approximately HK\$24.5 million.

Upon completion of the Disposal, the Target, Sunmart and Foshan Haoda will cease to be subsidiaries of the Company.

FINANCIAL EFFECT OF THE DISPOSAL

Taking into consideration the net carrying amount of the assets and liabilities of the Target Group, it is estimated that a gain of approximately HK\$7.5 million will be booked by the Company as a result of the Disposal. Save as disclosed herein otherwise, the completion of the Disposal is not expected to have any material financial effects on the Group.

The net proceeds from the Disposal shall be used by the Group for repayment of liabilities of the Group, expansion of the businesses of the Group and general working capital purposes.

REASONS FOR AND BENEFITS OF THE DISPOSAL

The Group is engaged in three core business segments: the toy OEM business, the information technology business and the financial services business.

The Target Group is one of the subsidiaries of the Group which is principally engaged in the trading and manufacture of toy products, with a focus on serving newer and smaller customers of the Group. In view of the challenging global economic environments in recent years, the credit qualities of the Target Group's customers have worsened and revenues arising from these customers have substantially decreased. In fact, the Target Group had to make impairment loss on trade receivables of approximately HK\$5 million on a net basis in the past two years as a result of some of its clients entering into financial difficulties. On the other hand, the Target Group has to bear its own labour and other fixed running costs related to the production facility in China, leading to a net loss situation in recent years. As such, the Directors consider that the Disposal represents a good opportunity to obtain liquidity from this loss-making investment in the Target Group and offload the various fixed operating and potential redundancy costs associated with the Target Group, lessening the long-term financial burden of the Group's toy OEM business, while allowing the Group to book a profit on disposal. The Group can also utilise the net proceeds to repay part of the liabilities of the Group and provide working capital for the Group's businesses.

Based on the above, the Directors, including the independent non-executive Directors, consider the terms of the Disposal are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATION

The Disposal constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules as the applicable percentage ratios as defined under Rule 14.06 of the Listing Rules are more than 5% but less than 25%. As a result, the Disposal is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

DEFINITIONS

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

“associates”	has the meaning ascribed to it in the Listing Rules
“Board”	the board of Directors
“Company”	Quali-Smart Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on the Main Board
“Directors”	directors of the Company
“Disposal”	the disposal of the entire issued share capital of the Target by the Company pursuant to the terms and conditions of the Sale and Purchase Agreement
“Foshan Haoda”	Foshan Nanhai Haoda Precision Toys Co., Ltd., a wholly foreign owned enterprise established in the PRC with limited liability and which is directly wholly-owned by Sunmart
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Third Party(ies)”	third party (parties) independent of and not connected with the Company and its connected persons as defined under the Listing Rules
“Listing Rules”	the Rules Governing the Listing of Securities on the Main Board
“Main Board”	the Main Board of the Stock Exchange
“PRC”	The People’s Republic of China

“Purchaser”	Mr. Yau Wing Hay, Uri
“Sale and Purchase Agreement”	the sale and purchase agreement entered into between the Company and the Purchaser on 7 October 2016 in relation to the Disposal
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Sunmart”	Sunmart Company Limited, a company incorporated in Hong Kong with limited liability and which is directly wholly-owned by the Target
“Target”	Next Horizon Holdings Limited, a company incorporated in the British Virgin Islands with limited liability which is wholly-owned by the Company
“Target Group”	the Target, Sunmart and Foshan Haoda
“%”	per cent

By Order of the Board
Quali-Smart Holdings Limited

Lau Ho Ming, Peter
Executive Chairman

Hong Kong, 7 October 2016

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

**For identification purpose only*