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

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

INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2015

FINANCIAL HIGHLIGHTS

- Revenue for the six months ended 30 September 2015 was approximately HK$507.0 million, representing a decrease of 3.0% from approximately HK$522.6 million for the six months ended 30 September 2014.

- Gross profit for the six months ended 30 September 2015 was approximately HK$52.1 million, representing a decrease of 9.9% from approximately HK$57.8 million for the six months ended 30 September 2014.

- Loss for the six months ended 30 September 2015 was approximately HK$0.4 million, compared with a profit for the six months ended 30 September 2014 of approximately HK$16.8 million. Major components which contributed to the loss for the Current Period include the consolidated net loss of approximately HK$ 7.3 million of the IT Division and the amortisation of intangible assets of approximately HK$4.4 million from the IT Division; increase in finance costs to HK$4.2 million in the Current Period as compared to HK$2.0 million in the Previous Period which includes the effective interest on the promissory notes and the convertible notes of HK$0.6 million and HK$1.9 million respectively for the Current Period whereas it was nil in the Previous Period.

- The Board does not recommend the payment of any interim dividend for the six months ended 30 September 2015.

* *For identification purposes only*

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Notes	Six months ended 30 September **2015** *HK$'000* **(Unaudited)**	2014 *HK$'000* (Unaudited)
REVENUE	4	**507,031**	522,565
Cost of sales		**(454,923)**	(464,740)
Gross profit		**52,108**	57,825
Other income and gains	4	**4,234**	5,361
Selling expenses		**(15,809)**	(13,170)
Administrative expenses		**(37,594)**	(26,807)
Fair value changes in derivative financial assets	5	**3,726**	–
Finance costs	6	**(4,231)**	(2,025)
PROFIT BEFORE INCOME TAX EXPENSE	5	**2,434**	21,184
Income tax expense	7	**(2,803)**	(4,423)
(LOSS)/PROFIT FOR THE PERIOD		**(369)**	16,761
Other comprehensive income that may be classified to profit or loss in subsequent periods:			
Exchange differences on translating foreign operations		**(764)**	17
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**(1,133)**	16,778
(Loss)/Profit attributable to:			
Owners of the Company		**(366)**	16,761
Non-controlling interests		**(3)**	–
		(369)	16,761
Total comprehensive income attributable to:			
Owners of the Company		**(1,130)**	16,778
Non-controlling interests		**(3)**	–
		(1,133)	16,778
(Losses)/Earnings per share	8		
– Basic (HK cents)		**(0.12)**	6.81
– Diluted (HK cents)		**(0.12)**	6.77

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	At 30 September 2015 HK$'000 (Unaudited)	At 31 March 2015 HK$'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		**121,049**	128,451
Prepaid land lease payments		**7,157**	7,520
Goodwill		**51,759**	51,759
Intangible assets		**81,000**	85,395
Available-for-sale financial assets	9	**20,000**	–
Deferred tax assets		**1,756**	1,756
Total non-current assets		**282,721**	274,881
CURRENT ASSETS			
Inventories	10	**144,321**	133,160
Trade receivables	11	**245,988**	74,620
Financial assets at fair value through profit or loss	12	**30,085**	–
Prepayments, deposits and other receivables		**2,107**	1,676
Derivative financial asset		**8,866**	5,140
Tax recoverable		**–**	854
Cash and cash equivalents		**102,976**	67,170
Total current assets		**534,343**	282,620
CURRENT LIABILITIES			
Trade payables	13	**182,045**	44,603
Receipts in advance, accruals and other payables		**33,433**	42,589
Interest-bearing bank borrowings	14	**87,734**	52,772
Derivative financial instruments	15	**744**	161
Income tax payable		**2,619**	–
Total current liabilities		**306,575**	140,125
NET CURRENT ASSETS		**227,768**	142,495
TOTAL ASSETS LESS CURRENT LIABILITIES		**510,489**	417,376

	Notes	At **30 September** **2015** ***HK$'000*** **(Unaudited)**	At 31 March 2015 *HK$'000* (Audited)
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings	14	**30,200**	33,600
Promissory notes		**20,650**	20,089
Convertible notes		**53,087**	51,189
Deferred tax liabilities		**13,576**	14,302
Total non-current liabilities		**117,513**	119,180
Net assets		**392,976**	298,196
EQUITY			
Share capital	16	**250**	224
Reserves		**392,138**	297,381
		392,388	297,605
Non-controlling interests		**588**	591
Total equity		**392,976**	298,196

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to the owners of the Company												
	Share capital	Share premium	Capital reserve	Statutory reserve	Translation reserve	Other reserve	Share option reserve	Convertible notes equity reserve	Retained earnings	Proposed dividend	Total	Non-controlling interests	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*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 17)	**–**	**–**	**–**	**–**	**–**	**–**	**4,218**	**–**	**–**	**–**	**4,218**	**–**	**4,218**
Exercise of share options (note 17)	**3**	**4,342**	**–**	**–**	**–**	**–**	**(1,150)**	**–**	**–**	**–**	**3,195**	**–**	**3,195**
Proceeds from placing of new Shares (note 16(b))	**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**
Unaudited for the six months ended 30 September 2014													
At 1 April 2014 (audited)	187	104,048	9,271	696	4,835	2,100	93	–	84,362	4,800	210,392	–	210,392
Final dividend paid	–	–	–	–	–	–	–	–	–	(4,800)	(4,800)	–	(4,800)
Equity settled share-based transactions	–	–	–	–	–	–	1,114	–	–	–	1,114	–	1,114
Proceeds from placing of new shares	37	59,963	–	–	–	–	–	–	–	–	60,000	–	60,000
Issuing expenses of placing new shares	–	(605)	–	–	–	–	–	–	–	–	(605)	–	(605)
Profit for the period	–	–	–	–	–	–	–	–	16,761	–	16,761	–	16,761
Other comprehensive income													
Exchange differences arising on translation of foreign operations	–	–	–	–	17	–	–	–	–	–	17	–	17
Total comprehensive income for the period	–	–	–	–	17	–	–	–	16,761	–	16,778	–	16,778
Transfer to statutory reserve	–	–	–	63	–	–	–	–	(63)	–	–	–	–
Interim dividend declared	–	–	–	–	–	–	–	–	(8,640)	8,640	–	–	–
At 30 September 2014 (unaudited)	224	163,406	9,271	759	4,852	2,100	1,207	–	92,420	8,640	282,879	–	282,879

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Six months ended 30 September	
	2015	2014
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Net cash flows used in operating activities	**(41,737)**	(66,515)
Net cash flows used in investing activities	**(42,857)**	(12,543)
Net cash flows from financing activities	**120,176**	108,528
Increase in cash and cash equivalents	**35,582**	29,470
Cash and cash equivalents at 1 April	**67,170**	75,240
Effect of exchange rate changes on cash and cash equivalents	**224**	(5)
Cash and cash equivalents at 30 September	**102,976**	104,705

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 2015 ("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 2015 (the "2015 Annual Financial Statements").

2. BASIS OF PREPARATION

The accounting policies applied in preparing the Interim Condensed Financial Statements are consistent with those applied in preparing the 2015 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 2015 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; and

- Digital publishing, mobile and web application solutions

(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.

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 *HK$'000*	**Digital publishing, mobile and web application solutions** *HK$'000*	**Total** *HK$'000*
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)**
Net realised loss on financial assets at fair value through profit or loss ("FVTPL")			**(553)**
Unrealised gain on financial assets at FVTPL			**947**
Fair value change in derivative financial assets			**3,726**
Net gain on derivative financial instruments			**1,134**
Profit before income tax expense			**2,434**
For the period ended 30 September 2014			
External revenue	522,565	–	522,565
Segment profit	26,368	–	26,368
Corporate income			
– Others			2
Central administrative cost			(6,816)
Net gain on derivative financial instruments			1,630
Profit before income tax expense			21,184

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 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, available-for-sale financial assets, financial assets at fair value through profit or loss, prepayment, tax recoverable, derivative financial asset and cash and cash equivalents.

	At 30 September 2015	At 31 March 2015
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Manufacturing and sales of toys	**518,394**	343,049
Digital publishing, mobile and web application solutions	**133,986**	138,666
Total segment assets	**652,380**	481,715
Unallocated	**164,684**	75,786
Consolidated assets	**817,064**	557,501

Segment liabilities

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

	At 30 September 2015	At 31 March 2015
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Manufacturing and sales of toys	**332,160**	172,481
Digital publishing, mobile and web application solutions	**1,257**	1,083
Total segment liabilities	**333,417**	173,564
Unallocated	**90,671**	85,741
Consolidated liabilities	**424,088**	259,305

Other segment information

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

For the period ended 30 September 2015

	Manufacturing and sales of toys	**Digital publishing, mobile and web application solutions**	**Total**
	HK$'000	***HK$'000***	***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)**

Amounts included in the measure of segment profit or segment assets:

For the period ended 30 September 2014

	Manufacturing and sales of toys	Digital publishing, mobile and web application solutions	Total
	HK$'000	*HK$'000*	*HK$'000*
Additions to property, plant and equipment	12,690	–	12,690
Depreciation of property, plant and equipment	(8,621)	–	(8,621)
Amortisation of prepaid lease payments	(103)	–	(103)
Interest expenses	(1,768)	–	(1,768)

(b) Geographical information

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

(i) *Revenue from external customers*

	Six months ended 30 September	
	2015	2014
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
North America *(note 1)*	**236,901**	278,277
Western Europe		
– United Kingdom	**57,452**	70,392
– France	**28,327**	19,833
– Netherland	**9,802**	8,629
– Others *(note 2)*	**76,043**	72,161
South America	**17,608**	16,571
PRC and Taiwan	**37,724**	17,478
Australia, New Zealand and Pacific Islands	**8,866**	13,770
Central America, Caribbean and Mexico	**19,935**	14,454
Others *(note 3)*	**14,373**	11,000
Total	**507,031**	522,565

Notes:

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

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

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

(ii) *Specified non-current assets*

	At 30 September 2015	At 31 March 2015
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Mainland China, the PRC	**57,098**	62,869
Hong Kong	**71,108**	73,102
Total	**128,206**	135,971

(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	
	2015	2014
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Customer A	**188,385**	143,124
Customer B	**79,081**	114,823
Customer C*	**–**	74,104
Customer D	**88,373**	59,253

* Customers contributed less than 10% of the Group's revenue during the period ended 30 September 2015.

4. REVENUE, OTHER INCOME AND GAINS

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

	Six months ended 30 September	
	2015	2014
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Revenue		
Sale of goods	**505,845**	522,565
Digital publishing, mobile and web application solutions	**1,186**	–
	507,031	522,565
Other income and gains		
Moulding income	**1,456**	2,704
Net gain on derivative financial instruments	**1,134**	1,630
Net realised loss on financial assets at FVTPL	**(553)**	–
Unrealised gain on financial assets at FVTPL	**947**	–
Interest income from bank deposits	**4**	4
Exchange (loss)/gains, net	**(2)**	97
Others	**1,248**	926
	4,234	5,361

5. PROFIT BEFORE INCOME TAX EXPENSE

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

	Six months ended 30 September	
	2015	2014
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Cost of inventories sold	**454,923**	464,740
Depreciation of property, plant and equipment	**11,372**	8,621
Amortisation of prepaid land lease payments	**100**	103
Amortisation of intangible assets	**4,395**	–
Employee benefits expenses (including Directors' remuneration):		
Wages and salaries	**19,654**	20,810
Equity settled share-based payment expenses	**2,735**	985
Pension scheme contributions	**1,774**	1,982
Other benefits	**1,828**	2,638
	25,991	26,415
Equity settled share-based payment expenses to eligible persons other than employees and Directors	**1,483**	129
Fair value changes in derivative financial assets	**(3,726)**	–
Auditor's remuneration	**919**	500
Operating lease charges in respect of land and buildings	**1,008**	1,172

6. FINANCE COSTS

	Six months ended 30 September	
	2015	2014
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Interest on bank advance and other borrowings:		
– Wholly repayable within five years	**1,375**	1,768
– Not wholly repayable within five years	**396**	257
– Promissory notes	**562**	–
– Convertible notes	**1,898**	–
	4,231	2,025

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 2015 (2014: 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 2015 was 25% on its taxable profit (2014: 25%).

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

	Six months ended 30 September	
	2015	2014
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Current – Hong Kong		
Charge for the period	**2,621**	4,212
Current – PRC		
Charge for the period	**182**	211
Income tax expense for the period	**2,803**	4,423

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

	Six months ended 30 September	
	2015	2014
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Profit before income tax expense	**2,434**	21,184
Tax at the applicable tax rate of 16.5% (2014: 16.5%)	**402**	3,495
Effect of different tax rate of a subsidiary operating in other jurisdiction	**31**	47
Tax effect of revenue not taxable for tax purposes	**(904)**	(309)
Tax effect of expenses not deductible for tax purposes	**2,305**	1,119
Tax effect of tax loss not recognised	**493**	–
Tax effect of temporary difference not recognised	**476**	71
Income tax expense	**2,803**	4,423

As at 30 September 2015, no deferred tax asset has been recognised in respect of the deductible temporary differences of HK$3,315,000 (2014: HK$430,000) as the amounts are immaterial to the Group. No deferred tax asset has been recognised in respect of the unused tax losses of HK$5,061,000 (At 31 March 2015: HK$2,073,000) due to the unpredictability of future profit streams. The unused tax losses can be carried forward indefinitely. In addition, as at 30 September 2015, 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$7,282,000 (At 31 March 2015: HK$6,816,000). 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 2015 in the foreseeable future.

8. (LOSSES)/EARNINGS PER SHARE

The calculation of basic (losses)/earnings per share attributable to the owners of the Company is based on the loss for the six months ended 30 September 2015 of approximately HK$366,000 (2014: profit of HK$16,761,000), and of the weighted average number of 300,957,295 Shares (2014: 246,032,787 Shares) issued.

Diluted loss per share are the same as basic loss per share for the period ended 30 September 2015 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 2015.

For the six months ended 30 September 2014, the weighted average number of ordinary shares for the purpose of diluted earnings per share has been adjusted for the share options that took place on 17 March 2014. The diluted earnings per share was on the adjusted weighted average of 247,488,313 ordinary shares during the period, being the weighted average number of ordinary shares of 246,032,787 used in the basic earnings per share calculation and adjusted for a dilutive effect of the share options during the period of 1,455,526.

There is no dilutive effect on the convertible notes as they are anti-dilutive (2014: Nil)

9. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	At 30 September 2015	At 31 March 2015
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Unlisted equity security inside Hong Kong, at cost	**20,000**	–

The amount represents investment in a private company in Hong Kong, which is engaged in brokerage, provision of investment advisory, corporate finance advisory and asset management services in Hong Kong. The unlisted available-for-sales equity security does not have a quoted market price in an active market and whose fair value cannot be reliably measured, it is measured at cost less any identified impairment losses at each reporting date. The directors have no intention to dispose of the available-for-sale financial assets at the end of reporting period.

10. INVENTORIES

	At 30 September 2015 HK$'000 (Unaudited)	At 31 March 2015 HK$'000 (Audited)
Raw materials	**61,190**	84,188
Work in progress	**20,848**	5,565
Finished goods	**62,283**	43,407
	144,321	133,160

11. TRADE RECEIVABLES

The credit period on sales of goods ranges from 30-75 days from the invoice date. An aged analysis trade receivable at the end of the reporting period, based on the invoice date and before impairment loss, is as follows:

	At 30 September 2015 HK$'000 (Unaudited)	At 31 March 2015 HK$'000 (Audited)
Current to 30 days	**151,237**	34,191
31 to 60 days	**70,235**	12,787
61 to 90 days	**9,739**	12,374
Over 90 days	**14,777**	27,314
	245,988	86,666
Less: Allowance for impairment loss	**–**	(12,046)
	245,988	74,620

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

	At 30 September 2015 *HK$'000* **(Unaudited)**	At 31 March 2015 *HK$'000* (Audited)
Neither past due nor impaired	**213,759**	47,145
Less than 1 month past due	**18,695**	12,843
1 to 3 months past due	**8,097**	10,516
Over 3 months past due	**5,437**	4,116
	245,988	74,620

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.

12. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

The following is a list of the held-for-trading investments as at 30 September 2015:

	At 30 September 2015 *HK$'000* **(Unaudited)**	At 31 March 2015 *HK$'000* (Audited)
Listed equity securities held for trading in Hong Kong, at fair value	**30,085**	–

13. TRADE PAYABLES

The Group normally obtains credit terms ranging from 15 – 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 2015	At 31 March 2015
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Current to 30 days	**108,113**	17,506
31 to 60 days	**15,747**	10,085
61 to 90 days	**44,065**	9,242
More than 90 days but less than 365 days	**12,873**	6,523
More than 365 days	**1,247**	1,247
	182,045	44,603

14. INTEREST-BEARING BANK BORROWINGS

	At 30 September 2015	At 31 March 2015
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Current		
Secured		
– bank loans due for repayment within one year	**87,734**	52,772
Non-current		
Secured		
– bank loans due for repayment after one year	**30,200**	33,600
Total interest-bearing bank borrowings	**117,934**	86,372

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

(i) Certain leasehold land and buildings of the Group with an aggregate net book value of HK$66,474,000 (At 31 March 2015: HK$68,076,000); and

(ii) Company's corporate guarantees and cross guarantees from the Company's subsidiaries, which are Qualiman Industrial Co. Limited, Qualiman Technology & Products Co. Limited, Sunmart Company Limited and Gold Prospect Capital Resources Limited.

At 30 September 2015, total current and non-current bank borrowings were scheduled to be repaid as follows:

	At 30 September 2015 *HK$'000* **(Unaudited)**	At 31 March 2015 *HK$'000* (Audited)
On demand or within one year	**87,734**	52,772
More than one year, but not exceeding two years	**6,800**	6,800
More than two years, but not exceeding five years	**11,267**	16,067
More than five years	**12,133**	10,733
	117,934	86,372

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; (ii) specific gearing ratio; and (iii) specific loan to valuation ratio of the Group as are commonly found in lending arrangements with financial institutions. If the Group breaches the covenants, the drawn down facilities shall become repayable on demand.

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.

15. DERIVATIVE FINANCIAL INSTRUMENTS

The derivative financial instruments represent certain RMB/US$ foreign exchange forward contracts held by the Group. The Group would sell US Dollars to the bank in exchange for RMB at the agreed forward rate.

As at 30 September 2015, the notional amount of the outstanding forward contracts with contract periods within 13 months were US$5.0 million (At 31 March 2015: US$25.0 million).

The fair values of foreign currency forward contracts are measured by discounting respective risk free rates matching the maturities of the net cash flows that are calculated through multiplying the notional amount with the difference between contractual forward rates and forward rates from the valuation date to maturity dates with the assumptions that there will be no material change in the existing political, legal, fiscal, technological and economic conditions. There is no material change in the interest rates and exchange rates from those of present or expected.

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

	At 30 September 2015	At 31 March 2015
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
At 1 April	**(161)**	–
Net gain/(loss) on derivative financial instruments during the period/year	**1,134**	(161)
Settlements during the period/year	**(1,717)**	–
At 30 September/31 March	**(744)**	(161)

16. SHARE CAPITAL

Authorised:	*Notes*	**Number of Shares**	***HK$'000***
Ordinary Shares of US$0.0001 each			
At 1 April 2015 and 30 September 2015	(a)	500,000,000	389
Issued and fully paid:			
Ordinary Shares of US$0.0001 each			
At 1 April 2015		288,000,000	224
Subscription of new shares	(b)	30,000,000	23
Issue of ordinary shares upon exercise of share options	17	3,195,000	3
At 30 September 2015 (unaudited)		321,195,000	250

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) On 22 July 2015, the Company entered into subscription agreements with certain subscribers which are independent third parties. On 28 July 2015, the subscription was completed. The Company issued 30,000,000 new Shares with par value of US$0.0001 each at a price of HK$2.95 each. The issued share capital of the Company was thus increased by HK$23,000. The excess of the subscription proceeds over the nominal value of share capital issued net of the expenses incurred thereon was credited as share premium. The Company intended to apply the net proceeds for the general working capital of the Group, future development of the Group's business or other appropriate investment as may be identified by the Directors.

17. EQUITY SETTLED SHARE-BASED PAYMENTS

There has been no changes in the Company's share option scheme, details of which are disclosed in the 2014 Annual Financial Statements.

On 3 July 2015 (the "Offer Date"), the Company granted 13,400,000 share options (the "second share option") to certain eligible participants of the Group under the share option scheme. Set out below were details of the outstanding share options granted under the share option scheme.

(1) All share options granted were at a subscription price of HK$4.07 per Share;

(2) All holders of share options might only exercise their options in the following manner:

    The share options will be vested in 3 tranches, i.e. the first 30% from the date immediately after the first anniversary of the Offer Date until the last day of the option period, the second 30% from the date immediately after the second anniversary of the Offer Date until the last day of the option period, the balance 40% from the date immediately after the third anniversary of the Offer Date until the last day of the option period; and

(3) All outstanding or unexercised share options granted to the grantees shall lapse on 2 July 2025.

The estimated fair values of share options granted on 3 July 2015 were HK$25,864,188. These fair values were calculated using the Binomial Model. The inputs into the model are as follows:

Closing price of the Shares	HK$3.70
Exercise price	HK$4.07
Expected volatility	61.8%
Expected life	10 years
Risk-free interest rate	1.87%
Dividend yield	2.04%

The risk-free rate was based on the yield rate of the Hong Kong Government Bond with duration similar to the expected life of the share options. Expected volatility was estimated based on the historical volatilities of the Company's share price. Dividend yield was estimated by the historical dividend payment record of the Company.

Set out below are details of movements of the outstanding share options granted under the Share Option Scheme during the period ended 30 September 2015:

	Exercise price	Number of share options: Balance as at at 1 April 2015	Exercised during the period	Granted during the period	Balance as at 30 September 2015	Date of grant of share options	Exercisable periods of share options
Executive Directors							
– Lau Ho Ming, Peter	HK$1	2,400,000	(720,000)	–	1,680,000	17 March 2014	17 March 2014 to 16 March 2024
	HK$4.07	–	–	1,000,000	1,000,000	3 July 2015	3 July 2015 to 2 July 2025
– Ng Kam Seng	HK$1	800,000	(240,000)	–	560,000	17 March 2014	17 March 2014 to 16 March 2024
	HK$4.07	–	–	1,350,000	1,350,000	3 July 2015	3 July 2015 to 2 July 2025
– Poon Pak Ki, Eric	HK$1	500,000	(150,000)	–	350,000	17 March 2014	17 March 2014 to 16 March 2024
	HK$4.07	–	–	1,350,000	1,350,000	3 July 2015	3 July 2015 to 2 July 2025
Non-executive Directors							
– Li Man Yee, Stella	HK$1	2,400,000	(720,000)	–	1,680,000	17 March 2014	17 March 2014 to 16 March 2024
	HK$4.07	–	–	350,000	350,000	3 July 2015	3 July 2015 to 2 July 2025
– Chu Sheng Yu, Lawrence *(Note 1)*	HK$1	240,000	(72,000)	–	168,000	17 March 2014	17 March 2014 to 16 March 2024
– Wang Zhao *(Note 2)*	HK$4.07	–	–	350,000	350,000	3 July 2015	3 July 2015 to 2 July 2025

	Exercise price	Number of share options: Balance as at at 1 April 2015	Exercised during the period	Granted during the period	Balance as at 30 September 2015	Date of grant of share options	Exercisable periods of share options
Independent Non-executive Directors							
– Leung Po Wing, Bowen Joseph	HK$1	240,000	(72,000)	–	168,000	17 March 2014	17 March 2014 to 16 March 2024
	HK$4.07	–	–	350,000	350,000	3 July 2015	3 July 2015 to 2 July 2025
– Chan Siu Wing, Raymond	HK$1	240,000	(72,000)	–	168,000	17 March 2014	17 March 2014 to 16 March 2024
	HK$4.07	–	–	350,000	350,000	3 July 2015	3 July 2015 to 2 July 2025
– Chu, Raymond *(Note 3)*	HK$1	240,000	(72,000)	–	168,000	17 March 2014	17 March 2014 to 16 March 2024
Employee	HK$1	36,000	(36,000)	–	–	17 March 2014	17 March 2014 to 16 March 2024
Employees	HK$1	2,270,000	(681,000)	–	1,589,000	17 March 2014	17 March 2014 to 16 March 2019
	HK$4.07	–	–	3,400,000	3,400,000	3 July 2015	3 July 2015 to 2 July 2025
Consultants	HK$1	1,200,000	(360,000)	–	840,000	17 March 2014	17 March 2014 to 16 March 2024
	HK$4.07	–	–	4,900,000	4,900,000	3 July 2015	3 July 2015 to 2 July 2025
Total		10,566,000	(3,195,000)	13,400,000	20,771,000		

Notes:

1. Mr. Chu Sheung Yue, 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.

3. Mr. Chu, Raymond resigned as an Independent Non-executive Director of the Company on 6 July 2015 and was appointed as an executive director of the Company on 27 November 2015.

	Six months ended 30 September	
	2015	2014
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Equity settled schemes to employees (including Directors)	**2,735**	985
Equity settled schemes to eligible persons other than employees and Directors	**1,483**	129
	4,218	1,114

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 2015 was HK$1 and the weighted average remaining contractual life was 3.46 and 8.46 years (2014: 4.46 and 9.46 years). The exercise price of the second share option outstanding as at 30 September 2015 was HK$4.07 and the weighted average remaining contractual life was 9.76 years (2014: Nil). Of the total number of share options outstanding as at 30 September 2015, 20,771,000 share options had not vested and were not exercisable (31 March 2015: 7,371,000 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$4.41 (2014: Nil).

18. DIVIDENDS

	Six months ended 30 September	
	2015	2014
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Interim dividend of HK cents Nil per share (2014/15: HK cents 3 per share)	**–**	8,640

At the Board meeting held on 27 November 2015, the Directors did not propose an interim dividend for the period ended 30 September 2015 (2014: HK cents 3 per share, amounting to HK$8,640,000)

BUSINESS REVIEW

During the period under review, the Group continued to strengthen its business following its acquisition of the information technology business, namely the PMT Group, in December 2014 together with its toy manufacturing business. In July 2015, the Group has further executed its diversification strategy by subscribing for a 10% equity stake in Crosby Securities Limited, a company engages in the brokerage, provision of investment advisory, corporate finance advisory and asset management service and is a registered licensed corporation under the SFO for Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advisory on corporate finance) and Type 9 (asset management) regulated activities. Through this investment, the Group takes the opportunity to enhance its existing business model and to further diversify its business scopes into higher growth areas and to reinforce its strength ahead of the challenging business environments in the traditional OEM manufacturing business. Meanwhile, the Group is now mainly engaged in two core business segments: the toy OEM manufacturing business (the "Toy Division") and the information technology business (the "IT Division").

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. Same as in Previous Periods, 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 2015 ("Current Period"), the revenue of the Toy Division and its segmental profit were HK$505.8 million and HK$17.9 million respectively, representing a decrease of 3.2% and a decrease of 32.2% over the six months ended 30 September 2014 (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 continued to increase, leading to a decrease in gross margin from 11.1% for the Previous Period to 10.3% for the Current Period. An increase in selling expenses related to bulky finished goods and a 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 devote more attention to a selected number of credit-worthy customers which can generate more stable margins, review and rationalise the current cost structure and control so as to generate better operational efficiency and profitability.

The Information Technology Division

During the Current Period, the Group has its information technology division operated by the PMT Group and their results were fully consolidated to the Group's financial results. The revenue and its segmental loss for the IT Division were approximately HK$1.2 million and HK$7.3 million, respectively. Since the completion of acquisition of the PMT Group took place on 17 December 2014 for which is subsequent to the Previous Period end, no comparative figure for Previous Period is available. The IT Division generated lower than expected revenues during the Current Period as several of its clients revised their business plans or postponed their product rollout schedules, thus affecting the performance of the IT Division.

FINANCIAL REVIEW

The Group's revenue for the Current Period amounted to approximately HK$507.0 million, which is a decrease of 3.0% from that for the Previous Period of approximately HK$522.6 million.

The Toy Division's revenue for the Current Period amounted to approximately HK$505.8 million, which represents a 3.2% decrease from that for the Previous Period of approximately HK$522.6 million. The modest decrease in revenue was due to decrease in sales to some of the Toy Division's top 5 customers.

Revenue from North America dropped by 14.9% to approximately HK$236.9 million for the Current Period when compared to approximately HK$278.3 million for the Previous Period, while revenue from Western Europe remained stable approximately HK$171.0 million for the Previous Period to approximately HK$171.6 million for the Current Period due to the increase in sales in France and other European countries offset by the decrease of sale in United Kingdom. Sales to customers in new developing regions, namely South America and mainland China and Taiwan, increased substantially to approximately HK$17.6 million and HK$37.7 million, respectively, representing an increase of 6.0% and 115.4% over the Previous Period, respectively.

The IT Division's revenue for the Current Period amounted to approximately HK$1.2 million. Since the completion of acquisition of the PMT Group took place on 17 December 2014 for which is subsequent to the Previous Period end, no comparative figure for Previous Period is available.

Due to a drop in gross margin of the Toy Division from approximately 11.1% for the Previous Period to approximately 10.3% for the Current Period, gross profit of the Group for the Current Period decreased to approximately HK$52.1 million representing a decrease of approximately 9.9% as compared to that of the Previous Period.

The Group's net loss for the Current Period amounted to approximately HK$0.4 million, as opposed to a net profit of approximately HK$16.8 million for the Previous Period. Such decrease is mainly due to a decrease in revenue of the Group approximately 3.0% when compared with the Previous Period leading to a decrease in gross profit of approximately HK$5.7 million, consolidated segmental loss of approximately HK$7.3 million arising from consolidating the results of the IT Division, amortisation of intangible assets arising from the acquisition of the PMT Group of approximately HK$4.4 million; additional finance costs of approximately HK$2.2 million arising from the convertible bonds and promissory notes issued for the acquisition of the PMT Group and an increase in staff costs of approximately HK$3.1 million arising from the equity settled share-based payment expenses related to the additional grant of share options.

Selling expenses for the Toy Division mainly consisted of transportation fees and declaration fees. Selling expenses for the Toy Division increased by 19.7% from approximately HK$13.2 million for the Previous Period to approximately HK$15.8 million for the Current Period due to an increase in transportation cost and costs in bulky finished goods in 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 40.3% from approximately HK$26.8 million for the Previous Period to approximately HK$37.6 million for the Current Period which is primarily due to an increase in staff costs mainly resulted from the equity settled share-based payment expenses related to the grant of share options for approximately HK$3.1 million as well as the amortisation of intangible assets for approximately HK$4.4 million.

Other income and gains mainly consisted of moulding income, net gain on derivative financial instruments, interest income and others. Other income and gains decreased by 22.2% from approximately HK$5.4 million for the Previous Period to approximately HK$4.2 million for the Current Period which is primarily due to a decrease in moulding income from approximately HK$2.7 million for the Previous Period to HK$1.5 million for the Current Period as fewer new moulds were made for the existing customers. Net gain on derivative financial instruments of approximately HK$1.6 million during the Previous Period was decreased to approximately HK$1.1 million during the Current Period.

As a result of the newly issued promissory notes and convertible notes of the Company in December 2014, the Group recognised a fair value gain in derivative financial assets of approximately HK$3.7 million during the Current Period, when compared to nil for the Previous Period, representing the change in fair value through profit and loss of the embedded derivative of the convertible notes.

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 110.0% to approximately HK$4.2 million for the Current Period when compared with approximately HK$2.0 million for the Previous Period, which is primarily due to the effective interest of the convertible notes and promissory notes issued by the Company in December 2014 charged during Current Period of approximately HK$2.5 million (2014: Nil).

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 36.4% to approximately HK$2.8 million for the Current Period, as compared with approximately HK$4.4 million for the Previous Period.

The inventory of the Group increased by 8.3% to approximately HK$144.3 million as at 30 September 2015 from approximately HK$133.2 million as at 31 March 2015 which was primarily due to the manufacture of more finished goods in the peak season prepared to be shipped out to customers. 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 22.2% from 71.6 days for the year ended 31 March 2015 to 55.7 days for the Current Period.

Trade receivables as at 30 September 2015 increased from approximately HK$74.6 million at 31 March 2015 to approximately HK$246.0 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. 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 57.7 days for the period ended 30 September 2015 as compared with 22.6 days for the year ended 31 March 2015.

Trade payables as at 30 September 2015 of approximately HK$182.0 million was increased from HK$44.6 million as at 31 March 2015, which was primarily due to the purchase of more raw materials to support the increase in production during the peak sales season.

The Trade Payables turnover days, as calculated 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 45.5 days for Current Period as compared with 22.2 days for the year ended 31 March 2015.

LIQUIDITY AND FINANCIAL RESOURCES

Despite the operating performance during the Current Period, the Group continued to maintain a prudent financial management approach toward its treasury policies and a healthy liquidity position during the Current Period. The Group strived to reduce exposure to credit risk by performing ongoing credit assessments and evaluations of the financial status of its customers. To manage liquidity risk, the Board closely monitors the Group's liquidity position to ensure that the liquidity structure of the Group's assets, liabilities and other commitments can meet its funding requirements from time to time.

For the Current Period, the Group mainly financed its working capital by internal resources and bank borrowings. As at 30 September 2015, cash and cash equivalents amounted to approximately HK$103.0 million (31 March 2015: HK$67.2 million). The increase was mainly due to the additional capital of HK$88.5 million from the Subscription of New Shares (as defined hereunder). Furthermore, as a result of the acquisition of the PMT Group in December 2014, the Group had a carrying value of promissory notes of HK$20.7 million (31 March 2015: HK$20.1 million) and convertible notes of HK$53.1 million (31 March 2015: HK$51.2 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 48.8% (31 March 2015: 52.9%). As at 30 September 2015, 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 1.7 (31 March 2015: 2.0).

SUBSCRIPTION OF NEW SHARES

On 22 July 2015, the Company entered into the subscription agreements with certain subscribers for the subscription of an aggregate of 30,000,000 new Shares at the subscription price of HK$2.95 per subscription share for an aggregate consideration of HK$88,500,000. The subscription was completed on 28 July 2015.

Net proceeds of approximately HK$88.5 million raised from the subscription was used for general working capital of the Group, future development of the Group's businesses and/or other appropriate investments as may be identified by the Directors.

CHARGE ON ASSETS

As at 30 September 2015, 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$66.5 million (31 March 2015: HK$68.1 million).

CONTINGENT LIABILITIES

As at 30 September 2015, the Group had no contingent liabilities (31 March 2015: 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 2015, the total future minimum lease payments under non-cancellable operating leases of approximately HK$2.1 million (31 March 2015: HK$0.1 million), of which approximately HK$1.5 million (31 March 2015: HK$0.1 million) would fall due within one year.

CAPITAL COMMITMENTS

As at 30 September 2015, there is no capital commitments of the Group. (31 March 2015: Nil.

SIGNIFICANT INVESTMENT HELD

Except for investments in subsidiaries and an unlisted company, the Group did not hold any significant investment in equity interest in any other company as at 30 September 2015.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

During the period ended 30 September 2015, the Group did not have any material acquisitions and disposals of subsidiaries and affiliated companies.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

Other than the completed acquisition of equity interests in Crosby Securities Limited ("CSL") and Crosby Asset Management (Hong Kong) Limited ("CAM") as referred to the announcements of the Company dated 19 August 2015, 2 November 2015 and 23 November 2015 respectively, 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 2015, the Group had outstanding DF with a notional amount of US$5 million (31 March 2015: US$25 million). The Group implemented a foreign currency forward contract policy in relation to the foreign currency contracts for the year. The Group performed cash flow analysis, ongoing monitoring and review of the 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. Major terms of the foreign currency forward contracts outstanding as at 30 September 2015 are summarized as follows:

Notional amount	Forward contract rates	Commencement date	Maturity date
1 contract to buy RMB in total of US$5,000,000	US$1 to RMB6.2888	14 November 2014	14 December 2015

Note: No gain or loss has been realized for the outstanding contracts as at 30 September 2015.

EMPLOYEES AND REMUNERATION POLICY

As at 30 September 2015, the Group had a total of 487 employees (31 March 2015: 501). Total staff costs were approximately HK$26.0 million for the period 30 September 2015 (2014: HK$26.4 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

As explained in the Company's 2015 Annual Report, the Group's existing operations in the Toy Divisions are expected to continue to face substantial challenges in the coming year. The first loss making year of the Group after its listing would likely lead to a re-positioning and rationalisation of its toy business this year and it has become increasingly important for the Group to pursue its business diversification strategy to enhance and strengthen the Group's overall business growth and performance.

During the period, the Group has further pursued and executed its diversification strategy by completing subscription in new shares of the Company by investors to raise the necessary funding to improve the working capital and financial position of the Group, as well as to better prepare the Group to take advantage of future investment opportunities as they arise, which may help further expand the business scope of the Group and pursue its business diversification strategies.

In July 2015, the Group completed its subscription of 10% of new shares in CSL. With the knowledge of a strengthened team of seasoned investment banking professionals in CSL following the subscription and the opportunity and potential of further development of CSL, the Group decided to acquire the entire interest of the Crosby Group, namely CSL and CAM, as detailed in the announcements of the Company dated 19 August 2015, 2 November 2015 and 23 November 2015 respectively, so the Group could benefit fully from the next phase of growth of the Crosby Group. This provides an opportunity for the Group to enhance its existing business model and diversify its business scopes into higher growth areas. It is expected upon completion of the acquisition, the Group will be allowed to benefit from the results of the new phase of growth of the Crosby Group while allowing the Crosby Group to have a more efficient platform for fund raising.

In view of the determination to enhance and strengthen the Group's overall business growth and performance, the Group will continue to explore other suitable new opportunities to generate synergies with its existing business segments and to further expand and diversify its business scopes as well as to strengthen its existing businesses.

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 2015.

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. Mr. Wang Zhao was unable to attend the annual general meeting of the Company held on 28 August 2015 as he had other business engagement.

Rule 3.10(1) and 3.21

Pursuant to Rule 3.10 of the Listing Rules, every board of directors of a listed issuer must include at least three independent non-executive directors and where at least one of the independent non-executive directors must have appropriate professional qualifications or accounting or related financial management expertise. The audit committee of a listed issuer must comprise a minimum of three members under Rule 3.21 of the Listing Rules.

Upon the resignation of Mr. Chu, Raymond as an independent non-executive Director, the Board comprises seven members with three executive Directors, two non-executive Directors and two independent non-executive Directors. As a result, the number of independent non-executive Directors of the Board will be reduced to two which is below the minimum number under Rule 3.10 of the Listing Rules. The number of members of the audit committee of the Company will be reduced to two which is below the minimum number under Rule 3.21 of the Listing Rules.

Upon the appointment of Mr. Wong Wah On, Edward on 24 September 2015, the Company has three independent non-executive Directors, where the Company has duly complied with (a) a listed issuer must have at least three independent non-executive directors under Rule 3.10 of the Listing Rules; and (b) Rule 3.21 of the Listing Rules, which prescribed that a listed issuer's audit committee must comprise a minimum of three members who should all be non-executive directors

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

Subscription of New Shares on 20 November 2015

On 20 November 2015, the Company entered into subscription agreements with certain investors based upon which they will subscribe for an aggregate of 40,500,000 new shares in the Company at the subscription price of HK$3.88 per share for an aggregate consideration of HK$157,140,000 as detailed in the announcement of the Company on the same date. The subscription shares will be allotted and issued under the general mandate which was granted to the Directors pursuant to an ordinary resolution of the shareholders passed at the annual general meeting on 28 August 2015. The net proceeds from the issue of the subscription shares after deducting necessary related expenses are estimated to be approximately HK$153.2 million, which will be used for financing the repayment of the promissory note issued as partial consideration for the acquisition of CSL, the increase of the regulated capital of the Crosby Group, the expansion of the Crosby Group's businesses in institutional brokerage, securities margin financing and principal finance, and as general working capital.

Completion of the Acquisition of CSL and CAM

On 23 November 2015, the Company completed the acquisition of CSL and CAM respectively as detailed in the announcement dated on the same date. Subsequently, CSL and CAM became indirect wholly-owned subsidiaries of the Company.

CHANGE IN DIRECTOR

Mr. Chu, Raymond resigned as an Independent non-executive Director with effect from 6 July 2015 and was re-appointed as an executive Director with effect from 27 November 2015.

Mr. Wang Zhao resigned as an non-executive Director with effect from 27 November 2015.

APPOINTMENT OF DIRECTOR

Mr. Wong Wah On, Edward was appointed as an independent non-executive Director with effect from 24 September 2015.

Mr. Wong, aged 52, is currently an executive director of Feishang Anthracite Resources Limited (stock code: 1738), a company listed on the Main Board of the Stock Exchange of Hong Kong. He is also a director of China Natural Resources, Inc. ("CHNR"), a company listed on NASDAQ (stock code: CHNR). He was previously the financial controller, chief financial officer, executive director and company secretary of the CHNR group for over 20 years until January 2014. From December 2000 to December 2006, Mr. Wong was an independent non-executive director of a Hong Kong listed company engaged in the trading of construction materials. He has also served as a partner of a certified public accountant firm in Hong Kong since July 1995. From October 1992 to December 1994, Mr. Wong was the deputy finance director of Hong Wah (Holdings) Limited, a private investment company. From July 1988 to October 1992, Mr. Wong worked at the audit department of Ernst & Young, Hong Kong, providing professional auditing services to clients in a variety of business sectors. Mr. Wong graduated from the Hong Kong Polytechnic University with a professional diploma in company secretaryship and administration in 1988. He was accredited as a certified public accountant (practising) by the Hong Kong Institute of Certified Public Accountants in September 1993, and was admitted as a fellow member in November 1999. He was also a fellow member of the Association of Chartered Certified Accountants and an associate member of the Hong Kong Institute of Chartered Secretaries.

UPDATE OF DIRECTOR'S INFORMATION

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

Mr. Chan Siu Wing, Raymond

Mr. Chan Siu Wing, Raymond, aged 51, was appointed as an independent non-executive Director on 3 January 2013. Mr. Chan is the chairman of each of the Audit Committee and the Corporate Governance Committee of the Board and a member of the Remuneration Committee of the Board.

Mr. Chan has experience of over 25 years in the field of accounting, taxation, finance and trust. He held the office as executive director of ENM Holdings Limited (stock code: 128), a company listed on the Stock Exchange since December 2008 and resigned with effect from 1 January 2015.

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

Mr. Chan currently holds the office of an independent non-executive director of each of Phoenitron Holdings Limited (stock code: 8066), a company listed on the Growth Enterprise Market of the Stock Exchange, Nature Home Holding Company Limited (formerly known as Nature Flooring Holding Company Limited) (stock code: 2083), Hong Kong Finance Group Limited (stock code: 1273), National Agricultural Holdings Limited (stock code: 1236) and China Kingstone Mining Holdings Limited (stock code: 1380), these four companies whose shares are listed on the Main Board of 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 2015 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 2015 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 2015/16 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 2015/16 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 2015.

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

Hong Kong, 27 November 2015

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