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If you have sold or transferred all your shares in Quali-Smart Holdings Limited Limited (the “Company”), you should at once hand this circular and accompanying form of proxy to the purchaser or transferee, or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

This circular is for information purpose only and does not constitute an invitation or offer to acquire, purchase or subscribe for securities of the Company.

QUALI-SMART HOLDINGS LIMITED

滙達富控股有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1348)

(1) PROPOSED SHARE SUB-DIVISION (2) DISCLOSEABLE AND CONNECTED TRANSACTION DISPOSAL OF VICTOR GOLD INVESTMENTS LIMITED

**Independent Financial Advisor to the Independent Board Committee
and the Independent shareholders**

VEDA | CAPITAL
智略資本

Capitalised terms used on this cover shall have the same meanings as those defined in the section headed “Definitions” in this circular.

A letter from the Independent Board Committee containing its advice and recommendation to the Independent Shareholders is set out on page 19 of this circular. A letter from Veda Capital Limited, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, is set out on pages 20 to 33 of this circular.

The EGM to be held at Unit 101, First Commercial Building, 33-35 Leighton Road, Causeway Bay, Hong Kong at 10 a.m. on Tuesday, 12 January 2016. The notice of EGM, is set out on pages 48 to 49 of this circular. A form of proxy for use thereat is also enclosed. Whether or not you are able to attend and vote at the EGM, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon and return it to the Company’s branch share registrar in Hong Kong, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong in accordance with the instructions printed thereon not less than 48 hours before the time appointed for the holding of the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from subsequently attending and voting at the meeting or any adjournment thereof (as the case may be), should you so wish.

* For identification purpose only

CONTENTS

	<i>Page</i>
DEFINITIONS	1
EXPECTED TIMETABLE	5
LETTER FROM THE BOARD	7
LETTER FROM THE INDEPENDENT BOARD COMMITTEE	19
LETTER FROM VEDA CAPITAL LIMITED	20
APPENDIX I – PROPERTY VALUATION REPORT	34
APPENDIX II – GENERAL INFORMATION	42
NOTICE OF EXTRAORDINARY GENERAL MEETING	48

DEFINITIONS

In this circular, unless the context otherwise requires, the following expressions shall have the following meanings when used herein:

“Board”	the board of Directors
“Business Day”	A day (other than a Saturday, Sunday or public holiday) on which licensed banks are generally open for business in Hong Kong throughout their normal business hours
“CCASS”	Central Clearing and Settlement System established and operated by HKSCC
“Company”	Quali-Smart Holdings Limited, an exempted company incorporated in the Cayman Islands with limited liability, the issued Shares of which are listed on the Main Board
“connected person(s)”	has the meaning ascribed to it in the Listing Rules
“Convertible Notes”	the HK\$58,000,000 in principal amount of the zero coupon convertible notes due 2016 issued by the Company on 17 December 2014
“Conversion Price”	the initial conversion price of HK\$4.07 per Share of the Convertible Notes (subject to adjustment)
“Crosby Group”	Crosby Securities Limited and Crosby Asset Management (Hong Kong) Limited, both indirect, wholly-owned subsidiaries of the Company
“Directors”	directors of the Company
“Disposal”	the disposal of the entire issued share capital of Victor Gold by the Company to the Purchaser pursuant to the terms and conditions of the Sale and Purchase Agreement
“EGM”	an extraordinary general meeting of the Company to be convened to approve the Share Sub-division and the Disposal
“Gold Prospect”	Gold Prospect Capital Resources Limited, a limited liability company incorporated in Hong Kong which is wholly-owned by Victor Gold
“Group”	the Company and its subsidiaries
“HKSCC”	Hong Kong Securities Clearing Company Limited

DEFINITIONS

“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Board Committee”	an independent board committee of the Company comprising all the independent no-executive Directors, namely Mr. Leung Po Wing, Bowen Joseph <i>GBS JP</i> , Mr. Chan Siu Wing, Raymond, Mr. Wong Wah On, Edward, constituted to consider the terms of the Sale and Purchase Agreement and to advise and make recommendations to the Independent Shareholders as to how to vote at the EGM on the ordinary resolution regarding the Disposal
“Independent Financial Adviser”	Veda Capital Limited, a licensed corporation to carry out type 6 (advising on corporate finance) regulated activity as defined under the SFO, the independent financial adviser appointed by the Company to advise the Independent Board Committee and the Independent Shareholders regarding the Disposal
“Independent Shareholders”	the Shareholders who are not interested in the Disposal as contemplated under the Sale and Purchase Agreement and are not required under the Listing Rules to abstain from voting at the EGM
“Latest Practicable Date”	18 December 2015, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained in this circular
“Listing Committee”	has the meaning ascribed thereto under the Listing Rules
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Madam Li”	Madam Li Man Yee, Stella, a non-executive Director and a controlling shareholder of the Company, and the spouse of Mr. Lau
“Main Board”	the Main Board of the Stock Exchange
“Mr. Lau”	Mr. Lau Ho Ming, Peter, the Executive Chairman and a controlling shareholder of the Company, and the spouse of Madam Li
“New Splendid”	New Splendid Developments Limited, a limited liability company incorporated in the British Virgin Islands which is wholly-owned by Victor Gold

DEFINITIONS

“PMT”	Pulse MediaTech Limited, an indirect, wholly-owned subsidiary of the Company
“Property”	a workshop unit located at Workshop C on 19/F, TML Tower, 3 Hoi Shing Road, Tsuen Wan, Hong Kong with an aggregate gross floor area of about 12,883 sq. ft, two car parking spaces numbered P60 and P68 on 3/F, TML Tower, 3 Hoi Shing Road, Tsuen Wan, Hong Kong and one car parking space numbered HGV9 on 1/F, TML Tower, 3 Hoi Shing Road, Tsuen Wan, Hong Kong, all of which are wholly-owned by Gold Prospect
“Purchaser”	Grandrich International Limited which is a company incorporated in Samoa as an international company and is owned as to 50% by Mr. Lau and 50% by Madam Li
“Qualiman Technology”	Qualiman Technology & Products Company Limited, a limited liability company incorporated in Hong Kong which is wholly-owned by New Splendid
“Sale and Purchase Agreement”	the sale and purchase agreement entered into between the Company and the Purchaser on 27 November 2015 in relation to the Disposal
“Scheme Mandate”	the maximum number of options that may be granted by the Company pursuant to the Share Option Scheme which shall not exceed 10% of all the Shares in issue as at 28 August 2015, being the date of approval of the refreshment of the Scheme Mandate by the Shareholders
“SFO”	the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) of US\$0.0001 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Share Options”	the share options granted or to be granted under the Share Option Scheme entitling the holders thereof to subscribe for Share(s) or Sub-divided Share(s) (as the case may be)
“Share Option Scheme”	the share option scheme of the Company adopted by a resolution in writing passed by the Shareholders on 3 January 2013
“Share Sub-division”	the proposed sub-division of each one (1) issued and unissued Share into four (4) Sub-divided Shares

DEFINITIONS

“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Sub-divided Shares”	ordinary share(s) of US\$0.000025 each in the share capital of the Company upon the Share Sub-division becoming effective
“Victor Gold”	Victor Gold Investments Limited, a limited liability company incorporated in the British Virgin Islands which is wholly-owned by the Company
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“sq. ft.”	square feet
“%”	per cent.

EXPECTED TIMETABLE

Set out below is the expected timetable in relation to the proposed Share Sub-division:

2015

Dispatch of Circular (including the notice On or before Wednesday, 23 December
of the EGM) and the related form
of proxy to the Shareholders

2016

Latest time for lodging transfers of Shares for 4:30 p.m. on Thursday, 7 January
entitlements to attend and vote at the EGM

Closure of register of members of the Company Friday, 8 January to Tuesday 12 January
(both dates inclusive)

Latest time for lodging form of proxy for the EGM 10:00 a.m. on Sunday, 10 January

Date and time of the EGM 10:00 a.m. on Tuesday, 12 January

Publication of the announcement of Tuesday, 12 January
the results of the EGM

Effective date of the Share Sub-division 9:00 a.m. on Wednesday, 13 January

First day of free exchange of the existing certificates 9:00 a.m. on Wednesday, 13 January
for the new certificates for the Sub-divided Shares

Original counter for trading in Shares in board lots of 9:00 a.m. on Wednesday, 13 January
2,000 Shares temporarily closes

Temporary counter for trading in Sub-divided Shares 9:00 a.m. on Wednesday, 13 January
in board lot size of 8,000 Sub-divided Shares
(in the form of existing certificates) opens

Original counter for trading in Sub-divided Shares 9:00 a.m. on Wednesday, 27 January
in board lots of 2,000 Sub-divided Shares
(only new certificates for the Sub-divided Shares
can be traded at this counter) reopens

Parallel trading in the Shares and Sub-divided Shares 9:00 a.m. on Wednesday, 27 January
(in the form of existing share certificates and new
share certificates) commences

EXPECTED TIMETABLE

2016

Temporary counter for trading in Sub-divided Shares 4:00 p.m. on Friday, 19 February
in board lot size of 8,000 Sub-divided Shares
(in the form of existing certificates) closes

Parallel trading in the Shares and the Sub-divided Shares 4:00 p.m. on Friday, 19 February
(in the form of existing share certificates and new
share certificates) ends

Free exchange of the existing certificate for the 4:00 p.m. on Tuesday, 23 February
new certificates for the Sub-divided Shares ends

After the Share Sub-division has become effective, Shareholders may submit their existing share certificates for Shares to the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, Level 22 Hopewell Centre, 183 Queen's Road East, Hong Kong ("**Branch Registrar**"), during business hours from 13 January 2016 to 23 February 2016 (both dates inclusive), in exchange for the new share certificates for the Sub-divided Shares free of charge. Thereafter, existing certificates for Shares will be accepted for exchange only on payment of a fee of HK\$2.50 (or such amount as may from time to time prescribed in the Listing Rules) payable to the Company's share registrar for each existing share certificate or new share certificate, whichever number of certificates is higher and such certificates for existing Shares will cease to be marketable with effect from 9:00 a.m. 20 February 2016 and will not be acceptable for dealing purpose. However, such share certificates will continue to be good evidence of the legal title to the Shares.

In order to distinguish between the existing and the new share certificates, new share certificates for the Sub-divided Shares will be in green colour, which is different from the existing share certificates for the Shares, which are in yellow colour.

It is expected that new share certificates for Sub-divided Shares will be available for collection on or after the tenth Business Day from the dated of submission of the share certificates for the existing Shares to the Branch Registrar at the above address for exchange.

All times and dates stated in this circular refer to Hong Kong times. Dates or deadlines stated in this circular for events in the timetable are indicative only and may be extended or varied. Any changes to the expected timetable for the Share Sub-division will be announced as and when appropriate.

LETTER FROM THE BOARD

QUALI-SMART HOLDINGS LIMITED

滙達富控股有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1348)

Executive Directors:

Mr. Lau Ho Ming, Peter (*Executive Chairman*)
Mr. Poon Pak Ki, Eric
Mr. Ng Kam Seng
Mr. Chu, Raymond

Non-executive Director:

Madam Li Man Yee, Stella

Independent non-executive Directors:

Mr. Leung Po Wing, Bowen Joseph *GBS JP*
Mr. Chan Siu Wing, Raymond
Mr. Wong Wah On, Edward

Registered office:

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

*Head office and principal place of
business in Hong Kong:*

Workshop C on 19/F
TML Tower
3 Hoi Shing Road
Tsuen Wan
New Territories
Hong Kong

23 December 2015

To the Shareholders

Dear Sir or Madam,

**(1) PROPOSED SHARE SUB-DIVISION
(2) DISCLOSEABLE AND CONNECTED TRANSACTION
DISPOSAL OF VICTOR GOLD INVESTMENTS LIMITED**

INTRODUCTION

Reference is made to the announcements of the Company dated 27 November 2015 and 2 December 2015 in relation to, inter alia, (i) the Disposal; and (ii) the proposed Share Sub-division, respectively.

The purpose of this circular is to provide you with, among others, (i) details of the proposed Share Sub-division; (ii) details of the Disposal; (iii) the valuation report on the Property; and (iv) the notice of the EGM.

PROPOSED SHARE SUB-DIVISION

The Board proposes to sub-divide each one (1) existing issued and unissued Share of US\$0.0001 each of the Company into four (4) Sub-divided Shares of US\$0.000025 each. The board lot size for trading of the Sub-divided Shares will remain unchanged at 2,000 Sub-divided Shares upon the Share Sub-division becoming effective.

* For identification purpose only

LETTER FROM THE BOARD

As at the date of this circular, the authorised share capital of the Company is US\$50,000 divided into 500,000,000 Shares of US\$0.0001 each of which 361,695,000 Shares have been issued and fully paid. Upon the Share Sub-division taking effect, and assuming that no further Shares will be issued or repurchased prior to the Share Sub-division becoming effective, the authorised share capital will remain at US\$50,000 but will comprise 2,000,000,000 Sub-divided Shares, of which 1,446,780,000 Sub-divided Shares of US\$0.000025 each will be in issue.

Conditions of the Share Sub-division

The Share Sub-division is conditional upon:

- (a) the passing by the Shareholders at the EGM of an ordinary resolution approving the Share Sub-division; and
- (b) the Listing Committee granting the listing of, and permission to deal in, the Sub-divided Shares, and any Sub-divided Shares which may be issued pursuant to the exercise of the Share Options granted under the Share Option Scheme and upon the exercise of the conversion rights of the Convertible Notes.

Status of the Sub-divided Shares

The Sub-divided Shares will rank *pari passu* in all respects with each other and the Share Sub-division will not result in any change in the relative rights of the Shareholders.

Application will be made to the Listing Committee for the listing of and the permission to deal in, the Sub-divided Shares in issue and the Sub-divided Shares to be issued pursuant to: (i) the exercise of the conversion rights to the Convertible Notes; and (ii) the subscription rights attaching to the outstanding Share Options and the subscription rights attaching to the Share Options to be granted under the Scheme Mandate.

Subject to the granting of listing of, and permission to deal in, the securities on the Stock Exchange, the securities will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the commencement date of dealings in the subdivided securities on the Stock Exchange or such other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second settlement day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Board lots

The existing board lot of 2,000 Shares will remain unchanged upon the Share Sub-division taking place. The value of the current board lot, based on the closing price of HK\$4.35 per Share on the Latest Practicable Date, is HK\$8,700. Upon the Share Sub-division becoming effective, the expected value of each board lot, based on the closing price of HK\$4.35 per Share on 18 December 2015, is expected to decrease to about HK\$2,175. The Share Sub-division is not expected to result in any odd lots other than those that already exist.

LETTER FROM THE BOARD

Free exchange of share certificates

After the Share Sub-division has become effective, Shareholders may submit their existing share certificates for Shares to the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong ("**Branch Registrar**"), during business hours from 13 January 2016 to 23 February 2016 (both dates inclusive), in exchange for the new share certificates for the Sub-divided Shares free of charge. Thereafter, existing certificates for Shares will be accepted for exchange only on payment of a fee of HK\$2.50 (or such amount as may from time to time prescribed in the Listing Rules) payable to the Company's share registrar for each existing share certificate or new share certificate, whichever number of certificates is higher and such certificates for existing Shares will cease to be marketable with effect from 9:00 a.m. 20 February 2016 and will not be acceptable for dealing purpose. However, such share certificates will continue to be good evidence of the legal title to the Shares.

In order to distinguish between the existing and the new share certificates, new share certificates for the Sub-divided Shares will be in green colour, which is different from the existing share certificates for the Shares, which are in yellow colour.

It is expected that new share certificates for Sub-divided Shares will be available for collection on or after the tenth Business Day from the dated of submission of the share certificates for the existing Shares to the Branch Registrar at the above address for exchange.

REASONS FOR THE SHARE SUB-DIVISION

The Share Sub-division will decrease the nominal value and increase the total number of Shares in issue. The Share Sub-division will result in a lower trading price for each Share of the Company. As the board lot of the Sub-divided Shares will remain unchanged, the Board believes that the Share Sub-division will lower the market value of each board lot of Shares of the Company and thus lower the monetary hurdle of trading of the Shares of the Company by investors, thus improving the liquidity in trading of the Company's Sub-divided Shares.

Save for the expenses to be incurred by the Company in relation to the Share Sub-division, the Share Sub-division has no impact on the underlying assets and liabilities, business operations, management or financial position of the Group (other than the expenses in connection therewith) or the proportionate interests of the Shareholders in the Company and their respective voting rights. The Board considers that the Share Sub-division is in the interests of the Company and its Shareholders as a whole.

LETTER FROM THE BOARD

ADJUSTMENT TO THE CONVERSION PRICE OF THE CONVERTIBLE NOTES AND THE SHARE OPTIONS

As at the date of this circular, there are 20,771,000 outstanding Share Options granted by the Company under the Share Option Scheme. 14,180,929 conversion shares are also expected to be issued upon the full conversion of the Convertible Notes based on the current Conversion Price. In accordance with the terms of the Share Option Scheme and the Convertible Notes, respectively, the Company will adjust (i) the exercise price and the number of outstanding Share Options; and (ii) the Conversion Price of the Convertible Notes, upon completion of the Share Sub-division. It is expected that the number of outstanding Share Options granted by the Company under the Share Option Scheme will be increased by a factor of 4 while the exercise price of such Share Options shall be decreased by a factor of 4, and the Conversion Price of the Convertible Notes shall also be decreased by a factor of 4, which is in line with the ratio of the proposed Share Sub-division. The Company will arrange its auditor or an independent financial adviser to certify the adjustments to the above outstanding Share Options and the Conversion Price of the Convertible Notes. Further announcement will be made by the Company regarding the required adjustments upon completion of the Share Sub-division.

THE SALE AND PURCHASE AGREEMENT

Date: 27 November 2015

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

The Purchaser is owned as to 50% by Mr. Lau, the Executive Chairman and a controlling shareholder of the Company, and 50% by Madam Li, a non-executive Director and a controlling shareholding of the Company and the spouse of Mr. Lau. As such, the Purchaser is a connected person of the Company for the purpose of the Listing Rules.

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

Consideration and terms of payment

The total aggregate consideration for the Disposal is HK\$70,000,000, which shall be settled by the Purchaser in the following manners:

- (a) HK\$1,000,000 shall be payable in crossed cheque or money order to the Vendor within five (5) Business Days of the date of this Agreement as a refundable deposit;
- (b) HK\$24,000,000 shall be payable in crossed cheque or money order to the Vendor on or before 31 December 2015, or such later date as may be mutually agreed by the Parties but in any event not later than the date of completion as a second refundable deposit; and
- (c) the remaining balance of HK\$45,000,000 shall be paid to the Company upon completion of the Sale and Purchase Agreement.

LETTER FROM THE BOARD

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 Victor Gold as at 31 October 2015 and the prevailing market prices of properties of similar nature available in the vicinity of the Property.

The unaudited consolidated net asset value (after elimination of inter-company accounts) of Victor Gold as at 31 October 2015 was approximately HK\$45.7 million. As the mortgage bank loan with an outstanding amount of approximately HK\$23.1 million as at 31 October 2015 is to be repaid by Gold Prospect prior to completion of the Disposal with funding provided by the Company (the repayment of such inter-company funding by Gold Prospect shall be waived by the Company prior to completion of the Disposal), the corresponding unaudited consolidated liabilities of Victor Gold would be reduced by the same amount accordingly, thus the total unaudited consolidated net asset value (after elimination of inter-company accounts) of Victor Gold as of 31 October 2015 would be increased by the same amount to HK\$68.8 million after adjusting for the repayment of the mortgage bank loan, and the consideration of HK\$70 million represents a premium of approximately HK\$1.2 million over this amount.

The Directors also reviewed the average unit rate based on saleable floor area in TML Tower in comparable transactions completed between August 2015 and November 2015 and the average selling price of car parking spaces in TML Tower in 2015 as set out in the table below:

Property	Average unit rate based on saleable floor area in comparable transactions <i>(HK\$'000 per sq. ft.)</i>
Workshop Unit	6.3
	Average selling price per car parking space in comparable transactions <i>(HK\$ million)</i>
Covered Car Parking Space	1.7
Covered Truck Parking Space	3.7

LETTER FROM THE BOARD

Based on the above pricing basis, the consideration for the Disposal was arrived at as follows:

Fair value of the Property:	<i>HK\$ millions</i>
(i) Workshop Unit	60.0
(ii) Car parking space P60	1.7
(iii) Car parking space P68	1.7
(iv) Car parking space HGV9	3.7
	<hr/>
Total fair value of the Property:	67.1
	<hr/> <hr/>
Leasehold improvements	2.1
Other net assets (cash, utility deposits less payables and assuming outstanding mortgage loan amount of HK\$23.1 million as of 31 October 2015 has been fully repaid on or before completion of the Disposal)	0.3
	<hr/>
Total	69.5
	<hr/>
Premium	0.5
	<hr/>
Total consideration:	70.0
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The above calculation shows that the consideration in the Disposal represents a premium over both (i) the total unaudited consolidated net asset value (after elimination of inter-company accounts and adjusted for the repayment of the mortgage bank loan) of Victor Gold as of 31 October 2015; and (ii) the fair market value of the Property plus leasehold improvements and other net asset value of Victor Gold and its subsidiaries after adjusting for the repayment of the mortgage bank loan. Therefore, the consideration in the Disposal represents a premium over the value of the assets being disposed of as assessed by both (i) the book value method and (ii) the fair market value method.

The Company did not consider disposing of Victor Gold to an independent third party for the following reasons:

- (1) disposal of Victor Gold to an independent third party would substantially increase the uncertainty of the Group to be able to continue to use part of the Property as its headquarters for its toy OEM and information technology businesses as an independent third party buyer may not necessarily agree for the Group to continue to use the Property. The Group would also need to incur renovation and relocation costs if it were to relocate to a new premise after the Completion of the Disposal;

LETTER FROM THE BOARD

- (2) as Qualiman Technology, which is a subsidiary of Victor Gold, used to be an operating company in the toy OEM business of the Group, an independent third party property buyer who is unfamiliar with the history of Victor Gold and its various subsidiaries might find it unappealing to buy the Property through acquiring Victor Gold and its other subsidiaries at the same time. On the other hand, disposing of the Property by the Group directly would have led to a substantial amount of stamp duty of about HK\$6 million being levied on the Group;
- (3) disposal of Victor Gold to the Purchaser would save the Group the agency commission of about 1% of the value of the Property which would normally have been charged if the Property was disposed of to an independent third party buyer through a real estate agent; and
- (4) the deposits payable upon signing a formal sale and purchase agreement for a property with an independent third party buyer would normally be just about 10% of the total transaction value, while in the case of the Disposal, a total of about 35.7% of the total consideration would be paid on or before 31 December 2015 by the Purchaser as refundable deposits which would facilitate the repayment of the outstanding mortgage loan and provide additional working capital to the Group.

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 in relation to the Disposal, including where necessary, the obtaining of the Independent Shareholders' approval of the Company with respect to the Sale and Purchase Agreement and the Disposal;
- (ii) if applicable, the obtaining of all other consents, approvals and authorizations in relation to the Disposal as contemplated under the Sale and Purchase Agreement; and
- (iii) the repayment of the existing liabilities of Victor Gold and its subsidiaries with an outstanding amount of mortgage loan secured by the Property of about HK\$23.1 million as of 31 October 2015 by Gold Prospect on or before Completion.

As of the Latest Practicable Date, none of the above conditions precedent has been fulfilled yet.

LETTER FROM THE BOARD

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 March 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 VICTOR GOLD, GOLD PROSPECT, NEW SPLENDID AND QUALIMAN TECHNOLOGY

Victor Gold is an investment holding company incorporated in the British Virgin Islands on 28 November 2013. It currently holds the entire issued share capital of Gold Prospect and New Splendid. Gold Prospect in turn holds the entire interest in the Property and New Splendid in turn holds the entire issued share capital of Qualiman Technology.

Gold Prospect is an investment holding company incorporated in Hong Kong on 4 September 2012. Its principal asset is the Property which currently serves as the Group's headquarters for its toy OEM and information technology businesses. The Property includes a workshop unit at 19C of TML Tower located in 3 Hoi Shing Road, Tsuen Wan, Hong Kong with a gross floor area of 12,883 square feet. The Property also includes three car parking spaces in the same building. The Group, through Victor Gold, has held the entire issued share capital of Gold Prospect and, through Gold Prospect, the Property since 29 January 2014.

New Splendid is an investment holding company incorporated in the British Virgin Islands on 20 January 2012. Its sole purpose is to hold the interest of the Group in Qualiman Technology and has no other material assets or liabilities. Qualiman Technology is a company incorporated in Hong Kong on 26 January 2000 and was previously engaged in the Group's business of manufacture and trading of toy products. However, since 1 April 2013, Qualiman Technology has no longer been in active business as the Group's other two subsidiaries, being Qualiman Industrial Company Limited and Sunmart Company Limited, have taken up all the contracts and orders with the Group's customers in the toy OEM business.

LETTER FROM THE BOARD

The audited financial information of each of Victor Gold, Gold Prospect, New Splendid and Qualiman Technology for each of the two financial years ended 31 March 2015, after elimination of inter-company transactions, is summarised below:

	For the year ended 31 March 2014	For the year ended 31 March 2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
Victor Gold:		
Net Profit/(Loss) before taxation	(54)	(325)
Net Profit/(Loss) after taxation	(54)	(325)
	For the year ended 31 March 2014	For the year ended 31 March 2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
Gold Prospect:		
Net Profit/(Loss) before taxation	(1,878)	(761)
Net Profit/(Loss) after taxation	(1,878)	(971)
	For the year ended 31 March 2014	For the year ended 31 March 2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
New Splendid:		
Net Profit/(Loss) before taxation	–	–
Net Profit/(Loss) after taxation	–	–
	For the year ended 31 March 2014	For the year ended 31 March 2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
Qualiman Technology:		
Net Profit/(Loss) before taxation	(323)	(62)
Net Profit/(Loss) after taxation	(227)	(62)

LETTER FROM THE BOARD

The unaudited net asset value (after elimination of inter-company accounts) of Victor Gold, Gold Prospect, New Splendid and Qualiman Technology as at 31 October 2015 was approximately nil, HK\$34.9 million, nil and nil, respectively. On consolidation, an additional HK\$10.8 million was recognised as property, plant and equipment of Victor Gold which arose from its acquisition of Gold Prospect as the fair value of the consideration over the net asset value of Gold Prospect acquired at the time less accumulated depreciation. Therefore, the total unaudited consolidated net asset value (after elimination of inter-company accounts) of Victor Gold was HK\$45.7 million, which included HK\$23.1 million of mortgage bank loan to be repaid on or before completion of the Disposal. As the mortgage bank loan is to be repaid by Gold Prospect prior to completion of the Disposal with funding provided by the Company (the repayment of such inter-company funding by Gold Prospect shall be waived by the Company prior to completion of the Disposal), the corresponding unaudited consolidated liabilities of Victor Gold would be reduced by the same amount accordingly, and therefore, after adjusting for such repayment of the mortgage bank loan on or before completion of the Disposal, the total unaudited consolidated net asset value (after elimination of inter-company accounts) of Victor Gold as of 31 October 2015 would increase by the same amount to HK\$68.8 million.

Upon completion of the Disposal, Victor Gold, Gold Prospect, New Splendid and Qualiman Technology 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 Victor Gold, Gold Prospect, New Splendid and Qualiman Technology, and the repayment of the mortgage loan secured by the Property on or before completion, it is estimated that a gain of approximately HK\$1.0 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 a significant effect on the business and performance of the Group.

The net proceeds from the Disposal shall be used by the Group for repayment of the mortgage secured by the Property and other loans of the Group, the expansion of the businesses of the Crosby 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 Group's toy division manufactures products for its customers according to their specifications and the products are sold by its toy customers under their own brand names. The Group's key toy 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. The Group's information technology business is conducted through its wholly-owned subsidiaries, the PMT Group, which is engaged in the development and provision of electronic publishing technologies, the development of mobile applications and other information technology solutions. The Group's financial services business is conducted through its wholly-owned subsidiaries, the Crosby Group, which is engaged in the businesses of the provision of brokerage services, securities margin financing, principal finance, investment advisory, advising on corporate finance and asset management.

LETTER FROM THE BOARD

The Group has owned the Property since January 2014 as its headquarters for its toy OEM and information technology businesses. Having considered the current market expectation on interest rate movement in the U.S. and the change in sentiment towards the property sector in Hong Kong, the Directors are of the view that the Disposal provides an opportunity for the Group to monetise the value of the Property before any further reversal of market trends is crystallized. The Disposal will also provide more liquidity for repayment of loans of the Group, for new business developments and general working capital of the Group by freeing up capital locked up in non-core fixed assets.

As Qualiman Technology is no longer in active business, the disposal of Qualiman Technology and New Splendid, the offshore holding company of Qualiman Technology, allows the Group to remove any ongoing maintenance and potential liquidation costs for these inactive vehicles and streamline the Group's structure.

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. As Mr. Lau and Madam Li have material interests in the Disposal, they have abstained from voting in the Board meeting approving the Disposal.

LISTING RULES IMPLICATION OF THE SHARE SUB-DIVISION AND THE DISPOSAL

The Share Sub-division is conditional on the passing of an ordinary resolution by the Shareholders at the EGM.

To the best of the knowledge, belief and information of the Directors having made all reasonable enquiries, no Shareholder is required under the Listing Rules to abstain from voting on the resolution regarding the Share Sub-division at the EGM.

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%. The Disposal also constitutes a connected transaction under Chapter 14A of the Listing Rules as the Purchaser is owned as to 50% by Mr. Lau, the Executive Chairman and a controlling shareholder of the Company, and 50% by Madam Li, a non-executive Director and a controlling shareholding of the Company and the spouse of Mr. Lau. Therefore, the Disposal is subject to the reporting, announcement and Independent Shareholders' approval requirements under the Listing Rules. As each of Mr. Lau and Madam Li has a material interest in the Disposal, Mr. Lau, Madam Li and Smart Investor, in which Mr. Lau, and Madam Li are or deemed to be the controlling shareholders, which together own 33.8% of the issued share capital of the Company as of the Latest Practicable Date, shall abstain from voting at on the resolution to approve the Disposal at the EGM. There are no other associates of Mr. Lau, Madam Li and Smart Investor which hold voting rights of the Company and hence are required to abstain from voting at the EGM. Both Mr. Lau and Madam Li have also abstained from voting at the Board meeting approving the Disposal.

As at the Latest Practicable Date, save as disclosed herein, to the best of the Directors' knowledge, information and belief having made all reasonable enquiries, there is no other Shareholder who has a material interest in the Disposal whereby the Shareholder and his associates will be required to abstain from voting on the resolution to be proposed at the EGM.

LETTER FROM THE BOARD

Shareholders and potential investors should note that the completion of the Share Sub-division and the Disposal are subject to the passing of the resolution at the EGM. As the Share Sub-division and the Disposal may or may not proceed, Shareholders and potential investors are reminded to exercise caution when dealing in the Shares.

EGM

The EGM will be convened and held at 10 a.m. on 12 January 2016, Tuesday at Unit 101, First Commercial Building, 33-35 Leighton Road, Causeway Bay, Hong Kong to consider and, if thought fit, to approve the Share Sub-division and the Disposal.

A form of proxy for use thereat is also enclosed. Whether or not you are able to attend and vote at the EGM, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon and return it to the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong in accordance with the instructions printed thereon not less than 48 hours before the time appointed for the holding of the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from subsequently attending and voting at the meeting or any adjournment thereof (as the case may be), should you so wish.

RECOMMENDATION

The Directors consider that the terms of the Share Sub-division and the Disposal are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors, recommend the Shareholders and the Independent Shareholders, as the case may be, to vote in favour of the ordinary resolutions to be proposed at the EGM.

Your attention is drawn to the Letter from the Independent Board Committee to the Independent Shareholders as set out on page 19 of this circular and the Letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders as set out on pages 20 to 33 of this circular in respect of the Disposal. The Independent Board Committee, having taking into account the advice from the Independent Financial Adviser, considers that the terms of the Disposal are fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole.

ADDITIONAL INFORMATION

Your attention is also drawn to the additional information set out in the appendices to this circular and the notice of the EGM.

By Order of the Board
QUALI-SMART HOLDINGS LIMITED
Ng Kam Seng
Executive Director

QUALI-SMART HOLDINGS LIMITED

滙達富控股有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1348)

Workshop 3 on 19th Floor
TML Tower
3 Hoi Shing Road
Tsuen Wan
New Territories
Hong Kong

23 December 2015

To the Independent Shareholders

Dear Sir or Madam,

DISCLOSESABLE AND CONNECTED TRANSACTION DISPOSAL OF VICTOR GOLD INVESTMENTS LIMITED

We have been appointed as members of the Independent Board Committee to advise you in respect of the terms of the Disposal, details of which are set out in the “Letter from the Board” in the circular (the “**Circular**”) of the Company dated 23 December 2015, of which this letter forms part. Capitalised terms used in this letter have the same meanings as defined in the Circular unless the context otherwise requires.

We wish to draw your attention to the letter of advice from Veda Capital Limited as set out on pages 20 to 33 of this Circular, which contains its advice and recommendation to us as to whether or not the terms of the Disposal are fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole, as well as the principal factors and reasons for its advice and recommendation.

Having considered, amongst other matters, the factors and reasons considered by, and the opinion of Veda Capital Limited, as stated in its aforementioned letter of advice, we are of the opinion that the terms of the Disposal are fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole. We therefore recommend the Independent Shareholders to vote in favour of the relevant resolution to be proposed at the EGM to approve the Disposal.

Yours faithfully.

For and on behalf of the Independent Board Committee

Leung Po Wing, Bowen Joseph GBS JP Chan Siu Wing, Raymond Wong Wah On, Edward
Independent non-executive Directors

* For identification purpose only

LETTER FROM VEDA CAPITAL LIMITED

The following is the text of the letter of advice from Veda Capital to the Independent Board Committee and the Independent Shareholder in respect of the Sale and Purchase Agreement and the transactions contemplated thereunder which has been prepared for the purposes of incorporation in this circular.

VEDA | CAPITAL
智 略 資 本

Veda Capital Limited
Room 1106, 11/F
Wing On Centre
111 Connaught Road Central
Hong Kong

23 December 2015

*To the Independent Board Committee and the Independent Shareholders of
Quali-Smart Holdings Limited*

Dear Sir or Madam,

DISCLOSEABLE AND CONNECTED TRANSACTION DISPOSAL OF VICTOR GOLD INVESTMENTS LIMITED

INTRODUCTION

We refer to our appointment to advise the Independent Board Committee and the Independent Shareholders in respect of the Sale and Purchase Agreement and the transactions contemplated thereunder, details of the Disposal are set out in the letter from the Board (the “**Board Letter**”) contained in the circular dated 23 December 2015 (the “**Circular**”) to the Shareholders, of which this letter forms part. Terms used herein have the same meanings as those defined in the Circular unless the context requires otherwise.

On 27 November 2015 (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 Victor Gold for a total aggregate consideration of HK\$70,000,000.

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%. The Disposal also constitutes a connected transaction under Chapter 14A of the Listing Rules as the Purchaser is owned as to 50% by Mr. Lau, the Executive Chairman and a controlling shareholder of the Company, and 50% by Madam Li, a non-executive Director and a controlling shareholding of the Company and the spouse of Mr. Lau. Therefore, the Disposal is subject to the reporting, announcement and Independent Shareholders’ approval requirements under the Listing Rules. As each of Mr. Lau and Madam Li has a material interest in the Disposal, Mr. Lau, Madam Li and Smart Investor, in which Mr. Lau, and Madam Li are or deemed to be the controlling shareholders, which together own 33.8% of the issued share capital of the Company as of the Latest Practicable Date, shall

LETTER FROM VEDA CAPITAL LIMITED

abstain from voting on the resolution to approve the Disposal at the EGM. There are no other associates of Mr. Lau, Madam Li and Smart Investor which hold voting rights of the Company and hence are required to abstain from voting at the EGM. Both Mr. Lau and Madam Li have also abstained from voting at the Board meeting approving the Disposal.

The Independent Board Committee, comprising Mr. Leung Po Wing, Bowen Joseph *GBS JP*, Mr. Chan Siu Wing, Raymond, Mr. Wong Wah On, Edward, all being the independent non-executive Directors, has been established to advise the Independent Shareholders as to (i) whether the Disposal is in the ordinary and usual course of business of the Group and in the interests of the Company and the Independent Shareholders as a whole; (ii) whether the terms of the Sale and Purchase Agreement and the transactions contemplated thereunder are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; and (iii) their recommendation as to how the Independent Shareholders should vote in respect of the ordinary resolution to be proposed at the EGM to approve the Sale and Purchase Agreement and the transactions contemplated thereunder. We have been appointed to advise the Independent Board Committee and the Independent Shareholders in these regards.

As at the Latest Practicable Date, we were not aware of any relationships or interest between us and the Company or any other parties that could be reasonably be regarded as hindrance to our independence as defined under Rule 13.84 of the Listing Rules to act as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Sale and Purchase Agreement and the transactions contemplated thereunder. We are not associated with the Company, its subsidiaries, its associates or their respective substantial shareholders or associates, and accordingly, are eligible to give independent advice and recommendations on the terms of the Sale and Purchase Agreement and the transactions contemplated thereunder. Apart from normal professional fees payable to us in connection with this appointment as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, no arrangement exists whereby we will receive any fees from the Company, its subsidiaries, its associates or their respective substantial shareholders or associates.

BASIS OF OUR ADVICE

In formulating our opinion and advice, we have relied upon accuracy of the information and representations contained in the Circular and information provided to us by the Company, the Directors and the management of the Company. We have assumed that all statements, information and representations made or referred to in the Circular and all information and representations which have been provided by the Company, the Directors and the management of the Company, for which they are solely and wholly responsible for, were true at the time they were made and continue to be true as at the Latest Practicable Date. We have also assumed that all statements of belief, opinion and intention made by the Directors in the Circular were reasonably made after due and careful enquiry and were based on honestly-held opinions. We consider that we have taken sufficient and necessary steps on which to form a reasonable basis and an informed view for our opinion in compliance with Rule 13.80 of the Listing Rules.

LETTER FROM VEDA CAPITAL LIMITED

The Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the issuer. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in the Circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or the Circular misleading. We have no reason to believe that any information and representations relied on by us in forming our opinion is untrue, inaccurate or misleading, nor are we aware of any material facts the omission of which would render the information provided and the representations made to us untrue, inaccurate or misleading. We have not, however, conducted any independent in-depth investigation into the business affairs, financial position or future prospects of the Group, nor have we carried out any independent verification of the information provided by the Directors and the management of the Company.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In giving our recommendation to the Independent Board Committee and the Independent Shareholders in respect of the Sale and Purchase Agreement and the transactions contemplated thereunder, we have taken into consideration the following principal factors and reasons:

1. Financial information of the Group

The Group is engaged in three core business segments: the toy OEM business (the “**Toy Division**”), the information technology business and the financial services business.

For the six months period ended 30 September 2015

As set out in the interim results announcement of the Company for the six months period ended 30 September 2015 (the “**IR Announcement 2015**”), the Group recorded an unaudited revenue of approximately HK\$507.0 million for the six-months ended 30 September 2015, representing a slight decrease of approximately 3.0% as compared with the turnover of approximately HK\$522.6 million for the six months ended 30 September 2014. As stated in the IR Announcement 2015, the slight decline in revenue was due to the drop in sales to some of the Group’s toy division’s top 5 customers.

The loss attributable to owners of the Company for the six months ended 30 September 2015 was approximately HK\$0.4 million, as opposed to a profit attributable to owners of the Company of approximately HK\$16.8 million for the six months ended 30 September 2014. As stated in the IR Announcement 2015, the record of loss for the six months ended 30 September 2015 is mainly due to a decrease in revenue of the Group approximately 3.0% when compared with the six months ended 30 September 2014 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.

LETTER FROM VEDA CAPITAL LIMITED

For the year ended 31 March 2015

As set out in the annual report of the Company for the year ended 31 March 2015 (the “**AR 2015**”), the Group recorded a revenue of approximately HK\$829.0 million for the year ended 31 March 2015, representing an increase of approximately 7.2% as compared with the turnover of approximately HK\$773.2 million for the year ended 31 March 2014. As stated in the AR 2015, the increase in the revenue was mainly contributed by the toy division’s revenue of approximately HK\$827.8 million, which represented an increase of approximately 7.1% from that for the year ended 31 March 2014 of approximately HK\$773.2 million. The modest increase in revenue was due to an increase in sales of some of the Toy Division’s top 5 customers. Revenue from North America remained relatively steady at approximately HK\$433.8 million for the year ended 31 March 2015 when compared to approximately HK\$430.4million for the year ended 31 March 2014, representing an increase of 0.8%. Revenue from Western Europe increased from approximately HK\$243.2 million for the year ended 31 March 2014 to approximately HK\$267.7million for the year ended 31 March 2015, due to the increase in sales in United Kingdom and other European countries. Sales to customers in new developing regions, namely South America and mainland China and Taiwan, increased substantially by approximately HK\$10.7 million and HK\$16.3 million, respectively, representing an increase of 77.3% and 74.9% in a comparison of the year ended 31 March 2014.

The loss attributable to owners of the Company for the year ended 31 March 2015 was approximately HK\$3.7 million, as opposed to a net profit of approximately HK\$20.2 million for the year ended 31 March 2014. As outlined in the AR 2015, the loss was mainly due to an increase in administrative expenses by 38.5% from approximately HK\$49.1 million for the year ended 31 March 2014 to approximately HK\$68.0 million for year ended 31 March 2015 due to (i) the one-off provision for impairment loss on trade receivables for approximately HK\$12.0 million; (ii) the additional depreciation charge on property, plant and equipment for approximately HK\$1.8 million; (iii) 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\$2.1 million; and(iv) the amortisation of intangible assets for approximately HK\$2.5 million. Besides, finance costs increased by 107.7% to approximately HK\$5.1 million for the year ended 31 March 2015 as compared to approximately HK\$2.5 million for the year ended 31 March 2014, which is primarily due to additional finance costs of approximately HK\$0.4 million for the property newly acquired in the previous year and the effective interest of the convertible notes and promissory notes newly issued by the Company for the year ended 31 March 2015 of approximately HK\$1.3 million.

LETTER FROM VEDA CAPITAL LIMITED

For the year ended 31 March 2014

As set out in the annual report of the Company for the year ended 31 March 2014 (the “**AR 2014**”), the Group’s revenue for the year ended 31 March 2014 was approximately HK\$773.2 million, representing a minor decrease of 2.6% as compared to approximately HK\$794.1 million for the year ended 31 March 2013. The decrease in revenue was mainly due to the decrease in sales orders from one of the top 10 customers during 2014 and several other smaller customers which discontinued placing orders with their suppliers, including the Group. In 2014, the Group was in a great pressure in maintaining the gross profit margin because of the appreciation of Renminbi resulting in the increase in material and production labour costs and a general tightening of pricing of the Group’s customers arising from competitions from e-commerce distribution channels.

The Group’s net profit for the year ended 31 March 2014 decreased by 11.0% from approximately HK\$22.7 million for the year ended 31 March 2013 to approximately HK\$20.2 million for the year ended 31 March 2014. The decrease was mainly due to a drop in gross profit and the write-off of an amount due from an insolvent customer of approximately HK\$2.3 million.

2. Information of Victor Gold, Gold Prospect, New Splendid and Qualiman Technology

Victor Gold is an investment holding company incorporated in the British Virgin Islands on 28 November 2013. It currently holds the entire issued share capital of Gold Prospect and New Splendid. Gold Prospect in turn holds the entire interest in the Property and New Splendid in turn holds the entire issued share capital of Qualiman Technology.

Gold Prospect is an investment holding company incorporated in Hong Kong on 4 September 2012. Its principal asset is the Property which currently serves as the Group’s headquarters for its toy OEM and information technology businesses. The Property includes a workshop unit at 19C of TML Tower located in 3 Hoi Shing Road, Tsuen Wan, Hong Kong with a gross floor area of 12,883 square feet. The Property also includes three car parking spaces in the same building. The Group, through Victor Gold, has held the entire issued share capital of Gold Prospect and, through Gold Prospect, the Property since 29 January 2014.

New Splendid is an investment holding company incorporated in the British Virgin Islands on 20 January 2012. Its sole purpose is to hold the interest of the Group in Qualiman Technology and has no other material assets or liabilities. Qualiman Technology is a company incorporated in Hong Kong on 26 January 2000 and was previously engaged in the Group’s business of manufacture and trading of toy products. However, since 1 April 2013, Qualiman Technology has no longer been in active business as the Group’s other two subsidiaries, being Qualiman Industrial Company Limited and Sunmart Company Limited, have taken up all the contracts and orders with the Group’s customers in the toy OEM business.

LETTER FROM VEDA CAPITAL LIMITED

The audited financial information of each of Victor Gold, Gold Prospect, New Splendid and Qualiman Technology (together the “**Target Companies**”) for each of the two financial years ended 31 March 2015, after elimination of inter-company transactions, is summarised below:

	For the year ended 31 March 2014	For the year ended 31 March 2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
Victor Gold:		
Net Profit/(Loss) before taxation	(54)	(325)
Net Profit/(Loss) after taxation	(54)	(325)
	For the year ended 31 March 2014	For the year ended 31 March 2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
Gold Prospect:		
Net Profit/(Loss) before taxation	(1,878)	(761)
Net Profit/(Loss) after taxation	(1,878)	(971)
	For the year ended 31 March 2014	For the year ended 31 March 2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
New Splendid:		
Net Profit/(Loss) before taxation	–	–
Net Profit/(Loss) after taxation	–	–
	For the year ended 31 March 2014	For the year ended 31 March 2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
Qualiman Technology:		
Net Profit/(Loss) before taxation	(323)	(62)
Net Profit/(Loss) after taxation	(227)	(62)

LETTER FROM VEDA CAPITAL LIMITED

The unaudited net asset value (after elimination of inter-company accounts) of Victor Gold, Gold Prospect, New Splendid and Qualiman Technology as at 31 October 2015 was approximately nil, HK\$34.9 million, nil and nil, respectively. On consolidation, an additional HK\$10.8 million was recognised as property, plant and equipment of Victor Gold which arose from its acquisition of Gold Prospect as the fair value of the consideration over the net asset value of Gold Prospect acquired at the time less accumulated depreciation. We have obtained and reviewed the management accounts of the Target Companies for the period ended 31 October 2015 and noted that the unaudited consolidated net asset value of the Target Companies was HK\$45.7 million, which included HK\$23.1 million of mortgage bank loans including the interest to be repaid on or before completion of the Disposal. As the mortgage bank loan is to be repaid by Gold Prospect prior to completion of the Disposal, with funding provided by the Company (the repayment of such inter-company funding by Gold Prospect shall be waived by the Company prior to completion of the Disposal), the corresponding unaudited consolidated liabilities of Victor Gold would be reduced by the same amount accordingly, and therefore, after adjusting for such repayment of the mortgage bank loan on or before completion of the Disposal, the total unaudited consolidated net asset value (after elimination of inter-company accounts) of the Target Companies as at 31 October 2015 would increase by the same amount to HK\$68.8 million.

Upon completion of the Disposal, the Target Companies will cease to be subsidiaries of the Company.

3. Reasons for and benefits of the Disposal

The Group's Toy Division manufactures products for its customers according to their specifications and the products sold by its toy customers under their own brand names. The Group's key toy 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. The Group's information technology business is conducted through its wholly-owned subsidiaries, the PMT Group, which is engaged in the development and provision of electronic publishing technologies, the development of mobile applications and other information technology solutions. The Group's financial services business is conducted through its wholly-owned subsidiaries, the Crosby Group, which is engaged in provision of brokerage services, securities margin financing, principal finance, investment advisory, advising on corporate finance and asset management.

The Group has owned the Property since January 2014 as its headquarters for its toy OEM and information technology businesses. Having considered the current market expectation on interest rate movement in the U.S. and the change in sentiment towards the property sector in Hong Kong, the Directors are of the view that the Disposal provides an opportunity for the Group to monetise the value of the Property before any further reversal of market trends is crystallized. The Disposal will also provide more liquidity for repayment of loans of the Group for new business developments and general working capital of the Group by freeing up capital locked up in non-core fixed assets.

We have reviewed "Half-Yearly Monetary and Financial Stability Report" released in 2015, source: Hong Kong Monetary Authority, (<http://www.hkma.gov.hk/>) and as mentioned in the report as the underlying strength of domestic demand in the US economy remains solid and as a result, the disinflationary impact on US inflation may not be long-lasting compared to other major advanced

LETTER FROM VEDA CAPITAL LIMITED

economies, recent global developments would only delay but unlikely derail the monetary policy normalisation process in the US. Indeed, as recently admitted by the Federal Reserve's Vice Chairman Stanley Fischer that because monetary policy influences real activity with a substantial lag, the Federal Reserve should not wait until inflation is back to 2% to begin tightening. The report also illustrates the non-residential property market in Hong Kong that prices and rentals of non-residential properties will largely hinge on business prospects and interest rate developments. In particular, the prices and rentals of retail space, especially at prime locations, will face headwinds from the weak retail sales outlook. Slower economic growth and a possible decline in rentals, together with expectation of interest rate hikes, could exert downward pressure on capital values of non-residential properties.

As advised by the Company, as Qualiman Technology is no longer in active business, the disposal of Qualiman Technology and New Splendid, the offshore holding company of Qualiman Technology, allows the Group to remove any ongoing maintenance and potential liquidation costs for these inactive vehicles and streamline the Group's structure.

As further outlined in the Board Letter, the Target Companies recorded a net loss attributable to the Group for both financial years ended 31 March in 2014 and 2015. The Disposal will however make a positive contribution to the cash flow of the Company and help reduce the Group's bank borrowings and finance costs.

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. As Mr. Lau and Madam Li have material interests in the Disposal, they have abstained from voting in the Board meeting approving the Disposal.

Taking into consideration of (i) the Disposal provides an opportunity for the Group to monetise the value of the Property before any further reversal of market trends is crystallized; (ii) the highly uncertain trend in U.S. interest rate and the downward pressure on non-residential properties; (iii) the Disposal will also provide more liquidity for repayment of loans of the Group for new business developments and general working capital of the Group by freeing up capital locked up in non-core fixed assets; and (iv) the Disposal will make a positive contribution to the cash flow of the Company and help reduce the Group's bank borrowings and finance costs, we are of the view that the Disposal is in the interests of the Company and the Independent Shareholders as a whole.

4. Terms of the Sale and Purchase Agreement

Highlighted below are the principal terms of the Sale and Purchase Agreement:

- (a) **Date:** 27 November 2015
- (b) **Parties:**
 - (1) The Company as vendor
 - (2) The Purchaser

LETTER FROM VEDA CAPITAL LIMITED

The Purchaser is owned as to 50% by Mr. Lau, the Executive Chairman and a controlling shareholder of the Company, and 50% by Madam Li, a non-executive Director and a controlling shareholding of the Company and the spouse of Mr. Lau. As such, the Purchaser is a connected person of the Company for the purpose of the Listing Rules.

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

(c) Consideration and terms of payment

The total aggregate consideration for the Disposal is HK\$70,000,000 (the “**Consideration**”), which shall be settled by the Purchaser in the following manners:

- (i) HK\$1,000,000 shall be payable in crossed cheque or money order to the Vendor within five (5) Business Days of the date of the Sale and Purchase Agreement as a refundable deposit;
- (ii) HK\$24,000,000 shall be payable in crossed cheque or money order to the Vendor on or before 31 December 2015, or such later date as may be mutually agreed by the Parties but in any event not later than the date of completion as a second refundable deposit; and
- (iii) the remaining balance of HK\$45,000,000 shall be paid to the Company upon completion of the Sale and Purchase Agreement.

As stated in the Board Letter, the 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 Victor Gold as at 31 October 2015 and the prevailing market prices of properties of similar nature available in the vicinity of the Property.

The unaudited consolidated net asset value (after elimination of inter-company accounts) of Victor Gold as at 31 October 2015 was approximately HK\$45.7 million. As the mortgage bank loan with an outstanding amount of approximately HK\$23.1 million as at 31 October 2015 is to be repaid by Gold Prospect prior to completion of the Disposal, with funding provided by the Company (the repayment of such inter-company funding by Gold Prospect shall be waived by the Company prior to completion of the Disposal), the corresponding unaudited consolidated liabilities of Victor Gold would be reduced by the same amount accordingly, thus the total unaudited consolidated net asset value (after elimination of inter-company accounts) of Victor Gold as of 31 October 2015 would be increased by the same amount to HK\$68.8 million after adjusting for the repayment of the mortgage bank loan, and the consideration of HK\$70 million represents a premium of approximately HK\$1.2 million over this amount.

LETTER FROM VEDA CAPITAL LIMITED

The Directors also reviewed the average unit rate based on saleable floor area in TML Tower in comparable transactions completed between August 2015 and November 2015 and the average selling price of car parking spaces in TML Tower in 2015 as set out in the table below:

Property	Average unit rate based on saleable floor area in comparable transactions <i>(HK\$'000 per sq. ft.)</i>
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Workshop Unit	6.3
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Average selling price per car parking space in comparable transactions	<i>(HK\$ million)</i>
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Covered Car Parking Space	1.7
Covered Truck Parking Space	3.7

Based on the above pricing basis, the consideration for the Disposal was arrived at as follows:

Fair value of the Property:	<i>HK\$ millions</i>
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(i) Workshop Unit	60.0
(ii) Car parking space P60	1.7
(iii) Car parking space P68	1.7
(iv) Car parking space HGV9	3.7

Total fair value of the Property:	67.1
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Leasehold improvements	2.1
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Other net assets (cash, utility deposits less payables and assuming outstanding mortgage loan amount of HK\$23.1 million as of 31 October 2015 has been fully repaid on or before completion of the Disposal)	0.3
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Total	69.5
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Premium	0.5
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Total consideration:	70.0
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LETTER FROM VEDA CAPITAL LIMITED

The above calculation shows that the consideration in the Disposal represents a premium over both (i) the total unaudited consolidated net asset value (after elimination of inter-company accounts and adjusted for the repayment of the mortgage bank loan) of Victor Gold as of 31 October 2015; and (ii) the fair market value of the Property plus leasehold improvements and other net asset value of Victor Gold and its subsidiaries after adjusting for the repayment of the mortgage bank loan. Therefore, the consideration in the Disposal represents a premium over the value of the assets being disposed of as assessed by both (i) the book value method and (ii) the fair market value method.

As advised by the Company, the mortgage bank loan with an outstanding amount of approximately HK\$23.1 million as at 31 October 2015 is the underlying mortgage of the Property and should be repaid by Gold Prospect prior to completion of the Disposal. As the mortgage bank loan is related to the Property, we are of the view that it is reasonable for the Company to settle the mortgage bank loan and transfer such cost to the Purchaser and therefore, we are of the view that the Consideration of HK\$70 million, which has taken into account of the mortgage, is fair and reasonable.

Furthermore, we noted that there is a difference of approximately HK\$2.9 million between the Consideration of HK\$70.0 million and the total fair value of the Property of HK\$67.1 million. However, as illustrated in the above table and advised by the Company, the Disposal comprises not only the Property but also the entire interests of the Target Companies and therefore the Company has also taken into account of other assets of the Target Companies such as cash, utility deposits less payables and assuming outstanding mortgage loan amount as of 31 October 2015 has been fully repaid when determining the Consideration. Based on above table, there is a premium of HK\$0.5 million offered by the Purchaser and therefore, we are of the view that the Consideration is fair and reasonable.

As further noted from the Board Letter, the Company did not consider disposing of Victor Gold to an independent third party for the following reasons:

- (1) disposal of Victor Gold to an independent third party would substantially increase the uncertainty of the Group to be able to continue to use part of the Property as its headquarters for its toy OEM and information technology businesses as an independent third party buyer may not necessarily agree for the Group to continue to use the Property. The Group would also need to incur renovation and relocation costs if it were to relocate to a new premise after the Completion of the Disposal;
- (2) as Qualiman Technology, which is a subsidiary of Victor Gold, used to be an operating company in the toy OEM business of the Group, an independent third party property buyer who is unfamiliar with the history of Victor Gold and its various subsidiaries might find it unappealing to buy the Property through acquiring Victor Gold and its other subsidiaries at the same time. On the other hand, disposing of the Property by the Group directly would have led to a substantial amount of stamp duty of about HK\$6 million being levied on the Group;

LETTER FROM VEDA CAPITAL LIMITED

- (3) disposal of Victor Gold to the Purchaser would save the Group the agency commission of about 1% of the value of the Property which would normally have been charged if the Property was disposed of to an independent third party buyer through a real estate agent; and
- (4) the deposits payable upon signing a formal sale and purchase agreement for a property with an independent third party buyer would normally be just about 10% of the total transaction value, while in the case of the Disposal, a total of about 35.7% of the total consideration would be paid on or before 31 December 2015 by the Purchaser as refundable deposits which would facilitate the repayment of the outstanding mortgage loan and provide additional working capital to the Group.

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 interests of the Company and the Shareholders as a whole.

In order to assess the fairness and reasonableness of the Consideration, we have obtained and reviewed the valuation report regarding the valuation on the Property under the Disposal conducted by the Independent Valuer. We noted that the Independent Valuer, in arriving the market value of the Property, which is defined as "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion", has adopted the comparison approach assuming sale in the Property's existing state with the benefit of vacant possession and made reference to comparable sales evidence as available in the relevant market.

We had discussed with the Independent Valuer regarding, amongst others, the basis and assumptions made and the methodology adopted in conducting the valuation of the Property of HK\$67,100,000 (the "**Valuation**"). We understand that comparison approach is considered as the most appropriate methodology in valuing the market value of properties. The Independent Valuer has made references to comparable sales evidence as available in the relevant market and appropriate adjustments have also been made to account for the differences between the Property and the comparables in terms of location, time, age, floor level, size, aspect, view and other relevant factors.

For our due diligence purpose, we have reviewed and enquired into (i) the terms of engagement of the Independent Valuer with the Company; (ii) the Independent Valuer's qualification and experience in relation to the preparation of the valuation report; (iii) the works done by the Independent Valuer for conducting the valuation; and (iv) the Independent Valuer's independence confirmation. Upon reviewing the engagement letter and other relevant information provided by the Independent Valuer and the Company, we also noted that the authorized person of the Independent Valuer, Ms. Joannau W.F. Chan, possesses extensive experience in providing a wide array of professional valuation and consultancy services for landed properties in the industry in connection with listing, asset valuations for accounting use, corporate financing and merger and acquisition purposes. Therefore, we are satisfied with the terms of engagement of the Independent Valuer as well as the qualification and experience of the Independent Valuer for preparation of the valuation report. We also noted that the scope of work is appropriate to the opinion required to be given and we are not aware of any limitation on the scope of work which might have an adverse impact on the degree of assurance given by the valuation report.

LETTER FROM VEDA CAPITAL LIMITED

The Independent Valuer has confirmed the independence to the Group and to the connected persons of the parties of the Sale and Purchase Agreement. We have also reviewed the market comparables selected by the Independent Valuer (“**Market Comparables**”) and discussed with the Independent Valuer regarding the selection method for the Market Comparables and the calculations to arrive at the Valuation. We are given to understand that the Valuation is based on the average of the adjusted unit rate of the workshop unit and adjusted market value of the car parking spaces chosen by the Independent Valuer, on the ground that they are all located in the same building of the Property, with similar nature and business purposes. Therefore, we noted the Market Comparables are of similar nature and size of the Property and the market range of the prices arrived at by the Independent Valuer based on the Market Comparables is fair and reasonable.

During our discussion with the Independent Valuer regarding the basis and assumptions of the Valuation and upon reviewing the information provided by the Independent Valuer, we have not found any material facts which may lead us to doubt the principal basis and assumptions adopted for or the information used in the Valuation.

Based on the abovementioned studies on the valuation report and the information provided by the Independent Valuer and the discussion with the Independent Valuer, we are of the view that the basis, assumptions and methodology adopted in connected with the Valuation are appropriate. We therefore consider that the Valuation acts as a fair indication to the market value of the Property.

As advised by the Company, the Property is for the Company’s self-use but not an investment property hence the Property had been booked at “cost less accumulated depreciation” method and should not be revalued based on market condition. The Valuation performed by the Independent Valuer is mainly to ascertain whether if the Consideration is fair or not. Based on Target Companies’ management accounts as at 31 October 2015, we noted the Company’s preliminary estimation of the gain on disposal of the Property is approximately HK\$1 million.

Having further considered that, (i) the continuous loss record of the Target Companies for both years ended 31 March 2014 and 2015; (ii) the Independent Valuer has taken into account of the fairness and reasonableness of the Property under the Disposal; (iii) the terms of engagement of the Independent Valuer as well as the qualification and experience of the Independent Valuer for preparation of the valuation report; and (iv) the Disposal can generate a gain of approximately HK\$1 million, we consider that the Disposal is fair and reasonable and in the interests of the Company and the Independent Shareholders as a whole.

5. Financial effects of the Disposal

Effects on earnings

Upon Completion, the Target Companies will no longer be subsidiaries of the Group and the results of the Target Companies will cease to be consolidated into the Group’s consolidated financial statements. Taking into consideration the net carrying amount of the assets and liabilities of Victor Gold, Gold Prospect, New Splendid and Qualiman Technology, and the repayment of the mortgage loan secured by the Property on or before completion, it is estimated that a gain of

LETTER FROM VEDA CAPITAL LIMITED

approximately HK\$1.0 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 a significant effect on the business and performance of the Group.

Effect on net assets

Upon Completion, the Group's net assets will (i) increase by the amount of the net proceeds from the Disposal; and (ii) offset by the decrease in the unaudited net assets of the Target Companies as at the date of completion of the Disposal, as the Group will no longer consolidate the financial position of the Target Companies to the Group's consolidated accounts.

Effect on the working capital

The net proceeds from the Disposal shall be used by the Group for repayment of the mortgage secured by the Property and other loans of the Group, the expansion of the businesses of the Crosby Group and general working capital purposes.

RECOMMENDATION

Notwithstanding that the Disposal is not in the ordinary and usual course of business of the Company, having considered the above principal factors and reasons, we are of the view that (i) the Disposal is in the interests of the Company and the Independent Shareholders as a whole; and (ii) the terms of the Sale and Purchase Agreement and the transactions contemplated thereunder are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, we recommend the Independent Shareholders and advise the Independent Board Committee to recommend the Independent Shareholders, to vote in favour of the resolution to be proposed at the EGM to approve the Sale and Purchase Agreement and the transactions contemplated thereunder.

Yours faithfully,

For and on behalf of

Veda Capital Limited

Hans Wong

Julisa Fong

Chairman

Managing Director

Note:

Mr. Hans Wong is a responsible officer under the SFO to engage in Type 6 (advising on corporate finance) regulated activity and has over 21 years of experience in investment banking and corporate finance.

Ms. Julisa Fong is a responsible officer under the SFO to engage in Type 6 (advising on corporate finance) regulated activity and has over 19 years of experience in investment banking and corporate finance.

The following is the text of a letter, summary of values and valuation certificates, prepared for the purpose of incorporation in this circular received from BMI Appraisals Limited, an independent valuer, in connection with its valuations as at 27 November 2015 of the properties held by the Group located in Hong Kong.

BMI APPRAISALS

BMI Appraisals Limited 中和邦盟評估有限公司

33rd Floor, Shui On Centre, Nos. 6-8 Harbour Road, Wanchai, Hong Kong
香港灣仔港灣道6-8號瑞安中心33樓
Tel電話：(852) 2802 2191 Fax傳真：(852) 2802 0863
Email電郵：info@bmintelligence.com Website網址：www.bmi-appraisals.com

23 December 2015

The Directors

Quali-Smart Holdings Limited

Workshop C, 19th Floor
TML Tower
No. 3 Hoi Shing Road
Tsuen Wan, New Territories
Hong Kong

Dear Sirs,

INSTRUCTIONS

We refer to the instructions from Quali-Smart Holdings Limited (the “**Company**”) for us to value the properties held by the Company and/or its subsidiaries (together referred to as the “**Group**”) located in Hong Kong. We confirm that we have conducted inspections, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market values of the properties as at 27 November 2015 (the “**valuation date**”).

BASIS OF VALUATION

Our valuations of the properties will be based on the Market Value, which is defined as “the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm’s-length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion”.

VALUATION METHODOLOGY

In valuing the properties held by the Group, we have valued them on market basis by the Comparison Approach assuming sale in their existing state with the benefit of vacant possession and by making reference to comparable sales evidence as available in the relevant market. Appropriate adjustments have then been made to account for the differences between the properties and the comparables in terms of location, time, age, floor level, size, aspect, view and other relevant factors.

TITLE INVESTIGATION

We have caused land searches to be made at the Land Registry and have been advised by the Group that no further relevant documents have been produced. However, we have neither examined the original documents to verify ownership nor to ascertain the existence of any amendments, which do not appear on the copies handed to us. All documents have been used for reference only.

VALUATION ASSUMPTIONS

Our valuations have been made on the assumption that the properties are sold in the market without the benefit of deferred terms contract, leaseback, joint venture, management agreement or any other similar arrangement which would serve to affect the values of the properties.

In addition, no account has been taken of any option or right of pre-emption concerning or affecting the sale of the properties and no forced sale situation in any manner is assumed in our valuations.

VALUATION CONSIDERATIONS

Inspections of the properties were conducted by Ms. Krain Li (MSc in Construction and Real Estate) in November 2015. We have inspected the exterior and wherever possible, the interior of the properties. During the course of our inspections, we did not note any serious defects. However, no structural surveys have been made. We are, therefore, unable to report whether the properties are free from rot, infestation or any other structural defects. No tests were carried out on any of the services.

In the course of our valuations, we have relied to a considerable extent on the information given by the Group and have accepted advice given to us on such matters as planning approvals or statutory notices, easements, tenures, particulars of occupancy, floor areas, identifications of the properties and all other relevant information.

We have not carried out detailed on-site measurements to verify the correctness of the floor areas in respect of the properties but have assumed that the floor areas shown on the documents handed to us are correct. Dimensions, measurements and areas included in the valuation certificates are based on information contained in the documents provided to us and are therefore only approximations.

We have no reason to doubt the truth and accuracy of the information provided to us by the Group and we have relied on your advice that no material facts have been omitted from the information provided. We consider that we have been provided with sufficient information for us to reach an informed view.

No allowance has been made in our valuations for any charges, mortgages or amounts owing on the properties or for any expenses or taxation, which may be incurred in effecting a sale or purchase.

Unless otherwise stated, it is assumed that the properties are free from encumbrances, restrictions and outgoings of an onerous nature, which could affect their values.

Our valuations have been prepared in accordance with The HKIS Valuation Standards (2012 Edition) published by The Hong Kong Institute of Surveyors.

Our valuations have been prepared under the generally accepted valuation procedures and are in compliance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

REMARKS

Unless otherwise stated, all money amounts stated herein are in Hong Kong Dollars (HK\$).

Our summary of values and the valuation certificates are attached herewith.

Yours faithfully,
For and on behalf of
BMI APPRAISALS LIMITED
Joannau W.F. Chan
BSc., MSc., MRICS, MHKIS, RPS(GP)
Senior Director

Note:

Ms. Joannau W.F. Chan is a member of The Hong Kong Institute of Surveyors (General Practice) who has over 22 years' experience in valuations of properties in Hong Kong.

SUMMARY OF VALUES

No.	Property	Market Value in existing state as at 27 November 2015 HK\$
1.	Workshop C on 19th Floor, TML Tower, 3 Hoi Shing Road, Tsuen Wan, New Territories, Hong Kong	60,000,000
2.	Car Parking Space No. P60 on 3rd Floor, TML Tower, 3 Hoi Shing Road, Tsuen Wan, New Territories, Hong Kong	1,700,000
3.	Car Parking Space No. P68 on 3rd Floor, TML Tower, 3 Hoi Shing Road, Tsuen Wan, New Territories, Hong Kong	1,700,000
4.	Heavy Goods Vehicle Parking Space No. HGV9 on 1st Floor, TML Tower, 3 Hoi Shing Road, Tsuen Wan, New Territories, Hong Kong	3,700,000
Total:		<hr/> 67,100,000 <hr/> <hr/>

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 27 November 2015 HK\$
1.	Workshop C on 19th Floor, TML Tower, 3 Hoi Shing Road, Tsuen Wan, New Territories, Hong Kong	The property comprises a workshop on the 19th floor of a 31-storey building completed in 2013. The saleable area of the property is approximately 9,497 sq.ft. The property is held under Conditions of Sale Nos. UB5098 and UB5136 for a term of 75 years renewable for 24 years commencing on 1 July 1898. The said term has been extended to 30 June 2047 by virtue of the New Territories Leases (Extension) Ordinance 1988.	The property is occupied by the Group for office use.	60,000,000

Notes:

1. The registered owner of the property is Gold Prospect Capital Resources Limited, an indirect wholly-owned subsidiary of the Company, vide Memorial No. 13100201110118 dated 5 September 2013 at a consideration of HK\$51,532,000.
2. The property is subject to the following material encumbrances:
 - a. Deed of Mutual Covenant and Management Agreement with Plans vide Memorial No. 13090902020031 dated 28 August 2013; and
 - b. Mortgage in favour of The Hongkong and Shanghai Banking Corporation Limited vide Memorial No. 14021902080020 date 29 January 2014.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 27 November 2015 HK\$
2.	Car Parking Space No. P60 on 3rd Floor, TML Tower, 3 Hoi Shing Road, Tsuen Wan, New Territories, Hong Kong	The property comprises a car parking space on the 3rd floor of a 31-storey building completed in 2013. The property is held under Conditions of Sale Nos. UB5098 and UB5136 for a term of 75 years renewable for 24 years commencing on 1 July 1898. The said term has been extended to 30 June 2047 by virtue of the New Territories Leases (Extension) Ordinance 1988.	The property is occupied by the Group for car parking use.	1,700,000

Notes:

1. The registered owner of the property is Gold Prospect Capital Resources Limited, an indirect wholly-owned subsidiary of the Company, vide Memorial No. 13111300840037 dated 1 November 2013 at a consideration of HK\$1,200,000.
2. The property is subject to the following material encumbrances:
 - a. Deed of Mutual Covenant and Management Agreement with Plans vide Memorial No. 13090902020031 dated 28 August 2013; and
 - b. Mortgage in favour of The Hongkong and Shanghai Banking Corporation Limited vide Memorial No. 14021902080020 date 29 January 2014.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 27 November 2015 HK\$
3.	Car Parking Space No. P68 on 3rd Floor, TML Tower, 3 Hoi Shing Road, Tsuen Wan, New Territories, Hong Kong	The property comprises a car parking space on the 3rd floor of a 31-storey building completed in 2013. The property is held under Conditions of Sale Nos. UB5098 and UB5136 for a term of 75 years renewable for 24 years commencing on 1 July 1898. The said term has been extended to 30 June 2047 by virtue of the New Territories Leases (Extension) Ordinance 1988.	The property is occupied by the Group for car parking use.	1,700,000

Notes:

1. The registered owner of the property is Gold Prospect Capital Resources Limited, an indirect wholly-owned subsidiary of the Company, vide Memorial No. 13112800630068 dated 8 November 2013 at a consideration of HK\$1,200,000.
2. The property is subject to the following material encumbrances:
 - a. Deed of Mutual Covenant and Management Agreement with Plans vide Memorial No. 13090902020031 dated 28 August 2013; and
 - b. Mortgage in favour of The Hongkong and Shanghai Banking Corporation Limited vide Memorial No. 14021902080020 date 29 January 2014.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 27 November 2015 HK\$
4.	Heavy Goods Vehicle Parking Space No. HGV9 on 1st Floor, TML Tower, 3 Hoi Shing Road, Tsuen Wan, New Territories, Hong Kong	The property comprises a heavy goods vehicle parking space on the 1st floor of a 31-storey building completed in 2013. The property is held under Conditions of Sale Nos. UB5098 and UB5136 for a term of 75 years renewable for 24 years commencing on 1 July 1898. The said term has been extended to 30 June 2047 by virtue of the New Territories Leases (Extension) Ordinance 1988.	The property is occupied by the Group for car parking use.	3,700,000

Notes:

1. The registered owner of the property is Gold Prospect Capital Resources Limited, an indirect wholly-owned subsidiary of the Company, vide Memorial No. 13120500700032 dated 15 November 2013 at a consideration of HK\$2,400,000.
2. The property is subject to the following material encumbrances:
 - a. Deed of Mutual Covenant and Management Agreement with Plans vide Memorial No. 13090902020031 dated 28 August 2013; and
 - b. Mortgage in favour of The Hongkong and Shanghai Banking Corporation Limited vide Memorial No. 14021902080020 date 29 January 2014.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the issuer. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF INTERESTS

(a) Director's interests and short positions in the securities of the Company and its associated corporations

As at the Latest Practicable Date, the interests or short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers in the Listing Rules, were as follows:

(i) Interests in the ordinary shares of the Company

Name of Directors	Personal Interest	Family Interest	Corporate Interest	Number of Underlying Shares (Note 1)	Aggregate long position in ordinary shares of the Company	Percentage which the aggregate long position in ordinary shares represents to the total ordinary shares of the Company in issue %
Lau Ho Ming, Peter	720,000	720,000	120,716,000 (Note 2)	4,710,000	126,866,000	35.1
Li Man Yee, Stella	720,000	121,436,000 (Note 2)	-	4,710,000	126,866,000	35.1
Poon Pak Ki	150,000	-	-	1,700,000	1,850,000	0.5
Ng Kam Seng	240,000	-	-	1,910,000	2,150,000	0.6
Chu, Raymond	6,694,000	-	-	168,000	6,862,000	1.9
Leung Po Wing, Bowen Joseph	72,000	-	-	518,000	590,000	0.2
Chan Siu Wing, Raymond	-	-	-	518,000	518,000	0.1
Wong Wah On, Edward	-	-	-	-	-	-

Notes:

1. This interest represents the interests in the underlying Shares in respect of share options granted by the Company to the Directors as beneficial owners.
2. 120,716,000 Shares are registered in the name of Smart Investor Holdings Limited (“**Smart Investor**”), a company owned as to 67.4% by Mr. Lau and 32.6% by Madam Li. As Mr. Lau controls more than one-third of the voting power of Smart Investor, by virtue of the provisions in Part XV of the SFO, Mr. Lau is deemed to be interested in all the Shares held by Smart Investor. Madam Li is the spouse of Mr. Lau. By virtue of the provisions of Part XV of the SFO, Madam Li is deemed to be interested in all the Shares in which Mr. Lau is interested in or deemed to be interested in.
3. Outstanding balance of share options granted to Mr. Lau and Madam Li to subscriber for 2,680,000 Shares and 2,030,000 Shares, respectively, totaling 4,710,000 Shares. By virtue of the provisions of Part XV of the SFO, Mr. Lau and Madam Li are deemed to be interested in the underlying Shares of each other.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or chief executive of the Company had any interests and short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provision of the SFO), or which were recorded in the register required to be kept under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers in the Listing Rules.

(b) Persons who have an interest or short position which is discloseable under Divisions 2 and 3 of Part XV of the SFO and substantial Shareholders

So far as is known to the Directors, as at the Latest Practicable Date, the following person (not being Directors or chief executive of the Company) had, or was deemed to have, interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or who were directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group:

- (i) Interests in the ordinary shares and underlying shares of the Company

Name	Number or approximate attributable number of ordinary shares	Aggregate long position in underlying shares of the Company	Approximate percentage or Approximate attributable Percentage holding of ordinary shares currently in issue and/or percentage which the aggregate long position in underlying shares of the Company represents to the total ordinary share capital of the Company in issue
Smart Investor Holdings Limited	120,716,000	120,716,000	33.4%

Save as disclosed above, as at the Latest Practicable Date, the Directors of the Company were not aware of any other person who had an interest or short position in the Shares and Underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or who was directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group.

Save as disclosed above, as at the Latest Practicable Date, no other person had interests which were recorded in the register required to be kept under section 336 of the SFO.

3. DIRECTORS' SERVICE CONTRACTS

Each of the executive Directors has entered into a service contract with the Company with a term of 3 years which shall be terminated by either party by serving no less than three months' notice in writing subject to the terms and conditions of such service contract.

Each of the non-executive Directors, including the independent non-executive Directors, has signed an appointment letter with a fixed appointment term of 1 year subject to an automatic renewal of a further period of 1 year which shall be terminated by either party by serving no less than one month' notice in writing subject to the terms and conditions of such service contract.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors had a service contract with any member of the Group which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

4. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors nor his associates was interested in any business apart from the business of the Group, which competes or is likely to compete, either directly or indirectly, with that of the Group.

5. MATERIAL CHANGES

Save as disclosed in the profit warning announcement dated 23 September 2015 and the interim results announcement of the Company dated 27 November 2015, the Directors are not aware of any material adverse change in the financial or trading position of the Group since 31 March 2015, being the date to which the latest published audited financial statements of the Group were made up.

6. INTERESTS IN CONTRACTS AND ASSETS

During the period since 31 March 2015, the date to which the latest published audited financial statements of the Group were made up, up to and including the Latest Practicable Date, and save as the transactions contemplated under the Disposal as disclosed in this circular, Mr. Lau, the Executive Chairman of the Company, and Madam Li, a non-executive Director of the Company and the spouse of Mr. Lau, have direct or indirect interests in the following assets which had been acquired or disposed of by or leased to, or which are proposed to be acquired or disposed of by or leased to, the Company or any of its subsidiaries:

Commencement date of agreement	Expiry date of agreement	Description of transactions	Connected persons	Annual Rental (exclusive of management fees, government rates and utility charges) (HK\$)
1 April 2015	31 March 2016	Sub-letting of an office space by PMT, a wholly-owned subsidiary of the Group, from a connected person	(i)	464,000
1 April 2015	31 March 2017	Leasing of a residential apartment from a connected person for Director's quarter	(ii)	1,176,000
1 April 2016	31 March 2017	Leasing of an office space from a connected person upon completion of the Disposal	(iii)	3,432,000

- (i) the connected person is Mega Time Inc Ltd, a company controlled by Mr. Lau and the property sub-let by PMT is an office space in Workshop C, 19/F, TML Tower, 3 Hoi Shing Road, Tsuen Wan, Hong Kong.
- (ii) the connected person is Loyal Gold (Hong Kong) Limited, a company wholly-owned by Madam Li and the property leased is Apartment 2, 3/F, Block C, Park Place, 7 Tai Tam Reservoir Road, Hong Kong.
- (iii) the connected person is Gold Prospect, which will become a connected person upon the completion of the Disposal and the property to be leased by a wholly-owned subsidiary of the Company is an office space in Workshop C, 19/F, TML Tower, 3 Hoi Shing Road, Tsuen Wan, Hong Kong.

Saved as disclosed above, none of the Directors has any direct or indirect interests in any assets which had been acquired or disposed of by or leased to, or which are proposed to be acquired or disposed of by or leased to, the Company or any of its subsidiaries during the period since 31 March 2015, the date to which the latest published audited financial statements of the Group were made up, up to and including the Latest Practicable Date.

Save as disclosed herein, there had been no contract or arrangement of significance in relation to the Group's business to which the Company or any of its subsidiaries was a party and in which any of the Directors had a material interest, whether directly or indirectly, subsisted as at the Latest Practicable Date.

7. EXPERTS AND CONSENTS

The following is the qualification of the experts who have given opinion or advice which are contained in this circular:

Name	Qualification
BMI Appraisals Limited	Independent property valuer
Veda Capital Limited	Licensed corporation for type 6 (advising on corporate finance) regulated activity as defined under the SFO

Each of the above experts has given and has not withdrawn its written consent to the issue of this circular with the inclusion therein of its reports or opinions and references to its name in the form and context in which they appear.

As at the Latest Practicable Date, none of the above experts have any shareholding in any member of the Group and did not have any right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

As at the Latest Practicable Date, none of the above experts have any direct or indirect interests in any assets which had been, since 31 March 2015 (being the date to which the latest published audited consolidated financial statements of the Group were made up), acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to, any member of the Group.

8. MISCELLANEOUS

- (a) The registered office of the Company is at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.
- (b) The head office and principal place of business of the Company is at Workshop 3 on 19th Floor, TML Tower, 3 Hoi Shing Road, Tsuen Wan, New Territories, Hong Kong.
- (c) The Hong Kong branch share registrar and transfer office of the Company is Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong.
- (d) The English text of this circular shall prevail over the Chinese text in case of any inconsistency.

9. DOCUMENTS FOR INSPECTION

Copies of the following documents are available for inspection at the principal place of business of the Company in Hong Kong at Workshop 3 on the 19th Floor, TML Tower, 3 Hoi Shing Road, Tsuen Wan, New Territories, Hong Kong during normal business hours on any business day from, the date of this circular up to and including the date of the EGM:

- (a) the Sale and Purchase Agreement;
- (b) the letter from the Independent Board Committee to the Independent Shareholders;
- (c) the letter from Veda Capital Limited to the Independent Board Committee and the Independent Shareholders;
- (d) the letter and valuation certificate prepared by BMI Appraisals Limited, the text of which is set out in Appendix I to this circular;
- (e) the written consents referred to in the paragraph headed “EXPERT AND CONSENTS” in this appendix; and
- (f) this circular.

NOTICE OF EXTRAORDINARY GENERAL MEETING

QUALI-SMART HOLDINGS LIMITED

滙達富控股有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1348)

NOTICE IS HEREBY GIVEN that an extraordinary general meeting of the shareholders of Quali-Smart Holdings Limited (the “**Company**”) will be held at Unit 101, First Commercial Building, 33-35 Leighton Road, Causeway Bay, Hong Kong on Tuesday, 12 January, 2016 at 10 a.m. for the purpose of considering and, if thought fit, passing with or without amendments, the following resolutions which will be proposed as ordinary resolutions:

ORDINARY RESOLUTIONS

- 1 “**THAT:** subject to and conditional upon the Listing Committee of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) granting the listing of, and permission to deal in, the Sub-divided Ordinary Shares (as hereafter defined), each of the issued and unissued ordinary shares of US\$0.0001 each in share capital of the Company be and is hereby sub-divided into four (4) ordinary shares of US\$0.000025 each (the “**Sub-divided Ordinary Shares**”) such that the authorised share capital of the Company is US\$50,000 divided into 2,000,000,000 ordinary shares of US\$0.000025 each, with effect from the business day which is a settlement day for the trading of shares of the Company on the Stock Exchange immediately following the date on which this resolution is passed (the “**Share Sub-division**”) and that any director of the Company (the “**Director(s)**”) be authorised for and on behalf of the Company to execute all such documents, instruments and agreements and to do all such acts or things deemed by the Director in his/her absolute discretion to be incidental to, ancillary to or in connection with the matters contemplated in, for completion of the Share Sub-division including but not limited to, to cancel any existing share certificates and to issue new share certificates in respect of the Sub-divided Ordinary Shares to holders of the existing ordinary shares of the Company pursuant to the Share Sub-division.”
- 2 “**THAT:** the terms and conditions of the sale and purchase agreement dated 27 November 2015 (the “**Agreement**”, a copy of which has been produced to the meeting marked “A” and signed by the chairman of the meeting for the purpose of identification) entered into between the Company (the “**Vendor**”) and Grandrich International Limited (the “**Purchaser**”) in relation to the purchase of the entire issued share capital of Victor Gold Investments Limited by the Purchaser from the Vendor for a total consideration of HK\$70,000,000 be and are hereby approved, ratified and confirmed; and the board of directors of the Company (the “**Board**”) be and are hereby generally and unconditionally authorised to do all such acts and things and execute all such documents as it considers necessary or expedient or desirable in connection with or to give effect to the Agreement and to implement the transactions contemplated thereunder pursuant to the terms and conditions of the Agreement and to agree to such variation, amendments or waivers of matters relating thereto as are, in the opinion of the Board, in the interests of the Company.”

By Order of the Board
QUALI-SMART HOLDINGS LIMITED
Ng Kam Seng
Executive Director

Hong Kong, 23 December, 2015

* For identification purpose only

NOTICE OF EXTRAORDINARY GENERAL MEETING

Notes:

1. A shareholder entitled to attend and vote at the meeting convened by the above notice is entitled to appoint a proxy in respect of the whole or any part of his holding of shares to attend and vote in his stead. A proxy need not be a shareholder of the Company.
2. To be valid, a form of proxy, together with the power of attorney or other authority (if any) under which it is signed or a certified copy of such power of attorney or authority, must be deposited at the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, not less than 48 hours before the time appointed for holding the meeting or any adjourned meeting, and in default thereof the form of proxy shall not be treated as valid. No instrument appointing a proxy shall be valid after the expiry of 12 months from the date of its execution.
3. Delivery of an instrument appointing a proxy shall not preclude a shareholder from attending and voting in person at the meeting, and in such event the instrument appointing a proxy shall be deemed to be revoked.