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

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

ANNUAL RESULTS FOR THE YEAR ENDED 31 MARCH 2015

FINANCIAL HIGHLIGHTS

- Revenue for the year ended 31 March 2015 was approximately HK$829.0 million, representing an increase of 7.2% from approximately HK$773.2 million for the year ended 31 March 2014.

- Gross profit for the year ended 31 March 2015 remained unchanged of approximately HK$87.3 million as for the year ended 31 March 2014.

- Loss for the year ended 31 March 2015 was approximately HK$3.7 million, compared with a profit for the year ended 31 March 2014 of approximately HK$20.2 million. Included therein, major components consist of an one-off impairment loss on trade receivables for approximately HK$12.0 million and a write-down of inventories for approximately HK$3.7 million related to a customer in the United States which has entered uncertain financial conditions.

- The Board does not recommend the payment of final dividend for the year ended 31 March 2015.

* *For identification purpose only*

ANNUAL RESULTS

The board (the "Board") of directors (the "Directors") of Quali-Smart Holdings Limited (the "Company") is pleased to present the consolidated financial results of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 March 2015 together with the comparative figures for the preceding financial year in this announcement.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Year ended 31 March	
		2015	2014
	Notes	***HK$'000***	*HK$'000*
REVENUE	6	**829,016**	773,235
Cost of sales		**(741,701)**	(685,903)
Gross profit		**87,315**	87,332
Other income and gains	6	**5,418**	10,264
Selling expenses		**(23,134)**	(20,449)
Administrative expenses		**(67,977)**	(49,068)
Fair value changes in derivative financial asset	7	**2,979**	–
Finance costs	8	**(5,118)**	(2,464)
(LOSS)/PROFIT BEFORE INCOME TAX EXPENSE	7	**(517)**	25,615
Income tax expense	9	**(3,209)**	(5,426)
(LOSS)/PROFIT FOR THE YEAR		**(3,726)**	20,189
Other comprehensive income attributable to the owners of the Company that may be classified to profit or loss in subsequent periods:			
Exchange differences on translating foreign operations		**26**	371
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**(3,700)**	20,560
(Loss)/Profit attributable to:			
Owners of the Company		**(3,721)**	20,189
Non-controlling interests		**(5)**	–
		(3,726)	20,189

		Year ended 31 March	
		2015	2014
	Notes	***HK$'000***	*HK$'000*
Total comprehensive income attributable to:			
Owners of the Company		**(3,695)**	20,560
Non-controlling interests		**(5)**	–
		(3,700)	20,560
(Losses)/Earnings per share	11		
– Basic and diluted (HK cents)		**(1.39)**	8.41

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		At 31 March	
		2015	2014
	Notes	***HK$'000***	*HK$'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**128,451**	122,025
Prepaid land lease payments		**7,520**	7,718
Goodwill		**51,759**	–
Intangible assets		**85,395**	–
Interests in a joint venture		**–**	–
Deferred tax asset		**1,756**	–
Total non-current assets		**274,881**	129,743
CURRENT ASSETS			
Inventories	12	**133,160**	157,747
Trade receivables	13	**74,620**	28,203
Prepayments, deposits and other receivables		**1,676**	3,920
Derivative financial asset	18	**5,140**	–
Tax recoverable		**854**	1,807
Cash and cash equivalents		**67,170**	75,240
Total current assets		**282,620**	266,917
CURRENT LIABILITIES			
Trade payables	15	**44,603**	45,539
Receipts in advance, accruals and other payables		**42,589**	32,210
Interest-bearing bank borrowings	16	**52,772**	68,119
Derivative financial instruments	14	**161**	–
Total current liabilities		**140,125**	145,868
NET CURRENT ASSETS		**142,495**	121,049
TOTAL ASSETS LESS CURRENT LIABILITIES		**417,376**	250,792

		At 31 March	
		2015	2014
	Notes	***HK$'000***	*HK$'000*
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings	16	**33,600**	40,400
Promissory notes	17	**20,089**	–
Convertible notes	18	**51,189**	–
Deferred tax liabilities		**14,302**	–
Total non-current liabilities		**119,180**	40,400
Net assets		**298,196**	210,392
EQUITY			
Share capital	19	**224**	187
Reserves	20	**297,381**	210,205
		297,605	210,392
Non-controlling interests		**591**	–
Total equity		**298,196**	210,392

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to the owners of the Company												
	Share capital	**Share premium**	**Capital reserve**	**Statutory reserve**	**Translation reserve**	**Other reserve**	**Share option reserve**	**Convertible notes equity reserve**	**Retained earnings**	**Proposed final dividend**	**Total**	**Non-controlling interests**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 April 2013	187	104,048	9,271	584	4,464	2,100	–	–	81,085	–	201,739	–	201,739
Dividend paid *(note 10)*	–	–	–	–	–	–	–	–	(12,000)	–	(12,000)	–	(12,000)
Equity settled share-based transactions *(note 21)*	–	–	–	–	–	–	93	–	–	–	93	–	93
Profit for the year	–	–	–	–	–	–	–	–	20,189	–	20,189	–	20,189
Other comprehensive income													
Exchange differences arising on translation of foreign operations	–	–	–	–	371	–	–	–	–	–	371	–	371
Total comprehensive income for the year	–	–	–	–	371	–	–	–	20,189	–	20,560	–	20,560
Transfer to statutory reserve	–	–	–	112	–	–	–	–	(112)	–	–	–	–
Final dividend proposed	–	–	–	–	–	–	–	–	(4,800)	4,800	–	–	–
At 31 March 2014 and 1 April 2014	187	104,048	9,271	696	4,835	2,100	93	–	84,362	4,800	210,392	–	210,392
Acquisition of subsidiaries *(note 22)*	–	–	–	–	–	–	–	–	–	–	–	596	596
Equity settled share-based transactions *(note 21)*	–	–	–	–	–	–	2,228	–	–	–	2,228	–	2,228
Lapse of share options *(note 21)*	–	–	–	–	–	–	(98)	–	98	–	–	–	–
Dividend paid *(note 10)*	–	–	–	–	–	–	–	–	(8,640)	(4,800)	(13,440)	–	(13,440)
Proceeds from placing of new shares *(note 19(b))*	37	59,963	–	–	–	–	–	–	–	–	60,000	–	60,000
Issuing expenses of placing new shares	–	(605)	–	–	–	–	–	–	–	–	(605)	–	(605)
Recognition of equity component of convertible notes *(note 18)*	–	–	–	–	–	–	–	42,725	–	–	42,725	–	42,725
Loss for the year	–	–	–	–	–	–	–	–	(3,721)	–	(3,721)	(5)	(3,726)
Other comprehensive income													
Exchange differences arising on translation of foreign operations	–	–	–	–	26	–	–	–	–	–	26	–	26
Total comprehensive income for the year	–	–	–	–	26	–	–	–	(3,721)	–	(3,695)	(5)	(3,700)
Transfer to statutory reserve	–	–	–	103	–	–	–	–	(103)	–	–	–	–
At 31 March 2015	224	163,406	9,271	799	4,861	2,100	2,223	42,725	71,996	–	297,605	591	298,196

NOTES TO FINANCIAL INFORMATION

1. CORPORATE INFORMATION

The Company was incorporated as an exempted company with limited liability in the Cayman Islands on 14 March 2012 under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The Company's registered office is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands and its principal place of business in Hong Kong is located at Workshop C on 19th Floor, TML Tower, 3 Hoi Shing Road, Tsuen Wan, New Territories, Hong Kong. The ordinary shares in the capital of the Company (the "Shares") are listed on the Main Board of the Stock Exchange of Hong Kong Limited (the "Stock Exchange").

2. ADOPTION OF NEW OR REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

(a) Adoption of new/revised HKFRSs

The Group has adopted the following new/revised HKFRSs for the first time for the financial year beginning 1 April 2014:

Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities
Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011)	Investment Entities
Amendments to HKAS 36	Recoverable Amount Disclosures
Amendments to HKAS 39	Novation of Derivatives and Continuation of Hedge Accounting
HK (IFRIC) 21	Levies

The adoption of these amendments has no significant impact on the Group's consolidated financial statements.

(b) New/amended HKFRSs that have been issued but not yet effective

The following new/amended HKFRSs, potentially relevant to the Group's consolidated financial statements, have been issued, but are not yet effective in the financial year and have not been early adopted by the Group.

HKFRSs (Amendments)	Annual Improvements 2010-2012 Cycle [2]
HKFRSs (Amendments)	Annual Improvements 2011-2013 Cycle [1]
HKFRSs (Amendments)	Annual Improvements 2012-2014 Cycle [3]
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation [3]
Amendments to HKAS 1	Disclosure Initiative [3]
Amendments to HKAS 27	Equity Method in Separate Financial Statements [3]
HKFRS 9 (2014)	Financial Instruments [5]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture [3]
Amendments to HKFRS 11	Accounting for Acquisitions of Interests In Joint Operations [3]
HKFRS 15	Revenue from Contracts with Customers [4]

[1] Effective for annual periods beginning on or after 1 July 2014
[2] Effective for annual periods beginning, or transactions occurring, on or after 1 July 2014
[3] Effective for annual periods beginning on or after 1 January 2016
[4] Effective for annual periods beginning on or after 1 January 2017
[5] Effective for annual periods beginning on or after 1 January 2018

The Directors anticipate that all of the pronouncements will be adopted in the Group's accounting policy for the first period beginning after the effective date of the pronouncements. Information on new or amended HKFRSs that are expected to have impact on the Group's accounting policies is provided below. Certain other new or amended HKFRSs have been issued but are not expected to have a material impact on the Group's consolidated financial statements.

Amendments to HKAS 16 and HKAS 38 – Clarification of Acceptable Methods of Depreciation and Amortisation

The amendments to HKAS 16 prohibit the use of a revenue-based depreciation method for items of property, plant and equipment. The amendments to HKAS 38 introduce a rebuttable presumption that amortisation based on revenue is not appropriate for intangible assets. This presumption can be rebutted if either the intangible asset is expressed as a measure of revenue or revenue and the consumption of the economic benefits of the intangible asset and highly correlated.

Amendments to HKAS 27 – Equity Method in Separate Financial Statements

The amendments allow an entity to apply the equity method in accounting for its investments in subsidiaries, joint ventures and associates in its separate financial statements.

HKFRS 9 (2014) – Financial Instruments

HKFRS 9 introduces new requirements for the classification and measurement of financial assets. Debt instruments that are held within a business model whose objective is to hold assets in order to collect contractual cash flows (the business model test) and that have contractual terms that give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding (the contractual cash flow characteristics test) are generally measured at amortised cost. Debt instruments that meet the contractual cash flow characteristics test are measured at FVTOCI if the objective of the entity's business model is both to hold and collect the contractual cash flows and to sell the financial assets. Entities may make an irrevocable election at initial recognition to measure equity instruments that are not held for trading at FVTOCI. All other debt and equity instruments are measured at FVTPL.

HKFRS 9 includes a new expected loss impairment model for all financial assets not measured at FVTPL replacing the incurred loss model in HKAS 39 and new general hedge accounting requirements to allow entities to better reflect their risk management activities in financial statements.

HKFRS 9 carries forward the recognition, classification and measurement requirements for financial liabilities from HKAS 39, except for financial liabilities designated at FVTPL, where the amount of change in fair value attributable to change in credit risk of the liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, HKFRS 9 retains the requirements in HKAS 39 for derecognition of financial assets and financial liabilities.

HKFRS 15 – Revenue from Contracts with Customers

The new standard establishes a single revenue recognition framework. The core principle of the framework is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. HKFRS 15 supersedes existing revenue recognition guidance including HKAS 18 Revenue, HKAS 11 Construction Contracts and related interpretations.

HKFRS 15 requires the application of a 5 steps approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to each performance obligation
- Step 5: Recognise revenue when each performance obligation is satisfied

HKFRS 15 includes specific guidance on particular revenue related topics that may change the current approach taken under HKFRS. The standard also significantly enhances the qualitative and quantitative disclosures related to revenue.

3. BASIS OF PREPARATION

(a) Statement of compliance

The consolidated financial statements have been prepared in accordance with HKFRSs, which collective terms include all applicable individual HKFRSs, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The consolidated financial statements also include the applicable disclosures requirements of the Hong Kong Companies Ordinance and applicable Rules Governing the Listing of Securities on the Main Broad of the Stock Exchange (the "Listing Rules").

(b) Basis of measurement

The consolidated financial statements have been prepared under the historical cost basis except for derivative financial instruments and derivative financial assets which are stated at fair values. Item included in the financial statements of each of the Company's subsidiaries are measured using the currency of the primary economic environment in which the entity operates. The consolidated financial statements are presented in Hong Kong dollars ("HK$"), which is the functional currency of the Company. All values are rounded to the nearest thousand except when otherwise indicated.

4. BASIS OF CONSOLIDATION

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries. Inter-company transactions and balances between group companies together with unrealised profits are eliminated in full in preparing the consolidated financial statements. Unrealised losses are also eliminated unless the transaction provides evidence of impairment on the asset transferred, in which case the loss is recognised in profit or loss.

The results of subsidiaries acquired or disposed of during the year (if any) are included in the consolidated statement of comprehensive income from the dates of acquisition or up to the dates of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

Acquisition of subsidiaries or businesses is accounted for using the acquisition method. The cost of an acquisition is measured at the aggregate of the acquisition-date fair value of assets transferred, liabilities incurred and equity interests issued by the Group, as the acquirer. The identifiable assets acquired and liabilities assumed are principally measured at acquisition-date fair value. The Group's previously held equity interest in the acquiree is re-measured at acquisition-date fair value and the resulting gains or losses are recognised in profit or loss. The Group may elect, on a transaction-by-transaction basis, to measure the non-controlling interests that represent present ownership interests in the subsidiary either at fair value or at the proportionate share of the acquiree's identifiable net assets. All other non-controlling interests are measured at fair value unless another measurement basis is required by HKFRSs. Acquisition-related costs incurred are expensed unless they are incurred in issuing equity instruments in which case the costs are deducted from equity.

Any contingent consideration to be transferred by the acquirer is recognised at acquisition-date fair value. Subsequent adjustments to consideration are recognised against goodwill only to the extent that they arise from new information obtained within the measurement period (a maximum of 12 months from the acquisition date) about the fair value at the acquisition date. All other subsequent adjustments to contingent consideration classified as an asset or a liability are recognised in profit or loss.

Changes in the Group's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the Group's interest and the non-controlling interest are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interest. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for in the same manner as would be required if the relevant assets or liabilities were disposed of.

Subsequent to acquisition, the carrying amount of non-controlling interests that represent present ownership interests in the subsidiary is the amount of those interests at initial recognition plus such non-controlling interest's share of subsequent changes in equity. Total comprehensive income is attributed to such non-controlling interests even if this results in those non-controlling interests having a deficit balance.

5. OPERATING SEGMENT INFORMATION

The Group determines its operating segments based on the reports reviewed by the chief operating decision-maker that are used to make strategic decisions. The chief operating decision-maker considers the business primarily on the assessment of operating performance in each operating unit, which is the basis upon which the Group is organised. Each operating unit is distinguished based on types of goods or services delivered or provided. During the year, the Group obtained control of Pulse Mediatech Limited and its subsidiaries (collectively referred to as "PMT Group") by acquiring its entire equity interest. The principal activities of PMT Group are provision of digital publishing and the development of mobile and web application solutions. The activities of PMT Group have become a new reportable and operating segment of the Group and separately assessed by the chief operating decision-marker. The following summary describes the operations in each of the Group's reportable segments:

– Manufacturing and sales of toys; and

– Digital publishing, mobile and web application solutions

(a) Reportable segments

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

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

Segment revenue and results

	Manufacturing and sales of toys	Digital publishing, mobile and web application solutions	Total
	HK$'000	*HK$'000*	*HK$'000*
For the year ended 31 March 2015			
External revenue	**827,845**	**1,171**	**829,016**
Segment profit/(loss)	**15,353**	**(4,051)**	**11,302**
Corporate income			
– Others			**2**
Central administrative cost			**(14,639)**
Fair value change in derivative financial asset			**2,979**
Fair value loss on derivative financial instruments			**(161)**
Loss before income tax expense			**(517)**

	Manufacturing and sales of toys	Digital publishing, mobile and web application solutions	Total
	HK$'000	*HK$'000*	*HK$'000*
For the year ended 31 March 2014			
External revenue	773,235	–	773,235
Segment profit	31,642	–	31,642
Corporate income			
– Others			15
Central administrative cost			(7,818)
Fair value gain on derivative financial instruments			1,776
Profit before income tax expense			25,615

Segment profit/(loss) represents the profit or (loss) earned by each segment without allocation of corporate income, fair value (loss)/gain on derivative financial instruments, fair value change in financial assets and central administrative cost. This is the information reported to the chief operating decision maker for the purpose of resource allocation and performance assessment.

Segment assets

All assets are allocated to reportable segments other than deferred tax asset, prepayment, tax recoverable, derivative financial asset and cash and cash equivalent.

	2015	2014
	HK$'000	*HK$'000*
Manufacturing and sales of toys	**343,049**	317,717
Digital publishing, mobile and web application solutions	**138,666**	–
Total segment assets	**481,715**	317,717
Unallocated	**75,786**	78,943
Consolidated assets	**557,501**	396,660

Segment liabilities

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

	2015	2014
	HK\$'000	*HK\$'000*
Manufacturing and sales of toys	**172,481**	186,268
Digital publishing, mobile and web application solutions	**1,083**	–
Total segment liabilities	**173,564**	186,268
Unallocated	**85,741**	–
Consolidated liabilities	**259,305**	186,268

Other segment information

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

For the year ended 31 March 2015

	Manufacturing and sales of toys	**Digital publishing, mobile and web application solutions**	**Total**
	HK\$'000	***HK\$'000***	***HK\$'000***
Additions to property, plant and equipment	**19,392**	**33**	**19,425**
Depreciation of property, plant and equipment	**(15,556)**	**(43)**	**(15,599)**
Gain on disposal of property, plant and machinery	**45**	**–**	**45**
Amortisation of prepaid lease payments	**(207)**	**–**	**(207)**
Amortisation of intangible assets	**–**	**(2,505)**	**(2,505)**
Impairment loss on trade receivables	**(12,046)**	**–**	**(12,046)**
Impairment loss on other receivables	**(210)**	**–**	**(210)**
Write-down of inventories	**(6,604)**	**–**	**(6,604)**
Interest expenses	**(3,270)**	**–**	**(3,270)**

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

For the year ended 31 March 2014

	Manufacturing and sales of toys	Digital publishing, mobile and web application solutions	Total
	HK$'000	*HK$'000*	*HK$'000*
Additions to property, plant and equipment	27,707	–	27,707
Depreciation of property, plant and equipment	(10,044)	–	(10,044)
Amortisation of prepaid lease payments	(207)	–	(207)
Bad debts written off	(2,270)	–	(2,270)
Interest expenses	(2,356)	–	(2,356)

(b) Geographical information

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

(i) Revenue from external customers

	Year ended 31 March	
	2015	2014
	HK$'000	*HK$'000*
North America *(note 1)*	**433,847**	430,385
Western Europe		
– United Kingdom	**108,462**	96,922
– France	**30,574**	34,788
– Netherland	**12,952**	19,672
– Others *(note 2)*	**115,740**	91,800
South America	**24,611**	13,884
PRC and Taiwan	**37,985**	21,722
Australia, New Zealand and Pacific Islands	**20,349**	22,909
Central America, Caribbean and Mexico	**18,761**	16,299
Others *(note 3)*	**25,735**	24,854
Total	**829,016**	773,235

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

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

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

(ii) Specified non-current assets

	Year ended 31 March	
	2015	2014
	HK$'000	*HK$'000*
Mainland China, the PRC	**62,869**	59,413
Hong Kong	**73,102**	70,330
Total	**135,971**	129,743

(c) Information about major customers

Revenue from major customers, each of whom amounted to 10% or more of the Group's revenue, is set out below:

	Year ended 31 March	
	2015	2014
	HK$'000	*HK$'000*
Customer A	**249,995**	279,556
Customer B	**140,267**	183,182
Customer C*	**134,201**	–
Customer D*	**106,312**	–
Customer E	**84,314**	82,900

* The customer contributed less than 10% of the Group's revenue during the year ended 31 March 2014.

6. REVENUE, OTHER INCOME AND GAINS

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

	Year ended 31 March	
	2015	2014
	HK$'000	*HK$'000*
Revenue		
Sale of goods	**827,845**	773,235
Digital publishing, mobile and web application solutions	**1,171**	–
	829,016	773,235
Other income and gains		
Moulding income	**3,855**	7,044
Net (loss)/gain on derivative financial instruments	**(161)**	1,776
Interest income from bank deposits	**27**	21
Gain on disposal of property, plant and equipment	**45**	–
Exchange gains, net	**115**	278
Others	**1,537**	1,145
	5,418	10,264

7. (LOSS)/PROFIT BEFORE INCOME TAX EXPENSE

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

	Year ended 31 March	
	2015	2014
	HK$'000	*HK$'000*
Cost of inventories sold	**741,701**	685,903
Depreciation of property, plant and equipment	**18,667**	11,293
Amortisation of prepaid land lease payments	**207**	207
Amortisation of intangible assets	**2,505**	–
Employee benefits expenses (excluding Directors' remuneration):		
Wages and salaries	**34,819**	38,168
Equity settled share-based payment expenses to employees	**467**	20
Pension scheme contributions	**3,587**	3,931
Other benefits	**4,818**	4,765
	43,691	46,884
Fair value change in derivative financial asset	**(2,979)**	–
Equity settled share-based payment expenses to eligible persons other than employees and directors	**241**	9
Auditor's remuneration	**1,380**	950
Operating lease charges in respect of land and buildings	**3,563**	2,191
Write-down of inventories	**6,604**	–
Impairment loss on other receivables	**210**	–
Impairment loss on trade receivables/Bad debts written off	**12,046**	2,270

8. FINANCE COSTS

	Year ended 31 March	
	2015	2014
	HK$'000	*HK$'000*
Interest on bank and other borrowings:		
– Wholly repayable within five years	**2,891**	2,375
– Not wholly repayable within five years	**892**	89
– Promissory notes	**280**	–
– Convertible notes	**1,055**	–
	5,118	2,464

9. INCOME TAX EXPENSE

Hong Kong profits tax has been provided on the estimated assessable profit arising in Hong Kong at the rate of 16.5% during the year (2014: 16.5%). Taxes on profits assessable elsewhere have been calculated at the rate of tax prevailing in the locations in which the Group operates.

The PRC corporate income tax rate of the Company's subsidiary operating in the PRC during the year was 25% on its taxable profit (2014: 25%).

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

	Year ended 31 March	
	2015	2014
	HK$'000	*HK$'000*
Current – Hong Kong		
Charge for the year	**4,817**	5,809
Under/(over) provision in prior years	**6**	(757)
	4,823	5,052
Current – PRC		
Charge for the year	**344**	374
	5,167	5,426
Deferred tax credit	**(1,958)**	–
Income tax expense for the year	**3,209**	5,426

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

	Year ended 31 March	
	2015	2014
	HK$'000	*HK$'000*
(Loss)/Profit before income tax expense	**(517)**	25,615
Tax at the applicable tax rate of 16.5% (2014: 16.5%)	**(85)**	4,226
Effect of different tax rate of a subsidiary operating in other jurisdiction	**69**	79
Tax effect of revenue not taxable for tax purposes	**(469)**	(14)
Tax effect of expenses not deductible for tax purposes	**3,085**	1,739
Tax effect of tax loss not recognised	**342**	–
Tax effect of temporary difference not recognised	**261**	153
Under/(over) provision in respect of prior years	**6**	(757)
Income tax expense	**3,209**	5,426

As at 31 March 2015, no deferred tax asset has been recognised in respect of the deductible temporary differences of HK$2,509,000 (2014: HK$927,000) as the amounts are immaterial to the Group.

No deferred tax asset has been recognised in respect of the unused tax losses of HK$2,073,000 (2014: Nil) due to the unpredictability of future profit streams. The unused tax losses can be carried forward indefinitely. In addition, as at 31 March 2015, the aggregate amount of temporary differences associated with the unremitted earnings of the Company's subsidiary established in the PRC, of which deferred tax liabilities have not been provided are approximately of HK$6,816,000 (2014: HK$5,885,000). It is because in the opinion of the Directors, it is not probable that this subsidiary will distribute its earnings accrued from 1 January 2008 to 31 March 2015 in the foreseeable future.

10. DIVIDENDS

	Year ended 31 March	
	2015	2014
	HK$'000	*HK$'000*
Interim dividend of HK cents 3 per Share (2014: HK cents 5 per Share)	**8,640**	12,000
Proposed final dividend of HK cents Nil per Share (2014: HK cents 2 per Share)	**–**	4,800
	8,640	16,800

The interim dividend of HK cents 3 per Share, totalling HK$8,640,000, (2014: HK cents 5 per Share, totaling HK$12,000,000) for the year ended 31 March 2015 was declared in November 2014 and paid in December 2014.

At the Board meeting held on 30 June 2015, the Directors did not propose a final dividend for the year ended 31 March 2015 (2014: HK cents 2 per Share totaling HK$ 4,800,000).

11. (LOSSES)/EARNINGS PER SHARE

The calculation of basic (losses)/earnings per share attributable to the owners of the Company is based on the loss for the year ended 31 March 2015 of approximately HK$3,721,000 (2014: profit attributable to the owners of the Company of approximately HK$20,189,000), and of the weighted average number of 266,958,904 (2014: 240,000,000) ordinary shares in issue during the year.

Diluted loss per share are the same as basic loss per share for the year ended 31 March 2015 (2014: same) as the impact of the potential dilutive ordinary shares outstanding has an anti-dilutive effect on the basic loss per share presented for the year ended 31 March 2015 (2014: anti-dilutive).

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

12. INVENTORIES

	At 31 March	
	2015	2014
	HK$'000	*HK$'000*
Raw materials	**84,188**	82,911
Work in progress	**5,565**	31,360
Finished goods	**43,407**	43,476
	133,160	157,747

13. TRADE RECEIVABLES

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

	At 31 March	
	2015	2014
	HK$'000	*HK$'000*
Current to 30 days	**34,191**	19,276
31 to 60 days	**12,787**	3,314
61 to 90 days	**12,374**	4,451
Over 90 days	**27,314**	1,162
	86,666	28,203
Less: Allowance for impairment loss	**(12,046)**	–
	74,620	28,203

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

	At 31 March	
	2015	2014
	HK$'000	*HK$'000*
Neither past due nor impaired	**47,145**	22,606
Less than 1 month past due	**12,843**	4,111
1 to 3 months past due	**10,516**	1,397
Over 3 months past due	**4,116**	89
	74,620	28,203

Receivables that were neither past due nor impaired relate to the customers for which there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, the Directors are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral or other credit enhancements over these balances.

The below table reconciled the impairment loss of trade receivables for the year:

	At 31 March	
	2015	2014
	HK$'000	*HK$'000*
At 1 April	**–**	–
Impairment loss recognised	**12,046**	2,270
Bad debts written off	**–**	(2,270)
At 31 March	**12,046**	–

The Group recognises impairment loss in accordance with its credit policy.

14. DERIVATIVE FINANCIAL INSTRUMENTS

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

As at 31 March 2015, the notional amount of the outstanding forward contracts with contract periods within 13 months were US$25.0 million (2014: Nil).

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

The below table reconciled the movements of the derivative financial instruments during the year.

	At 31 March	
	2015	2014
	HK$'000	*HK$'000*
At 1 April	**–**	1,014
Net (loss)/gain on derivative financial instruments during the year	**(161)**	1,776
Settlements during the year	**–**	(2,790)
At 31 March	**(161)**	–

15. TRADE PAYABLES

The Group normally obtains credit terms ranging from 15 to 60 days from its suppliers. Trade payables are interest-free.

An aged analysis of the trade payables at the end of the reporting period, based on the invoice date, is as follows:

	At 31 March	
	2015	2014
	HK$'000	*HK$'000*
Current to 30 days	**17,506**	25,068
31 to 60 days	**10,085**	10,743
61 to 90 days	**9,242**	5,360
91 to 365 days	**6,523**	3,765
More than 365 days	**1,247**	603
	44,603	45,539

16. INTEREST-BEARING BANK BORROWINGS

	At 31 March	
	2015	2014
	HK$'000	*HK$'000*
Current		
Secured		
– bank loans due for repayment within one year	**52,772**	68,119
Non-current		
Secured		
– bank loans due for repayment after one year	**33,600**	40,400
Total interest-bearing bank borrowings	**86,372**	108,519

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

(i) Certain leasehold land and buildings of the Group with aggregate net book value of HK$68,076,000 (2014: HK$70,170,000); and

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

At 31 March 2015, total current and non-current bank borrowings were scheduled to be repaid as follows:

	At 31 March	
	2015	2014
	HK$'000	*HK$'000*
On demand or within one year	**52,772**	68,119
More than one year, but not exceeding two years	**6,800**	6,800
More than two years, but not exceeding five years	**16,067**	20,066
More than five years	**10,733**	13,534
	86,372	108,519

Certain banking facilities are subject to the fulfillment of covenants relating to certain of the Group's financial position ratios, which are to maintain (i) the combined tangible net worth at not less than certain amount; (ii) specific gearing ratio; and (iii) specific loan to valuation ratio of the Group as are commonly found in lending arrangements with financial institutions. If the Group breaches the covenants, the drawn down facilities shall become repayable on demand.

The Group regularly monitors its compliance with these covenants and does not consider it probable that the bank will exercise its discretion to demand repayment for so long as the Group continues to meet these requirements. As at 31 March 2015, none of the covenants relating to drawn down facilities had been breached (2014: Nil).

17. PROMISSORY NOTES

On 17 December 2014, the Company issued promissory notes with an aggregate principal amount of HK$20,000,000 as part of the consideration for the acquisition of the entire equity interest in PMT Group as disclosed in note 22. The promissory notes are unsecured and denominated in HKD. The promissory note is bearing interest at fixed rate of 5% per annum and is repayable in 18 months from the date of issue.

On initial recognition, the fair values of the promissory note are determined based on the present value of the contractual stream of future cash flows discounted at 5.64% per annum. The discount rates are determined with reference to the yield rate with credit rating and duration similar to the promissory notes.

The promissory notes recognised in the consolidated statement of financial position at initial recognition are as follows:

	2015
	HK$'000
Fair value of promissory notes at 17 December 2014 *(note 22)*	**19,809**

The movements of the promissory notes for the year are set out below:

	At 31 March	
	2015	2014
	HK$'000	*HK$'000*
At 1 April	**–**	–
Promissory notes issued on 17 December 2014	**19,809**	–
Effective interest expense	**280**	–
At 31 March	**20,089**	–

18. CONVERTIBLE NOTES

On 17 December 2014, the Company issued convertible notes with an aggregate principal amount of HK$58,000,000 as part of the consideration for the acquisition of the entire equity interest in the PMT Group as disclosed in note 22. The convertible notes are interest-free and carry a right to convert the principal amount into shares of US$0.0001 each in the share capital of the Company at an initial conversion price of HK$4.09 per share (subject to adjustment) during the period from 17 December 2014 to 17 December 2016. The Company may at any time before the maturity date redeem the convertible notes at par (in whole or in part). Any amount of the convertible notes which remains outstanding on the maturity date will be redeemed at their then outstanding principal amount.

On initial recognition, the convertible notes contain two components, liability and equity components. The equity component is presented in equity with heading "convertible notes equity reserve" in note 20. The effective interest rate of the liability component on initial recognition is 7.56% per annum.

The convertible notes recognised in the consolidated statement of financial position at initial recognition are as follows:

	2015
	HK$'000
Fair value of convertible notes at 17 December 2014 *(note 22)*	**90,698**
Equity component	**(42,725)**
Derivative financial asset – company redemption options on convertible notes	**2,161**
Liability component on initial recognition	**50,134**

The movements of the liability component of the convertible notes for the year are set out below:

	At 31 March	
	2015	2014
	HK$'000	*HK$'000*
At 1 April	**–**	–
Convertible notes issued	**50,134**	–
Effective interest expense	**1,055**	–
At 31 March	**51,189**	–

The movements of the derivative financial asset of the convertible notes for the year are set out below:

	At 31 March	
	2015	2014
	HK$'000	*HK$'000*
At 1 April	**–**	–
Derivative financial asset as at inception date	**2,161**	–
Changes in fair value recognised in profit or loss during the year	**2,979**	–
At 31 March	**5,140**	–

19. SHARE CAPITAL

The movements in the issued ordinary share capital during the year are as follows:

		2015		2014	
	Notes	**Number of Shares**	***HK$'000***	Number of Shares	*HK$'000*
Authorised:					
Ordinary Shares of US$0.0001 each					
At 1 April	(a)	**500,000,000**	**389**	500,000,000	389
At 31 March		**500,000,000**	**389**	500,000,000	389
Issued and fully paid:					
Ordinary Shares of US$0.0001 each					
At 1 April		**240,000,000**	**187**	240,000,000	187
Placing of new shares	(b)	**48,000,000**	**37**	–	–
At 31 March		**288,000,000**	**224**	240,000,000	187

Notes:

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

(b) On 20 August 2014, the Company entered into a placing agreement with a placing agent, an independent third party. On 8 September 2014, the placing was completed. The Company issued 48,000,000 new Shares with par value of US$0.0001 each at a price of HK$1.25 each. The issued share capital of the Company was thus increased from HK$187,000 to HK$224,000. The excess of placement proceeds over the nominal value of share capital issued net of the expenses incurred thereon was credited as share premium. The Company intended to apply the net proceeds for the general working capital of the Group, future development of the Group's business or other appropriate investment as may be identified by the Directors.

20. RESERVES

Details of the movements in the reserves of the Group during the year are set out in the consolidated statement of changes in equity.

Share premium

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

Capital reserve

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

Statutory reserve

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

Translation reserve

The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of the Group's presentation currency. Movements in this account are set out in the consolidated statement of changes in equity.

Share option reserve

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

Convertible notes equity reserve

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

21. EQUITY SETTLED SHARE-BASED PAYMENTS

The Company adopted a share option scheme pursuant to a resolution in writing passed by the Shareholders on 3 January 2013 (the "Share Option Scheme") for the purpose to grant share options to selected participants as incentives or rewards for their contribution to the Group. Eligible participants of the Share Option Scheme include directors of the Company or any of its subsidiaries, including non-executive directors and independent non-executive directors, other employees of the Group and consultants.

The initial total number of Shares which may be issued upon exercise of all outstanding share options granted and yet to be exercised under the Share Option Scheme must not exceed 10% of the Shares in issue from time to time. A nominal consideration of HK$1 is payable by the grantees upon acceptance of a grant of share options.

On 17 March 2014 (the “Offer Date”), the Company granted 10,800,000 share options to certain eligible participants of the Group under the Share Option Scheme. Set out below were details of the outstanding share options granted under the Share Option Scheme as at 31 March 2015:

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

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

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

(3) All outstanding or unexercised share options granted to the grantees shall lapse on 16 March 2019 or 16 March 2024.

The estimated fair values of share options granted on 17 March 2014 were HK$3,911,000. These fair values were calculated using the Binomial model. The inputs into the model are as follows:

Closing price of the Shares	HK$0.95
Exercise price	HK$1.00
Expected volatility	50.554%
Expected life	5 years/10 years
Risk-free interest rate	1.2010%/2.1656%
Dividend yield	4.274%
Suboptimal factor	2.2

The risk-free rate was based on market yield rate from Hong Kong Monetary Authority Exchange Fund Bills Yield Curve as at the valuation date on 17 March 2014. Expected volatility was estimated by the average of historical daily volatilities of the comparable companies with similar business operation as at valuation date. Dividend yield was estimated by the trailing 12-month dividend payout of the Company divided by the closing price of the Shares as at the dividend declaration date.

Set out below are details of movements of the outstanding share options granted under the Share Option Scheme during the year ended 31 March 2015:

		Number of share options					
	Exercise price	Balance as at 1 April 2014	Exercised during the year	Lapsed during the year	Balance as at 31 March 2015	Date of grant of share options	Exercisable periods of share options
Executive Directors							
– Lau Ho Ming, Peter	HK$1	2,400,000	–	–	2,400,000	17 March 2014	17 March 2014 to 16 March 2024
– Ng Kam Seng	HK$1	800,000	–	–	800,000	17 March 2014	17 March 2014 to 16 March 2024
– Poon Pak Ki, Eric	HK$1	500,000	–	–	500,000	17 March 2014	17 March 2014 to 16 March 2024
Non-executive Directors							
– Li Man Yee, Stella	HK$1	2,400,000	–	–	2,400,000	17 March 2014	17 March 2014 to 16 March 2024
– Chu Sheng Yu, Lawrence	HK$1	240,000	–	–	240,000	17 March 2014	17 March 2014 to 16 March 2024
Independent Non-executive Directors							
– Leung Po Wing, Bowen Joseph	HK$1	240,000	–	–	240,000	17 March 2014	17 March 2014 to 16 March 2024
– Chan Siu Wing, Raymond	HK$1	240,000	–	–	240,000	17 March 2014	17 March 2014 to 16 March 2024
– Chu, Raymond	HK$1	240,000	–	–	240,000	17 March 2014	17 March 2014 to 16 March 2024
Employee	HK$1	120,000	–	(84,000)	36,000	17 March 2014	17 March 2014 to 16 March 2024
Employees	HK$1	2,420,000	–	(150,000)	2,270,000	17 March 2014	17 March 2014 to 16 March 2019
Consultants	HK$1	1,200,000	–	–	1,200,000	17 March 2014	17 March 2014 to 16 March 2024
Total		10,800,000	–	(234,000)	10,566,000		

	Year ended 31 March	
	2015	2014
	HK$'000	*HK$'000*
Equity settled schemes to employees (including Directors)	**1,987**	84
Equity settled schemes to eligible persons other than employees and Directors	**241**	9
	2,228	93

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

The exercise price of the share options outstanding as at 31 March 2015 was HK$1 and the weighted average remaining contractual life was 3.96 and 8.96 years (2014: 4.96 and 9.96 years). Of the total number of share options outstanding as at 31 March 2015, 7,371,000 share options had not vested and were not exercisable as at 31 March 2015 (2014: 10,800,000 share options had not vested and were not exercisable).

22. ACQUISITION OF SUBSIDIARIES

On 17 December 2014, the Group acquired 100% of the issued share capital of PMT Group from an independent third party for consideration of HK$85,000,000. PMT Group is principally engaged in the provision of digital publishing and the development of mobile and web application solutions.

In accordance with the sale and purchase agreement (the "Agreement"), the consideration comprised of: (i) initial purchase of price of HK$7,000,000; (ii) 5% interest bearing promissory note with principal amount of HK$20,000,000 and a term of 18 months and (iii) interest-free bearing convertible note with principal amount of HK$58,000,000 and a term of 24 months.

The acquisition of the PMT Group by the Company was completed on 17 December 2014, and the fair value of the consideration was recognised at completion as follows:

	HK$'000
Cash	7,000
Fair value of promissory notes	19,809
Fair value of convertible notes	90,698
Total	117,507

Acquisition-related costs amounting to approximately HK$905,000 have been excluded from the consideration transferred and have been recognised as an expense in the current year, within the administrative expenses line item in the consolidated income statement.

The Group is principally engaged in toy manufacturing and trading business. The Directors believe that the Group, through the acquisition, could enhance its existing business model and diversify its business scopes into higher growth areas.

The fair values of net assets acquired at the date of completion of the acquisition are as follows:

	HK$'000
Property, plant and equipment	459
Intangible assets	87,900
Deposits	66
Cash and cash equivalents	2,030
Receipt in advance	(158)
Other payables and accruals	(1,380)
Amount due to shareholders	(8,000)
Tax payable	(69)
Deferred tax liabilities	(14,504)
	66,344
Less: non-controlling interests	(596)
Net assets acquired	65,748

Goodwill arising on acquisition:

	HK$'000
Consideration transferred	117,507
Less: net assets acquired	(65,748)
Goodwill arising on the acquisition	51,759

Goodwill arising on the acquisition is attributable to the anticipated profitability generated from the synergies, revenue growth and future market development of the PMT Group.

None of the goodwill arising on this acquisition is expected to be deductible for tax purposes.

Net cash outflow on acquisition of the PMT Group

	HK$'000
Cash consideration paid	7,000
Less: cash and cash equivalent balances acquired	(2,030)
Net cash outflow on acquisition	4,970

Since its acquisition, the PMT Group contributed revenue of HK$1,171,000 and net loss of HK$1,546,000 to the Group for the period from 17 December 2014 to 31 March 2015. Had the combination taken place on 1 April 2014, the revenue and the loss before income tax expense of the Group for the year ended 31 March 2015 would have been HK$830,979,000 and HK$2,640,000 respectively. This pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 April 2014, nor intended to be a projection of future results.

The Group has engaged BMI Appraisals, an independent valuer, to assess the fair value of the assets and liabilities at the acquisition date.

DIVIDENDS

The Board does not recommend the payment of final dividend (2014: HK cents 2 per Share) for the year ended 31 March 2015.

BUSINESS REVIEW

During the year under review, the Group has made substantial progress in its diversification strategy through the acquisition of an information technology business, namely the PMT Group, which is principally engaged in the development and provision of electronic publishing technologies, the development of mobile applications and other information technology solutions. Through this acquisition, the Group hopes to develop new sources of business and performance growth and to reinforce its strength ahead of the challenging business environments in the traditional OEM manufacturing business. Following such acquisition, the Group is now mainly engaged in two core business segments: the toy OEM manufacturing business (the "Toy Division") and the information technology business (the "IT Division").

The Toy Division

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

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

For the year ended 31 March 2015 (the "Current Year"), the revenue of the Toy Division and its segmental profit were HK$827.8 million and HK$15.4 million respectively, representing an increase of 7.1% and a decrease of 51.5% over the year ended 31 March 2014 (the "Previous Year"). While the Toy Division managed to remain stable in obtaining sales from its customers for the peak period of the production cycle, production environments remained challenging for the Toy Division as labour costs and material costs continued to increase, leading to a decrease in gross margin from 11.3% for the Previous Year to 10.5% for the Current Year. An increase in selling expenses related to bulky finished goods and a decrease in moulding income also contributed to the drop in the performance of the Toy Division for the Current Year.

The Sunmart business of the Toy Division was particularly adversely affected in the Current Year as a result of an impairment loss on trade receivables of approximately HK$12.0 million and a write-down of inventories of approximately HK$3.7 million related to a customer in the United States which has entered uncertain financial conditions, as referred to in the profit warning announcement of the Company dated 24 March 2015. Discussions to recover these items with the customer have been ongoing but no meaningful progress has been made in recovering the above amounts. As a result, the Directors have decided to recognise the above impairment loss on trade receivables and write-down of inventories for the Current Year.

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

The Information Technology Division

During the Current Year, the Group completed its acquisition of the PMT Group and made substantial progress in its business diversification strategy in view of the business challenges presented in its Toy Division. The digital publishing technologies of the PMT Group, including the capability to publish interactive electronic books and comics and to develop media-rich mobile games, might allow the Group to tap into its existing customer base in the children's toy markets, which includes many well-known international toy brands, and to expand the Group's revenue sources with these clients and strengthen our product offerings. The PMT Group's ability to distribute electronic books online and its plan to provide electronic textbooks in the Greater China markets might also allow the Group to grow new customer base for its existing products.

Furthermore, the PMT Group has a strong customer portfolio, including several blue-chip international companies in different industries in Hong Kong. The management of the PMT Group has over 10 years of experience in information technology business and in recent years, PMT has been awarded Hong Kong ICT Awards (HKICTA) Best Business Grand and Gold awards, Asia Pacific ICT Alliance (APICTA) Awards, and World Summit Awards Mobile Content Awards. In December 2014, PMT was awarded the Hong Kong Awards for Industry – Productivity and Quality Award. These internationally recognized awards help the PMT Group to establish itself as a high quality technology developer. To further increase its exposure and market recognition, PMT frequently participates in various local and regional exhibitions and sponsors ICT events. In addition, PMT also provides a professional award judging system for HKICTA, APICTA Awards, WAiTTA, the Pan Pearl River Delta ICT Award, and most recently the Hong Kong 4As Effie Awards, which helps PMT to gain recognition from the international ICT communities.

During the Current Year, the results of the PMT Group were only consolidated to the Group's financial results since 17 December 2014, the date of completion of its acquisition by the Group. For the Current Year, the revenue and net loss for the IT Division were approximately HK$1.2 million and HK$1.5 million, respectively.

FINANCIAL REVIEW

The Group's revenue for the Current Year amounted to approximately HK$829.0 million, which is an increase of 7.2% from that for the Previous Year of approximately HK$773.2 million.

The Toy Division's revenue for the Current Year amounted to approximately HK$827.8 million, which represents an 7.1% increase from that for the Previous Year of approximately HK$773.2 million. The modest increase in revenue was due to an increase in sales to some of the Toy Division's top 5 customers.

Revenue from North America remained relatively steady at approximately HK$433.8 million for the Current Year when compared to approximately HK$430.4 million for the Previous Year, while revenue from Western Europe increased from approximately HK$243.2 million for the Previous Year to approximately HK$267.7 million for the Current Year 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% over the Previous Year, respectively.

The IT Division's revenue for the Current Year amounted to approximately HK$1.2 million as the results of the PMT Group were only consolidated into the Group's financial results for a relatively short period of time of less than 3.5 months since the completion of its acquisition by the Group on 17 December 2014.

Despite in drop in gross margin of the Toy Division from approximately 11.3% for the Previous Year to approximately 10.5% for the Current Year, of which includes a written-down of inventories for approximately HK$3.7 million related to a customer in the United States which has entered in uncertain financial conditions, gross profit of the Group for the Current Year remained as approximately of HK$87.3 million as in that of the Previous Year.

The Group's net loss for the Current Year amounted to approximately HK$3.7 million, as opposed to a net profit of approximately HK$20.2 million for the Previous Year. Such decrease is mainly due to an increase in selling expenses related to bulky finished goods of approximately HK$2.7 million, a decrease in moulding income of approximately HK$3.2 million, a decrease in the net gain on derivative financial instruments arising from Renminbi forward contracts of approximately HK$1.9 million, additional finance costs and depreciation charges on additions to property, plant and machinery of approximately HK$10.0 million, an increase in staff costs especially arising from equity settled share-based payment expenses related to the grant of share options by HK$2.1 million, amortisation of intangible assets of the IT Division of approximately HK$2.5 million, and most importantly, an impairment loss on trade receivables of approximately HK$12.0 million and a write-down of inventories of approximately HK$3.7 million related to a customer in the United States which has entered uncertain financial conditions.

Selling expenses for the Toy Division mainly consisted of transportation fees and declaration fees. Selling expenses for the Toy Division increased by 13.1% from approximately HK$20.4 million for the Previous Year to approximately HK$23.1 million for the for the Current Year due to an increase in transportation cost and increase costs in bulky finished goods accompanied with the increase in revenue in Current Year.

Administrative expenses mainly consisted of salaries to employees, rents and rates for office spaces, depreciation on property, plant and equipment, impairment loss on other receivables and trade receivables and other administrative expenses. Administrative expenses increased by 38.5% from approximately HK$49.1 million for the Previous Year to approximately HK$68.0 million for the Current Year for which is primarily due to the one-off provision for impairment loss on trade receivables for approximately HK$12.0 million, and the additional depreciation charge on property, plant and equipment for approximately HK$1.8 million and 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 as well as the amortisation of intangible assets for approximately HK$2.5 million.

Other income and gains mainly consisted of moulding income, net gain/loss on derivative financial instruments, interest income and others. Other income and gains decreased by 47.2% from approximately HK$10.3 million for the Previous Year to approximately HK$5.4 million for the Current Year which is primarily due to a decrease in moulding income from approximately HK$7.0 million for the Previous Year to

HK$3.9 million for the Current Year as fewer new moulds were made for the existing customers. Net gain on derivative financial instruments of approximately HK$1.8 million during the Previous Year was reversed to a net loss on derivative financial instruments of approximately HK$0.2 million during the Current Year.

As a result of the newly issued promissory notes and convertible notes of the Company during the Current Year, the Group recognised a fair value gain in derivative financial asset of approximately HK$3.0 million during the Current Year, when compared to nil for the Previous Year, representing the change in fair value through profit and loss of the embedded derivative of the convertible notes.

Finance costs mainly consisted of interest on the Group's interest-bearing bank borrowings, factoring arrangement from banks and the effective interest of the promissory notes and the convertible notes issued by the Company. Finance costs increased by 107.7% to approximately HK$5.1 million for the Current Year when compared with approximately HK$2.5 million for the Previous Year, 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 in the Current Year of approximately HK$1.3 million.

The Group is subject to income tax on an entity basis on profit arising in or derived from the jurisdiction in which members of the Group are domiciled and operated. The income tax expense decreased by 40.9% to approximately HK$3.2 million for the Current Year, as compared with approximately HK$5.4 million for the Previous Year.

The inventory of the Group decreased by 15.6% to approximately HK$133.2 million as at 31 March 2015 from approximately HK$157.7 million as at 31 March 2014. As mentioned, the inventory amount applicable to the customer in uncertain financial condition for which the outstanding balance being in doubt was fully written down for the year for approximately HK$3.7 million. Besides, there was a written down of inventories for approximately of HK$2.9 million in respect of certain inactive and unsaleable inventories retained for some inactive and ceased customers. The inventory turnover period, as calculated by dividing the average closing inventories by the cost of sales for the year and multiplied by 365 days, decreased by 13.5% from 82.8 days for the Previous Year to 71.6 days for the Current Year.

Trade receivables as at 31 March 2015 increased from approximately HK$28.2 million at 31 March 2014 to approximately HK$74.6 million, which was primarily due to a change of financial arrangement from factoring arrangement to post-shipment export trade loan offered by banks for one of the top 5 customers. The trade receivables turnover days, calculated as dividing the average closing trade receivables by the revenue for the year and multiplied by 365 days, was 22.6 days for the year ended 31 March 2015 as compared with 20.5 days for the year ended 31 March 2014.

Trade payables as at 31 March 2014 of approximately HK$45.5 million was decreased to HK$44.6 million as at 31 March 2015, which was primarily due to less customer order was received in Current Year as compared to the corresponding period in Previous Year because of the delay in business peak season in Current Year. Hence, causing less purchase from suppliers and resulting in a lower level of trade payables accordingly. The Trade Payables turnover days, as calculated as dividing the average closing trade payables by the cost of sales for the year and multiplied by 365 days, were 22.2 days for Current Year as compared with 25.7 days for the year ended 31 March 2014.

LIQUIDITY AND FINANCIAL RESOURCES

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

For the Current Year, the Group mainly financed its working capital by internal resources and bank borrowings. As at 31 March 2015, cash and cash equivalents amounted to approximately HK$67.2 million (31 March 2014: HK$75.2 million). The decrease was mainly due to the cash payment in the acquisition of the PMT Group` Interest-bearing bank borrowings decreased to approximately HK$86.4 million (31 March 2014: HK$108.5 million) as a result of fund raised in Placing made during Current Year was partially applied for bank borrowings repayment. Furthermore, as a result of the acquisition of the PMT Group during the Current Year, the Group had a carrying value of promissory notes of HK$20.1 million (31 March 2014: nil) and convertible notes of HK$51.2 million (31 March 2014: nil). Hence, the debt to equity ratio of the Group, calculated as the ratio of the closing debt balance divided by the closing total equity of the period, was approximately 52.9% (31 March 2014: 51.6%). As at 31 March 2015, all bank borrowings were subject to floating interest rates. The current ratio of the Group, as calculated by total current assets over total current liabilities, was approximately 2.0 (31 March 2014: 1.8).

PLACING

On 20 August 2014, the Company entered into an agreement with China Everbright Securities (HK) Limited ("China Everbright") ("Placing Agreement"). China Everbright acted as a placing agent to the Company who placed 48,000,000 new shares in the Company to more than six Placees who are Independent Third Parties at a price of HK$1.25 per share pursuant to the terms and conditions of the Placing Agreement ("Placing"). The Placing was completed on 8 September 2014.

Net proceeds of approximately HK$59.3 million raised from the Placing is intended to be used for general working capital of the Group, future development of the Group's businesses and/or other appropriate investments as may be identified by the Directors.

ISSUE OF THE PROMISSORY NOTES AND THE CONVERTIBLE NOTES

On 17 December 2014, as part of the settlement of the consideration for the acquisition of entire equity interest of the PMT Group by the Company, the Company issued the convertible notes with a total principal amount of HK$58.0 million and the promissory notes with a total principal amount of HK$20.0 million.

The convertible notes are, unsecured, interest-free and carry a right to convert the principal amount into Shares of the Company at an initial conversion price of HK$4.09 per Share (subject to adjustment) during the period from 17 December 2014 to 17 December 2016. The Company may at any time before the maturity date redeem the convertible notes at par (in whole or in part). Any amount of the convertible notes which remains outstanding on the maturity date will be redeemed at their then outstanding principal amount.

The promissory notes are unsecured and bear interest at a fixed rate of 5% per annum and are repayable in 18 months from the date of issue.

For such purpose, the fair value of the consideration at completion attributable to the convertible notes and the promissory notes recognised in the accounts upon completion of the acquisition of PMT Group on 17 December 2014 were approximately HK$90.7 million and HK$19.8 million respectively, representing an excess of HK$32.7 million and a shortfall of HK$0.2 million over their principal amounts, respectively. The difference between the fair value of the convertible notes and their principal amounts is mainly a result of the fair value of the equity component of the convertible notes, which in turn is affected by (i) a substantial increase of about 31.3% in the Company's Share price from the date of the Agreement (closing price of HK$4.99 per Share on 11 December 2014) to the date of completion (closing price of HK$6.55 per Share on 17 December 2014); and (ii) the general historical volatility of the Company's Share price.

CHARGE ON ASSETS

As at 31 March 2015, certain of the Group's banking facilities and its interest-bearing bank borrowings were secured by properties of the Group located in Hong Kong with an aggregate net book value of HK$68.1 million (31 March 2014: HK$70.2 million). Details of the securities for the banking facilities are stated in note 16 to the consolidated financial information.

CONTINGENT LIABILITIES

As at 31 March 2015, the Group had no contingent liabilities (31 March 2014: Nil).

OPERATING LEASE ARRANGEMENTS

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

As at 31 March 2015, the total future minimum lease payments under non-cancellable operating leases due within one year amounted to approximately HK$0.1 million (31 March 2014: HK$1.9 million).

CAPITAL COMMITMENTS

As at 31 March 2015, there is no capital commitments of the Group (31 March 2014: HK$1.3 million for the acquisition of leasehold improvements).

SIGNIFICANT INVESTMENT HELD

Except for investments in subsidiaries, the Group did not hold any significant investment in equity interest in any other company as at 31 March 2015.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

During the year ended 31 March 2015, the Group acquired the entire equity interest of the PMT Group from Magnum MediaTech Limited (the "Vendor"), for a total consideration of HK$92,000,000 (the "Transaction"), inclusive of the cash repayment of HK$7,000,000 of loans and payables to the Vendor and its associates by the PMT and settlement of third-party payables. The consideration of the Transaction was funded by internal resources of the Group, the issue of HK$58 million in principal amount of the convertible notes and HK$20 million in principal amount of the promissory notes referred to in various sections of this announcement. Upon the completion of the Transaction on 17 December 2014, PMT became an indirect, wholly-owned subsidiary of the Company. The PMT Group is principally engaged in the provision of digital publishing and design technologies, production and distribution of electronic books and the development of mobile application solutions and other information technology solutions.

Save as disclosed otherwise, the Group did not have any material acquisitions and disposals of subsidiaries and affiliated companies during the year ended 31 March 2015.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

As at 31 March 2015, the Group did not have any plans to acquire any material investments or capital assets other than those set out in the announcement.

FOREIGN CURRENCY EXPOSURES

Substantially all the transactions of the Company's subsidiaries in Hong Kong are carried out in United States dollar ("US$") and Hong Kong dollar ("HK$"). As HK$ is linked to US$, the Group does not have material exchange rate risk on such currency. The expenses or expenditures incurred in the operations of the Company's subsidiary in the PRC were denominated in RMB, which expose the Group to foreign currency risk. The Group entered into deliverable forward contracts ("DF") to manage the foreign currency risk arising from fluctuation in exchange rate of the RMB against the US$.

As at 31 March 2015, the Group had outstanding DF with a notional amount of US$25 million (31 March 2014: Nil). The Group implemented a foreign currency forward contract policy in relation to the foreign currency contracts for the year. The Group performed cash flow analysis, ongoing monitoring and review of the foreign currency forward contracts on a monthly basis in accordance with the Group's risk management policy. Foreign exchange exposure reports were presented to the Board for review on a quarterly basis. The foreign currency forward contract policy was also reviewed by the Board to ensure it remains consistent with the overall objectives of our Group and the current financial trends in the market. Major terms of the foreign currency forward contracts outstanding as at 31 March 2015 are summarized as follows:–

Notional amount	Forward contract rates	Commencement date	Maturity date
1 contract to buy RMB in total of US$2,500,000	US$1 to RMB6.320	15 July 2014	17 July 2015
1 contract to buy RMB in total of US$4,000,000	US$1 to RMB6.269	15 September 2014	17 June 2015
1 contract to buy RMB in total of US$3,000,000	US$1 to RMB6.249	15 September 2014	17 June 2015
1 contract to buy RMB in total of US$3,000,000	US$1 to RMB6.259	15 September 2014	17 June 2015
1 contract to buy RMB in total of US$2,500,000	US$1 to RMB6.310	11 July 2014	15 July 2015
1 contract to buy RMB in total of US$2,000,000	US$1 to RMB6.300	10 July 2014	14 July 2015
1 contract to buy RMB in total of US$3,000,000	US$1 to RMB6.297	9 July 2014	13 July 2015
1 contract to buy RMB in total of US$5,000,000	US$1 to RMB6.2888	14 November 2014	14 December 2015

Note: No gain or loss has been realized for the outstanding contracts as at 31 March 2015.

EMPLOYEES AND REMUNERATION POLICY

As at 31 March 2015, the Group had a total of 501 employees (31 March 2014: 797). Total staff costs were approximately HK$53.6 million for the year ended 31 March 2015 (2014: HK$54.5 million).

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

USE OF NET PROCEEDS FROM GLOBAL OFFERING

At 31 March 2015, the net proceeds have all been utilized according to the intended purposes as set out in the section headed "Future Plans and Use of Proceeds" in the prospectus of the Company dated 11 January 2013.

PROSPECTS

The Group's existing operations in the Toy Division are expected to continue to face substantial challenges in the coming year. The Directors expect that customers in the western developed markets will continue to be cautious in placing orders and the Group will continue to face pressures in both sales volume and margins. The lack of labour in China and the increase in labour costs, coupled with an extension of the low season in manufacturing, will continue to put pressure on the Group's Toy Division. The Group will seek to rationalise the operation of its Toy Division in the coming year and seek ways to focus on credit-worthy clients which generate more stable margins for the Group while improving its production efficiency through automation, outsourcing and reduction in fixed costs.

On the other hand, with the successful establishment of the IT Division of the Group through the acquisition of the PMT Group, the Directors expect that the PMT Group will start to make meaningful contributions to the Group in its first full year of consolidation with the Group. Going forward, the Group will continue to promote cooperation and cross-selling opportunities between the Toy Division and the IT Division in order to enhance and strengthen the Group's overall business growth and performance. The Group will also continue to explore other suitable new opportunities to generate synergies with its existing business segments, and to further expand and diversify its business scopes.

PURCHASE, SALE OF REDEMPTION OF LISTED SECURITIES

Neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year ended 31 March 2015.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

The Company adopted the Corporate Governance Code set out in Appendix 14 (the "Code") of the Listing Rules as its own code of corporate governance practice. Throughout the financial year ended 31 March 2015, the Company has complied with all applicable code provisions under the Code with the exception discussed herein below.

Code A.2.1

Pursuant to the code provision, the roles of chairman and chief executive should be separate and should not be performed by the same individual. The post of chief executive officer of the Group ("CEO") has been vacant since the redesignation of Mr. Lau Ho Ming, Peter as the Executive Chairman of the Company with effect from 25 November 2013. Mr. Lau ceased to act as the CEO since then. The role of chief executive has been borne by all executive Directors to ensure a balance of power and responsibilities has been maintained.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 of the Listing Rules as the code of conduct regarding securities transactions by the Directors. Having made specific enquiries of all Directors, each Director has complied with the required standard set out in the Model Code during the year and up to the date of this announcement.

SCOPE OF WORK OF AUDITORS

The financial figures in this announcement have been agreed by the Company's auditor, BDO Limited ("Auditors"), to the amounts set out in the Group's audited consolidated financial statements for the year ended 31 March 2015. The work performed by Auditors in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA, and consequently no assurance has been expressed by Auditors on this announcement.

REVIEW OF FINANCIAL STATEMENTS

The audit committee of the Board (the "Audit Committee") reviewed the consolidated financial statements for the year ended 31 March 2015 in conjunction with the Auditors. Based on the review and discussions with management, the Audit Committee was satisfied that the consolidated financial statements were prepared in accordance with applicable accounting standards, and fairly presented the Group's financial position and results for the year ended 31 March 2015.

PUBLICATION OF THE ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This announcement is published on the website of the Hong Kong Exchanges and Clearing Limited and the Company at www.hkexnews.hk and www.quali-smart.com.hk respectively. The 2015 Annual Report of the Company containing all information required by the Listing Rules will be published on the above websites and dispatched to the shareholders of the Company on or about 30 July 2015.

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

Hong Kong, 30 June 2015

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