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

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

Interim Report
2019/2020

Financial Services Division
Toy Division

*For identification purpose only

Contents

Corporate Information

BOARD OF DIRECTORS

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

COMMITTEES OF THE BOARD OF DIRECTORS

Audit Committee

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

Remuneration Committee

Mr. Leung Po Wing, Bowen Joseph *GBS, JP (Chairman)*
Mr. Chan Siu Wing, Raymond
Mr. Lau Ho Ming, Peter

Nomination Committee

Mr. Leung Po Wing, Bowen Joseph *GBS, JP (Chairman)*
Mr. Chan Siu Wing, Raymond
Mr. Lau Ho Ming, Peter

Corporate Governance Committee

Mr. Chan Siu Wing, Raymond *(Chairman)*
Mr. Ng Kam Seng
Madam Li Man Yee, Stella

COMPANY SECRETARY

Ms. Tang Yuen Ching Irene

AUTHORISED REPRESENTATIVES

Mr. Ng Kam Seng
Ms. Tang Yuen Ching Irene

REGISTERED OFFICE

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

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN CAYMAN ISLANDS

Codan Trust Company (Cayman) Limited
Cricket Square, Hutchins Drive
P. O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong

PRINCIPAL BANKERS

DBS Bank (Hong Kong) Limited
Hang Seng Bank Limited
The Hongkong and Shanghai Banking Corporation Limited

AUDITOR

BDO Limited
Certified Public Accountants
25th Floor, Wing On Centre
111 Connaught Road Central
Hong Kong

COMPANY'S WEBSITE

www.quali-smart.com.hk

Management Discussion and Analysis

BUSINESS REVIEW

For the six months ended 30 September 2019 (the "Current Period"), our Group continued to engage in the same core business divisions in the manufacture of toys operated under Qualiman Industrial Company Limited (the "Toy Division") and the provision of financial services operated under Crosby Asia Limited (the "Financial Services Division").

During the Current Period, the global economic turmoils arising from the Sino-US trade war and the chaos in the United Kingdom and the European Union countries resulting from the ongoing Brexit saga showed no signs of abating. Local business sentiments were further jeopardized by the unprecedentedly large scale social unrests and nihilism not seen in Hong Kong in the past 50 years. Against this dire social and economic backdrop, our Group faced very challenging operating environments in all its business segments. Our overseas customers in the Toy Division became even more cautious in placing orders than in previous periods, fearing any unexpected or unwanted tariff actions and retaliation actions from the governments involved. The financial services markets in Hong Kong also suffered from a contraction in both volumes and performance as the securities markets were battered by the uncertainties arising from the ongoing Sino-US trade war and local socio-economic chaos, leading to a more challenging operating environment for our Financial Services Division.

As you may have read from the announcement of the Company dated 30 September 2019, despite over 19 months of hard work, the transactions regarding the subscription of new shares of the Company by Zhongtai Financial International Limited and the proposed acquisitions of Zhongtai International Capital Limited and Zhongtai International Asset Management Limited by the Group, amongst others, were unfortunately terminated on the same date as certain conditions precedent of those transactions were not fulfilled (the "Termination"). As a result of the Termination, the possible unconditional mandatory offers in cash for all the issued shares of the Company, all the outstanding convertible notes issued by the Company and the cancellation of all outstanding share options granted by the Company also lapsed on the same date and the offer period of such offers also came to an end for the purposes of the Takeovers Code.

While this might not have been the result the Group had hoped for, the Group remains strongly supportive of the development of its business divisions and will continue to seek appropriate strategic cooperation opportunities for further business synergistic expansions in the future. With the above transactions coming to an end now, the Group has once again become more focused on managing and mitigating the impacts from the continuous volatile market conditions globally and domestically. During the Current Period, despite all the challenges mentioned above, the Toy Division still managed to remain profitable, albeit recording a drop in segment profit, while the Financial Services Division managed to narrow its loss substantially, when compared to the Previous Period.

The Toy Division

As a toy manufacturer offering services primarily on an OEM basis, the Toy Division continues to manufacture products for its customers in accordance with their specifications for whom to sell the products in their own brand names. In order to better deploy the Group's resources and mitigate its business risks, the Toy Division remains focusing on serving customers of internationally reputable toy brands that are considered to be more reliable in order placements and better credit worthiness and higher transparency on its business background in general.

During the Current Period, the revenue and the segment profit for the Toy Division suffered a decrease of approximately 43.4% and 47.1%, respectively, when compared with the Previous Period. Some of the most notable drop in orders came from the North American markets, which saw its revenue decreased by approximately 46.2%, and the PRC and Taiwanese markets, which saw its revenue decreased by approximately 48.5%, over the Previous Period. Revenue from the Western European markets also dropped by approximately 33.9% over the Previous Period. The drop in revenue from the Toy Division during the Current Period reflected an increasingly cautious attitude from our customers in placing orders for fear of any unexpected economic burdens arising from potential changes in tariff structures and swings in sentiments among retail customers during the holiday seasons. In view of this challenge, the Group further refined its existing cost control measures in operating and administrative aspects, and maintained closer communications and coordination with its existing and potential customers to explore more cost efficient and effective product development. Thus, the Toy Division still managed to maintain its gross margin despite a significant contraction in revenues during the Current Period.

Management Discussion and Analysis

The Financial Services Division

During the Current Period, the securities markets in Hong Kong were severely affected by the swinging developments of the Sino-US trade war and the unprecedented social unrests locally. The Hang Seng Index dropped from 29,051.36 at the end of March 2019 to 26,092.27 as of 30 September 2019, representing a decrease of about 10.2% over the six-month period. Average daily turnover value at the Hong Kong Stock Exchange dropped by a staggering 31.4% from approximately HK$110.6 billion in March 2019 to approximately HK$75.8 billion in September 2019. The market capitalisation of the Hong Kong securities markets also decreased from about HK$33.8 trillion at the end of March 2019 to approximately HK$30.6 trillion at the end of September 2019, despite an increase in the number of listed companies from 2,346 to 2,395 during this period. The above statistics highlighted further dampening in investment sentiments and momentum in the local securities markets. Pricing also became more conservative thus making it increasingly difficult to complete fund raising transactions in the markets.

Against this challenging macro environment, the Financial Services Division managed to complete three initial public offering transactions for small to mid-cap issuers seeking a listing on the Main Board of the Hong Kong Stock Exchange in either a sole global coordinator or a joint bookrunner position during the Current Period. The assumption of a lead role in these transactions contributed a substantial increase in underwriting commission as well as trading revenue from stabilisation activities in the Financial Services Division when compared with the Previous Period.

As mentioned in the annual report for the year ended 31 March 2019, the Financial Services Division made some progress in its investment advisory business as it entered into an investment advisory agreement with a reputable international financial institution. This new business initiative also started to contribute an increase in investment advisory fee revenue for the Financial Services Division during the Current Period, as it started to contribute to the result of the Financial Services Division for the entire period.

Despite the failure to complete the transactions with the Zhongtai Group as mentioned above, we remain committed to seeking ways both internally and externally to further expand the capital base of the Financial Services Division in order to increase its capacity for principal-based activities and underwriting of bigger-scale fund raising transactions. We will continue to explore with potential strategic cooperation partners in this aspect.

FINANCIAL REVIEW

Revenue

The Group's revenue for the Current Period amounted to approximately HK$268.5 million for which the Toy Division and the Financial Services Division contributed approximately HK$258.0 million and HK$10.4 million, respectively, representing a decrease of approximately HK$190.8 million or 41.5% as compared to total Group's revenues of approximately HK$459.2 million for the Previous Period.

The decrease in the Group's revenue for the Current Period of approximately HK$190.8 million was mainly attributable to the decrease in revenue from the Toy Division of approximately HK$198.1 million and an increase in revenue of the Financial Services Division of approximately HK$7.3 million, representing a decrease of approximately 43.4% and an increase of approximately 236.3%, respectively, on a period-on-period basis.

The decrease in the revenue of the Toy Division was mainly attributable to the decrease in orders placed by the customers from markets located in the PRC and Taiwan by approximately HK$9.2 million, Western Europe by approximately HK$28.2 million and North America by approximately HK$143.8 million when compared with the Previous Period. Such decrease in orders could be attributable to a generally weakened market condition arising from the continuing trade war between the US and China and hence withholding the order placing volume by the customers in view of the uncertain tariff policies imposed by both the US and Chinese Governments.

Revenues for the Financial Services Division during the Current Period amounted to approximately HK$10.4 million, representing an increase of approximately HK$7.3 million or 236.3% from approximately HK$3.1 million for the Previous Period. The increase in revenue for the Current Period was mainly due to an increase in underwriting and placing commission income from its role as a global coordinator or joint bookrunner in three initial public offering transactions in Hong Kong, as well as an increase in trading revenues arising from stabilisation activities from such transactions during the Current Period.

Gross Margin and Gross Profit

The Toy Division reported an increase in gross margin from approximately 11.8% for the Previous Period to approximately 12.0% for the Current Period. Overall, the Group's total gross margin increased from 12.5% in the Previous Period to approximately 15.4% in the Current Period, mainly due to the increase in revenue from the Financial Services Division. Despite a slight improvement in gross margins, gross profit of the Group for the Current Period decreased by about 27.7% to approximately HK$41.4 million from HK$57.3 million for the Previous Period as a result of the decrease in revenues in the Toy Division, which was partially offset by an increase in revenues from the Financial Services Division. The improvement in the gross margin for the Toy Division was mainly due to the continuous effective cost control measures it adopted during the Current Period as well as its focus on customers demanding more scalable and sophisticated products which rendered higher margins.

Selling Expenses

Selling expenses for the Toy Division mainly consisted of transportation fees and declaration fees. During the Current Period, selling expenses for the Toy Division decreased by approximately HK$6.2 million or 46.0% from approximately HK$13.4 million for the Previous Period to approximately HK$7.3 million for the Current Period. Such decrease was mainly due to decrease in sales orders for the Current Period as explained above.

Administrative Expenses

Administrative expenses mainly consisted of salaries to employees, depreciation on right-of-use assets, depreciation on property, plant and equipment, and other administrative expenses. Administrative expenses decreased by approximately HK$11.7 million or 25.4% from approximately HK$46.1 million for the Previous Period to approximately HK$34.4 million for the Current Period. The decrease was primarily due to the decrease in expenses related to salaries and wages to approximately HK$19.5 million for the Current Period from approximately HK$23.7 million for the Previous Period, representing a decrease of approximately HK$4.2 million or 17.7% on a period-on-period basis, arising from natural turnover. Furthermore, there was a substantial decrease in costs arising from the equity settled share-based payment expenses related to the grant of share options of the Company of approximately HK$2.8 million for the Previous Period to Nil for the Current Period. Besides, there was a decrease in legal and professional fees of approximately HK$3.1 million in the Current Period when compared with the Previous Period. Furthermore, there was also a decrease in expenses incurred for director's quarter from approximately HK$1.0 million for the Previous Period to approximately Nil for the Current Period.

Other Income and Gains

Other income and gains increased to HK$4.4 million during the Current Period from approximately HK$2.5 million for the Previous Period, representing an increase of approximately HK$1.9 million or 81.3%. Such increase was mainly attributable to the increase in gain on disposal of property, plant and equipment from the Toy Division from Nil for the Previous Period to approximately HK$1.1 million for the Current Period and the decrease in fair value loss on financial assets at FVTPL from the Financial Service Division from approximately HK$1.7 million for the Previous Period to Nil for the Current Period. However, such increase was partially offset by the decrease in rental income from approximately HK$0.6 million for the Previous Period to about HK$0.1 million in the Current Period due to the cessation of certain rental lease term during the Current Period.

Finance Costs

Finance costs mainly consisted of interest on the Group's interest-bearing bank borrowings, factoring arrangement from banks and the effective interest of the convertible notes issued by the Company and interest on lease liabilities resulting from adoption of HKFRS 16 Leases as set out in note 6 in this report. Finance costs increased by 12.0% to approximately HK$13.3 million for the Current Period when compared with approximately HK$11.8 million for the Previous Period, Such increase was primarily due to an increase in the effective interest of the convertible notes issued by the Company in May 2017 and June 2017 to approximately HK$12.1 million for the Current Period from approximately HK$10.1 million in the Previous Period. Such increase was partially offset by a decrease in bank borrowing interest of approximately HK$1.0 million during the Current Period when compared with the Previous Period.

Income Tax

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 34.3% to approximately HK$2.8 million for the Current Period, as compared with approximately HK$4.3 million for the Previous Period. Such decrease was mainly due to decrease in taxable income attributable to the decrease in revenue generated in the Current Period as explained above.

Net Loss

The Group's net loss for the Current Period amounted to approximately HK$11.9 million, representing a reduction of loss of about HK$4.0 million on a period-on-period basis. The decrease in loss for the Current Period was mainly attributable to (i) a decrease in selling expenses of approximately HK$6.2 million attributable to the Toy Division in line with the decrease in its revenue; (ii) a decrease in costs of approximately HK$4.2 million and HK$2.8 million arising from a reduction in salaries expenses and the non-cash, equity settled share-based payment expenses related to the share options granted as a result of a decrease in the number of remaining years of vesting period for the granted share options; (iii) an increase in other income and gains of approximately HK$2.0 million; (iv) a decrease in income tax expense of approximately HK$1.5 million; and (v) a decrease in legal and professional fees of approximately HK$3.1 million, respectively, for the Current Period as compared to the Previous Period. On the other hand, the above contribution to the loss reduction was partially offset by a decrease in gross profits of approximately HK$15.9 million as a result of a reduction in revenues as highlighted above.

Inventory

The inventory of the Group, comprising mainly inventory of the Toy Division, increased by 3.9% to approximately HK$87.0 million as at 30 September 2019 from approximately HK$83.7 million as at 31 March 2019. The inventory turnover period, as calculated by dividing the average closing inventories by the cost of sales for the year/period and multiplied by 365 days/182.5 days, increased by 3.9% from 60.3 days for the year ended 31 March 2019 to 68.6 days for the Current Period.

Trade Receivables

Trade receivables from the Toy Division increased to approximately HK$117.7 million as at 30 September 2019 from approximately HK$28.0 million at 31 March 2019, which was primarily due to the increase in sales of the Toy Division for the Current Period during the peak season of its business cycle. The trade receivables turnover days, calculated as dividing the average closing trade receivables by the revenue for the period/year and multiplied by 182.5 days/365 days, was 51.5 days for Current Period, as compared with 15.4 days for the year ended 31 March 2019. The increase in the trade receivables turnover days during the Current Period as compared to the year ended 31 March 2019 was mainly attributable to the increase in sales to certain major customers during the Current Period which is the peak season of the toy manufacturing business.

For the Financial Services Division, trade receivables mainly arose from dealing in securities on behalf of our cash clients which decreased to approximately HK$0.4 million as at 30 September 2019 when compared to approximately HK$31.1 million as at 31 March 2019, representing a decrease of approximately HK$30.7 million or 98.8%. The decrease in trade receivables as at 30 September 2019 was mainly due to a decrease in outstanding receivable from cash clients for settlement purposes in its securities trading business as at the end of the Current Period when compared with 31 March 2019.

Trade Payables

Trade payables from the Toy Division increased to approximately HK$44.3 million as at 30 September 2019 when compared with approximately HK$15.0 million as at 31 March 2019, representing an increase of approximately HK$29.3 million or 195.2%, which was primarily due to the purchase of more raw materials to support the increase in production during the peak season for the Toy Division.

The trade payables turnover days for the Toy Division for the Current Period, as calculated as dividing the average closing trade payables by the cost of sales for the period/year and multiplied by 182.5 days/365 days, were 23.8 days for Current Period as compared with 18.6 days for the year ended 31 March 2019. The increase in the trade payables turnover days for the Current Period as compared to the year ended 31 March 2019 was mainly attributable to the increase in purchases of raw materials to cope with the increase in customer orders during the Current Period which is the peak season of business.

Trade payables from the Financial Services Division were mainly payable to cash clients or the clearing house for settlement of trades. The settlement terms for such trade payable attributable to dealing in securities are typically one to two days after the trade date. As at 30 September 2019, such trade payables amounted to HK$39.3 million, representing a decrease by approximately 43.0% from approximately HK$69.0 million as at 31 March 2019. The decrease was mainly due to a decrease in outstanding trade settlements payable to counterparties in the securities brokerage business as at the end of the Current Period when compared with 31 March 2019.

Management Discussion and Analysis

LIQUIDITY AND FINANCIAL RESOURCES

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

For the Current Period, the Group mainly financed its working capital by internal resources and bank borrowings. As at 30 September 2019, cash and cash equivalents of the Group amounted to approximately HK$93.1 million (31 March 2019: HK$140.5 million). Besides, approximately HK$61.7 million (31 March 2019: HK$61.2 million) were pledged bank deposits to secure an undrawn banking facility granted to the Group to facilitate settlement purposes of the Financial Services Division. The decrease was mainly due to the cash used to finance the working capital requirements of the Group's businesses during the Current Period as the Toy Business entered its peak production season while relying less on bank borrowings to finance its working capital when compared with peak production period in previous years. Interest-bearing bank borrowings as at 30 September 2019 amounted to approximately HK$28.1 million, compared with about HK$23.1 million as at 31 March 2019. The increase in interest-banking bank borrowings was mainly due to the working capital requirements of the Toy Division as it entered its cyclical peak production season. The debt to equity ratio of the Group, calculated as the ratio of the closing debt balance divided by the closing total equity of the period/year, increased to approximately 32.4% (31 March 2019: 28.0%) as a result of the increase in bank borrowings to facilitate the working capital requirements during the peak production season of the Toy Division. As at 30 September 2019, 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 3.0 (31 March 2019: 3.2).

CONVERTIBLE NOTES

The Company issued two tranches of 6% Convertible Notes with a maturity of three years and outstanding principal amounts of HK$80.0 million and HK$30.0 million (the "2017 Convertible Notes") on 11 May 2017 and 2 June 2017, respectively, to Benefit Global Limited, an independent third party, for repayment of liabilities of the Group, business expansion of the Group's Financial Services Division and as general working capital of the Group. The 2017 Convertible Notes are unsecured, bear interest at 6% per annum and carry rights to convert the principal amount into shares of the Company at an initial conversion price of HK$0.39 per share, representing 282,051,281 conversion shares or 19.1% of the issued share capital of the Company as at the date of this report, or 16.1% of the issued share capital of the Company as at the date of this report as enlarged by the conversion shares. The Company has the option to redeem the 2017 Convertible Notes at any time before their maturity at 100% of their principal value plus any accrued but unpaid interest.

As at the date of this report, the net proceeds from the 2017 Convertible Notes have been used as follows:

		(HK$ millions)
(i)	Full redemption of the convertible notes issued in 2014	58.0
(ii)	Business expansion and working capital of the Financial Services Division	52.0
TOTAL		110.0

CHARGE ON ASSETS

As at 30 September 2019, certain of the Group's banking facilities and its interest-bearing bank borrowings were secured and pledged by bank deposits of approximately HK$61.7 million (31 March 2019: HK$61.2 million) and properties of the Group located in Hong Kong with an aggregate net book value of approximately HK$7.0 million (31 March 2019: HK$7.0 million).

CONTINGENT LIABILITIES

As at 30 September 2019, the Group had no contingent liabilities (31 March 2019: Nil).

CAPITAL COMMITMENTS

As at 30 September 2019, there was no capital commitment of the Group (31 March 2019: Nil).

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 30 September 2019 (31 March 2019: Nil).

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

During the six months ended 30 September 2019, the Group did not have any material acquisitions and disposals of subsidiaries and affiliated companies.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

As at 30 September 2019, the Group did not have any plans to acquire any material investments or capital assets.

Management Discussion and Analysis

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$, the Group does not have material exchange rate risk on such currency. During the Current Period, the Group did not enter into any deliverable forward contracts ("DF") to manage foreign currency risk arising from fluctuation in exchange rate of the RMB against the US$.

The Group implemented a foreign currency forward contract policy in relation to foreign currency contracts for the Current Period. The Group performed cash flow analysis, ongoing monitoring and review of 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.

EMPLOYEES AND REMUNERATION POLICY

As at 30 September 2019, the Group had a total of 53 employees (31 March 2019: 54). Total staff costs were approximately HK$20.9 million for the six-month period ended 30 September 2019 (2018: HK$28.3 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 respective executive Directors of the Group. The Company also adopted a share option scheme for the purpose of rewarding eligible participants for their contribution to the Group.

TERMINATION OF PROPOSED SUBSCRIPTION, PROPOSED ACQUISITIONS, PROPOSED SHARE PURCHASE AGREEMENT AND LAPSE OF POSSIBLE UNCONDITIONAL MANDATORY CASH OFFERS

As set out in the announcement jointly issued by Zhongtai Financial International Limited (the "Offeror") and the Company on 30 September 2019, (i) the restated subscription agreement (the "Restated Subscription Agreement") entered into by the Company and Zhongtai International Investment Group Limited (the "Original Offeror"), Taifu Capital Investments Limited and Great Boom Group Limited on 11 October 2018, (ii) the sale and purchase agreement entered into between Zhongtai International Financial Corporation ("ZTI Financial") and the Company regarding the acquisition of Zhongtai International Capital Limited dated 23 February 2018 and all subsequent supplemental agreements regarding the same (the "ZTI Capital Agreements"); (iii) the sale and purchase agreement entered into between Zhongtai Financial International Limited ("Zhongtai Financial International") and the Company regarding the acquisition of Zhongtai International Asset Management Limited dated 23 February 2018 and all subsequent supplemental agreements regarding the same (the "ZTI Asset Management Agreements"); and (iv) the share purchase agreement entered into between Smart Investor Holdings Limited, the controlling shareholder of the Company, Mr. Lau Ho Ming, Peter, being the Executive Chairman of the Company, and Madam Li Man Yee, Stella, being the non-executive Director of the Company, and the Original Offeror dated 11 October 2018 (the "Share Purchase Agreement"), all lapsed on 30 September 2019 as certain conditions precedent contained therein were not fulfilled by 30 September 2019. Therefore, the Restated Subscription Agreement, the ZTI Capital Agreements, the ZTI Asset Management Agreements and the Share Purchase Agreement were all terminated on 30 September 2019.

As completion of the above agreements did not take place, the possible unconditional mandatory offers in cash to be made by the Offeror for all the issued shares of the Company, all the outstanding convertible notes issued by the Company and the cancellation of all outstanding share options granted by the Company also lapsed on the same date and the offer period of such offers also came to an end for the purposes of the Takeovers Code.

For further details, please refer to the joint announcement issued by the Company and the Offeror dated 30 September 2019.

PROSPECTS

During the Current Period, the Group's Toy Division managed to maintain a profitable position while the Financial Services Division managed to substantially narrow its loss during an immensely difficult time of operation, resulting in a modest improvement in the Group's overall net loss position when compared with the Previous Period. Despite this slightly better-than-expected performance, it is expected that the business outlook for the Group will remain highly challenging in the second half of the financial year. Although there have been talks about an imminent first stage agreement between the United States and China on its trade negotiation, the situation remains highly precarious and there is no certainty a deal will be signed, let alone under terms favourable to China or the global economy as a whole. The upcoming election in the United Kingdom similarly presents a highly unpredictable situation surrounding Brexit. Regardless of the outcome of the election, it is becoming increasingly apparent that the uncertainty surrounding the trade relations between the United Kingdom and the European Union shall continue for a considerable period of time. Under such circumstances, we could only hold a cautious attitude towards customer order situation in our Toy Division, especially in the North American and Western European markets, and focus our attention on strengthening cost-tightening measures, improving production efficiency and reducing unnecessary sales-related and administrative expenses.

The business outlook of our Financial Services Division is similarly affected by the above macro uncertainty and local sentiments are further depressed by the social unrests in Hong Kong, of which we do not seem to have seen the end of the tunnel yet. While our Financial Services Division continued to manage to close fund raising transactions for our clients in the recent months, leading to a noticeable improvement in its segment results over the Previous Period, we are fully aware that these transaction windows may close abruptly depending on the development of the precarious socio-economic situations. Such changes in circumstances may lead to postponement in transactions or reduction in transaction size. In these difficult times, our Financial Services Division will continue to focus on expanding our transaction pipelines and exploring more recurring revenues from our investment advisory business. We will also continue to seek strategic partners who would be able to contribute financially and strategically to the further diversification of our Financial Services Division into more capital-based activities.

Other Information

INTERIM DIVIDEND

The Board has resolved not to declare an interim dividend for the six months ended 30 September 2019 (30 September 2018: Nil).

REVIEW OF INTERIM RESULTS

The Audit Committee has reviewed the unaudited condensed consolidated financial statements and the interim report for the six months ended 30 September 2019 and discussed the financial related matters, including the accounting principles and practices adopted by the Group, with the management during the period under review. The Audit Committee was satisfied that the unaudited condensed consolidated financial statements of the Group for the six months ended 30 September 2019 have been prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 September 2019.

CORPORATE GOVERNANCE

The Company adopted the Corporate Governance Code set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") (the "Code") as its own code of corporate governance practice. Throughout the interim period under review, the Company has complied with all applicable code provisions under the Code with the exception discussed herein below.

Code A.2.1

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

DIRECTORS' SECURITIES TRANSACTIONS

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

DIRECTORS' INTERESTS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 30 September 2019, the interests or short positions of the Directors in the shares, underlying shares or debentures of the Company and associated corporations (within the meaning of Part XV of the Securities Futures Ordinance (Charter 571 of the Laws of Hong Kong) ("SFO")) as recorded in the register to be kept under which have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO) or which is required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein or which is required to notify the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") contained in the Listing Rules, is as follows:

Long positions

	Number of Shares held						
Name of Director	**Personal interest**	**Corporate interests**	**Family interests**	**Other interests**	**Number of underlying Shares** *(Note 1)*	**Total**	**Percentage of issued share capital**
Mr. Lau Ho Ming, Peter	9,600,000	482,864,000 *(Note 2)*	–	–	4,000,000 *(Note 3)*	496,464,000	33.7%
Madam Li Man Yee, Stella	9,600,000	–	482,864,000 *(Note 2)*	–	1,400,000 *(Note 3)*	493,864,000	33.5%
Mr. Poon Pak Ki, Eric	2,000,000	–	–	–	12,900,000	14,900,000	1.0%
Mr. Ng Kam Seng	3,200,000	–	–	–	12,900,000	16,100,000	1.1%
Mr. Chu, Raymond	27,448,000	–	–	–	12,847,800	40,295,800	2.7%
Mr. Leung Po Wing, Bowen Joseph	–	–	–	–	2,800,000	2,800,000	0.2%
Mr. Chan Siu Wing, Raymond	–	–	–	–	2,800,000	2,800,000	0.2%
Mr. Wong Wah On, Edward	–	–	–	–	1,400,000	1,400,000	0.1%

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. *These Shares are registered in the name of Smart Investor Holdings Limited ("Smart Investor"), a company owned as to 67.4% by Mr. Lau Ho Ming, Peter and 32.6% by Madam Li Man Yee, Stella. 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. *Share options were granted to Mr. Lau and Madam Li to subscribe for 4,000,000 Shares and 1,400,000 Shares each, totaling 5,400,000 Shares. By virtue of the provisions of Part XV of the SFO, Mr. Lau and Madam Li are deemed to be interested in all the Shares in which Mr. Lau is interested in or deemed to be interested in.*

Save as those disclosed above, as at 30 September 2019, none of the Directors had any interests or short positions in the Shares, underlying Shares, or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as 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.

Other Information

SUBSTANTIAL SHAREHOLDERS

As at 30 September 2019, the interests or short positions of substantial Shareholders, other than the Directors or the chief executives of the Company whose interests and short positions in the Shares and of its associated corporations (within the meaning of Part XV of the SFO) as set out above, had 5% or more interests or short positions in the Shares and underlying Shares of the Company as recorded in the register required to be maintained by the Company under Section 336 of the SFO were as follows:

Long Positions

Name	Total number of Shares held	Percentage of shareholding *(Note 1)*
Smart Investor Holdings Limited	482,864,000 *(Note 2)*	32.75%
Silver Pointer Limited	106,880,000 *(Note 3)*	7.25%
Benefit Global Limited	282,051,281 *(Note 4)*	19.13%
Clearfield Global Limited	282,051,281 *(Note 4)*	19.13%
BlackPine Private Equity Partners G.P. Limited	282,051,281 *(Note 4)*	19.13%
Chu Sheng Yu, Lawrence	282,051,281 *(Note 4)*	19.13%
	672,000 *(Note 5)*	0.05%

Notes:

1. *Total number of 1,474,232,000 Shares in issue as at 30 September 2019 has been used for the calculation for the approximate percentage.*

2. *These Shares are registered in the name of Smart Investor, a company owned as to approximately 67.4% by Mr Lau and approximately 32.6% by Madam Li.*

3. *These Shares are registered in the name of Silver Pointer Limited.*

4. *282,051,281 Shares are the underlying Shares representing the total number of conversion Shares convertible under the Convertible Notes issued by the Company to Benefit Global, a company wholly owned by Clearfield Global Limited, which is in turn wholly owned by BlackPine Private Equity Partners G.P. Limited and ultimately wholly owned by Mr Chu Sheng Yu, Lawrence.*

5. *672,000 Shares are registered in the name of Mr Chu Sheng Yu, Lawrence in his personal capacity.*

6. *As at 30 September 2019, Zhongtai Financial International Limited (中泰金融國際有限公司), Zhongtai Securities Co., Ltd.# (中泰證券股份有限公司), Laiwu Steel Group Ltd.# (萊蕪鋼鐵集團有限公司), Shandong Iron & Steel Group Co., Ltd.# (山東鋼鐵集團有限公司) and Shandong SASAC had their respective interests as substantial Shareholders lapsed on the same date. Details of which can be referred to the announcement jointly issued by Zhongtai Financial International Limited and the Company on 30 September 2019.*

\# *The English transliteration of the Chinese name(s), where indicated, is included for information purpose only, and should not be regarded as the official English name(s) of such Chinese name(s).*

Other Information

SHARE OPTION SCHEME

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”) as incentives or rewards for eligible participants who contribute to the Group. Details of the Share Option Scheme are disclosed in note 17 to the condensed consolidated financial statements.

On 17 March 2014 (the “2014 Grant Date”), the Company granted 10,800,000 share options (the “Option(s)”) to certain eligible participants (the “Grantees”) of the Group under the Share Option Scheme at a subscription price of HK$1.00 per Share, subject to adjustment. The closing price per Share immediately before the 2014 Grant Date was HK$0.90.

On 3 July 2015 (the “2015 Grant Date”), the Company granted 13,400,000 share options (the “Option(s)”) to certain eligible participants (the “Grantees”) of the Group under the Share Option Scheme at a subscription price of HK$4.07 per Share, subject to adjustment. The closing price per Share immediately before the 2015 Grant Date was HK$3.70.

On 24 March 2016 (the “2016 Grant Date”), the Company granted 109,441,600 share options (the “Option(s)”) to certain eligible participants (the “Grantees”) of the Group under the Share Option Scheme to certain eligible participants of the Group under the Share Option Scheme at a subscription price of HK$0.748 per Share, subject to adjustment. The closing price per Share immediately before the 2016 Grant Date was HK$0.70.

Details of the outstanding Options under the Share Option Scheme as at 30 September 2019 were as follows:

		Number of share options				
	Exercise price	**Balance as at at 1 April 2019**	**Lapsed during the period**	**Balance as at 30 September of 2019**	**Date of grant of share options**	**Exercisable periods of share options**
Executive Directors						
– Lau Ho Ming, Peter	HK$1.02	4,000,000	–	4,000,000	3 July 2015	3 July 2015 to 2 July 2025
– Ng Kam Seng	HK$1.02	5,400,000	–	5,400,000	3 July 2015	3 July 2015 to 2 July 2025
	HK$0.748	7,500,000	–	7,500,000	24 March 2016	24 March 2016 to 23 March 2026
– Poon Pak Ki, Eric	HK$1.02	5,400,000	–	5,400,000	3 July 2015	3 July 2015 to 2 July 2025
	HK$0.748	7,500,000	–	7,500,000	24 March 2016	24 March 2016 to 23 March 2026
– Chu, Raymond	HK$0.748	12,847,800	–	12,847,800	24 March 2016	24 March 2016 to 23 March 2026

	Exercise price	Number of share options Balance as at at 1 April 2019	Lapsed during the period	Balance as at 30 September of 2019	Date of grant of share options	Exercisable periods of share options
Non-executive Directors						
– Li Man Yee, Stella	HK$1.02	1,400,000	–	1,400,000	3 July 2015	3 July 2015 to 2 July 2025
– Wang Zhao *(Note 1)*	HK$1.02	1,400,000	–	1,400,000	3 July 2015	3 July 2015 to 2 July 2025
Independent Non-executive Directors						
– Leung Po Wing, Bowen Joseph	HK$1.02	1,400,000	–	1,400,000	3 July 2015	3 July 2015 to 2 July 2025
	HK$0.748	1,400,000	–	1,400,000	24 March 2016	24 March 2016 to 23 March 2026
– Chan Siu Wing, Raymond	HK$1.02	1,400,000	–	1,400,000	3 July 2015	3 July 2015 to 2 July 2025
	HK$0.748	1,400,000	–	1,400,000	24 March 2016	24 March 2016 to 23 March 2026
– Wong Wah On, Edward	HK$0.748	1,400,000	–	1,400,000	24 March 2016	24 March 2016 to 23 March 2026
Employees	HK$1.02	8,600,000	–	8,600,000	3 July 2015	3 July 2015 to 2 July 2025
	HK$0.748	40,223,800	(3,220,000)	37,003,800	24 March 2016	24 March 2016 to 23 March 2026
Consultants	HK$0.25	1,120,000	–	1,120,000	17 March 2014	17 March 2014 to 16 March 2024
	HK$1.02	19,600,000	–	19,600,000	3 July 2015	3 July 2015 to 2 July 2025
	HK$0.748	12,300,000	–	12,300,000	24 March 2016	24 March 2016 to 23 March 2026
Total		**134,291,600**	**(3,220,000)**	**131,071,600**		

Note:

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

Other Information

Upon acceptance of the Options, the Company received the consideration of HK$1.00 from each of the Grantees. The Options will be vested in 3 tranches: (i) 30% of the Options shall be exercisable from the date immediately after the first anniversary of the Grant Date until the last day of the respective exercise period; (ii) 30% of the Options shall be exercisable from the date immediately after the second anniversary of the Grant Date until the last day of the respective exercise period; and (iii) 40% of the Options shall be exercisable from the date immediately after the third anniversary of the Grant Date until the last day of the respective exercise period.

Save as the above, there has been no share options granted, exercised, lapsed and cancelled during the six months ended 30 September 2019.

UPDATE OF DIRECTORS INFORMATION

Except for details disclosed below, there has been no update in the biographical details of the Directors further to those disclosed in the 2019 Annual Report of the Company.

Mr. Poon Pak Ki, Eric

Mr. Poon Pak Ki, Eric, aged 52, was appointed as an executive Director on 3 January 2013. He is responsible for the financial and accounting matters and general administration in the Group. On 30 August 2019, Mr. Poon has been admitted as an associate member of the Association of International Accountants.

Mr. Leung Po Wing, Bowen Joseph GBS, JP

Mr. Leung Po Wing, Bowen Joseph GBS, JP, aged 70, was appointed as an independent non-executive Director on 3 January 2013. Mr. Leung is the chairman for each of the Nomination Committee and the Remuneration Committee as well as a member of the Audit Committee of the Board respectively.

On 20 August 2019, Mr. Leung resigned as the independent non-executive director of Green Leader Holdings Group Limited (formerly known as North Asia Resources Holdings Limited) (stock code: 61), a company listed on The Stock Exchange of Hong Kong Limited.

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 September 2019

	Notes	Six months ended 30 September 2019 HK$'000 (Unaudited)	2018 HK$'000 (Unaudited)
REVENUE	*5*	**268,451**	459,238
Cost of sales		**(227,050)**	(401,938)
Gross profit		**41,401**	57,300
Other income and gains	*5*	**4,441**	2,450
Selling expenses		**(7,253)**	(13,439)
Administrative expenses		**(34,440)**	(46,100)
Finance costs	*6*	**(13,265)**	(11,839)
LOSS BEFORE INCOME TAX EXPENSE	*7*	**(9,116)**	(11,628)
Income tax expense	*8*	**(2,804)**	(4,267)
LOSS FOR THE PERIOD		**(11,920)**	(15,895)
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:			
Fair value loss on financial assets at fair value through other comprehensive income		**–**	(143)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**(11,920)**	(16,038)
Loss per share			
– Basic and diluted (HK cents)	*9*	**(0.81)**	(1.08)

Condensed Consolidated Statement of Financial Position

As at 30 September 2019

	Notes	At 30 September 2019 HK$'000 (Unaudited)	At 31 March 2019 HK$'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	*10*	**11,848**	21,031
Investment property		**7,000**	7,000
Goodwill		**184,783**	184,783
Intangible assets	*11*	**554**	554
Statutory deposits for financial service business		**375**	1,319
Deposits		**163**	326
Right of use assets	*21*	**10,022**	–
Promissory notes		**4,618**	4,584
Total non-current assets		**219,363**	219,597
CURRENT ASSETS			
Inventories	*12*	**87,021**	83,723
Trade receivables	*13*	**118,098**	59,143
Prepayments, deposits and other receivables		**4,396**	6,555
Cash and bank balances held on behalf of customers		**38,966**	38,006
Pledged bank deposits		**61,741**	61,242
Cash and cash equivalents		**93,070**	140,467
Total current assets		**403,292**	389,136
CURRENT LIABILITIES			
Trade payables	*14*	**83,628**	84,019
Receipts in advance, accruals and other payables		**12,973**	12,237
Interest-bearing bank borrowings	*15*	**28,070**	23,106
Lease liabilities	*21*	**4,767**	–
Tax payable		**3,388**	1,848
Total current liabilities		**132,826**	121,210
NET CURRENT ASSETS		**270,466**	267,926
TOTAL ASSETS LESS CURRENT LIABILITIES		**489,829**	487,523

Condensed Consolidated Statement of Financial Position (Continued)

As at 30 September 2019

	Notes	At 30 September 2019 HK$'000 (Unaudited)	At 31 March 2019 HK$'000 (Audited)
NON-CURRENT LIABILITIES			
Convertible notes		**97,211**	88,429
Lease liabilities	*21*	**5,444**	–
Deferred tax liabilities		**112**	112
Total non-current liabilities		**102,767**	88,541
NET ASSETS		**387,062**	398,982
EQUITY			
Share capital	*16*	**287**	287
Reserves		**386,775**	398,695
TOTAL EQUITY		**387,062**	398,982

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 September 2019

	Attributable to the owners of the Company							
	Share capital HK$'000	**Share premium** HK$'000 *(note 1)*	**Property revaluation reserve** HK$'000 *(note 2)*	**Other reserve** HK$'000	**Share option reserve** HK$'000 *(note 3)*	**Convertible notes equity reserve** HK$'000 *(note 4)*	**Accumulated losses** HK$'000	**Total** HK$'000
Unaudited for the six months ended 30 September 2019								
At 1 April 2019 (audited)	**287**	**418,769**	**6,071**	**1,000**	**53,310**	**45,888**	**(126,343)**	**398,982**
Lapse of share options *(note 17)*	–	–	–	–	(1,156)	–	1,156	–
Total comprehensive income for the period	–	–	–	–	–	–	(11,920)	(11,920)
At 30 September 2019 (unaudited)	**287**	**418,769**	**6,071**	**1,000**	**52,154**	**45,888**	**(137,107)**	**387,062**

Condensed Consolidated Statement of Changes in Equity (Continued)

For the six months ended 30 September 2019

	Attributable to the owners of the Company								
	Share capital HK$'000	Share premium HK$'000 *(note 1)*	Property revaluation reserve HK$'000 *(note 2)*	Investment revaluation reserve HK$'000	Other reserve HK$'000	Share option reserve HK$'000 *(note 3)*	Convertible notes equity reserve HK$'000 *(note 4)*	Accumulated losses HK$'000	Total HK$'000
Unaudited for the six months ended 30 September 2018									
At 1 April 2018 (audited)	287	418,769	6,071	(260)	1,000	50,187	45,888	(92,211)	429,731
Equity settled share-based transactions *(note 17)*	–	–	–	–	–	2,795	–	–	2,795
Lapse of share options *(note 17)*	–	–	–	–	–	(1,656)	–	1,656	–
Loss for the period	–	–	–	–	–	–	–	(15,895)	(15,895)
Other comprehensive income									
Fair value loss on financial assets at fair value through other comprehensive income	–	–	–	(143)	–	–	–	–	(143)
Total comprehensive income for the period	–	–	–	(143)	–	–	–	(15,895)	(16,038)
At 30 September 2018 (unaudited)	287	418,769	6,071	(403)	1,000	51,326	45,888	(106,450)	416,488

Notes:

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

2. *Property revaluation reserve comprised the revaluation surplus arising from the transfer of owner-occupied property to investment property at the date of change in use.*

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

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

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 September 2019

	Six months ended 30 September	
	2019	2018
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Net cash used in operating activities	**(48,561)**	(128,009)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	**1,005**	1,519
Purchase of property, plant and equipment	**(670)**	(11,436)
Increase in pledged bank deposits	**(499)**	(391)
Proceeds from disposal of property, plant and equipment	**5,428**	–
Net cash generated from/(used in) investing activities	**5,264**	(10,308)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from bank borrowings	**75,189**	284,652
Repayment of bank borrowings	**(70,225)**	(181,157)
Repayment of lease liabilities	**(4,581)**	–
Interest paid on bank and other borrowings	**(4,022)**	(5,047)
Interest paid on lease liabilities	**(461)**	–
Net cash (used in)/generated from financing activities	**(4,100)**	98,448
Net decrease in cash and cash equivalents	**(47,397)**	(39,869)
Cash and cash equivalents at 1 April	**140,467**	141,184
Cash and cash equivalents at 30 September	**93,070**	101,315

Notes to Condensed Consolidated Financial Statements

1. CORPORATE INFORMATION

Quali-Smart Holdings Limited (the "Company") was incorporated as an exempted company with limited liability in the Cayman Islands on 14 March 2012 under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The Company's registered office is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands and its principal place of business in Hong Kong is located at Workshop C on 19th Floor, TML Tower, No. 3 Hoi Shing Road, Tsuen Wan, Hong Kong. The ordinary shares in the capital of the Company (the "Shares") are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The unaudited condensed consolidated financial statements of the Company and its subsidiaries (collectively known as the "Group") for the six months ended 30 September 2019 ("Interim Condensed Financial Statements") have been prepared in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the applicable disclosure requirements of Appendix 16 of the Rules Governing the Listing of Securities on the Stock Exchange. Interim Condensed Financial Statements have not been audited by the Company's auditor but have been reviewed by the audit committee of the board of directors of the Company ("Board").

The Interim Condensed Financial Statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the audited consolidated financial statements of the Group for the year ended 31 March 2019 (the "2019 Annual Financial Statements").

The Interim Condensed Financial Statements were approved and authorised for issue by the Board on 29 November 2019.

2. BASIS OF PREPARATION

The accounting policies applied in preparing the Interim Condensed Financial Statements are consistent with those applied in preparing the 2019 Annual Financial Statements, except for the amendments and interpretations of Hong Kong Financial Reporting Standards ("New/amended HKFRSs") issued by HKICPA which have become effective for the first time for periods beginning on or after 1 April 2019. The adoption of such New/amended HKFRSs has no material impact on the accounting policies in the Group's Interim Condensed Financial Statements for the period, expect for new significant judgements and key sources of estimation uncertainty related to application of HKFRS 16 as described in note 3.

3. APPLICATION OF NEW AND AMENDMENTS TO HKFRSs

The HKICPA has issued a number of new or amendments to HKFRSs that are first effective for the current accounting period of the Group:

- HKFRS 16, Leases
- HK(IFRIC)-Int 23, Uncertainty over Income Tax Treatments
- Amendments to HKAS 28, Long-term Interests in Associates and Joint Ventures
- Amendments to HKFRS 9, Prepayment Features with Negative Compensation
- Annual Improvements to HKFRSs 2015-2017 Cycle, Amendments to HKFRS 3, Business Combinations
- Annual Improvements to HKFRSs 2015-2017 Cycle, Amendments to HKAS 12, Income Taxes
- Annual Improvements to HKFRSs 2015-2017 Cycle, Amendments to HKAS 23, Borrowing Costs

3. APPLICATION OF NEW AND AMENDMENTS TO HKFRSs (continued)

The adoption of these new or amendments to HKFRSs does not have any significant financial effect on the Group's condensed consolidated interim financial information, except for the adoption of HKFRS 16 Leases as summarised below.

(i) Impact of adoption of HKFRS 16

HKFRS 16 brings significant changes in accounting treatment for lease accounting, primarily for accounting for lessees. It supersedes HKAS 17 "Leases" ("HKAS 17"), HK(IFRIC)-Int 4 "Determining whether an Arrangement contains a Lease" ("HK(IFRIC)-Int 4"), HK(SIC)-Int 15 "Operating Leases-Incentives" and HK(SIC)-Int 27 "Evaluating the Substance of Transactions Involving the Legal Form of a Lease". From a lessee's perspective, almost all leases are recognised in the consolidated statement of financial position as right-of-use assets and lease liabilities, with the narrow exception to this principle for leases of which the underlying assets are of low-value or are determined as short-term leases. From a lessor's perspective, the accounting treatment is substantially unchanged from HKAS 17. For details of HKFRS 16 regarding its new definition of a lease, its impact on the Group's accounting policies and the transition method adopted by the Group as allowed under HKFRS 16, please refer to section (ii) to (iv) of this note.

The Group has applied HKFRS 16 using the modified retrospective approach and recognised all the cumulative effect if any, of initially applying HKFRS 16 as an adjustment to the opening balance of accumulated losses, at the date of initial application. The comparative financial information presented for 2019 has not been restated and continues to be reported under HKAS 17 and related interpretations as allowed by the transition provision in HKFRS 16

The following table summarised the impact of transition to HKFRS 16 on the condensed consolidated statement of financial position as at 31 March 2019 to that as at 1 April 2019:

Condensed consolidated statement of financial position as at 1 April 2019	HK$'000
Right-of-use assets	14,792
Lease liabilities (non-current)	5,444
Lease liabilities (current)	9,348

The following reconciliation explains how the operating lease commitments disclosed applying HKAS 17 as at 31 March 2019 could be reconciled to the lease liabilities at the date of initial application recognised in the condensed consolidated statement of financial position as at 1 April 2019:

Reconciliation of operating lease commitments to lease liabilities	HK$'000
Operating lease commitment as at 31 March 2019	15,678
Less: short term leases for which lease terms end within 31 March 2020	(38)
Less: future interest expenses	(848)
Total lease liabilities as at 1 April 2019 (note 21)	14,792

The lessees' incremental borrowing rates applied to lease liabilities by the relevant group entities recognised in the condensed consolidated statement of financial position as at 1 April 2019 is ranging from 5.9% to 8.81% per annum.

3. APPLICATION OF NEW AND AMENDMENTS TO HKFRSs (continued)

(i) Impact of adoption of HKFRS 16 (continued)

After the initial recognition of right-of-use assets and lease liabilities as at 1 April 2019, the Group as a lessee is required to recognise interest expense accrued on the outstanding balance of the lease liability, and the depreciation of the right-of-use asset, instead of the previous policy of recognising rental expenses incurred under operating leases on a straight-line basis over the lease term. This results in a negative impact on the reported loss from operations in the Group's consolidated statement of profit or loss and other comprehensive income, as compared to the results if HKAS 17 had been applied during the period.

In the consolidated statement of cash flows, the Group as a lessee is required to split rentals paid under capitalised leases into their capital element and interest element. These elements are classified as financing cash outflows, similar to how leases previously classified as finance leases under HKAS 17 were treated, rather than as operating cash outflows, as was the case for operating leases under HKAS 17. The adoption of HKFRS 16 therefore results in a change in presentation of cash flows within the consolidated statement of cash flows.

(ii) New definition of a lease

Under HKFRS 16, a lease is defined as a contract, or part of a contract, that conveys the right to use an asset (the "underlying asset") for a period of time in exchange for consideration. A contract conveys the right to control the use of an identified asset for a period of time when the customer, throughout the period of use, has both: (a) the right to obtain substantially all of the economic benefits from use of the identified asset and (b) the right to direct the use of the identified asset.

For a contract that contains a lease component and one or more additional lease or non-lease components, a lessee shall allocate the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease component, unless the lessee apply the practical expedient which allows the lessee to elect, by class of underlying asset, not to separate non-lease component from lease component, and instead account for each lease component and any associated non-lease component as a single lease component.

The Group has elected not to separate non-lease component and account for all each lease component and any associated non-lease component as a single lease component for all leases.

Under HKAS 17, a lessee has to classify a lease as an operating lease or a finance lease based on the extent to which risks and rewards incidental to ownership of a lease asset lie with the lessor or the lessee. If a lease is determined as an operating lease, the lessee would recognise the lease payments under the operating lease as an expense over the lease term. The asset under the lease would not be recognised in the statement of financial position of the lessee.

3. APPLICATION OF NEW AND AMENDMENTS TO HKFRSs (continued)

(iii) Accounting as a lessee

Under HKFRS 16, all leases (irrespective of they are operating leases or finance leases) are required to be capitalised in the statement of financial position as right-of-use assets and lease liabilities, but HKFRS 16 provides accounting policy choices for an entity to choose not to capitalise (i) leases which are short-term leases and/or (ii) leases for which the underlying asset is of low-value.

The Group recognised a right-of-use asset and a lease liability at the commencement date of a lease.

Right-of-use asset

The right-of-use asset should be recognised at cost and would comprise: (i) the amount of the initial measurement of the lease liability (see below for the accounting policy to account for lease liability); (ii) any lease payments made at or before the commencement date, less any lease incentives received; (iii) any initial direct costs incurred by the lessee and (iv) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories. Subsequent to the commencement date, under the cost model, the Group measures the right-of-use assets at cost, less any accumulated depreciation and any accumulated impairment losses, and adjusted for any remeasurement of lease liability. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on straight-line basis over the shorter of useful lives and lease term.

Lease liability

The lease liability should be recognised at the present value of the lease payments that are not paid at the date of commencement of the lease. The lease payments shall be discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group shall use the Group's incremental borrowing rate.

The following payments for the right to use the underlying asset during the lease term that are not paid at the commencement date of the lease are considered to be lease payments: (i) fixed payments less any lease incentives receivable; (ii) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at commencement date; (iii) amounts expected to be payable by the lessee under residual value guarantees; (iv) the exercise price of a purchase option if the lessee is reasonably certain to exercise that option and (v) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

Subsequent to the commencement date, a lessee shall measure the lease liability by: (i) increasing the carrying amount to reflect interest on the lease liability; (ii) reducing the carrying amount to reflect the lease payments made; and (iii) remeasuring the carrying amount to reflect any reassessment or lease modifications, e.g., a change in future lease payments arising from change in an index or rate, a change in the lease term, a change in the in-substance fixed lease payments or a change in assessment to purchase the underlying asset.

3. APPLICATION OF NEW AND AMENDMENTS TO HKFRSs (continued)

(iv) Transition

As mentioned above, the Group has applied HKFRS 16 using the modified retrospective approach and recognised all the cumulative effect if any, of initially applying HKFRS 16 as an adjustment to the opening balance of accumulated losses, at the date of initial application (i.e. 1 April 2019). The comparative financial information presented in this interim report has not been restated and continues to be reported under HKAS 17 and related interpretations as allowed by the transition provision in HKFRS 16.

The Group has recognised the lease liabilities as at 1 April 2019 for leases previously classified as operating lease applying HKAS 17 and measured those lease liabilities at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate at 1 April 2019.

The Group has elected to recognise all the right-of-use assets at 1 April 2019 for leases previously classified as operating lease under HKAS 17 at an amount equal to the amount recognised for the remaining lease liabilities and discounted using the lessee's incremental borrowing rate at the date of initial application. For all these right-of-use assets, the Group has applied HKAS 36 "Impairment of Assets" at 1 April 2019 to assess if there was any impairment as on that date.

The Group has also applied the follow practical expedients: (i) applied a single discount rate to a portfolio of leases with reasonably similar characteristics; (ii) applied the exemption of not to recognise right-of-use assets and lease liabilities for leases with term that will end within 12 months of the date of initial application (1 April 2019) and accounted for those leases as short-term leases; and (iii) exclude the initial direct costs from the measurement of the right-of-use asset at 1 April 2019.

In addition, the Group has also applied the practical expedients such that: (i) HKFRS 16 is applied to all of the Group's lease contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 and (ii) not to apply HKFRS 16 to contracts that were not previously identified as containing a lease applying HKAS 17 and HK(IFRIC)-Int 4.

4. OPERATING SEGMENT INFORMATION

The Group determines its operating segments based on the reports reviewed by the chief operating decision-maker that are used to make strategic decisions. The chief operating decision-maker considers the business primarily on the assessment of operating performance in each operating unit, which is the basis upon which the Group is organised. Each operating unit is distinguished based on types of goods or services delivered or provided. The following summary describes the operations in each of the Group's reportable segments:

- Manufacturing and sales of toys; and
- Securities brokerage, securities margin financing, investment advisory, corporate finance advisory and asset management service ("Financial Services")

(a) Reportable segments

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

4. OPERATING SEGMENT INFORMATION (continued)

(a) Reportable segments (continued)

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

Segment revenue and results

	Manufacturing and sales of toys HK$'000	Financial Services HK$'000	Total HK$'000
For the period ended 30 September 2019 (Unaudited)			
External revenue	**258,004**	**10,447**	**268,451**
Segment profit/(loss)	**13,535**	**(8,863)**	**4,672**
Central administrative cost*			**(13,788)**
Loss before income tax expense			**(9,116)**
For the period ended 30 September 2018 (Unaudited)			
External revenue	456,132	3,106	459,238
Segment profit/(loss)	25,604	(18,850)	6,754
Central administrative cost*			(18,382)
Loss before income tax expense			(11,628)

* Central administrative cost mainly includes directors' remuneration (excluding equity settled share-based payment expenses to directors) and legal and professional fees.

4. OPERATING SEGMENT INFORMATION (continued)

(a) Reportable segments (continued)

Segment revenue and results (continued)

Segment profit/(loss) represents the profit or (loss) earned by each segment without allocation of corporate income, 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 prepayments, cash and cash equivalents.

	At 30 September 2019 HK$'000 (Unaudited)	At 31 March 2019 HK$'000 (Audited)
Manufacturing and sales of toys	**224,054**	140,346
Financial Services	**288,397**	318,588
Total segment assets	**512,451**	458,934
Unallocated	**110,204**	149,799
Consolidated assets	**622,655**	608,733

Segment liabilities

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

	At 30 September 2019 HK$'000 (Unaudited)	At 31 March 2019 HK$'000 (Audited)
Manufacturing and sales of toys	**72,349**	47,577
Financial Services	**39,349**	69,834
Total segment liabilities	**111,698**	117,411
Unallocated	**123,895**	92,340
Consolidated liabilities	**235,593**	209,751

4. OPERATING SEGMENT INFORMATION (continued)

(a) Reportable segments (continued)

Segment revenue and results (continued)

Other segment information

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

For the period ended 30 September 2019 (Unaudited)

	Manufacturing and sales of toys HK$'000	Financial Services HK$'000	Total HK$'000
Additions to property, plant and equipment	**665**	**5**	**670**
Depreciation of property, plant and equipment	**(5,502)**	**(15)**	**(5,517)**
Gain on disposal of property, plant and equipment	**1,092**	**–**	**1,092**
Interest expenses	**(714)**	**–**	**(714)**

For the period ended 30 September 2018 (Unaudited)

	Manufacturing and sales of toys HK$'000	Financial Services HK$'000	Total HK$'000
Additions to property, plant and equipment	11,436	–	11,436
Depreciation of property, plant and equipment	(7,100)	(259)	(7,359)
Fair value loss on financial assets at FVTPL	–	(1,697)	(1,697)
Interest expenses	(1,738)	–	(1,738)

4. OPERATING SEGMENT INFORMATION (continued)

(b) Geographical information

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

(i) Revenue from external customers

	Six months ended 30 September	
	2019	2018
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Continuing operations		
North America *(note 1)*	**167,545**	311,364
Western Europe		
– United Kingdom	**25,415**	36,584
– France	**6,791**	14,688
– Netherland	**5,091**	2,141
– Others *(note 2)*	**17,651**	29,724
South America	**2,824**	5,543
PRC and Taiwan	**9,731**	18,895
Australia, New Zealand and Pacific Islands	**8,942**	9,910
Central America, Caribbean and Mexico	**7,580**	13,801
Others *(note 3)*	**16,881**	16,588
Total	**268,451**	459,238

Notes:

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

2. *Others include Greece, Italy, Spain, Denmark and Germany.*

3. *Others include Hong Kong, Africa, India, Japan, Korea, Puerto Rico, Russia and Southeast Asia.*

4. OPERATING SEGMENT INFORMATION (continued)

(b) Geographical information (continued)

(ii) Specified non-current assets

	At 30 September 2019 HK$'000 (Unaudited)	At 31 March 2019 HK$'000 (Audited)
Mainland China, the PRC	11,580	20,647
Hong Kong	202,627	192,721
Total	214,207	213,368

(c) Information about major customers

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

	Six months ended 30 September	
	2019 HK$'000 (Unaudited)	2018 HK$'000 (Unaudited)
Customer A	65,952	178,238
Customer B	63,000	148,128
Customer C	–	75,026

5. REVENUE, OTHER INCOME AND GAINS

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

	Six months ended 30 September	
	2019	2018
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Revenue		
Manufacturing and sales of toys	**258,004**	456,132
Financial Services	**10,447**	3,106
	268,451	459,238
Other income and gains		
Moulding income	**639**	667
Rental income	**114**	590
Fair value (loss) on financial assets at FVTPL	**–**	(1,697)
Interest income from bank deposits	**811**	614
Exchange gains, net	**1,200**	1,512
Gain on disposal of property, plant and equipment	**1,092**	–
Others	**585**	764
	4,441	2,450

6. FINANCE COSTS

	Six months ended 30 September	
	2019	2018
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Interest on bank and other borrowings:		
– Bank borrowings	**714**	1,738
– Convertible notes	**12,090**	10,101
	12,804	11,839
Interest on lease liabilities *(note 21)*	**461**	–
	13,265	11,839

7. LOSS BEFORE INCOME TAX EXPENSE

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

	Six months ended 30 September	
	2019	2018
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Cost of inventories sold	**227,050**	401,938
Depreciation of property, plant and equipment	**5,517**	7,359
Depreciation on right-of-use assets *(note 21)*	**4,770**	–
Employee benefits expenses (including Directors' remuneration):		
Wages and salaries	***19,507***	*23,706*
Equity settled share-based payment expenses	***–***	*2,148*
Pension scheme contributions	***590***	*525*
Other benefits	***839***	*1,920*
	20,936	28,299
Equity settled share-based payment expenses to eligible persons other than employees and Directors	**–**	647
Auditor's remuneration	**998**	818
Operating lease charges in respect of land and buildings	**760**	5,855

8. INCOME TAX EXPENSE

Hong Kong Profits Tax were calculated at 8.25% on the first HK$2 million of estimated assessable profits and at 16.5% for the portion of the estimated assessable profits above HK$2 million for the six months ended 30 September 2019. Hong Kong Profits Tax is calculated at 16.5% on the estimated assessable profit for the six months ended 30 September 2018. Taxes on profits assessable elsewhere have been calculated at the rate of tax prevailing in the locations in which the Group operates.

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

	Six months ended 30 September	
	2019	2018
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Current – Hong Kong Profits Tax		
Charge for the period	**2,804**	4,267
Income tax expense for the period	**2,804**	4,267

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

	Six months ended 30 September	
	2019	2018
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Loss before income tax expense	**(9,116)**	(11,628)
Tax at the applicable tax rate of 16.5% (2018: 16.5%)	**(1,504)**	(1,919)
Tax effect of revenue not taxable for tax purposes	**(182)**	(280)
Tax effect of expenses not deductible for tax purposes	**940**	1,172
Tax effect of tax loss not recognised	**3,715**	5,294
Tax concession	**(165)**	–
Income tax expense	**2,804**	4,267

No deferred tax asset has been recognised in respect of the unused tax losses of HK$140,957,000 (For the six months ended 30 September 2018: HK$115,552,000) due to the unpredictability of future profit streams. The unused tax losses can be carried forward indefinitely.

9. LOSS PER SHARE

The calculation of the basic and diluted loss per share attributable to the ordinary equity holders of the Company is based on the following data:

	Six months ended 30 September	
	2019	2018
	HK$'000	HK$'000
Loss for the period attributable to the owner of a Company	**(11,920)**	(15,895)
Number of shares	**'000**	'000
Weighted average number of ordinary shares for the purposes of basic loss per share	**1,474,232**	1,474,232

The calculation of basic loss per share attributable to the owners of the Company is based on the loss for the period ended 30 September 2019 of approximately HK$11,920,000 (2018: HK$15,895,000), and of the weighted average number of 1,474,232,000 (2018: 1,474,232,000) ordinary shares in issue during the period.

Diluted loss per share is the same as basic loss per share for the period ended 30 September 2019 (2018: same) as the impact of the potential dilutive ordinary shares outstanding has an anti-dilutive effect on the basic loss per share presented for the period ended 30 September 2019 (2018: anti-dilutive).

There is no dilutive effect on the convertible notes as they are anti-dilutive (2018: anti-dilutive).

10. PROPERTY, PLANT AND EQUIPMENT

	HK$'000
Net book value at 1 April 2019 (Audited)	21,031
Additions	670
Disposals	(4,336)
Depreciation	(5,517)
Net book value at 30 September 2019 (Unaudited)	**11,848**

11. INTANGIBLE ASSETS

	Trading rights, trademarks and website HK$'000
Net book value:	
At 1 April 2018 (Audited), 31 March 2019 (Audited) and **30 September 2019 (Unaudited)**	**554**

Notes to Condensed Consolidated Financial Statements

12. INVENTORIES

	At 30 September 2019 HK$'000 (Unaudited)	At 31 March 2019 HK$'000 (Audited)
Raw materials	**64,211**	59,118
Finished goods	**22,810**	24,605
	87,021	83,723

13. TRADE RECEIVABLES

	At 30 September 2019 HK$'000 (Unaudited)	At 31 March 2019 HK$'000 (Audited)
Trade receivables from financial services segment	**401**	31,111
Trade receivables from toys segment	**117,697**	28,032
	118,098	59,143

Trade receivables from financial services segment

	At 30 September 2019 HK$'000 (Unaudited)	At 31 March 2019 HK$'000 (Audited)
Accounts receivable arising from the ordinary course of business of securities brokerage:		
– Cash clients	**–**	31,076
– Clearing house	**383**	–
Accounts receivable arising from the ordinary course of business of provision of:		
– Investment advisory services	**18**	35
	401	31,111

13. TRADE RECEIVABLES (continued)

Trade receivables from financial services segment (continued)

Ageing analysis of trade receivables of the financial services segment based on the invoice date and net of provision for impairment is as follows:

	At 30 September 2019 HK$'000 (Unaudited)	At 31 March 2019 HK$'000 (Audited)
Current – 30 days	**401**	31,111

The settlement terms of trade receivables from the business of securities brokerage are one or two days after the respective trade date.

The Group allows a credit period ranging from 0 to 90 days to its client arising from the businesses of provision of investment advisory, corporate finance advisory and asset management services. For those accounts receivable past due at the reporting dates, the Directors believe that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are considered fully recoverable.

Trading limits are set for customers. The Group seeks to maintain tight control over its outstanding accounts receivable in order to minimise credit risk. Overdue balances are regularly monitored by management.

13. TRADE RECEIVABLES (continued)

Trade receivables from toys segment

The credit period on sales of goods ranging from 30 to 90 days from the invoice date. An aged analysis of the trade receivables at the end of the reporting period, based on the invoice date and before impairment loss, is as follows:

	At 30 September 2019 HK$'000 (Unaudited)	At 31 March 2019 HK$'000 (Audited)
Current to 30 days	**67,679**	14,764
31 – 60 days	**30,570**	3,413
61 – 90 days	**16,854**	7,859
Over 90 days	**2,594**	1,996
	117,697	28,032

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.

14. TRADE PAYABLES

	At 30 September 2019 HK$'000 (Unaudited)	At 31 March 2019 HK$'000 (Audited)
Trade payables from financial services segment	**39,349**	69,018
Trade payables from toys segment	**44,279**	15,001
	83,628	84,019

Trade payables from financial services segment

	At 30 September 2019 HK$'000 (Unaudited)	At 31 March 2019 HK$'000 (Audited)
Accounts payable arising from the ordinary course of business of securities brokerage and margin financing:		
– Cash clients	**39,348**	38,163
– Brokers and clearing house	**1**	30,855
	39,349	69,018

The settlement terms of trade payable attributable to the business of securities brokerage are one to two days after the respective trade date.

As at the 30 September 2019, included in trade payable was an amount of approximately HK$38,966,000 (31 March 2019: HK$38,006,000) payable to clients to other institutions in respect of trust and segregated bank balances received and held for clients and other institutions in the course of the conduct of regulated activities.

14. TRADE PAYABLES (continued)

Trade payables from toys segment

The Group normally obtains credit terms of ranging from 15 to 60 days from its suppliers. Trade payables are interest-free. An aged analysis of the trade payables at the end of the reporting period, based on the invoice date, is as follows:

	At 30 September 2019 HK$'000 (Unaudited)	At 31 March 2019 HK$'000 (Audited)
Current to 30 days	**27,451**	8,135
31 to 60 days	**5,441**	4,859
61 to 90 days	**10,286**	1,589
More than 90 days but less than 365 days	**1,101**	418
	44,279	15,001

15. INTEREST-BEARING BANK BORROWINGS

	At 30 September 2019 HK$'000 (Unaudited)	At 31 March 2019 HK$'000 (Audited)
Current		
Secured		
– bank loans due for repayment within one year	**28,070**	23,106

As at 30 September 2019, the Group's banking facilities and its interest-bearing bank borrowings are secured either (i) by Company's corporate guarantees and cross guarantees from the Company's subsidiary, which is Qualiman Industrial Co. Limited; or (ii) by legal charges over certain properties in Hong Kong owned by Mr. Lau, Madam Li and their associates and personal guarantee by Mr. Lau.

15. INTEREST-BEARING BANK BORROWINGS (continued)

At 30 September 2019, total current and non-current bank borrowings were scheduled to be repaid as follows:

	At 30 September 2019 HK$'000 (Unaudited)	At 31 March 2019 HK$'000 (Audited)
On demand or within one year	**28,070**	23,106

Certain banking facilities are subject to the fulfilment of covenants relating to certain of the Group's financial position ratios, which are to maintain (i) the combined tangible net worth at not less than certain amount; and (ii) specific gearing ratio. If the Group breaches the covenants, the drawn down facilities shall become repayable on demand.

The Group regularly monitors its compliance with these covenants and does not consider it probable that the bank will exercise its discretion to demand repayment for so long as the Group continues to meet these requirements. As at 30 September 2019, none of the covenants relating to draw down facilities had been breached (31 March 2019: Nil).

16. SHARE CAPITAL

	Number of Shares	**HK$'000**
Authorised:		
Ordinary Shares of US$0.000025 each		
At 1 April 2019 (Audited) and at **30 September 2019 (Unaudited)**	**6,000,000,000**	**1,168**
Issued and fully paid:		
Ordinary Shares of US$0.000025 each		
At 1 April 2019 (Audited) and at **30 September 2019 (Unaudited)**	**1,474,232,000**	**287**

17. EQUITY SETTLED SHARE-BASED PAYMENTS

There has been no changes in the Company's share option scheme, details of which are disclosed in the 2019 Annual Financial Statements.

Set out below are details of movements of the outstanding share options granted under the Share Option Scheme during the period ended 30 September 2019:

		Number of share options				
	Exercise price	**Balance as at at 1 April 2019**	**Lapsed during the period**	**Balance as at 30 September 2019**	**Date of grant of share options**	**Exercisable periods of share options**
Executive Directors						
– Lau Ho Ming, Peter	HK$1.02	4,000,000	–	4,000,000	3 July 2015	3 July 2015 to 2 July 2025
– Ng Kam Seng	HK$1.02	5,400,000	–	5,400,000	3 July 2015	3 July 2015 to 2 July 2025
	HK$0.748	7,500,000	–	7,500,000	24 March 2016	24 March 2016 to 23 March 2026
– Poon Pak Ki, Eric	HK$1.02	5,400,000	–	5,400,000	3 July 2015	3 July 2015 to 2 July 2025
	HK$0.748	7,500,000	–	7,500,000	24 March 2016	24 March 2016 to 23 March 2026
– Chu, Raymond	HK$0.748	12,847,800	–	12,847,800	24 March 2016	24 March 2016 to 23 March 2026
Non-executive Directors						
– Li Man Yee, Stella	HK$1.02	1,400,000	–	1,400,000	3 July 2015	3 July 2015 to 2 July 2025
– Wang Zhao *(note 1)*	HK$1.02	1,400,000	–	1,400,000	3 July 2015	3 July 2015 to 2 July 2025
Independent Non-executive Directors						
– Leung Po Wing, Bowen Joseph	HK$1.02	1,400,000	–	1,400,000	3 July 2015	3 July 2015 to 2 July 2025
	HK$0.748	1,400,000	–	1,400,000	24 March 2016	24 March 2016 to 23 March 2026

	Exercise price	Number of share options: Balance as at at 1 April 2019	Lapsed during the period	Balance as at 30 September 2019	Date of grant of share options	Exercisable periods of share options
– Chan Siu Wing, Raymond	HK$1.02	1,400,000	–	1,400,000	3 July 2015	3 July 2015 to 2 July 2025
	HK$0.748	1,400,000	–	1,400,000	24 March 2016	24 March 2016 to 23 March 2026
– Wong Wah On, Edward	HK$0.748	1,400,000	–	1,400,000	24 March 2016	24 March 2016 to 23 March 2026
Employees	HK$1.02	8,600,000	–	8,600,000	3 July 2015	3 July 2015 to 2 July 2025
	HK$0.748	40,223,800	(3,220,000)	37,003,800	24 March 2016	24 March 2016 to 23 March 2026
Consultants	HK$0.25	1,120,000	–	1,120,000	17 March 2014	17 March 2014 to 16 March 2024
	HK$1.02	19,600,000	–	19,600,000	3 July 2015	3 July 2015 to 2 July 2025
	HK$0.748	12,300,000	–	12,300,000	24 March 2016	24 March 2016 to 23 March 2026
Total		**134,291,600**	**(3,220,000)**	**131,071,600**		

Note:

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

17. EQUITY SETTLED SHARE-BASED PAYMENTS (continued)

	Six months ended 30 September	
	2019	2018
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Equity settled schemes to employees (including Directors and ex-Directors)	**–**	2,148
Equity settled schemes to eligible persons other than employees and Directors	**–**	647
	–	2,795

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

The exercise price of the first share option outstanding was HK$0.25 and the weighted average remaining contractual life was 4.46 years (2018: 0.46 and 5.46 years). The exercise price of the second share option outstanding as at 30 September 2019 was HK$1.02 and the weighted average remaining contractual life was 5.76 years (2018: 6.76 years). The exercise price of the third share option outstanding as at 30 September 2019 was HK$0.748 (2018: HK$0.748) and the weighted average remaining contractual life was 6.46 years (2018: 7.46 years). Of the total number of share options outstanding as at 30 September 2019 and 31 March 2019, no share options had not vested and were not exercisable. The weighted average share price at the date of exercise of options exercised during the period was HK$0.84.

18. DIVIDENDS

At the Board meeting held on 29 November 2019, the Directors did not propose an interim dividend for the period ended 30 September 2019 (2018: Nil).

19. RELATED PARTY TRANSACTIONS

(i) In addition to the transactions detailed elsewhere in this Interim Report, the Group had the following material transactions with related parties during the period:

Relationship/name of related party	Nature of transaction	Six months ended 30 September **2019** **HK$'000** **(Unaudited)**	 2018 HK$'000 (Unaudited)
Companies controlled by Mr. Lau Ho Ming, Peter and Madam Li Man Yee, Stella			
Gold Prospect Capital Resources Limited	Rental expenses (a)	**1,470**	1,716
Goldrich International Limited	Rental expenses (a)	**–**	1,008
Office Coupe Limited	Rental income (b)	**–**	90
		1,470	2,814

(a) The rental expenses paid to Goldrich International Limited and Gold Prospect Capital Resources Limited, Mr. Lau Ho Ming, Peter and Madam Li Man Yee, Stella were mutually agreed between the Group and the related parties.

(b) The rental income received from Office Coupe Limited were mutually agreed between the Group and the related parties.

19. RELATED PARTY TRANSACTIONS (continued)

(ii) Compensation of key management personnel of the Group, including Directors' remuneration is as follows:

	Six months ended 30 September	
	2019	2018
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Key Management Personnel Compensation, excluding executive Directors		
Salaries, allowances and benefits in kind	**1,083**	1,083
Equity settled share-based payments	**–**	460
Pension scheme contributions	**34**	34
Executive Directors		
Salaries, allowances, bonus and benefits in kind		
Mr. Lau Ho Ming, Peter	**1,044**	2,358
Mr. Ng Kam Seng	**894**	1,380
Mr. Poon Pak Ki, Eric	**662**	822
Mr. Chu, Raymond	**1,500**	1,500
Equity settled share-based payments		
Mr. Lau Ho Ming, Peter	**–**	65
Mr. Ng Kam Seng	**–**	267
Mr. Poon Pak Ki, Eric	**–**	267
Mr. Chu, Raymond	**–**	307
Pension scheme contributions		
Mr. Lau Ho Ming, Peter	**44**	44
Mr. Ng Kam Seng	**36**	36
Mr. Poon Pak Ki, Eric	**28**	28
Mr. Chu, Raymond	**9**	9
	5,334	8,660

20. OPERATING LEASE ARRANGEMENTS

As lessor

The Group leases an investment property under operating lease arrangements for a term of two years. The terms of leases generally also require the tenants to pay security deposits. At 30 September 2019, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	At 30 September 2019 HK$'000 (Unaudited)	At 31 March 2019 HK$'000 (Audited)
Within one year	**228**	228
In the second to fifth years, inclusive	**114**	228
	342	456

21. RIGHT-OF-USE ASSETS/LEASE LIABILITIES

The Group leases certain properties in Hong Kong. Following the adoption of HKFRS 16 by the Group on 1 April 2019, the right-of-use assets and the lease liabilities in respect of the leases were recognised at the date of initial application of HKFRS 16. The movements in right-of-use assets and lease liabilities during the period are as follows:

	At 30 September 2019 HK$'000 (Unaudited)	At 31 March 2019 HK$'000 (Audited)
Right-of-use assets		
At 1 April	**14,792**	–
Depreciation charged	**(4,770)**	–
Net carry amount	**10,022**	–
Lease liabilities		
At 1 April	**14,792**	–
Interest charged	**461**	–
Rental paid	**(5,042)**	–
Net carry amount	**10,211**	–
Lease liabilities		
Current portion	**4,767**	–
Non-current portion	**5,444**	–
	10,211	–

22. OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES

The following tables present details of financial instruments subject to offsetting, enforceable master netting arrangements and similar agreements.

	Financial assets subject to offsetting				
				Related amounts not offset in the consolidated statement of financial position	
	Gross amount of recognised financial assets	Gross amount of recognised financial liabilities offset in the condensed statement of financial position	Net amount of financial assets presented in the consolidated statement of financial position	Cash collateral received	Net amount
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 30 September 2019 (Unaudited)					
Type of financial assets					
Trade receivables from HKSCC	**383**	**–**	**383**	**375**	**758**
At 31 March 2019 (Audited)					
Type of financial assets					
Trade receivables from HKSCC	157	(157)	–	–	–

	Financial liabilities subject to offsetting				
				Related amounts not offset in the consolidated statement of financial position	
	Gross amount of recognised financial assets	Gross amount of recognised financial assets offset in the consolidated statement of financial position	Net amount of financial liabilities presented in the consolidated statement of financial position	Cash collateral received	Net amount
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 30 September 2019 (Unaudited)					
Type of financial liabilities					
Trade payables from HKSCC	–	–	–	–	–
At 31 March 2019 (Audited)					
Type of financial liabilities					
Trade payables from HKSCC	30,537	(157)	30,380	(1,319)	29,061

22. OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

The tables below reconcile the amounts of trade receivables and trade payables as presented in the consolidated statement of financial position:

Trade receivables	**At 30 September 2019 HK$'000 (Unaudited)**	At 31 March 2019 HK$'000 (Audited)
Net amount of trade receivable from HKSCC	**383**	–
Trade receivables not in the scope of offsetting disclosure	**117,715**	59,143
Trade receivables as disclosed in the consolidated statement of financial position	**118,098**	59,143

Trade payables	**At 30 September 2019 HK$'000 (Unaudited)**	At 31 March 2019 HK$'000 (Audited)
Net amount of trade payable from HKSCC	**–**	30,380
Trade payables not in the scope of offsetting disclosure	**83,628**	53,639
Trade payables as disclosed in the consolidated statement of financial position	**83,628**	84,019