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## **QUALI-SMART HOLDINGS LIMITED**

**滙達富控股有限公司 \***

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock code: 1348)**

### **ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2024**

#### **INTERIM RESULTS**

The board of directors (the “**Directors**”, each a “**Director**”) (the “**Board**”) of Quali-Smart Holdings Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) announces the unaudited condensed consolidated interim results of the Group for the six months ended 30 September 2024 (the “**Current Period**”) together with comparative figures for the corresponding period in 2023 (the “**Previous Period**”).

#### **FINANCIAL HIGHLIGHTS**

##### **Revenue**

The Group’s revenue for the Current Period was approximately HK\$58.3 million for which the Toys Division and the Financial Services Division contributed approximately HK\$47.8 million and HK\$10.5 million respectively, representing a decrease of approximately HK\$68.8 million or 54.1% as compared to the Group’s revenue of approximately HK\$127.1 million for the Previous Period.

Decrease in the Group’s revenue for the Current Period of approximately HK\$68.8 million was mainly attributable to a decrease in revenue of the Toys Division of approximately HK\$72.8 million whereas offsetting by an increase in revenue from the Financial Services Division of approximately HK\$4.0 million, representing a decrease of approximately 60.4% and an increase of approximately 60.6%, respectively, on a period-on-period basis.

Decrease in revenue of the Toys Division was mainly attributable to the decrease in orders placed by certain major customers.

\* *For identification purpose only*

Revenue for the Financial Services Division for the Current Period was approximately HK\$10.5 million comparing to that of HK\$6.6 million in the Previous Period, representing an increase of about 60.6% over the Previous Period, mainly attributable to the increase in investment advisory income of approximately HK\$3.1 million.

Gross margin for the Group increased from 16.0% in the Previous Period to approximately 26.6% in the Current Period. The Toys Division reported a decrease in gross margin from approximately 11.4% for the Previous Period to approximately 10.4% for the Current Period. The decrease for the Toys Division was mainly due to adopted change in products mix of the Toy Division during the Current Period. Meanwhile, the Financial Services Division also contributed to the margin increase with the increase in revenue on investment advisory fee during the Current Period. Nevertheless, the gross profit of the Group for the Current Period decreased by approximately HK\$4.8 million to approximately HK\$15.5 million from approximately HK\$20.3 million for the Previous Period because of the decrease in revenue of the Toys Division for the Current Period.

Net loss of the Group amounts approximately HK\$10.1 million for the Current Period, representing an increase in loss of about HK\$0.2 million on a period-on-period basis. The increase in loss for the Current Period was mainly attributable to (i) a decrease in gross profit of approximately HK\$8.8 million attributable to the decrease in revenue of the Toys Division for the Current Period; and (ii) an increase in staff cost to approximately HK\$0.9 million for the Current Period.

Meanwhile, the above increase in net loss were partially offset by (i) an increase in gross profit of the Financial Services Division of approximately HK\$4.0 million for the Current Period; (ii) an increase in other income, gains and losses in respect of the service income of approximately HK\$3.1 million; (iii) a decrease in selling expenses of approximately HK\$1.0 million for the Current Period; (iv) a decrease in operating leases expenses of about HK\$0.4 million for office rental of the Toys Division and the Financial Service Division; and (v) a decrease in finance costs of approximately HK\$0.6 million for the Current Period attributable to the decrease in the effective interest of the convertible note issued by the Company to approximately HK\$1.0 million for the Current Period.

The Board does not recommend the payment of any interim dividend for the Current Period.

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		<b>Six months ended</b>	
	<i>Notes</i>	<b>30 September</b>	
		<b>2024</b>	2023
		<b>HK\$'000</b>	<b>HK\$'000</b>
		<b>(Unaudited)</b>	<b>(Unaudited)</b>
<b>REVENUE</b>	5	<b>58,309</b>	127,149
Cost of sales		<u>(42,807)</u>	<u>(106,806)</u>
Gross profit		<b>15,502</b>	20,343
Other income, gains and losses	5	<b>4,056</b>	541
Selling expenses		<b>(1,035)</b>	(2,062)
Administrative expenses		<b>(26,166)</b>	(25,661)
Finance costs	6	<u>(2,475)</u>	<u>(3,098)</u>
<b>LOSS BEFORE INCOME TAX EXPENSE</b>	7	<b>(10,118)</b>	(9,937)
Income tax expense	8	<u>(26)</u>	<u>10</u>
<b>LOSS AND TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>		<u><b>(10,144)</b></u>	<u>(9,927)</u>
<b>Loss and total comprehensive income attributable to:</b>			
<b>Owners of the Company</b>		<b>(10,230)</b>	(10,091)
<b>Non-controlling interests</b>		<u><b>86</b></u>	<u>164</u>
		<u><b>(10,144)</b></u>	<u>(9,927)</u>
Loss per share			
– Basic and diluted ( <i>HK cents</i> )	9	<u><b>(0.69)</b></u>	<u>(0.67)</u>

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		At <b>30 September</b> <b>2024</b> <i>Notes</i> <b>HK\$'000</b> <b>(Unaudited)</b>	At 31 March 2024 <i>HK\$'000</i> <b>(Audited)</b>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	<i>10</i>	<b>1,537</b>	3,579
Right-of-use assets		<b>7,010</b>	1,631
Statutory deposits for financial service business		<b>377</b>	372
Deposits		<b>35</b>	200
		<hr/>	<hr/>
Total non-current assets		<b>8,959</b>	5,782
<b>CURRENT ASSETS</b>			
Inventories	<i>11</i>	<b>4,517</b>	16,428
Trade receivables	<i>12</i>	<b>31,307</b>	24,954
Prepayments, deposits and other receivables		<b>2,199</b>	2,338
Cash and bank balances held on behalf of customers		<b>84,997</b>	49,032
Time Deposits		<b>34,948</b>	20,480
Cash and cash equivalents		<b>35,654</b>	57,537
		<hr/>	<hr/>
Total current assets		<b>193,622</b>	170,769
<b>CURRENT LIABILITIES</b>			
Trade payables	<i>13</i>	<b>93,887</b>	63,982
Accruals and other payables		<b>4,322</b>	3,933
Lease liabilities		<b>1,803</b>	1,719
Amount due to non-controlling interests		<b>13,041</b>	13,041
		<hr/>	<hr/>
Total current liabilities		<b>113,053</b>	82,675
<b>NET CURRENT ASSETS</b>		<hr/> <b>80,569</b>	<hr/> 88,094
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<hr/> <b>89,528</b>	<hr/> 93,876

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
*(Continued)*

		At <b>30 September</b> <b>2024</b> <i>Notes</i> <b>HK\$'000</b> <b>(Unaudited)</b>	At 31 March 2024 <i>HK\$'000</i> <b>(Audited)</b>
<b>NON-CURRENT LIABILITIES</b>			
Promissory notes		<b>31,000</b>	31,000
Convertible notes		<b>6,680</b>	6,138
Lease liabilities		<b>5,254</b>	–
Deferred tax liabilities		<b>178</b>	178
Provision for long services payments		<b>392</b>	392
		<hr/>	<hr/>
Total non-current liabilities		<b>43,504</b>	37,708
		<hr/>	<hr/>
<b>NET ASSETS</b>		<b>46,024</b>	56,168
		<hr/> <hr/>	<hr/> <hr/>
<b>EQUITY</b>			
Share capital	<i>14</i>	<b>287</b>	287
Reserves		<b>45,593</b>	55,823
		<hr/>	<hr/>
		<b>45,880</b>	56,110
Non-controlling interests		<b>144</b>	58
		<hr/>	<hr/>
<b>TOTAL EQUITY</b>		<b>46,024</b>	56,168
		<hr/> <hr/>	<hr/> <hr/>

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital <i>HK\$'000</i>	Share premium <i>HK\$'000</i> <i>(note 1)</i>	Other reserve <i>HK\$'000</i>	Share option reserve <i>HK\$'000</i> <i>(note 2)</i>	Convertible notes equity reserve <i>HK\$'000</i> <i>(note 3)</i>	Retained earning <i>HK\$'000</i>	Total <i>HK\$'000</i>	Non- controlling interest <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>Unaudited for the six months ended 30 September 2024</b>									
At 1 April 2024 (audited)	287	418,769	1,000	27,501	3,662	(395,109)	56,110	58	56,168
Lapse of share option <i>(note 15)</i>	-	-	-	(416)	-	416	-	-	-
Total comprehensive income for the period	-	-	-	-	-	(10,230)	(10,230)	86	(10,144)
<b>At 30 September 2024 (unaudited)</b>	<b>287</b>	<b>418,769</b>	<b>1,000</b>	<b>27,085</b>	<b>3,662</b>	<b>(404,923)</b>	<b>45,880</b>	<b>144</b>	<b>46,024</b>
	Share capital <i>HK\$'000</i>	Share premium <i>HK\$'000</i> <i>(note 1)</i>	Other reserve <i>HK\$'000</i>	Share option reserve <i>HK\$'000</i> <i>(note 2)</i>	Convertible notes equity reserve <i>HK\$'000</i> <i>(note 3)</i>	Retained earning <i>HK\$'000</i>	Total <i>HK\$'000</i>	Non- controlling interest <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>Unaudited for the six months ended 30 September 2023</b>									
At 1 April 2023 (audited)	287	418,769	1,000	28,314	17,825	(339,806)	126,389	75	126,464
Redemption of convertible note	-	-	-	-	(17,825)	17,825	-	-	-
New convertible note	-	-	-	-	3,662	-	3,662	-	3,662
Lapse of share option <i>(note 15)</i>	-	-	-	(813)	-	813	-	-	-
Total comprehensive income for the period	-	-	-	-	-	(10,091)	(10,091)	164	(9,927)
<b>At 30 September 2023 (unaudited)</b>	<b>287</b>	<b>418,769</b>	<b>1,000</b>	<b>27,501</b>	<b>3,662</b>	<b>(331,259)</b>	<b>119,960</b>	<b>239</b>	<b>120,199</b>

*Notes:*

1. The share premium account of the Group represents the premium arising from the issuance of Shares above its per value.
2. Cumulative expenses recognised on the granting of share options to the eligible participants over the vesting period.
3. 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

	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2024</b>	2023
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Unaudited)
Net cash (used in)/generated from operating activities	<u><b>(3,901)</b></u>	<u>9,970</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest received	<b>606</b>	252
Purchase of property, plant and equipment	<b>(10)</b>	(462)
Purchase of intangible assets	–	(17)
Decrease in time deposits	<u><b>(14,468)</b></u>	<u>–</u>
Net cash used in investing activities	<u><b>(13,872)</b></u>	<u>(227)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Repayment of lease liabilities	<b>(2,177)</b>	(2,217)
Interest paid on bank and other borrowings	<b>(1,835)</b>	(1,658)
Interest paid on lease liabilities	<b>(98)</b>	(154)
Proceeds from issue of Convertibles note	–	9,000
Proceeds from issue of Promissory note	–	31,000
Redemption of Convertibles note	<u>–</u>	<u>(40,000)</u>
Net cash used in financing activities	<u><b>(4,110)</b></u>	<u>(4,029)</u>
Net (decrease)/increase in cash and cash equivalents	<b>(21,883)</b>	5,714
Cash and cash equivalents at 1 April	<u><b>57,537</b></u>	<u>61,948</u>
Cash and cash equivalents at 30 September	<u><u><b>35,654</b></u></u>	<u><u>67,662</u></u>

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 1. CORPORATE INFORMATION

The Company was incorporated as an exempted company with limited liability in the Cayman Islands on 14 March 2012 under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The Company's registered office is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands and its principal place of business in Hong Kong is located at Workshop C on 19th Floor, TML Tower, 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**" or "**HKE**x").

The unaudited condensed consolidated financial statements of the Group for the six months ended 30 September 2024 ("**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.

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 2024 (the "**2024 Annual Financial Statements**").

The Interim Condensed Financial Statements were approved and authorised for issue by the Board on 27 November 2024.

### 2. BASIS OF PREPARATION

The accounting policies applied in preparing the Interim Condensed Financial Statements are consistent with those applied in preparing the 2021 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 2023. The adoption of such New/amended HKFRSs has no material impact on the accounting policies in the Group's Interim Condensed Financial Statements for the period.



### 3. 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:

- Amendments to HKFRS 16, Lease Liability in a Sale and Leaseback
- Amendments to HKAS 1, Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)
- Amendments to HKAS 1, Non-current Liabilities with Covenants
- Amendments to HKAS 7 and HKFRS 7, Supplier Finance Arrangements

The application of the amendments to HKFRS in the current period has had no material impact on the Group's financial positions and performance for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

### 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, underwriting, securities margin financing, investment and 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-maker 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*

	<b>Manufacturing and sales of toys HK\$'000</b>	<b>Financial Services HK\$'000</b>	<b>Total HK\$'000</b>
<b>For the period ended 30 September 2024</b>			
<b>(Unaudited)</b>			
External revenue	47,765	10,544	58,309
Cost of sales/financial services <i>(note (b))</i>	<u>(42,807)</u>	<u>(13,511)</u>	<u>(56,318)</u>
Segment profit/(loss)	<u>652</u>	<u>(6,220)</u>	<u>(5,568)</u>
Central administrative cost <i>(note (a))</i>			<u>(4,550)</u>
Loss before income tax expense			<u><u>(10,118)</u></u>
<b>For the period ended 30 September 2023</b>			
<b>(Unaudited)</b>			
External revenue	120,583	6,566	127,149
Cost of sales/financial services <i>(note (b))</i>	<u>(106,806)</u>	<u>(8,643)</u>	<u>(115,449)</u>
Segment profit/(loss)	<u>3,645</u>	<u>(8,887)</u>	<u>(5,242)</u>
Central administrative cost <i>(note (a))</i>			<u>(4,695)</u>
Loss before income tax expense			<u><u>(9,937)</u></u>

##### *Notes:*

- (a) Central administrative cost for the six months ended 30 September 2024 mainly includes directors' remuneration, finance costs of promissory note and convertible note and legal and professional fees.
- (b) Cost of financial services was grouped into administrative expenses of the consolidated statement of profit or loss and other comprehensive income.
- (c) Segment profit/(loss) represents the profit/(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.

#### 4. OPERATING SEGMENT INFORMATION *(Continued)*

##### (a) Reportable segments *(Continued)*

###### *Segment assets*

All assets are allocated to reportable segments other than prepayments, cash and cash equivalents.

	At 30 September 2024 <i>HK\$'000</i> (Unaudited)	At 31 March 2024 <i>HK\$'000</i> (Audited)
Manufacturing and sales of toys	31,565	39,256
Financial Services	<u>99,248</u>	<u>59,278</u>
Total segment assets	130,813	98,534
Unallocated	<u>71,768</u>	<u>78,017</u>
Consolidated assets	<u><u>202,581</u></u>	<u><u>176,551</u></u>

###### *Segment liabilities*

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

	At 30 September 2024 <i>HK\$'000</i> (Unaudited)	At 31 March 2024 <i>HK\$'000</i> (Audited)
Manufacturing and sales of toys	7,687	11,583
Financial Services	<u>109,652</u>	<u>69,944</u>
Total segment liabilities	117,339	81,527
Unallocated	<u>39,218</u>	<u>38,856</u>
Consolidated liabilities	<u><u>156,557</u></u>	<u><u>120,383</u></u>

#### 4. OPERATING SEGMENT INFORMATION *(Continued)*

##### (a) Reportable segments *(Continued)*

###### *Other segment information*

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

###### **For the period ended 30 September 2024 (Unaudited)**

	<b>Manufacturing and sales of toys <i>HK\$'000</i></b>	<b>Financial Services <i>HK\$'000</i></b>	<b>Total <i>HK\$'000</i></b>
Additions to property, plant and equipment	–	10	10
Depreciation of property, plant and equipment	(1,989)	(63)	(2,052)
Depreciation of right-of-use assets	–	(2,136)	(2,136)
	<u>                    </u>	<u>                    </u>	<u>                    </u>

###### **For the period ended 30 September 2023 (Unaudited)**

	<b>Manufacturing and sales of toys <i>HK\$'000</i></b>	<b>Financial Services <i>HK\$'000</i></b>	<b>Total <i>HK\$'000</i></b>
Additions to property, plant and equipment	371	91	462
Depreciation of property, plant and equipment	(2,209)	(42)	(2,251)
Depreciation of right-of-use assets	–	(2,230)	(2,230)
	<u>                    </u>	<u>                    </u>	<u>                    </u>

##### (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.

4. OPERATING SEGMENT INFORMATION (Continued)

(b) Geographical information (Continued)

(i) Revenue from external customers

	Six months ended	
	30 September	
	2024	2023
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
North America (note 1)	37,673	74,814
Western Europe		
– United Kingdom	1,523	6,298
– France	269	4,900
– Netherlands	457	407
– Others (note 2)	2,968	8,216
South America	663	3,707
Mainland China, People's Republic of China (the "PRC") and Taiwan	1,429	4,391
Australia, New Zealand and Pacific Islands	501	2,545
Central America, Caribbean and Mexico	1,156	9,306
Others (note 3)	11,670	12,565
	<hr/>	<hr/>
Total	58,309	127,149
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Notes:

1. North America includes United States of America and Canada.
2. Others include Germany, Belgium, Italy, Czech Republic, Spain and Netherlands.
3. Others include Hong Kong, Africa, India, Japan, Korea, Israel, Saudi Arabia and Southeast Asia and South America.

(ii) Specified non-current assets

	At	At
	30 September	31 March
	2024	2024
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
Mainland China, the PRC	1,376	3,346
Hong Kong	7,171	1,864
	<hr/>	<hr/>
Total	8,547	5,210
	<hr/> <hr/>	<hr/> <hr/>

#### 4. OPERATING SEGMENT INFORMATION *(Continued)*

##### (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	
	2024	2023
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Customer A	34,781	96,655
Customer B*	–	19,595
	<u>34,781</u>	<u>116,250</u>

\* The customer contributed less than 10% of the Group's revenue during the period ended 30 September 2024.

#### 5. REVENUE, OTHER INCOME, GAINS AND LOSSES

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	
	2024	2023
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
<b>Revenue</b>		
Manufacturing and sales of toys	47,765	120,583
Financial Services	10,544	6,566
	<u>58,309</u>	<u>127,149</u>
<b>Other income, gains and (losses)</b>		
Service income	3,055	–
Moulding income	(10)	(97)
Interest income from bank deposits	606	252
Exchange gains, net	50	49
Others	355	337
	<u>4,056</u>	<u>541</u>

## 6. FINANCE COSTS

	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2024</b>	2023
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
	<b>(Unaudited)</b>	(Unaudited)
Interest on bank and other borrowings:		
– Promissory note	<b>1,563</b>	1,160
– Convertible note	<b>814</b>	1,784
	<hr/>	<hr/>
	<b>2,377</b>	2,944
Interest on lease liabilities	<b>98</b>	154
	<hr/>	<hr/>
	<b>2,475</b>	3,098
	<hr/> <hr/>	<hr/> <hr/>

## 7. LOSS BEFORE INCOME TAX EXPENSE

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

	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2024</b>	2023
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
	<b>(Unaudited)</b>	(Unaudited)
Cost of inventories sold	<b>42,807</b>	106,806
Depreciation of property, plant and equipment	<b>2,052</b>	2,251
Depreciation on right-of-use assets	<b>2,136</b>	2,230
Employee benefits expenses (including Directors' remuneration):	<b>17,156</b>	16,276
Wages and salaries	<b>16,304</b>	15,351
Contribution to defined contribution plan ( <i>note</i> )	<b>317</b>	445
Other benefits	<b>535</b>	480
	<hr/>	<hr/>
Auditor's remuneration	<b>578</b>	782
Expense relating to short-term leases	<b>193</b>	678
	<hr/>	<hr/>

## 7. LOSS BEFORE INCOME TAX EXPENSE (Continued)

*Note:* The Group has arranged for its employees to join the Mandatory Provident Fund Scheme (the “MPF Scheme”) in Hong Kong, a defined contribution scheme managed by an independent trustee. Under the MPF Scheme, the Group and its employees make monthly contributions to the scheme at 5% (30 September 2023: 5%) of the employees’ earnings as defined under the Mandatory Provident Fund legislation. Both the Group’s and the employees’ contributions were subject to a cap of HK\$1,500 (30 September 2023: HK\$1,500) and thereafter contributions are voluntary. Contributions to the MPF Scheme are recognised as an expense in profit or loss when the services are rendered by the employees. During the period ended 30 September 2024, the aggregate amount of the Group’s contributions to the aforementioned pension schemes was approximately HK\$317,000 (2023: HK\$445,000). As at 30 September 2024, the Group was not entitled to any forfeited contributions to reduce its contributions (2023: nil).

## 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 2024 and 2023 respectively. 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:

	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2024</b>	2023
	<b>HK\$’000</b>	HK\$’000
	<b>(Unaudited)</b>	(Unaudited)
Current – Hong Kong Profits Tax		
Charge for the period	26	–
Over-provision in prior years	–	(10)
	<hr/>	<hr/>
Income tax expense for the period	<b>26</b>	<b>(10)</b>
	<hr/> <hr/>	<hr/> <hr/>



## 8. INCOME TAX EXPENSE (Continued)

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	
	2024	2023
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Loss before income tax expense	<u>(10,118)</u>	<u>(9,937)</u>
Tax at the applicable tax rate of 16.5% (2023: 16.5%)	(1,669)	(1,640)
Tax effect of expenses not deductible for tax purposes	690	803
Tax effect of tax loss not recognised	1,031	837
Tax concession	(26)	–
Over-provision in respect of prior period	–	(10)
Income tax expense	<u>26</u>	<u>(10)</u>

No deferred tax asset has been recognised in respect of the unused tax losses of HK\$256,592,000 (For the six months ended 30 September 2023: HK\$239,095,000) 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	
	2024	2023
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Loss for the period attributable to the owners of the Company	<u>(10,230)</u>	<u>(10,091)</u>
<b>Number of shares</b>		
	'000	'000
Weighted average number of ordinary shares for the purposes of basic loss per share	<u>1,474,232</u>	<u>1,474,232</u>

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 2024 of approximately HK\$10,230,000 (2023: HK\$10,091,000), and of the weighted average number of 1,474,232,000 (2023: 1,474,232,000) ordinary shares in issue during the period.

## 9. LOSS PER SHARE (Continued)

Diluted loss per share is the same as basic loss per share for the period ended 30 September 2024 (2023: 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 2024 (2023: anti-dilutive).

There is no dilutive effect on the convertible notes as they are anti-dilutive (2023: anti-dilutive).

## 10. PROPERTY, PLANT AND EQUIPMENT

	HK\$'000
<b>Net book value:</b>	
At 1 April 2024 (Audited)	3,579
Additions	10
Depreciation	<u>(2,052)</u>
<b>At 30 September 2024 (Unaudited)</b>	<b><u><u>1,537</u></u></b>

## 11. INVENTORIES

	At 30 September 2023 HK\$'000 (Unaudited)	At 31 March 2024 HK\$'000 (Audited)
Raw materials	3,886	9,282
Finished goods	<u>631</u>	<u>7,146</u>
	<b><u><u>4,517</u></u></b>	<b><u><u>16,428</u></u></b>

## 12. TRADE RECEIVABLES

	At 30 September 2024 HK\$'000 (Unaudited)	At 31 March 2024 HK\$'000 (Audited)
Trade receivables from financial services segment	5,685	6,293
Trade receivables from manufacturing and sales of toys segment	<u>25,622</u>	<u>18,661</u>
	<b><u><u>31,307</u></u></b>	<b><u><u>24,954</u></u></b>

## 12. TRADE RECEIVABLES (Continued)

### Trade receivables from financial services segment

	At <b>30 September</b> <b>2024</b> <i>HK\$'000</i> <b>(Unaudited)</b>	At 31 March 2024 <i>HK\$'000</i> <b>(Audited)</b>
Accounts receivable arising from the ordinary course of business of securities brokerage:		
– Cash clients	1,517	89
– Cleaning house	–	350
Accounts receivable arising from the ordinary course of business of provision of:		
– Placing commission	494	6,452
– Advisory services	3,674	1,402
	<u>5,685</u>	<u>8,293</u>
Less: Allowance for impairment loss	<u>–</u>	<u>(2,000)</u>
	<u><b>5,685</b></u>	<u><b>6,293</b></u>

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

	At <b>30 September</b> <b>2024</b> <i>HK\$'000</i> <b>(Unaudited)</b>	At 31 March 2024 <i>HK\$'000</i> <b>(Audited)</b>
Neither past due nor impaired	1,703	439
Less than 1 month past due	3,488	1,152
1 to 3 months past due	–	101
Over 3 months past due	494	4,601
	<u>5,685</u>	<u>6,293</u>

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

## 12. TRADE RECEIVABLES (Continued)

### Trade receivables from financial services segment (Continued)

Expected loss rates are based on actual loss experience over the past 3 years. These rates are adjusted to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

In the view of the fact that those receivables related to a number of diversified cash clients, clearing houses and issuer clients, the historical settlement track records of these clients and no significant increase in credit risk since initial recognition and the respective balance at the end of the reporting period, therefore, the directors of the Company considered the expected credit losses ("ECLs") of those balances was immaterial to be recognised for both period/year.

The Group seeks to maintain tight control over its outstanding accounts receivable in order to minimise credit risk.

### Trade receivables from manufacturing and sales of 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 2024 <i>HK\$'000</i> (Unaudited)	At 31 March 2024 <i>HK\$'000</i> (Audited)
Current to 30 days	9,447	8,308
31 – 60 days	8,351	1,407
61 – 90 days	7,522	8,604
Over 90 days	302	342
	<u>25,622</u>	<u>18,661</u>

In respect of trade receivables from manufacturing and sales of toys segment, these evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customers as well as pertaining to the economic environment in which the customers operate. Ongoing credit evaluation is performed on the financial condition of the customers. The Group does not obtain collateral from customers.

Taking into account of the credit worthiness and reputation of the debtors, and recent market environment, the directors of the Company consider that the ECLs of trade receivables from the Toys Division was assessed to be immaterial.

### 13. TRADE PAYABLES

	At <b>30 September</b> <b>2024</b> <i>HK\$'000</i> <b>(Unaudited)</b>	At 31 March 2024 <i>HK\$'000</i> (Audited)
Trade payables from financial services segment	<b>86,731</b>	53,426
Trade payables from manufacturing and sales of toys segment	<b>7,156</b>	10,556
	<b>93,887</b>	63,982

#### Trade payables from financial services segment

	At <b>30 September</b> <b>2024</b> <i>HK\$'000</i> <b>(Unaudited)</b>	At 31 March 2024 <i>HK\$'000</i> (Audited)
Accounts payable arising from the ordinary course of business of securities brokerage and margin financing:		
– Cash clients	<b>85,753</b>	49,470
– Brokers and clearing house	<b>945</b>	3,956
– Corporate finance	<b>33</b>	–
	<b>86,731</b>	53,426

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 2024, included in trade payable was an amount of approximately HK\$84,997,000 (31 March 2024: HK\$49,032,000) 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.

#### Trade payables from manufacturing and sales of 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 <b>30 September</b> <b>2024</b> <i>HK\$'000</i> <b>(Unaudited)</b>	At 31 March 2024 <i>HK\$'000</i> (Audited)
Current to 30 days	<b>6,721</b>	9,779
31 to 60 days	<b>398</b>	408
61 to 90 days	<b>35</b>	366
More than 90 days but less than 365 days	<b>2</b>	3
	<b>7,156</b>	10,556

## 14. SHARE CAPITAL

	Number of Shares	HK\$'000
<b>Authorised:</b>		
Ordinary Shares of US\$0.000025 each at 1 April 2024 (Audited) and at 30 September 2024 (Unaudited)	<u>6,000,000,000</u>	<u>1,168</u>
<b>Issued and fully paid:</b>		
Ordinary Shares of US\$0.000025 each at 1 April 2024 (Audited) and at 30 September 2024 (Unaudited)	<u>1,474,232,000</u>	<u>287</u>

## 15. EQUITY SETTLED SHARE-BASED PAYMENTS

There has been no changes in the Company's share option scheme, details of which are disclosed in the 2024 Annual Financial Statements. For the six months ended 30 September 2024 and 2023 respectively, there was no equity settled share-based payments incurred as all outstanding share options granted were fully vested before 31 March 2019.

Set out below are details of movements of the outstanding share options granted under the Share Option Scheme during the period ended 30 September 2024:

	Exercise Price (note 1)	Number of share options			Date of grant of share options	Exercisable periods of share options
		Balance as at 1 April 2024 (note 1)	Lapsed during the period	Balance as at 30 September 2024		
<b>Executive Directors</b>						
- Mr. Lau (note 2)	HK\$1.02	4,000,000	-	4,000,000	3 July 2015	3 July 2015 to 2 July 2025
- 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
- Hau Yiu Por	HK\$1.02	5,400,000	-	5,400,000	3 July 2015	3 July 2015 to 2 July 2025
	HK\$0.748	6,800,000	-	6,800,000	24 March 2016	24 March 2016 to 23 March 2026

## 15. EQUITY SETTLED SHARE-BASED PAYMENTS (Continued)

	Exercise Price (note 1)	Number of share options			Date of grant of share options	Exercisable periods of share options
		Balance as at 1 April 2024 (note 1)	Lapsed during the period	Balance as at 30 September 2024		
<b>Executive Directors</b>						
Tang Yuen Ching, Irene	HK\$1.02	600,000	–	600,000	3 July 2015	3 July 2015 to 2 July 2025
	HK\$0.748	600,000	–	600,000	24 March 2016	24 March 2016 to 23 March 2026
<b>Non-executive Director</b>						
– Madam Li (note 2)	HK\$1.02	1,400,000	–	1,400,000	3 July 2015	3 July 2015 to 2 July 2025
<b>Independent Non-executive Directors</b>						
– 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
<b>Employees</b>						
	HK\$1.02	1,200,000	–	1,200,000	3 July 2015	3 July 2015 to 2 July 2025
	HK\$0.748	14,056,000	(1,160,000)	12,896,000	24 March 2016	24 March 2016 to 23 March 2026
<b>Total</b>		<b>66,803,800</b>	<b>(1,160,000)</b>	<b>65,643,800</b>		

## **15. EQUITY SETTLED SHARE-BASED PAYMENTS** *(Continued)*

*Notes:*

1. Upon the share-division which became effective on 13 January 2016, pro-rata adjustments have been made to the exercise price and the number of outstanding share-options accordingly.
2. Mr. Lau Ho Ming, Peter and Madam Li Man Yee, Stella retired as executive Chairman and Non-executive Director respectively on 9 November 2023. Mr. Lau was appointed as a Senior Advisor to the Company on the same date and both Mr. Lau and Madam Li remains as directors of certain subsidiaries of the Company.
3. Ms. Tang Yuen Ching Irene was appointed as an executive Director on 9 November 2023.

The exercise price of the share options granted on 3 July 2015 remained outstanding as at 30 September 2024 was HK\$1.02 and the weighted average remaining contractual life was 0.8 years (2023: 2.0 years). The exercise price of the share options granted on 24 March 2016 remained outstanding as at 30 September 2024 was HK\$0.748 and the weighted average remaining contractual life was 1.5 years (2023: 2.7 years). Of the total number of share options outstanding as at 30 September 2024 and 31 March 2024, no share options had not vested and were not exercisable.

## **16. DIVIDENDS**

At the Board meeting held on 27 November 2024, the Directors did not propose an interim dividend for the Current Period (Previous Period: Nil).



## **BUSINESS REVIEW**

For the Current Period, our Group's core business remained as the manufacture of toys operated under our wholly-owned subsidiary, Qualiman Industrial Co. Limited (the "**Toys Division**") and the provision of financial services operated under Crosby Asia Limited (the "**Financial Services Division**") respectively.

During the Current Period, the overall economic and capital markets environment in both Mainland China and Hong Kong continued to be depressed. In Hong Kong, the city's property downturn, continued lofty interest rates throughout the Current Period, and fragile and intertwined capital market weighed on sentiment, money flow and consumer spending. Even with the U.S. Federal Reserve interest rate pivot which began with a 50bps rate cut in September 2024, Hong Kong's GDP growth is predicted to slow to around 2.4% for the year in 2024, down from 3.2% in 2023, according to the Bloomberg's economic forecast. As a result, this sentiment has capped liquidity and new money into Hong Kong. The equities and investment market remained largely range-bound, with the Hang Seng Index trading between 16,000 to 20,000 and an average daily equities market turnover of around HK\$113 billion during the Current Period.

On the international trading front, heightened geopolitical tensions between the U.S. and China continued to put pressure on the export and trading markets. In 2023, Mexico become the largest trading partner of the U.S. and even Canada has surpassed China.

Meanwhile, the Mainland Chinese economy expanded at the slowest pace in six quarters in the three months ending September 2024. The housing market crash has had negative ripple effects on domestic consumer appetite. Rising trade tensions (geopolitical tensions), entrenched deflationary pressure and an aging population all contributed to the grave challenges facing the Chinese economy.

In the midst of this macro environment, both the Toys and Financial Services Divisions continued to face challenges throughout the Current Period.

### **The Toys Division**

During the Current Period, the Toys Division continued to experience significant fluctuations due to various factors, including global economic conditions, changing consumer preferences and trade policies. The toys export market in Hong Kong has shown a moderate growth compared to the previous six months. This is attributed to a rebound in global demand post-pandemic and the resurgence of major markets such as the U.S. and Europe. The primary export destinations continue to be the United States, Europe, and Southeast Asia. Notably, exports to the U.S. increased by to a high end single digit percent driven by the resurgence of retail activity and holiday season preparations.

However, businesses of the Toys Division were still much affected by the changes in tariffs and import regulations in key markets. Besides, In view of the ongoing trade tension between the western markets and China, the rise of alternative manufacturing hubs, particularly in Southeast Asia, also poses a competitive threat to companies in Hong Kong.

Additionally, the Toys Division continued to face challenges related to supply chain logistics, including shipping delays and increased freight costs. These issues have impacted delivery times and profit margins. Accordingly, pricing of customers order imposed significant pressure on the profit margin of the Toys Division and hence the volume of sales order acceptance during the Current Period.

### **The Financial Services Division**

The Financial Services Division is divided into several business segments: 1) Institutional Business –Institutional Sales and Trading and Research; 2) Capital Markets focusing on both corporate finance and underwriting; 3) Wealth Management; and 4) Asset Management.

Overall, despite the continued poor market and macro environment, the total revenues of the Financial Services Division during the Current Period reached HK\$10.5 million (2023: HK\$6.6 million), an increase of 60.6% compared to the Previous Period. Both the Wealth Management and Asset Management businesses outperformed the Previous Period but this was offset by a decrease in revenues from the Capital Markets (Corporate Finance) Business.

#### *Institutional Business*

Institutional Business derives most of its revenues from brokerage commissions by servicing institutional clients with equities and macro research products, financial advisories, as well as high touched execution services on both primary (e.g. IPO, placements) and secondary equities, along with the market making business of both equities (e.g. IPO stabilization) and bonds (e.g. market making). These institutional clients consist of local and international hedge funds, long funds, and professional investors.

The Institutional Business has been most affected during the Current Period, where the market has been under a bearish sentiment throughout. In a bear market, where both the turnover and broad market valuation levels are low, the Hong Kong equities market tend to be extremely polarized. In a market where daily turnover averaged approximately HK\$113 billion, brokerage businesses were skewed, with 14 of the largest market intermediaries/participants accounting for approximately over 68% of the trading market share, leaving the remaining 507 market participants to share the remaining approximately 32% of the market turnover.

As a result, the performance of the Institutional Business remained muted at during the Current Period.

### *Capital Markets Business*

The Capital Markets Business consists of 1) syndications, underwriting and market making for both securities and bonds under our subsidiary Crosby Securities Limited, and 2) sponsoring of IPO and financial advisories through our subsidiary Ballas Capital Limited. Both Crosby Securities Limited and Ballas Capital Limited are licensed with Type 6 license under the Hong Kong Securities and Futures Commission, with Ballas Capital Limited also having the capacity to sponsor IPOs and advise on Takeover Code-related transactions.

During the Current Period, the equities primary market continued to be subdued. Only 30 IPOs, including GEM Board to Main Board conversions, with an aggregate fund-raised amount of approximately HK\$50.5 billion, took place on the Stock Exchange. The Hang Seng Index continued to trade at around 10x Price/Earnings multiples, compared to the S&P 500 Index which continued to trade at over 24x Price/Earnings multiples during the Current Period. This has driven many potential IPO candidates to divert to the U.S. market to go public or simply postpone their IPOs on the HKEx. There were scarcely any corporate bonds issued during the Current Period, as the market and investors are still digesting the credit crisis on the high-yield bonds side that began in 2021.

During the Current Period, revenues from the Capital Markets Business were approximately HK\$1.7 million (2023: HK\$2.9 million), consisting largely of financial advisory activities.

### *Wealth Management Business*

The Wealth Management Business expanded only during the Current Period, deriving its revenues mostly on brokerage, sales fees from selling financial products such as funds, securitized notes and bonds, as well as management fees from assets under management. The Wealth Management platform has access to global equities markets, providing clients access to most major exchanges such as the NYSE, NASDAQ, LSE, HKEx. The platform also offers financial products such as equity-linked notes, funds, global investment grade to high yield bonds, and private equities, as well as insurance-linked products such as privately placed linked insurance. It collaborates with the Asset Management Business to provide bespoke portfolio investment solutions through instruments such as managed accounts and Actively Managed Certificates. The Wealth Management Business has an ample network of external asset manager partner banks in providing both credit enhancements as well as financial products to wealth clients.

The Wealth Management Business services ultra-high net worth individuals, family offices and multi-family offices across Hong Kong, Greater China to Europe and the Middle-East.

During the Current Period, the Wealth Management Business grew its assets under management/custody (“AUM”) to over approximately US\$1 billion. Total revenues amounted to just approximately over HK\$3 million, consisting of products sales fees, brokerage, and management fees.

## *Asset Management*

The Asset Management Business mainly provides bespoke portfolio management services to ultra-high net worth clients. It aims to compete in the asset management space by offering low-costs and customized niche solutions. Instead of competing in the collective investment scheme (“CIS”) space with products like unit trusts and mutual funds, the Asset Management Business focuses on products such as managed accounts and actively managed certificates (“AMC”) to provide individualized investment strategies.

Into its fifth year, the Asset Management Business has achieved a stellar track record. Apart from 2022/23, when the U.S. Federal Reserve raised interest rates aggressively multiple times affecting global equities markets and the performance of the Asset Management portfolio, the Asset Management Business has delivered returns in excess of 30% each year.

In the Current Period, revenue from the Asset Management Business, which largely includes investment advisory fees and management fees, increased to approximately HK\$8.8 million (2023: HK\$3.2 million), an increase of 169% over the Previous Period.

## **FINANCIAL REVIEW**

### **Revenue**

The Group’s revenue for the Current Period was approximately HK\$58.3 million, representing a decrease of approximately HK\$68.8 million or 54.1% as compared to the Group’s revenue of approximately HK\$127.1 million for the Previous Period.

The decrease in the Group’s revenue for the Current Period of approximately HK\$68.8 million was mainly attributable to the decrease in revenue from the Toys Division of approximately HK\$72.8 million whereas offset by an increase in revenue of the Financial Services Division of approximately HK\$4.0 million, representing a decrease of approximately 60.4% and an increase of approximately 60.6%, respectively, on a period-on-period basis.

The decrease in revenue of the Toys Division was mainly attributable to the decrease in orders placed by certain major customers from markets located in North America by approximately HK\$37.1 million, Western Europe by approximately HK\$14.6 million, and Central America, Caribbean and Mexico of approximately HK\$8.2 million compared with the Previous Period.

Revenue for the Financial Services Division for the Current Period was approximately HK\$10.5 million comparing to that of HK\$6.6 million in the Previous Period, representing an increase of about 60.6% over the Previous Period. Such increase was mainly attributable to an increase in revenue on investment advisory fee of approximately HK\$3.1 million, custodian fee income of approximately HK\$0.8 million and brokerage commission of approximately HK\$0.8 million during the Current Period. Despite the aforesaid, such increase was partially offset by a decrease in corporate finance advisory income of approximately HK\$0.8 million.

### **Gross Margin and Gross Profit**

The Group's gross margin increased from 16.0% in the Previous Period to approximately 26.6% in the Current Period, with the Toys Division reported a decrease in gross margin from approximately 11.4% for the Previous Period to approximately 10.4% for the Current Period. The decrease in the gross margin for the Toys Division was mainly due to adopted change in products mix of the Toy Division during the Current Period. Meanwhile, the Financial Services Division also contributed to the increase with the increase in revenue on investment advisory fee during the Current Period. Nevertheless, the gross profit of the Group for the Current Period decreased by approximately HK\$4.8 million to approximately HK\$15.5 million from HK\$20.3 million for the Previous Period because of the decrease in revenue of the Toys Division for the Current Period.

### **Selling Expenses**

Selling expenses for the Toys Division mainly consisted of transportation fees and declaration fees. During the Current Period, selling expenses for the Toys Division decreased by approximately HK\$1.0 million or 49.8% from approximately HK\$2.1 million for the Previous Period to approximately HK\$1.0 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 increased by approximately HK\$0.5 million or 1.9% from approximately HK\$25.7 million for the Previous Period to approximately HK\$26.2 million for the Current Period as a result of an increase in expenses related to staff cost to approximately HK\$17.2 million for the Current Period from approximately HK\$16.3 million for the Previous Period whereas offsetting by a decrease in operating leases expenses of about HK\$0.4 million for office rental of the Toys Division and the Financial Service Division.

### **Other Income, Gains and Losses**

During the Current Period, other income, gain and losses resulted an overall gain of approximately HK\$4.0 million from an overall gain of approximately HK\$0.5 million for the Previous Period, representing an increase in overall gain of approximately HK\$3.5 million or 649.7% during the Current Period. Such increase was mainly attributable to increase in service income arising from administrative support by the Financial Services Division of approximately HK\$3.1 million during the Current Period from nil in the Previous Period, and increase interest income from bank deposits of approximately HK\$0.6 million during the Current Period from approximately HK\$0.3 million in the Previous Period.

## **Finance Costs**

Finance costs mainly consisted of interest on the Group's effective interest on the convertible note and promissory note issued by the Company and interest on lease liabilities resulting from adoption of HKFRS 16 Leases as set out in note 6 to the financial statements. Finance costs decreased by 20.1% to approximately HK\$2.5 million for the Current Period when compared with approximately HK\$3.1 million for the Previous Period. Such decrease was primarily due to a decrease in the effective interest of the convertible note issued by the Company to approximately HK\$1.0 million for the Current Period from approximately HK\$1.8 million in 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.

## **Net Loss**

Net loss of the Group amounts approximately HK\$10.1 million for the Current Period, representing an increase in loss of about HK\$0.2 million on a period-on-period basis. The increase in loss for the Current Period was mainly attributable to (i) a decrease in gross profit of approximately HK\$8.8 million attributable to the decrease in revenue of the Toys Division for the Current Period; and (ii) an increase in staff cost to approximately HK\$0.9 million for the Current Period.

Meanwhile, the above increase in net loss were partially offset by (i) an increase in gross profit of the Financial Services Division of approximately HK\$4.0 million for the Current Period; (ii) an increase in other income, gains and losses in respect of the service income of approximately HK\$3.1 million; (iii) a decrease in selling expenses of approximately HK\$1.0 million for the Current Period; (iv) a decrease in operating leases expenses of about HK\$0.4 million for office rental of the Toys Division and the Financial Service Division; and (v) a decrease in finance costs of approximately HK\$0.6 million for the Current Period attributable to the decrease in the effective interest of the convertible note issued by the Company to approximately HK\$1.0 million for the Current Period.

## **Inventory**

The inventory of the Group, comprising mainly inventory of the Toys Division, decreased by 72.5% to approximately HK\$4.5 million as at 30 September 2024 from approximately HK\$16.4 million as at 31 March 2024. The inventory turnover period, as calculated by dividing the average closing inventories by the cost of sales for the year/period and multiplied by 365 days/182.5 days, decreased by 46.4% from 83.3 days for the year ended 31 March 2024 to 44.6 days for the Current Period. Such decrease was mainly due to faster turnover rate during the Current Period.



### **Trade Receivables**

Trade receivables from the Toys Division increased to approximately HK\$25.6 million as at 30 September 2024 from approximately HK\$18.7 million as at 31 March 2024, which was primarily due to the peak season of its business. 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 84.6 days for the Current Period, as compared with 51.6 days for the year ended 31 March 2024. The increase in trade receivables turnover days during the Current Period as compared to the year ended 31 March 2024 was due to 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 and placing and investment advisory businesses which remained on similar level as approximately HK\$5.7 million as at 30 September 2024 when compared to approximately HK\$6.3 million as at 31 March 2024.

### **Trade Payables**

Trade payables of the Toys Division decreased to approximately HK\$7.2 million as at 30 September 2024 when compared with approximately HK\$10.6 million as at 31 March 2024, representing a decrease of approximately HK\$3.4 million or 32.3%, which was primarily due to the decrease in purchases and costs of service incurred for the Current Period.

The trade payables turnover days for the Toys 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 37.8 days for Current Period as compared with 36.0 days for the year ended 31 March 2024.

Trade payables of the Financial Services Division were mainly payable to cash clients or the clearing house for settlement of trades or cash held on behalf of clients in their accounts. 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 2024, such trade payables amounted to HK\$86.7 million, representing an increase of approximately 62.3% from approximately HK\$53.4 million as at 31 March 2024.

## **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. As at 30 September 2024, cash and cash equivalents of the Group amounted to approximately HK\$35.7 million (31 March 2024: HK\$57.5 million), representing a decrease in cash and cash equivalents of about HK\$21.8 million for the Current Period. There was no interest-bearing bank borrowings due as at 30 September 2024 (31 March 2024: nil). 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 81.9% (31 March 2024: 66.1%) as a result of the decrease in closing total equity. As at 30 September 2024, all available banking facilities were subject to floating interest rates. The current ratio of the Group, as calculated by total current assets over total current liabilities, was approximately 1.9 (31 March 2024: 2.1).

### **CONVERTIBLE NOTES**

On 11 May 2020, the Company issued 6% convertible notes with a maturity of three years with principal value of HK\$40.0 million (the “**2020 CN**”), to redeem the remaining HK\$80.0 million in principal value of the convertible notes issued in 2017 by itself. On 16 May 2023, the Company issued 6% convertible notes with a maturity of three years in principal amounts of HK\$9.0 million (the “**2023 CN**”) and a 10.0% promissory note due 2026 in the principal amount of HK\$31.0 million (the “**2023 PN**”) to Benefit Global Limited, an independent third party, for redeeming the 2020 CN. Net proceeds of the HK\$9.0 million was raised under the 2023 CN.

As at the date of this announcement, the net proceeds of HK\$9.0 million from the 2023 CN have been used as follows:

	<i>HK\$ millions</i>
Partial redemption of the 2020 Convertible Notes	9.0
TOTAL	<u>9.0</u>

### **CHARGE ON ASSETS**

As at 30 September 2024, the Group had no charge on assets (31 March 2024: Nil).

### **CONTINGENT LIABILITIES**

As at 30 September 2024, the Group had no contingent liabilities (31 March 2024: Nil).

### **CAPITAL COMMITMENTS**

As at 30 September 2024, there was no capital commitment of the Group (31 March 2024: 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 2024 (31 March 2024: Nil).

## **MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES**

During the Current Period, the Group did not have any material acquisitions and disposals of subsidiaries and affiliated companies by the Group.

## **FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS**

As at 30 September 2024, the Group did not have any plans to acquire or dispose any material investments or capital assets.

## **FOREIGN CURRENCY EXPOSURES**

Substantially all the transactions of the Company's subsidiaries in Hong Kong are carried out in United States dollar ("USD") and Hong Kong dollar ("HK\$"). As HK\$ is linked to USD, 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 to manage the foreign currency risk arising from fluctuation in exchange rate of the RMB against the USD.

## **EMPLOYEES AND REMUNERATION POLICY**

As at 30 September 2024, the Group had a total of 47 employees (31 March 2024: 45). Total staff costs were approximately HK\$17.2 million for the Current Period (2023: HK\$16.3 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.

## **SHARE SCHEMES**

The Company did not adopt any share award scheme during the Current Period and up to the date of this announcement.

## **Share Option Scheme**

The Company adopted a share option scheme pursuant to a resolution in writing passed by the Shareholders on 3 January 2013 as incentives or rewards for eligible participants who contribute to the Group. The Share Option Scheme was valid and effective for a term of 10 years commencing on 3 January 2013 (i.e. the adoption date of the Share Option Scheme). As at 30 September 2024, there was no remaining life of the Share Option Scheme.

As at 30 September 2024, the number of shares that may be issued in respect of share options granted under the Share Option Scheme divided by the weighted average number of Shares in issue during the six months ended 30 September 2024 was approximately 4.5%.

For details of the Share Option Scheme, please refer to note 15 to the “Notes to Condensed Consolidated Financial Statement”. Save as the above, there has been no share options granted, exercised, lapsed and cancelled during the Current Period.

## **PROSPECTS**

In view of the industry challenges encountered by the Toys Division such as trade tariffs, restrictive trade measures imposed by the western markets, the rising costs pressure and hence the profit margin, any new investment for embracing innovation, enhancing sustainability practices, and optimizing supply chain management for the Toys Division requires cautious assessment and consideration. Nevertheless, the Company will continue to adhere strict costs control while reviewing the business opportunities from time to time for any new markets or customers to the growth of the Toys Division.

Meanwhile, the lack of funding and capital limits the Financial Services Division’s ability to diversify its businesses (e.g. businesses such as principal trading, financial products issuance and hedging, principal investments, etc.) against market downturns. However, based on several factors, the Financial Services Division is forecasting a more positive outlook for the remainder of the fiscal year and the next calendar year: 1) The U.S. Federal Reserve’s interest rate pivot, which began with a 50bps reduction in the Fed Fund rate in September, 2024, and expectations of 2 more rounds of decreases in November and December 2024. 2) From 24th September 2024, the People Bank of China, followed by other State Departments, announced a list of landmark stimuli aimed as an adrenaline shot to jump start the Chinese economy. The result was around a 15% immediate rebound of the CSI300, with the Hang Seng Index also rising from around 17,000 level to 21,000 at the end of 30th September 2024. There is a high likelihood that China could introduce more policies stimulus after the U.S. Presidential Election. 3) The knock-on effects from both the Fed interest rate pivot and the continued Chinese policy stimulus should help jump start the primary markets, and as a result, the Capital Markets/ Corporate Finance Business. 4) The continued build-out of the Wealth Management Business is expected, as this business build out only began in the Current Period.

## **INTERIM DIVIDEND**

The Board has resolved not to declare an interim dividend for the Current Period (Previous Period: Nil).

## **EVENT AFTER REPORTING PERIOD**

Saved for disclosed under the heading “UPDATE ON DIRECTORS INFORMATION” on page 36 of this announcement, as at 30 September 2024 and up to the date of this announcement, there was no material subsequent event for the Group.

## **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 2024 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 2024 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 2024.

## **CORPORATE GOVERNANCE**

The Company adopted the Corporate Governance Code set out in Appendix C1 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 C.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. There has been no chief executive officer since the re-designation of Mr. Lau as the former Executive Chairman of the Company with effect from 25 November 2013. He ceased to act as the chief executive officer of the Group 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 C3 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 Current Period and up to the date of this announcement.

## **UPDATE ON DIRECTORS INFORMATION**

### **Independent Non-executive Director**

#### *Ms. Yeung Wai Ling*

Ms. Yeung, aged 51, was appointed as an independent non-executive Director of the Company on 24 September 2024. She has over 25 years of managerial experience in production planning and control, materials purchasing, logistics as well as customers service in the manufacturing and toys industry. During February 1998 to September 2013, Ms. Yeung held the position as Purchasing Manager for a subsidiary of the Company, Qualiman Industrial Co., Limited.

Save as disclosed above, there is no other information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

## **PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND 2024/2025 INTERIM REPORT**

This announcement is published on the website of the Stock Exchange and the Company at [www.hkexnews.hk](http://www.hkexnews.hk) and [www.quali-smart.com.hk](http://www.quali-smart.com.hk) respectively. The 2024/2025 interim report of the Company containing all information requiring by the Listing Rules will be published on the above websites and despatched to the Shareholders on or about mid December 2024.

By order of the Board  
**Quali-Smart Holdings Limited**  
**Chu, Raymond**  
*Chairman and Executive Director*

Hong Kong, 27 November 2024

*As at the date of this announcement, the Board comprises Mr. Chu, Raymond (Chairman), Mr. Poon Pak Ki, Eric, Mr. Hau Yiu Por and Ms. Tang Yuen Ching, Irene as executive Directors; and Mr. Leung Po Wing, Bowen Joseph GBS, JP, Mr. Chan Siu Wing, Raymond, Mr. Wong Wah On, Edward and Ms. Yeung Wai Ling as independent non-executive Directors.*