

**QUALI-SMART HOLDINGS LTD:
YOU'D BE BETTER OFF, GAMBLING IN MACAU**

Scanning the Global Offering of Quali-Smart Holdings Ltd () (Code: 1348, Main Board, The Stock Exchange of Hongkong Ltd), it should not fill existing or prospective investors with a great deal of joy and, if anything, on full assimilation of the statistical material, supplied in the Company's Global Offering Prospectus, one should be somewhat concerned.

This Company issued its Prospectus on January 11, 2013, and, in this hand-on-the-heart document, it has been stated, among other things, that:

- a. It had to finance one of its major customers – one of the top five customers out of a total of 20 customers – and it has had to make a provision in respect of an impairment of \$HK17,149,000 with regard to an ill-fated investment not long after the Company acquired a 20-percent stake in the Issued and Fully Paid-Up Share Capital of that private company, domiciled in the Hongkong Special Administrative Region (HKSAR) of the People's Republic of China (PRC);
- b. It, obviously, was '*encouraged*' to sell 22.50 percent of its Issued and Fully Paid-Up Share Capital to a company, listed on The **G**rowth **E**nterprise **M**arket (The **GEM**) of The Stock Exchange of Hongkong Ltd, prior to issuing its Global Offering Prospectus; and,
- c. During the three-Year period, ended March 31, 2012, the Company had been forced to obtain an unsecured, interest-free loan from an Executive Director, amounting to \$HK15 million.

The Flotation

Quali-Smart Offered a total of 60 million, \$US0.0001 Par Value Shares at an Indicative Offer Price, ranging from \$HK1.00 to \$HK1.50 Per Share.

On Tuesday, January 22, 2013, it was announced that the Offer Price had been determined at \$HK1.50 per share and that the Net Proceeds from the **I**nitial **P**ublic **O**ffering (**IPO**) amounted to about \$HK64 million.

The response from Hongkong investors indicated, if anything, that they were trying to grab some of the shares on Offer of this toy manufacturer, not as a long-term investment, but as an outright gamble.

The original tranche of six million, Hongkong Public Offer Shares were oversubscribed by about 721 times and so the adjustment procedure kicked in, raising the six million shares to 30 million shares.

At the same time, the tranche of the International Offer Shares was reduced from 54 million shares to 30 million shares.

Based on this adjustment, the tranche of the International Offer Shares was oversubscribed by 4.80 times.

The Net Proceeds of this IPO will be utilised as to the following purposes:

- About 52.50 percent, amounting to approximately \$HK33.60 million, to be applied for importing and employing major equipment and machinery;
- About 30.00 percent, amounting to approximately \$HK19.20 million, to be applied for the construction of a new factory building;

- About 7.60 percent, amounting to approximately \$HK4.90 million, to be applied for reorganising the Company's existing design team and enhancing the research and development capabilities; and,
- About 9.90 percent, amounting to approximately \$HK6.30 million, to be used for Working Capital and other general corporate purposes.

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