Matrix Holdings Limited
美力時集團有限公司

(Incorporated in Bermuda with limited liability)
Stock Code : 1005

2014
Interim Report

OUR MISSION

- **Enhance customer satisfaction** through delivery of high quality products that meet **world safety standard**
- Be a **socially responsible employer** by providing **safe and pleasant** working environment to workers
- Be **environmentally responsible** in all its manufacturing processes through **recycling** and **adherence** to national and local environmental protection laws
- Optimize shareholders' return by pursuing **business growth, diversification** and **productivity enhancement**

Corporate Information

BOARD OF DIRECTORS

Executive Directors
Cheng Yung Pun *(Chairman)*
Arnold Edward Rubin *(Vice-Chairman)*
Cheng Wing See, Nathalie
Cheng King Cheung
Leung Hong Tai
Tsang Chung Wa
Tse Kam Wah
Yu Sui Chuen

Independent Non-executive Directors
Loke Yu alias Loke Hoi Lam
Mak Shiu Chung, Godfrey
Wan Hing Pui
Heng Victor Ja Wei

AUDIT COMMITTEE & REMUNERATION COMMITTEE

Loke Yu alias Loke Hoi Lam *(Chairman)*
Mak Shiu Chung, Godfrey
Wan Hing Pui
Heng Victor Ja Wei

NOMINATION COMMITTEE

Cheng Yung Pun *(Chairman)*
Loke Yu alias Loke Hoi Lam
Mak Shiu Chung, Godfrey
Wan Hing Pui
Heng Victor Ja Wei

COMPANY SECRETARY

Lai Mei Fong

AUDITOR

PricewaterhouseCoopers
22nd Floor, Prince's Building, Central,
Hong Kong

REGISTERED OFFICE

Canon's Court
22 Victoria Street
Hamilton HM12
Bermuda

SHARE REGISTRAR

MUFG Fund Services (Bermuda) Limited
The Belvedere Building
69 Pitts Bay Road
Pembroke HM08
Bermuda

BRANCH SHARE REGISTRAR IN HONG KONG

Tricor Secretaries Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

PRINCIPAL PLACE OF BUSINESS

Suite Nos. 223-231
2nd Floor, Tsim Sha Tsui Centre
66 Mody Road
Tsim Sha Tsui East
Kowloon, Hong Kong

PRINCIPAL BANKERS

Bank of China, Macau Branch
DBS Bank (Hong Kong) Limited

WEBSITE

www.irasia.com/listco/hk/matrix/index.htm

STOCK CODE

1005 (Main Board of The Stock Exchange of Hong Kong Limited)

Result Highlights

FINANCIAL HIGHLIGHTS

	Six months ended 30th June,		
	2014	2013 (Restated)	Changes %
Turnover *(HK$)*	**468,509,000**	403,749,000	+16.0%
Profit attributable to owners of the Company *(HK$)*	**32,407,000**	9,443,000	+243.2%
Basic earnings per share *(HK$)*	**0.04**	0.01	+300.0%
Interim dividend, declared *(HK$)*	**0.030**	0.020	+50.0%
Gross profit margin ratio *(%)*	**34.3%**	30.5%	+12.5%

The board (the "Board") of directors (the "Directors") of Matrix Holdings Limited (the "Company") announces the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively the "Group") for the six months ended 30th June, 2014, together with the comparative figures for the corresponding period in 2013.

The Group's consolidated revenue for the six months ended 30th June, 2014, increased by HK$64,760,000 or 16.0% to HK$468,509,000 from HK$403,749,000 for the corresponding period of last year. The profit attributable to the owners of the Company increased by HK$22,964,000 or 243.2% to HK$32,407,000 as compared with the profit of HK$9,443,000 for the corresponding period of last year.

The global economy improved during the period under review, particularly with the gradual improvement of employment rate, inflation in property prices and deregulation of consumer credit in major markets in North America, the consumer confidence in the United States has increased to the highest level, demonstrating a clear sign of recovery since the economic recession in 2008. Taking advantage of the trend of economic growth, the Group adopted diverse strategies to promote business growth and strengthen its core business, hence its sales increased.

Basing on its own research and development capabilities, the Group continued to strengthen its solid cooperative partnership with existing brand licensed customers of well-known toy products in the international market, further developing its well-known brand products and continuously enriching the product lines. Additionally, in an effort to broaden the range of products for renowned United States toy retailers with huge distribution networks and to develop new business opportunities for our customers, the Group has incorporated more novel design elements into its products, while applying new materials and new functions to strengthen its product mix and develop new product lines. Not only the sales growth was maintained, but also the revenue from the United States market increased. Moreover, the Group has improved its sales strategy to increase the product orders placed by the major customers, in order to increase its sales while maintaining the growth trend. During the period under review, driven by the increase in product sales, the investment in product design, development and molds was utilized more effectively, and the profit margin was improved.

Furthermore, the material price and RMB exchange rate remained relatively stable during the period under review. Coupled with the relatively low labor costs in Vietnam, the pressure on cost inflation was reduced. Moreover, the Group actively reorganized its human resources structure, replaced inefficient production facilities and streamlined its production process to achieve a more cost-effective production and improve the overall production efficiency, which have in turn increased the operation performance of our plants. To some extent, the effects of increased labor costs triggered by inflation and increased operating expenses caused by other costs increase have been offset. Besides, the purchasing strategy was refined, the structure of the purchasing process system was optimized, the seasonal goods were controlled, the purchasing deadline was shortened, and discounts were pursued as means to further control and save costs. The Group's sales expenses and marketing expenses were increased due to an increase in sales force prepared for market recovery, and other recurring operating expenses were increased in line with the increased sales volume as compared with last year. Moreover, the sales of the lighting brand business were affected by the modified regulations on specification. However, the Group recorded an increase in overall sales volume, an improvement in the gross profit margin and thus an increase in net profit.

For the six months ended 30th June, 2014, United States continued to be the largest customer market of the Group, accounting for approximately 89.4% of the Group's total turnover (2013: 80.5%). The other significant customer markets for the Group included Europe, Australia & New Zealand and Canada, which accounted for approximately 1.8% (2013: 5.1%), 2.5% (2013: 3.9%) and 3.9% (2013: 3.8%) respectively.

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30th June, 2014

		Six months ended 30th June,	
		2014	2013
		HK$'000	*HK$'000*
	NOTES	**(Unaudited)**	(Restated)
Turnover	*6*	**468,509**	403,749
Cost of sales	*8*	**(307,697)**	(280,630)
Gross profit		**160,812**	123,119
Other income		**1,954**	1,201
Distribution and selling costs	*8*	**(59,722)**	(49,016)
Administrative expenses	*8*	**(67,890)**	(59,198)
Other gains and losses	*8*	**2,328**	(2,539)
Research and development costs		**(3,461)**	(3,872)
Finance costs	*6*	**(879)**	(1,350)
Profit before taxation		**33,142**	8,345
Income tax (expense)/credit	*7*	**(735)**	1,098
Profit for the period attributable to owners of the Company		**32,407**	9,443
Other comprehensive expense for the period			
Items that may be reclassified to profit or loss			
Exchange differences arising on translation of foreign operations		**(1,297)**	(3,442)
Total comprehensive income for the period attributable to owners of the Company		**31,110**	6,001
Earnings per share			
– Basic	*10*	**HK$0.04**	HK$0.01
– Diluted	*10*	**HK$0.04**	HK$0.01

Condensed Consolidated Statement of Financial Position

At 30th June, 2014

	NOTES	30th June, 2014 HK$'000 (Unaudited)	31st December, 2013 HK$'000 (Audited)
Non-current assets			
Property, plant and equipment	11	189,605	196,722
Leasehold land and land use right	12	14,943	15,201
Intangible assets	13	96,822	96,822
Deferred tax assets		4,542	4,577
Prepayment		–	95
		305,912	313,417
Current assets			
Inventories		303,696	309,390
Trade and other receivables and prepayments	14	130,241	199,572
Tax recoverable		19	473
Cash and cash equivalents		46,615	54,536
		480,571	563,971
Current liabilities			
Trade and other payables and accruals	15	120,302	166,885
Dividend payable		204	192
Tax payable		25,563	32,737
Bank borrowings	18	12,723	26,275
		158,792	226,089
Net current assets		321,779	337,882
Total assets less current liabilities		627,691	651,299
Capital and reserves			
Share capital	16	75,612	75,573
Reserves		536,111	541,714
Equity attributable to owners of the Company		611,723	617,287
Non-current liabilities			
Deferred tax liabilities		207	246
Loan from ultimate holding company	17	15,761	33,766
		15,968	34,012
		627,691	651,299

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30th June, 2014

	(Unaudited) Attributable to owners of the Company								
	Share capital HK$'000	Share premium HK$'000	Special reserve HK$'000 (Note a)	Shareholders' contribution HK$'000 (Note b)	Share options reserve HK$'000	Legal reserve HK$'000 (Note c)	Translation reserve HK$'000	Retained profits HK$'000	Total HK$'000
At 1st January, 2014	75,573	187,919	(199)	20,576	12,746	49	(46,679)	367,302	617,287
Profit for the period	–	–	–	–	–	–	–	32,407	32,407
Other comprehensive expense for the period	–	–	–	–	–	–	(1,297)	–	(1,297)
Total comprehensive expense for the period	–	–	–	–	–	–	(1,297)	32,407	31,110
Exercise of share options	39	955	–	–	(337)	–	–	–	657
Change of deemed contribution from ultimate holding company *(note 17)*	–	–	–	460	–	–	–	–	460
Dividend paid *(note 9)*	–	–	–	–	–	–	–	(37,791)	(37,791)
At 30th June, 2014	75,612	188,874	(199)	21,036	12,409	49	(47,976)	361,918	611,723
At 1st January, 2013	72,310	129,301	771	21,624	38,343	49	(40,925)	289,692	511,165
Profit for the period	–	–	–	–	–	–	–	9,443	9,443
Other comprehensive income for the period	–	–	–	–	–	–	(3,442)	–	(3,442)
Total comprehensive expense for the period	–	–	–	–	–	–	(3,442)	9,443	6,001
Exercise of share options	3,263	58,618	–	–	(21,094)	–	–	–	40,787
Loss of invest to subsidiaries	–	–	(970)	–	–	–	–	–	(970)
Lapse of share options	–	–	–	–	(4,503)	–	–	4,503	–
Release of deemed contribution from ultimate holding company *(note 17)*	–	–	–	(1,048)	–	–	–	–	(1,048)
Dividend paid *(note 9)*	–	–	–	–	–	–	–	(9,824)	(9,824)
At 30th June, 2013 (Restated)	75,573	187,919	(199)	20,576	12,746	49	(44,367)	293,814	546,111

Notes:

a) The special reserve of the Group of negative HK$199,000 represents the difference between the nominal amount of the share capital issued by the Company and the aggregate nominal amount of the share capital of subsidiaries acquired in exchange under the group reorganisation in 1994.

b) The shareholders' contribution represented the deemed contribution arising from the amount due from ultimate holding company which is non-current and interest-free. The details of amount due from ultimate holding company are set out in note 17.

c) In accordance with the provisions of the Macao Commercial Code, one of the subsidiaries of the Company is required to transfer a minimum of 25% of its profit for the period to a legal reserve on the appropriation of profits to dividends until the reserve equals half of the quota capital of that subsidiary. The transfer reached half of the quota capital of that subsidiary as at 31st December, 2007. This reserve is not distributable to the shareholders.

Condensed Consolidated Statement of Cash Flows

For the six months ended 30th June, 2014

	Six months ended 30th June,	
	2014	2013
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
OPERATING ACTIVITIES		
NET CASH GENERATED FROM/(USED IN) OPERATING ACTIVITIES	**74,712**	(133)
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	**(13,965)**	(17,857)
Deposit paid for acquisition of property, plant and equipment	**–**	3,165
Other investing cash inflow	**18**	20
NET CASH USED IN INVESTING ACTIVITIES	**(13,947)**	(14,672)
FINANCING ACTIVITIES		
Dividends paid	**(37,791)**	(9,824)
Repayments of bank loans	**(81,394)**	(58,356)
Repayments of loan from ultimate holding company	**(18,000)**	(39,163)
New bank loans raised	**67,842**	59,707
Proceeds on issue of shares	**657**	40,788
NET CASH USED IN FINANCING ACTIVITIES	**(68,686)**	(6,848)
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(7,921)**	(21,653)
CASH AND CASH EQUIVALENTS AT 1ST JANUARY	**54,536**	43,305
CASH AND CASH EQUIVALENTS AT 30TH JUNE, represented by Bank balances and cash	**46,615**	21,652

Notes to the Condensed Consolidated Financial Information

For the six months ended 30th June, 2014

1. GENERAL INFORMATION

The principal activity of Matrix Holdings Limited (the "Company") is investment holding.

The Company and its subsidiaries (collectively referred to as the "Group"), are principally engaged in the manufacturing and trading of toys and lighting products.

The Company is an exempted limited liability company incorporated in Bermuda. The address of its registered office is Canon's Court, 22 Victoria Street, Hamilton HM 12, Bermuda.

The Company is listed on The Stock Exchange of Hong Kong Limited.

This condensed consolidated interim financial information is presented in thousands of Hong Kong dollar *(HK$'000)*, unless otherwise stated.

This condensed consolidated interim financial information was approved for issue on 27th August, 2014.

This condensed consolidated interim financial information has not been audited.

2. BASIS OF PREPARATION

The unaudited condensed consolidated financial information have been prepared in accordance with Hong Kong Accounting Standard 34, Interim Financial Reporting issued by the Hong Kong Institute of Certified Public Accountants as well as the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). The unaudited condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31st December, 2013, which have been prepared in accordance with Hong Kong Financial Reporting Standard ("HKFRS").

3. PRINCIPAL ACCOUNTING POLICIES

The accounting policies applied are consistent with those of the annual financial statements for the year ended 31st December, 2013, as described in those annual financial statements.

There are no new and amended standards to existing HKFRS that are effective for the Group's accounting year commencing on 1st January, 2014 that could be expected to have a material impact on the Group.

The presentation of the condensed consolidated statement of comprehensive income for the six months ended 30th June, 2013 was revised to bring it in line with the annual financial statements for the year ended 31st December, 2013. Certain comparative figures have been reclassified or restated to conform with the presentation in the current period. For the year ended 31st December, 2013, the Group has changed its accounting policy on leasehold land and building and plant and machinery to follow the cost model under HKAS 16 "Property, Plant and Equipment". In previous years, the Group's property, plant and equipment were carried in the consolidated statement of financial position at their revalued amounts less subsequent accumulated depreciation and impairment losses.

The effect of the change in accounting policy on property, plant and equipment on the condensed consolidated statement of comprehensive income for the six months ended 30th June, 2013 is set out below:

Increase in profit *(HK$'000)*	2,424
Increase in earnings per share (basic and diluted)	HK0.3 cent

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

4. ESTIMATES

The preparation of interim financial information requires the management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this condensed consolidated interim financial information, the significant judgements made by the management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31st December 2013, with the exception of changes in estimates that are required in determining the provision for income taxes.

5. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

5.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

The interim condensed consolidated financial information does not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31st December 2013.

There have been no significant changes in the financial risk management of the Group since year end.

5.2 Liquidity risk

Compared to year end, there was no material change in the contractual undiscounted cash outflows for financial liabilities.

5.3 Fair value of financial assets and liabilities measured at amortised cost

The fair value of the following financial assets and liabilities approximate their carrying values:

- Trade and other receivables and prepayments
- Trade and other payables and accruals
- Dividend payable
- Bank borrowings
- Cash and cash equivalents

6. SEGMENT INFORMATION

The chief operating decision-makers ("CODM") has been identified as the Executive Directors. Reportable segments are reported in a manner consistent with internal reports of the Group that are regularly reviewed by CODM in order to assess performance and allocate resources. The CODM assess the performance of the reportable segments based on the profit or loss generated.

There were two main businesses of the Group, including toys and lighting business. CODM did not consider the lighting business as separate segment for the year as it is at early stage of operations and is not material to the Group.

Therefore, the Group's operating segments under HKFRS 8 are – the United States, Europe, Mexico, Canada, South America, Australia and New Zealand and all other locations.

CODM assesses the performance of the operating segments based on segment results. Finance income and costs, corporate income and expenses are not included in the results for each operating segment that is reviewed by the CODM. Other information provided to the CODM is measured in a manner consistent with that in the consolidated financial statements.

Assets of reportable segments exclude property, plant and equipment, intangible assets, deferred income tax assets and corporate assets, all of which are managed on a central basis. Liabilities of reportable segments exclude current and deferred income tax liabilities, short-term borrowings and other corporate liabilities. These are part of the reconciliation to total assets and liabilities of the consolidated statement of financial position.

The revenue from external parties, assets and liabilities, reported to the CODM is measured in a manner consistent with that in the condensed consolidated statement of comprehensive income and financial position.

Segment revenues and results

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

	Six months ended 30th June,			
	Turnover		Results	
	2014	2013	**2014**	2013
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Restated)
United States	**418,623**	325,130	**77,333**	49,285
Europe	**8,502**	20,644	**(1,661)**	2,866
Mexico	**1,170**	4,048	**(975)**	599
Canada	**18,404**	15,456	**2,732**	2,094
South America	**5,883**	13,213	**329**	1,818
Australia and New Zealand	**11,695**	15,642	**1,090**	1,708
All other locations *(Note)*	**4,232**	9,616	**297**	1,263
	468,509	403,749	**79,145**	59,633
Unallocated income			**656**	849
Unallocated expenses			**(45,780)**	(50,787)
Finance costs			**(879)**	(1,350)
Profit before taxation			**33,142**	8,345
Income tax (expense)/credit			**(735)**	1,098
Profit for the period			**32,407**	9,443

Note: All other locations include PRC (including Hong Kong), Brazil, Taiwan, Korea, Asia Pacific and others. These locations are considered by the chief operating decision maker as one operating segment.

Segment profit represents the profit before taxation earned by each segment without allocation of investment income, other non-operating income, central administration costs and finance costs. This is the measure reported to the chief operating decision maker, for the purposes of resource allocation and performance assessment.

Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by operating segment for the period under review.

At 30th June, 2014 (Unaudited)	United States HK$'000	Canada HK$'000	Europe HK$'000	South America HK$'000	Australia & New Zealand HK$'000	Mexico HK$'000	All other locations HK$'000	Consolidated HK$'000
ASSETS								
Total segment assets	352,816	19,708	10,871	9,045	11,775	2,362	42,303	448,880
Property, plant and equipment								189,605
Leasehold land and land use rights								14,943
Unallocated and corporate assets								133,055
Consolidated assets								786,483
LIABILITIES								
Segment liabilities	62,269	2,411	1,114	771	1,638	237	16,561	85,001
Unallocated and other corporate liabilities								89,759
Consolidated liabilities								174,760

At 31st December, 2013 (Audited)	United States HK$'000	Canada HK$'000	Europe HK$'000	South America HK$'000	Australia & New Zealand HK$'000	Mexico HK$'000	All other locations HK$'000	Consolidated HK$'000
ASSETS								
Total segment assets	413,157	17,392	14,711	13,229	13,696	4,948	27,144	504,277
Property, plant and equipment								196,722
Leasehold land and land use rights								15,201
Unallocated and corporate assets								161,188
Consolidated assets								877,388
LIABILITIES								
Segment liabilities	89,456	4,192	2,871	2,331	3,161	1,328	15,755	119,094
Unallocated and other corporate liabilities								141,007
Consolidated liabilities								260,101

7. INCOME TAX (EXPENSE)/CREDIT

	Six months ended 30th June,	
	2014	2013
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Current tax:		
Hong Kong	**(196)**	(50)
Other jurisdictions	**(588)**	(316)
	(784)	(366)
Over-provision in prior years:		
Hong Kong	**49**	72
Other jurisdictions	**–**	120
	49	192
Deferred tax:		
Current period	**–**	1,272
Income tax (expense)/credit	**(735)**	1,098

(i) Hong Kong profits tax has been provided for at the rate of 16.5% (2013: 16.5%) on the estimated assessable profit for the period. Taxation on overseas profits has been calculated on the estimated assessable profit for the period at the rates of taxation prevailing in the countries in which the Group operates.

(ii) The applicable tax rates for subsidiaries operate in Vietnam is 7.5% to 22% for the period ended 30th June, 2014 (2013: 7.5% to 25%).

(iii) The applicable United States enterprise income tax rate for subsidiaries operate in the United States of America is 34% since the date of operation.

8. EXPENSES BY NATURE

Expenses included in cost of sales, distribution and selling costs, administrative expenses and other gains and losses are analysed as follows:

	Six months ended 30th June, 2014 HK$'000 (Unaudited)	Six months ended 30th June, 2013 HK$'000 (Restated)
Auditor's remuneration	**1,848**	2,105
Depreciation of property, plant and equipment	**20,211**	19,071
Operating lease rental in respect of buildings	**10,011**	7,112
Amortisation of intangible assets included in cost of sales	**–**	5,458
Amortisation of leasehold land and land use rights	**258**	257
Net exchange (gain)/loss	**(2,328)**	1,717

9. DIVIDEND

A dividend of HK$37,791,000 that relates to the year to 31st December, 2013 was paid in May 2014 (2013: HK$9,824,000).

On 27th August, 2014, the board of directors has resolved to declare an interim dividend of 3 cents per share (2013: 2 cents per share), which is payable on 17th September, 2014 to shareholders who are on the register at 12th September, 2014. This interim dividend has not been recognized as a liability in this interim financial information. It will be recognized in shareholders' equity in the year ending 31st December, 2014.

10. EARNINGS PER SHARE

(a) Basic

Basic earnings per share attributable to owners of the Company is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the period.

	(Unaudited) Six months ended 30th June, 2014	(Unaudited) Six months ended 30th June, 2013 (Restated)
Profit attributable to owners of the Company *(HK$'000)*	**32,407**	9,443
Weighted average number of ordinary shares in issue *(thousands)*	**755,852**	750,506
Basic earnings per share *(HK$ per share)*	**0.04**	0.01

(b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares (i.e. share options). A calculation is made in order to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

	(Unaudited) Six months ended 30th June,	
	2014	2013 (Restated)
Profit for the year attributable to the owners of the Company *(HK$'000)*	**32,407**	9,443
Weighted average number of ordinary shares for the purpose of basic earnings per share *(thousands)*	**755,852**	750,506
Effect of dilutive potential ordinary shares:		
Share options *(thousands)*	**480**	12,747
Weighted average number of ordinary shares for diluted earnings per share *(thousands)*	**756,332**	763,253
Diluted earnings per share *(HK$ per share)*	**0.04**	0.01

11. PROPERTY, PLANT AND EQUIPMENT

	(Unaudited) ***HK$'000***
Net book value as at 1st January, 2014	**196,722**
Additions	**13,965**
Depreciation	**(20,211)**
Exchange realignment	**(871)**
Net book value as at 30th June, 2014	**189,605**

	(Restated) *HK$'000*
Net book value as at 1st January, 2013	203,396
Additions	17,857
Disposals	(25)
Depreciation	(19,071)
Exchange realignment	(999)
Net book value as at 30th June, 2013	201,158

12. LEASEHOLD LAND AND LAND USE RIGHTS

	(Unaudited) *HK$'000*
Net book value as at 1st January, 2014	**15,201**
Amortisation	**(258)**
Net book value as at 30th June, 2014	**14,943**

	(Restated) *HK$'000*
Net book value as at 1st January, 2013	15,714
Amortisation	(257)
Net book value as at 30th June, 2013	15,457

As at 30th June, 2014, all of the above leasehold land and land use rights of the Group are outside Hong Kong and held on leases of between 10 and 50 years (2013: same).

13. INTANGIBLE ASSETS

		Unaudited	
	Goodwill	**Customer base**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
Net book value as at 1st January, 2013	96,822	5,457	102,279
Amortisation	–	(5,457)	(5,457)
Net book value as at 30th June, 2013, 1st June, 2014 and 30th June, 2014	96,822	–	96,822

Customer base of the Group was acquired as part of a business combination in 2007. The intangible asset has finite useful life. Customer base is amortised on a straight-line basis over 6 years.

14. TRADE AND OTHER RECEIVABLES

	30th June, 2014 HK$'000 (Unaudited)	31st December, 2013 HK$'000 (Audited)
Trade receivables	101,433	176,982
Less: allowance for doubtful debts	(4,346)	(4,346)
	97,087	172,636
Other receivables, deposit and prepayments	33,154	26,936
	130,241	199,572

The Group's credit terms to trade debtors range from 14 to 90 days. At 30th June, 2014 and 31st December, 2013, the ageing analysis of the trade receivables based on the invoice date were as follows:

	30th June, 2014 HK$'000 (Unaudited)	31st December, 2013 HK$'000 (Audited)
0 – 60 days	92,640	142,565
61 – 90 days	3,638	23,692
> 90 days	809	6,379
	97,087	172,636

15. TRADE AND OTHER PAYABLES AND ACCRUALS

	30th June, 2014 HK$'000 (Unaudited)	31st December, 2013 HK$'000 (Audited)
Trade payables	61,371	91,213
Other payables and accruals	58,931	75,672
	120,302	166,885

At 30th June, 2014 and 31st December, 2013, the ageing analysis of the trade payables based on invoice date were as follows:

	30th June, 2014 HK$'000 (Unaudited)	31st December, 2013 HK$'000 (Audited)
0 – 60 days	54,860	58,255
61 – 90 days	6,086	14,065
> 90 days	425	18,893
	61,371	91,213

16. SHARE CAPITAL

	Ordinary shares of HK$0.1 each	
	Number of shares *(in thousands)*	Share capital *HK$'000*
Authorised:		
At 1st January, 2013, 30th June, 2013, 1st January, 2014 and 30th June, 2014	1,000,000	100,000
Issued and fully paid:		
At 1st January, 2014	755,727	75,573
Employee share option scheme:		
– Proceeds from share issued	388	39
At 30th June, 2014	756,115	75,612
At 1st January, 2013	723,097	72,310
Employee share option scheme:		
– Proceeds from share issued	32,630	3,263
At 30th June, 2013	755,727	75,573

During the period ended 30th June, 2014, the Company issued and allotted a total of 388,000 ordinary shares (2013: 32,630,000 ordinary shares) at the exercise price of HK$1.692 each (2013: HK$1.25 each) to certain share options holders who exercised their share options. These shares issued rank pari passu with the existing shares in all respects. The total net proceeds were HK$657,000 (2013: HK$40,788,000).

17. LOAN FROM ULTIMATE HOLDING COMPANY

The amount is unsecured and interest-free. As at 30th June, 2014, the ultimate holding company agreed the amount of HK$15,761,000 (31st December, 2013: HK$33,766,000) repayable by 31st January, 2015 (31st December, 2013: same).

For the period ended 30th June, 2014, the group early settled the loan from ultimate holding company to the extent of HK$18,000,000 (2013: HK$39,163,000). The difference between the principal amount repaid and its corresponding carrying amount at the date of settlement, amounting to approximately HK$460,000 (2013: HK$1,048,000) was credited (2013: debited) to equity.

18. BANK BORROWINGS

	30th June, 2014	31st December, 2013
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Unsecured	**12,723**	23,935
Secured	**–**	2,340
	12,723	26,275

At 30th June, 2014 and 31st December, 2013, the Group's bank borrowings were denominated in US$ and HK$ and repayable within one year. The carrying value of the bank borrowings approximated its fair value (2013: same).

Movements in bank borrowings is analysed as follows:

Six months ended 30th June, 2014	**Unaudited**
	HK$'000
Opening amount as at 1st January, 2014	**26,275**
Drawndown of bank borrowings	**67,842**
Repayment of bank borrowings	**(81,394)**
Closing amount as at 30th June, 2014	**12,723**

Six months ended 30th June, 2013	Unaudited
	HK$'000
Opening amount as at 1st January, 2013	25,805
Drawndown of bank borrowings	59,707
Repayment of bank borrowings	(58,356)
Closing amount as at 30th June, 2013	27,156

As at 30th June, 2014, the effective interest rate of the bank borrowings was 5.5% (2013: 5.5%) per annum.

As at 30th June, 2014, a subsidiary of the Company provided floating charge on certain of its assets including property, plant and equipment, trade receivables and inventories which approximated to HK$169,862,000 (2013: HK$216,002,000) to a bank for banking facilities with credit limit of HK$31,200,000 (2013: HK$31,200,000) granted to it.

19. CAPITAL COMMITMENTS AND OPERATING LEASE COMMITMENTS

As at 30th June, 2014, the capital commitments contracted but not provided for in the condensed consolidated interim financial information of the Group were HK$54,000 (31st December 2013: HK$224,000).

As at 30th June, 2014, the operating lease commitments of the Group were HK$72,627,000 (31st December 2013: HK$73,742,000).

20. CONTINGENT LIABILITIES

As at 30th June, 2014, the Group had no material contingent liabilities (31st December, 2013: nil).

21. RELATED-PARTY TRANSACTIONS

The group is controlled by Smart Forest Limited (incorporated in the British Virgin Islands ("BVI")), which owns 70.13% of the company's shares. The remaining 29.87% of the shares are widely held. The ultimate parent of the group is Smart Forest Limited (incorporated in the British Virgin Islands ("BVI")). The ultimate controlling party of the group is Mr. Cheng Yung Pun.

There is no disposal of interest to related party for the period ended 30th June, 2014.

In addition to the transactions and balances disclosed elsewhere in these financial information, there were no related party transactions that the Group entered during the period. The remunerations of directors and other members of key management in respect of the period are as follows:

	Six months ended 30th June,	
	2014	2013
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Salaries and other short-term employee benefits	**6,836**	6,576
Share-based payments	**–**	–
	6,836	6,576

INTERIM DIVIDEND

The Directors had resolved to declare an interim dividend of HK3.0 cents (2013: HK2.0 cents in cash) per share for the six months ended 30th June, 2014, payable to shareholders whose names appear on the Register of Members of the Company on 12th September, 2014.

The record date for the purpose of determining the shareholders which are entitled to dividend is 12th September, 2014. In order to qualify for the interim dividend, all transfers and relevant share certificates must be lodged with the Company's Branch Share Registrar in Hong Kong, Tricor Secretaries Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:00 p.m. on 12th September, 2014. The interim dividend will be paid on or around 17th September, 2014.

MANAGEMENT DISCUSSION & ANALYSIS

BUSINESS REVIEW

The business operation of the Group includes the Original Design Manufacturing ("ODM") and Original Equipment Manufacturing ("OEM") based business, and the Own Brand Manufacturing ("OBM") based business aiming to serve the global sales. Strategically complemented by its key production base including the plants in Vietnam, and its largest exporting market, the United States, such diversified business platform established with different geographical coverage can support the progressive growth of the Group, while helping the Group to reduce the risks and challenges that arise from the industry in which it operates and where the market is locating. For instance, economic uncertainties in oversea markets, such as the Europe and the South America, could affect its sales.

The Group entered into licensed brand production contracts with foreign well-known retailers and license holders in US to focus on more profitable production lines, and explored opportunities for co-operation across various regions and product categories in an active manner to make a significant contribution to the Group's revenue. Although affected by new electronic products such as tablet devices, the sales increased as the Group actively enhanced its product values, explored opportunities for co-operation across various regions and product categories, followed the market trends, kept close relationship with the famous OEM clients and provided high-quality products. In addition, the Group expanded its business network with a large variety of products, explored business opportunities in the markets and increased its market share. As a result, the turnover from the US market grew.

Manufacturing operation

The Group's production base in Vietnam has various advantages in terms of labor costs and supply and faced with less pressure from currency appreciation. In view of the expectation that such favorable environment factors will continue, the Group remained optimistic about the growth of the plants in Vietnam and planned to expand its production capacity. Moreover, the Group implemented various new measures to enhance its productivity, including consolidating the plants to alleviate cost pressures, replacing inefficient machineries with high maintenance costs, streamlining its working process, revising the working regulations and standards, strengthening its cost control measures constantly, improving its production efficiency, as well as exploring potential opportunities to utilize the seasonal idle production capacity so as to ensure steady development of the business.

To cope with the increasing concerns from overseas markets on product safety and environmental protection, the Group continued to learn and to adopt new methods and techniques to prevent quality and safety issues, and pay close attention and monitor the changes in safety standards and regulations in different markets to ensure compliance with the new requirements, with an aim to ensuring our operating production base to be qualified continuously.

Segment performance

The global demand gradually recovered. There were still numerous potential business opportunities in emerging and US markets. The Group was able to actively enrich its product categories and mix for its authorized licensing business brand "Tonka" and "My Little Pony", its self-owned brand "Gazillion®Bubbles" and others like "girls role-playing" and Activities products series as well as launch various new products series, such as "Furby", "Transformer" and "Pound Puppies", explore new sales channels and introduce new sales plans. With its existing marketing plans for "Tonka" and "My Little Pony" products, the market demand for the "Tonka" products, a new series of "My Little Pony" and "girls role-playing" products were satisfactory and the turnover were satisfactory.

The Group also closely monitored other emerging markets, reformed product mix, enriched its new product lines and portfolio. The Group has endeavored to explore new sales channels notwithstanding the uncertain selling prospects in certain developed countries, in particular the Western European countries. Given the fact that development and sales of lighting brand business were affected by the amendments to regulations on specifications, the Group, in order to minimise the adverse effect, continuously integrated its inventory, actively refined its products, changed its marketing structure, studied the feasibility of other new products and expanded its distribution channels to expand the geographical coverage and secure more orders from its clients. In addition, toy safety is still the most concerned issue wherever in developed or emerging markets. Besides the statutory requirements, the Group also focuses on quality and design to improve the value of products.

United States ("US")

The US was still a major export market for the Group's products. Our turnover increased by HK$93,493,000 or 28.76% to HK$418,623,000 in the first half of this year from HK$325,130,000 for the corresponding period last year.

The US economy has posted better-than-expected growth and resumed a steady recovery driven by the continuing revival in the housing and labor markets since the second quarter of last year. Although the issue of the debt ceiling remains unresolved, the U.S. has walked out from the concerns about the federal budget under this situation. The significant improvement in spending and investment continued to bring new job opportunities and mitigated unemployment with the unemployment rate falling to a five-year low. It is expected that the US economy will grow at a faster pace in 2014. Therefore, the Group's major clients in the US, including Wal-Mart and Target, further secured their market shares in the toy industry. Capturing the momentum of economic recovery, the Group continued its research and development and strengthened its design capabilities to create value-added toy products. The Group has solid partnerships with its clients in the current OEM business and ODM business. With the continuous development and exploration of new distribution channels to market for its authorized licensing business brand "Tonka", the self-owned brand "Gazillion®Bubbles" and other "girls role-playing" products series, as well as the satisfactory performance of ODM and lighting businesses, the turnover generated from the US had increased.

The Group will strive to maintain the authorized licensing business for major brands, enrich other product lines and retain its existing distributors and clients, including Wal-Mart, Target and Toys "R" US.

Canada

Our turnover in Canada increased by HK$2,948,000 or 19.07% to HK$18,404,000 in the first half of this year from HK$15,456,000 for the corresponding period last year.

Benefiting from its sustained growth in employment, the US economic recovery and the continuous and accelerated hiking of energy and commodity prices, the Canada economy grew at an accelerated pace, providing support to its domestic enterprises and consumers, which had facilitated the sales of consumer goods. Clients' demand for the authorized licensing business brand "Tonka" products and "Gazillion®Bubbles" has maintained, resulting in a growth in the turnover from the Canadian market. The Group will strive to retain its existing distributors and clients, including Wal-Mart, Target and Toys "R" US.

Europe

Our turnover in Europe decreased by HK$12,142,000 or 58.82% to HK$8,502,000 in the first half of this year from HK$20,644,000 for the corresponding period last year.

The prolonged European debt crisis has been casting increasing doubts on the industry recovery and exports. With the combination of mixed signals from the economic data, lower-than-expected cooperate earning, plus the uncertainties of the sovereign debt crisis which diminished corporate and consumer confidence, the European Union ("EU") economy has seen weak economic recovery in the global economic turbulence. These gave rise to the inevitable austerity policies in which they slowed down demand and dragged down the recovery of consumption and investment. The Group's customers in Russia and Denmark have been impacted accordingly. The domestic consumption in Russia has weakened causing by the less dynamic economy. Our customers in Russia and Denmark have decreased their demand for products. Thus, there has been a drop in overall turnover in the European market.

Mexico

Our turnover in Mexico decreased by HK$2,878,000 or 71.10% to HK$1,170,000 in the first half of this year from HK$4,048,000 for the corresponding period last year.

The vigorous economic growth in the U.S. has brought huge demand, and therefore Mexico's is likely to pick up gradually. However, the overall turnover in the Mexican market recorded a decrease during the period under review as it was attributable by the decrease in Tonka and other products.

Australia and New Zealand

Our turnover in the Australia and New Zealand markets decreased by HK$3,947,000 or 25.23% to HK$11,695,000 in the first half of this year from HK$15,642,000 for the corresponding period last year.

Due to the deceleration in Australia's economic growth, the unemployment rate has increased. Nevertheless, restrained growth in labor costs has ensured a low inflation rate. The Consumer Confidence Index has risen, and the total value of retail sales of consumer goods is higher than that of the same period of last year. However, since customer's demand for Tonka's and other products fell down during transitional period with respect to change in marketing strategy, the overall turnover in the Australia and New Zealand markets recorded a decrease. The Group will continue its endeavor in retaining its existing distributors and clients, such as Target.

South America

Our turnover in South American markets decreased by HK$7,330,000 or 55.48% to HK$5,883,000 in the first half of this year from HK$13,213,000 for the corresponding period last year, which was mainly attributable to the orders decreased impacted by economic slowdown.

The growth of demand for the domestic labor market in Chile has slowed down. Demand for "Tonka" products in these South American countries was slowed down due to prolonged European debt crisis and lingering impact of economic uncertainties, the overall turnover recorded a decrease.

PROSPECTS

The Group expects that some favourable factors will continue to prevail, such as the momentum of the U.S. economic recovery and the business opportunity, as well as the advantages of plants in Vietnam due to its current labor supply and labor costs. The Group is deeply aware of the importance to invest part of its working capital in business development. For this, banking on the success in launching new products which realised the expected expansion of its product lines and product portfolios, the Group will continue to develop the renowned ODM brand businesses and expand its sales and distribution networks and markets for its self-owned brand manufacturing products, so as to provide its clients with innovative products under the brands of "Gazillion®Bubbles" and "Tonka". Looking forward, we should explore more cooperation opportunities in trans-regional and different product categories so as to boost up sales. The Group will also concentrate on the research and development of more self-owned brand manufacturing products and the marketing strategies of expanding "Gazillion®Bubbles" and "Tonka" products in laying a solid foundation for expanding its future distribution. The sales of lighting products business was restricted by the modification of new lighting-product specifications, and the increased selling costs and expenditures which was resulted by the increase of marketing personnel in Mexico, Europe and Australia. However, the Group will integrate the inventory, strive to improve its products, change the marketing structure, study the feasibility of other new products and expand their distribution channels so that we can mitigate the impact by expanding its geographical coverage and securing orders from clients. The Group is cautiously optimistic about the business outlook.

FINANCIAL REVIEW

LIQUIDITY AND FINANCIAL RESOURCES

As at 30th June, 2014, the Group had cash and cash equivalents of approximately HK$46,615,000 (31st December, 2013: HK$54,536,000). As at 30th June, 2014, the Group obtained banking facilities in a total of approximately HK$126,200,000 (31st December, 2013: HK$126,200,000) of which HK$95,000,000 was supported by corporate guarantee and HK$31,200,000 was secured under floating charge on certain assets of the Group.

As at 30th June, 2014, the Group had bank borrowings of approximately HK$12,723,000 (31st December, 2013: HK$26,275,000). The Group's gearing ratio, representing the total loans and bank borrowing divided by equity attributable to owners of the Company, was 4.66% (31st December, 2013: 9.73%).

During the period, net cash generated from operating activities amounted to approximately HK$74,712,000 (30th June, 2013: net cash used in operating activities HK$133,000). The Group has maintained an adequate level of cash flows for its business operations and capital expenditures.

CAPITAL EXPENDITURE

During the period, the Group acquired property at a cost of approximately HK$6,786,000 (30th June, 2013: HK$2,729,000), plant and equipment at a cost of approximately HK$7,179,000 (30th June, 2013: HK$15,128,000) to further enhance and upgrade the production capacity. These capital expenditures were financed primarily by cash flow generated from operations.

ASSETS AND LIABILITIES

At 30th June, 2014, the Group had total assets of approximately HK$786,483,000 (31st December, 2013: HK$877,388,000), total liabilities of approximately HK$174,760,000 (31st December, 2013: HK$260,101,000) and equity attributable to owners of the Company of approximately HK$611,723,000 (31st December, 2013: HK$617,287,000). The net assets of the Group decreased 0.90% to approximately HK$611,723,000 as at 30th June, 2014 (31st December, 2013: HK$617,287,000).

EXCHANGE RATE RISK

Several subsidiaries of the Company have foreign currency sales, which expose the Group to foreign currency risk. Certain bank balances, trade receivables and trade payables of the Group are denominated in foreign currencies. The Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arises.

NUMBER OF EMPLOYEES AND REMUNERATION POLICIES

As at 30th June, 2014, the Group had a total of approximately 11,000 (31st December, 2013: 11,000) employees in Hong Kong, Macau, PRC, Vietnam, Australia, Mexico, US and Europe. The Group provides its employees with competitive remuneration packages commensurate to the level of pay established by the market trend in comparable businesses. A share option scheme was adopted for selected participants (including full-time employees) as incentives or rewards for their contributions to the business and operation of the Group. A mandatory provident fund scheme and respective local retirement benefit schemes are also in place.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30th June, 2014, the interests and short positions of the directors and chief executives and their respective associates in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or which were otherwise required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), pursuant to the Model Code for Securities Transactions by Directors of the Listing Companies were as follows:

LONG POSITIONS IN ORDINARY SHARES OF THE COMPANY

Ordinary Shares of HK$0.10 each of the Company

Name of director/ chief executive officer	Nature of interests	Number of issued ordinary shares held	Percentage of the issued share capital of the Company
Cheng Yung Pun *(Director)*	Corporate interest *(Note 1)*	530,313,569	70.14%
Arnold Edward Rubin *(Director)*	Personal interest	100,000	0.01%
Cheng Wing See, Nathalie *(Director)*	Personal interest	723,230	0.10%
Cheng King Cheung *(Director)*	*Personal interest*	1,722,000	0.23%
Leung Hong Tai *(Director)*	Personal interest *(Note 2)*	6,742,000	0.89%
Tsang Chung Wa *(Director)*	Personal interest	4,108,251	0.54%
Tse Kam Wah *(Director)*	Personal interest	4,280,000	0.57%
Yu Sui Chuen *(Director)*	Personal interest	440,000	0.06%
Loke Yu alias Loke Hoi Lam *(Director)*	Personal interest	14,000	0.00%
Chen Wei Qing *(Chief Executive Officer)*	Personal interest	4,100,000	0.54%

Notes:

(1) The shares are held by Smart Forest Limited ("Smart Forest"), a company incorporated in the British Virgin Islands. The entire issued share capital of Smart Forest is wholly owned by Mr. Cheng Yung Pun.

(2) 1,148,000 shares are held by Ip Yi Mei, spouse of Mr. Leung Hong Tai, Director of the Company.

Share Option

	Option type	Number of underlying shares attached to the share options Outstanding at beginning of period	Granted during the period	Exercised during the period	Lapsed during the period	Outstanding at end of period	Exercise price *HK$*	Exercise period
Category 1: Directors/ Chief Executive Officer								
Arnold Edward Rubin *(Director)*	2011a	6,300,000 *(Note 1)*	–	(100,000)	–	6,200,000	1.692	20th July, 2011 to 20th July, 2014
Loke Yu alias Loke Hoi Lam *(Director)*	2011a	300,000 *(Note 2)*	–	(200,000)	–	100,000	1.692	20th July, 2011 to 20th July, 2014
Mak Shiu Chung, Godfrey *(Director)*	2011a	300,000 *(Note 3)*	–	–	–	300,000	1.692	20th July, 2011 to 20th July, 2014
Wan Hing Pui *(Director)*	2011a	300,000 *(Note 4)*	–	–	–	300,000	1.692	20th July, 2011 to 20th July, 2014
Total Directors/ Chief Executive Officer		7,200,000	–	(300,000)	–	6,900,000		
Category 2: Employees								
	2011a	7,500,000 *(Note 5)*	–	(88,000)	–	7,412,000	1.692	20th July, 2011 to 20th July, 2014
Total Employees		7,500,000	–	(88,000)	–	7,412,000		
Total all categories		14,700,000	–	(388,000)	–	14,312,000		

Notes:

(1) Mr. Arnold Edward Rubin, Director of the Company, has exercised his share options in respect of share options granted on 21st April, 2011 pursuant to the Company's share option scheme which carry rights to subscribe for 100,000 underlying shares in January 2014. 6,200,000 underlying shares (representing 0.82% of issued share capital of the Company) in respect of share options granted to him on the same date remain outstanding.

(2) Dr. Loke Yu alias Loke Hoi Lam, independent non-executive Director of the Company, has exercised his share options in respect of share options granted on 21st April, 2011 pursuant to the Company's share option scheme which carry rights to subscribe for 200,000 underlying shares in June 2014. 100,000 underlying shares (representing 0.1% of issued share capital of the Company) in respect of share options granted to him on the same date remain outstanding.

(3) Mr. Mak Shiu Chung, Godfrey, independent non-executive Director of the Company, has beneficial interests in 300,000 underlying shares (representing 0.04% of issued share capital of the Company) in respect of share options granted to him on 21st April, 2011 pursuant to the Company's share option scheme.

(4) Mr. Wan Hing Pui, independent non-executive Director of the Company, has beneficial interests in 300,000 underlying shares (representing 0.04% of issued share capital of the Company) in respect of share options granted to him on 21st April, 2011 pursuant to the Company's share option scheme.

(5) One of the employee has exercised his/her share option in respect of share options granted on 21st April, 2011 pursuant to the Company's share option scheme which carries rights to subscribe for 88,000 underlying shares in June 2014. 7,412,000 underlying shares (representing 0.98% of issued share capital of the Company) in respect of share options granted to the employees on the same date remain outstanding.

The closing price of the Company's shares on 21st April, 2011 the date of grant of the options type of 2011a was HK$1.69.

Details of specific category of share options are as follows:

Option Type	Date of grant	Vesting period	Exercise period	Exercise price
2011a	21st April, 2011	3 months	20th July, 2011 to 20th July, 2014	HK$1.692

During the six months ended 30th June, 2014, the options carry rights to subscribe for a total of 100,000 shares had been exercised on 28th January, 2014, 200,000 shares had been exercised on 3rd June, 2014 and 88,000 shares had been exercised on 13th June, 2014.

The fair value was calculated using the Black-Scholes pricing model. The inputs into the model are as follows:

Option Type	2011a
Weighted average share price	HK$1.690
Exercise price	HK$1.692
Expected volatility	99.00%
Expected life	3 years
Risk-free rate	1.060%
Expected dividend yield	4.70%

Expected volatility was determined by using the historical volatility of the Company's share price over the previous three years.

Because the Black-Scholes pricing model requires the input of highly subjective assumptions, including the volatility of share price, changes in subjective input assumptions can materially affect the fair value estimate.

The fair value of services received under an equity-settled share-based payment arrangement is determined by reference to the fair value of share options granted at the grant date and is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity (share options reserve). Details of the accounting policy for equity-settled shared-based payment transactions are set out in the Group's financial statements for the six months ended 30th June, 2014.

There was no options granted during the six months ended 30th June, 2014 (31st December, 2013: nil) by the Company.

Other than as disclosed above, none of the directors, chief executives nor their respective associates had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations as at 30th June, 2014.

ARRANGEMENTS TO PURCHASE SHARES AND DEBENTURES

Other than as disclosed in the section "Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures", at no time during the period was the Company, its holding company, or any of its subsidiaries or fellow subsidiaries, was a party to any arrangements to enable the directors of the Company and their associates to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

SUBSTANTIAL SHAREHOLDERS

As at 30th June, 2014, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO shows that the following shareholders had notified the Company of relevant interests and short positions in the issued share capital of the Company:

LONG POSITIONS IN ORDINARY SHARES OF THE COMPANY

Ordinary Shares of HK$0.10 each of the Company

Name of shareholder	Capacity	Number of issued ordinary shares held	Percentage of the issued share capital of the Company
Smart Forest *(Note 1)*	Beneficial owner	530,313,569	70.14%

Notes:

(1) Smart Forest, a company incorporated in the British Virgin Islands which is wholly owned by Mr. Cheng Yung Pun, director of the Company.

Other than as disclosed above, the Company has not been notified of any other relevant interests or short positions in the issued share capital of the Company as at 30th June, 2014.

SHARE OPTION SCHEME

A share option scheme of the Company was adopted on 4th May, 2012 (the "2012 Share Option Scheme"). The key terms of the 2012 share option scheme had been summarized in our 2013 Annual Report published in April 2014.

As at 30th June, 2014, the total number of shares available for issue of option under the 2012 Share Option Scheme was 71,864,731 shares (after the 2012 Share Option Scheme adopted on 2012 annual general meeting held on 4th May, 2012) which representing 9.50% of the issued share capital of the Company (after the enlarged issued share capital in 756,115,313 shares under the issue of 388,000 shares in respect of exercise of share option in January and June 2014).

During the six months ended 30th June, 2014, the options carry rights to subscribe for 388,000 shares had been exercised in January and June 2014.

As at 30th June, 2014, the options which have been granted and remained outstanding carry rights to subscribe for 14,312,000 shares (31st December, 2013: 14,700,000) representing 1.89% (31st December, 2013: 1.9%) of the shares in issue.

Options may be exercised at any time from for the period beginning 90 days after the date of grant of the option and ending three years thereafter. Save as disclosed above, no share options are granted, exercised, cancelled or lapsed during the period under review.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

During the six months ended 30th June, 2014, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's shares.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE (THE "CG CODE")

The Board has adopted a new corporate governance code (the "CG Code") and amended it from time to time, which is based on the principles set out in Appendix 14 (the "HKEx Code") to the Listing Rules on the Stock Exchange.

None of the directors of the Company is aware of information that would reasonably indicate the Company is not or was not for any part of the period under review, in compliance with the HKEx Code and CG Code except for the deviations from code provisions A.4.1, A.6.7 and E.1.2 which are explained as follows:

i) under the code provision A.4.1 that none of the existing non-executive directors of the Company is appointed for a specific term. However, as all the non-executive directors of the Company (including independent non-executive) are subject to retirement provision under the Company's Bye-laws. The Company considers that sufficient measures have been taken to ensure that the Company's corporate governance practices are no less exacting than those in the HKEx Code and CG Code as well;

ii) under the code provision A.6.7, Dr. Loke Yu alias Loke Hoi Lam, independent non-executive director was unable to attend the annual general meeting of the Company held on 7th May, 2014 (the "2014 AGM") due to his conflicting business schedule;

iii) under the code provision E.1.2, Mr. Cheng Yung Pun, the chairman of the Board and the Nomination Committee and Dr. Loke Yu alias Loke Hoi Lam, the chairman of the Audit and Remuneration Committees were unable to attend the 2014 AGM due to conflicting business schedules. All other members of the Audit, Nomination and Remuneration Committees and three executive directors had attended the 2014 AGM and one of them had been nominated as chairman of the AGM. The Company considers that the presence is sufficient for (i) answering questions from and (ii) effective communication with the shareholders of the Company present at the 2014 AGM.

OTHER INFORMATION OF DIRECTOR

In the last three years, Dr. Loke Yu alias Loke Hoi Lam, independent non-executive Director ("INED") of the Company, was appointed as INED of Tianjin Development Holdings Limited (a company listed on the Stock Exchange) with effect from 21st December, 2012, INED of China Household Holdings Limited (a company listed on the Stock Exchange) with effect from 9th August, 2013, INED of Wing Lee Holdings Limited (a company listed on the Stock Exchange) effective 20th June 2014 and INED of Tianhe Chemicals Group Limited (a company listed on the Stock Exchange) effective 20th June 2014.

In addition, in the last three years, Mr. Heng Victor Ja Wei, INED of the Company, was appointed as Company Secretary of China Life Insurance Company Limited (a company listed on the Stock Exchange) with effect from 25th April, 2013.

The annual director's fee of the INEDs namely Dr. Loke Yu alias Loke Hoi Lam, Mr. Mak Shiu Chung, Godfrey, Mr. Wan Hing Pui and Mr. Heng Victor Ja Wei, had been adjusted to HK$85,000, with retrospective effect from 1st January, 2014. The Director's emolument (including any sum receivable as Director's fee or remuneration) per month (13 months basis) of Mr. Cheng Yung Pun, Ms. Cheng Wing See, Nathalie, Mr. Yu Sui Chuen, Mr. Cheng King Cheung, Mr. Leung Hong Tai, Mr. Tsang Chung Wa, Mr. Tse Kam Wah and Mr. Chen Wei Qing (Chief Executive of the Company) had been adjusted to HK$86,000, HK$53,000, HK$117,000, HK$87,000, HK$98,000, HK$78,000, HK$98,000 and HK$92,000 respectively with effect from 1st March, 2014. In addition, the housing allowance in US$30,000 per annum (equivalent to HK$234,000) offered to Mr. Arnold Edward Rubin, director of the Company, had been eliminated with effect from 1st July, 2014.

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

COMPLIANCE WITH THE MODEL CODE SET OUT IN APPENDIX 10 OF THE LISTING RULES

The Company has adopted and amended from time to time a code of conduct regarding securities transactions by directors on terms no less exacting than the required standard set out in Appendix 10 Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") of the Listing Rules. Having made specific enquiry of all the directors, all the directors confirmed that they have complied with the required standard set out in the Model Code and the code of conduct regarding securities transactions by directors adopted by the Company.

BOARD COMMITTEES

The Nomination Committee comprises the Company's Chairman, Mr. Cheng Yung Pun and four INEDs, namely Dr. Loke Yu alias Loke Hoi Lam, Mr. Mak Shiu Chung, Godfrey, Mr. Wan Hing Pui and Mr. Heng Victor Ja Wei, appointed by the Board and meets at least once a year. The Audit Committee comprises the said INEDs who have extensive experience in financial matters and meets at least twice a year. The Remuneration Committee also comprises the said INEDs meets at least once a year. All Committees have adopted terms of reference (containing the minimum prescribed duties) that are in line with the HKEx Code and CG Code.

OTHER REQUIRED DISCLOSURE PURSUANT TO RULE 13.18 OF THE LISTING RULES

With regard to the renewed facilities of up to an aggregate extent of HK$50,000,000 previously granted to two indirect wholly-owned subsidiaries of the Company by a Bank in Macau (the "Bank-MO"), the renewed facility letters have been provided by the Bank-MO on 17th January, 2014 regarding the renewal of the facilities for one year further (the "renewed facilities"). The terms and conditions of the facility letters for the renewed facilities including, inter alia, a condition to the effect that Mr. Cheng Yung Pun ("Mr. Cheng") (a controlling shareholder of the Company) should maintain not less than 51% of shareholding (whether directly or indirectly) of the Company, remain unchanged. A breach of the above condition will constitute an event of default under the renewed facilities. If any significant change on the above condition occurs, the Bank-MO can request to adjust or terminate the renewed facilities.

The facility letters have been provided by a bank in Hong Kong (the "Bank-HK") regarding the banking facilities in an aggregated amount shall not exceed HK$45,000,000 (the "Facilities", such facilities are subject to annual review) to the two indirect wholly-owned subsidiaries of the Company on 31st January, 2012. The terms and conditions of the facility letters for the Facilities include, inter alia, a condition to the effect that Mr. Cheng should maintain not less than 51% of shareholding (whether directly or indirectly) of the Company. A breach of the above condition will constitute an event of default under the Facilities. The Facilities will become immediately due and repayable to the Bank-HK if such an event of default occurs.

REVIEW OF INTERIM RESULTS

The unaudited interim results for the six months ended 30th June, 2014 have been reviewed by the Audit Committee, who are of the opinion that these interim results comply with applicable accounting standard and legal requirements, and that adequate disclosures have been made.

By Order of the Board
Cheng Yung Pun
Chairman

Hong Kong, 27th August, 2014