

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,		
	2015	2014	Changes
	HK\$	HK\$	%
Turnover (HK\$'000)	503,908	468,509	7.6%
Profit attributable to owners of the Company (HK\$'000)	36,655	32,407	13.1%
Basic earnings per share (HK cents)	5	4	25.0%
Interim dividend, declared (HK cents)	4	3	33.3%
Gross profit margin ratio (%)	33.9%	34.3%	(0.4%)

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, 2015, together with the comparative figures for the corresponding period in 2014.

The Group's consolidated revenue for the six months ended 30th June, 2015, increased by HK\$35,399,000 or 7.6% to HK\$503,908,000 from HK\$468,509,000 for the corresponding period of last year. The profit attributable to owners of the Company increased by HK\$4,248,000 or 13.1% to HK\$36,655,000 as compared with the profit of HK\$32,407,000 for the corresponding period of last year.

During the period under review, the United States (the "US") economy maintained its growth momentum, particularly with a relatively low energy price, a lower unemployment rate, steadily increasing wages, the improvement of the real estate market and a boost in consumer confidence. As our major market, the US benefited from improving macroeconomic conditions, coupled with the Group's efforts to promote business growth, the period under review saw an increase in product sales of both the Original Equipment Manufacturing and Original Design Manufacturing ("ODM") businesses, which contributed a growth in turnover.

The Group adhered to its business strategy of providing featured products with leading designs under multiple types and brands. With a view to explore sales opportunities in the global market and capturing the opportunities brought by global economic recovery, the Group continued to strengthen its cooperative partnership with existing main mass market retailers in the US and brand licensed customers of well-known toy products in the international market and develop new product lines that are sold globally for them. Additionally, the Group has further opened up new sales channels and enhanced its distribution network of its self-owned brands. An expanded global coverage led to the enlarged market share and widened sources of revenue.

As compared with the same period of last year, we recorded an increase in marketing and promotional expenses and production costs increased due to the minimum wage rise and the increase in direct labour and related costs. Nevertheless, some distribution expenses reduced due to changes in product mix in demand. Meanwhile, the overall raw material costs remained relatively stable due to the decline in plastic costs resulting from lower oil prices, which offset the increase in other raw material costs. The purchasing strategy of the Group was further optimised in an effort to mitigate the adverse impact of higher costs on its operations. Overall, the Group still achieved an increase in profits.

For the six months ended 30th June, 2015, the US continued to be the largest customer market for the Group, accounted for approximately 89.7% of the Group's total turnover (2014: 89.4%). The other significant customer markets for the Group included Europe, Australia and New Zealand and Canada, which accounted for approximately 1.5% (2014: 1.8%), 3.3% (2014: 2.5%) and 3.6% (2014: 3.9%) of the Group's total turnover respectively.

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30th June, 2015

	NOTES	Six months ended 30th June,	
		2015 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)
Turnover	6	503,908	468,509
Cost of sales	8	(333,105)	(307,697)
Gross profit		170,803	160,812
Other income		640	1,954
Distribution and selling costs	8	(58,632)	(59,722)
Administrative expenses	8	(67,855)	(67,890)
Other gains and losses	8	(1,131)	2,328
Research and development costs	8	(5,614)	(3,461)
Finance costs	6	(253)	(879)
Profit before taxation		37,958	33,142
Income tax expense	7	(1,303)	(735)
Profit for the period attributable to owners of the Company		36,655	32,407
Other comprehensive loss for the period			
<i>Items that may be reclassified to profit or loss</i>			
Exchange differences arising on translation of foreign operations		(2,384)	(1,297)
Total comprehensive income for the period attributable to owners of the Company		34,271	31,110
Earnings per share for profit attributable to owners of the Company during the period (expressed in HK cents per share)			
Basic	10	5	4
Diluted	10	5	4

Condensed Consolidated Statement of Financial Position

At 30th June, 2015

	NOTES	30th June, 2015 HK\$'000 (Unaudited)	31st December, 2014 HK\$'000 (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment	11	156,596	187,469
Leasehold land and land use rights	12	13,591	14,685
Intangible assets	13	96,822	96,822
Deferred tax assets		5,466	5,465
		272,475	304,441
Current assets			
Inventories		336,836	310,443
Trade and other receivables and prepayments	14	140,108	193,962
Tax recoverable		18	19
Cash and cash equivalents		94,190	68,417
		571,152	572,841
Non-current assets classified as held for sale	15	15,366	–
		586,518	572,841
Total assets		858,993	877,282
EQUITY			
Capital and reserves attributable to owners of the Company			
Share capital	17	75,620	75,620
Reserves		590,885	601,986
Total equity		666,505	677,606
LIABILITIES			
Non-current liabilities			
Deferred tax liabilities		524	540
Current liabilities			
Trade and other payables and accruals	16	176,208	152,633
Tax payable		15,756	21,145
Bank borrowings	19	–	25,358
		191,964	199,136
Total liabilities		192,488	199,676
Total equity and liabilities		858,993	877,282
Net current assets		394,554	373,705
Total assets less current liabilities		667,029	678,146

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30th June, 2015

(Unaudited)
Attributable to owners of the Company

	Share capital HK\$'000	Share premium HK\$'000	Shareholders' contribution HK\$'000 (Note a)	Share options reserve HK\$'000	Other reserves HK\$'000 (Note b)	Translation reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
At 1st January, 2015	75,620	189,090	21,028	-	(150)	(45,039)	437,057	677,606
Profit for the period	-	-	-	-	-	-	36,655	36,655
Other comprehensive loss for the period	-	-	-	-	-	(2,384)	-	(2,384)
Total comprehensive (loss)/income for the period	-	-	-	-	-	(2,384)	36,655	34,271
Dividends paid (note 9)	-	-	-	-	-	-	(45,372)	(45,372)
At 30th June, 2015	75,620	189,090	21,028	-	(150)	(47,423)	428,340	666,505
At 1st January, 2014	75,573	187,919	20,576	12,746	(150)	(46,679)	367,302	617,287
Profit for the period	-	-	-	-	-	-	32,407	32,407
Other comprehensive loss for the period	-	-	-	-	-	(1,297)	-	(1,297)
Total comprehensive (loss)/income for the period	-	-	-	-	-	(1,297)	32,407	31,110
Exercise of share options	39	955	-	(337)	-	-	-	657
Release of deemed contribution from ultimate holding company	-	-	460	-	-	-	-	460
Dividends paid (note 9)	-	-	-	-	-	-	(37,791)	(37,791)
At 30th June, 2014	75,612	188,874	21,036	12,409	(150)	(47,976)	361,918	611,723

Notes:

- The shareholders' contribution represented the deemed contribution arising from the loan from ultimate holding company which is non-current and interest-free. The details of loan from ultimate holding company are set out in Note 18.
- Other reserves mainly comprise statutory reserve in the People's Republic of China (the "PRC") and Macau legal reserve.

Condensed Consolidated Statement of Cash Flows

For the six months ended 30th June, 2015

	Six months ended 30th June,	
	2015 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)
OPERATING ACTIVITIES		
NET CASH GENERATED FROM OPERATING ACTIVITIES	52,591	74,712
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(5,657)	(13,965)
Interest received	3	–
Other investing cash inflow	–	18
Deposit received from the disposal of a subsidiary	49,566	–
NET CASH GENERATED FROM/(USED IN) INVESTING ACTIVITIES	43,912	(13,947)
FINANCING ACTIVITIES		
Dividends paid	(45,372)	(37,791)
Repayments of bank loans	(77,117)	(81,394)
Repayments of loan from ultimate holding company	–	(18,000)
New bank loans raised	51,759	67,842
Proceeds on issue of shares	–	657
NET CASH USED IN FINANCING ACTIVITIES	(70,730)	(68,686)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	25,773	(7,921)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	68,417	54,536
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD, represented by		
Bank balances and cash	94,190	46,615

Notes to the Condensed Consolidated Financial Information

For the six months ended 30th June, 2015

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 Hong Kong dollars, unless otherwise stated.

This condensed consolidated interim financial information was approved for issue on 27th August, 2015.

This condensed consolidated interim financial information has not been audited.

2. BASIS OF PREPARATION

The unaudited condensed consolidated interim financial information for the six months ended 30th June, 2015 has been prepared in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting". The unaudited condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31st December, 2014, 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, 2014, as described in those annual financial statements.

There are no new and amended standards or interpretations that are effective for the Group's accounting year commencing on 1st January, 2015 that could be expected to have a material impact on the Group.

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 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, 2014, 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, 2014.

There have been no significant changes in the risk management policies since year end.

5.2 Liquidity risk

Compared to the year ended 31st December, 2014, 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
- Bank borrowings
- Cash and cash equivalents

6. SEGMENT INFORMATION

The chief operating decision-makers ("CODM") have 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.

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

CODM assess 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.

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 period as it is at early stage of operations and is not material to the Group.

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	
	2015 <i>HK\$'000</i> (Unaudited)	2014 <i>HK\$'000</i> (Unaudited)	2015 <i>HK\$'000</i> (Unaudited)	2014 <i>HK\$'000</i> (Unaudited)
The United States	452,121	418,623	83,756	77,333
Europe	7,468	8,502	(1,327)	(1,661)
Mexico	2,487	1,170	326	(975)
Canada	18,054	18,404	2,430	2,732
South America	3,456	5,883	532	329
Australia and New Zealand	16,721	11,695	1,138	1,090
Other locations (<i>Note</i>)	3,601	4,232	(747)	297
	503,908	468,509	86,108	79,145
Unallocated income			200	656
Unallocated expenses			(48,097)	(45,780)
Finance costs			(253)	(879)
Profit before taxation			37,958	33,142
Income tax expense			(1,303)	(735)
Profit for the period			36,655	32,407

Note: Other locations include the PRC (including Hong Kong), Brazil, Taiwan, Korea, Asia Pacific and others. These locations are considered by the CODM 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 CODM, for the purpose 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, 2015 (Unaudited)	The United States <i>HK\$'000</i>	Canada <i>HK\$'000</i>	Europe <i>HK\$'000</i>	South America <i>HK\$'000</i>	Australia and New Zealand <i>HK\$'000</i>	Mexico <i>HK\$'000</i>	Other locations <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
ASSETS								
Segment assets	401,066	8,512	14,650	2,062	12,923	2,585	48,736	490,534
Property, plant and equipment								156,596
Leasehold land and land use rights								13,591
Non-current assets classified as held for sale								15,366
Unallocated and corporate assets								182,906
Total assets								858,993
LIABILITIES								
Segment liabilities	64,712	2,246	1,148	434	2,458	329	12,359	83,686
Unallocated and other corporate liabilities								108,802
Total liabilities								192,488

At 31st December, 2014 (Audited)	The United States <i>HK\$'000</i>	Canada <i>HK\$'000</i>	Europe <i>HK\$'000</i>	South America <i>HK\$'000</i>	Australia and New Zealand <i>HK\$'000</i>	Mexico <i>HK\$'000</i>	Other locations <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
ASSETS								
Segment assets	427,392	14,099	9,333	5,178	7,330	4,191	51,568	519,091
Property, plant and equipment								187,469
Leasehold land and land use rights								14,685
Unallocated and corporate assets								156,037
Total assets								877,282
LIABILITIES								
Segment liabilities	81,347	3,725	1,538	966	1,845	826	9,327	99,574
Unallocated and other corporate liabilities								100,102
Total liabilities								199,676

7. INCOME TAX EXPENSE

	Six months ended 30th June,	
	2015 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)
Current tax:		
Hong Kong	163	196
Other jurisdictions	1,023	588
	1,186	784
Under/(over)-provision in prior years		
Hong Kong	–	(49)
Other jurisdictions	117	–
Income tax expense	1,303	735

- (i) Hong Kong profits tax has been provided for at the rate of 16.5% (2014: 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 operating in Vietnam is 7.5% to 22% for the period ended 30th June, 2015 (2014: 7.5% to 22%).
- (iii) The applicable US enterprise income tax rate for subsidiaries operating in the US is 34% (2014: 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,	
	2015 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)
Auditor's remuneration	2,133	1,848
Depreciation of property, plant and equipment	20,704	20,211
Operating lease rental in respect of buildings	10,281	10,011
Amortisation of leasehold land and land use rights	224	258
Net exchange loss/(gain)	1,131	(2,328)

9. DIVIDEND

A dividend of HK\$45,372,000 that relates to the year ended 31st December, 2014 was paid in May 2015 (2014: HK\$37,791,000).

On 27th August, 2015, the board of directors has resolved to declare an interim dividend of 4 cents per share (2014: 3 cents per share), which is payable on 21st September, 2015 to shareholders who are on the register at 14th September, 2015. This interim dividend has not been recognised as a liability in this interim financial information. It will be recognised in shareholders' equity in the year ending 31st December, 2015.

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,	
	2015	2014
Profit for the period attributable to owners of the Company (<i>HK\$'000</i>)	36,655	32,407
Weighted average number of ordinary shares in issue (<i>thousands</i>)	756,025	755,852
Basic earnings per share attributable to equity holders of the Company (<i>HK cents</i>)	5	4

(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,	
	2015	2014
Profit for the period attributable to owners of the Company (<i>HK\$'000</i>)	36,655	32,407
Weighted average number of ordinary shares for the purpose of basic earnings per share (<i>thousands</i>)	756,025	755,852
Effect of dilutive potential ordinary shares:		
Share options (<i>thousands</i>)	–	480
Weighted average number of ordinary shares for diluted earnings per share (<i>thousands</i>)	756,025	756,332
Diluted earnings per share (<i>HK cents</i>)	5	4

11. PROPERTY, PLANT AND EQUIPMENT

	(Unaudited) HK\$'000
Six months ended 30th June, 2015	
Net book value as at 1st January, 2015	187,469
Additions	5,657
Depreciation	(20,704)
Exchange realignment	(1,330)
Transfer to non-current assets classified as held for sale (<i>Note 15</i>)	(14,496)
Net book value as at 30th June, 2015	156,596
Six months ended 30th June, 2014	
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

12. LEASEHOLD LAND AND LAND USE RIGHTS

	(Unaudited) HK\$'000
Six months ended 30th June, 2015	
Net book value as at 1st January, 2015	14,685
Amortisation	(224)
Transfer to non-current assets classified as held for sale (<i>Note 15</i>)	(870)
Net book value as at 30th June, 2015	13,591
Six months ended 30th June, 2014	
Net book value as at 1st January, 2014	15,201
Amortisation	(258)
Net book value as at 30th June, 2014	14,943

13. INTANGIBLE ASSETS

	Goodwill HK\$'000
Net book value as at 1st January, 2014	96,822
Amortisation	–
Net book value as at 30th June, 2014, 1st January, 2015 and 30th June, 2015	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 AND PREPAYMENTS

	30th June, 2015 <i>HK\$'000</i> (Unaudited)	31st December, 2014 <i>HK\$'000</i> (Audited)
Trade receivables	108,919	161,330
Less: allowance for doubtful debts	(5,535)	(4,690)
	103,384	156,640
Other receivables, deposits and prepayments	36,724	37,322
	140,108	193,962

The Group's credit terms to trade debtors range from 14 to 90 days. At 30th June, 2015 and 31st December, 2014, the ageing analysis of the trade receivables based on the invoice date was as follows:

	30th June, 2015 <i>HK\$'000</i> (Unaudited)	31st December, 2014 <i>HK\$'000</i> (Audited)
0 – 60 days	86,839	112,163
61 – 90 days	15,526	42,512
> 90 days	1,019	1,965
	103,384	156,640

15. NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE

On 18th June, 2015, Assetnet Limited, an indirectly wholly-owned subsidiary of the Company, entered into a Sale and Purchase agreement for the disposal of its entire issued share capital of Shelcore Hong Kong Limited ("SHK"), an indirectly wholly-owned subsidiary of the Company which held a piece of land and buildings in Shenzhen for a consideration of approximately HK\$337.2 million. Up to 30th June, 2015, the Group has received cash deposit of RMB40.0 million (equivalent to approximately HK\$49.6 million) (Note 16) from the purchaser.

The above transaction (the "Disposal") was completed on 2nd July, 2015 and a gain on the Disposal will be recognised in the second half of 2015. Since then, SHK has ceased to be a subsidiary of the Company.

As at 30th June, 2015, the assets held by SHK are presented as held for sale as a result of the Disposal as follows:

Non-current assets classified as held for sale

	<i>HK\$'000</i>
Land use rights	870
Buildings	14,496
Total	15,366

There were no liabilities classified as held for sale as a result of the Disposal.

16. TRADE AND OTHER PAYABLES AND ACCRUALS

	30th June, 2015	31st December, 2014
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Audited)
Trade payables	63,227	77,278
Deposit received (<i>Note 15</i>)	49,566	–
Other payables and accruals	63,415	75,355
	176,208	152,633

At 30th June, 2015 and 31st December, 2014, the ageing analysis of the trade payables based on invoice date was as follows:

	30th June, 2015	31st December, 2014
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Audited)
0 – 60 days	60,348	51,453
61 – 90 days	2,002	19,737
> 90 days	877	6,088
	63,227	77,278

17. SHARE CAPITAL

	Ordinary shares of HK\$0.1 each	
	Number of	Share
	shares	capital
	<i>(in thousands)</i>	<i>HK\$'000</i>
<i>Authorised:</i>		
At 1st January, 2014, 30th June, 2014, 1st January, 2015 and 30th June, 2015	1,000,000	100,000
<i>Issued and fully paid:</i>		
At 1st January, 2015 and 30th June, 2015	756,203	75,620
At 1st January, 2014	755,727	75,573
Employee share option scheme:		
– Proceeds from shares issued	388	39
At 30th June, 2014	756,115	75,612

During the period ended 30th June, 2014, the Company issued and allotted a total of 388,000 ordinary shares at the exercise price of HK\$1.692 to certain share option 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.

18. LOAN FROM ULTIMATE HOLDING COMPANY

For the period ended 30th June, 2014, the Group early settled the loan from ultimate holding company of HK\$18,000,000, and the remaining balance was fully settled as at 31st December, 2014.

19. BANK BORROWINGS

	30th June, 2015 <i>HK\$'000</i> (Unaudited)	31st December, 2014 <i>HK\$'000</i> (Audited)
Unsecured	–	25,358

At 31st December, 2014, the Group's bank borrowings were denominated in HK\$ and repayable within one year. The carrying value of the bank borrowings approximated its fair value.

Movement in bank borrowings is analysed as follows:

	(Unaudited) <i>HK\$'000</i>
Six months ended 30th June, 2015	
Opening amount as at 1st January, 2015	25,358
Drawdown of bank borrowings	51,759
Repayment of bank borrowings	(77,117)
Closing amount as at 30th June, 2015	–
Six months ended 30th June, 2014	
Opening amount as at 1st January, 2014	26,275
Drawdown of bank borrowings	67,842
Repayment of bank borrowings	(81,394)
Closing amount as at 30th June, 2014	12,723

As at 30th June, 2015, the effective interest rate of the bank borrowings was 5.6% (2014: 5.5%) per annum.

As at 30th June, 2015, 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\$192,580,000 (2014: HK\$169,862,000) to a bank for banking facilities with credit limit of HK\$31,200,000 (2014: HK\$31,200,000) granted to it.

20. CAPITAL COMMITMENTS AND OPERATING LEASE COMMITMENTS

As at 30th June, 2015, the capital commitments contracted but not provided for in the condensed consolidated interim financial information of the Group were HK\$218,000 (31st December, 2014: nil).

As at 30th June, 2015, the operating lease commitments of the Group were HK\$84,419,000 (31st December, 2014: HK\$85,594,000).

21. CONTINGENT LIABILITIES

A legal claim was filed on 6th July, 2015 against Funrise Inc. (the "Defendant"), a subsidiary of the Company by Travelers Property Casualty Company of America (the "Plaintiff"). The alleged indebtedness to the Plaintiff was in the sum of US\$90,407, from 6th June, 2012 through 6th June, 2013, for goods, wares and merchandise sold and/or services rendered to the Defendant. The amount of claim was US\$90,407 plus interest at the rate of 10% per annum from 1st April, 2013.

Save as disclosed above, as at 30th June, 2015, so far as was known to any Director, the Group was not engaged in any litigation, claim or arbitration of material importance and no litigation or claim of material importance was known to the Directors to be pending or threatened against any member of the Group. As at 30th June, 2015, the Group had no material contingent liabilities (31st December, 2014: nil).

22. RELATED-PARTY TRANSACTIONS

The Group is controlled by Smart Forest Limited (incorporated in the British Virgin Islands (or "BVI"), which owns 70.89% of the company shares. The remaining 29.11% of the shares are widely held. The ultimate parent of the Group is Smart Forest Limited (incorporated in the British Virgin Islands (or "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, 2015.

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,	
	2015	2014
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Salaries and other short-term employee benefits	7,262	6,836

23. EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

Subsequent to the period end, the Group has completed the disposal of SHK, details of which are set out in Note 15.

INTERIM DIVIDEND

The Directors had resolved to declare an interim dividend of HK4 cents (2014: HK3 cents in cash) per share for the six months ended 30th June, 2015, payable to shareholders whose names appear on the Register of Members of the Company on 14th September, 2015.

The record date for the purpose of determining the shareholders which are entitled to dividend is 14th September, 2015. 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 14th September, 2015. The interim dividend will be paid on or around 21st September, 2015.

MANAGEMENT DISCUSSION & ANALYSIS

BUSINESS REVIEW

With its existing marketing plans for its brand products, the Group has been actively exploring new sales channels and introducing new sales plans for its products under the authorised licensing business brand "Tonka" and "My Little Pony", its self-owned brand "Gazillion ® Bubbles" and others like "girls role-playing". In particular, the "Gazillion ® Bubbles" products series and the new series of "girls role-playing" products have received warm market response. Despite the flat sales of authorised licensing brands such as "Tonka", there was a boost in the global sales of "Gazillion ® Bubbles" and other products such as "girls role-playing" and a surge in the sales of "Transformer" supported by the distribution of the movie, which offset the lower sales of the products under "My Little Pony" and plush toys. The Group entered into licensed brand production contracts with foreign well-known retailers and license holders in the 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. Given the fact that development and sales of lighting brand business were affected by the amendments to the regulatory specifications, the Group, in order to minimise the effect of the declined sales of lighting products, 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.

Furthermore, toy safety remains the most concerned issue wherever in developed or emerging markets. The Group has actively complied with the European Union's (the "EU") latest legislation on toy manufacturing which applies to all toy imports into Europe. In addition to compliance with government requirements, the Group also focuses on quality and design to improve product value.

Manufacturing operation

The Group's main production base is located in Vietnam where advantages remain in terms of relatively lower labour costs, abundant supply of labour force and less pressure on currency appreciation. Moreover, the Group took production-improvement measures, including plant integration, to reduce costs pressure and to expand its production capacity, which enabled the Group to sustain the capacity increase of its plants in Vietnam.

During the period under review, the Group has sold its plant in Shenzhen which was left unused and suspended from operation. As the purchaser intended to acquire the property for re-development, the property disposal came as a great opportunity for the Group to realise a gain. In addition, the right to purchase as part of the consideration would allow the Group to exchange for certain units in the residential properties at the fixed price after the open for sale, which would enable the Group to diversify its investments and broaden the asset base and income stream of the Group.

The US government has made multiple efforts to improve the safety of imported consumables, such as formally enforcing the Consumer Product Safety Improvement Act (CPSIA). To cope with such increasing concerns from overseas markets on product safety and environmental protection, the Group continued to learn and to adopt new methods and techniques to maintain product quality and safety, 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

There is further recovery in overall global demand and more potential business opportunities in emerging and the US markets. South America, facing headwinds of a slowing down economy, benefited little from the US economic recovery. Such a situation coincides with an extended European debt crisis that has overshadowed the pace of industrial recovery. The EU economic recovery has been weak due to the fluctuating global economy, coupled with the continent's mixed economic data, lower-than-expected business profits, and slashed corporate and consumer confidence caused by the uncertainty of the sovereign debt crisis. Despite the unclear sales prospects of Europe and South America under the circumstances, the Group has continued to closely monitor other emerging markets, revamp its products, enrich its new product lines and portfolios, and expand its distribution channels in other countries and emerging markets, all in a bid to boost the sales. With the ongoing economic recovery, the Group has been active in improving product value, exploring collaboration opportunities across different product categories, and establishing diversified business platforms in different areas. Such measures not only complement each other strategically to support the growth, but also help the Group deal with challenges brought by the industries and locations where it operates.

The United States (the "US")

The US was still a major export market for the Group's products. Our turnover increased by HK\$33,498,000 or 8.0% to HK\$452,121,000 in the first half of this year from HK\$418,623,000 for the corresponding period last year.

With a stabilising global economy, the US has continued to see the emergence of new jobs, improving household finance and growing consumer confidence, which are expected to lead to a stronger economy and serve as greater drivers for growth. To summarise, the US economy is able to deliver steady growth. Despite the end of the quantitative-easing stimulation plan, the Federal Reserve has maintained a relatively loose monetary policy, which is expected to continue to drive consumer spending, business investment, employment and industrial activities. In spite of a strong US dollar, the continuous tense geopolitical situation in Eastern Europe and the Middle East may cause blockage. Nonetheless, the effect has been dissipated in respect of the financial budget issue of the federal government, as the government keep on expanding the expenditure to boost the growth of Gross Domestic Product (GDP). Expenditure growth, together with further improvement in the real estate and labour markets, as well as the drop of energy price, has largely lessened the concerns over the US economic growth.

There was an annual increase in the sales of "girls role-playing" and "Gazillion® Bubbles" products in the US market. As one US mass-market retailer placed more orders in spring, the sales, particularly of "girls role-playing" recorded an impressive gain. This offset the impacts from the slight sales drop of "Tonka" this year due to the expansion of previous years, the changes to the specifications of lighting products, and its sales decrease during the transitional period of changing sales strategies. Given the above factors, the total turnover of the US market still recorded an increase. The Group will strive to maintain the authorised 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 the Canadian market decreased by HK\$350,000 or 1.9% to HK\$18,054,000 in the first half of this year from HK\$18,404,000 for the corresponding period last year.

Benefiting from its sound banking and financial systems as well as the improving employment, the Canada's businesses and consumption continued to recover and the unemployment rate reached its lowest level in last year. However, the Ruble crisis in Russia and the end of quantitative easing program in the US remain the biggest obstacle to Canadian economic growth. Nevertheless, as the strong growth of US economy, the Canada economy is expected to improve and grow at the same pace as last year. The sales of mass market retailers remained the same in respect of "Tonka" products, the bubble products of self-owned brands such as "Gazillion ® Bubbles", and other products such as the "girls role-playing" series. However, the total turnover in the Canadian market recorded a slight decrease, due to the sales of lighting products affected by the modification of product specifications and the transitional period with respect to change in marketing strategy. The Group will strive to retain its existing distributors and clients, such as Wal-Mart and Toys"R"Us.

Europe

Our turnover in Europe decreased by HK\$1,034,000 or 12.2% to HK\$7,468,000 in the first half of this year from HK\$8,502,000 for the corresponding period last year.

The uncertainties in the European economy which arose from the long-lasting debt crisis and rising unemployment rates depressed domestic demands. Moreover, major downside risks exist, namely, poor financing conditions which stifled investment growth, continued deflationary pressure, austerity measures, entangling debt issues and unstable geopolitical conditions. The orders from Europe decreased due to the economic impact. In particular, the biggest decrease came from Ukraine and the Netherlands. All the above factors have led to the contracted profit margins of the European clients. Furthermore, the Group has faced increasing difficulties in boosting the sales in European markets, as Group focused on the orders of such self-owned brands as "Gazillion ® Bubbles" (bubble products) and other brands such as "girls role-playing" and "My Little Pony". The number of orders from Finland, Romania, Poland and the United Kingdom (the "UK") increased. In particular, the Polish toy industry has recorded its first double-digit growth in years. The UK saw its investment recover and private consumption improve, which owed to the continuous effect of fiscal consolidation, slower inflation and relaxed credit terms. On the other hand, our total turnover in the European market recorded a decrease, due to the sales of lighting products affected by modification of product specifications and the transitional period with respect to change in marketing strategy.

Mexico

Our turnover in the Mexican market increased by HK\$1,317,000 or 112.6% to HK\$2,487,000 in the first half of this year from HK\$1,170,000 for the corresponding period last year.

Given a close relationship between Mexico and the US, the Mexican economy has clearly benefited from the continuous recovery of the US economy. Meanwhile, the loose monetary and fiscal policies such as the record-low interest rate continued to boost consumption and the investment sentiment, thus help revive the Mexican economy. At the same time, the economy is also bolstered by fresh growth incentives such as the structural reforms in energy, labour and financial markets. Overall, the Mexican economy is expected to experience a substantial increase this year. Because of more demand for "Tonka" and other products, our total turnover in the Mexican market still recorded a significant increase, despite the sales of lighting products affected by the modification of product specifications and the transitional period with respect to change in marketing strategy.

Australia and New Zealand

Our turnover in the Australian and New Zealand markets increased by HK\$5,026,000 or 43.0% to HK\$16,721,000 in the first half of this year from HK\$11,695,000 for the corresponding period last year.

The outlook of the Australian economy remain cloudy due to a decline recorded in the Australian Consumer Sentiment Index recently, low business confidence and the slump of global commodity prices. Against this situation, The Reserve Bank of Australia (RBA) has further lowered interest rates to stimulate the economy. In addition, the GDP growth of New Zealand has widened, benefiting from the government's series of reform projects on the micro economy, annual fund allocation to support and continue promoting reconstruction. Sales in the Australian and New Zealand markets continue to grow, owing to the higher sales volume of one mass-market retailer of "Tonka". An increase was recorded in the total turnover in the Australian and New Zealand markets. The Group will continue its efforts to maintain its existing distributors and clients such as Target.

South America

Our turnover in the South American market decreased by HK\$2,427,000 or 41.3% to HK\$3,456,000 for the first half of this year from HK\$5,883,000 for the corresponding period last year.

The total turnover recorded a decline, as the demand for "Tonka" products was affected by the extended European debt crisis, economic uncertainties and the decrease in the sales of other products. Though, an increase was recorded in the turnover from some of the South America markets, with the largest growth recorded in the Panama market. Panama, the fastest growing economy in South America, was able to maintain robust growth. Such growth, however, could not offset the declines in other countries. Furthermore, our total turnover in the South American market still recorded a decrease, due to the sales of lighting products affected by the changes in product specifications and transitional period for the change in sales strategies.

PROSPECTS

The Group expects business opportunities brought by a recovering global economy, a stabilising economic growth in the US, more orders, and the momentum of the US economic recovery. Looking ahead, the Group will continue to develop its ODM brand business, and expand its distribution network and increase markets for its self-owned brand products, in order to provide its clients with innovative products under the brands of "Gazillion ® Bubbles", "Tonka" and "My Little Pony", cope with an ever-changing global environment and achieve long-term and sustainable growth of revenue. We also expect the US economy to keep its upward trend in the coming year as the energy prices fall, the unemployment rate decreases, wages grow steadily, the real estate market improves, the financial situation of households improves and consumer confidence increases. Although the quantitative easing stimulus has weakened, it is expected that sustained low interest rates will continue to drive consumer spending and business investments, and economic growth is expected to accelerate. By drawing on the momentum of economic recovery, the Group will, based on its solid business foundation, continue its efforts to explore more cooperation opportunities across different regions and product categories, with expanding its international distribution and market share in Canada, Britain and Australia. The Group will develop more self-owned brand products and enhance the marketing strategies of products to lay a solid foundation for expanding its future distribution. The Group will also strive to improve its products, develop other new products and expand its distribution channels, with an aim to expand its geographical coverage and secure orders from potential customers. In response to the modification of lighting-product specifications, lighting products business will be adjusted progressively to support the sales of the products of new specifications, and the Group expects the sales of the products of new specifications will improve accordingly.

FINANCIAL REVIEW

LIQUIDITY AND FINANCIAL RESOURCES

As at 30th June, 2015, the Group had cash and cash equivalents of approximately HK\$94,190,000 (31st December, 2014: HK\$68,417,000). As at 30th June, 2015, the Group obtained banking facilities in a total of approximately HK\$151,200,000 (31st December, 2014: HK\$151,200,000) of which HK\$120,000,000 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, 2015, the Group had nil bank borrowings (31st December, 2014: HK\$25,358,000). The Group's gearing ratio, representing the total debt divided by equity attributable to owners of the Company, was 0% (31st December, 2014: 3.7%).

During the period, net cash generated from operating activities amounted to approximately HK\$52,591,000 (30th June, 2014: net cash generated from operating activities HK\$74,712,000). 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, plant and equipment at a cost of approximately HK\$5,657,000 (30th June, 2014: HK\$13,965,000) 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, 2015, the Group had total assets of approximately HK\$858,993,000 (31st December, 2014: HK\$877,282,000), total liabilities of approximately HK\$192,488,000 (31st December, 2014: HK\$199,676,000) and equity attributable to owners of the Company of approximately HK\$666,505,000 (31st December, 2014: HK\$677,606,000). The net assets of the Group decreased 1.6% to approximately HK\$666,505,000 as at 30th June, 2015 (31st December, 2014: HK\$677,606,000).

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, 2015, the Group had a total of approximately 13,700 (31st December, 2014: 11,600) employees in Hong Kong, Macau, PRC, Vietnam, Australia, Canada, the United States 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, 2015, 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 (<i>Director</i>)	Corporate interest (<i>Note 1</i>)	536,101,569	70.89%
Arnold Edward Rubin (<i>Director</i>)	Personal interest	72,000	0.01%
Cheng Wing See, Nathalie (<i>Director</i>)	Personal interest	723,230	0.10%
Cheng King Cheung (<i>Director</i>)	Personal interest	1,868,000	0.25%
Leung Hong Tai (<i>Director</i>)	Personal interest (<i>Note 2</i>)	6,202,000	0.82%
Tsang Chung Wa (<i>Director</i>)	Personal interest	4,108,251	0.54%
Tse Kam Wah (<i>Director</i>)	Personal interest	4,280,000	0.57%
Yu Sui Chuen (<i>Director</i>)	Personal interest	440,000	0.06%
Chen Wei Qing (<i>Chief Executive Officer</i>)	Personal interest	4,000,000	0.53%

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) 608,000 shares are held by Ip Yi Mei, spouse of Mr. Leung Hong Tai, Director of the Company.

Share Option

There were no options remain outstanding and are granted, exercised, cancelled or lapsed during the six months ended 30th June, 2015 (31st December, 2014: nil).

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, 2015.

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, 2015, 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 (<i>Note 1</i>)	Beneficial owner	536,101,569	70.89%

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, 2015.

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 summarised in our 2014 Annual Report published in March 2015.

As at 30th June, 2015, 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.

During the six months ended 30th June, 2015, no options remain outstanding exercised. As at 30th June, 2015, no options which have been granted and remained outstanding carry rights to subscribe for shares (31st December, 2014: nil).

Save as disclosed above, no share options remain outstanding and are granted, exercised, cancelled or lapsed during the period under review.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

During the six months ended 30th June, 2015, 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 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.

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 Mega Medical Technology Limited (formerly known as Wing Tai Investment Holdings Limited and a company listed on the Stock Exchange) with effect from 20th June, 2014, INED of Tianhe Chemicals Group Limited (a company listed on the Stock Exchange) with effect from 20th June, 2014, and INED of China New Energy Power Group Limited (a company listed on the Stock Exchange) with effect from 28th July, 2015.

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 and Mr. Mak Shiu Chung, Godfrey, INED of the Company, resigned as the Co-Chairman and executive Director of DeTeam Company Limited, (a company listed on the Stock Exchange) with effect from 5th February, 2015.

The Director’s emoluments (including any sum receivable as Director’s fee or remuneration) per month (13 months basis) of Mr. Yu Sui Chuen, 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\$122,000, HK\$113,000, HK\$91,000, HK\$113,000 and HK\$106,000, respectively, with effect from 1st January, 2015. The monthly emolument of Mr. Cheng King Cheung, Director of the Company, was adjusted to HK\$104,000 for the period from 1st January, 2015 to 30th April, 2015 and was further adjusted to HK\$153,000, with effect from 1st May, 2015.

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 were provided by the Bank-MO on 13th January, 2015 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 (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 old facility regarding the facilities of up to an aggregate extent of HK\$45,000,000 (the "old facility") previously granted to the two indirect wholly-owned subsidiaries of the Company by a Bank in Hong Kong (the "Bank-HK") was extended to one more indirect wholly-owned subsidiary of the Company and the aggregated amount was revised to not exceeding HK\$70,000,000 provided by the Bank-HK, effective on 13th October, 2014 (this "revised facilities" are subject to annual review). The Company has received two facility letters in which the terms and conditions of one of the facility letters included, inter alia, a condition to the effect that Mr. Cheng Yung Pun (a controlling shareholder of the Company) 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 revised facilities. The Bank-HK will discuss for remedy actions including obtaining waiver for the breach or seeking for any viable solutions or alternatives. Nevertheless, the revised facilities will be uncommitted lines and the Bank reserves the right to request repayment on demand.

REVIEW OF INTERIM RESULTS

The unaudited interim results for the six months ended 30th June, 2015 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, 2015