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**MATRIX**  
**MATRIX HOLDINGS LIMITED**  
**美力時集團有限公司\***  
*(Incorporated in Bermuda with limited liability)*  
**(Stock Code: 1005)**

**2018 INTERIM RESULTS ANNOUNCEMENT**

**RESULT HIGHLIGHTS**

<b>FINANCIAL HIGHLIGHTS</b>			
	<b>Six months ended 30th June,</b>		
	<b>2018</b>	2017	<b>Changes</b>
Revenue ( <i>HK\$'000</i> )	<b>617,877</b>	664,787	(7.1%)
Profit attributable to owners of the Company ( <i>HK\$'000</i> )	<b>49,916</b>	46,184	8.1%
Basic earnings per share ( <i>HK cents</i> )	<b>7</b>	6	16.7%
Interim dividend, declared ( <i>HK cents</i> )	<b>5.0</b>	4.5	11.1%
Gross profit margin ratio (%)	<b>31.8%</b>	31.5%	0.3%

The board (the “Board”) of directors (the “Directors”) of Matrix Holdings Limited (the “Company”) hereby announces the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively the “Group”) for the six months ended 30th June, 2018, together with the comparative figures for the corresponding period in 2017.

\* For identification purpose only

For the six months ended 30th June, 2018, the Group's consolidated revenue decreased by HK\$46,910,000 or 7.1% to HK\$617,877,000 from HK\$664,787,000 for the corresponding period of last year. The profit attributable to the owners of the Company increased by HK\$3,732,000 or 8.1% to HK\$49,916,000 as compared with the profit of HK\$46,184,000 for the corresponding period of last year.

During the period under review, economic growth in the US has been energetic. Stable energy prices, tame inflation and an improving housing market remained in place for robust economic performance and steady economy recovery. Under such macroeconomic environment, the Group recorded an increase in orders from major customers of Original Equipment Manufacturing ("OEM") business. In order to expand its business, portfolio of offerings, customer base and market share and to make up the decrease in sales of a licensed plush product due to non-renewal of the brand license, the Group developed new toy products for new brand licensees and developed high-end LED lighting products. Overall, the decrease of revenue from Original Design Manufacturing ("ODM") business due to declined sales offset the increase of revenue from OEM business and sales of lighting products in Europe. As a result, the Group recorded a decrease in overall revenue.

As compared with the corresponding period of last year, administrative expenses decreased and thus the Group's profits recorded an increase.

For the six months ended 30th June, 2018, the US continued to be the largest customer market of the Group, accounted for approximately 85.1% of the Group's total turnover (2017: 87.5%). The other significant customer markets for the Group included Europe, Canada and Australia, which accounted for approximately 8.8% (2017: 6.6%), 3.8% (2017: 3.5%) and 1.0% (2017: 1.4%) of the Group's total turnover respectively.

## CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

*For the six months ended 30th June, 2018*

		<b>Six months ended 30th June,</b>	
		<b>2018</b>	2017
	<i>Notes</i>	<b>HK\$'000</b>	<b>HK\$'000</b>
		<b>(Unaudited)</b>	(Unaudited)
Revenue	4	<b>617,877</b>	664,787
Cost of sales		<u><b>(421,415)</b></u>	<u>(455,098)</u>
Gross profit		<b>196,462</b>	209,689
Other income		<b>2,946</b>	940
Distribution and selling costs		<b>(59,420)</b>	(57,042)
Administrative expenses		<b>(81,454)</b>	(98,786)
Other gains or losses		<b>4,644</b>	(808)
Research and development costs		<b>(9,923)</b>	(8,766)
Finance costs		<u><b>(3,775)</b></u>	<u>(22)</u>
Profit before taxation		<b>49,480</b>	45,205
Income tax expense	5	<u><b>(3,662)</b></u>	<u>(68)</u>
Profit for the period	6	<u><b>45,818</b></u>	<u>45,137</u>
Other comprehensive income (expense)			
Items that may be reclassified subsequently to profit or loss			
Currency translation differences		<u><b>3,072</b></u>	<u>(2,423)</u>
Total comprehensive income for the period, net of tax		<u><b>48,890</b></u>	<u>42,714</u>

		<b>Six months ended 30th June,</b>	
		<b>2018</b>	2017
	<i>Notes</i>	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
		<b>(Unaudited)</b>	(Unaudited)
Profit (loss) for the period attributable to:			
Owners of the Company		<b>49,916</b>	46,184
Non-controlling interests		<b>(4,098)</b>	(1,047)
		<u><b>45,818</b></u>	<u>45,137</u>
Total comprehensive income (expense) for the period attributable to:			
Owners of the Company		<b>52,988</b>	43,761
Non-controlling interests		<b>(4,098)</b>	(1,047)
		<u><b>48,890</b></u>	<u>42,714</u>
Earnings per share attributable to owners of the Company for the period (expressed in HK cents per share)			
Basic earnings per share	<i>8</i>	<u><b>7</b></u>	<u>6</u>
Diluted earnings per share	<i>8</i>	<u><b>7</b></u>	<u>6</u>

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30th June, 2018

		<b>30th June,</b>	31st December,
		<b>2018</b>	2017
	<i>Notes</i>	<b>HK\$'000</b>	<b>HK\$'000</b>
		<b>(Unaudited)</b>	<b>(Audited)</b>
<b>ASSETS</b>			
Non-current assets			
Property, plant and equipment	<i>9</i>	<b>172,675</b>	177,984
Leasehold land and land use rights	<i>10</i>	<b>12,114</b>	12,354
Intangible assets		<b>119,867</b>	120,677
Deferred tax assets		<b>13,888</b>	13,891
Deposits paid	<i>11</i>	<b>22,389</b>	37,979
Other non-current assets		<b>186,000</b>	186,000
		<b>526,933</b>	548,885
Current assets			
Inventories		<b>340,748</b>	328,472
Trade and other receivables and prepayments	<i>11</i>	<b>203,135</b>	352,305
Tax recoverable		<b>3,140</b>	3,140
Cash and cash equivalents		<b>403,853</b>	74,284
		<b>950,876</b>	758,201
Total assets		<b>1,477,809</b>	1,307,086
<b>EQUITY</b>			
Capital and reserves			
Share capital	<i>14</i>	<b>75,620</b>	75,620
Reserves		<b>957,779</b>	944,727
Equity attributable to owners of the Company		<b>1,033,399</b>	1,020,347
Non-controlling interests		<b>3,113</b>	7,211
Total equity		<b>1,036,512</b>	1,027,558

		<b>30th June,</b>	31st December,
		<b>2018</b>	2017
	<i>Notes</i>	<b><i>HK\$'000</i></b>	<b><i>HK\$'000</i></b>
		<b>(Unaudited)</b>	(Audited)
<b>LIABILITIES</b>			
Non-current liabilities			
Deferred income tax liabilities		<b>925</b>	938
Obligations under finance leases		<b>305</b>	1,469
		<u><b>1,230</b></u>	<u>2,407</u>
Current liabilities			
Trade and other payables and accruals	<i>12</i>	<b>148,333</b>	213,235
Contract liabilities		<b>7,875</b>	–
Tax payable		<b>4,312</b>	8,570
Bank borrowings		<b>13,470</b>	53,567
Loan from third parties	<i>13</i>	<b>265,950</b>	–
Obligations under finance leases		<b>127</b>	1,749
		<u><b>440,067</b></u>	<u>277,121</u>
Total liabilities		<u><b>441,297</b></u>	<u>279,528</u>
Total equity and liabilities		<u><b>1,477,809</b></u>	<u>1,307,086</u>

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

*For the six months ended 30th June, 2018*

## 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 has its primary listing on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

This condensed consolidated financial statements are presented in thousands of Hong Kong dollar (HK\$’000), unless otherwise stated.

This condensed consolidated financial statements were approved for issue on 23rd August, 2018.

This condensed consolidated financial statements have not been audited.

## 2. BASIS OF PREPARATION

The condensed consolidated financial statements for the six months ended 30th June, 2018 have been prepared in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) as well as with the applicable disclosure requirements of Appendix 16 of the Rules Governing the Listing of Securities on the Stock Exchange.

## 3. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared in the historical cost basis.

Other than changes in accounting policies resulting from application of new and amendments to Hong Kong Financial Reporting Standards (“HKFRS”), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30th June, 2018 the same as those followed in the preparation of the financial statements for the year ended 31st December, 2017.

The accounting policies applied to this condensed consolidated financial statements are consistent with those of the annual financial statements for the year ended 31st December, 2017 as described in those annual financial statements except that income tax is accrued using the tax rate that would be applicable to expected total annual earnings.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the relevant subsidiary's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis.

### **Application of new and amendments to HKFRSs**

In the current interim period, the Group has applied, for the first time, the following new and amendments to HKFRSs issued by the HKICPA which are mandatory effective for the annual period beginning on or after 1st January, 2018 for the preparation of the Group's condensed consolidated financial statements:

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers and the related Amendments
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
Amendments to HKAS 28	As part of the annual improvements to HKFRSs 2014 – 2016 cycle
Amendments to HKAS 40	Transfers of Investment Property

In addition, the Group has applied Amendments to HKFRS 9 *Prepayment Features with Negative Compensation* in advance of the effective date, i.e. 1st January, 2019.

The new and amendments to HKFRSs have been applied in accordance with the relevant transition provisions in the respective standards and amendments which results in changes in accounting policies, amounts reported and/or disclosures as described below.

### **Impacts and changes in accounting policies of application on HKFRS 15 Revenue from Contracts with Customers**

The Group has applied HKFRS 15 for the first time in the current interim period. HKFRS 15 superseded HKAS 18 Revenue, HKAS 11 Construction Contracts and the related interpretations.



The Group recognises revenue from the manufacturing and trading of toys and lighting products. Revenue is generally recognised when control of the products has transferred, which is the point of time when the customer has the ability to direct the use of the products and obtain substantially all of the remaining benefits of the products, which also represented the point of time when goods delivered. A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional, as only the passage of time is required before the payment is due.

The Group has applied HKFRS 15 retrospectively with the cumulative effect of initially applying this Standard recognised at the date of initial application, 1st January, 2018. Any difference at the date of initial application is recognised in the opening retained profits (or other components of equity, as appropriate) and comparative information has not been restated. Furthermore, in accordance with the transition provisions in HKFRS 15, the Group has elected to apply the Standard retrospectively only to contracts that are not completed at 1st January, 2018. Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 18 Revenue and HKAS 11 Construction Contracts and the related interpretations.

***Summary of effects arising from initial application of HKFRS 15***

The following adjustments were made to the amounts recognised in the condensed consolidated statement of financial position at 1st January, 2018. Line items that were not affected by the changes have not been included.

		<b>Carrying amounts previously reported at 31st December, 2017</b>	<b>Reclassification</b>	<b>Carrying amounts under HKFRS 15 at 1st January, 2018*</b>
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Current liabilities</b>				
Trade and other payables and accruals	<i>(a)</i>	(213,235)	37,739	(175,496)
Contract liabilities	<i>(a)</i>	–	(37,739)	(37,739)

*Note:*

- (a) As at 1st January, 2018, advances from customers of HK\$37,739,000 in respect of sales contracts previously included in trade and other payables and accruals were reclassified to contract liabilities.

The following tables summarise the impacts of applying HKFRS 15 on the Group's condensed consolidated statement of financial position as at 30th June, 2018 and its condensed consolidated statement of profit or loss and other comprehensive income for the current interim period for each of the line items affected. Line items that were not affected by the changes have not been included.

## Impact on the condensed consolidated statement of financial position

		<b>As reported</b>	<b>Adjustments</b>	<b>Amounts without application of HKFRS 15</b>
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Current liabilities</b>				
Trade and other payables and accruals	(a)	(148,333)	(7,875)	(156,208)
Contract liabilities	(a)	(7,875)	7,875	–

### *Note:*

- (a) As at 30th June, 2018, advances from customers of approximately HK\$7,875,000 in respect of sales contracts were classified as contract liabilities.

Except as described above, the application of HKFRS 15 has had no material impact on the amounts reported set out in these condensed consolidated financial statements.

## Impacts and changes in accounting policies of application on HKFRS 9 Financial Instruments

In the current period, the Group has applied HKFRS 9 Financial Instruments and the related consequential amendments to other HKFRSs and early applied Amendment to HKFRS 9 Prepayment Features with Negative Compensation. HKFRS 9 introduces new requirements for 1) the classification and measurement of financial assets and financial liabilities, 2) expected credit losses (“ECL”) for financial assets and other items (for example, contract assets) and 3) general hedge accounting.

The Group has applied HKFRS 9 in accordance with the transition provisions set out in HKFRS 9, i.e. applied the classification and measurement requirements (including impairment) retrospectively to instruments that have not been derecognised as at 1st January, 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1st January, 2018. The difference between carrying amounts as at 31st December, 2017 and the carrying amounts as at 1st January, 2018 are recognised in the opening retained profits and other components of equity, without restating comparative information.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 39 Financial Instruments: Recognition and Measurement.

### ***Impairment under ECL model***

The Group recognises a loss allowance for ECL on financial assets which are subject to impairment under HKFRS 9 (including trade receivables and contract assets). The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL (“12m ECL”) represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment is done based on the Group’s historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for trade receivables. The ECL on these assets are assessed individually for debtors with significant balances and/or collectively using a provision matrix with appropriate groupings.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

As at 1st January 2018, the additional credit loss allowance of HK\$2,127,000 has been recognised against retained profits. The additional loss allowance is charged against the trade receivables. All loss allowances for trade receivables as at 31st December, 2017 reconcile to the opening loss allowance as at 1st January, 2018 is as follows:

	<b>Trade receivables</b> <i>HK\$’000</i>
<b>Closing balance at 31st December, 2017</b>	287,510
<b>Effect arising from initial application of HKFRS 9:</b>	
<b>Remeasurement</b>	
– Impairment under ECL model	<u>(2,127)</u>
<b>Opening balance at 1st January, 2018</b>	<u><u>285,383</u></u>

### *Measurement and recognition of ECL*

The measurement of ECL is a function of the probability of default (“PD”), loss given default (“LGD”) (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the PD and LGD is based on historical data adjusted by forward-looking information.

Generally, the ECL is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

As at 1st January, 2018, additional loss allowance is charged against the respective balance.

### **Impacts on opening condensed consolidated statement of financial position arising from the application of all new standards**

As a result of the changes in the entity’s accounting policies above, the opening condensed consolidated statement of financial position had to be restated. The following table show the adjustments recognised for each individual line item.

	<b>31st December,</b>			<b>1st January,</b>
	<b>2017</b>	<b>HKFRS 15</b>	<b>HKFRS 9</b>	<b>2018</b>
	<i>HK\$’000</i>	<i>HK\$’000</i>	<i>HK\$’000</i>	<i>HK\$’000</i>
	(Audited)			(Restated)
Trade and other receivables and prepayments	352,305	–	(2,127)	350,178
Retained profits	(765,334)	–	2,127	(763,207)
Trade and other payables and accruals	(213,235)	37,739	–	(175,496)
Contract liabilities	–	(37,739)	–	(37,739)

#### **4. 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.

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 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 condensed consolidated financial information.

Assets of reportable segments exclude property, plant and equipment, intangible assets, deferred tax assets and corporate assets, all of which are managed on a central basis.

Liabilities of reportable segments exclude current and deferred tax liabilities, bank borrowings and other corporate liabilities. These are part of the reconciliation to total assets and liabilities of the condensed 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 profit or loss and other comprehensive income and financial position.

There are two main businesses of the Group, including toys and lighting business. CODM did not consider the lighting business as separate segment for the period and it is not material to the Group.

### Segment revenue and results

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

For the six months ended 30th June, 2018 (unaudited)

	The United States <i>HK\$'000</i>	Europe <i>HK\$'000</i>	Canada <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>	Unallocated <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
<b>Revenue</b>									
External sales	525,645	54,644	23,220	2,962	6,178	1,336	3,892	-	617,877
<b>Results</b>									
Segment profit (loss)	110,098	(4,883)	2,293	569	(1,078)	230	(887)	-	106,342
Unallocated income									2,662
Unallocated expenses									(55,749)
Finance costs									(3,775)
Profit before taxation									<u>49,480</u>
Other segment information:									
Depreciation and amortisation	18,401	1,327	319	62	83	28	98	1,993	<u>22,311</u>

For the six months ended 30th June, 2017 (unaudited)

	The United States <i>HK\$'000</i>	Europe <i>HK\$'000</i>	Canada <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>	Unallocated <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Revenue									
External sales	581,971	44,135	23,574	2,187	9,511	1,461	1,948	-	664,787
Results									
Segment profit (loss)	118,756	774	2,387	171	(1,110)	96	(1,343)	-	119,731
Unallocated income									19
Unallocated expenses									(74,523)
Finance costs									(22)
Profit before taxation									<u>45,205</u>
Other segment information:									
Depreciation and amortisation	14,304	2,577	514	88	245	51	42	1,113	<u>18,934</u>

*Note:* Other locations include the PRC (including Hong Kong), Korea, Asia Pacific and others. These locations are considered by the CODM as one operating segment.

Segment profit (loss) represents the profit (loss) 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 purposes of resource allocation and performance assessment.

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

At 30th June, 2018 (Unaudited)	The United States <i>HK\$'000</i>	Europe <i>HK\$'000</i>	Canada <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>
<b>ASSETS</b>								
Segment assets	384,827	56,657	28,842	3,811	7,923	1,740	85,937	569,737
Property, plant and equipment								172,675
Leasehold land and land use rights								12,114
Unallocated and other corporate assets								723,283
Total assets								<u>1,477,809</u>
<b>LIABILITIES</b>								
Segment liabilities	68,592	31,246	2,762	352	855	159	9,362	113,328
Unallocated and other corporate liabilities								327,969
Total liabilities								<u>441,297</u>
<b>ASSETS</b>								
At 30th June, 2017 (Unaudited)	The United States <i>HK\$'000</i>	Europe <i>HK\$'000</i>	Canada <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>
Segment assets	413,965	49,971	21,992	1,733	8,738	1,056	82,398	579,853
Property, plant and equipment								171,723
Leasehold land and land use rights								12,596
Unallocated and other corporate assets								430,772
Total assets								<u>1,194,944</u>
<b>LIABILITIES</b>								
Segment liabilities	93,294	14,546	3,492	324	1,767	216	10,233	123,872
Unallocated and other corporate liabilities								92,051
Total liabilities								<u>215,923</u>

For the purpose of monitoring segment performances and allocating resources between segments, only inventories, trade receivables and certain other receivables are allocated to segment assets, and only trade payables and certain other payables and accruals are allocated to segment liabilities.

### Other segment information

No analysis of capital expenditures, depreciation, amortisation of leasehold land and land use rights and amortisation of intangible assets is disclosed for both periods as these items are neither included in segment assets nor segment results and are not reviewed by the CODM regularly.

### Revenue from major products

	Six months ended 30th June,	
	2018	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Toys	576,310	631,378
Lighting products	41,567	33,409
	<u>617,877</u>	<u>664,787</u>

### Geographical information

The Group's operations are located in Hong Kong, Vietnam, the United States, the PRC, Europe and other countries.

The Group's information about its non-current assets by geographical location of the assets is detailed below:

	30th June,	31st December,
	2018	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Audited)
Hong Kong	2,672	1,493
Vietnam	129,462	137,562
The United States	11,210	12,778
The PRC	236,514	237,223
Europe	8,949	20,815
Other countries	4,371	4,446
	<u>393,178</u>	<u>414,317</u>



## Information about major customers

For the period ended 30th June, 2018, there is 1 customer (2017: 2 customers) in the United States with revenue contributing to approximately 69.0% (2017: 61.4% and 13.7%) of the total revenue of the Group. There is no other single customer contributing over 10% of the total revenue of the Group.

## 5. INCOME TAX EXPENSE

	Six months ended 30th June,	
	2018	2017
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Current tax:		
Hong Kong	214	238
Other jurisdictions	3,448	1,358
	<u>3,662</u>	<u>1,596</u>
Over-provision in prior years		
Other jurisdictions	–	(1,528)
	<u>–</u>	<u>(1,528)</u>
Income tax expense	<u><u>3,662</u></u>	<u><u>68</u></u>

- (i) Hong Kong profits tax has been provided for at the rate of 16.5% (2017: 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 10.0% to 20.0% for the period ended 30th June, 2018 (2017: 10.0% to 20.0%).
- (iii) The applicable US enterprise income tax rate for subsidiaries operate in the United States is 21% (2017: 34%) since the date of operation.

## 6. PROFIT FOR THE PERIOD

Certain expenses included in cost of sales, distribution and selling costs, administrative expenses, research and development costs and other losses are analysed as follows:

	Six months ended 30th June,	
	2018	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Auditor's remuneration	2,330	2,906
Depreciation of property, plant and equipment	21,452	18,018
Operating lease rental in respect of buildings	12,843	13,551
Amortisation of leasehold land and land use rights	240	241
Amortisation of intangible assets	619	675
Net exchange (gain) loss	<u>(4,644)</u>	<u>808</u>

## 7. DIVIDEND

A dividend of HK\$37,810,000 that relates to the year ended 31st December, 2017 was paid in May 2018 (2017: HK\$52,934,000).

On 23th August, 2018, the board of directors has resolved to declare an interim dividend of HK5 cents per share (2017: HK4.5 cents per share), which is payable on 18th September, 2018 to shareholders who are on the register at 10th September, 2018. 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, 2018.

## 8. 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.

	<b>Six months ended 30th June,</b>	
	<b>2018</b>	2017
	<b>(Unaudited)</b>	(Unaudited)
Profit attributable to owners of the Company ( <i>HK\$'000</i> )	<u>49,916</u>	<u>46,184</u>
Weighted average number of ordinary shares in issue ( <i>thousands</i> )	<u>756,203</u>	<u>756,203</u>
Basic and diluted earnings per share ( <i>HK cents</i> )	<u><u>7</u></u>	<u><u>6</u></u>

### (b) Diluted

Dilutive earnings per share for the six months ended 30th June, 2017 was of the same amount as the basic earnings per share as there were no potential dilutive ordinary shares outstanding during the period.

The computation of diluted earnings per share for the six months ended 30th June, 2018 did not assume the exercise of the Company's options because the exercise price of these options was higher than the average market price for shares for current interim period.

## 9. PROPERTY, PLANT AND EQUIPMENT

(Unaudited)  
*HK\$'000*

### Six months ended 30th June, 2018

Net book value as at 1st January, 2018	177,984
Additions	25,874
Depreciation	(21,452)
Disposals	(9,298)
Exchange realignment	(433)

Net book value as at 30th June, 2018 172,675

(Unaudited)  
*HK\$'000*

### Six months ended 30th June, 2017

Net book value as at 1st January, 2017	136,339
Additions	29,835
Acquisition of subsidiaries	21,348
Depreciation	(18,018)
Disposal	(162)
Exchange realignment	2,381

Net book value as at 30th June, 2017 171,723

**10. LEASEHOLD LAND AND LAND USE RIGHTS**

	(Unaudited) <i>HK\$'000</i>
<b>Six months ended 30th June, 2018</b>	
Net book value as at 1st January, 2018	12,354
Amortisation	<u>(240)</u>
<b>Net book value as at 30th June, 2018</b>	<b><u>12,114</u></b>
	(Unaudited) <i>HK\$'000</i>
<b>Six months ended 30th June, 2017</b>	
Net book value as at 1st January, 2017	12,837
Amortisation	<u>(241)</u>
<b>Net book value as at 30th June, 2017</b>	<b><u>12,596</u></b>

**11. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS**

	<b>30th June, 2018 <i>HK\$'000</i> (Unaudited)</b>	31st December, 2017 <i>HK\$'000</i> (Audited)
Trade receivables	145,466	295,557
<i>Less: allowance for doubtful debts</i>	<u>(19,342)</u>	<u>(8,047)</u>
	<b>126,124</b>	287,510
Other receivables, deposits and prepayments	<u>99,400</u>	<u>102,774</u>
	<b>225,524</b>	390,284
<i>Less: Non-current deposits paid</i>	<u>(22,389)</u>	<u>(37,979)</u>
	<b><u>203,135</u></b>	<b><u>352,305</u></b>

The Group allows a credit period of 14 to 90 days to its trade customers. An ageing analysis of trade receivables is as follows:

	<b>30th June, 2018</b>	31st December, 2017
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<b>(Unaudited)</b>	(Audited)
0 – 60 days	<b>103,284</b>	234,335
61 – 90 days	<b>14,070</b>	45,649
> 90 days	<b>8,770</b>	7,526
	<u><b>126,124</b></u>	<u>287,510</u>

## 12. TRADE AND OTHER PAYABLES AND ACCRUALS

	<b>30th June, 2018</b>	31st December, 2017
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<b>(Unaudited)</b>	(Audited)
Trade payables	<b>73,500</b>	95,263
Other payables and accruals	<b>74,833</b>	117,972
	<u><b>148,333</b></u>	<u>213,235</u>

At 30th June, 2018 and 31st December, 2017, the ageing analysis of the trade payables based on invoice date was as follows:

	<b>30th June, 2018</b>	31st December, 2017
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<b>(Unaudited)</b>	(Audited)
0 – 60 days	<b>54,270</b>	68,318
61 – 90 days	<b>10,140</b>	18,474
> 90 days	<b>9,090</b>	8,471
	<u><b>73,500</b></u>	<u>95,263</u>

### 13. LOAN FROM THIRD PARTIES

During the period, an indirect wholly-owned subsidiary of the Group entered into a loan agreement with third parties in respect of a loan amounting to RMB225,000,000 (equivalent to HK\$265,950,000). The loan is interest-bearing at 3% per annum, secured by the right to purchase in securing financing for the Group with ease and to conduct future business development. As of 30th June 2018, amount of HK\$265,950,000 has been drawn by the Group.

### 14. SHARE CAPITAL

	<b>Ordinary shares of HK\$0.1 each</b>	
	<b>Number of</b>	<b>Share capital</b>
	<b>shares</b>	<b>HK\$'000</b>
	<i>(in thousands)</i>	
Ordinary shares, issued and fully paid:		
<b>At 1st January, 2018 and 30th June, 2018</b>	<b>756,203</b>	<b>75,620</b>
	<u>756,203</u>	<u>75,620</u>
At 1st January, 2017 and 30th June, 2017	756,203	75,620
	<u>756,203</u>	<u>75,620</u>

The total authorised number of ordinary shares is 1,000 million shares (2017: 1,000 million shares) with a par value of HK\$0.1 per share (2017: HK\$0.1 per share). All issued shares are fully paid.

## **MANAGEMENT DISCUSSION & ANALYSIS**

### **FINANCIAL REVIEW**

#### **Revenue**

Owing to the decrease in orders from our ODM business in the US, the revenue for the period was decreased to approximately HK\$617,877,000.

#### **Gross profit**

The Group's gross profit decreased to approximately HK\$196,462,000 as at 30th June, 2018 due to the decrease in revenue.

#### **Distribution and selling costs**

Distribution and selling costs increased to approximately HK\$59,420,000 as at 30th June, 2018. The increase in distribution and selling costs was mainly attributable to the increase in advertising costs.

#### **Administrative expenses**

Administrative expenses mainly consisted of office staff salaries, rent and rates of offices, depreciation of property, plant and equipment and other administrative expenses. The total expenses decreased by approximately HK\$17,332,000 compared to same period last year was attributable to the decrease in salaries and related expenses and professional fee.

#### **Finance costs and income tax**

Finance costs of the period was approximately HK\$3,775,000 and income tax expense of this period was approximately HK\$3,662,000 as compared to last corresponding period.

#### **Research and development cost**

Research and development cost increased by approximately HK\$1,157,000 as more lighting and creative toys products development incurred.



### **Trade and other receivables and prepayments**

Trade and other receivables and prepayments decreased by approximately HK\$149,170,000 to approximately HK\$203,135,000 for this period as compared to last year, which was resulted from our product mix of terms of credit.

### **Trade and other payables and accruals**

Trade and other payables and accruals decreased by approximately HK\$64,902,000 to approximately HK\$148,333,000 for this period as compared to last year, which was mainly due to the faster settlement of trade payables.

### **Current ratio**

During the period, the current ratio decreased, mainly due to a loan from third parties during the period.

### **Quick ratio**

During the period, the quick ratio decreased, mainly due to a loan from third parties during the period.

### **Financial position and cash flows review**

The Group's cash flow position was healthy and the bank borrowing was maintained at a minimum level.

### **Liquidity and financial resources**

As at 30th June, 2018, the Group had cash and cash equivalents of approximately HK\$403,853,000 (31st December, 2017: HK\$74,284,000). As at 30th June, 2018, the Group obtained banking facilities in a total of approximately HK\$125,735,000 (31st December, 2017: HK\$144,621,000), which was mainly supported by corporate guarantee and was secured with floating charge on certain assets of the Group.

As at 30th June, 2018, the Group had bank borrowings of approximately HK\$13,470,000 (31st December, 2017: HK\$53,567,000).

The Group's gearing ratio, representing the total debt divided by equity attributable to owners of the Company, increased to 27.0% (31st December, 2017: 5.2%) due to the increase in loan from third parties during the period.

During the period, net cash generated from operating activities amounted to approximately HK\$149,604,000 (31st December, 2017: HK\$76,241,000). The Group has maintained an adequate level of cash flows for its business operations and capital expenditures.

### **Capital expenditure and commitments**

During the period, the Group acquired property, plant and equipment at a cost of approximately HK\$25,874,000 (31st December, 2017: HK\$46,394,000) to further enhance and upgrade the production capacity.

These capital expenditures were financed primarily by cash flow generated from operations.

### **Financial position and cash flows review**

The Group's cash flows were relatively sufficient, the Group has repaid most of the bank loans so as to reduce the borrowing interest burden.

### **Assets and liabilities**

At 30th June, 2018, the Group had total assets of approximately HK\$1,477,809,000 (31st December, 2017: HK\$1,307,086,000), total liabilities of approximately HK\$441,297,000 (31st December, 2017: HK\$279,528,000) and equity attributable to owners of the Company of approximately HK\$1,033,399,000 (31st December, 2017: HK\$1,020,347,000). The net assets of the Group increased by 0.9% to approximately HK\$1,036,512,000 as at 30th June, 2018 (31st December, 2017: HK\$1,027,558,000).

## **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.

## **BUSINESS REVIEW**

The Group continued to fully rely on its core business, namely OEM based business, to generate stable revenue and consolidate its basis. Leveraging on its excellent product quality, competitive price and timely delivery of quality products through its strong capacity, the Group continuously acquired support from renowned international brands and customers and received orders from new licensees. This contributed to the Group's revenue and alleviated the impact exerted by the winding-up of a major toy retail chain store in North America. The Group manufactured a series of high quality products with competitive prices based on its new production technologies, continuing to contribute to the sales of ODM and self-own brand product segment. However, expenditures on new product development, engineering design, new product mold, additional marketing and promotion cost shall impact the revenue contribution from the self-own brand product segment. However, the Group's plants in Vietnam remained competitive as compared with plants in inland provinces, India or Indonesia.

The sustained recovery of North American market facilitated the sales increase of the Group's OEM based business. However, outdoor game products, such as "Gazillion ® Bubbles", toy cars products of "Tonka", together with girls role-playing products recorded a decrease in sales. Plush toys are products authorized by the licensor of new brand to substitute the old licensed plush product, but recorded a decrease in turnover due to the transition period of the licensed products no longer renewed. Overall, the decrease of ODM toy business and original brand lighting products business offset the increase of the turnover of OEM based business, thus the overall turnover of the Group recorded a decrease. The Group actively manufactured new products and introduced sales plans for other new brands, such as "DC Superfriends", "Space Racers", "Herodrive" and "Sunny Bunnies".

The Group has made efforts to optimise its production process, with an aim to reduce resource waste and lower relevant costs and control selling and distribution costs. Comparing with corresponding period of last year, profit of the Group increased as a result of administrative expenses decreased.

## **Manufacturing operation**

The Group maintains its main production base in Vietnam. The Group continued to invest in automation and facilities to enhance production efficiency. The Group adopted more effective methods and techniques to maintain product quality and safety for greater economic benefits and continued to upgrade its production facilities in order to meet the quality requirement of customers and latest local regulations. The upgraded Vietnam plant has contributed positively to the overall sales of the Group. However, the climbing labour costs as well as fixed asset investment have exerted pressure on the Group's costs. The Group endeavors to realise localization and invest additional costs with a view to protect and maintain plant environment and provide continuous trainings for local employees and labour for enhancing our production capacity and quality so as to maintain competitiveness.

## **Segment performance**

The Group's core business remained the same as last financial year. Overall speaking, the self-owned brand outdoor products of "Gazillion ® Bubbles", toy car products of "Tonka" and the girls role-playing series continued to be sold in large retailers. Despite the intensive competition in the US market, and the unsustainable sales growth momentum in other markets as a result of the Brexit and weak currency, the performance of OEM toy business remained relatively stable. Leveraging its strong customer base including top-tier toy companies worldwide, the Group provides more stable and diverse product mix mainly for clients with higher credit.

## **The United States ("US")**

The US was still a major export market for the Group's products. Our turnover decreased by HK\$56,326,000 or 9.7% to HK\$525,645,000 in the first half of this year from HK\$581,971,000 for the corresponding period of last year. The decrease in the sales of the ODM business had offset the increase in the sales of the OEM business. The overall turnover recorded a decrease.

Economic growth in the US has been energetic. Although the pace of economic growth in the US was slackened, private consumption, the key driver of the US economic growth, has remained strong thanks to factors such as low unemployment rate and higher wages. Meanwhile, stable energy prices, tame inflation, reduced fiscal drag, strengthened household, corporate and bank balance sheets, and an improving housing market remain in place for robust economic performance. The unemployment rate in the US last year was at the lowest level since February 2001. Following the steady economic recovery, there have been further signs of benign price pressures. However, factors such as monetary policy normalisation, various domestic and international political issues faced by the government, has disrupted the economy to certain extent. In conclusion, the economic growth of the US this year is similar to last year.

As the orders of outdoor play like “Gazillion ® Bubbles” products were stable and the OEM business recorded a growth, the sales of toy cars, such as “Tonka” products and girls role-playing products of the ODM business decreased due to the decrease in orders placed by mass-market retailers to the Group because of seasonal impact during the period, however, the decrease in the sales of plush products resulting from the impact of transitional period of non-renewal licenses for licensed brands, in which toy products required authorization from new license holders of new brands to substitute certain old licensed plush product, had offset the increase in the sales of such products. Therefore, the total turnover in the US market still recorded a decline. The Group would strive to maintain its authorised licensing business for major brands, enrich other product lines and retain existing distributors and clients, including Wal-Mart, Walgreens, Target and Amazon.

## **Europe**

Our turnover in European market increased by HK\$10,509,000 or 23.8% to HK\$54,644,000 in the first half of this year from HK\$44,135,000 for the corresponding period of last year.

Due to a number of favourable factors such as acceleration in exports, weaker Euro, lower deflationary pressure and continued support of accommodative monetary policy and fiscal stance of the European Central Bank, the EU economy has demonstrated resilience. Besides, European structured funds have entered into new cycles, and number of projects approved by European investment programs and entered the implementation phase kept increasing. Overall, the growth of EU economy in the latest two years would further increase; meanwhile, Eurozone's GDP growth would also increase at a faster rate. In last year, the European unemployment rate decreased to the record low since 2009, which means domestic demand remained one of the key driving forces for maintaining steady economic growth. Though financing manifested continuous improvement, there are still uncertainties that made enterprises stay on the sidelines, which including but not limited to Brexit, the post-election developments in some major Member States, prospective diplomatic policy with the US, shadows of terrorism, increased instability of geopolitical politics and refugee issue. As the UK decided to exit from the EU, there would be a time of uncertainty for completing Brexit process. The market was concerned about the "hard Brexit" and considered its happening would result in investment obstacles.

Despite economic slowdown of the UK market, the Group recorded increased sale in the UK & Ireland when compared with the last year. Since the product "Tonka" has obtained permission for sale in the Europe, the Group devoted more efforts on the orders for "Tonka" product and self-owned brand outdoor products of "Gazillion ® Bubbles", and such orders also recorded increase. The increase of orders from customers in the UK, Ukraine, Croatia and Switzerland offset the decrease from those in Denmark, Estonia, Netherlands, Poland, Finland and Italy. For lighting product, our sale in Europe has increased as a result of the acquisition of a UK lighting company. Overall, our turnover in the European market recorded an increase. The Group will continue its efforts to maintain existing distributors and clients such as Argos, Tesco and Costco.

## **Canada**

Our turnover in the Canadian market decreased by HK\$354,000 or 1.5% to HK\$23,220,000 in the first half of this year from HK\$23,574,000 for the corresponding period of last year.

While the Canadian economy saw its strong performance in line with the stronger US economy and the stabilisation of commodity prices, the end of the era of ultra-low interest rates, plus uncertainties stemming from North America Free Trade Area renegotiation and the US's post-QE policies and tax reform will likely cloud the country's growth ahead. In general, Canadian economy still witnessed an increase in this year.

All in all, Canada remains the second largest market of the Group following the US. To a certain extent, the sales of mass market retailers of the Group in respect of outdoor game products continued increasing, which offset the decrease in the sales of toy cars and girls role-playing products in ODM business, and the decrease in the sales of plush products resulting from the transition period of non-renewal licenses for licensed brands, in which toy products required authorization from license holders of new brands to substitute certain old licensed plush product. As a whole, the revenue generated from the Canadian market still recorded a decrease during the period. The Group will make efforts to maintain its existing distributors and clients, such as Wal-Mart, Toys "R" US and Costco in Canada.

## **Mexico**

Our turnover in the Mexican market decreased by HK\$125,000 or 8.6% to HK\$1,336,000 in the first half of this year from HK\$1,461,000 for the corresponding period of last year.

Given the close relationship between Mexico and the US, Mexico has benefited from the continuous recovery of the US economy. Mexico's economy was bolstered by the recovery of the domestic construction industry and various market structural reforms, including allowing private enterprises to enter the energy industry and eliminating monopoly of the telecommunication industry as well as improving productivity by incorporating workers into regular labour force in labour market. However, more protectionist trade policy stance has been adopted by the US administration. Drawing a conclusion of aforementioned factors, Mexican economy recorded an increase in last year with expectation of a slightly slower growth this year. However, overall, due to the decrease of the Group's ODM product orders, our total revenue in the Mexican market recorded a decrease.

## **Australia and New Zealand**

Our turnover in the Australian and New Zealand markets decreased by HK\$3,333,000 or 35.0% to HK\$6,178,000 in the first half of this year from HK\$9,511,000 for the corresponding period of last year.

Last year, Australia experienced a slowdown in economy growth. However, according to the International Monetary Fund, the local economy is expected to grow this year, backed by a boost of public investment in infrastructure. Recently, the Australian Government assessed the performance of the local innovation research system, and have been developing the strategy plan of 2030 and calling for reforming certain key issues. Last year, the unemployment rate and the overall labour market of Australia maintained steadily, and the sales of retail increased monthly. The Group recorded a decrease in turnover in Australia and New Zealand. The sale of lighting product decreased due to the impact of the decrease in sale of the product. The sales of plush decreased as it was in the transition period of non-renewal licenses for licensed brands, in which toy products required authorization from license holders of new brands to substitute certain old licensed plush product. The overall market turnover in Australia and New Zealand recorded a decrease. The Group will continue its efforts to maintain its existing distributors and clients such as Big W etc.

## **South America**

Our turnover in South American market increased by HK\$775,000 or 35.4% to HK\$2,962,000 in the first half of this year from HK\$2,187,000 for the corresponding period of last year.

Yet not every South American country has responded in the same way to the global economy. Each has chosen a development path dependent upon their natural resource endowments due to the unfavorable global commodity prices and the weak customer and investor confidence. However, a majority has turned to diversification of industry and exports for economy growth. Overall, the Group recorded an increase in our sales in Panama and Chile, which offset the decrease in our sales in Honduras, Bolivia, Peru, Costa Rica and Colombia. Toy car products and outdoor-gaming products of “Tonka” remained the largest contributors of the regional sales. The Group recorded an increase in orders for toy car products and outdoor-gaming products of “Tonka” in the ODM business. Overall, our revenue in South America recorded an increase.



## **ENVIRONMENTAL PROTECTION**

The Group believes that maintaining a healthy and harmonious relationship with its stakeholders and fulfilling its social responsibilities to the community is essential for building and preserving the value of the Group. Adhering to the principle of Reducing, Recycling and Reusing, the Group encourages green office practices such as double-sided printing and copying, setting up recycling bins, promoting using recycled paper and reducing energy consumption by switching off lightings and electrical appliances, and will consider implementing further eco-friendly measures and practices in the operation of the Group's businesses.

## **COMPLIANCE WITH LAWS AND REGULATIONS**

Compliance procedures are in place to ensure adherence to applicable laws, rules and regulations in particular, those have significant impact on the Group. The Board and internal audit function team delegated by the Board monitor the Group's policies and practices on compliance with legal and regulatory requirements and such policies are regularly reviewed. Any changes in the applicable laws, rules and regulations are brought to the attention of relevant employees and relevant operation units from time to time. In accordance with the requirements of the laws, regulations and related policies in Hong Kong, the PRC, Vietnam and other relevant jurisdictions, the Company provides and maintains statutory benefits for its staff, including but not limited to mandatory provident fund, basic medical insurance, labour insurance, etc. Staff is entitled to statutory holidays. The Group has registered its products, domain name and trademarks in Hong Kong, the PRC and other relevant jurisdictions and takes all appropriate actions to protect and enforce its intellectual property rights.

## **RELATIONSHIP WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS**

The Group has recognised that employees, customers and business partners are crucial to its sustainable growth. The Group is hence committed to build up close and caring relationship with our employees, provide exceptional service to our customers and enhance partnership with our business partners.

## PROSPECTS

In view of its leading position in the global toy industry, stable customer base and diversified manufacturing base located in Vietnam as well as healthy financial position, it is expected that the Group will be able to achieve the target of sustainable development in the long run. The Group has launched a number of toy products under licensed brands, including a preschool line of “Tonka” toy cars and enriched its girls role-playing series of “Luna Petunia” and “Positively Perfect”, and actively promoted its new products to new retailers. In addition, the Group has successfully renewed and entered into agreements with renowned toy car license holders to launch new products applying innovative technology, among which the Group has developed “DC Superfriends”, “Space Racers” “Herodrive” and “Sunny Bunny”. The Group will pay close attention to new opportunities for its future diversified development in order to expand its revenue and customer base and explore business opportunities that can further enhance the Group’s revenue stream. For the present, the priority of the Group is to strengthen its internal control and improve its production efficiency. Meanwhile, the Group will also review its production capacity and make necessary adjustments in accordance with the requirements of the market and the needs of our existing customers from time to time. On the other hand, the Group will review its current investment in the R&D department and develop collaboration plans to fully utilize its existing plants and equipment. In light of the expanding OEM business, the growth of sales is expected to continue. The Group will strive to seize development opportunities and continue to bring innovative products to the market so as to expand its market share, explore regional markets and improve its enterprise value. The Group will also launch more ODM toy products and new platform products to promote growth.

The Group has been actively identifying and exploring different investments and good merger and acquisition opportunities in order to acquire new business or assets that can bring additional value, synergy effect and new income streams to the Group, with a view to broadening our asset and income bases. In view of the vast potential in the lighting sector, the Group will continue to explore different investment opportunities in the lighting industry. In January 2018, an indirect wholly-owned subsidiary of the Company entered into a loan agreement with the lenders in respect of a loan amounting to RMB225,000,000. The loan provides an opportunity for the Group to leverage on the right to purchase in securing financing for the Group with ease and to conduct future business development. Looking ahead, the Group’s ultimate goal is to continue maintaining profitability and achieving cost efficiency. As such, we will closely monitor the Company’s development strategy so as to maximise the return for our shareholders.

## **NUMBER OF EMPLOYEES AND REMUNERATION POLICIES**

As at 30th June, 2018, the Group had a total of approximately 9,500 (31st December, 2017: 14,000) employees in Hong Kong, Macau, the PRC, Vietnam, Australia, Canada, the US, Taiwan 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 scheme also had been set up by our Group.

## **INTERIM DIVIDEND**

The Directors had resolved to declare an interim dividend of HK5 cents (2017: HK4.5 cents) in cash per share for the six months ended 30th June, 2018, payable to shareholders whose names appear on the Register of Members of the Company on 10th September, 2018.

The record date for the purpose of determining the shareholders which are entitled to dividend is 10th September, 2018. 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 10th September, 2018. The interim dividend will be paid on or around 18th September, 2018.

## **PURCHASE, SALE OR REDEMPTION OF SECURITIES**

During the six months ended 30th June, 2018, 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 the 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.

## **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.

## **OTHER REQUIRED DISCLOSURE PURSUANT TO RULE 13.18 OF THE LISTING RULES**

With regard to the facilities of up to an aggregate extent of HK\$70,000,000 granted to the three indirect wholly-owned subsidiaries of the Company by a bank in Hong Kong (the “Bank-HK”), the Company has received three facility letters in which the terms and conditions of two of the facilities 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. If a breach of the above condition that 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-HK reserves the right to request repayment on demand.

## **REVIEW OF INTERIM RESULTS**

The unaudited interim results for the six months ended 30th June, 2018 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.

## **PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT**

This results announcement is published on the website of Hong Kong Exchanges and Clearing Limited and the Company. The 2018 Interim Report of the Company will be dispatched to the shareholders of the Company as well as published on the website of the Hong Kong Exchanges and Clearing Limited and the Company in due course.

## **BOARD COMPOSITION**

As at the date of this announcement, the Board comprises Mr. Cheng Yung Pun, Mr. Cheng King Cheung, Mr. Tsang Chung Wa, Mr. Tse Kam Wah, Mr. Yu Sui Chuen and Ms. Yip Hiu Har, as executive Directors and Dr. Loke Yu alias Loke Hoi Lam, Mr. Mak Shiu Chung, Godfrey, Mr. Wan Hing Pui and Mr. Heng Victor Ja Wei, independent non-executive Directors.

By Order of the Board

**Cheng Yung Pun**

*Chairman*

Hong Kong, 23rd August, 2018