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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)

2019 INTERIM RESULTS ANNOUNCEMENT

RESULT HIGHLIGHTS

FINANCIAL HIGHLIGHTS			
	Six months ended 30th June,		
	2019	2018	Changes
Revenue (HK\$'000)	588,687	617,877	(4.7%)
Profit attributable to owners of the Company (HK\$'000)	124,274	49,916	149.0%
Basic earnings per share (HK cents)	16	7	128.6%
Interim dividend, declared (HK cents)	5.5	5.0	10%
Gross profit margin ratio (%)	35.6%	31.8%	3.8%

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, 2019, together with the comparative figures for the corresponding period in 2018.

* For identification purpose only

For the six months ended 30th June, 2019, the Group's consolidated revenue decreased by approximately HK\$29,190,000 or 4.7% to approximately HK\$588,687,000 from approximately HK\$617,877,000 for the corresponding period of last year. The profit attributable to the owners of the Company increased by approximately HK\$74,358,000 or 149.0% to approximately HK\$124,274,000 as compared with the profit of approximately HK\$49,916,000 for the corresponding period of last year.

During the period under review, by developing new toy product series for new brand, the Group captured sales derived from existing customers for the new toy series developed and put into market, which contributed revenue to the Group. The Group continued to a mass recognition from toys retailers of mass market and thus maintained a stable order stream. However, the product sales of Original Design Manufacturing (ODM) business increased while the product sales of Original Equipment Manufacturing (OEM) business decreased. As a result, the Group still recorded a decrease in overall revenue.

As compared with the corresponding period of last year, benefiting from the loan agreement dated 8 January 2018, pursuant to which the lenders exercised the option to obtain the right to purchase the residential properties in the PRC (the "Right to Purchase"). The transfer of the Right to Purchase contributed the one-off gain of approximately HK\$85,301,000 to the Group. Overall, the profit attributable to the Company for the period increased by 149.0% to approximately HK\$124,274,000 from approximately HK\$49,916,000 for the corresponding period of last year.

For the six months ended 30th June, 2019, the US continued to be the largest customer market of the Group, which accounted for approximately 82.6% of the Group's total revenue (2018: 85.1%). The other significant customer markets for the Group included Europe, Canada and Australia, which accounted for approximately 9.0% (2018: 8.8%), 4.8% (2018: 3.8%) and 2.0% (2018: 1.0%) of the Group's total revenue respectively.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30th June, 2019

		Six months ended 30th June,	
		2019	2018
	<i>Notes</i>	HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
Revenue	4	588,687	617,877
Cost of sales		<u>(379,116)</u>	<u>(421,415)</u>
Gross profit		209,571	196,462
Other income		13,323	2,946
Distribution and selling costs		(73,461)	(59,420)
Administrative expenses		(88,082)	(81,454)
Other gains or losses		78,389	4,644
Research and development costs		(13,700)	(9,923)
Finance costs		<u>(3,675)</u>	<u>(3,775)</u>
Profit before taxation		122,365	49,480
Income tax expense	5	<u>(291)</u>	<u>(3,662)</u>
Profit for the period	6	<u>122,074</u>	<u>45,818</u>
Other comprehensive income (expense)			
Items that may be reclassified subsequently to profit or loss			
Currency translation differences		<u>(4,356)</u>	<u>3,072</u>
Total comprehensive income for the period, net of tax		<u>117,718</u>	<u>48,890</u>

		Six months ended 30th June,	
		2019	2018
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
		(Unaudited)	(Unaudited)
Profit (loss) for the period attributable to:			
Owners of the Company		124,274	49,916
Non-controlling interests		(2,200)	(4,098)
		122,074	45,818
Total comprehensive income (expense) for the period attributable to:			
Owners of the Company		119,918	52,988
Non-controlling interests		(2,200)	(4,098)
		117,718	48,890
Earnings per share attributable to owners of the Company for the period <i>(expressed in HK cents per share)</i>			
Basic earnings per share	<i>8</i>	16	7
Diluted earnings per share	<i>8</i>	16	7

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30th June, 2019

		30th June, 2019	31st December, 2018
	<i>Notes</i>	<i>HK\$'000</i> (Unaudited)	<i>HK\$'000</i> (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment	9	186,331	171,255
Leasehold land and land use rights		–	11,873
Intangible assets		165,542	163,501
Deferred tax assets		24,576	24,578
Deposits paid	10	20,228	56,856
Right-of-use assets		242,400	–
Other non-current assets		–	186,000
		<u>639,077</u>	<u>614,063</u>
Current assets			
Inventories		316,701	349,776
Trade and other receivables and prepayments	10	260,679	301,794
Tax recoverable		2,829	2,831
Cash and cash equivalents		186,100	294,066
		<u>766,309</u>	<u>948,467</u>
Total assets		<u>1,405,386</u>	<u>1,562,530</u>
EQUITY			
Capital and reserves			
Share capital	12	75,620	75,620
Reserves		1,090,668	1,008,560
Equity attributable to owners of the Company		1,166,288	1,084,180
Non-controlling interests		(1,840)	360
Total equity		<u>1,164,448</u>	<u>1,084,540</u>

		30th June,	31st December,
		2019	2018
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
		(Unaudited)	(Audited)
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities		1,339	1,352
Lease liabilities		29,325	–
		30,664	1,352
Current liabilities			
Trade and other payables and accruals	<i>11</i>	151,212	171,920
Lease liabilities		13,962	–
Contract liabilities		4,261	3,664
Tax payable		2,629	7,635
Bank borrowings		38,210	36,502
Loan from third parties		–	256,556
Obligations under finance leases		–	361
		210,274	476,638
Total liabilities		240,938	477,990
Total equity and liabilities		1,405,386	1,562,530

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30th June, 2019

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 Victoria Place, 5th Floor, 31 Victoria Street, Hamilton HM 10, 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 22nd August, 2019.

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, 2019 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, 2019 the same as those followed in the preparation of the financial statements for the year ended 31st December, 2018.

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, 2018 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, 2019 for the preparation of the Group's condensed consolidated financial statements:

HKFRS 16	Leases
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015-2017 Cycle

Except as described below, the application of the new and amendments to HKFRSs in the current period has had no material impact on the Group's financial performance and positions for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

Impacts and changes in accounting policies of application on HKFRS 16 Leases

The Group has applied HKFRS 16 for the first time in the current interim period. HKFRS 16 superseded HKAS 17 Leases ("HKAS 17"), and the related interpretations.

3.1 Key changes in accounting policies resulting from application of HKFRS 16

The Group applied the following accounting policies in accordance with the transition provisions of HKFRS 16.

Definition of a lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified on or after the date of initial application, the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception or modification date. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

As a lessee

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to leases of machinery and equipment that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the recognition exemption for lease of low-value assets.

Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

Right-of-use assets

Except for short-term leases and leases of low value assets, the Group recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability; and
- any initial direct costs incurred by the Group.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term is depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

Leasehold land and building

For payments of a property interest which includes both leasehold land and building elements, the entire property is presented as property, plant and equipment of the Group when the payments cannot be allocated reliably between the leasehold land and building elements.

Refundable rental deposits

Refundable rental deposits paid are accounted under HKFRS 9 Financial Instruments (“HKFRS 9”) and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

Lease liabilities

At the commencement date of a lease, the Group recognizes and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payment.

Taxation

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 “Income Taxes” requirements to right-of-use assets and lease liabilities separately. Temporary differences relating to right-of-use assets and lease liabilities are not recognised at initial recognition and over the lease terms due to application of the initial recognition exemption.

3.2 Transition and summary of effects arising from initial application of HKFRS 16

Definition of a lease

The Group has elected the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 Determining whether an Arrangement contains a Lease and not apply this standards to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1st January, 2019, the Group applies the definition of a lease in accordance with the requirements set out in HKFRS 16 in assessing whether a contract contains a lease.

As a lessee

The Group has applied HKFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1st January, 2019. Any difference at the date of initial application is recognised in the opening retained profits and comparative information has not been restated.

When applying the modified retrospective approach under HKFRS 16 at transition, the Group applied the following practical expedients to leases previously classified as operating leases under HKAS 17, on lease by lease basis, to the extent relevant to the respective lease contracts:

- i. relied on the assessment of whether leases are onerous by applying HKAS 37 “Provisions, Contingent Liabilities and Contingent Assets” as an alternative of impairment review;
- ii. elected not to recognise right-of-use assets and lease liabilities for leases with lease term ends within 12 months of the date of initial application;
- iii. excluded initial direct costs from measuring the right-of-use assets at the date of initial application;
- iv. used hindsight based on facts and circumstances as at date of initial application in determining the lease term for the Group’s leases with extension and termination options.

On transition, the Group has made the following adjustments upon application of HKFRS 16:

As at 1st January, 2019, the Group recognised additional lease liabilities and right-of-use assets at amounts equal to the related lease liabilities by applying HKFRS 16.C8(b)(ii) transition.

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The lessee’s incremental borrowing rate applied is ranging from 2.5% to 7.0%.

	At 1st January, 2019
<i>Note</i>	<i>HK\$'000</i>
Operating lease commitment disclosed as at 31st December, 2018	84,637
<i>Less:</i> Recognition exemption – short-term leases	<u>(860)</u>
	83,777
Lease liabilities discounted at relevant incremental borrowing rates	<u>(32,334)</u>
Lease liabilities relating to operating leases recognised upon application of HKFRS 16	51,443
<i>Add:</i> Obligations under finance leases recognised at 31st December, 2018	<u>361</u>
Lease liabilities as at 1st January, 2019	51,804
Analysed as	
Current	17,512
Non-current	<u><u>34,292</u></u>

The carrying amount of right-of-use assets as at 1st January, 2019 comprises the following:

	Right-of-use assets
<i>Note</i>	<i>HK\$'000</i>
Right-of-use assets relating to operating leases recognised upon application of HKFRS 16	51,443
Reclassified from prepaid lease payments (<i>Note</i>)	(a) 11,873
Amounts included in property, plant and equipment under HKAS 17 – Assets previously under finance leases	(b) <u>286</u>
	63,602
By class:	
Leasehold land	11,873
Land and buildings	48,950
Office equipment	<u>2,779</u>
	<u><u>63,602</u></u>

- (a) Upfront payments for leasehold land in the PRC were classified as prepaid lease payments as at 31st December, 2018. Upon application of HKFRS 16, the prepaid lease payments amounting to HK\$11,873,000 was reclassified to right-of-use assets.
- (b) In relation to assets previously under finance leases, the Group recategorised the carrying amounts of the relevant assets which were still under lease as at 1st January, 2019 amounting to HK\$286,000 as right-of-use assets.

The following adjustments were made to the amounts recognised in the condensed consolidated statement of financial position at 1st January, 2019. Line Items that were not affected by the changes have not been included.

	Carrying amounts previously reported at 31st December, 2018	Adjustments	Carrying amounts under HKFRS 16 at 1st January, 2019
<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Non-current Assets			
Property, plant and equipment	171,255	(286)	170,969
Leasehold land and land use rights	11,873	(11,873)	–
Right-of-use assets	–	63,602	63,602
Current Liabilities			
Lease liabilities	–	(17,512)	(17,512)
Obligation under finance leases	(361)	361	–
Non-current Liabilities			
Lease liabilities	–	(34,292)	(34,292)

Note: For the purpose of reporting cash flows from operating activities under indirect method for the six months ended 30th June, 2019, movements in working capital have been computed based on opening statement of financial position as at 1st January, 2019 as disclosed above.

Significant changes in significant judgements and key sources of estimation uncertainty

Lease term

In determination on lease term of contracts with renewal options, the Group applies judgement to determine the lease term for lease contracts in which it is a lessee that include renewal option. The assessment of whether the Group is reasonably certain to exercise such options impacts the lease term, which significantly affects the amount of lease liabilities and right-of-use assets recognised.

Incremental borrowing rate

In determination on incremental borrowing rate, the Group applies judgement to determine the applicable rate to calculate the present value of lease payments. The incremental borrowing rate of the Group applies, which significantly affects the amount of lease liabilities and right-of-use assets recognised.

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, 2019 (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	486,056	53,218	28,281	2,418	11,939	3,321	3,454	-	588,687
Results									
Segment profit (loss)	115,328	(1,026)	3,338	299	(827)	(645)	354	-	116,821
Unallocated income									86,096
Unallocated expenses									(76,877)
Finance costs									<u>(3,675)</u>
Profit before taxation									<u><u>122,365</u></u>
Other segment information:									
Depreciation and amortisation	36,336	2,941	2,103	185	861	254	257	1,801	<u><u>44,738</u></u>

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>
Revenue									
External sales	525,645	54,644	23,220	2,962	6,178	1,336	3,892	–	617,877
Results									
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									<u>(3,775)</u>
Profit before taxation									<u><u>49,480</u></u>
Other segment information:									
Depreciation and amortisation	18,401	1,327	319	62	83	28	98	1,993	<u><u>22,311</u></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, 2019 (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>
ASSETS								
Segment assets	393,381	62,925	25,732	2,387	28,582	3,351	81,250	597,608
Property, plant and equipment								186,331
Unallocated and other corporate assets								621,447
Total assets								<u>1,405,386</u>
LIABILITIES								
Segment liabilities	65,867	28,643	3,316	283	3,127	389	812	102,437
Unallocated and other corporate liabilities								138,501
Total liabilities								<u>240,938</u>
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>
ASSETS								
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>
LIABILITIES								
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>

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,	
	2019	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Toys	549,410	576,310
Lighting products	39,277	41,567
	<u>588,687</u>	<u>617,877</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,
	2019	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Audited)
Hong Kong	3,798	2,443
Vietnam	355,864	167,064
The United States	24,862	10,219
The PRC	48,208	235,239
Europe	13,591	7,172
Other countries	2,636	3,847
	<u>448,959</u>	<u>425,984</u>

Information about major customers

For the period ended 30th June, 2019, there are 2 customers (2018: 1 customer) in the United States with revenue contributing to approximately 54.0% and 16.1% (2018: 69.0%) 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,	
	2019	2018
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Current tax:		
Hong Kong	70	214
Other jurisdictions	2,575	3,448
	2,645	3,662
Over-provision in prior years		
Other jurisdictions	(2,354)	–
	–	–
Income tax expense	291	3,662

- (i) On 21st March, 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the “Bill”) which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28th March, 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK\$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK\$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

Hong Kong Profits Tax is calculated at 8.25% (2018: 16.5%) of the estimated assessable profit for the period ended 30th June, 2019.

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, 2019 (2018: 10.0% to 20.0%).
- (iii) The applicable US enterprise income tax rate for subsidiaries operate in the United States is 21% (2018: 21%) for the period.

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,	
	2019	2018
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Auditor's remuneration	2,724	2,330
Depreciation of property, plant and equipment	21,189	21,452
Depreciation of right-of-use assets	11,161	–
Operating lease rental in respect of buildings	3,566	12,843
Amortisation of leasehold land and land use rights	–	240
Amortisation of intangible assets	12,388	619
Net exchange loss (gain)	8,748	(4,644)

7. DIVIDEND

A dividend of HK\$37,810,000 that relates to the year ended 31st December, 2018 was paid in May 2019 (2018: HK\$37,810,000).

On 22nd August, 2019, the board of directors has resolved to declare an interim dividend of HK5.5 cents per share (2018: HK5 cents per share), which is payable on 17th September, 2019 to shareholders who are on the register at 9th September, 2019. 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, 2019.

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.

	Six months ended 30th June,	
	2019	2018
	(Unaudited)	(Unaudited)
Profit attributable to owners of the Company (<i>HK\$'000</i>)	<u>124,274</u>	<u>49,916</u>
Weighted average number of ordinary shares in issue (<i>thousands</i>)	<u>756,203</u>	<u>756,203</u>
Basic earnings per share (<i>HK cents</i>)	<u><u>16</u></u>	<u><u>7</u></u>

(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.

	Six months ended 30th June,	
	2019	2018
	(Unaudited)	(Unaudited)
Profit attributable to owners of the Company <i>(HK\$'000)</i>	<u>124,274</u>	<u>49,916</u>
Weighted average number of ordinary shares for the purpose of basic earnings per share <i>(thousands)</i>	756,203	756,203
Effect of dilutive potential ordinary shares:		
Share options <i>(thousands)</i>	1,184	–
Weighted average number of ordinary shares for diluted earnings per share <i>(thousands)</i>	<u>757,387</u>	<u>756,203</u>
Diluted earnings per share <i>(HK cents)</i>	<u><u>16</u></u>	<u><u>7</u></u>

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, 2019	
Net book value as at 1st January, 2019	171,255
Additions	38,099
Depreciation	(21,189)
Disposals	(811)
Adoption of HKFRS 16	(185)
Exchange realignment	<u>(838)</u>
Net book value as at 30th June, 2019	<u><u>186,331</u></u>

(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	<u>(433)</u>
Net book value as at 30th June, 2018	<u><u>172,675</u></u>

10. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

	30th June, 2019 HK\$'000 (Unaudited)	31st December, 2018 HK\$'000 (Audited)
Trade receivables	188,857	263,606
<i>Less:</i> allowance for doubtful debts	<u>(19,495)</u>	<u>(22,028)</u>
	169,362	241,578
Other receivables, deposits and prepayments	<u>111,545</u>	<u>117,072</u>
	280,907	358,650
<i>Less:</i> Non-current deposits paid	<u>(20,228)</u>	<u>(56,856)</u>
	<u><u>260,679</u></u>	<u><u>301,794</u></u>

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

	30th June, 2019 <i>HK\$'000</i> (Unaudited)	31st December, 2018 <i>HK\$'000</i> (Audited)
0 – 60 days	142,290	167,170
61 – 90 days	16,247	37,709
> 90 days	10,825	36,699
	<u>169,362</u>	<u>241,578</u>

11. TRADE AND OTHER PAYABLES AND ACCRUALS

	30th June, 2019 <i>HK\$'000</i> (Unaudited)	31st December, 2018 <i>HK\$'000</i> (Audited)
Trade payables	69,019	89,695
Other payables and accruals	82,193	82,225
	<u>151,212</u>	<u>171,920</u>

At 30th June, 2019 and 31st December, 2018, the ageing analysis of the trade payables based on invoice date was as follows:

	30th June, 2019 <i>HK\$'000</i> (Unaudited)	31st December, 2018 <i>HK\$'000</i> (Audited)
0 – 60 days	51,049	52,691
61 – 90 days	8,592	13,630
> 90 days	9,378	23,374
	<u>69,019</u>	<u>89,695</u>

12. SHARE CAPITAL

	Ordinary shares of HK\$0.1 each	
	Number of	Share capital
	shares	HK\$'000
	<i>(in thousands)</i>	<i>HK\$'000</i>
Ordinary shares, issued and fully paid:		
At 1st January, 2019 and 30th June, 2019	756,203	75,620
At 1st January, 2018 and 30th June, 2018	756,203	75,620

The total authorised number of ordinary shares is 1,000 million shares (2018: 1,000 million shares) with a par value of HK\$0.1 per share (2018: HK\$0.1 per share). All issued shares are fully paid.

13. ACQUISITION OF ASSETS THROUGH ACQUISITION OF A SUBSIDIARY

On 23rd May, 2019, the Group completed the acquisition of 100% equity interest in a subsidiary, Javi Investment Joint Stock Company from an independent third party for a cash consideration of VND561,400,000,000 (equivalent to approximately HK\$190,876,000). The principal assets of the subsidiary are leasehold land and land use rights. The assets acquired were as follows:

	31st January, 2019 <i>HK\$'000</i>
Leasehold land and land use rights	190,834
Cash and cash equivalents	2
Other receivables	40
Net assets assumed	190,876
Net cash outflow on acquisition:	
Consideration paid (<i>Note</i>)	(181,333)
5% of consideration to be paid, included in other payable	(9,543)
Cash and cash equivalents acquired	2
	<u>(190,874)</u>

Note: As of 30th June, 2019, the Group has paid 95% of the consideration, amounting VND533,330,000,000 (equivalent to approximately HK\$181,333,000).

14. CAPITAL COMMITMENTS

As at 30th June, 2019, the capital commitments contracted but not provided for in the condensed consolidated interim financial information of the Group were HK\$19,384,000 (31st December, 2018: HK\$174,844,000).

15. CONTINGENT LIABILITIES

The Group has held a number of licenses from Hasbro, Inc. and Hasbro International (together referred to as “Hasbro Group”) to produce and distribute various products. During the year ended 31st December, 2018, Hasbro Group alleged that an audit of the Group’s records established that the Group owed Hasbro Group US\$10,061,000, inclusive of purported unpaid royalties, marketing expenses, interest and audit fees.

Upon receipt of the audit findings of Hasbro Group and completion of own investigation, the Group determined that Hasbro Group, at best, was owed approximately US\$863,000, which was promptly paid. Hasbro Group disputed the Group’s conclusion and issued a notice of termination of the remaining license agreement. The Group filed an action in the United States of America disputing Hasbro Group’s interpretation of the license agreement, denying Hasbro Group’s alleged right to terminate the license agreement, and alleged that Hasbro Group breached the license agreement by wrongfully attempting to terminate the license. Hasbro Group has filed a counterclaim, contending that the Group owes the amount alleged in the audit and the Group has violated Hasbro Group’s intellectual property rights. Hasbro Group has agreed, without prejudice to any claim, to allow the Group to continue to perform pursuant to the license agreement until a court resolution, settlement or the termination of the license by its terms which will occur on 31st December, 2019.

The Group has sought legal advice and is vigorously contesting Hasbro Group’s claim and as such no further provision is considered required to be made in the condensed consolidated financial statements for the period ended 30th June, 2019 in respect of these matters.

MANAGEMENT DISCUSSION & ANALYSIS

FINANCIAL REVIEW

Revenue

Owing to the decrease in orders from our OEM business in the US, which partially offset by the increase in sales from our ODM business, the revenue for the period was decreased to approximately HK\$588,687,000.

Gross Profit

The Group's gross profit increased to approximately HK\$209,571,000 as at 30th June, 2019 due to the improvement in profit margin.

Distribution and selling costs

Distribution and selling costs increased to approximately HK\$73,461,000 as at 30th June, 2019. The increase in distribution and selling costs was mainly attributable to the increase in advertising costs and royalties.

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 increased by approximately HK\$6,628,000 compared to same period last year was attributable to the increase in salaries and related expenses and professional fee.

Other gains or losses

Other gains or losses for the period increased to approximately HK\$78,389,000, primarily contributed by the one-time gain of HK\$85,301,000 on the transfer of the Right to Purchase for the residential properties in the PRC.

Finance costs and income tax

Finance costs of the period was approximately HK\$3,675,000 and income tax expense of this period was approximately HK\$291,000 as compared to last corresponding period.

Research and development cost

Research and development cost increased by approximately HK\$3,777,000 as more creative toys products development incurred.

Trade and other receivables and prepayments

Trade and other receivables and prepayments decreased by approximately HK\$41,115,000 to approximately HK\$260,679,000 for this period as compared to last year, which was in line with the decrease in sales during the current period.

Trade and other payables and accruals

Trade and other payables and accruals decreased by approximately HK\$20,708,000 to approximately HK\$151,212,000 for this period as compared to last year, which was mainly due to the decrease in purchase for the current period.

Current ratio

During the period, the current ratio increased, mainly due to the release of loan from third parties during the period.

Quick ratio

During the period, the quick ratio increased, mainly due to the release of 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, 2019, the Group had cash and cash equivalents of approximately HK\$186,100,000 (31st December, 2018: HK\$294,066,000). As at 30th June, 2019, the Group obtained banking facilities in a total of approximately HK\$121,180,000 (31st December, 2018: HK\$121,180,000), which was mainly supported by corporate guarantee and was secured with floating charge on certain assets of the Group.

As at 30th June, 2019, the Group had bank borrowings of approximately HK\$38,210,000 (31st December, 2018: HK\$36,502,000).

The Group's gearing ratio, representing the total debt divided by equity attributable to owners of the Company, increased to 3.3% (31st December, 2018: 27.0%) due to the release of loan from third parties during the period.

During the period, net cash generated from operating activities amounted to approximately HK\$134,467,000 (31st December, 2018: HK\$159,052,000). 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\$38,099,000 (31st December, 2018: HK\$47,835,000) 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, 2019, the Group had total assets of approximately HK\$1,405,386,000 (31st December, 2018: HK\$1,562,530,000), total liabilities of approximately HK\$240,938,000 (31st December, 2018: HK\$477,990,000) and equity attributable to owners of the Company of approximately HK\$1,166,288,000 (31st December, 2018: HK\$1,084,180,000). The net assets of the Group increased by 7.4% to approximately HK\$1,164,448,000 as at 30th June, 2019 (31st December, 2018: HK\$1,084,540,000).

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

As the Sino-US trade war is still on going at present, the US and even worldwide enterprises are forced to identify production facilities outside of China. The Group captured the business opportunities by successfully setting up production base in Vietnam, which became an advantage to retain the existing customers as well as attract potential customers. Except for the strengths in terms of high quality products, competitive pricing, strong production capacity and on-time delivery of qualified products, the Group also kept developing and diversifying product portfolios and expanding marketing to promote its own brand manufacture and sales, which not only attracted new customers but also won consistent support from international well-known brand customers. Benefiting from the one-off gain, the Group recorded an increase in profits despite of the decrease in turnover.

Manufacturing operations

The Group operated four plants in total. During the Period, the Group reorganized the production and management processes of the plants, expanded warehouse areas and optimised supply chain processes to enhance its growth potential. However, the Vietnam plant was affected by the increasing minimum wage year by year. Despite of the aforesaid, the plants of the Group still owned competitive strengths as compared with those of competitors in mainland China or other East Asian countries. The Group kept localising its operations to protect and maintain plant environment and provide continuous trainings for local employees and workers so as to enhance its production capacity and quality to maintain competitiveness. Product safety is the basic principle of the Group. The Group consistently complied with the change of relevant laws and regulations.

Segment performance

As of the date of this report, the Group's core business remains the same as last financial year. During the year, the Group established its sales channels to develop its core business and explore new sales opportunities in the global market and strove to improve its operating efficiency and enhance cost control through various measures for products. The Group continued to provide high-quality products at competitive prices to its customers in order to achieve sustainable development, and introduced new brands, including "CAT", "Fart Ninjas", "Wonder Park" and "Rainbow Butterfly Unicorn Kitty ("RBUK")" which were well-received by the market. At the meantime, the Group improved its revenue steadily through increasing production capacity and promptly establishing sustainable business relationship with its customers. With its leading position in the global toy industry, strong customer base including top international toy companies, production base in Vietnam and healthy financial condition, the Group followed the effective development strategy of taking OEM business as cornerstone and ODM business as growth driver in its operation, in order to realise sustainable growth in the long run. Moreover, the Group continued to streamline its operating procedures to improve efficiency and adopted various measures to strictly control costs.

In general, retailers' sales of ODM products, such as outdoor products under "Gazillion ® Bubbles", toy cars and girl series products, in the mass market have all increased. The Group actively developed and produced new toy products under "Herodrive", "Sunny Bunnies", "Fart Ninjas", "Wonder Park", "RBUK", "Wonder Park" and "CAT" and introduced relevant marketing plans. However, the overall sales of the Group decreased due to the decrease in the sales of the Group's OEM products and lighting products in Europe during the period.

The United States (“US”)

The US was still a major export market for the Group’s products. Our turnover decreased by HK\$39,589,000 or 7.5% to HK\$486,056,000 in the first half of this year from HK\$525,645,000 for the corresponding period of last year. The decrease in the sales of the OEM business had offset the increase in the sales of the ODM business. The overall turnover recorded a decrease.

Thanks to the low unemployment and higher wages in the United States, private consumption has increased and become the main driver for the growth of the US economy. Its exports have benefited from further stabilization of the world economy. In addition, the United States will continue to postpone the imposition of tariffs on Chinese imports which eased tensions. However, the tightening domestic monetary policy and the volatile energy price may pose challenges for the US economy.

In the first half of this financial year, despite of the ongoing Sino-US trade war, the Group’s sales from mass-market retailers for ODM toy car products and its own brands such as outdoor products of “Gazillion ® Bubbles” and girls role-playing products series continued to increase and sales orders for lighting products increased. However, sales of the OEM business decreased, the overall revenue from the US market still recorded a decrease. 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, Target and Amazon.

Europe

Our turnover in Europe decreased by HK\$1,426,000 or 2.6% to HK\$53,218,000 for the first half of this year from HK\$54,644,000 for the corresponding period of last year.

Affected by a number of factors including escalating trade tensions with the United States, political uncertainties in certain member states and the slowdown in manufacturing and exports of major EU economies such as Germany, France, the United Kingdom and Italy, the EU’s gross domestic product slowed down last year after the strong growth for seven consecutive quarters. The European Central Bank continued to maintain an exceptionally loose monetary policy after the end of the quantitative easing program last year, including implementing a new round of targeted long-term refinancing operations to provide long-term loans to banks at low interest rates. Overall, the Eurozone and EU economies will continue to expand this year, but the growth is slower than last year and 2017 (the highest growth rate in the past decade).

The Group devoted more efforts on the orders for toy cars and self-owned brand outdoor products of “Gazillion ® Bubbles”. The Group recorded an increase in sales of toy cars in the European market, and a decrease in sale of self-owned brand outdoor products of “Gazillion ® Bubbles” and girls role-playing products. The turnover from Russia, Denmark, Italy, Ukraine, Belgium, France, Estonia, Malta, Spain and Portugal recorded an increase while the sales of Finland, Poland, Switzerland, Romania, Netherlands, Croatia and the UK recorded a decrease. For lighting product, our sale in Europe decreased as a result of decreased orders from customers due to price competition. Overall, our turnover in the European market recorded a decrease. The Group will continue its efforts to maintain existing distributors and clients such as Tesco.

Canada

Our turnover in the Canadian market increased by HK\$5,061,000 or 21.8% to HK\$28,281,000 in the first half of this year from HK\$23,220,000 for the corresponding period of last year.

In line with stronger US and global economy and stabilized commodity prices, Canada’s economy strengthened with healthy banking and financial system, plus continuing growth in non-commodity export-related industries aided by competitive monetary dynamics. Recent weaknesses in crude oil prices and investment in the oil and gas industries has provided continuing support to domestic enterprises and consumers. The Canadian economy continued to grow. However, the US’s post quantitative easing policies and tax reform, as well as global trade tensions led to ultra-low interest rates. Therefore, uncertainties arose from continuous economic growth.

Generally speaking, the sales of toy cars and girls role-playing products in ODM business increased, and the sales of self-owned brand outdoor products of “Gazillion ® Bubbles” remained stable. As a whole, the revenue generated from the Canadian market recorded an increase. The Group will make efforts to maintain its existing distributors and clients, such as Wal-Mart, Toys“R”US and Costco Canada.

Mexico

Our turnover in the Mexican market increased by HK\$1,985,000 or 148.6% to HK\$3,321,000 in the first half of this year from HK\$1,336,000 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. As an economy of free market, Mexico continued to record strong trade growth lately, however, its continued economic growth also faces uncertainties arising from global trade protectionism and the slowing down of its internal development.

As for overall result, the sales of the Group in respect of toy cars, girl series products and outdoor products in ODM business recorded an increase. Turnover of Mexican market as a whole recorded an increase.

Australia and New Zealand

Our turnovers in the Australia and New Zealand markets increased by HK\$5,761,000 or 93.3% to HK\$11,939,000 in the first half of this year from HK\$6,178,000 for the corresponding period of last year.

The economic growth of Australia has slowed down. However, the Australian government has recently made strategic plans for the country's innovation, science and research systems to improve the economy. The European Union, Australia's second largest trade partner, has launched negotiations for a comprehensive trade agreement with Australia. Bilateral trade in goods between the two partners has risen steadily in recent years. The open trading regime and sound rule of law practices of New Zealand, combined with its recent strong growth in tourism, also made significant contribution to its economy improvement.

The Group's turnover growth of toy cars and girl series products in Australia and New Zealand markets had offset the turnover decrease of outdoor products of our self-own brands such as "Gazillion ® Bubbles". Turnover of Australia and New Zealand markets as a whole recorded an increase. The Group will continue to maintain relationships with Big W and other existing distributors and clients.

South America

Our turnover in the South America market decreased by HK\$ 544,000 or 18.4% to HK\$2,418,000 in the first half of this year from HK\$2,962,000 for the corresponding period of last year.

The countries in South America have taken different actions to respond impact of changes of the global economy. For our overall result, our sales decrease recorded in Panama, Chile, Honduras, Colombia and Trinidad while the sales growth recorded in Costa Rica, Bolivia and Brazil. Turnover of South America market as a whole recorded a decrease.

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

Going forward, the Group will review its operations and explore other investment opportunities that have earning potentials in order to expand its existing operations and diversify its businesses to strengthen income base. This is evidenced by development and production of new boy role play toy series and the expansion of the sales of new licensed brands like “CAT”. The trade conflict between China and the United States will continue to bring uncertainty to the global economy. Downside risks still remain. Nevertheless, the Group is cautiously optimistic about its business prospects. With production bases in Vietnam, the Group can offer customers high quality products flexibly and consistently, as well as attract new customers looking for production capacity outside China. The Group will continue to remain alert, as its clientele spans the globe, the Group continues to constantly review its market and products portfolio and be more pro-active in working with its customers’ requests as well as structure of its customers in response to any changes in political and economic environments globally. We hope these strategies will allow the Group to remain competitive amidst rocky global economic environments.

In 2019, the Group acquired the land use rights to five parcels of lands located at Lien Chieu District of Da Nang City, and the Group intends to develop these lands for property investment purpose. The Group has a long history of running the manufacturing business in Da Nang, Vietnam and is familiar with the business environment of Da Nang. The acquisition is in line with the overall development strategy of the Group of actively identifying and exploring different investments and good merger and acquisition opportunities in order to acquire new business or asset that will bring additional value, synergistic effects and new income streams to the Group, with a view to broadening its asset and income bases.

Meanwhile, the Group will review its operations from time to time and explore other investment opportunities that have earning potentials in order to expand its existing operations and diversify its businesses to strengthen income base to maximise the interests of the Group and the shareholders as a whole. The Group will also actively identify good merger and acquisition opportunities to create long-term return for our shareholders. As such, the Group 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, 2019, the Group had a total of approximately 8,700 (31st December, 2018: 9,500) 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 HK5.5 cents (2018: HK5 cents) in cash per share for the six months ended 30th June, 2019, payable to shareholders whose names appear on the Register of Members of the Company on 9th September, 2019.

The record date for the purpose of determining the shareholders which are entitled to dividend is 9th September, 2019. 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 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:00 p.m. on 9th September, 2019. The interim dividend will be paid on or around 17th September, 2019.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

During the six months ended 30th June, 2019, 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 deviation from code provision A.4.1 that none of the existing non-executive directors of the Company is appointed for a specific term. However, as all the non-executive directors of the Company (including independent non-executive) are subject to retirement provision under the Company's Bye-laws, the Company considers that sufficient measures have been taken to ensure that the Company's corporate governance practices are no less exacting than those in the HKEx Code and CG Code as well.

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, 2019 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 2019 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, 22nd August, 2019