Matrix Holdings Limited
美力時集團有限公司

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

Interim Report 2012

OUR MISSION

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

Corporate Information

BOARD OF DIRECTORS

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

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

AUDIT COMMITTEE & REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

COMPANY SECRETARY

Lai Mei Fong

AUDITOR

Deloitte Touche Tohmatsu
35th Floor
One Pacific Place
88 Queensway
Hong Kong

REGISTERED OFFICE

Canon's Court
22 Victoria Street
Hamilton HM12
Bermuda

SHARE REGISTRAR

Butterfield Fulcrum Group (Bermuda) Limited
Rosebank Centre
11 Bermudiana Road
Pembroke HM08
Bermuda

BRANCH SHARE REGISTRAR IN HONG KONG

Tricor Secretaries Limited
26th Floor, Tesbury Centre
28 Queen's Road East
Wanchai, Hong Kong

PRINCIPAL PLACE OF BUSINESS

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

PRINCIPAL BANKERS

Bank of China, Macau Branch

WEBSITE

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

STOCK CODE

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

Result Highlights

FINANCIAL HIGHLIGHTS

	Six months ended 30th June,		
	2012	2011	Changes
	HK$	*HK$*	*%*
Turnover	**307,224,000**	394,383,000	-22.1%
(Loss) profit attributable to owners of the Company	**(24,651,000)**	8,258,000	-398.5%
Basic (loss) earnings per share	**(0.03)**	0.01	-400.0%
Interim dividend, declared	**0.011**	0.011	–
Gross profit margin ratio *(%)*	**25.5%**	31.2%	-18.3%

The board (the "Board") of directors (the "Directors") of Matrix Holdings Limited (the "Company") announces the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively the "Group") for the six months ended 30th June, 2012, together with the comparative figures for the corresponding period in 2011.

For the six months ended 30th June, 2012, the Group's consolidated turnover decreased by 22.1% from HK$394,383,000 in the corresponding period last year to HK$307,224,000, and the loss attributable to owners of the Company amounted to HK$24,651,000, representing a decrease of 398.5% compared to a profit of HK$8,258,000 for the corresponding period last year. During the period under review, the global economy was continuously affected by the unusual quantitative easing policy and the sovereign debt crisis lingered in certain countries, and the economic conditions of the Group's major export markets were still unstable. Some of our clients were adopting a more prudent approach in terms of their purchase practice changed under these circumstances, they tended to purchase in the second half of 2012 rather than the first half, resulting in the decrease of the turnover and a loss of the Group. The rise in statutory minimum wage and labor shortage has kept pushing up our labor cost, along with the effect of adopting an approach of achieving growth through investment activities, were weighing on our production costs. Although the market and the business environment have posed challenges to the Group, with our solid business foundation and sound financial position, we will be able to overcome the difficulties.

For the six months ended 30th June, 2012, the United States continued to be the largest customer market of the Group, accounting for approximately 83.4% of the Group's total turnover (2011: 88.2%). The other significant customer markets for the Group included Europe and Canada, which accounted for approximately 6.3% (2011: 2.4%) and 2.9% (2011: 3.6%) respectively.

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30th June, 2012

		Six months ended 30th June,	
		2012	2011
		HK$'000	*HK$'000*
	NOTES	**(Unaudited)**	(Unaudited)
Turnover	*3*	**307,224**	394,383
Cost of sales		**(228,816)**	(271,431)
Gross profit		**78,408**	122,952
Other income		**2,457**	5,337
Distribution and selling costs		**(40,534)**	(54,672)
Administrative expenses		**(56,491)**	(67,148)
Other gains and losses		**(2,151)**	6,057
Research and development costs		**(5,787)**	(4,218)
Finance costs		**(1,291)**	(1,522)
(Loss) profit before taxation		**(25,389)**	6,786
Income tax credit	*4*	**738**	1,472
(Loss) profit for the period attributable to owners of the Company	*5*	**(24,651)**	8,258
Other comprehensive income (expense) for the period			
Exchange differences arising on translation of foreign operations		**1,621**	(10,308)
Total comprehensive expense for the period attributable to owners of the Company		**(23,030)**	(2,050)
(Loss) earnings per share			
– Basic	*7*	**HK$(0.03)**	HK$0.01
– Diluted	*7*	**HK$(0.03)**	HK$0.01

Condensed Consolidated Statement of Financial Position

At 30th June, 2012

	NOTES	30th June, 2012 HK$'000 (Unaudited)	31st December, 2011 HK$'000 (Audited)
Non-current assets			
Property, plant and equipment	8	248,921	253,280
Prepaid lease payments		935	951
Goodwill		96,822	96,822
Intangible assets		11,677	17,894
Deferred tax assets		8,571	8,567
Deposits paid for acquisition of property, plant and equipment		2,354	1,948
		369,280	379,462
Current assets			
Inventories		271,531	247,821
Trade and other receivables	9	104,287	156,681
Prepaid lease payments		32	32
Tax recoverable		6,919	7,979
Pledged bank deposit		–	2,183
Bank balances and cash		32,431	45,998
		415,200	460,694
Current liabilities			
Trade and other payables and accruals	10	129,212	141,468
Amount due to a director		16,966	–
Tax payable		56,894	58,719
Unsecured bank borrowings		8,526	6,978
		211,598	207,165
Net current assets		203,602	253,529
Total assets less current liabilities		572,882	632,991
Capital and reserves			
Share capital	11	71,965	71,733
Reserves		425,834	472,203
Equity attributable to owners of the Company		497,799	543,936
Non-current liabilities			
Deferred tax liabilities		5,461	6,386
Loan from ultimate holding company	12	69,622	82,669
		75,083	89,055
		572,882	632,991

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30th June, 2012

	Attributable to owners of the Company									
	Share capital *HK$'000*	**Share premium** *HK$'000*	**Special reserve** *HK$'000* *(Note a)*	**Shareholders' contribution** *HK$'000* *(Note b)*	**Share options reserve** *HK$'000*	**Asset revaluation reserve** *HK$'000*	**Legal reserve** *HK$'000* *(Note c)*	**Translation reserve** *HK$'000*	**Retained profits** *HK$'000*	**Total** *HK$'000*
At 1st January, 2011 (audited)	71,229	119,439	771	18,248	30,628	68,717	49	(27,195)	236,340	518,226
Profit for the period	–	–	–	–	–	–	–	–	8,258	8,258
Other comprehensive expense for the period	–	–	–	–	–	–	–	(10,308)	–	(10,308)
Total comprehensive expense for the period	–	–	–	–	–	–	–	(10,308)	8,258	(2,050)
Issue of shares pursuant to scrip dividend	504	(504)	–	–	–	–	–	–	7,831	7,831
Recognition of equity-settled share based payments	–	–	–	–	9,902	–	–	–	–	9,902
Share option lapsed	–	–	–	–	(1,302)	–	–	–	1,302	–
Deemed contribution from ultimate holding company	–	–	–	4,194	–	–	–	–	–	4,194
Dividend paid *(note 6)*	–	–	–	–	–	–	–	–	(35,615)	(35,615)
At 30th June, 2011 (unaudited)	71,733	118,935	771	22,442	39,228	68,717	49	(37,503)	218,116	502,488
Profit for the period	–	–	–	–	–	–	–	–	39,808	39,808
Other comprehensive income for the period	–	–	–	–	–	12,064	–	(5,379)	–	6,685
Total comprehensive income for the period	–	–	–	–	–	12,064	–	(5,379)	39,808	46,493
Recognition of equity-settled share based payments	–	–	–	–	2,845	–	–	–	–	2,845
Dividend paid *(note 6)*	–	–	–	–	–	–	–	–	(7,890)	(7,890)
At 31st December, 2011 (audited)	71,733	118,935	771	22,442	42,073	80,781	49	(42,882)	250,034	543,936
Loss for the period	–	–	–	–	–	–	–	–	(24,651)	(24,651)
Other comprehensive income for the period	–	–	–	–	–	–	–	1,621	–	1,621
Total comprehensive expense for the period	–	–	–	–	–	–	–	1,621	(24,651)	(23,030)
Issue of shares under share options schemes	232	4,168	–	–	(1,500)	–	–	–	–	2,900
Release of deemed contribution from ultimate holding company *(note 12)*	–	–	–	(819)	–	–	–	–	–	(819)
Dividend paid *(note 6)*	–	–	–	–	–	–	–	–	(25,188)	(25,188)
At 30th June, 2012 (unaudited)	71,965	123,103	771	21,623	40,573	80,781	49	(41,261)	200,195	497,799

Notes:

a) The special reserve of the Group of HK$771,000 represents the difference between the nominal amount of the share capital issued by the Company and the aggregate nominal amount of the share capital of subsidiaries acquired in exchange under the group reorganisation in 1994.

b) The shareholders' contribution represented the deemed contribution arising from the amount due from ultimate holding company which is non-current and interest-free. The details of amount due from ultimate holding company are set out in note 12.

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

Condensed Consolidated Statement of Cash Flows

For the six months ended 30th June, 2012

	Six months ended 30th June,	
	2012	2011
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
OPERATING ACTIVITIES		
NET CASH FROM OPERATING ACTIVITIES	**25,625**	78,412
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	**(15,529)**	(29,668)
(Increase) decrease in the pledged bank deposit	**2,183**	(3)
Deposit paid for acquisition of property, plant & equipment	**(2,354)**	(1,548)
Other investing cash flow	**14**	250
NET CASH USED IN INVESTING ACTIVITIES	**(15,686)**	(30,969)
FINANCING ACTIVITIES		
Dividends paid	**(29,920)**	(27,784)
Repayments of bank loans	**(12,191)**	–
Repayments to loan from ultimate holding company	**(15,000)**	–
Repayments of obligations under finance leases	**–**	(1,241)
New bank loans raised	**13,739**	5,151
Proceeds on issue of shares	**2,900**	–
Advance from a director	**16,966**	–
NET CASH USED IN FINANCING ACTIVITIES	**(23,506)**	(23,874)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	**(13,567)**	23,569
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	**45,998**	62,765
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD, represented by		
Bank balances and cash	**32,431**	86,334

1. BASIS OF PREPARATION

The unaudited condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 (HKAS 34), Interim Financial Reporting issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") as well as the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). The unaudited condensed consolidated interim financial statements should be read in conjunction with the annual financial statements for the year ended 31st December, 2011.

2. PRINCIPAL ACCOUNTING POLICIES

The unaudited condensed consolidated financial statements have been prepared on the historical cost basis except for certain property, plant and equipment and financial instruments, which are measured at revalued amounts or fair values, as appropriate.

The accounting policies and methods of computations used in the unaudited condensed consolidated financial statements for the six months ended 30th June, 2012 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31st December, 2011.

In the current interim period, the Group has applied, for the first time, the following new or revised standards and interpretation ("new or revised HKFRSs") issued by the HKICPA:

- Amendments to HKFRS 7 Financial instruments: Disclosures – Transfers of Financial Assets.
- Amendments to HKAS 12 Deferred tax: Recovery of underlying assets.

The application of the above new or revised HKFRSs in the current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements.

3. SEGMENT INFORMATION

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

	Six months ended 30th June,			
	Turnover		Results	
	2012	2011	**2012**	2011
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
United States	**256,206**	347,802	**23,294**	54,938
Europe	**19,304**	9,288	**575**	714
Canada	**9,045**	14,323	**888**	2,485
Asia Pacific	**8,587**	15,238	**650**	1,348
South America	**5,109**	1,951	**286**	(154)
All other locations *(Note)*	**8,973**	5,781	**42**	(418)
	307,224	394,383	**25,735**	58,913
Unallocated income			**11**	6,113
Unallocated expenses			**(49,844)**	(56,718)
Finance costs			**(1,291)**	(1,522)
(Loss) profit before taxation			**(25,389)**	6,786
Income tax credit			**738**	1,472
(Loss) profit for the period			**(24,651)**	8,258

Note: All other locations include Mexico, the U.A.E, India, South Africa and others. These locations are considered by the chief operating decision maker as one operating segment.

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

4. INCOME TAX CREDIT

	Six months ended 30th June,	
	2012	2011
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Current tax:		
Hong Kong	**(50)**	(180)
Other jurisdictions	**(109)**	(231)
	(159)	(411)
Underprovision in prior years		
Hong Kong	**(10)**	(37)
Other jurisdictions	**(19)**	(750)
	(29)	(787)
Deferred tax:		
Current period	**926**	2,670
Income tax credit	**738**	1,472

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for the period ended 30th June 2012 and 2011.

According to the Investment License granted by Vietnam Tax Authority to Matrix Manufacturing Vietnam Company Limited ("MVN") and Keyhinge Toys Vietnam Joint Stock Company ("KVN"), the applicable Vietnam enterprise income tax rate is 10% during their operating periods. MVN is eligible for exemption from Vietnam enterprise income tax for four years from the first profit-making year followed by a 50% reduction in the Vietnam enterprise income tax for the next four years. For the six months ended 30th June 2012, MVN applied the tax rate of 5% (2011: 5%) on the estimated assessable profit as it is the eighth year since its first profit-making year. KVN applied the tax rate of 10% (2011: 10%) on the estimated assessable profit. The applicable Vietnam enterprise income tax rate for Associated Manufacturing Vietnam Company Limited ("AVN") is 15% for twelve years starting from the date of operation and followed by 25% thereafter. AVN is eligible for exemption from Vietnam enterprise income tax for eight years from the first profit-making year followed by a 50% reduction in the Vietnam enterprise income tax for the next seven years. The six months ended 30th June 2012 is the fifth profit-making year of AVN and thus AVN is exempted from Vietnam enterprise income tax for the six months ended 30th June 2012 and 2011. The applicable Vietnam enterprise income tax rate for Matrix Vinh Company Limited ("VVN") is 25% since the date of operation from 1st April, 2011.

Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1st January, 2008 onwards.

The applicable US enterprise income tax rate for US subsidiaries is 34% since the date of operation.

The tax position of certain subsidiaries of the Group is currently under audit by the Hong Kong Inland Revenue Department ("IRD"). In March 2008, the IRD issued estimated assessments to certain subsidiaries in respect of the years of assessment 2000/2001 and 2001/2002 with tax payable amounting to approximately HK$2,345,000 and HK$17,678,000, respectively. The Group filed an objection against such assessments for 2000/2001 and 2001/2002 and the whole tax demanded of HK$2,345,000 for 2000/2001 was heldover unconditionally by the IRD. The tax demanded for 2001/2002 for the amount of HK$4,713,000 was heldover on condition that the subsidiaries purchased an equal amount of tax reserve certificates, and the amount of HK$12,965,000 was heldover unconditionally by the IRD. In March 2009, the IRD issued assessments to certain subsidiaries in respect of the years of assessment from 2002/2003 to 2007/2008 amounting to approximately HK$163,658,000. In March, 2010, the IRD issued assessments to certain subsidiaries in respect of the year of assessment for 2003/2004 amounting to approximately HK$41,234,000. The Group filed objections to the IRD against such assessments on the grounds that these assessments were excessive, and that certain income under assessment neither arose in, nor was derived from, Hong Kong. The whole tax demanded for the year of assessment for 2003/2004 of HK$41,234,000 was heldover unconditionally by the IRD. In March 2011, the IRD issued protective assessments to certain subsidiaries in respect of year of assessment for 2004/2005 amounting to approximately HK$50,097,000 (in which HK$24,786,000 were issued on the same profits assessed but to two different entities on an alternative basis). The tax demanded for the year of assessment for 2004/2005 of HK$42,835,000 was heldover unconditionally by the IRD. Subsequently the IRD further issued collection notice to the relevant companies to demand for the outstanding tax payment, as no settlement was made on those taxes not heldover. The balance payable by the subsidiary of the Company, Besco Enterprises Limited ("BEL") of approximately HK$7,262,000 remains unsettled up to the date of this report. Based on the tax assessment dated 30th November, 2011, BEL is liable to pay the amount together with the surcharge of approximately HK$8,388,000. In March 2012, the IRD issued protective assessments to certain subsidiaries in respect of year of assessment for 2005/2006 amounting to approximately HK$50,478,000 (in which HK$19,917,000 were issued on the same profits assessed but to two different entities on an alternative basis). The tax demanded for the year of assessment for 2005/2006 of HK$40,578,000 was heldover unconditionally by the IRD. Subsequently the IRD further issued collection notice to the relevant company to demand for the outstanding tax payment, as no settlement was made on those taxes not heldover. The balance payable by the subsidiary of the Company, BEL of approximately HK$9,900,000 remains unsettled up to the date of this report. On 19th August, 2009, the IRD lodged a legal claim to a subsidiary of the Company, Shelcore Hong Kong Limited ("SHK") for tax settlement payment of approximately HK$2,403,000 in relation to the additional tax assessment issued by the IRD on 16th March, 2009 for the year of assessment 2002/2003. Based on the court order dated 21st January, 2011, SHK is liable to pay the tax amount together with the interest and penalty of approximately HK$2,706,000. The Directors have not made such tax provision because the settlement proposal submitted to IRD has covered SHK and BEL and no further tax provision is required. The Company had appointed a tax advisor to assist the Group in handling this tax audit. Up to the date of this report, the tax advisor together with the management and Directors of the Group had several meetings and discussions with the case officers of the IRD and settlement proposal was submitted to the IRD. However, recently the IRD had verbally advised that the settlement proposal was not accepted by them and has proposed another settlement base for our consideration. Hence, the IRD has requested further submission of documents for assessing the tax status of such subsidiaries of the settlement proposal. Requested documents have been submitted to IRD in February and April 2012. Due to the documents are reviewing by the IRD, the Directors cannot ascertain the timetable for the settlement of the final assessments for the years of assessments from 2000/2001 to 2009/2010. As at 30th June, 2012, the Group had made a tax provision in respect of these subsidiaries for the relevant years of assessment of approximately HK$56,500,000 (2011: HK$56,500,000). Apart from consulting tax advisors, the Directors have further reassessed the situation and consulted the legal advisors about the aforesaid cases, and are still of the view that the Group's provision of HK$56,500,000 is sufficient for the case settlement in future. The IRD may impose a penalty and there is no reasonable basis to determine any amount of tax penalty payable at the moment.

5. (LOSS) PROFIT FOR THE PERIOD

	Six months ended 30th June,	
	2012	2011
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
(Loss) profit for the period has been arrived at after charging (crediting):		
Depreciation of property, plant and equipment	**22,486**	22,773
Net loss (gain) on disposal of property, plant and equipment	**3**	(29)
Amortisation of intangible assets included in cost of sales *(Note)*	**6,218**	6,218
Amortisation of prepaid lease payments	**16**	16
Net exchange loss (gain)	**2,151**	(6,057)

Note: Intangible assets represent customers base, which have finite useful lives. Intangible assets are amortised on a straight-line method over 6 years.

6. DIVIDEND

During the current interim period, a final dividend of HK3.5 cents per share in respect of year ended 31st December, 2011 (2011: HK5 cents per share in respect of the year ended 31st December, 2010) was declared and paid to the owners of the Company. The aggregate amount of the final dividend declared and paid in the current interim period amounted to HK$25,188,000 (2011: HK$35,615,000).

In respect of the current interim period, the Directors had resolved to declare an interim dividend of HK1.1 cents (2011: HK1.1 cents in cash) per share to be payable in cash to the shareholders whose names appear on the Register of Members of the Company on 10th September, 2012. This dividend was declared after the interim reporting date, and therefore has not been included as a liability in the condensed consolidated statement of financial position.

7. (LOSS) EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to the owners of the Company is based on the following data:

(Loss) earnings	Six months ended 30th June,	
	2012	2011
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
(Loss) earnings for the purpose of basic and diluted earnings per share ((Loss) profit for the period attributable to owners of the Company)	**(24,651)**	8,258

Number of shares	Six months ended 30th June,	
	2012	2011
	(Unaudited)	(Unaudited)
Weighted average number of ordinary shares for the purpose of basic earnings per share	**718,225,335**	717,327,313
Effect of dilutive potential ordinary shares:		
Share options issued by the Company	**14,399,226**	8,134,620
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**732,624,561**	725,461,933

8. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

During the current interim period, the Group acquired property, plant and equipment at a cost of approximately HK$15,529,000 (six months ended 30th June, 2011: HK$29,668,000).

In the opinion of the directors of the Group, the aggregate amount of the Group's leasehold land and buildings and plant and machinery as at the end of the current interim period that is carried at revalued amounts does not differ significantly from their estimated fair value. Consequently, no revaluation surplus or deficit has been recognised in the current period.

9. TRADE AND OTHER RECEIVABLES

	30th June, 2012 HK$'000 (Unaudited)	31st December, 2011 HK$'000 (Audited)
Trade receivables	**69,748**	131,589
Less: allowance for doubtful debts	**(4,834)**	(4,834)
	64,914	126,755
Other receivables	**39,373**	29,926
	104,287	156,681

The Group allows a credit period of 14 days to 90 days to its trade customers. The following is an analysis of trade receivables by age, presented based on the invoice date, net of allowance for doubtful debts:

	30th June, 2012 HK$'000 (Unaudited)	31st December, 2011 HK$'000 (Audited)
0 – 60 days	**59,479**	110,002
61 – 90 days	**5,050**	16,005
> 90 days	**385**	748
	64,914	126,755

10. TRADE AND OTHER PAYABLES AND ACCRUALS

	30th June, 2012 HK$'000 (Unaudited)	31st December, 2011 HK$'000 (Audited)
Trade payables	**81,398**	76,805
Other payables and accruals	**47,814**	64,663
	129,212	141,468

The following is an analysis of trade payables by age, presented based on invoice date:

	30th June, 2012 HK$'000 (Unaudited)	31st December, 2011 HK$'000 (Audited)
0 – 60 days	**63,504**	48,505
61 – 90 days	**12,904**	21,421
> 90 days	**4,990**	6,879
	81,398	76,805

11. SHARE CAPITAL

	Number of shares		Share Capital	
	30th June, 2012	31st December, 2011	**30th June, 2012**	31st December, 2011
	'000	*'000*	***HK$'000***	*HK$'000*
	(Unaudited)	(Audited)	**(Unaudited)**	(Audited)
Ordinary shares at par value of HK$0.10 each:				
Authorised:				
At the beginning and end of the period	**1,000,000**	1,000,000	**100,000**	100,000
Issued and fully paid:				
At the beginning of the period	**717,327**	712,294	**71,733**	71,229
Issued in lieu of cash dividend	**–**	5,033	**–**	504
Exercise of share options *(note)*	**2,320**	–	**232**	–
At the end of the period	**719,647**	717,327	**71,965**	71,733

Note: During the six months ended 30th June, 2012, the Company issued and allotted a total of 2,320,000 ordinary shares (15th February, 2012: 150,000 ordinary shares, 26th March, 2012: 350,000 ordinary shares, 25th April, 2012: 820,000 ordinary shares and 8th May, 2012: 1,000,000 ordinary shares) of HK$0.10 each in the Company at par value to certain share option holders who exercised their share options. These shares issued rank pari passu with the existing shares in all respects.

12. LOAN FROM ULTIMATE HOLDING COMPANY

The amount is unsecured and interest-free. As at 30th June, 2012, the ultimate holding company agreed not to request settlement of HK$72,954,000 (31st December, 2011: HK$87,958,000) within one year and seven months from the end of the reporting period. On 30th June, 2011, the loan amount of approximately HK$72,954,000 due for settlement on 31st May, 2012 was extended to 31st January, 2014. The fair value of the loan from ultimate holding company is determined based on an effective interest rate of 3.0% (31st December, 2011: 3.0%) per annum at the end of the reporting period. The difference between the principal repayment amount of the loan and its fair value previously recognised, amounting to approximately HK$819,000 has been released from deemed contribution from the ultimate holding company due to early settlement of HK$15,000,000.

13. CAPITAL COMMITMENTS

	30th June, 2012	31st December, 2011
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Capital expenditure in respect of the acquisition of property, plant and equipment authorised but not contracted for	**1,061**	2,003

14. CONTINGENT LIABILITIES AND CLAIMS

A. Legal and other claim

i. A legal claim was filed on 10th January, 2011 against Funrise, Inc., a subsidiary of the Company by Charles M. Forman (the "Plaintiff A"), liquidator of a customer of Funrise, Inc. (the "Debtor A").

Plaintiff A alleged its complaint against Funrise, Inc. by bringing adversary proceeding to avoid and recover the monetary value of all such preferential transfer (the "Transfer") made by Debtor A to Funrise, Inc. arising from the Debtor's bankruptcy.

The total potential claim is approximately US$115,000 against Funrise, Inc. (total equivalent to HK$897,000). The Directors believe, based on legal advice, Funrise, Inc. has a meritorious defense based on a "contemporaneous exchange of value". The aforementioned complaint would not result in any material adverse effects on the financial position of the Group. Accordingly no provision is required to be made in the consolidated financial statements.

ii. Pursuant to an arbitral award made on 2nd March, 2012 between Matrix Distribution Limited ("MDL") and Global Brands (Football) Pte Limited (In Creditors' Voluntary Liquidation) ("GB") in respect of disputes arising out of a Supply Appointment Agreement entered into between the companies dated 5th October, 2007 ("Award"), the arbitrator ordered and directed the following: (i) MDL's claims are dismissed; (ii) MDL is to pay to GB within 28 days of the date of the Award the sum of US$7,000,000; and (iii) MDL is to pay to GB interest to be calculated at the prime lending rate of the Bank of China (Hong Kong) Limited in Hong Kong from time to time in effect for loans made in US dollar to commercial borrowers in Hong Kong as follows: (a) on the amount of US$3,500,000 from 1st May, 2009 until the date of the Award; (b) on the amount of US$3,500,000 from 30th June, 2010 until the date of the Award; (c) on the amount of US$7,000,000 from the day after the date of the Award until payment. The arbitrator also ordered and directed the parties to attempt to reach an agreement on costs.

MDL is a limited liability company incorporated in the British Virgin Islands ("BVI"). As at 31st December, 2011, MDL had net liabilities and did not own any significant assets. The Directors anticipate that MDL may be put into liquidation by GB. The Directors are of the opinion that any liquidation of MDL will not affect the financial position of the Group as a whole, or the Company itself. None of the other companies within the Group, including the Company and MDL's intermediate holding company, have any contractual commitment to GB. The Directors therefore consider, after receiving legal advice, that (i) the likelihood of GB making a successful legal claim against any of the companies within the Group is remote; and (ii) the possibility of any transfer of economic benefits in settlement of the claim of US$7,000,000 is remote and thus no provision of US$7,000,000 has been made in the consolidated financial statements.

GB and its former directors represented to MDL that it was an exclusive licensee for footballs bearing trademarks of the Federation Internationale de Football Association ("FIFA"). Based on these representations, MDL entered into several agreements (including the Supply Appointment Agreement) with GB for the manufacture and distribution of such footballs and paid GB sums totaling US$8,070,000. However, MDL subsequently discovered that the agreement between FIFA and GB did not grant GB an exclusive license for footballs bearing the FIFA trademarks, contrary to the representations made to MDL. MDL would not have entered into agreements with GB and paid money to them if it had known that GB was not an exclusive licensee. Based on these representations, MDL has sought legal advice on applying to set aside the Award and to pursue their own rights against GB and its former directors and the legal advisor is in the process of doing further research as to whether a settling aside application can be made.

After deeply investigation & research by the legal adviser, the application to set aside the Award was not recommended. Subsequently, GB applied the winding up petition to the Courts of Hong Kong SAR and BVI. MDL filed opposition to both winding up application. On 16th July, 2012, BVI Court granted GB's application the appointment of the liquidator.

Save and except for the matter specified above, the Group does not have any litigations or claims of material importance and, so far as the Directors are aware, no litigation or claims of material importance are pending or threatened by or against any companies of the Group.

B. Additional tax assessments

The tax position of certain subsidiaries of the Company is currently being reviewed by the IRD, details of which are as set out in note 4.

15. COMPENSATION OF KEY MANAGEMENT PERSONNEL

The remunerations of directors and other members of key management in respect of the period are as follows:

	Six months ended 30th June,	
	2012	2011
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Salaries and other short-term employee benefits	**6,186**	5,963
Share-based payments	**–**	4,262
	6,186	10,225

INTERIM DIVIDEND

The Directors had resolved to declare an interim dividend of HK$1.1 cents (2011: HK1.1 cents in cash) per share for the six months ended 30th June, 2012, payable to shareholders whose names appear on the Register of Members of the Company on 10th September, 2012.

The record date for the purpose of determining the shareholders which are entitled to dividend is 10th September, 2012. 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 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:00 p.m. on 10th September, 2012. The interim dividend will be paid on or around 17th September, 2012.

MANAGEMENT DISCUSSION & ANALYSIS

BUSINESS REVIEW

The Group has good reputation in the industry and has possessed incomparable production experience. Our strategies were to continue our effort in building up close relationships with our major clients, to promote our well-known brands and to develop products under our self-owned brand name. After considering the market conditions, the Group has made appropriate adjustments to its selling price and kept enhancing the added value of products. Besides, specific adjustments have been made to our strategy on low-price product markets and these measures have secured major orders for us. The unstable economy and market environment in major importing countries during the first half of the year has weakened consumption sentiment, with some of our clients adopting a conservative approach to place order, the Group recorded a decrease in turnover. The lighting business for long-term prospect is still at the investment phase. The impact of the rising statutory minimum wage and the labor shortage have led to increasing labor cost, which together with the rising plant overheads, have resulted in the increase in production cost. Under such circumstances, the Group has recorded a loss.

The Group continued to strength the competitiveness of its core production business, and in order to reduce costs, the Group evaluated the scale of idle production facilities and to optimize our production system. We have been actively exploring new sale channels, such as online blog and social media promotion, appointing distribution partners and introducing new sales plan to help identifying new clients worldwide for the Group's products.

Manufacturing operation

The Group operates 5 self-owned factories, one in Zhongshan, Guangdong, China and the others in Danang City and Vinh City, Vietnam. In order to enhance the production efficiency and lower our direct labor cost, the Group has further expanded its production activities and upgraded its automated production lines in Vietnam. Furthermore, we have established a new product research and development ("R&D") center in Shenzhen and have recruited talented R&D team to further improve our R&D capacity, and more high value-added projects have been included to further expand and optimize our product mix. As for the costs, the management kept optimizing procurement procedures for raw materials, and continued to implement strict control over operating expenses, and to restructure its manpower to reduce competition among manufacturers for the sake of preventing them from pushing up the salary level. In addition, taking the streamlined production line into account, positive effect towards the cost efficiency of the Group is well expected.

Segment performance

In respect of sales and marketing, apart from securing a firm foothold in traditional markets like the United States and Europe, we also targeted for increasing orders from customers in emerging economies and have been closely monitoring other new markets, such as Dubai, Panama, Bolivia, Colombia, Brazil and Turkey, so as to expand our geographical coverage. The Group has a strong customer base, and will leverage on the potential advantages brought by its existing customer base in selling new products and keep adjusting its business strategy to cope with the ever changing market environment. We have started producing lighting products that are less sensitive to the economic cycle few years ago. We will continue to explore new business scopes and make better use of our existing production facilities to diversify our product line, so as to further expand our customer base and meet their product demand. The emerging macroeconomic and structural issues posed a threat to manufacturing industries in the Mainland, and forced certain players of the industry to withdraw from major export markets. However, the Group provided quality products consistently, thus securing us a position amongst one of the most reliable manufacturers.

Business development of the Group is as follows:

United States ("US")

The US was still a major export market for the Group's toy products. Our turnover decreased by HK$91,596,000 or 26.3% to HK$256,206,000 in the first half of this year from HK$347,802,000 for the corresponding period last year. The Group has solid partnerships with its original design manufacturing clients. The Group kept developing and exploring new distribution channels to market products for the authorized licensing business brand "TONKA", the self-owned brand "GAZILLION", and the new brand "GIRL ROLE PLAY". Although orders for the aforesaid products and lighting products increased, those for "ACTIVITIES" brand and "HOP" brand decreased because of the seasonal factors of the products. On the other hand, the clients of original equipment manufacturing business have adopted a prudent approach in making purchase, they tended to place orders more conservatively. All these have affected the overall sales for the US market for the period under review. The Group will strive to maintain the authorized licensing business for major brands, enrich other product lines such as "My Life As…" and "Baby Alive", and retain its existing distributors and clients, including Wal-Mart, Target, Costco and Toys "R" US.

Canada

Our turnover in the Canadian market decreased by HK$5,278,000 or 36.8% to HK$9,045,000 in the first half of this year from HK$14,323,000 for the corresponding period last year. As the pace for economic recovery has slowed down, and certain adjustments have been made to some of our licensed brands in response to market changes, we have adjusted the number of our licensed brands. Though orders for lighting products have increased, the turnover in the Canadian market still decreased. However, the Group will strive to retain its existing distributors and clients, including Costco, Wal-Mart and Toys "R" US.

Europe

Europe was also an important market of the Group. Its turnover increased significantly by HK$10,016,000 or 107.8% to HK$19,304,000 in the first half of this year from HK$9,288,000 for the corresponding period last year. Although concerns over the debt crisis still lingered in the European market, orders from new clients in Italy and Switzerland increased and those for "TONKA" products from existing clients, such as Turkish customers increased also, whereas the demand for bubble solutions from Russian clients increased significantly. Besides, orders for lighting products also increased. Although the turnover from the British market for the first half of the year decreased slightly, the overall turnover in the European market still increased significantly. The Group still endeavored to retain its existing distributors and clients.

Asia-Pacific

The turnover in the Asia-Pacific market decreased by HK$6,651,000 or 43.6% to HK$8,587,000 in the first half of this year from HK$15,238,000 for the corresponding period last year. The turnover in Hong Kong, Australia and New Zealand markets decreased as compared with the same period last year. Although orders for lighting products increased, overall turnover in the Asia-Pacific market still decreased, which is due to the slowing down in economic recovery, and the adjustment made to some of our licensed brands in response to market change. The Group still strives to retain its existing distributors and clients, such as Kmart Australia.

South America

The turnover in the South American market increased by HK$3,158,000 or 161.9% to HK$5,109,000 in the first half of this year from HK$1,951,000 for the corresponding period last year, mainly attributable to the stabilized economic conditions and the steady sales volume. Orders for "TONKA" products in these South American countries have increased, and we even extended the sales of our new "NAT GEO" products and "GAZILLION" products to Panama. Taking the increase in orders for lighting products into account, the overall turnover in the South American market increased.

PROSPECTS

In the second half of 2012, the fluctuating market and the economic uncertainties, such as the debt crisis, are expected to affect the demand for our products and the invoiced amount of orders from our customers. It concerns the management that the second half of the year will still be uncertain for the toy industry worldwide, and the management will continue to adopt a cautious approach. The increase in the cost of labor and human resources, the uncertain raw materials and energy costs, the exchange rate of US dollar, the inflation in production cost in Vietnam and all other factors, all these may lead to an increase in our production costs, thus affecting the business of the Group. For the sake of long-term development in the future, the Group will focus on developing more high value-added products, such as metal and die-cast toys and innovative lighting products, and will implement marketing strategies to lay a foundation for our products. The management will actively consider the possibility of facilitating further development, and try its very best to broaden our income source and reduce the dependency over any single business segment.

Looking ahead, the Group's ultimate goal will continue to be maintaining profitability and achieving cost efficiency. As such, we will closely monitor the company's development strategy so as to maximize the return for our shareholders.

FINANCIAL REVIEW

LIQUIDITY AND FINANCIAL RESOURCES

As at 30th June, 2012, the Group had bank balances and cash of approximately HK$32,431,000 (31st December, 2011: HK$45,998,000) and no pledged bank deposit (31st December, 2011: HK$2,183,000) secured for banking facilities granted. As at 30th June, 2012, the Group obtained banking facilities in a total of approximately HK$95,000,000 (31st December, 2011: HK$50,000,000) secured by corporate guarantee given by the Company.

As at 30th June, 2012, the Group had bank borrowings of approximately HK$8,526,000 (31st December, 2011: HK$6,978,000). The Group's gearing ratio, representing the total debt divided by equity attributable to owners of the Company, was 15.7% (31st December, 2011: 16.5%).

During the period, net cash generated from operating activities amounted to approximately HK$25,625,000 (30th June, 2011: net cash used in operating activities HK$78,412,000). The Group has maintained an adequate level of cash flows for its business operations and capital expenditures.

CAPITAL EXPENDITURE

During the period, the Group acquired property at a cost of approximately HK$5,345,000 (30th June, 2011: HK$14,517,000), plant and equipment at a cost of approximately HK$12,538,000 (30th June, 2011: HK$16,699,000) to further enhance and upgrade the production capacity. These capital expenditures were financed primarily by cash flow generated from operations.

ASSETS AND LIABILITIES

At 30th June, 2012, the Group had total assets of approximately HK$784,480,000 (31st December, 2011: HK$840,156,000), total liabilities of approximately HK$286,681,000 (31st December, 2011: HK$296,220,000) and equity attributable to owners of the Company of approximately HK$497,799,000 (31st December, 2011: HK$543,936,000). The net assets of the Group decreased 8.5% to approximately HK$497,799,000 as at 30th June, 2012 (31st December, 2011: HK$543,936,000).

EXCHANGE RATE RISK

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

NUMBER OF EMPLOYEES AND REMUNERATION POLICIES

As at 30th June, 2012, the Group had a total of approximately 11,400 (31st December, 2011: 11,500) employees in Hong Kong, Macau, PRC, Vietnam, US and Europe. The Group provides its employees with competitive remuneration packages commensurate to the level of pay established by the market trend in comparable businesses. A share option scheme was adopted for selected participants (including full-time employees) as incentives or rewards for their contributions to the business and operation of the Group. A mandatory provident fund scheme and respective local retirement benefit schemes are also in place.

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

As at 30th June, 2012, the interests and short positions of the directors and chief executives and their respective associates in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or which were otherwise required to be notified to the Company and the Stock Exchange of Hong Kong Limited (the "Stock Exchange"), pursuant to the Model Code for Securities Transactions by Directors of the Listed Issuers were as follows:

LONG POSITIONS IN ORDINARY SHARES OF THE COMPANY

Ordinary Shares of HK$0.10 each of the Company

Name of director/ chief executive officer	Nature of interests	Number of issued ordinary shares held	Percentage of the issued share capital of the Company
Cheng Yung Pun *(Director)*	Corporate interest *(Note 1)*	526,997,569	73.23%
Cheng Wing See, Nathalie *(Director)*	Personal interest	723,230	0.10%
Cheung Kwok Sing *(Director)*	Personal interest	1,230,000	0.17%
Leung Hong Tai *(Director)*	Personal interest *(Note 2)*	3,442,000	0.48%
Tsang Chung Wa *(Director)*	Personal interest	1,124,251	0.16%
Tse Kam Wah *(Director)*	Personal interest	1,280,000	0.18%
Yu Sui Chuen *(Director)*	Personal interest	668,000	0.09%
Chen Wei Qing *(Chief Executive Officer)*	Personal interest	1,100,000	0.15%

Notes:

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

(2) 2,848,000 shares are held by Ip Yi Mei, spouse of Mr. Leung Hong Tai.

Share Option

	Option type	Number of underlying shares attached to the share options: Outstanding at beginning of period	Exercised during the period	Outstanding at end of period	Exercise price *HK$*	Exercise period
Category 1: Directors/ Chief Executive Officer						
Yu Sui Chuen *(Director)*	2009a	5,000,000 *(Note 1)*	–	5,000,000	1.250	1st March, 2010 to 1st March, 2013
Cheung Kwok Sing *(Director)*	2009a	3,000,000 *(Note 2)*	–	3,000,000	1.250	1st March, 2010 to 1st March, 2013
Leung Hong Tai *(Director)*	2009a	5,000,000 *(Note 3)*	–	5,000,000	1.250	1st March, 2010 to 1st March, 2013
Tsang Chung Wa *(Director)*	2009a	3,000,000 *(Note 4)*	–	3,000,000	1.250	1st March, 2010 to 1st March, 2013
Tse Kam Wah *(Director)*	2009a	3,000,000 *(Note 5)*	–	3,000,000	1.250	1st March, 2010 to 1st March, 2013
Chen Wei Qing *(Chief Executive Officer)*	2009a	3,000,000 *(Note 6)*	–	3,000,000	1.250	1st March, 2010 to 1st March, 2013
Arnold Edward Rubin *(Director)*	2011a	6,300,000 *(Note 7)*	–	6,300,000	1.692	20th July, 2011 to 20th July, 2014
Loke Yu alias Loke Hoi Lam *(Director)*	2011a	300,000 *(Note 8)*	–	300,000	1.692	20th July, 2011 to 20th July, 2014
Mak Shiu Chung, Godfrey *(Director)*	2011a	300,000 *(Note 9)*	–	300,000	1.692	20th July, 2011 to 20th July, 2014
Wan Hing Pui *(Director)*	2011a	300,000 *(Note 10)*	–	300,000	1.692	20th July, 2011 to 20th July, 2014
Total Directors/Chief Executive Officer		29,200,000	–	29,200,000		
Category 2: Employees						
	2009a	22,000,000 *(Note 11)*	(2,320,000)	19,680,000	1.250	1st March, 2010 to 1st March, 2013
	2009b	1,200,000 *(Note 12)*	–	1,200,000	1.448	15th March, 2010 to 15th March, 2013
	2011a	7,500,000 *(Note 13)*	–	7,500,000	1.692	20th July, 2011 to 20th July, 2014
Total Employees		30,700,000	(2,320,000)	28,380,000		
Total all categories		59,900,000	(2,320,000)	57,580,000		

Notes:

(1) Mr. Yu Sui Chuen, an executive director of the Company, has beneficial interests in 5,000,000 underlying shares (representing 0.69% of issued share capital of the Company) in respect of share options granted to him on 1st December, 2009 pursuant to the Company's share option scheme.

(2) Mr. Cheung Kwok Sing, an executive director of the Company, has beneficial interests in 3,000,000 underlying shares (representing 0.42% of issued share capital of the Company) in respect of share options granted to him on 1st December, 2009 pursuant to the Company's share option scheme.

(3) Mr. Leung Hong Tai, an executive director of the Company, has beneficial interests in 5,000,000 underlying shares (representing 0.69% of issued share capital of the Company) in respect of share options granted to him on 1st December, 2009 pursuant to the Company's share option scheme.

(4) Mr. Tsang Chung Wa, an executive director of the Company, has beneficial interests in 3,000,000 underlying shares (representing 0.42% of issued share capital of the Company) in respect of share options granted to him on 1st December, 2009 pursuant to the Company's share option scheme.

(5) Mr. Tse Kam Wah, an executive director of the Company, has beneficial interests in 3,000,000 underlying shares (representing 0.42% of issued share capital of the Company) in respect of share options granted to him on 1st December, 2009 pursuant to the Company's share option scheme.

(6) Mr. Chen Wei Qing, a chief executive officer of the Company, has beneficial interests in 3,000,000 underlying shares (representing 0.42% of issued share capital of the Company) in respect of share options granted to him on 1st December, 2009 pursuant to the Company's share option scheme.

(7) Mr. Arnold Edward Rubin, an executive director of the Company, has beneficial interests in 6,300,000 underlying shares (representing 0.88% of issued share capital of the Company) in respect of share options granted to him on 21st April, 2011 pursuant to the Company's share option scheme.

(8) Dr. Loke Yu alias Loke Hoi Lam, an independent non-executive director of the Company, has beneficial interests in 300,000 underlying shares (representing 0.04% of issued share capital of the Company) in respect of share options granted to him on 21st April, 2011 pursuant to the Company's share option scheme.

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

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

(11) The 19,680,000 underlying shares (representing approximately 2.73% of issued share capital of the Company) in respect of share options were granted on 1st December, 2009 pursuant to the Company's share option scheme (after the share options carry rights to subscribe for 2,320,000 underlying shares were exercised in February to May 2012).

(12) The 1,200,000 underlying shares (representing approximately 0.17% of issued share capital of the Company) in respect of share options were granted on 15th December, 2009 pursuant to the Company's share option scheme.

(13) The 7,500,000 underlying shares (representing approximately 1.04% of issued share capital of the Company) in respect of share options were granted on 21st April, 2011 pursuant to the Company's share option scheme.

Details of specific category of share options are as follows:

Option Type	Date of grant	Vesting period	Exercise period	Exercise price
2009a	1st December, 2009	3 months	1st March, 2010 to 1st March, 2013	HK$1.250
2009b	15th December, 2009	3 months	15th March, 2010 to 15th March, 2013	HK$1.448
2011a	21st April, 2011	3 months	20th July, 2011 to 20th July, 2014	HK$1.692

During the six months ended 30th June, 2012, the options carry rights to subscribe for a total of 2,320,000 shares had been exercised during the period from February to May 2012 (options carry rights to subscribe for 150,000 shares exercised on 15th February, 2012, for 350,000 shares exercised on 26th March, 2012, for 820,000 shares exercised on 25th April, 2012 and for 1,000,000 shares exercised on 8th May, 2012).

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

Option Type	2009a	2009b	2011a
Weighted average share price	HK$1.129	HK$1.133	HK$1.692
Exercise price	HK$1.250	HK$1.448	HK$1.692
Expected volatility	96.00%	97.00%	99.00%
Expected life	3 years	3 years	3 years
Risk-free rate	1.50%	1.62%	1.06%
Expected dividend yield	3.81%	3.40%	4.70%

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

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

The fair value of services received under an equity-settled share-based payment arrangement is determined by reference to the fair value of share options granted at the grant date and is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity (share options reserve). Details of the accounting policy for equity-settled shared-based payment transactions are set out in the Group's financial statements for the six months ended 30th June, 2012.

The Group recognised nil expenses for the six months ended 30th June, 2012 (31st December, 2011: HK$12,747,000) in relation to share options granted by the Company.

Other than as disclosed above, none of the directors, chief executives nor their respective associates had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations as at 30th June, 2012.

ARRANGEMENTS TO PURCHASE SHARES AND DEBENTURES

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

SUBSTANTIAL SHAREHOLDERS

As at 30th June, 2012, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO shows that the following shareholders had notified the Company of relevant interests and short positions in the issued share capital of the Company:

LONG POSITIONS IN ORDINARY SHARES OF THE COMPANY

Ordinary Shares of HK$0.10 each of the Company

Name of shareholder	Capacity	Number of issued ordinary shares held	Percentage of the issued share capital of the Company
Smart Forest *(Note 1)*	Beneficial owner	526,997,569	73.23%

Notes:

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

Other than as disclosed above, the Company has not been notified of any other relevant interests or short positions in the issued share capital of the Company as at 30th June, 2012.

SHARE OPTION SCHEME

A new share option scheme of the Company has been adopted on 4th May, 2012 (the "2012 Share Option Scheme") to replace the one adopted on 17th December, 2002 (the "2002 Share Option Scheme"). The key terms of the 2002 Share Option Scheme has been summarised in our 2011 Annual Report published on 27th March, 2012.

As at 30th June, 2012, the total number of shares available for issue of option under the 2012 Share Option Scheme was 71,864,731 shares (after the 2012 Share Option Scheme adopted on 4th May, 2012) which representing 9.99% of the issued share capital of the Company (after the enlarged issued share capital in 719,647,313 shares under the issue of 2,320,000 shares in respect of exercise of share options in February to May 2012 during the period under review).

During the six months ended 30th June, 2012, the options carry rights to subscribe for 2,320,000 shares has been exercised during the period from February to May 2012.

As at 30th June, 2012, the options which has been granted, exercised and remained outstanding carry rights to subscribe for 57,580,000 shares (31st December, 2011: 59,900,000) representing 8.00% (31st December, 2011: 8.35%) of the shares in issue at that date.

Options may be exercised at any time for the period beginning 90 days after the date of grant of the option and ending three years thereafter.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

During the six months ended 30th June, 2012, 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 Company's own CG Code was revised and adopted on 30th March, 2012 in accordance with the new Listing Rules effective on 1st April, 2012. 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 CG Code as set out in Appendix 14 of the Listing Rules and its own code throughout the six months ended except for the deviations from i) the code provision A.4.1. of the CG Code that none of the existing non-executive directors of the Company (including independent non-executive) is appointed for a specific term. However, all the non-executive directors of the Company (including independent non-executive) are subject to the retirement provisions under the Company's bye-laws. As such, 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 CG Code; ii) the code provision A.1.8 that the Company should arrange appropriate insurance cover in respect of legal action against its directors. The Company is now in progress of reviewing an appropriate insurance policy for the directors of the Company or together with all members of the Group.

OTHER INFORMATION OF DIRECTOR

In the last three years, i) Dr. Loke Yu alias Loke Hoi Lam (independent non-executive director ("INED") of the Company) had been the INED of Zmay Holdings Limited (a company listed at the Stock Exchange); but he has resigned on 18th September, 2009; and ii) Mr. Cheng Yung Pun (Chairman and executive director of the Company) had been the chairman and executive director of Wah Nam International Holdings Limited (a company listed at the Stock Exchange); but he has resigned on 16th February, 2009.

During the period under review, Mr. Cheng Yung Pun, was appointed as chairman of the newly established Nomination Committee of the Company and Dr. Loke Yu alias Loke Hoi Lam, Mr. Wan Hing Pui and Mr. Mak Shiu Chung, Godfrey, the INEDs of the Company, were appointed as the members of the Nomination Committee of the Company with effect from 30th March, 2012.

In addition, the director's emolument (including any sum receivable as director's fee or remuneration) per month of Mr. Cheng Yung Pun, Ms. Cheng Wing See, Nathalie, Mr. Yu Sui Chuen, Mr. Cheung Kwok Sing, Mr. Leung Hong Tai, Mr. Tsang Chung Wa and Mr. Tse Kam Wah had been adjusted to HK$79,000, HK$46,000, HK$104,000, HK$80,000, HK$85,000, HK$68,000 and HK$85,000 respectively with effect from 1st January, 2012.

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

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

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

BOARD COMMITTEES

The Nomination Committee has been established on 30th March, 2012 which is comprising the Company's Chairman, Mr. Cheng Yung Pun (Chairman) and three INEDs, namely Dr. Loke Yu alias Loke Hoi Lam, Mr. Mak Shiu Chung, Godfrey and Mr. Wan Hing Pui, and meets at least once a year. The Audit Committee is comprising the said INEDs who have extensive experience in financial matters and meets at least twice a year. The Remuneration Committee is also comprising the said INEDs and meets at least once a year. All Committees have adopted terms of reference (containing the minimum prescribed duties) that are in line with the CG Code and the Company's own CG Code.

OTHER REQUIRED DISCLOSURE PURSUANT TO RULE 13.18 OF THE LISTING RULES

With regard to i) the renewed facilities of up to an aggregate extent of HK$12,000,000 previously granted to one of the indirect wholly-owned subsidiaries of the Company by the bank in Macau (the "Bank"); and ii) the renewed facilities of up to an aggregate extent of HK$38,000,000 previously granted to another indirect wholly-owned subsidiary of the Company by the Bank, the renewed facility letters have been provided by the Bank on 20th July, 2012 regarding the renewal of the facilities for half year further (the "renewed facilities"). The terms and conditions of the facility letters for the renewed facilities including, inter alia, a condition to the effect that Mr. Cheng Yung Pun ("Mr. Cheng", a controlling shareholder of the Company) should maintain not less than 51% of shareholding (whether directly or indirectly) of the Company, remain unchanged. A breach of the above condition will constitute an event of default under the renewed facilities. If any significant change on the above condition occurs, the Bank can request to adjust or terminate the renewed facilities.

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

REVIEW OF INTERIM RESULTS

The unaudited interim results for the six months ended 30th June, 2012 have been reviewed by the Audit Committee, who is of the opinion that these interim results comply with applicable accounting standard and legal requirements, and that adequate disclosures have been made.

By Order of the Board
Cheng Yung Pun
Chairman

Hong Kong, 23rd August, 2012

This interim report is published in both English and Chinese. Should any conflict regarding meaning arises, the English version shall prevail.