



MATRIX

Matrix Holdings Limited

美力時集團有限公司

(Incorporated in Bermuda with limited liability)

Stock Code : 1005

Interim Report **2013**

OUR MISSION

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

AUDIT COMMITTEE & REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

COMPANY SECRETARY

Lai Mei Fong

AUDITOR

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

REGISTERED OFFICE

Canon's Court
22 Victoria Street
Hamilton HM12
Bermuda

SHARE REGISTRAR

Butterfield Fulcrum Group (Bermuda) Limited
26 Burnaby Street
Hamilton HM11
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 BANKER

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,		
	2013	2012	Changes
	HK\$	<i>HK\$</i>	%
Turnover	403,749,000	307,224,000	+31.4%
Profit (loss) attributable to owners of the Company	7,019,000	(24,651,000)	+128.5%
Basic earnings per share	0.01	(0.03)	+133.3%
Interim dividend, declared	0.020	0.011	+81.8%
Gross profit margin ratio (%)	29.9%	25.5%	+17.3%

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, 2013, together with the comparative figures for the corresponding period in 2012.

For the six months ended 30th June 2013, the consolidated turnover of the Group increased by HK\$96,525,000 or 31.4% to HK\$403,749,000 as compared with HK\$307,224,000 for the corresponding period last year, and profit attributable to the owners of the Company increased by HK\$31,670,000 or 128.5% to a profit of HK\$7,019,000 as compared with a loss of HK\$24,651,000 for the corresponding period last year. The Group regarded the plants in Vietnam as its key production base, which was beneficial in avoiding the endless cost pressure that arose from the factories located at the Pearl River Delta region in China. The labour costs in Vietnam are relatively low and more stable, which are favourable in providing a stable production environment for the Group. Benefiting from this strategy, the existing core business of the Group had consolidated its competitive advantages through this scale change. In addition, we continued our efforts in building up close co-operation relationships with our major clients that have strong toy brands to further develop the well-known brands, stabilizing sales through adopting the strategy of developing products under our self-owned brand name. Therefore, during the period under review, we not only had benefited from the increase in sales from toy manufacturing business, our lighting products also received good response from markets, and along with improved average selling price, the overall sales of the Group had increased, with an improvement in gross profit margin. Apart from gradually moving towards the goal of achieving more balanced income portfolio through establishment of new business, the increase in turnover had driven the increase in revenue, hence the Group recorded a turnaround. The improving business environment such as relative steady in material prices and RMB exchange rate in the first half of the year, and improvement in the Group's operational efficiency, had to a certain extent offset the increasing labour costs because of inflation, and offset the increase in operating expenses as a result of the increase in other costs.

For the six months ended 30th June, 2013, the United States continued to be the largest customer market of the Group, accounting for approximately 80.5% of the Group's total turnover (2012: 83.4%). The other significant customer markets for the Group included Europe, Australia & New Zealand and Canada, which accounted for approximately 5.1% (2012: 6.3%), 3.9% (2012: 1.8%) and 3.8% (2012: 2.9%) respectively.

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30th June, 2013

	NOTES	Six months ended 30th June,	
		2013 HK\$'000 (Unaudited)	2012 HK\$'000 (Unaudited)
Turnover	3	403,749	307,224
Cost of sales		(283,054)	(228,816)
Gross profit		120,695	78,408
Other income		1,201	2,457
Distribution and selling costs		(49,016)	(40,534)
Administrative expenses		(59,198)	(56,491)
Other gains and losses		(2,539)	(2,151)
Research and development costs		(3,872)	(5,787)
Finance costs		(1,350)	(1,291)
Profit (loss) before taxation		5,921	(25,389)
Income tax credit	4	1,098	738
Profit (loss) for the period attributable to owners of the Company	5	7,019	(24,651)
Other comprehensive income (expense) for the period			
<i>Items that may be reclassified to profit or loss</i>			
Exchange differences arising on translation of foreign operations		(3,442)	1,621
Total comprehensive income/(expense) for the period attributable to owners of the Company		3,577	(23,030)
Earnings per share			
– Basic	7	HK\$0.01	HK\$(0.03)
– Diluted	7	HK\$0.01	HK\$(0.03)

Condensed Consolidated Statement of Financial Position

At 30th June, 2013

	NOTES	30th June, 2013 HK\$'000 (Unaudited)	31st December, 2012 HK\$'000 (Audited)
Non-current assets			
Property, plant and equipment	8	251,027	256,800
Prepaid lease payments		902	919
Goodwill		96,822	96,822
Intangible assets		–	5,457
Deferred tax assets		6,928	6,787
Deposits paid for acquisition of property, plant and equipment		–	1,039
		355,679	367,824
Current assets			
Inventories		354,845	295,925
Trade and other receivables	9	154,955	178,056
Prepaid lease payments		32	32
Tax recoverable		6,731	7,369
Bank balances and cash		21,652	43,305
		538,215	524,687
Current liabilities			
Trade and other payables and accruals	10	194,376	185,009
Tax payable		56,517	59,966
Unsecured bank borrowings		27,156	25,805
		278,049	270,780
Net current assets			
		260,166	253,907
Total assets less current liabilities			
		615,845	621,731
Capital and reserves			
Share capital	11	75,573	72,310
Reserves		503,570	474,311
Equity attributable to owners of the Company		579,143	546,621
Non-current liabilities			
Deferred tax liabilities		3,294	4,436
Loan from ultimate holding company	12	33,408	70,674
		36,702	75,110
		615,845	621,731

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30th June, 2013

	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, 2012 (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)
Exercise of shares options	232	4,168	-	-	(1,500)	-	-	-	-	2,900
Release of deemed contribution from ultimate holding company (note 12)	-	-	-	(818)	-	-	-	-	-	(818)
Dividend paid (note 6)	-	-	-	-	-	-	-	-	(25,188)	(25,188)
At 30th June, 2012 (unaudited)	71,965	123,103	771	21,624	40,573	80,781	49	(41,261)	200,195	497,800
Profit for the period	-	-	-	-	-	-	-	-	48,004	48,004
Other comprehensive income for the period	-	-	-	-	-	756	-	336	3,327	4,419
Total comprehensive income for the period	-	-	-	-	-	756	-	336	51,331	52,423
Exercise of share options	345	6,198	-	-	(2,230)	-	-	-	-	4,313
Dividend paid (note 6)	-	-	-	-	-	-	-	-	(7,915)	(7,915)
At 31st December, 2012 (audited)	72,310	129,301	771	21,624	38,343	81,537	49	(40,925)	243,611	546,621
Profit for the period	-	-	-	-	-	-	-	-	7,019	7,019
Other comprehensive expense for the period	-	-	-	-	-	-	-	(3,442)	-	(3,442)
Total comprehensive expense for the period	-	-	-	-	-	-	-	(3,442)	7,019	3,577
Exercise of share options	3,263	58,618	-	-	(21,094)	-	-	-	-	40,787
Loss of invest to subsidiaries	-	-	(970)	-	-	-	-	-	-	(970)
Lapse of share options	-	-	-	-	(4,503)	-	-	-	4,503	-
Release of deemed contribution from ultimate holding company (note 12)	-	-	-	(1,048)	-	-	-	-	-	(1,048)
Dividend paid (note 6)	-	-	-	-	-	-	-	-	(9,824)	(9,824)
At 30th June, 2013 (unaudited)	75,573	187,919	(199)	20,576	12,746	81,537	49	(44,367)	245,309	579,143

Notes:

- The special reserve of the Group of negative HK\$199,000 represents the difference between the nominal amount of the share capital issued by the Company and the aggregate nominal amount of the share capital of subsidiaries acquired in exchange under the group reorganisation in 1994.
- 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.
- 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, 2013

	Six months ended 30th June,	
	2013 HK\$'000 (Unaudited)	2012 HK\$'000 (Unaudited)
OPERATING ACTIVITIES		
NET CASH (USED IN)/GENERATED FROM OPERATING ACTIVITIES	(133)	25,625
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(17,857)	(15,529)
Decrease in the pledged bank deposit	–	2,183
Deposit paid for acquisition of property, plant & equipment	3,165	(2,354)
Other investing cash flow	20	14
NET CASH USED IN INVESTING ACTIVITIES	(14,672)	(15,686)
FINANCING ACTIVITIES		
Dividends paid	(9,824)	(29,920)
Repayments of bank loans	(58,356)	(12,191)
Repayments of loan from ultimate holding company	(39,163)	(15,000)
New bank loans raised	59,707	13,739
Proceeds on issue of shares	40,788	2,900
Advance from a director	–	16,966
NET CASH USED IN FINANCING ACTIVITIES	(6,848)	(23,506)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(21,653)	(13,567)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	43,305	45,998
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD, represented by Bank balances and cash	21,652	32,431

Notes to the Condensed Consolidated Financial Information

For the six months ended 30th June, 2013

1. BASIS OF PREPARATION

The unaudited condensed consolidated financial information 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 information should be read in conjunction with the annual financial statements for the year ended 31st December, 2012.

2. PRINCIPAL ACCOUNTING POLICIES

The unaudited condensed consolidated financial information 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.

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 31st December, 2012, as described in those annual financial statements.

HKFRS 13 Fair Value Measurement

HKFRS 13 establishes a single source of guidance under HKFRSs for all fair value measurements. HKFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under HKFRSs when fair value is required or permitted.

HKFRS 13 also requires specific disclosures on fair values, some of which replace existing disclosure requirements in other standards, including HKFRS 7 Financial Instruments: Disclosures.

The adoption of HKFRS 13 has impact on the disclosure requirements on the Group’s Interim Financial statements only.

HKAS 1 Presentation of Items of Other Comprehensive Income – Amendments to HKAS 1

The amendments to HKAS 1 introduce a grouping of items presented in other comprehensive income. Items that could be reclassified to profit or loss at a future point in time now have to be presented separately from items that will never be reclassified. The adoption of these amendments affected presentation only and had no impact on the Group’s results of operations or financial position.

The following amendments to standards are mandatory for the first time for the financial year beginning 1st January, 2013 and have no material impact to the Group.

HKAS 19 (Amendment)	Employee benefits
HKAS 27 (2011)	Separate financial statements
HKAS 28 (2011)	Investments in associates and joint ventures
HKFRS 7 (Amendment)	Financial instruments: disclosure – offsetting financial assets and financial liabilities
HKFRS 10	Consolidated financial statements
HKFRS 11	Joint arrangements
HKFRS 12	Disclosures of interests in other entities
HK(IFRIC) – Int 20	Stripping costs in the production phase of a surface mine
Annual Improvements Project	Annual improvements 2009-2011 cycle

3. SEGMENT INFORMATION

Segment revenues and results

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	
	2013	2012	2013	2012
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
United States	325,130	256,206	47,333	23,294
Europe	20,644	19,304	2,742	575
Mexico	4,048	3,428	575	214
Canada	15,456	9,046	2,001	888
South America	13,213	5,109	1,739	286
Australia and New Zealand	15,642	5,425	1,614	211
All other locations (<i>Note</i>)	9,616	8,706	1,205	267
	403,749	307,224	57,209	25,735
Unallocated income			849	11
Unallocated expenses			(50,787)	(49,844)
Finance costs			(1,350)	(1,291)
Profit (loss) before taxation			5,921	(25,389)
Income tax credit			1,098	738
Profit (loss) for the period			7,019	(24,651)

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

Segment profit represents the pre-tax 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.

Segment assets and liabilities

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

At 30th June 2013 (Unaudited)	United States <i>HK\$'000</i>	Canada <i>HK\$'000</i>	Europe <i>HK\$'000</i>	South America <i>HK\$'000</i>	Australia & New Zealand <i>HK\$'000</i>	Mexico <i>HK\$'000</i>	All other locations <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
ASSETS								
Total segment assets	360,639	17,599	26,350	20,281	18,146	4,922	44,070	492,007
Property, plant and equipment								251,027
Unallocated and corporate assets								150,860
Consolidated assets								893,894
LIABILITIES								
Segment liabilities	97,760	4,297	5,775	3,674	4,370	1,126	20,267	137,269
Unallocated and other corporate liabilities								177,482
Consolidated liabilities								314,751

At 31st December 2012 (Audited)	United States <i>HK\$'000</i>	Canada <i>HK\$'000</i>	Europe <i>HK\$'000</i>	South America <i>HK\$'000</i>	Australia & New Zealand <i>HK\$'000</i>	Mexico <i>HK\$'000</i>	All other locations <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
ASSETS								
Total segment assets	359,536	20,167	25,074	7,806	10,647	10,620	32,223	466,073
Property, plant and equipment								256,800
Unallocated and corporate assets								169,638
Consolidated assets								892,511
LIABILITIES								
Segment liabilities	112,562	5,492	5,308	1,909	2,466	2,611	15,176	145,524
Unallocated and other corporate liabilities								200,366
Consolidated liabilities								345,890

4. INCOME TAX CREDIT

	Six months ended 30th June,	
	2013 <i>HK\$'000</i> (Unaudited)	2012 <i>HK\$'000</i> (Unaudited)
Current tax:		
Hong Kong	(50)	(50)
Other jurisdictions	(316)	(109)
	(366)	(159)
Underprovision in prior years		
Hong Kong	72	(10)
Other jurisdictions	120	(19)
	192	(29)
Deferred tax:		
Current period	1,272	926
Income tax credit	1,098	738

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for the period ended 30th June 2013 and 2012.

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 was 10% during their operating periods. MVN was 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. During the year ended 31st December, 2011, the applicable tax rates for MVN and KVN were 5% and 10% respectively. MVN was in its seventh profit-making year during the year ended 31st December, 2011. The applicable Vietnam enterprise income tax rate for Associated Manufacturing Vietnam Company Limited ("AVN") was 15% for twelve years starting from the date of operation and followed by 25% thereafter. AVN was 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. During the year ended 31st December, 2011, AVN was exempted from Vietnam enterprise income tax as it was the fourth profit-making year of AVN.

Pursuant to the Circular 199/2012/TT-BTC "Guiding Implementation of the Government's Decree No.122/2011IND-CP, of 27th December, 2011, on change of the Enterprise Income Tax Incentives for Enterprises Being Enjoyed the Enterprise Income Tax Incentives by Meeting the Conditions for Incentives on the Export Rate which are terminated due to the Implementation of World Trade Organization Commitment", ("Guiding Implementation 2012") issued by the Ministry of Finance, Vietnam on 15th November, 2012, the applicable tax rate for MVN and KVN is 15% during the remaining term of their operations while the applicable tax rate for AVN is 7.5% for calendar year from 2012 to 2016 and 25% from 2017 to end of the term of its operation.

Accordingly, the applicable tax rate for MVN, KVN and AVN are 15%, 15% and 7.5% respectively for the year ended 31st December, 2012 and the period ended 30th June 2013.

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 was under audit by the Hong Kong Inland Revenue Department (“IRD”). Additional tax assessments to certain subsidiaries were issued by IRD in the past few years in respect of the years of assessment 2000/2001 to 2007/2008. The Group filed objections against such assessments. The Company had appointed a tax advisor to assist the Group in handling this tax audit and a settlement proposal was submitted to IRD in year 2011. After several meetings and discussions with the case officers of IRD, the Company and IRD had reached a settlement agreement. In January, 2013, IRD issued final tax assessments on certain subsidiaries, the directors of the Company considered that the tax provision brought forward from prior year is sufficient to cover the tax assessments amount, penalty, potential surcharges and interests. A written representation for the arrangement of the tax settlement has been submitted to IRD.

5. PROFIT (LOSS) FOR THE PERIOD

	Six months ended 30th June,	
	2013	2012
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Profit (loss) for the period has been arrived at after charging:		
Depreciation of property, plant and equipment	21,495	22,486
Net loss on disposal of property, plant and equipment	–	3
Amortisation of intangible assets included in cost of sales <i>(Note)</i>	5,458	6,218
Amortisation of prepaid lease payments	17	16
Net exchange loss	1,717	2,151

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 HK1.3 cents per share in respect of year ended 31st December, 2012 (2012: HK3.5 cents per share in respect of the year ended 31st December, 2011) 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\$9,824,000 (2012: HK\$25,188,000).

In respect of the current interim period, the Directors had resolved to declare an interim dividend of HK2.0 cents (2012: 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 12th September, 2013. This dividend was declared after the interim reporting date, and therefore has not been included as a liability in the condensed statement of financial position.

7. 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:

Earnings	Six months ended 30th June,	
	2013 HK\$'000 (Unaudited)	2012 HK\$'000 (Unaudited)
Earnings for the purpose of basic and diluted earnings per share (Profit (loss) for the period attributable to owners of the Company)	7,019	(24,651)

Number of shares	Six months ended 30th June,	
	2013 (Unaudited)	2012 (Unaudited)
Weighted average number of ordinary shares for the purpose of basic earnings per share	750,505,646	718,225,335
Effect of dilutive potential ordinary shares: Share options issued by the Company	12,747,000	14,399,226
Weighted average number of ordinary shares for the purpose of diluted earnings per share	763,252,646	732,624,561

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\$17,857,000 (six months ended 30th June, 2012: HK\$15,529,000).

In the opinion of the directors of the Company, the aggregate amount of the Group's leasehold property 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 recognized in the current period.

The valuations of the property, plant and equipment were carried out by an independent RHL who is a qualified surveyor. The fair value measurement information for these property, plant and equipment in accordance with HKFRS 13 are given below.

Fair value measurements at 30th June, 2013			
Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	
(Unaudited)	(Unaudited)	(Unaudited)	
Recurring fair value measurements			
Property, plant and equipment	–	195,334	–

There were no transfers among Level 1, 2 and 3 during the period.

The Group's plant and machinery in the PRC and Vietnam were revalued by RHL Appraisal Ltd ("RHL"), Chartered Surveyors and FCC Control and Fumigation Company, Danang Branch ("FCC") Chartered Surveyors respectively in 2012. The Group's plant and machinery has been valued using direct comparison approach by making reference to comparable sales transactions available in the relevant market and depreciated replacement cost method by making reference to the costs required to reproduce or replace equipment appraised in accordance with current market prices for similar equipment and deducting for physical deterioration and all relevant forms of obsolescence and optimization. Both RHL and FCC are not connected with the Group.

The Group's leasehold properties in the PRC and Vietnam were revalued by RHL and FCC respectively. The leasehold properties have been valued using direct comparison approach by making reference to comparable sales transactions available in the relevant market and/or depreciated replacement cost method by making reference to the construction costs required to rebuild the buildings and deducting for physical deterioration and all relevant forms of obsolescence and optimization.

9. TRADE AND OTHER RECEIVABLES

	30th June, 2013 <i>HK\$'000</i> (Unaudited)	31st December, 2012 <i>HK\$'000</i> (Audited)
Trade receivables	105,361	154,111
Less: allowance for doubtful debts	(4,834)	(4,834)
	100,527	149,277
Other receivables, deposit and prepayments	54,428	28,779
	154,955	178,056

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, 2013 <i>HK\$'000</i> (Unaudited)	31st December, 2012 <i>HK\$'000</i> (Audited)
0 – 60 days	86,871	141,115
61 – 90 days	11,619	7,382
> 90 days	2,037	780
	100,527	149,277

10. TRADE AND OTHER PAYABLES AND ACCRUALS

	30th June, 2013 <i>HK\$'000</i> (Unaudited)	31st December, 2012 <i>HK\$'000</i> (Audited)
Trade payables	112,261	123,362
Other payables and accruals	82,115	61,647
	194,376	185,009

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

	30th June, 2013 HK\$'000 (Unaudited)	31st December, 2012 HK\$'000 (Audited)
0 – 60 days	65,718	54,508
61 – 90 days	27,414	50,227
> 90 days	19,129	18,627
	112,261	123,362

11. SHARE CAPITAL

	Number of shares		Share Capital	
	30th June, 2013 '000 (Unaudited)	31st December, 2012 '000 (Audited)	30th June, 2013 HK\$'000 (Unaudited)	31st December, 2012 HK\$'000 (Audited)
Ordinary shares at par value of HK\$0.10 each:				
<i>Authorised:</i>				
At the beginning and end of the period	1,000,000	1,000,000	100,000	100,000
<i>Issued and fully paid:</i>				
At the beginning of the period	723,097	717,327	72,310	71,733
Exercise of share options (<i>note</i>)	32,630	5,770	3,263	577
At the end of the period	755,727	723,097	75,573	72,310

Note: During the year ended 31st December, 2012 and the six months ended 30th June, 2013, the Company issued and allotted a total of 5,770,000 ordinary shares and 32,630,000 ordinary shares respectively 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 then existing shares in all respects.

12. LOAN FROM ULTIMATE HOLDING COMPANY

The amount is unsecured and interest-free. As at 30th June, 2013, the ultimate holding company agreed the settlement date of HK\$33,791,000 (31st December, 2012: HK\$72,958,000) is 31st January, 2014 (31st December, 2012: 31st January, 2014) from the end of the reporting period. On 30th June, 2011, the repayment dates of loans of approximately HK\$73,427,000 and HK\$14,531,000 due for settlement on 31st May, 2012 and 30th June, 2012 respectively were both 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, 2012: 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 recognized, amounting to approximately HK\$1,048,000 has been released from deemed contribution from the ultimate holding company due to early settlement of HK\$39,163,000.

13. CAPITAL COMMITMENTS

	30th June, 2013 HK\$'000 (Unaudited)	31st December, 2012 HK\$'000 (Audited)
Capital expenditure in respect of the acquisition of property, plant and equipment authorized but not contracted for	129	904

14. 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, 2013 HK\$'000 (Unaudited)	2012 HK\$'000 (Unaudited)
Salaries and other short-term employee benefits	6,576	6,186
Share-based payments	–	–
	6,576	6,186

INTERIM DIVIDEND

The Directors had resolved to declare an interim dividend of HK2.0 cents (2012: HK1.1 cents in cash) per share for the six months ended 30th June, 2013, payable to shareholders whose names appear on the Register of Members of the Company on 12th September, 2013.

The record date for the purpose of determining the shareholders which are entitled to dividend is 12th September, 2013. 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 12th September, 2013. The interim dividend will be paid on or around 17th September, 2013.

MANAGEMENT DISCUSSION & ANALYSIS

BUSINESS REVIEW

The business operation of the Group includes the Original Design Manufacturing ("ODM") and Original Equipment Manufacturing ("OEM") based toy business, and the development, design, manufacturing and sales of the Own Brand Manufacturing ("OBM") based lighting products business, supplemented by its key production base in Vietnam. While such diversified business platform supported the progressive growth of the Group, it also helped the Group to reduce the risks and challenges that arise from the industry in which it operates and where the market is locating. With the gradual recovery in global demand, along with the more and more parents beliefs that too obsessed by modern young children in digital toys such as electronic games will inhibit their imagination and creativity, so reverting back to basic traditional toy is becoming a general trend. Under the support of the upsurge trend, our export of traditional toys achieved a better growth than expected. Dedicated design, mold setting, engineering, quality control and other technologies provided by the Group to licensed overseas toy clients continued to be the growing arena of the Group. Along with the business of entering into manufacturing contracts with foreign well-known retailers and licence holders in US, it occupied a substantial proportion of the Group's revenue. Also, we provided products to well-known OEM clients and maintained close relationships in keeping up with the market trend. In addition, we strived to design and sell toys and lighting products of our own brand in expanding our business network, exploring market opportunities and promoting product image through various products, and participating in the influential international trade exhibitions to improve market share. The Group will continue to manage prudently its cost and streamline its operation, and at the same time, maintain a healthy assets and liabilities position to support our development plan for our existing and new businesses.

Manufacturing operation

The Group's existing production base operated in Vietnam has the advantages in labour costs, supply and costs over China. The relocation of production base from China to Vietnam helps diversifying production investments and brings less pressure from the currency appreciation than in China. Apart from restructuring the business model and streamlining the business structure to improve the overall efficiency, the Group consolidated its production factories in Vietnam and Mainland China to reduce its cost pressure. The Group also improved continuously its operating conditions and enhanced cost control measures and increased production activities efficiency to maintain the stable development of its business. In addition, apart from reorganizing its human resources structure, replacing inefficient machineries with high maintenance costs, the Group also revised the working regulations and standards to rationalize its business structure and working process. The Group further took various measures, including exploration and utilization of potential opportunities in idle seasonal productivity to leverage on the seasonal idle production capacity, thereby increasing the productivity and achieving more cost-effective production and improving the overall efficiency of productivity. To cope with the increasing concerns from oversea markets on product safety and environmental protection, the Group will pay close attention and monitor the changes in safety standards and regulations in different markets to comply with the new requirements, so that our operating production base will move towards in becoming an increasingly stringent factory.

Segment performance

There are potential business opportunities in emerging markets due to economic rejuvenation. However, the sales prospects in developed countries (other than the US) may be still uncertain. The Group has always been actively exploring new sales channels in emerging markets and appoints new distribution partners and introduces new sales plans in emerging markets in order to identify the demand for the Group's products by clients worldwide. Besides the consistent marketing efforts on electronic and paper media, as the interactive buying model with price comparison on internet has become a growing trend, the Group also promotes its products through social media, such as online blog, Sina, Weibo and YouTube. In addition, the Group was able to actively enrich its product categories and mix for its authorized licensing business brand "Tonka" and "My Little Pony", its self-owned brand "Gazillion ® Bubbles" and others like girls role-playing and Activities products series as well as introducing various new products series, which was the contribution of its dedicated research and development efforts. The Group continued to expand its distribution channels in the US, European, other countries and emerging markets through participating in more exhibitions and establishing new sales channels, such as direct sales and chain stores and online stores. By leveraging on its existing marketing plans for Tonka and My Little Pony products, the market demand for a new series of metal and die-cast toys of Tonka and My Little Pony products were satisfactory and the turnover was satisfactory. The Group also closely monitored other emerging markets, reformed product mix, enriched its new products lines and mix, integrated the inventory and marketing and improved the marketing structure to expand the geographical coverage and secure new orders from clients. It also actively developed the business of its lighting brand "Viribright", studied continuously the feasibility for introducing new products, actively expanded and established new distribution channels through increasing participation in lighting products exhibitions. In addition, toy safety is still the most concerned issue whether in developed and emerging markets. Besides the statutory requirements, the Group also focuses on quality and design to improve the value of products.

United States ("US")

The US was still a major export market for the Group's toy products. Our turnover increased by HK\$68,924,000 or 26.9% to HK\$325,130,000 in the first half of this year from HK\$256,206,000 for the corresponding period last year. In the US, as small toy retailers were forced to wind up or reorganize, large chain stores – the Group's major clients in the US, including Wal-Mart and Target, further secured the toy industry market share. Despite the slower than expected economic growth in the first quarter of 2013, the US economy is gradually on its stable recovery route driven by the continuing revival in the housing and labour markets. The extension of the easing monetary policies and the fiscal stimulating measures brought new job opportunities and mitigated unemployment, and this had led to the increase in consumer spending and improved consumer sentiment. In entering into 2013, it continued to witness economic recovery and declining unemployment rate. Meanwhile, the cycle of toys became increasingly shortened. By drawing on the momentum of economic recovery, the Group continued its research and development and strengthened its design capabilities to create value-added toy products that attract children and these products are not easily be replicated by competitors. The Group has solid partnerships with its clients in the current OEM business and ODM business. The overall performance of the metal and die-cast toys of the authorized licensing business brand "Tonka" and the ODM business were satisfactory. In addition, orders for lighting products had increased, continuously developing and exploring new distribution channels to market for its bubbles products and other girls role-playing products series, the performance of turnover was satisfactory. The Group will strive to maintain the authorized licensing business for major brands, enrich other product lines and retain its existing distributors and clients, including Wal-Mart, Target and Toys "R" US.

Canada

Our turnover in the Canadian market increased by HK\$6,410,000 or 70.9% to HK\$15,456,000 in the first half of this year from HK\$9,046,000 for the corresponding period last year. The Canada economy was benefited from the US economic recovery and the continuous and accelerated hiking of energy and commodity prices. Although the prolonged European debt crisis, the uncertainties of US fiscal conditions and the strong Canadian dollar were still the major factors in impeding its economic growth, casting doubts on the industry recovery and exports increase. However, by taking into account of both circumstances, the official economic forecasts revealed that the GDP of Canada still increased in 2013, which had facilitated goods consumption. Furthermore, clients' demand for the authorized licensing business brand "Tonka" increased. Also, orders for lighting products had increased, and the turnover in the Canadian market increased. The Group will strive to retain its existing distributors and clients, including Wal-Mart and Toys "R" US.

Europe

Our turnover in Europe increased by HK\$1,340,000 or 6.9% to HK\$20,644,000 in the first half of this year from HK\$19,304,000 for the corresponding period last year. The European Union ("EU") economy has seen weak economic recovery in the global economic turbulence as a result of the uncertainties of the sovereign debt crisis as well as the lingering weakened corporate and consumer confidence. These gave rise to the inevitable austerity policies in which they slowed down demand and hindered exports growth and dragged down the recovery of consumption and investment. Despite the above-mentioned factors, the EU economy still recorded slight growth in 2012. The official forecasts revealed that the improvement in labour market and corporate and household sentiments are expected to drive the EU economy in 2013. However, at the same time, individual consumption is likely to be continuously uncertain with on-going fiscal consolidation and augmented by the unclear prospects brought about by the sovereign debt crisis, and may even affect our clients in Italy, Turkey, UK and Switzerland. In Italy, individual consumption had been reduced under high unemployment situation. Turkey witnessed the deteriorating employment prospects as well as high borrowing rates which lowered domestic demand. The European sovereign debt crisis will still linger UK while the government is adhering to its fiscal consolidation strategies, which will drag down the weak consumer and corporate confidence. However, at the same time, the chain effects of easing credit policies mitigates unemployment rate. Although clients' demand in some European countries, such as Turkey, Italy, Switzerland and UK decreased, orders for lighting products increased and plus the turnover in Russia and Denmark increased, the orders for Activities products series offsets the decrease in toy vehicle and bubbles products, the overall turnover in European markets still recorded an increase. The Group will endeavour to retain its existing distributors and clients.

Mexico

Our turnover in Mexico increased by HK\$620,000 or 18.1% to HK\$4,048,000 in the first half of this year from HK\$3,428,000 for the corresponding period last year. Currently, the US economy is rejuvenating. The strong demand from US has driven the Mexican economy since 2012 and pulled it out from the economic recession in 2010, bringing it economic growth for the past two years. The improvement in the credit market and industry activities helped consumers and enterprises to gain back their confidence. The US economic recovery has supported Mexico's exports and drove the Group's growth in the region. Therefore, the demand for Tonka products still maintained. Meanwhile, orders for lighting products increased. The overall turnover in the Mexican market recorded an increase. The Group will endeavour to retain its existing distributors and clients.

Australia and New Zealand

Our turnover in the Australia and New Zealand markets increased significantly by HK\$10,217,000 or 188.3% to HK\$15,642,000 in the first half of this year from HK\$5,425,000 for the corresponding period last year. The International Monetary Fund expects that Australia will record the economic growth in 2013. There was an increase in orders for our lighting products and an increase in orders regained from an Australian client, plus a strong in demand for metal and die-cast toys of Tonka from clients, the overall turnover recorded a significant increase. The Group will continue to endeavour to retain its existing distributors and clients, such as Target etc.

South America

Our turnover in South American markets increased by HK\$8,104,000 or 158.6% to HK\$13,213,000 in the first half of this year from HK\$5,109,000 for the corresponding period last year, which was mainly attributable to the stabilized economic conditions and the gradual picking up sales volume. In entering into 2013, Chile's domestic demand supported the further improvement of labour market and would continue to shore up confidence of consumers and investors, resulting in the continuous growth of Chile's economy. In 2013, Argentina's economy was expected to show slightly better growth, which was mainly attributable to industrial activities resulting in the further recovery in demand and continuous commodity prices. Panama's economy gradually became steady, and consumption gradually resumed its increasing. Demand for "Tonka" products in these South American countries such as Chile, Panama and Argentina increased, which offset the slowing down in sales in Brazil due to prolonged European debt crisis and lingering impact of economic uncertainties since 2011, the decrease due to the cooling down economic prosperity of relevant countries because of industrial production slowed down. At the same time, orders for lighting products recorded an increase in South American markets, and the overall turnover had increased.

PROSPECTS

The Group's production base in Vietnam will construct new facilities to expand its production capacity. The advantages of plants in Vietnam will still continue due to its current labour supply and labour costs as compared with those in Mainland China. The management of the Group is confident that the Group could further consolidate its own market position by grasping this opportunity when competitors with weaker strengths will exit the market one after another due to cost increases, thereby grasping the American economic recovery trend and emerging market business opportunities. The Group expects that this favourable environment factor will continue, so as to offset the impact that clients may place orders directly to other competitors having plants in South-east Asian countries. In addition, the Group will take various new measures to enhance productivity, including replacing inefficient machineries with high maintenance costs, streamlining working processes, revising working regulations and standards and exploring potential opportunities to rationally use seasonally idle production capacity. In view of the fact that Vietnam will raise its minimum wage, the management will continue to endeavour reducing extra expenditures, improve productivity and control production costs. The Group is deeply aware of the importance to invest part of its working capital in business development. For this, the Group continues to develop the renowned ODM brand businesses and expand its sales and distribution networks for its self-owned brand manufacturing products, in order to provide its clients with innovative products under the brands of "Gazillion ® Bubbles" and "Tonka". Looking forward, the Group will also concentrate on the research and development of more self-owned brand manufacturing products and expand the marketing strategies of "Gazillion ® Bubbles" and "Tonka" products in laying a solid foundation for expanding its future distribution. The continuous expansion of the rejuvenating economic growth in the main sales locations such as US, Canada, Australia and New Zealand and certain countries such as US government's forbidding the selling of incandescent bulbs in shops in recent years will bring the Group good business opportunities for its lighting business. The Group is cautiously optimistic about the business outlook.

With the successful realisation of the expected expansion of its product lines and product portfolios, the Group is confident to achieve its continuous development and growth, realizing sustainable growth and bring maximizing returns to its shareholders. Furthermore, the management has been actively and selectively exploring all potential investment opportunities. Looking forward, the Group will continue to put emphasis on profitability and efficiency as its primary goals.

FINANCIAL REVIEW

LIQUIDITY AND FINANCIAL RESOURCES

As at 30th June, 2013, the Group had bank balances and cash of approximately HK\$21,652,000 (31st December, 2012: HK\$43,305,000). As at 30th June, 2013, the Group obtained banking facilities in a total of approximately HK\$126,200,000 (31st December, 2012: HK\$126,200,000) secured by corporate guarantee given by the Company.

As at 30th June, 2013, the Group had bank borrowings of approximately HK\$27,156,000 (31st December, 2012: HK\$25,805,000). The Group's gearing ratio, representing the total debt divided by equity attributable to owners of the Company, was 10.46% (31st December, 2012: 17.7%).

During the period, cash absorbed by operating activities amounted to approximately HK\$133,000 (30th June, 2012: net cash generated from operating activities HK\$25,625,000), which was due to increase in working capital requirement as a result of increase in inventory by HK\$58,920,000.

CAPITAL EXPENDITURE

During the period, the Group acquired property at a cost of approximately HK\$2,729,000 (30th June, 2012: HK\$5,345,000), plant and equipment at a cost of approximately HK\$15,128,000 (30th June, 2012: HK\$12,538,000) 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, 2013, the Group had total assets of approximately HK\$893,894,000 (31st December, 2012: HK\$892,511,000), total liabilities of approximately HK\$314,751,000 (31st December, 2012: HK\$345,890,000) and equity attributable to owners of the Company of approximately HK\$579,143,000 (31st December, 2012: HK\$546,621,000). The net assets of the Group increased 5.9% to approximately HK\$579,143,000 as at 30th June, 2013 (31st December, 2012: HK\$546,621,000).

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, 2013, the Group had a total of approximately 11,000 (31st December, 2012: 10,600) employees in Hong Kong, Macau, PRC, Vietnam, Australia, 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, 2013, the interests and short positions of the directors and chief executives and their respective associates in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or which were otherwise required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), pursuant to the Model Code for Securities Transactions by Directors of the Listing Companies were as follows:

LONG POSITIONS IN ORDINARY SHARES OF THE COMPANY

Ordinary Shares of HK\$0.10 each of the Company

Name of director/ chief executive officer	Nature of interests	Number of issued ordinary shares held	Percentage of the issued share capital of the Company
Cheng Yung Pun (<i>Director</i>)	Corporate interest (<i>Note 1</i>)	526,997,569	69.73%
Cheng Wing See, Nathalie (<i>Director</i>)	Personal interest	723,230	0.10%
Cheung Kwok Sing (<i>Director</i>)	Personal interest	4,230,000	0.56%
Leung Hong Tai (<i>Director</i>)	Personal interest (<i>Note 2</i>)	6,942,000	0.92%
Tsang Chung Wa (<i>Director</i>)	Personal interest	4,124,251	0.55%
Tse Kam Wah (<i>Director</i>)	Personal interest	4,280,000	0.57%
Yu Sui Chuen (<i>Director</i>)	Personal interest	1,600,000	0.21%
Chen Wei Qing (<i>Chief Executive Officer</i>)	Personal interest	4,100,000	0.54%

Notes:

- (1) The shares are held by Smart Forest Limited ("Smart Forest"), a company incorporated in the British Virgin Islands. The entire issued share capital of Smart forest is wholly owned by Mr. Cheng Yung Pun.
- (2) 1,348,000 shares are held by Ip Yi Mei, spouse of Mr. Leung Hong Tai, Director of the Company.

Share Option

Option type	Number of underlying shares attached to the share options					Exercise price HK\$	Exercise period
	Outstanding at beginning of period	Granted during the year	Exercised during the period	Lapsed during the period	Outstanding at end of period		
Category 1: Directors/ Chief Executive Officer							
Yu Sui Chuen (<i>Director</i>)	2009a	5,000,000	–	(2,000,000)	(3,000,000)	– (Note 1)	1.25
Cheung Kwok Sing (<i>Director</i>)	2009a	3,000,000	–	(3,000,000) (Note 2)	–	–	1.25
Leung Hong Tai (<i>Director</i>)	2009a	2,800,000	–	(2,800,000) (Note 3)	–	–	1.25
Tsang Chung Wa (<i>Director</i>)	2009a	3,000,000	–	(3,000,000) (Note 4)	–	–	1.25
Tse Kam Wah (<i>Director</i>)	2009a	3,000,000	–	(3,000,000) (Note 5)	–	–	1.25
Chen Wei Qing (<i>Chief Executive Officer</i>)	2009a	3,000,000	–	(3,000,000) (Note 6)	–	–	1.25
Arnold Edward Rubin (<i>Director</i>)	2011a	6,300,000 (Note 7)	–	–	–	6,300,000	1.692 20th July, 2011 to 20th July, 2014
Loke Yu alias Loke Hoi Lam (<i>Director</i>)	2011a	300,000 (Note 8)	–	–	–	300,000	1.692 20th July, 2011 to 20th July, 2014
Mak Shiu Chung, Godfrey (<i>Director</i>)	2011a	300,000 (Note 9)	–	–	–	300,000	1.692 20th July, 2011 to 20th July, 2014
Wan Hing Pui (<i>Director</i>)	2011a	300,000 (Note 10)	–	–	–	300,000	1.692 20th July, 2011 to 20th July, 2014
Total Directors/ Chief Executive Officer		27,000,000	–	(16,800,000)	(3,000,000)	7,200,000	
Category 2: Employees							
	2009a	18,430,000	–	(15,830,000)	(2,600,000)	– (Note 11)	1.25
	2009b	1,200,000	–	–	(1,200,000)	– (Note 12)	1.448
	2011a	7,500,000 (Note 13)	–	–	–	7,500,000	1.692 20th July, 2011 to 20th July, 2014
Total Employees		27,130,000	–	(15,830,000)	(3,800,000)	7,500,000	
Total all categories		54,130,000	–	(32,630,000)	(6,800,000)	14,700,000	

Notes:

- (1) Mr. Yu Sui Chuen, Director of the Company, has exercised his share options in respect of share options granted on 1st December, 2009 pursuant to the Company's share option scheme which carries rights to subscribe for 2,000,000 underlying shares in February 2013 and the remaining share option for 3,000,000 underlying shares lapsed.
- (2) Mr. Cheung Kwok Sing, Director of the Company, has exercised all his share options in respect of share options granted on 1st December, 2009 pursuant to the Company's share option scheme which carries rights to subscribe for 3,000,000 underlying shares in February 2013.
- (3) Mr. Leung Hong Tai, Director of the Company, has exercised all his remaining share options in respect of share options granted on 1st December, 2009 pursuant to the Company's share option scheme which carries rights to subscribe for 2,800,000 underlying shares in February 2013.
- (4) Mr. Tsang Chung Wa, Director of the Company, has exercised all his share options in respect of share options granted on 1st December, 2009 pursuant to the Company's share option scheme which carries rights to subscribe for 3,000,000 underlying shares in February 2013.
- (5) Mr. Tse Kam Wah, Director of the Company, has exercised all his share options in respect of share options granted on 1st December, 2009 pursuant to the Company's share option scheme which carries rights to subscribe for 3,000,000 underlying shares in February 2013.
- (6) Mr. Chen Wei Qing, chief executive officer of the Company, has exercised all his share options in respect of share options granted on 1st December, 2009 pursuant to the Company's share option scheme which carries rights to subscribe for 3,000,000 underlying shares in February 2013.
- (7) Mr. Arnold Edward Rubin, Director of the Company, has beneficial interests in 6,300,000 underlying shares (representing 0.83% 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, 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, 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, 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) Share options carry rights to subscribe for 15,830,000 underlying shares in respect of share options granted on 1st December, 2009 pursuant to the Company's share option scheme were exercised in February 2013 and the remaining share options for 2,600,000 underlying shares lapsed.
- (12) Share options carry rights to subscribe for 1,200,000 underlying shares in respect of share options granted on 15th December, 2009 pursuant to the Company's share option scheme lapsed.
- (13) The 7,500,000 underlying shares (representing approximately 0.99% 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.

The closing prices of the Company's shares on 1st December, 2009, 15th December, 2009 and 21st April, 2011 the dates of grant of the options type of 2009a, 2009b and 2011a were HK\$1.25, HK\$1.40 and HK\$1.69 respectively.

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, 2013, the options carry rights to subscribe for a total of 1,300,000 shares had been exercised on 22nd January, 2013 and 31,330,000 shares had been exercised on 27th February, 2013.

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%	1.060%
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 share-based payment transactions are set out in the Group's financial statements for the six months ended 30th June, 2013.

There was no option granted during the six months ended 30th June, 2013 and during the year ended 31st December, 2012.

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, 2013.

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, 2013, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO shows that the following shareholders had notified the Company of relevant interests and short positions in the issued share capital of the Company:

LONG POSITIONS IN ORDINARY SHARES OF THE COMPANY

Ordinary Shares of HK\$0.10 each of the Company

Name of shareholder	Capacity	Number of issued ordinary shares held	Percentage of the issued share capital of the Company
Smart Forest (<i>Note 1</i>)	Beneficial owner	526,997,569	69.73%

Notes:

- (1) Smart Forest, a company incorporated in the British Virgin Island 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, 2013.

SHARE OPTION SCHEME

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

As at 30th June, 2013, the total number of shares available for issue of option under the 2012 Share Option Scheme was 71,864,731 shares (after the 2012 Share Option Scheme adopted on 2012 annual general meeting held on 4th May, 2012) which representing 9.51% of the issued share capital of the Company (after the enlarged issued share capital in 755,727,313 shares under the issue of 32,630,000 shares in respect of exercise of share option during the period from January to February 2013).

During the six months ended 30th June, 2013, the options carry rights to subscribe for 32,630,000 shares had been exercised during the period from January to February 2013.

As at 30th June, 2012, the options which had been granted and remained outstanding carry rights to subscribe for 14,700,000 shares (31st December, 2012: 54,130,000) representing 1.95% (31st December, 2012: 7.49%) of the shares in issue at that date.

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

PURCHASE, SALE OR REDEMPTION OF SECURITIES

During the six months ended 30th June, 2013, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's shares.

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

The Board has adopted a code of corporate governance practices ("former CGP Code") and amended 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. A new corporate governance code was adopted (the "CG Code") to replace the former CGP Code to reflect the new requirements under the revised HKEx Code with effective from April 2012 (the "Revised HKEx Code"). The CG Code was further amended in August 2013 due to the further amended HKEx Code to be adopted.

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

OTHER INFORMATION OF DIRECTOR

In the last three years, Dr. Loke Yu alias Loke Hoi Lam, independent non-executive Director ("INED") of the Company, was appointed as INED of Tianjin Development Holdings Limited (a company listed on the Stock Exchange) with effect from 21st December, 2012 and as INED of China Household Holdings Limited (a company listed on the Stock Exchange) with effect from 9th August, 2013. Mr. Heng Victor Ja Wei, INED of the Company, was appointed as Company Secretary of China Life Insurance Company Limited (a company listed on the Stock Exchange) with effect from 25th April 2013.

The Director's emolument (including any sum receivable as Director's fee or remuneration) per month (13-month basis) of Ms. Cheng Wing See, Nathalie, Mr. Yu Sui Chuen, Mr. Cheung Kwok Sing, Mr. Leung Hong Tai, Mr. Tsang Chung Wa, Mr. Tse Kam Wah and Mr. Chen Wei Qing (Chief Executive of the Company) had been adjusted to HK\$49,000, HK\$110,000, HK\$85,000, HK\$90,000, HK\$72,000, HK\$90,000 and HK\$85,000 respectively with effect from 1st March, 2013. In addition, the annual initial base gross salary of Mr. Arnold Edward Rubin had been adjusted to US\$630,000 (equivalent to HK\$4,914,000) and the housing allowance adjusted to US\$30,000 per annum (equivalent to HK\$234,000) with effect from 9th June, 2013.

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

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

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

BOARD COMMITTEES

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

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 a bank in Macau (the "Bank – MO"); 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 – MO, the renewed facility letters have been provided by the Bank – MO on 15th January, 2013 regarding the renewal of the facilities for one year further (the "renewed facilities"). The terms and conditions of the facility letters for the renewed facilities including, inter alia, a condition to the effect that Mr. Cheng Yung Pun ("Mr. Cheng", a controlling shareholder of the Company) should maintain not less than 51% of shareholding (whether directly or indirectly) of the Company, remain unchanged. A breach of the above condition will constitute an event of default under the renewed facilities. If any significant change on the above condition occurs, the Bank – MO can request to adjust or terminate the renewed facilities.

The facility letters have been provided by a bank in Hong Kong (the "Bank – HK") regarding the banking facilities in an aggregated amount shall not exceed HK\$45,000,000 (the "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 – HK if such an event of default occurs.

REVIEW OF INTERIM RESULTS

The unaudited interim results for the six months ended 30th June, 2013 have been reviewed by the Audit Committee, who are of the opinion that these interim results comply with applicable accounting standard and legal requirements, and that adequate disclosures have been made.

By Order of the Board
Cheng Yung Pun
Chairman

Hong Kong, 27th August, 2013