

Interim Report 2013



GREEN INTERNATIONAL
Holdings Limited

格林國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2700)

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Corporate Information

DIRECTORS

Executive Directors

- Mr. Wong Man Keung
(Acting Chairman &
Chief Executive Officer)
- Ms. Yang Jun
- Mr. Chan Yin Tsung
(resigned on 1 August 2013)
- Mr. Tung Yee Shing
(resigned on 1 August 2013)
- Mr. Chen Hanhong
(appointed on 1 July 2013)
- Ms. Yang Ya
(appointed on 1 August 2013)

Non-Executive Directors

- Mr. Jonathan Cheung
(resigned on 7 January 2013)
- Ms. Leung Pui Kwan
(appointed on 7 January 2013 and
resigned on 1 July 2013)
- Ms. Yu Jiaoli
(appointed on 1 July 2013)

Independent Non-Executive Directors

- Mr. Yeung King Wah, Kenneth
- Mr. Wu Hong
- Mr. Low Chin Sin

AUDIT COMMITTEE

- Mr. Low Chin Sin (Chairman)
- Mr. Yeung King Wah, Kenneth
- Mr. Wu Hong

REMUNERATION COMMITTEE

- Mr. Low Chin Sin (Chairman)
- Mr. Yeung King Wah, Kenneth
- Mr. Wong Man Keung

NOMINATION COMMITTEE

- Mr. Wong Man Keung (Chairman)
- Mr. Low Chin Sin
- Mr. Yeung King Wah, Kenneth

COMPANY SECRETARY

- Ms. Man Ching Yan

REGISTERED OFFICE

- Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

- Suite 3007-08, 30/F
West Tower, Shun Tak Centre
200 Connaught Road Central
Hong Kong

LEGAL ADVISERS AS TO HONG KONG LAW

- Loong & Yeung
Suites 2001-2005, 20/F
Jardine House
1 Connaught Place
Central
Hong Kong

AUDITORS

Parker Randall CF (H.K.) CPA Limited
Room 2112, 21/F
North Tower, Concordia Plaza
1 Science Museum Road
Tsim Sha Tsui, Kowloon
Hong Kong

PRINCIPAL BANKERS

Wing Hang Bank, Ltd.
Hang Seng Bank Limited

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Codan Trust Company (Cayman) Limited
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

STOCK CODE

2700 (listed on the Main Board of
The Stock Exchange of Hong Kong
Limited)

WEBSITE

[http://www.irasia.com/listco/hk/
greeninternational/index.htm](http://www.irasia.com/listco/hk/greeninternational/index.htm)

Condensed Consolidated Income Statement

For the six months ended 30 June 2013

	Notes	Six months ended 30 June	
		2013 HK\$'000 (Unaudited)	2012 HK\$'000 (Unaudited)
Revenue	5 & 6	169,711	192,572
Cost of sales		(158,250)	(143,453)
Gross profit		11,461	49,119
Other income	7	185	54
Selling expenses		(240)	(21)
Administrative expenses		(10,778)	(25,253)
Operating profit	8	628	23,899
Finance costs, net	9	(3,833)	(4,463)
(Loss)/Profit before income tax		(3,205)	19,436
Income tax expense	10	(1,814)	(7,564)
(Loss)/Profit for the period		(5,019)	11,872
(Loss)/Profit for the period attributable to:			
Equity holders of the Company		(9,065)	11,487
Non-controlling interests		4,046	385
		(5,019)	11,872
(Loss)/Earnings per share for (loss)/profit for the period attributable to the equity holders of the Company			
– Basic (HK cents)	11	(1.00)	1.57
– Diluted (HK cents)	11	(1.00)	1.51
Dividend	12	–	–

The notes on pages 10 to 38 are an integral part of these condensed consolidated interim financial statements.

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2013

	Six months ended 30 June	
	2013	2012
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
(Loss)/Profit for the period	(5,019)	11,872
Other comprehensive income, net of tax		
<i>Items that may be reclassified subsequently to profit or loss</i>		
Currency translation differences	168	162
Total comprehensive (expenses)/income for the period	(4,851)	12,034
Total comprehensive (expenses)/income for the period attributable to:		
Equity holders of the Company	(9,014)	11,649
Non-controlling interests	4,163	385
	(4,851)	12,034

The notes on pages 10 to 38 are an integral part of these condensed consolidated interim financial statements.

Condensed Consolidated Statement of Financial Position

As at 30 June 2013

	Notes	30 June 2013 HK\$'000 (Unaudited)	31 December 2012 HK\$'000 (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment	13	9,818	3,577
Land use rights	13	4,340	–
Other intangible assets	13	31,482	31,446
Deposits paid for acquisition of property, plant and equipment		6,267	–
		51,907	35,023
Current assets			
Inventories		1,167	3,904
Trade receivables	14	305,328	301,403
Prepayments, deposits and other receivables		12,501	16,624
Cash and cash equivalents	15	12,275	37,475
		331,271	359,406
Total assets		383,178	394,429
EQUITY			
Capital and reserves attributable to the equity holders of the Company			
Share capital	16	9,040	9,040
Share premium		143,588	143,588
Other reserves		35,394	35,343
Retained earnings		125	9,190
		188,147	197,161
Non-controlling interests		7,379	3,216
Total equity		195,526	200,377

Condensed Consolidated Statement of Financial Position

As at 30 June 2013

	Notes	30 June 2013 HK\$'000 (Unaudited)	31 December 2012 HK\$'000 (Audited)
Current liabilities			
Trade payables	17	75,135	75,979
Contingent consideration payable	20	16,034	14,761
Other payables, accruals and deposits received		24,665	31,390
Convertible bonds	18	23,860	22,143
Other borrowings	19	5,000	–
Amount due to the controlling shareholder	22(c)	36,600	22,475
Amount due to a non-controlling shareholder of a subsidiary		997	215
Tax payable		5,361	27,089
Total liabilities		187,652	194,052
Total equity and liabilities		383,178	394,429
Net current assets		143,619	165,354
Total assets less current liabilities		195,526	200,377

The notes on pages 10 to 38 are an integral part of these condensed consolidated interim financial statements.

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2013

	Attributable to equity holders of the Company						
	Share capital	Share premium	Other reserves	(Accumulated losses)/ Retained earnings	Total	Non-controlling interests	Total equity
	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)
Balance at 1 January 2012	6,030	90,721	17,765	(9,579)	104,937	-	104,937
Total comprehensive income for the period							
Profit for the period	-	-	-	11,487	11,487	385	11,872
Currency translation differences	-	-	162	-	162	-	162
	-	-	162	11,487	11,649	385	12,034
Transaction with owners							
Issue of shares on conversion of convertible bonds	3,010	52,867	(12,349)	-	43,528	-	43,528
Issue of share options	-	-	13,436	-	13,436	-	13,436
Acquisition of a subsidiary	-	-	16,733	-	16,733	197	16,930
	3,010	52,867	17,820	-	73,697	197	73,894
Balance at 30 June 2012	9,040	143,588	35,747	1,908	190,283	582	190,865
Balance at 1 January 2013	9,040	143,588	35,343	9,190	197,161	3,216	200,377
Total comprehensive (expenses)/income for the period							
Loss for the period	-	-	-	(9,065)	(9,065)	4,046	(5,019)
Currency translation differences	-	-	51	-	51	117	168
	-	-	51	(9,065)	(9,014)	4,163	(4,851)
Balance at 30 June 2013	9,040	143,588	35,394	125	188,147	7,379	195,526

The notes on pages 10 to 38 are an integral part of these condensed consolidated interim financial statements.

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2013

	Notes	Six months ended 30 June	
		2013 HK\$'000 (Unaudited)	2012 HK\$'000 (Unaudited)
Net cash used in operating activities		(26,068)	(19,182)
Net cash (used in)/generated from investing activities		(17,471)	188
Net cash generated from/(used in) financing activities		18,272	(1,856)
Net decrease in cash and cash equivalents		(25,267)	(20,850)
Cash and cash equivalents at 1 January		37,475	22,265
Effects of exchange rate changes on balances denominated in foreign currencies		67	(8)
Cash and cash equivalents at 30 June	15	12,275	1,407

The notes on pages 10 to 38 are an integral part of these condensed consolidated interim financial statements.

Notes to the Condensed Consolidated Interim Financial Statements

1. GENERAL INFORMATION

Green International Holdings Limited (the “Company”) was incorporated in the Cayman Islands on 8 March 2006 as an exempted company with limited liability. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.

The shares of the Company were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) in 2006.

The Company and its subsidiaries (the “Group”) were principally engaged in the manufacturing and trading of recreational and educational toys and equipment.

The directors of the Company (the “Directors”) regard Gold Bless International Invest Limited (“Gold Bless”), a company incorporated in the British Virgin Islands, as being the immediate and ultimate holding company.

These condensed consolidated interim financial statements are presented in Hong Kong dollars (“HK\$”), and all values are rounded to the nearest thousand unless otherwise stated. These condensed consolidated interim financial statements have been approved for issue by the board of Directors (the “Board”) of the Company on 30 August 2013.

These condensed consolidated interim financial statements have not been audited.

Notes to the Condensed Consolidated Interim Financial Statements

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These condensed consolidated interim financial statements for the six months ended 30 June 2013 have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim financial reporting” and applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”). These condensed consolidated interim financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2012, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”).

2.1 Basis of preparation

These condensed consolidated interim financial statements have been prepared in accordance with HKFRSs issued by the Hong Kong Institute of Certified Public Accountants. These condensed consolidated interim financial statements have been prepared under the historical cost convention, as modified by the revaluation of contingent consideration payable, which is carried at fair value.

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

Income taxes in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

Notes to the Condensed Consolidated Interim Financial Statements

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(Continued)

2.2 Application of new standards, amendments and interpretations

(a) *Effect of adopting new standards, amendments and interpretations to existing standards*

The following new standards, amendments and interpretations are mandatory for the first time for the financial year beginning on 1 January 2013:

Amendments to HKFRSs	Annual improvements to HKFRSs 2009 – 2011 cycle
Amendments to HKFRS 1	First-time adoption of HKFRSs – Government loans
Amendments to HKFRS 7	Disclosures – Offsetting financial assets and financial liabilities
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated financial statements, joint arrangements and disclosure of interests in other entities: Transition guidance
HKFRS 10	Consolidated financial statements
HKFRS 11	Joint arrangements
HKFRS 12	Disclosure of interests in other entities
HKFRS 13	Fair value measurement
Amendments to HKAS 1	Presentation of items of other comprehensive income
HKAS 19 (as revised in 2011)	Employee benefits
HKAS 27 (as revised in 2011)	Separate financial statements
HKAS 28 (as revised in 2011)	Investments in associates and joint ventures
HK(IFRIC)-Int 20	Stripping costs in the production phase of a surface mine

Notes to the Condensed Consolidated Interim Financial Statements

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(Continued)

2.2 Application of new standards, amendments and interpretations *(Continued)*

(a) *Effect of adopting new standards, amendments and interpretations to existing standards (Continued)*

The adoption of these new standards, amendments and interpretations has no material effect on the amounts reported and disclosures set out in the condensed consolidated interim financial statements of the Group for the current or prior accounting periods. Nevertheless, certain changes in disclosures have been adopted by the Group in compliance with the following new and revised HKFRSs:

(i) Amendments to HKAS 1 “Presentation of Items of Other Comprehensive Income”

The Group has modified the presentation of items of other comprehensive income in its condensed consolidated statement of comprehensive income, to present separately items that may be reclassified to profit or loss in the future from those that would never be. Comparative information has also been re-presented accordingly.

The adoption of the amendments to HKAS 1 has no impact on the recognised assets, liabilities and comprehensive income and expenses of the Group.

Notes to the Condensed Consolidated Interim Financial Statements

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Application of new standards, amendments and interpretations (Continued)

(a) *Effect of adopting new standards, amendments and interpretations to existing standards (Continued)*

(ii) HKFRS 13 “Fair Value Measurement”

HKFRS 13 establishes a single framework for measuring fair value and making disclosures about fair value measurements, when such measurements are required or permitted by other HKFRSs. In particular, it unifies the definition of fair value as the price at which an orderly transaction to sell an asset or to transfer a liability would take place between market participants at the measurement date. It also replaces and expands the disclosure requirements about fair value measurements in other HKFRSs, including HKFRS 7 “Financial instruments: Disclosures”. Some of these disclosures are specifically required in interim financial statements for financial instruments; accordingly, the Group has included additional disclosures in this regard. Please refer to Note 4 for details.

In accordance with the transitional provisions of HKFRS 13, the Group has applied the new fair value measurement guidance prospectively, and has not provided any comparative information for new disclosures. Notwithstanding the above, the change had no significant impact on the measurements of the Group’s assets and liabilities.

Notes to the Condensed Consolidated Interim Financial Statements

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(Continued)

2.2 Application of new standards, amendments and interpretations *(Continued)*

(b) *New standards and amendments to existing standards that are not yet effective and have not been early adopted*

Amendments to HKFRS 9 and HKFRS 7	Mandatory effective date of HKFRS 9 and transition disclosures ²
Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment entities ¹
HKFRS 9	Financial instruments ²
Amendments to HKAS 32	Offsetting financial assets and financial liabilities ¹

¹ Effective for annual periods beginning on or after 1 January 2014

² Effective for annual periods beginning on or after 1 January 2015

The Directors anticipate that the adoption of the above new standards and amendments to existing standards will not result in a significant impact on the results and financial position of the Group.

3. ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of condensed consolidated interim financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these condensed consolidated interim financial statements, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2012.

Notes to the Condensed Consolidated Interim Financial Statements

4. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk and cash flow interest rate risk), credit risk and liquidity risk.

The condensed consolidated interim financial statements do not include all financial risk management information and disclosures required in the annual financial statements; they should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2012. There have been no changes in the risk management department or in any risk management policies since the year end.

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
- Level 3: Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

Notes to the Condensed Consolidated Interim Financial Statements

4. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS *(Continued)*

The following table presents the Group's liabilities that are measured at fair value as at 30 June 2013. The Group has no assets that are measured at fair value as at 30 June 2013.

	Level 1 <i>HK\$'000</i> (Unaudited)	Level 2 <i>HK\$'000</i> (Unaudited)	Level 3 <i>HK\$'000</i> (Unaudited)	Total <i>HK\$'000</i> (Unaudited)
Contingent consideration payable	-	-	16,034	16,034

There were no transfers between Levels 1, 2 and 3 during the period.

5. SEGMENT INFORMATION

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The Board is identified as the Group's chief operating decision-maker.

As the Group is principally engaged in the manufacturing and trading of recreational and educational toys and equipment which are subject to similar business risk, and resources are allocated based on what is beneficial to the Group in enhancing the value as a whole rather than any specific unit, the Group's chief operating decision-maker considers the performance assessment of the Group should be based on the results of the Group as a whole. Therefore, management considers there is only one operating segment under the requirements of HKFRS 8.

The Group primarily operates in Hong Kong and the People's Republic of China (the "PRC").

Notes to the Condensed Consolidated Interim Financial Statements

5. SEGMENT INFORMATION *(Continued)*

The Group's sales are delivered to customers located in the following regions:

	Six months ended 30 June	
	2013	2012
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Hong Kong	6,146	181,269
The PRC	1,605	1,204
Europe	44,256	3,244
Japan	105,860	5,137
South America	–	1,718
North America	9,587	–
Australia	1,714	–
Others	543	–
	169,711	192,572

Sales are allocated based on the places/countries in which customers are located. During the six months ended 30 June 2013, sales of approximately HK\$137,811,000 (six months ended 30 June 2012: HK\$174,444,000) were derived from 2 major customers (six months ended 30 June 2012: 2 customers) who individually account for more than 10% of the total sales.

Notes to the Condensed Consolidated Interim Financial Statements

5. SEGMENT INFORMATION *(Continued)*

The Group's non-current assets are located at the following regions:

	30 June 2013 HK\$'000 (Unaudited)	31 December 2012 HK\$'000 (Audited)
Hong Kong	30,006	31,789
The PRC	21,901	3,234
	51,907	35,023

Non-current assets are allocated based on their geographical locations.

The Group's capital expenditures are located in the following regions:

	Six months ended 30 June 2013 HK\$'000 (Unaudited)	2012 HK\$'000 (Unaudited)
Hong Kong	3	781
The PRC	17,478	–
	17,481	781

Capital expenditures are allocated based on their geographical locations.

Notes to the Condensed Consolidated Interim Financial Statements

6. REVENUE

The Group is principally engaged in the manufacturing and trading of recreational and educational toys and equipment. Revenue recognized during the period is as follows:

	Six months ended 30 June	
	2013	2012
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Sales of goods	169,711	192,572

7. OTHER INCOME

	Six months ended 30 June	
	2013	2012
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Exchange gain	146	–
Sundry income	39	54
	185	54

8. OPERATING PROFIT

The Group's operating profit is arrived at after charging the following:

	Six months ended 30 June	
	2013	2012
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Depreciation of property, plant and equipment (<i>Note 13</i>)	676	480
Amortisation of land use rights (<i>Note 13</i>)	22	–

Notes to the Condensed Consolidated Interim Financial Statements

9. FINANCE COSTS, NET

	Six months ended 30 June	
	2013 HK\$'000 (Unaudited)	2012 HK\$'000 (Unaudited)
Interest income on bank deposits	10	1
Fair value change of contingent consideration payable (Note 20)	(1,273)	(321)
Interest expense:		
– Borrowings due within one year	(242)	–
– Convertible bonds (Note 18)	(2,328)	(4,143)
	(3,833)	(4,463)

10. INCOME TAX EXPENSE

	Six months ended 30 June	
	2013 HK\$'000 (Unaudited)	2012 HK\$'000 (Unaudited)
Current taxation:		
– Hong Kong profits tax	1,812	7,561
– PRC Enterprise Income Tax	2	3
	1,814	7,564

Hong Kong profits tax has been provided at the rate of 16.5% (six months ended 30 June 2012: 16.5%) on the estimated assessable profits for the period.

The PRC Enterprise Income Tax for the Group's subsidiaries operating in the PRC has been provided at the rate of 25% (six months ended 30 June 2012: 25%) on their estimated assessable profits for the period, based on existing legislation, interpretations and practices in respect thereof.

Notes to the Condensed Consolidated Interim Financial Statements

11. (LOSS)/EARNINGS PER SHARE

Basic

The calculation of basic loss/earnings per share is based on the consolidated loss for the period attributable to the equity holders of the Company of approximately HK\$9,065,000 (six months ended 30 June 2012: profit of HK\$11,487,000) and on the weighted average number of 904,007,900 (six months ended 30 June 2012: 733,112,296) ordinary shares in issue during the period.

	Six months ended 30 June	
	2013	2012
	(Unaudited)	(Unaudited)
(Loss)/Profit for the period attributable to the equity holders of the Company (HK\$'000)	(9,065)	11,487
Weighted average number of ordinary shares in issue (thousands)	904,008	733,112
Basic (loss)/earnings per share (HK cents)	(1.00)	1.57

Diluted

Diluted loss/earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has three categories of dilutive potential ordinary shares: share options (Note 16(c)), convertible bonds (Note 18) and convertible bonds issuable for the acquisition of Tai Cheng International Limited in 2012 (the "Tai Cheng CB") (Note 20).

The computation of diluted loss/earnings per share for the six months ended 30 June 2013 and 30 June 2012 did not assume the exercise of the Company's outstanding share options because the exercise price of the Company's share options was higher than the average market price per share.

Notes to the Condensed Consolidated Interim Financial Statements

11. (LOSS)/EARNINGS PER SHARE *(Continued)*

Diluted *(Continued)*

The computation of diluted loss per share for the six months ended 30 June 2013 did not assume the conversion of the Company's outstanding convertible bonds and the Tai Cheng CB since their conversion would result in a decrease in loss per share.

For the six months ended 30 June 2012, the convertible bonds and the Tai Cheng CB are assumed to have been converted into ordinary shares, and the profit for the period attributable to the equity holders of the Company is adjusted to eliminate the interest expense of the convertible bonds and fair value change of the liability component of the Tai Cheng CB.

	Six months ended 30 June 2012 (Unaudited)
Profit for the period attributable to the equity holders of the Company <i>(HK\$'000)</i>	11,487
Interest expense on convertible bonds <i>(HK\$'000)</i> (Note 9)	4,143
Fair value change of the liability component of the Tai Cheng CB <i>(HK\$'000)</i>	13
	15,643
Profit used to determine diluted earnings per share <i>(HK\$'000)</i>	15,643
Weighted average number of ordinary shares in issue <i>(thousands)</i>	733,112
Assumed conversion of the convertible bonds <i>(thousands)</i>	302,896
Assumed conversion of the Tai Cheng CB <i>(thousands)</i>	2,141
	1,038,149
Weighted average number of ordinary shares used to determine diluted earnings per share <i>(thousands)</i>	1,038,149
Diluted earnings per share <i>(HK cents)</i>	1.51

Notes to the Condensed Consolidated Interim Financial Statements

12. DIVIDEND

The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2013 (six months ended 30 June 2012: Nil).

13. PROPERTY, PLANT AND EQUIPMENT, LAND USE RIGHTS AND OTHER INTANGIBLE ASSETS

	Property, plant and equipment	Land use rights	Goodwill
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)	(Unaudited)
Six months ended 30 June 2012			
Net book value			
Opening amount as at			
1 January 2012	3,700	–	1,581
Additions	772	–	–
Acquisition of a subsidiary (<i>Note 20</i>)	9	–	29,759
Depreciation and amortisation (<i>Note 8</i>)	(480)	–	–
Exchange realignment	63	–	107
	<hr/>	<hr/>	<hr/>
Closing amount as at 30 June 2012	4,064	–	31,447
	<hr/>	<hr/>	<hr/>
Six months ended 31 December 2012			
Net book value			
Opening amount as at 1 July 2012	4,064	–	31,447
Additions	128	–	–
Depreciation and amortisation	(777)	–	–
Exchange realignment	162	–	(1)
	<hr/>	<hr/>	<hr/>
Closing amount as at			
31 December 2012	3,577	–	31,446
	<hr/>	<hr/>	<hr/>

Notes to the Condensed Consolidated Interim Financial Statements

13. PROPERTY, PLANT AND EQUIPMENT, LAND USE RIGHTS AND OTHER INTANGIBLE ASSETS *(Continued)*

	Property, plant and equipment <i>HK\$'000</i> (Unaudited)	Land use rights <i>HK\$'000</i> (Unaudited)	Goodwill <i>HK\$'000</i> (Unaudited)
Six months ended 30 June 2013			
Net book value			
Opening amount as at 1 January 2013	3,577	-	31,446
Additions	6,852	4,362	-
Depreciation and amortisation <i>(Note 8)</i>	(676)	(22)	-
Exchange realignment	65	-	36
	9,818	4,340	31,482
Closing amount as at 30 June 2013	9,818	4,340	31,482

The land use rights comprise leasehold land in the PRC under medium term leases (10 to 50 years). As at 30 June 2013 and 31 December 2012, none of the property, plant and equipment and land use rights were pledged for any facilities granted to the Group.

Notes to the Condensed Consolidated Interim Financial Statements

14. TRADE RECEIVABLES

	30 June 2013 HK\$'000 (Unaudited)	31 December 2012 HK\$'000 (Audited)
Trade receivables	317,860	313,935
Less: Provision for impairment	(12,532)	(12,532)
	305,328	301,403

The Group's trade receivables from its customers are generally with credit periods of 90 days (31 December 2012: 90 days). The Group has policies in place to ensure that sales of products are made to customers with an appropriate credit history to minimise the credit risk.

The maximum exposure to credit risk at the end of the reporting period was the carrying amounts of the trade receivables. The Group does not hold any collateral as security.

The carrying amounts of trade receivables approximate their fair values. The ageing analysis of trade receivables, based on invoice date, as at 30 June 2013 and 31 December 2012 were as follows:

	30 June 2013 HK\$'000 (Unaudited)	31 December 2012 HK\$'000 (Audited)
0 – 30 days	26,638	18,008
31 – 60 days	7,794	12,547
61 – 90 days	1,015	32,037
91 – 180 days	5,568	100,465
Over 180 days	276,845	150,878
	317,860	313,935

Notes to the Condensed Consolidated Interim Financial Statements

14. TRADE RECEIVABLES *(Continued)*

Management assessed the credit quality of those trade receivables of approximately HK\$35,447,000 (31 December 2012: HK\$62,592,000) that are neither past due nor impaired by reference to the repayment history and current financial position of these customers. These receivables are related to individual customers for whom there was no recent history of default and no significant change in credit quality. Management believes that no provision for impairment is necessary and these balances are expected to be fully recoverable.

As at 30 June 2013, trade receivables of approximately HK\$282,413,000 (31 December 2012: HK\$251,234,000) were past due but not impaired. These relate to customers for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

	30 June 2013 HK\$'000 (Unaudited)	31 December 2012 HK\$'000 (Audited)
91 – 180 days	5,568	100,363
Over 180 days	276,845	150,871
	282,413	251,234

Since the customers have no recent history of default, the Directors believe that most of the remaining balances can be recovered in the foreseeable future.

The Group has made a total provision of approximately HK\$12,532,000 to account for the discounting effect of the time value of money because of the delay in settlements of the outstanding trade receivables.

Notes to the Condensed Consolidated Interim Financial Statements

15. CASH AND CASH EQUIVALENTS

	30 June 2013 HK\$'000 (Unaudited)	31 December 2012 HK\$'000 (Audited)
Cash at bank and on hand	12,275	37,475

Cash and cash equivalents are denominated in the following currencies:

	30 June 2013 HK\$'000 (Unaudited)	31 December 2012 HK\$'000 (Audited)
Hong Kong dollars	1,614	18,021
Renminbi	248	12,683
US dollars	10,413	6,771
	12,275	37,475

Notes to the Condensed Consolidated Interim Financial Statements

16. SHARE CAPITAL

(a) Authorised capital

	Number of shares	Nominal value HK\$'000
As at 1 January 2012, 30 June 2012 and 31 December 2012, ordinary shares of HK\$0.01 each	4,000,000,000	40,000
As at 1 January 2013 and 30 June 2013, ordinary shares of HK\$0.01 each	4,000,000,000	40,000

(b) Issued and fully paid capital

	Number of shares	Nominal value HK\$'000
As at 1 January 2012	603,007,900	6,030
Issue of shares upon conversion of convertible bonds (<i>Note</i>)	301,000,000	3,010
As at 30 June 2012 and 31 December 2012	904,007,900	9,040
As at 1 January 2013 and 30 June 2013	904,007,900	9,040

Note:

During the year ended 31 December 2012, certain of the convertible bonds with a total principal amount of HK\$55,685,000 were converted into the shares of the Company at a conversion price of HK\$0.185 per share and, accordingly, the Company issued and allotted a total of 301,000,000 shares to the convertible bond holders.

Notes to the Condensed Consolidated Interim Financial Statements

16. SHARE CAPITAL (Continued)

(c) Share option scheme

On 2 September 2006, a share option scheme (the “Share Option Scheme”) was approved by the shareholders of the Company, under which the Company may grant the options to any eligible participants to subscribe for shares of the Company subject to the terms and conditions stipulated in the Share Option Scheme.

On 11 May 2012, share options with rights to subscribe for a total of 65,800,000 shares of the Company at an exercise price of HK\$0.37 per share were granted to certain substantial shareholders, Directors and employees of the Group which were vested immediately on the date of grant and will expire on 10 May 2022.

Movements in the share options are as follows:

	2013		2012	
	Average exercise price per share HK\$	Number of share options	Average exercise price per share HK\$	Number of share options
As at 1 January	0.37	65,800,000	–	–
Granted	–	–	0.37	65,800,000
As at 30 June	0.37	65,800,000	0.37	65,800,000

The weighted average fair value of options granted in 2012 determined using the Trinomial Option Pricing Model was HK\$0.21 per option. The significant inputs into the model were weighted average share price of HK\$0.37 at the grant date, exercise price shown above, volatility of 45%, dividend yield of 0%, an expected option life of ten years, and annual risk-free interest rate of 1.14%.

Notes to the Condensed Consolidated Interim Financial Statements

17. TRADE PAYABLES

The ageing analysis of trade payables, based on invoice date, as at 30 June 2013 and 31 December 2012 were as follows:

	30 June 2013 HK\$'000 (Unaudited)	31 December 2012 HK\$'000 (Audited)
0 – 30 days	30,011	17,436
31 – 60 days	7,594	12,115
61 – 90 days	–	9,924
91 days – 1 year	12,025	30,991
Over 1 year	25,505	5,513
	75,135	75,979

The carrying amounts of trade payables approximate their fair values.

18. CONVERTIBLE BONDS

On 7 November 2011, the Company issued 460,000,000 5.0% convertible bonds in the aggregate principal amount of HK\$85,100,000. The bonds will mature two years from the issue date at their nominal value of HK\$85,100,000 or can be converted into shares of the Company at the holder's option before the maturity date at a conversion price of HK\$0.185 per share (which was subsequently adjusted to HK\$0.182 per share with effect from 21 August 2013 upon the allotment and issuance of 126,800,000 shares on 21 August 2013 (Note 24)). The values of the liability component and the equity conversion component were determined at issuance of the bonds.

The fair value of the liability component was calculated using a market interest rate for an equivalent non-convertible bond. The liability component was subsequently stated at amortised cost until extinguished on conversion or maturity of the bond. The residual amount, representing the value of the equity conversion option, was included in shareholders' equity in other reserves.

Notes to the Condensed Consolidated Interim Financial Statements

18. CONVERTIBLE BONDS (Continued)

The liability component of the convertible bonds recognised in the condensed consolidated statement of financial position was calculated as follows:

	Six months ended 30 June	
	2013 HK\$'000 (Unaudited)	2012 HK\$'000 (Unaudited)
At 1 January	22,143	61,837
Right of conversion exercised by bond holders	-	(43,528)
Interest expense (Note 9)	2,328	4,143
Interest paid	(611)	(1,856)
At 30 June	23,860	20,596
		Six months ended 31 December 2012 HK\$'000 (Unaudited)
At 1 July		20,596
Interest expense		2,157
Interest paid		(610)
At 31 December		22,143

19. OTHER BORROWINGS

Other borrowings are unsecured, interest-bearing at 8% per annum and repayable in May 2014. Their carrying amounts approximate their fair values.

Notes to the Condensed Consolidated Interim Financial Statements

20. ACQUISITION OF A SUBSIDIARY IN PRIOR YEAR

On 8 May 2012, the Group acquired 55% equity interest in Tai Cheng International Limited ("Tai Cheng"), a company incorporated in Hong Kong, at a total consideration of not in excess of HK\$30,000,100. Tai Cheng is principally engaged in trading of toys in Hong Kong.

The following table summarises the fair values of the consideration for the acquisition of Tai Cheng, the assets acquired and liabilities assumed recognised on the acquisition date.

	Fair value recognised on acquisition <i>HK\$'000</i> (Unaudited)
Purchase consideration	
– Cash paid (<i>note (i)</i>)	–
– Contingent consideration (<i>note (ii)</i>)	30,000
	30,000
Total purchase consideration	30,000
Recognised amounts of identifiable assets acquired and liabilities assumed	
Property, plant and equipment (<i>Note 13</i>)	9
Trade receivables	897
Prepayments, deposits and other receivables	23
Cash and cash equivalents	210
Trade payables	(547)
Amount due to a non-controlling shareholder of a subsidiary	(154)
	438
Total identifiable net assets	438
Non-controlling interests	(197)
Goodwill (<i>Note 13</i>)	29,759
	29,759
	30,000

Notes to the Condensed Consolidated Interim Financial Statements

20. ACQUISITION OF A SUBSIDIARY IN PRIOR YEAR

(Continued)

An analysis of the net inflow of cash and cash equivalents in respect of the acquisition is as follows:

	Fair value recognised on acquisition HK\$'000 (Unaudited)
Cash and cash equivalents acquired	210
Less: Consideration satisfied by cash (note (i))	<u>—</u>
Net cash inflow on acquisition of a subsidiary	<u>210</u>

Notes:

- (i) The cash consideration paid was HK\$100. The amount shown above was a result of rounding.
- (ii) Contingent consideration in aggregate not exceeding HK\$30,000,000 shall be settled by the issue of the Tai Cheng CB in three tranches of HK\$10,000,000 each for each financial year ended 31 December 2012, 2013 and 2014 respectively.

The principal amount of the Tai Cheng CB to be issued in each tranche shall be determined by the proportion of the audited profit after taxation of Tai Cheng to the benchmark profit, as multiplied by HK\$10,000,000. The benchmark profit is HK\$12,000,000, HK\$13,000,000 and HK\$14,000,000 for each financial year ended 31 December 2012, 2013 and 2014 respectively.

The Tai Cheng CB, if issued, will be non-interest bearing, mature three years from the date of issue and is convertible into the shares of the Company at a conversion price of HK\$0.50 per share.

A liability component and an equity conversion component were classified at initial recognition of this contingent consideration payable.

Notes to the Condensed Consolidated Interim Financial Statements

20. ACQUISITION OF A SUBSIDIARY IN PRIOR YEAR

(Continued)

Notes: (Continued)

The fair value of the liability component of the Tai Cheng CB was initially recognised at the date of acquisition at approximately HK\$13,267,000 by using the discount cash flow model. The fair value estimates were based on assumed discount rates ranging from 17.90% to 18.15%. This liability component was subsequently measured at fair value of approximately HK\$16,034,000 as at 30 June 2013 (31 December 2012: HK\$14,761,000) as a contingent consideration payable, with fair value change of approximately HK\$1,273,000 (six months ended 30 June 2012: HK\$321,000) recognised as finance costs (Note 9) in the condensed consolidated income statement.

The equity conversion component of the Tai Cheng CB of approximately HK\$16,733,000, which represents the value of the equity conversion option, was included in shareholders' equity in other reserves.

21. COMMITMENTS

(a) Capital commitments

The Group had the following capital commitments as at the end of the reporting period:

	30 June 2013 HK\$'000 (Unaudited)	31 December 2012 HK\$'000 (Audited)
Contracted but not provided for:		
– Acquisition of land	–	4,786
– Construction of plant	6,680	10,000
– Purchase of machinery	–	6,136
	6,680	20,922

Notes to the Condensed Consolidated Interim Financial Statements

21. COMMITMENTS *(Continued)*

(b) Operating lease commitments

The future aggregate minimum lease payments under non-cancellable operating leases in respect of land and buildings are as follows:

	30 June 2013 HK\$'000 (Unaudited)	31 December 2012 HK\$'000 (Audited)
Not later than 1 year	1,723	3,299
Later than 1 year but not later than 5 years	1,481	2,119
	3,204	5,418

None of the leases include contingent rentals.

22. SIGNIFICANT RELATED PARTY TRANSACTIONS

(a) Key management compensation

	Six months ended 30 June 2013 HK\$'000 (Unaudited)	2012 HK\$'000 (Unaudited)
Wages, salaries and other short-term employee benefits	1,620	1,590
Pension costs		
– defined contribution plans	30	24
Share-based payments	–	11,027
	1,650	12,641

Notes to the Condensed Consolidated Interim Financial Statements

22. SIGNIFICANT RELATED PARTY TRANSACTIONS

(Continued)

(b) Transactions

Material transactions carried out between the Group and the controlling shareholder of the Company and related companies beneficially owned by the controlling shareholder of the Company during the period are summarised as follows:

	Six months ended 30 June	
	2013 HK\$'000 (Unaudited)	2012 HK\$'000 (Unaudited)
Consultancy fee paid	480	–
Interest paid	207	–
Rentals paid	505	333

(c) Balances

The amount due to the controlling shareholder is unsecured and with other terms as follows:

Annual		30 June 2013	Annual		31 December 2012
interest rate	Maturity	HK\$'000 (Unaudited)	interest rate	Maturity	HK\$'000 (Audited)
Interest-free	Dec 2013	20,000	Interest-free	Dec 2013	20,000
4.5%	Feb 2014	10,000	Interest-free	Repayable on demand	2,475
4.5%	May 2014	3,300			
4.5%	June 2014	3,300			
		<u>36,600</u>			<u>22,475</u>

Notes to the Condensed Consolidated Interim Financial Statements

23. CONTINGENT LIABILITIES

The Group had no material contingent liabilities as at 30 June 2013 and 31 December 2012.

24. SUBSEQUENT EVENTS

On 25 June 2013, the Company entered into a placing agreement with a placing agent to place, on a best effort basis, up to 180,800,000 new shares of the Company at a price of HK\$0.205 per share, which was subsequently terminated on 9 August 2013.

On 9 August 2013, the Company entered into another agreement (the “Top-up Placing and Top-up Subscription Agreement”) with Gold Bless and One China Securities Limited (the “Placing Agent”) pursuant to which Gold Bless agreed to place, through the Placing Agent, on a best effort basis, up to 180,800,000 shares to at least six placees at a price of HK\$0.205 per share (the “Top-up Placing”). Pursuant to the Top-up Placing and Top-up Subscription Agreement, Gold Bless conditionally agreed to subscribe for a number of new shares equivalent to the number of shares actually placed by the Placing Agent (the “Top-up Subscription”).

The Top-up Placing and the Top-up Subscription were completed on 19 August 2013 and 21 August 2013 respectively in accordance with the terms and conditions of the Top-up Placing and Top-up Subscription Agreement in which an aggregate of 126,800,000 shares had been successfully placed to six placees, at a price of HK\$0.205 per share.

As all conditions of the Top-up Subscription had been fulfilled, the Company allotted and issued 126,800,000 shares to Gold Bless at HK\$0.205 per share on 21 August 2013. The net proceeds from the Top-up Subscription amounted to approximately HK\$25,420,000 and are intended to be used as working capital of the Group.

25. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with the current period's presentation.

Management Discussions and Analysis

BUSINESS AND FINANCIAL REVIEW

Total revenue of approximately HK\$169,711,000 was recorded by the Group during the six months ended 30 June 2013, as compared to approximately HK\$192,572,000 for the same period in 2012. The drop in total revenue was due to the decline in orders ultimately from the United States and the PRC, which was mainly attributable to downside risks and uncertainties of the global economy. The slow recovery of the global economy from Eurozone debt crisis and the US fiscal cliff and the slow down of the growth momentum of China, being the world's second largest economy, further adversely affects the sentiment of the ultimate customers and compresses the business of the toys industry.

The gross profit margin of the Group has also dropped from the previous period's 25.5% to that of 6.8% in the current period. During the first half of 2013, the macro-economic and operating environment continued to be plagued by the increase in the cost of raw materials and labor in the PRC. Besides, the performance of the Group's trading business in toys of popular animations and online-games, which accounted for most of the gross profit margin of the Group's business, was far from satisfactory due to the delay in the launching of certain animations and online-games. The Group expects uncertainties to persist in the second half of 2013. In light of this, management has taken a close look at the developments of the toys industry, and will take appropriate strategic measures to reshape the segments and markets of the Group's business when necessary.

Management has also focused on cost control in this difficult operating environment, in order to strive for a higher profit margin and return to the stakeholders. Developments on new products were slowed down as their initial research and development costs are high and the cost recovery period is long. Management is adopting a prudent and conservative approach in order to sustain the Group for the long term development.

The loss for the period attributable to equity holders of the Company amounted to approximately HK\$9,065,000 in 2013 whilst it was a profit of approximately HK\$11,487,000 in the same period in 2012. The loss was mainly attributable to the decrease of gross profit margin as explained above.

Management Discussions and Analysis

The Group would also like to point out that the trade receivables ageing period might seem long. Management has noted this and is taking proactive actions, including negotiations with the trade debtors for realistic and achievable repayment schedules, to collect the outstanding receivables. Based on the current repayment schedules, the Group has made a provision of HK\$12,532,000 to account for the discounting effect of the time value of money because of the delay in settlement of the outstanding trade receivables. The Directors are confident to have most of the outstanding balances be collected in the foreseeable future.

THE MACRO-ECONOMIC ENVIRONMENT

Appreciation of Renminbi, increase in salaries, difficulties in labour recruitment and increase of production and material costs have put strain on the growth and profitability of the manufacturing industry. With the mounting pressure from Renminbi's appreciation, it has become increasingly difficult to derive profits from exports.

Besides, the toy industry is becoming more competitive. The profit margin becomes lower and the new products have shorter life cycles. To stand out in this environment, the Group must focus on producing innovative and creative products as well as cost control.

MANAGEMENT FORECAST AND PROSPECT

As a loss was recorded by the Group during the reporting period, management is prudent on the Group's business development. Management has taken proactive and initiative approach in observing and analyzing the prospects of the toys industry and will exercise caution towards new product developments to relieve cost pressures on the Group, until there is a substantial turnaround in the toys industry.

The Group is actively identifying and exploring other investment and business opportunities to broaden its assets and revenue base. Potential acquisitions or mergers will be assessed by management for expansion of the business segments of the Group. Management believes diversified investments could be beneficial to the interests of the Group and the shareholders as a whole. Management will cautiously search for investment opportunities so as to produce a steady growth in the Group's long term performance.

Management Discussions and Analysis

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2013, the Group held cash and bank balances of approximately HK\$12,275,000 (31 December 2012: HK\$37,475,000). Net current assets amounted to approximately HK\$143,619,000 (31 December 2012: HK\$165,354,000). Current ratio (defined as total current assets divided by total current liabilities) was approximately 1.77 times (31 December 2012: 1.85 times). The gearing ratio of the Group (defined as total liabilities to total assets) was approximately 49.0% (31 December 2012: 49.2%). As at 30 June 2013, the carrying amounts and the principal amounts of the outstanding borrowings of the Group amounted to approximately HK\$66,457,000 (31 December 2012: HK\$44,618,000) and approximately HK\$67,017,000 (31 December 2012: HK\$46,895,000), respectively.

FOREIGN EXCHANGE EXPOSURE

The Group is exposed to foreign exchange risk, with most of the Group's assets and liabilities, revenue and expenditure denominated in Renminbi, U.S. dollars and Hong Kong dollars. As at 30 June 2013, the Group had insignificant exposure to foreign exchange risk as substantially all sales and purchases transactions, recognised assets and liabilities were primarily denominated in U.S. dollars, Hong Kong dollars and Renminbi.

CAPITAL STRUCTURE

During the year ended 31 December 2012, certain of the convertible bonds with a total principal amount of HK\$55,685,000 were converted into the shares of the Company at a conversion price of HK\$0.185 per share and, accordingly, the Company issued and allotted a total of 301,000,000 shares to the convertible bond holders. There were outstanding convertible bonds in the principal amount of HK\$24,420,000 which could be converted into 132,000,000 shares of the Company as at 30 June 2013 (the conversion price was subsequently adjusted from HK\$0.185 per share to HK\$0.182 per share with effect from 21 August 2013 upon the completion of the Top-up Subscription on 21 August 2013). Besides, on 11 May 2012, the Company granted 65,800,000 share options to certain substantial shareholders, Directors and employees of the Group, which are still outstanding as at 30 June 2013.

On 25 June 2013, the Company entered into a placing agreement with a placing agent to place, on a best effort basis, up to 180,800,000 new shares of the Company at a price of HK\$0.205 per share, which was subsequently terminated on 9 August 2013.

Management Discussions and Analysis

There were no changes in the capital structure of the Company during the six months ended 30 June 2013.

Subsequent to the end of the reporting period, on 9 August 2013, the Company entered into another Top-up Placing and Top-up Subscription Agreement with Gold Bless and the Placing Agent pursuant to which Gold Bless agreed to place, through the Placing Agent, on a best effort basis, up to 180,800,000 shares to at least six placees at a price of HK\$0.205 per share. Pursuant to the Top-up Placing and Top-up Subscription Agreement, Gold Bless conditionally agreed to subscribe for a number of new shares equivalent to the number of shares actually placed by the Placing Agent.

The Top-up Placing and the Top-up Subscription were completed on 19 August 2013 and 21 August 2013 respectively in accordance with the terms and conditions of the Top-up Placing and Top-up Subscription Agreement in which an aggregate of 126,800,000 shares had been successfully placed to six placees, at a price of HK\$0.205 per share.

As all conditions of the Top-up Subscription had been fulfilled, the Company allotted and issued 126,800,000 shares to Gold Bless at HK\$0.205 per share on 21 August 2013. The net proceeds from the Top-up Subscription amounted to approximately HK\$25,420,000 and are intended to be used as working capital of the Group.

CHARGES ON GROUP ASSETS

As at 30 June 2013, none of the Group's assets was pledged to secure any facilities and borrowings granted to the Group.

SIGNIFICANT ACQUISITION AND DISPOSAL OF ASSETS

During the year ended 31 December 2012, the Group acquired 55% equity interests of Tai Cheng International Limited (“Tai Cheng”), a company incorporated in Hong Kong at a consideration not in excess of HK\$30,000,100. Tai Cheng is principally engaged in trading of toys in Hong Kong. The acquisition has provided an opportunity for the Group to expand its trading business and broaden its customer bases to different countries and regions. Details of the acquisition are stated in Note 20 to the condensed consolidated interim financial statements.

On 2 May 2013, the Company entered into a memorandum of understanding with 內蒙古宏基房地產開發有限公司 (Neimenggu Hongji Property Development Limited*) (the “Vendor”), pursuant to which, the Company proposed to acquire 60% equity interests in 內蒙古宏基路橋投資發展有限公司 (Neimenggu Hongji Infrastructures Investment Development Limited*), which, according to the information of the Vendor, owns the entire interest of an approximately 87 kilometers toll road project connecting Fengzhen and Xinghe, and passing through Longshengzhuang, at Wulanchabu City, Inner Mongolia, the PRC, from the Vendor based on the terms and conditions to be agreed between the Company and the Vendor. As at the date of this report, management is still assessing the feasibility study of this proposed acquisition, and no formal agreement has been entered into between the parties involved.

There were no significant acquisition and disposal of assets during the six months ended 30 June 2013.

COMMITMENTS AND CONTINGENT LIABILITIES

The Group’s commitments as at 30 June 2013 had been detailed in Note 21 to the condensed consolidated interim financial statements.

The Group had no material contingent liabilities as at 30 June 2013.

* *For identification purposes only*

Management Discussions and Analysis

EMPLOYEES AND REMUNERATION POLICY

As at 30 June 2013, the Group employed approximately 90 employees. The Group continues to maintain and upgrade the capabilities of its workforce by providing them with adequate and regular trainings. The Group remunerates its Directors and employees mainly based on industry practices and individual's performance and experience. On top of regular remuneration, discretionary bonus and share options may be granted to eligible staff with reference to the Group's performance as well as individual's performance.

INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2013 (six months ended 30 June 2012: Nil).

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

As at 30 June 2013, the interests and short positions of the Directors and chief executives of the Company 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")) (a) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or (b) which were required, pursuant to Section 352 of the SFO, to be entered in the register (the "Register") referred to therein, or (c) which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the "Model Code"), to be notified to the Company and the Stock Exchange, were as follows:

The Company

(a) Long positions in underlying shares

Name of Director	Capacity in which the underlying shares are held	Interest in the underlying shares	Approximate percentage of total issued shares
Mr. Wong Man Keung (Note i)	Beneficial owner	9,000,000	1.00%
Ms. Yang Jun (Note i)	Beneficial owner	6,000,000	0.66%

Notes:

- (i) These are the shares of the Company which may be issued upon full exercise of the share options granted to the respective Directors on 11 May 2012. Further details of the share options granted are stated in the section headed "Share Option Scheme" below.
- (ii) The percentage is calculated based on the total number of issued shares of the Company as at 30 June 2013.

Other Information

Save as disclosed above, as at 30 June 2013, none of the Directors nor chief executives of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations, which were required to be notified to the Company and the Stock Exchange or recorded in the Register as aforesaid.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 30 June 2013, so far as it is known by or otherwise notified by any Director or the chief executives of the Company, the particulars of the corporations or persons (not being a Director or chief executive of the Company) who had 5% or more interests and short positions in the shares and underlying shares of the Company as recorded in the Register required to be kept under Section 336 of the SFO or were entitled to exercise, or control the exercise of, 10% or more of the voting power at any general meeting of the Company (the "Voting Entitlements") (i.e. within the meaning of substantial shareholders of the Listing Rules) were as follows:

The Company

(a) *Long and short positions in shares*

Name of substantial shareholder	Capacity in which the shares are held	Number of shares held	Approximate percentage of total issued shares
Gold Bless International Invest Limited (<i>Note i</i>)	Beneficial owner	673,220,000 (L)	74.47%
Mr. Yang Wang Jian (<i>Note i</i>)	Interest of controlled corporations	673,220,000 (L)	74.47%
Ms. Ding Yan	Beneficial owner	77,640,000 (L)	8.59%

Other Information

Name of substantial shareholder	Capacity in which the shares are held	Number of shares held	Approximate percentage of total issued shares
Dragon Legend Investments Limited <i>(Note ii)</i>	Beneficial owner	51,740,000 (L) 42,000,000 (S)	5.72% 4.65%
Asian Capital Holdings Limited <i>(Note ii)</i>	Interest of controlled corporation	51,740,000 (L) 42,000,000 (S)	5.72% 4.65%
Master Link Assets Limited <i>(Note ii)</i>	Interest of controlled corporation	51,740,000 (L) 42,000,000 (S)	5.72% 4.65%
Mr. Yeung Kai Cheung Patrick <i>(Note ii)</i>	Interest of controlled corporation	51,740,000 (L) 42,000,000 (S)	5.72% 4.65%

Note: (L) – Long positions, (S) – Short positions

Notes:

- (i) These shares are beneficially owned by Gold Bless International Invest Limited (“Gold Bless”), a company of which 85% of its share capital is owned by Mr. Yang Wang Jian (“Mr. Yang”) and therefore, Mr. Yang is deemed to be interested in such shares pursuant to Part XV of the SFO.
- (ii) These shares are beneficially owned by Dragon Legend Investments Limited, which is 100% owned by Asian Capital Holdings Limited (“Asian Capital”), a company of which 48.56% of its share capital is owned by Master Link Assets Limited (“Master Link”), a company which is 100% owned by Mr. Yeung Kai Cheung Patrick (“Mr. Yeung”) and therefore, Asian Capital, Master Link and Mr. Yeung are deemed to be interested in such shares pursuant to Part XV of the SFO.

Other Information

(b) Long positions in underlying shares

Name of substantial shareholder	Capacity in which the underlying shares are held	Interest in the underlying shares	Approximate percentage of total issued shares
Gold Bless International Invest Limited <i>(Note i)</i>	Beneficial owner	124,000,000	13.72%
Mr. Yang Wang Jian <i>(Note i)</i>	Interest of controlled corporations	124,000,000	13.72%
<i>(Note ii)</i>	Beneficial owner	9,000,000	1.00%
Hong Kong Tai Shing Toys Trading Limited <i>(Note iii)</i>	Beneficial owner	60,000,000	6.64%
Mr. Fang Bai Jin <i>(Note iii)</i>	Interest of controlled corporation	60,000,000	6.64%
<i>(Note ii)</i>	Beneficial owner	9,000,000	1.00%
Dragon Legend Investments Limited <i>(Note iv)</i>	Beneficial owner	8,000,000	0.88%
Asian Capital Holdings Limited <i>(Note iv)</i>	Interest of controlled corporation	8,000,000	0.88%
Master Link Assets Limited <i>(Note iv)</i>	Interest of controlled corporation	8,000,000	0.88%
Mr. Yeung Kai Cheung Patrick <i>(Note iv)</i>	Interest of controlled corporation	8,000,000	0.88%

Note:

- (i) These are the shares of the Company which may be issued upon full exercise of the conversion rights attached to the convertible bonds (detailed in Note 18 to the condensed consolidated interim financial statements) held by Gold Bless, a company of which 85% of its share capital is owned by Mr. Yang and therefore, Mr. Yang is deemed to be interested in such shares pursuant to Part XV of the SFO.
- (ii) These are the shares of the Company which may be issued upon full exercise of the share options granted to the respective substantial shareholders by the Company on 11 May 2012. Further details of the share options granted are stated in the section headed "Share Option Scheme" below.
- (iii) These are the shares of the Company which may be issued upon full exercise of the conversion rights attached to the Tai Cheng CB (detailed in Note 20 to the condensed consolidated interim financial statements) held by Hong Kong Tai Shing Toys Trading Limited, a company which is 100% owned by Mr. Fang Bai Jin ("Mr. Fang") and therefore, Mr. Fang is deemed to be interested in such shares pursuant to Part XV of the SFO.
- (iv) These are the shares of the Company which may be issued upon full exercise of the conversion rights attached to the convertible bonds (detailed in Note 18 to the condensed consolidated interim financial statements) held by Dragon Legend Investments Limited, which is 100% owned by Asian Capital, a company of which 48.56% of its share capital is owned by Master Link, a company which is 100% owned by Mr. Yeung and therefore, Asian Capital, Master Link and Mr. Yeung are deemed to be interested in such shares pursuant to Part XV of the SFO.
- (v) The percentages above are calculated based on the total number of issued shares of the Company as at 30 June 2013.

Save as disclosed above, the Directors are not aware of any other corporations or persons who, as at 30 June 2013, had the Voting Entitlements or any interests and short positions in the shares or underlying shares as recorded in the Register required to be kept under Section 336 of the SFO.

Other Information

SHARE OPTION SCHEME

On 2 September 2006, a share option scheme (the “Share Option Scheme”) was approved and adopted by the shareholders of the Company, under which, the Company may grant options to any eligible participants to subscribe for shares of the Company subject to the terms and conditions stipulated in the Share Option Scheme.

On 11 May 2012, share options with rights to subscribe for a total of 65,800,000 shares of the Company at an exercise price of HK\$0.37 per share were granted to certain substantial shareholders, Directors and employees of the Group which were vested immediately on the date of grant and expire on 10 May 2022.

The movements in share options during the period are as follows:

Name of grantee	Exercise price HK\$	Exercisable period	As at	Granted	Exercised/ cancelled/ lapsed	As at
			1 January 2013	during the period ended 30 June 2013	during the period ended 30 June 2013	30 June 2013
Directors or substantial shareholders						
Mr. Yang Wang Jian	0.37	11.5.2012 to 10.5.2022	9,000,000	-	-	9,000,000
Mr. Wong Man Keung	0.37	11.5.2012 to 10.5.2022	9,000,000	-	-	9,000,000
Ms. Yang Jun	0.37	11.5.2012 to 10.5.2022	6,000,000	-	-	6,000,000
Mr. Fang Bai Jin	0.37	11.5.2012 to 10.5.2022	9,000,000	-	-	9,000,000
Other persons	0.37	11.5.2012 to 10.5.2022	32,800,000	-	-	32,800,000
			65,800,000	-	-	65,800,000

PURCHASE, SALE OR REDEMPTION OF SECURITIES

Neither the Company nor any of its subsidiaries purchase, sell or redeem any of the Company's securities listed on the Stock Exchange during the six months ended 30 June 2013.

CORPORATE GOVERNANCE

The Board believes that good corporate governance is essential to the maintenance of the Group's competitiveness and to its healthy growth. The Company has adopted practices which meet the requirements of the Corporate Governance Code (the "CG Code") as set out in Appendix 14 to the Listing Rules.

The Company periodically reviews its corporate governance practices to ensure its continuous compliance with the CG Code. Save for the deviations from code provisions A.2.1 and A.6.7 which were explained below, the Company has been in compliance with all code provisions set out in the CG Code for the six months ended 30 June 2013.

Under the code provision A.2.1, the roles of chairman and chief executive officer should be separated and should not be performed by the same individual. The Company had appointed Mr. Wong Man Keung, an executive Director and the chief executive officer of the Company, as the acting chairman of the Company, upon the resignation of Mr. Yang Wang Jian on 8 November 2012. The Board considered that this structure would not impair the balance of power and authority between the Board and the management of the Company, as the Board would meet regularly to consider major matters affecting the operations of the Group. The roles of the respective executive Directors and senior management of the Company who are in charge of different functions complement the role of the chairman and chief executive officer. The Board believed that this structure would be conducive to strong and consistent leadership enabling the Group to operate efficiently until a suitable person is identified by the Board to be the chairman of the Company.

Other Information

Under the code provision A.6.7, independent non-executive Directors and other non-executive Directors should attend general meetings and develop a balanced understanding of the views of shareholders. Two independent non-executive Directors did not attend the annual general meeting held on 18 June 2013 due to other work commitments. The Company will strengthen its planning process, by giving all Directors sufficient time to arrange their work in advance and providing any necessary support for their presence and participation in the meetings, so as to facilitate all Directors attending the Company's future general meetings.

AUDIT COMMITTEE

The audit committee of the Company (the "Audit Committee") currently comprises three independent non-executive Directors, namely Mr. Low Chin Sin (Chairman), Mr. Yeung King Wah, Kenneth and Mr. Wu Hong. The Audit Committee has reviewed with the management the accounting principles and practices adopted by the Group and discussed the internal control and financial reporting matters including the review of the unaudited condensed consolidated interim financial statements and results of the Group for the six months ended 30 June 2013 and this report.

MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

During the six months ended 30 June 2013, the Company has adopted the Model Code as the code of conduct regarding securities transactions by the Directors. Having made specific enquiry of the Directors, the Directors have confirmed their compliance with the required standard as set out in the Model Code during the six months ended 30 June 2013.

For and on behalf of
Green International Holdings Limited
Wong Man Keung
Acting Chairman

Hong Kong, 30 August 2013