MATRIX

MATRIX HOLDINGS LIMITED

美力時集團有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 1005)

2014 INTERIM RESULTS ANNOUNCEMENT

RESULT HIGHLIGHTS

FINANCIAL HIGHLIGHTS

	Six months ended 30th June,		
	2014	2013	Changes
		(Restated)	%
Turnover *(HK$)*	**468,509,000**	403,749,000	+16.0%
Profit attributable to owners of the Company *(HK$)*	**32,407,000**	9,443,000	+243.2%
Basic earnings per share *(HK$)*	**0.04**	0.01	+300.0%
Interim dividend, declared *(HK$)*	**0.030**	0.020	+50.0%
Gross profit margin ratio *(%)*	**34.3%**	30.5%	+12.5%

* *For identification purpose only*

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, 2014, together with the comparative figures for the corresponding period in 2013.

The Group's consolidated revenue for the six months ended 30th June, 2014, increased by HK$64,760,000 or 16.0% to HK$468,509,000 from HK$403,749,000 for the corresponding period of last year. The profit attributable to the owners of the Company increased by HK$22,964,000 or 243.2% to HK$32,407,000 as compared with the profit of HK$9,443,000 for the corresponding period of last year.

The global economy improved during the period under review, particularly with the gradual improvement of employment rate, inflation in property prices and deregulation of consumer credit in major markets in North America, the consumer confidence in the United States has increased to the highest level, demonstrating a clear sign of recovery since the economic recession in 2008. Taking advantage of the trend of economic growth, the Group adopted diverse strategies to promote business growth and strengthen its core business, hence its sales increased.

Basing on its own research and development capabilities, the Group continued to strengthen its solid cooperative partnership with existing brand licensed customers of well-known toy products in the international market, further developing its well-known brand products and continuously enriching the product lines. Additionally, in an effort to broaden the range of products for renowned United States toy retailers with huge distribution networks and to develop new business opportunities for our customers, the Group has incorporated more novel design elements into its products, while applying new materials and new functions to strengthen its product mix and develop new product lines. Not only the sales growth was maintained, but also the revenue from the United States market increased. Moreover, the Group has improved its sales strategy to increase the product orders placed by the major customers, in order to increase its sales while maintaining the growth trend. During the period under review, driven by the increase in product sales, the investment in product design, development and molds was utilized more effectively, and the profit margin was improved.

Furthermore, the material price and RMB exchange rate remained relatively stable during the period under review. Coupled with the relatively low labor costs in Vietnam, the pressure on cost inflation was reduced. Moreover, the Group actively reorganized its human resources structure, replaced inefficient production facilities and streamlined its production process to achieve a more cost-effective production and improve the overall production efficiency, which have in turn increased the operation performance of our plants. To some extent, the effects of increased labor costs triggered by inflation and increased operating expenses caused by other costs increase have been offset. Besides, the purchasing strategy was refined, the structure of the purchasing process system was optimized, the seasonal goods were controlled, the purchasing deadline was shortened, and discounts were pursued as means to further control and save costs. The Group's sales expenses and marketing expenses were increased due to an increase in sales force prepared for market recovery, and other recurring operating expenses were increased in line with the increased sales volume as compared with last year. Moreover, the sales of the lighting brand business were affected by the modified regulations on specification. However, the Group recorded an increase in overall sales volume, an improvement in the gross profit margin and thus an increase in net profit.

For the six months ended 30th June, 2014, United States continued to be the largest customer market of the Group, accounting for approximately 89.4% of the Group's total turnover (2013: 80.5%). The other significant customer markets for the Group included Europe, Australia & New Zealand and Canada, which accounted for approximately 1.8% (2013: 5.1%), 2.5% (2013: 3.9%) and 3.9% (2013: 3.8%) respectively.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30TH JUNE, 2014

		Six months ended 30th June,	
		2014	2013
		HK$'000	*HK$'000*
	NOTES	**(Unaudited)**	(Restated)
Turnover	*4*	**468,509**	403,749
Cost of sales	*6*	**(307,697)**	(280,630)
Gross profit		**160,812**	123,119
Other income		**1,954**	1,201
Distribution and selling costs	*6*	**(59,722)**	(49,016)
Administrative expenses	*6*	**(67,890)**	(59,198)
Other gains and losses	*6*	**2,328**	(2,539)
Research and development costs		**(3,461)**	(3,872)
Finance costs	*4*	**(879)**	(1,350)
Profit before taxation		**33,142**	8,345
Income tax (expense)/credit	*5*	**(735)**	1,098
Profit for the period attributable to owners of the Company		**32,407**	9,443
Other comprehensive expense for the period			
Items that may be reclassified to profit or loss			
Exchange differences arising on translation of foreign operations		**(1,297)**	(3,442)
Total comprehensive income for the period attributable to owners of the Company		**31,110**	6,001
Earnings per share			
– Basic	*8*	**HK$0.04**	HK$0.01
– Diluted	*8*	**HK$0.04**	HK$0.01

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30TH JUNE, 2014

	NOTES	30th June, 2014 HK$'000 (Unaudited)	31st December, 2013 HK$'000 (Audited)
Non-current assets			
Property, plant and equipment	9	**189,605**	196,722
Leasehold land and land use right	10	**14,943**	15,201
Intangible assets		**96,822**	96,822
Deferred tax assets		**4,542**	4,577
Prepayment		**–**	95
		305,912	313,417
Current assets			
Inventories		**303,696**	309,390
Trade and other receivables and prepayments	11	**130,241**	199,572
Tax recoverable		**19**	473
Cash and cash equivalents		**46,615**	54,536
		480,571	563,971
Current liabilities			
Trade and other payables and accruals	12	**120,302**	166,885
Dividend payable		**204**	192
Tax payable		**25,563**	32,737
Bank borrowings		**12,723**	26,275
		158,792	226,089
Net current assets		**321,779**	337,882
Total assets less current liabilities		**627,691**	651,299

	NOTES	30th June, 2014 HK$'000 (Unaudited)	31st December, 2013 HK$'000 (Audited)
Capital and reserves			
Share capital	*13*	**75,612**	75,573
Reserves		**536,111**	541,714
Equity attributable to owners of the Company		**611,723**	617,287
Non-current liabilities			
Deferred tax liabilities		**207**	246
Loan from ultimate holding company		**15,761**	33,766
		15,968	34,012
		627,691	651,299

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30TH JUNE, 2014

1. GENERAL INFORMATION

The principal activity of Matrix Holdings Limited (the "Company") is investment holding.

The Company and its subsidiaries (collectively referred to as the "Group"), are principally engaged in the manufacturing and trading of toys and lighting products.

The Company is an exempted limited liability company incorporated in Bermuda. The address of its registered office is Canon's Court, 22 Victoria Street, Hamilton HM 12, Bermuda.

The Company is listed on The Stock Exchange of Hong Kong Limited.

This condensed consolidated interim financial information is presented in thousands of Hong Kong dollar (HK$'000), unless otherwise stated.

This condensed consolidated interim financial information was approved for issue on 27th August, 2014.

This condensed consolidated interim financial information has not been audited.

2. BASIS OF PREPARATION

The unaudited condensed consolidated financial information have been prepared in accordance with Hong Kong Accounting Standard 34, Interim Financial Reporting issued by the Hong Kong Institute of Certified Public Accountants 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, 2013, which have been prepared in accordance with Hong Kong Financial Reporting Standard ("HKFRS").

3. PRINCIPAL ACCOUNTING POLICIES

The accounting policies applied are consistent with those of the annual financial statements for the year ended 31st December, 2013, as described in those annual financial statements.

There are no new and amended standards to existing HKFRS that are effective for the Group's accounting year commencing on 1st January, 2014 that could be expected to have a material impact on the Group.

The presentation of the condensed consolidated statement of comprehensive income for the six months ended 30th June, 2013 was revised to bring it in line with the annual financial statements for the year ended 31st December, 2013. Certain comparative figures have been reclassified or restated to conform with the presentation in the current period. For the year ended 31st December, 2013, the Group has changed its accounting policy on leasehold land and building and plant and machinery to follow the cost model under HKAS 16 "Property, Plant and Equipment". In previous years, the Group's property, plant and equipment were carried in the consolidated statement of financial position at their revalued amounts less subsequent accumulated depreciation and impairment losses.

The effect of the change in accounting policy on property, plant and equipment on the condensed consolidated statement of comprehensive income for the six months ended 30th June, 2013 is set out below:

Increase in profit (HK$'000)	2,424
Increase in earnings per share (basic and diluted)	HK0.3 cent

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

4. SEGMENT INFORMATION

The chief operating decision-makers ("CODM") has been identified as the Executive Directors. Reportable segments are reported in a manner consistent with internal reports of the Group that are regularly reviewed by CODM in order to assess performance and allocate resources. The CODM assess the performance of the reportable segments based on the profit or loss generated.

There were two main businesses of the Group, including toys and lighting business. CODM did not consider the lighting business as separate segment for the year as it is at early stage of operations and is not material to the Group.

Therefore, the Group's operating segments under HKFRS 8 are – the United States, Europe, Mexico, Canada, South America, Australia and New Zealand and all other locations.

CODM assesses the performance of the operating segments based on segment results. Finance income and costs, corporate income and expenses are not included in the results for each operating segment that is reviewed by the CODM. Other information provided to the CODM is measured in a manner consistent with that in the consolidated financial statements.

Assets of reportable segments exclude property, plant and equipment, intangible assets, deferred income tax assets and corporate assets, all of which are managed on a central basis. Liabilities of reportable segments exclude current and deferred income tax liabilities, short-term borrowings and other corporate liabilities. These are part of the reconciliation to total assets and liabilities of the consolidated statement of financial position.

The revenue from external parties, assets and liabilities, reported to the CODM is measured in a manner consistent with that in the condensed consolidated statement of comprehensive income and financial position.

Segment revenues and results

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

	Six months ended 30th June,			
	Turnover		**Results**	
	2014	2013	**2014**	2013
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Restated)
United States	**418,623**	325,130	**77,333**	49,285
Europe	**8,502**	20,644	**(1,661)**	2,866
Mexico	**1,170**	4,048	**(975)**	599
Canada	**18,404**	15,456	**2,732**	2,094
South America	**5,883**	13,213	**329**	1,818
Australia and New Zealand	**11,695**	15,642	**1,090**	1,708
All other locations *(Note)*	**4,232**	9,616	**297**	1,263
	468,509	403,749	**79,145**	59,633
Unallocated income			**656**	849
Unallocated expenses			**(45,780)**	(50,787)
Finance costs			**(879)**	(1,350)
Profit before taxation			**33,142**	8,345
Income tax (expense)/credit			**(735)**	1,098
Profit for the period			**32,407**	9,443

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

Segment profit represents the profit before taxation earned by each segment without allocation of investment income, other non-operating income, central administration costs and finance costs. This is the measure reported to the 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, 2014 (Unaudited)	**United States** *HK$'000*	**Canada** *HK$'000*	**Europe** *HK$'000*	**South America** *HK$'000*	**Australia & New Zealand** *HK$'000*	**Mexico** *HK$'000*	**All other locations** *HK$'000*	**Consolidated** *HK$'000*
ASSETS								
Total segment assets	**352,816**	**19,708**	**10,871**	**9,045**	**11,775**	**2,362**	**42,303**	**448,880**
Property, plant and equipment								**189,605**
Leasehold land and land use rights								**14,943**
Unallocated and corporate assets								**133,055**
Consolidated assets								**786,483**
LIABILITIES								
Segment liabilities	**62,269**	**2,411**	**1,114**	**771**	**1,638**	**237**	**16,561**	**85,001**
Unallocated and other corporate liabilities								**89,759**
Consolidated liabilities								**174,760**

At 31st December, 2013 (Audited)	United States *HK$'000*	Canada *HK$'000*	Europe *HK$'000*	South America *HK$'000*	Australia & New Zealand *HK$'000*	Mexico *HK$'000*	All other locations *HK$'000*	Consolidated *HK$'000*
ASSETS								
Total segment assets	413,157	17,392	14,711	13,229	13,696	4,948	27,144	504,277
Property, plant and equipment								196,722
Leasehold land and land use rights								15,201
Unallocated and corporate assets								161,188
Consolidated assets								877,388
LIABILITIES								
Segment liabilities	89,456	4,192	2,871	2,331	3,161	1,328	15,755	119,094
Unallocated and other corporate liabilities								141,007
Consolidated liabilities								260,101

5. INCOME TAX (EXPENSE)/CREDIT

	Six months ended 30th June,	
	2014	2013
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Current tax:		
Hong Kong	**(196)**	(50)
Other jurisdictions	**(588)**	(316)
	(784)	(366)
Over-provision in prior years:		
Hong Kong	**49**	72
Other jurisdictions	**–**	120
	49	192
Deferred tax:		
Current period	**–**	1,272
Income tax (expense)/credit	**(735)**	1,098

(i) Hong Kong profits tax has been provided for at the rate of 16.5% (2013: 16.5%) on the estimated assessable profit for the period. Taxation on overseas profits has been calculated on the estimated assessable profit for the period at the rates of taxation prevailing in the countries in which the Group operates.

(ii) The applicable tax rates for subsidiaries operate in Vietnam is 7.5% to 22% for the period ended 30th June, 2014 (2013: 7.5% to 25%).

(iii) The applicable United States enterprise income tax rate for subsidiaries operate in the United States of America is 34% since the date of operation.

6. EXPENSES BY NATURE

Expenses included in cost of sales, distribution and selling costs, administrative expenses and other gains and losses are analysed as follows:

	Six months ended 30th June,	
	2014	2013
	HK$'000	*HK$'000*
	(Unaudited)	(Restated)
Auditor's remuneration	**1,848**	2,105
Depreciation of property, plant and equipment	**20,211**	19,071
Operating lease rental in respect of buildings	**10,011**	7,112
Amortisation of intangible assets included in cost of sales	**–**	5,458
Amortisation of leasehold land and land use rights	**258**	257
Net exchange (gain)/loss	**(2,328)**	1,717

7. DIVIDEND

A dividend of HK$37,791,000 that relates to the year to 31st December, 2013 was paid in May 2014 (2013: HK$9,824,000).

On 27th August, 2014, the board of directors has resolved to declare an interim dividend of 3 cents per share (2013: 2 cents per share), which is payable on 17th September, 2014 to shareholders who are on the register at 12th September, 2014. This interim dividend has not been recognized as a liability in this interim financial information. It will be recognized in shareholders' equity in the year ending 31st December, 2014.

8. EARNINGS PER SHARE

(a) Basic

Basic earnings per share attributable to owners of the Company is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the period.

	(Unaudited) Six months ended 30th June, 2014	2013 (Restated)
Profit attributable to owners of the Company *(HK$'000)*	**32,407**	9,443
Weighted average number of ordinary shares in issue *(thousands)*	**755,852**	750,506
Basic earnings per share *(HK$ per share)*	**0.04**	0.01

(b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares (i.e. share options). A calculation is made in order to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

	(Unaudited) Six months ended 30th June, 2014	2013 (Restated)
Profit for the year attributable to the owners of the Company *(HK$'000)*	**32,407**	9,443
Weighted average number of ordinary shares for the purpose of basic earnings per share (thousands)	**755,852**	750,506
Effect of dilutive potential ordinary shares:		
Share options *(thousands)*	**480**	12,747
Weighted average number of ordinary shares for diluted earnings per share *(thousands)*	**756,332**	763,253
Diluted earnings per share *(HK$ per share)*	**0.04**	0.01

9. PROPERTY, PLANT AND EQUIPMENT

	(Unaudited)
	HK$'000
Net book value as at 1st January, 2014	**196,722**
Additions	**13,965**
Depreciation	**(20,211)**
Exchange realignment	**(871)**
Net book value as at 30th June, 2014	**189,605**

	(Restated)
	HK$'000
Net book value as at 1st January, 2013	203,396
Additions	17,857
Disposals	(25)
Depreciation	(19,071)
Exchange realignment	(999)
Net book value as at 30th June, 2013	201,158

10. LEASEHOLD LAND AND LAND USE RIGHTS

	(Unaudited)
	HK$'000
Net book value as at 1st January, 2014	**15,201**
Amortisation	**(258)**
Net book value as at 30th June, 2014	**14,943**

	(Restated)
	HK$'000
Net book value as at 1st January, 2013	15,714
Amortisation	(257)
Net book value as at 30th June, 2013	15,457

As at 30th June, 2014, all of the above leasehold land and land use rights of the Group are outside Hong Kong and held on leases of between 10 and 50 years (2013: same).

11. TRADE AND OTHER RECEIVABLES

	30th June, 2014 HK$'000 (Unaudited)	31st December, 2013 HK$'000 (Audited)
Trade receivables	**101,433**	176,982
Less: allowance for doubtful debts	**(4,346)**	(4,346)
	97,087	172,636
Other receivables, deposit and prepayments	**33,154**	26,936
	130,241	199,572

The Group's credit terms to trade debtors range from 14 to 90 days. At 30th June, 2014 and 31st December, 2013, the ageing analysis of the trade receivables based on the invoice date were as follows:

	30th June, 2014 HK$'000 (Unaudited)	31st December, 2013 HK$'000 (Audited)
0 – 60 days	**92,640**	142,565
61 – 90 days	**3,638**	23,692
> 90 days	**809**	6,379
	97,087	172,636

12. TRADE AND OTHER PAYABLES AND ACCRUALS

	30th June, 2014 HK$'000 (Unaudited)	31st December, 2013 HK$'000 (Audited)
Trade payables	**61,371**	91,213
Other payables and accruals	**58,931**	75,672
	120,302	166,885

At 30th June, 2014 and 31st December, 2013, the ageing analysis of the trade payables based on invoice date were as follows:

	30th June, 2014	31st December, 2013
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
0 – 60 days	**54,860**	58,255
61 – 90 days	**6,086**	14,065
> 90 days	**425**	18,893
	61,371	91,213

13. SHARE CAPITAL

	Ordinary shares of HK$0.1 each	
	Number of shares	Share capital
	(in thousands)	*HK$'000*
Authorised:		
At 1st January, 2013, 30th June, 2013, 1st January, 2014 and 30th June, 2014	**1,000,000**	100,000
Issued and fully paid:		
At 1st January, 2014	**755,727**	75,573
Employee share option scheme:		
– Proceeds from share issued	**388**	39
At 30th June, 2014	**756,115**	75,612
At 1st January, 2013	**723,097**	72,310
Employee share option scheme:		
– Proceeds from share issued	**32,630**	3,263
At 30th June, 2013	**755,727**	75,573

During the period ended 30th June, 2014, the Company issued and allotted a total of 388,000 ordinary shares (2013: 32,630,000 ordinary shares) at the exercise price of HK$1.692 each (2013: HK$1.25 each) to certain share options holders who exercised their share options. These shares issued rank pari passu with the existing shares in all respects. The total net proceeds were HK$657,000 (2013: HK$40,788,000).

MANAGEMENT DISCUSSION & ANALYSIS

Business review

The business operation of the Group includes the Original Design Manufacturing ("ODM") and Original Equipment Manufacturing ("OEM") based business, and the Own Brand Manufacturing ("OBM") based business aiming to serve the global sales. Strategically complemented by its key production base including the plants in Vietnam, and its largest exporting market, the United States, such diversified business platform established with different geographical coverage can support the progressive growth of the Group, while helping the Group to reduce the risks and challenges that arise from the industry in which it operates and where the market is locating. For instance, economic uncertainties in oversea markets, such as the Europe and the South America, could affect its sales.

The Group entered into licensed brand production contracts with foreign well-known retailers and license holders in US to focus on more profitable production lines, and explored opportunities for co-operation across various regions and product categories in an active manner to make a significant contribution to the Group's revenue. Although affected by new electronic products such as tablet devices, the sales increased as the Group actively enhanced its product values, explored opportunities for co-operation across various regions and product categories, followed the market trends, kept close relationship with the famous OEM clients and provided high-quality products. In addition, the Group expanded its business network with a large variety of products, explored business opportunities in the markets and increased its market share. As a result, the turnover from the US market grew.

Manufacturing operation

The Group's production base in Vietnam has various advantages in terms of labor costs and supply and faced with less pressure from currency appreciation. In view of the expectation that such favorable environment factors will continue, the Group remained optimistic about the growth of the plants in Vietnam and planned to expand its production capacity. Moreover, the Group implemented various new measures to enhance its productivity, including consolidating the plants to alleviate cost pressures, replacing inefficient machineries with high maintenance costs, streamlining its working process, revising the working regulations and standards, strengthening its cost control measures constantly, improving its production efficiency, as well as exploring potential opportunities to utilize the seasonal idle production capacity so as to ensure steady development of the business.

To cope with the increasing concerns from overseas markets on product safety and environmental protection, the Group continued to learn and to adopt new methods and techniques to prevent quality and safety issues, and pay close attention and monitor the changes in safety standards and regulations in different markets to ensure compliance with the new requirements, with an aim to ensuring our operating production base to be qualified continuously.

Segment performance

The global demand gradually recovered. There were still numerous potential business opportunities in emerging and US markets. 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 launch various new products series, such as "Furby", "Transformer" and "Pound Puppies", explore new sales channels and introduce new sales plans. With its existing marketing plans for "Tonka" and "My Little Pony" products, the market demand for the "Tonka" products, a new series of "My Little Pony" and "girls role-playing" products were satisfactory and the turnover were satisfactory.

The Group also closely monitored other emerging markets, reformed product mix, enriched its new product lines and portfolio. The Group has endeavored to explore new sales channels notwithstanding the uncertain selling prospects in certain developed countries, in particular the Western European countries. Given the fact that development and sales of lighting brand business were affected by the amendments to regulations on specifications, the Group, in order to minimise the adverse effect, continuously integrated its inventory, actively refined its products, changed its marketing structure, studied the feasibility of other new products and expanded its distribution channels to expand the geographical coverage and secure more orders from its clients. In addition, toy safety is still the most concerned issue wherever in developed or 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 products. Our turnover increased by HK$93,493,000 or 28.76% to HK$418,623,000 in the first half of this year from HK$325,130,000 for the corresponding period last year.

The US economy has posted better-than-expected growth and resumed a steady recovery driven by the continuing revival in the housing and labor markets since the second quarter of last year. Although the issue of the debt ceiling remains unresolved, the U.S. has walked out from the concerns about the federal budget under this situation. The significant improvement in spending and investment continued to bring new job opportunities and mitigated unemployment with the unemployment rate falling to a five-year low. It is expected that the US economy will grow at a faster pace in 2014. Therefore, the Group's major clients in the US, including Wal-Mart and Target, further secured their market shares in the toy industry. Capturing the momentum of economic recovery, the Group continued its research and development and strengthened its design capabilities to create value-added toy products. The Group has solid partnerships with its clients in the current OEM business and ODM business. With the continuous development and exploration of new distribution channels to market for its authorized licensing business brand "Tonka", the self-owned brand "Gazillion®Bubbles" and other "girls role-playing" products series, as well as the satisfactory performance of ODM and lighting businesses, the turnover generated from the US had increased.

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 Canada increased by HK$2,948,000 or 19.07% to HK$18,404,000 in the first half of this year from HK$15,456,000 for the corresponding period last year.

Benefiting from its sustained growth in employment, the US economic recovery and the continuous and accelerated hiking of energy and commodity prices, the Canada economy grew at an accelerated pace, providing support to its domestic enterprises and consumers, which had facilitated the sales of consumer goods. Clients' demand for the authorized licensing business brand "Tonka" products and "Gazillion®Bubbles" has maintained, resulting in a growth in the turnover from the Canadian market. The Group will strive to retain its existing distributors and clients, including Wal-Mart, Target and Toys "R" US.

Europe

Our turnover in Europe decreased by HK$12,142,000 or 58.82% to HK$8,502,000 in the first half of this year from HK$20,644,000 for the corresponding period last year.

The prolonged European debt crisis has been casting increasing doubts on the industry recovery and exports. With the combination of mixed signals from the economic data, lower-than-expected cooperate earning, plus the uncertainties of the sovereign debt crisis which diminished corporate and consumer confidence, the European Union ("EU") economy has seen weak economic recovery in the global economic turbulence. These gave rise to the inevitable austerity policies in which they slowed down demand and dragged down the recovery of consumption and investment. The Group's customers in Russia and Denmark have been impacted accordingly. The domestic consumption in Russia has weakened causing by the less dynamic economy. Our customers in Russia and Denmark have decreased their demand for products. Thus, there has been a drop in overall turnover in the European market.

Mexico

Our turnover in Mexico decreased by HK$2,878,000 or 71.10% to HK$1,170,000 in the first half of this year from HK$4,048,000 for the corresponding period last year.

The vigorous economic growth in the U.S. has brought huge demand, and therefore Mexico's is likely to pick up gradually. However, the overall turnover in the Mexican market recorded a decrease during the period under review as it was attributable by the decrease in Tonka and other products.

Australia and New Zealand

Our turnover in the Australia and New Zealand markets decreased by HK$3,947,000 or 25.23% to HK$11,695,000 in the first half of this year from HK$15,642,000 for the corresponding period last year.

Due to the deceleration in Australia's economic growth, the unemployment rate has increased. Nevertheless, restrained growth in labor costs has ensured a low inflation rate. The Consumer Confidence Index has risen, and the total value of retail sales of consumer goods is higher than that of the same period of last year. However, since customer's demand for Tonka's and other products fell down during transitional period with respect to change in marketing strategy, the overall turnover in the Australia and New Zealand markets recorded a decrease. The Group will continue its endeavor in retaining its existing distributors and clients, such as Target.

South America

Our turnover in South American markets decreased by HK$7,330,000 or 55.48% to HK$5,883,000 in the first half of this year from HK$13,213,000 for the corresponding period last year, which was mainly attributable to the orders decreased impacted by economic slowdown.

The growth of demand for the domestic labor market in Chile has slowed down. Demand for "Tonka" products in these South American countries was slowed down due to prolonged European debt crisis and lingering impact of economic uncertainties, the overall turnover recorded a decrease.

PROSPECTS

The Group expects that some favourable factors will continue to prevail, such as the momentum of the U.S. economic recovery and the business opportunity, as well as the advantages of plants in Vietnam due to its current labor supply and labor costs. The Group is deeply aware of the importance to invest part of its working capital in business development. For this, banking on the success in launching new products which realised the expected expansion of its product lines and product portfolios, the Group will continue to develop the renowned ODM brand businesses and expand its sales and distribution networks and markets for its self-owned brand manufacturing products, so as to provide its clients with innovative products under the brands of "Gazillion®Bubbles" and "Tonka". Looking forward, we should explore more cooperation opportunities in trans-regional and different product categories so as to boost up sales. The Group will also concentrate on the research and development of more self-owned brand manufacturing products and the marketing strategies of expanding "Gazillion®Bubbles" and "Tonka" products in laying a solid foundation for expanding its future distribution. The sales of lighting products business was restricted by the modification of new lighting-product specifications, and the increased selling costs and expenditures which was resulted by the increase of marketing personnel in Mexico, Europe and Australia. However, the Group will integrate the inventory, strive to improve its products, change the marketing structure, study the feasibility of other new products and expand their distribution channels so that we can mitigate the impact by expanding its geographical coverage and securing orders from clients. The Group is cautiously optimistic about the business outlook.

FINANCIAL REVIEW

Liquidity and Financial Resources

As at 30th June, 2014, the Group had cash and cash equivalents of approximately HK$46,615,000 (31st December, 2013: HK$54,536,000). As at 30th June, 2014, the Group obtained banking facilities in a total of approximately HK$126,200,000 (31st December, 2013: HK$126,200,000) of which HK$95,000,000 was supported by corporate guarantee and HK$31,200,000 was secured under floating charge on certain assets of the Group.

As at 30th June, 2014, the Group had bank borrowings of approximately HK$12,723,000 (31st December, 2013: HK$26,275,000). The Group's gearing ratio, representing the total loans and bank borrowing divided by equity attributable to owners of the Company, was 4.66% (31st December, 2013: 9.73%).

During the period, net cash generated from operating activities amounted to approximately HK$74,712,000 (30th June, 2013: net cash used in operating activities HK$133,000). The Group has maintained an adequate level of cash flows for its business operations and capital expenditures.

Capital Expenditure

During the period, the Group acquired property at a cost of approximately HK$6,786,000 (30th June, 2013: HK$2,729,000), plant and equipment at a cost of approximately HK$7,179,000 (30th June, 2013: HK$15,128,000) 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, 2014, the Group had total assets of approximately HK$786,483,000 (31st December, 2013: HK$877,388,000), total liabilities of approximately HK$174,760,000 (31st December, 2013: HK$260,101,000) and equity attributable to owners of the Company of approximately HK$611,723,000 (31st December, 2013: HK$617,287,000). The net assets of the Group decreased 0.90% to approximately HK$611,723,000 as at 30th June, 2014 (31st December, 2013: HK$617,287,000).

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, 2014, the Group had a total of approximately 11,000 (31st December, 2013: 11,000) employees in Hong Kong, Macau, PRC, Vietnam, Australia, Mexico, 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.

INTERIM DIVIDEND

The Directors had resolved to declare an interim dividend of HK3.0 cents (2013: HK2.0 cents in cash) per share for the six months ended 30th June, 2014, payable to shareholders whose names appear on the Register of Members of the Company on 12th September, 2014.

The record date for the purpose of determining the shareholders which are entitled to dividend is 12th September, 2014. In order to qualify for the interim dividend, all transfers and relevant share certificates must be lodged with the Company's Branch Share Registrar in Hong Kong, Tricor Secretaries Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:00 p.m. on 12th September, 2014. The interim dividend will be paid on or around 17th September, 2014.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

During the six months ended 30th June, 2014, 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 new corporate governance code (the "CG Code") and amended it from time to time, which is based on the principles set out in Appendix 14 (the "HKEx Code") to the Listing Rules on the Stock Exchange.

None of the directors of the Company is aware of information that would reasonably indicate the Company is not or was not for any part of the period under review, in compliance with the HKEx Code and CG Code except for the deviations from code provisions A.4.1, A.6.7 and E.1.2 which are explained as follows:

i) under 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 HKEx Code and CG Code as well;

ii) under the code provision A.6.7, Dr. Loke Yu alias Loke Hoi Lam, independent non-executive director was unable to attend the annual general meeting of the Company held on 7th May, 2014 (the "2014 AGM") due to his conflicting business schedule;

iii) under the code provision E.1.2, Mr. Cheng Yung Pun, the chairman of the Board and the Nomination Committee and Dr. Loke Yu alias Loke Hoi Lam, the chairman of the Audit and Remuneration Committees were unable to attend the 2014 AGM due to conflicting business schedules. All other members of the Audit, Nomination and Remuneration Committees and three executive directors had attended the 2014 AGM and one of them had been nominated as chairman of the AGM. The Company considers that the presence is sufficient for (i) answering questions from and (ii) effective communication with the shareholders of the Company present at the 2014 AGM.

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

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

OTHER REQUIRED DISCLOSURE PURSUANT TO RULE 13.18 OF THE LISTING RULES

With regard to the renewed facilities of up to an aggregate extent of HK$50,000,000 previously granted to two indirect wholly-owned subsidiaries of the Company by a Bank in Macau (the "Bank-MO"), the renewed facility letters have been provided by the Bank-MO on 17th January, 2014 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 "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 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 Facilities. The 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, 2014 have been reviewed by the Audit Committee, who are of the opinion that these interim results comply with applicable accounting standard and legal requirements, and that adequate disclosures have been made.

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This results announcement is published on the website of Hong Kong Exchanges and Clearing Limited and the Company. The 2014 Interim Report of the Company will be dispatched to the shareholders of the Company as well as published on the website of the Hong Kong Exchanges and Clearing Limited and the Company in due course.

BOARD COMPOSITION

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

By Order of the Board
Cheng Yung Pun
Chairman

Hong Kong, 27th August, 2014