

MATRIX

Matrix Holdings Limited
美力時集團有限公司

(Incorporated in Bermuda with limited liability)

Stock Code : 1005

2023
Interim Report

Our Mission

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

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Cheng Yung Pun (*Chairman*)

Cheng King Cheung

Tsang Chung Wa

Tse Kam Wah

Yip Hiu Har

Independent Non-executive Directors

Loke Yu alias Loke Hoi Lam

Mak Shiu Chung, Godfrey

Heng Victor Ja Wei

Chui Ka Hing (appointed on 1 April 2023)

AUDIT COMMITTEE & REMUNERATION COMMITTEE

Loke Yu alias Loke Hoi Lam (*Chairman*)

Mak Shiu Chung, Godfrey

Heng Victor Ja Wei

Chui Ka Hing (appointed on 1 April 2023)

NOMINATION COMMITTEE

Cheng Yung Pun (*Chairman*)

Loke Yu alias Loke Hoi Lam

Mak Shiu Chung, Godfrey

Heng Victor Ja Wei

Chui Ka Hing (appointed on 1 April 2023)

COMPANY SECRETARY

Lai Mei Fong

Lo Siu Ting

AUDITOR

RSM Hong Kong

Registered Public Interest Entity Auditors

29th Floor, Lee Garden Two,

28 Yun Ping Road,

Causeway Bay, Hong Kong

REGISTERED OFFICE

Victoria Place, 5th Floor

31 Victoria Street

Hamilton HM 10

Bermuda

SHARE REGISTRAR

MUFG Fund Services (Bermuda) Limited

4th floor North Cedar House

41 Cedar Avenue

Hamilton

HM 12

Bermuda

BRANCH SHARE REGISTRAR IN HONG KONG

Tricor Secretaries Limited

17/F, Far East Finance Centre,

16 Harcourt Road,

Hong Kong

PRINCIPAL PLACE OF BUSINESS

Unit 01, 10/F., Railway Plaza,

39 Chatham Road South,

Tsim Sha Tsui,

Kowloon, Hong Kong

PRINCIPAL BANKERS

DBS Bank (Hong Kong) Limited

WEBSITE

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

STOCK CODE

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

Result Highlights

FINANCIAL HIGHLIGHTS			
	Six months ended 30 June		
	2023	2022	% Change
Revenue (HK\$'000)	332,795	577,164	-42.3%
EBITDA (HK\$'000) ⁽¹⁾	32,599	105,703	-69.2%
Profit attributable to owners of the Company (HK\$'000)	414	71,997	-99.4%
Basic earnings per share (HK cents)	0.05	9.52	-99.5%
Interim dividend, declared (HK cents)	2.0	4.0	-50%
Gross profit margin ratio (%)	46.2%	41.6%	11.1%

The board (the "Board") of directors (the "Directors") of Matrix Holdings Limited (the "Company") hereby announces the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively the "Group") for the six months ended 30 June 2023, together with the comparative figures for the corresponding period in 2022.

For the six months ended 30 June 2023, the Group's consolidated revenue decreased by approximately HK\$244,369,000 or 42.3% to approximately HK\$332,795,000 from approximately HK\$577,164,000 for the corresponding period of last year. The profit attributable to owners of the Company amounted to approximately HK\$414,000, representing a decrease of 99.4% as compared with the profit of approximately HK\$71,997,000 for the corresponding period of last year.

The Group's overall turnover in the first half of 2023 decreased as the world economy was facing severe headwinds amid weak growth prospects, elevated inflation and heightened uncertainties in the first half of 2023. A number of factors, including legacy effects of the Covid-19 pandemic, the protracted war in Ukraine, the rapid shifting macroeconomic conditions, were weighing on the global economy. High inflation in both developed and developing countries has prompted the most aggressive interest rate hike cycle in decades, causing consumer confidence to drop.

The Group seized the opportunities brought about by the rapid technology development and took actions to optimize its production technology and capacity, simplify its business processes and prudently managing its operating costs. The Board of Directors believes that the overall financial position of the Group remains sound and robust.

For the six months ended 30 June 2023, the US continued to be the largest customer market of the Group, which accounted for approximately 67.3% of the Group's total revenue (2022: 78.4%). The other significant customer markets for the Group included Europe, Canada and Australia and New Zealand, which accounted for approximately 13.1% (2022: 7.7%), 9.7% (2022: 7.5%) and 4.7% (2022: 2.9%) of the Group's total revenue respectively.

Note 1: EBITDA represents the EBITDA of the Company and subsidiary companies. EBITDA is defined as earnings before interest, taxation, depreciation and amortisation. Information concerning EBITDA has been included in the Group's financial information. The Group considers EBITDA to be an important performance measure which is used in the Group's internal financial and management reporting to monitor business performance. EBITDA is not a measure of cash liquidity or financial performance under HKFRS and the EBITDA measures used by the Group may not be comparable to other similarly titled measures of other companies. EBITDA should not necessarily be construed as an alternative to cash flows or results from operations as determined in accordance with HKFRS.

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2023

	Notes	Six months ended 30 June	
		2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
Revenue	4	332,795	577,164
Cost of sales		(178,928)	(337,289)
Gross profit		153,867	239,875
Other income		7,863	6,476
Other gains or losses		1,724	(6,853)
Distribution and selling costs		(73,798)	(77,516)
Administrative expenses		(75,603)	(77,749)
Research and development costs		(11,606)	(10,461)
Finance costs		(2,040)	(2,272)
Profit before tax		407	71,500
Income tax expense	5	(20)	(223)
Profit for the period	6	387	71,277
Other comprehensive income for the period, net of tax			
<i>Item that may be reclassified to profit or loss:</i>			
Exchange differences on translating foreign operations		2,904	(10,091)
Total comprehensive income for the period, net of tax		3,291	61,186
Profit for the period attributable to:			
Owners of the Company		414	71,997
Non-controlling interests		(27)	(720)
		387	71,277
Total comprehensive income for the period attributable to:			
Owners of the Company		3,318	61,906
Non-controlling interests		(27)	(720)
		3,291	61,186
Earnings per share attributable to owners of the Company for the period (expressed in HK cents per share)			
Basic earnings per share	8	0.05	9.52
Diluted earnings per share	8	0.05	9.52

Condensed Consolidated Statement of Financial Position

At 30 June 2023

	Notes	30 June 2023 HK\$'000 (Unaudited)	31 December 2022 HK\$'000 (Audited)
Non-current assets			
Property, plant and equipment	9	150,316	155,881
Right-of-use assets		225,335	235,626
Intangible assets	10	96,822	96,822
Deposits	11	111,765	112,161
Deferred tax assets		26,511	27,202
		610,749	627,692
Current assets			
Inventories		255,493	253,939
Trade receivables	11	147,360	84,262
Prepayments, deposits and other receivables	11	25,894	35,869
Current tax assets		2,500	2,500
Bank and cash balances		138,794	258,959
		570,041	635,529
Current liabilities			
Trade payables	12	33,329	29,085
Accruals and other payables	12	80,071	95,776
Contract liabilities		4,030	2,549
Bank borrowing	14	5,122	5,945
Lease liabilities		16,750	17,494
Current tax liabilities		23,894	29,745
		163,196	180,594
Net current assets		406,845	454,935
Total assets less current liabilities		1,017,594	1,082,627
Non-current liabilities			
Lease liabilities		36,342	44,139
Deferred tax liabilities		2,692	2,723
		39,034	46,862
NET ASSETS		978,560	1,035,765
Capital and reserves			
Share capital	13	75,620	75,620
Reserves		914,616	971,794
Equity attributable to owners of the Company		990,236	1,047,414
Non-controlling interests		(11,676)	(11,649)
TOTAL EQUITY		978,560	1,035,765

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2023

	(Unaudited)							Non-controlling interests	Total
	Attributable to owners of the Company								
	Share capital	Share premium	Shareholders' contribution	Other reserves	Translation reserve	Retained profits	Total		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
			(Note)						
Balance at 1 January 2023 (audited)	75,620	189,090	21,028	(150)	(62,641)	824,467	1,047,414	(11,649)	1,035,765
Total comprehensive income for the period	-	-	-	-	2,904	414	3,318	(27)	3,291
Dividends paid (Note 7)	-	-	-	-	-	(60,496)	(60,496)	-	(60,496)
Changes in equity for the period	-	-	-	-	2,904	(60,082)	(57,178)	(27)	(57,205)
Balance at 30 June 2023 (unaudited)	75,620	189,090	21,028	(150)	(59,737)	764,385	990,236	(11,676)	978,560

	(Unaudited)							Non-controlling interests	Total
	Attributable to owners of the Company								
	Share capital	Share premium	Shareholders' contribution	Other reserves	Translation reserve	Retained profits	Total		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
			(Note)						
Balance at 1 January 2022 (audited)	75,620	189,090	21,028	(150)	(46,081)	893,859	1,133,366	(6,198)	1,127,168
Total comprehensive income for the period	-	-	-	-	(10,091)	71,997	61,906	(720)	61,186
Dividends paid (Note 7)	-	-	-	-	-	(45,372)	(45,372)	-	(45,372)
Changes in equity for the period	-	-	-	-	(10,091)	26,625	16,534	(720)	15,814
Balance at 30 June 2022 (unaudited)	75,620	189,090	21,028	(150)	(56,172)	920,484	1,149,900	(6,918)	1,142,982

Note:

The shareholders' contribution represented the deemed contribution arising from the loan from ultimate holding company which is non-current and interest-free.

The notes on pages 7 to 22 form an integral part of this condensed consolidated financial information.

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2023

	Six months ended 30 June	
	2023 HK\$'000 (Unaudited)	2022 <i>HK\$'000</i> (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Cash (used in) generated from Operating Activities	(36,649)	147,559
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(13,529)	(18,935)
Proceeds from disposal of property, plant and equipment	574	322
Interest received	1,627	147
Net Cash used in Investing Activities	(11,328)	(18,466)
CASH FLOWS FROM FINANCING ACTIVITIES		
Interest paid	(2,039)	(2,271)
Decrease in amount due to a director	–	(6,229)
Dividends paid	(60,496)	(45,372)
Repayments of bank borrowing	(823)	(978)
Repayments of lease liabilities	(8,830)	(8,745)
Net Cash used in Financing Activities	(72,188)	(63,595)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(120,165)	65,498
CASH AND CASH EQUIVALENTS AT 1 JANUARY	258,959	164,076
CASH AND CASH EQUIVALENTS AT 30 JUNE	138,794	229,574

The notes on pages 7 to 22 form an integral part of this condensed consolidated financial information.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

1. GENERAL INFORMATION

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

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

The Company is an exempted limited liability company incorporated in Bermuda. The address of its registered office is Victoria Place, 5th Floor, 31 Victoria Street, Hamilton HM 10, Bermuda.

The Company has its primary listing on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

This condensed consolidated financial statements are presented in thousands of Hong Kong dollar (“HK\$’000”), unless otherwise stated.

This condensed consolidated financial statements were approved for issue on 24 August 2023. This condensed consolidated financial statements have not been audited.

2. BASIS OF PREPARATION

The condensed consolidated financial statements for the six months ended 30 June 2023 have been prepared in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange.

Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2023

3. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis.

Other than additional accounting policies resulting from application of new and amendments to Hong Kong Financial Reporting Standards (“HKFRS”) and application of certain accounting policies which became relevant to the Group, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2023 are the same as those presented in the Group’s annual financial statements for the year ended 31 December 2022, as described in those annual financial statements except that income tax is accrued using the tax rate that would be applicable to expected total annual earnings.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the relevant subsidiary’s net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests’ proportionate share of the recognised amounts of the acquiree’s identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis.

Application of amendments to HKFRSs

In the current interim period, the Group has applied the Amendments to References to the Conceptual Framework in HKFRS standards, the following amendments to HKFRSs issued by the HKICPA, for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2023 for the preparation of the Group’s condensed consolidated financial statements:

HKFRS 17 (including the October 2020 and February 2022 Amendments to HKFRS 17)	Insurance Contracts
Amendment to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The application of the Amendments to References to the Conceptual Framework in HKFRS Standards and the amendments to HKFRSs in the current period has had no material impact on the Group’s financial positions and performance for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2023

4. SEGMENT INFORMATION

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

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

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

Assets of reportable segments exclude property, plant and equipment, right-of-use assets, intangible assets, deferred tax assets and other corporate assets, all of which are managed on a central basis.

Liabilities of reportable segments exclude deferred tax liabilities, bank borrowing, lease liabilities and other corporate liabilities. These are part of the reconciliation to total assets and liabilities of the condensed consolidated statement of financial position.

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

There are two main businesses of the Group, including toys and lighting business. CODM did not consider the lighting business as separate segment for the period and it is not material to the Group.

Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2023

4. SEGMENT INFORMATION (CONTINUED)

Segment revenue and results

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

For the six months ended 30 June 2023 (unaudited)

	Reportable segments						Total reportable segments	Other locations	Unallocated	Consolidated
	The United States	Europe	Canada	South America	Australia and New Zealand	Mexico				
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue										
External sales	224,096	43,664	32,235	5,834	15,585	4,417	325,831	6,964	-	332,795
Results										
Segment profit (loss)	47,482	512	4,242	1,628	(962)	13	52,915	2,041	-	54,956
Unallocated other income										6,075
Unallocated expenses										(58,584)
Finance costs										(2,040)
Profit before tax										407
Other segment information: Depreciation and amortization	21,219	1,620	1,182	209	1,202	158	25,590	249	4,313	30,152

Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2023

4. SEGMENT INFORMATION (CONTINUED)

Segment revenue and results (Continued)

For the six months ended 30 June 2022 (unaudited)

	Reportable segments						Total reportable segments	Other locations	Unallocated	Consolidated
	The United States	Europe	Canada	South America	Australia and New Zealand	Mexico				
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue										
External sales	452,631	44,285	43,449	7,634	16,945	4,412	569,356	7,808	-	577,164
Results										
Segment profit	129,431	2,069	6,289	2,265	192	46	140,292	2,310	-	142,602
Unallocated other income										4,393
Unallocated expenses										(73,223)
Finance costs										(2,272)
Profit before tax										71,500
Other segment information:										
Depreciation and amortisation	22,951	1,218	1,004	184	598	106	26,061	188	5,682	31,931

Segment profit (loss) represents the profit (loss) before tax earned by each segment without allocation of investment income, other non-operating income, central administration costs and finance costs. This is the measure reported to the CODM, for the purposes of resource allocation and performance assessment.

Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2023

4. SEGMENT INFORMATION (CONTINUED)

Segment revenue and results (Continued)

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

At 30 June 2023 (Unaudited)	Reportable segments						Total reportable segments HK\$'000	Other locations HK\$'000	Consolidated HK\$'000
	The United States HK\$'000	Europe HK\$'000	Canada HK\$'000	South America HK\$'000	Australia and New Zealand HK\$'000	Mexico HK\$'000			
ASSETS									
Segment assets	319,328	36,747	24,829	4,989	15,060	4,398	405,351	12,941	418,292
Reconciliation:									
Unallocated assets									
– Property, plant and equipment									150,316
– Intangible assets									96,822
– Deferred tax assets									26,511
– Right-of-use assets									225,335
– Other corporate assets									263,514
Total assets									1,180,790
LIABILITIES									
Segment liabilities	71,216	11,648	5,386	891	4,400	778	94,319	3,151	97,470
Reconciliation:									
Unallocated liabilities									
– Deferred tax liabilities									2,692
– Bank borrowing									5,122
– Lease liabilities									53,092
– Other corporate liabilities									43,854
Total liabilities									202,230

Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2023

4. SEGMENT INFORMATION (CONTINUED)

Segment revenue and results (Continued)

At 31 December 2022 (Audited)	Reportable segments						Total reportable segments HK\$'000	Other locations HK\$'000	Consolidated HK\$'000
	The United States HK\$'000	Europe HK\$'000	Canada HK\$'000	South America HK\$'000	Australia and New Zealand HK\$'000	Mexico HK\$'000			
ASSETS									
Segment assets	250,341	33,832	30,598	4,135	19,286	5,034	343,226	21,889	365,115
Reconciliation:									
Unallocated assets									
– Property, plant and equipment									155,881
– Intangible assets									96,822
– Deferred tax assets									27,202
– Right-of-use assets									235,626
– Other corporate assets									382,575
Total assets									<u>1,263,221</u>
LIABILITIES									
Segment liabilities	68,191	7,449	7,376	1,610	6,085	1,753	92,464	3,400	95,864
Reconciliation:									
Unallocated liabilities									
– Deferred tax liabilities									2,723
– Bank borrowing									5,945
– Lease liabilities									61,633
– Other corporate liabilities									61,291
Total liabilities									<u>227,456</u>

For the purpose of monitoring segment performances and allocating resources between segments, only inventories, trade receivables and certain other receivables are allocated to segment assets, and only trade payables and certain other payables and accruals are allocated to segment liabilities.

Other segment information

No analysis of capital expenditures is disclosed for both periods as these items are neither included in segment assets nor segment results and are not reviewed by the CODM regularly.

Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2023

4. SEGMENT INFORMATION (CONTINUED)

Revenue from major products

	Six months ended 30 June	
	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
Toys	320,392	566,174
Lighting products	12,403	10,990
	332,795	577,164

Geographical information

The Group's operations are located in Hong Kong, Vietnam, the United States, the PRC, Europe and other countries.

The Group's information about its non-current assets by geographical location of the assets is detailed below:

	30 June 2023 HK\$'000 (Unaudited)	31 December 2022 HK\$'000 (Audited)
Hong Kong	1,842	2,567
Vietnam	297,298	307,784
The United States	117,549	123,871
The PRC	35,419	35,954
Europe	2,109	3,196
Other countries	18,256	14,957
	472,473	488,329

Information about major customers

For the six months ended 30 June 2023, there are 2 customers (2022: 2 customers) in the United States with revenue contributing to approximately 24.4% and 13.8% (2022: 46.7% and 16.5%) of the total revenue of the Group. There is no other single customer contributing over 10% of the total revenue of the Group.

Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2023

5. INCOME TAX EXPENSE

	Six months ended 30 June	
	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
Current tax:		
Hong Kong	–	–
Other jurisdictions	20	223
Income tax expense	20	223

- Pursuant to the Hong Kong Profits Tax rules; the first HK\$2,000,000 of profits will be taxed at 8.25% and profits above HK\$2,000,000 will be taxed at 16.5%.
- The applicable tax rates for subsidiaries operating in Vietnam is 10.0% to 20.0% for the six months ended 30 June 2023 (2022: 10.0% to 20.0%).
- The applicable US enterprise income tax rate for subsidiaries operating in the United States is 21% (2022: 21%) for the period.

6. PROFIT FOR THE PERIOD

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

	Six months ended 30 June	
	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
Auditor's remuneration	2,242	2,767
Depreciation of property, plant and equipment	19,275	20,420
Depreciation of right-of-use assets	10,877	11,511
Short-term lease expenses	3,159	3,199
Net exchange (gain) loss	(2,059)	6,468

Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2023

7. DIVIDEND

A dividend of HK\$60,496,000 that relates to the year ended 31 December 2022 was paid in June 2023 (2022: HK\$45,372,000).

On 24 August 2023, the board of directors has resolved to declare an interim dividend of HK2.0 cents per share (2022: HK4.0 cents per share), which is payable on 22 September 2023 to shareholders who are on the register at 8 September 2023. This interim dividend has not been recognised as a liability in this interim financial information. It will be recognised in shareholders' equity in the year ending 31 December 2023.

8. EARNINGS PER SHARE

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

	Six months ended 30 June	
	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
Earnings		
Profit attributable to owners of the Company	414	71,997
	'000	'000
Number of shares		
Weighted average number of ordinary shares in issue (thousands)	756,203	756,203
	HK cents	HK cents
Basic earnings per share	0.05	9.52
Diluted earnings per share	0.05	9.52

For the six months ended 30 June 2023 and 2022, no diluted loss per share was presented as the Company did not have any diluted potential ordinary shares.

Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2023

9. PROPERTY, PLANT AND EQUIPMENT

	(Unaudited) HK\$'000
Six months ended 30 June 2023	
Net book value as at 1 January 2023	155,881
Additions	13,529
Disposal	(516)
Depreciation	(19,275)
Exchange realignment	697
Net book value as at 30 June 2023	150,316
(Unaudited) HK\$'000	
Six months ended 30 June 2022	
Net book value as at 1 January 2022	176,148
Additions	18,935
Depreciation	(20,420)
Exchange realignment	(3,191)
Net book value as at 30 June 2022	171,472

10. INTANGIBLE ASSETS

	(Unaudited) HK\$'000
Six months ended 30 June 2023	
Net book value as at 1 January 2023	96,822
Exchange realignment	–
Net book value as at 30 June 2023	96,822
(Unaudited) HK\$'000	
Six months ended 30 June 2022	
Net book value as at 1 January 2022	104,685
Exchange realignment	(975)
Net book value as at 30 June 2022	103,710

Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2023

11. TRADE RECEIVABLES, PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	30 June 2023 HK\$'000 (Unaudited)	31 December 2022 HK\$'000 (Audited)
Trade receivables – contract with customers	151,400	87,910
Less: allowance for doubtful debts	(4,040)	(3,648)
	147,360	84,262
Other receivables, deposits and prepayments	137,659	148,030
Less: Non-current portion	(111,765)	(112,161)
	25,894	35,869

The Group allows a credit period of 14 to 90 days to its trade customers. At 30 June 2023 and 31 December 2022, the ageing analysis of trade receivables based on the invoice date, and net of allowance is as follows:

	30 June 2023 HK\$'000 (Unaudited)	31 December 2022 HK\$'000 (Audited)
0–60 days	111,182	54,529
61–90 days	21,998	18,893
More than 90 days	14,180	10,840
	147,360	84,262

Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2023

12. TRADE PAYABLES, ACCRUALS AND OTHER PAYABLES

	30 June 2023 HK\$'000 (Unaudited)	31 December 2022 HK\$'000 (Audited)
Trade payables	33,329	29,085
Other payables and accruals	80,071	95,776
	113,400	124,861

At 30 June 2023 and 31 December 2022, the ageing analysis of the trade payables based on invoice date was as follows:

	30 June 2023 HK\$'000 (Unaudited)	31 December 2022 HK\$'000 (Audited)
0–60 days	26,628	24,219
61–90 days	4,599	1,663
More than 90 days	2,102	3,203
	33,329	29,085

13. SHARE CAPITAL

	Ordinary shares of HK\$0.1 each Number of shares (in thousands)	Share capital HK\$'000
Ordinary shares, issued and fully paid: At 1 January 2023 and 30 June 2023	756,203	75,620
At 1 January 2022 and 30 June 2022	756,203	75,620

The total authorised number of ordinary shares is 1,000 million shares (2022: 1,000 million shares) with a par value of HK\$0.1 per share (2022: HK\$0.1 per share). All issued shares are fully paid.

Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2023

14. BANK BORROWING

	30 June 2023 HK\$'000 (Unaudited)	31 December 2022 HK\$'000 (Audited)
Bank borrowing	5,122	5,945

The carrying amounts of the Group's bank borrowing are denominated in HK\$.

Movements in bank borrowing are analysed as follows:

	(Unaudited) HK\$'000
Six months ended 30 June 2023	
Opening balance as at 1 January 2023	5,945
Repayments of bank borrowing	(823)
Closing balance as at 30 June 2023	5,122

	(Unaudited) HK\$'000
Six months ended 30 June 2022	
Opening balance as at 1 January 2022	7,911
Repayments of bank borrowing	(978)
Closing balance as at 30 June 2022	6,933

As at 30 June 2023, the effective interest rate of the bank borrowing was 6.69% (31 December 2022: 6.09%) per annum.

Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2023

15. CAPITAL COMMITMENTS

As at 30 June 2023, the capital commitments contracted but not provided for in the condensed consolidated interim financial information of the Group were HK\$3,576,000 (31 December 2022: HK\$5,010,000).

16. RELATED-PARTY TRANSACTIONS

In addition to those disclosed in these interim financial information, there were no related party transactions that the Group entered during the period. The remunerations of directors and other members of key management in respect of the period are as follows:

	Six months ended 30 June	
	2023	2022
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Salaries and other short-term employee benefits	5,901	5,609

Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2023

17. CONTINGENT LIABILITIES

The Group is currently involved in a licensing dispute with a business partner (the “Licensor”). During the year ended 31 December 2021, both parties conducted a mediation to resolve a portion of the case and the Group has paid US\$3,000,000 to the Licensor (the amount was recorded as royalty expenses under distribution and selling expenses shown in the statement of consolidated profit and loss. Both parties further submitted an open claim to a neutral auditor for resolution (“Open Claim”). The neutral auditor’s decision shall be final and binding. The Open Claim has a maximum amount of US\$6,000,000.

As at 31 December 2021, in the opinion of the directors of the Company, after seeking legal advices, as the audit progress was on-going, it was too early to provide an evaluation of the likelihood of an unfavourable outcome for any estimate of a range of potential loss from the Open Claim. As such, no provision was recognised in respect of the Open Claim in the consolidated financial statements for the year ended 31 December 2021.

As at 31 December 2022, the audit process resulted in finding against the Group in the amount of approximately US\$3,400,000. The directors of the Company followed the instruction of the neutral auditor and has recognised provision at the same amount as royalty expenses for the year ended 31 December 2022.

During the six months ended 30 June 2023, in the opinion of the directors of the Company that there are no updates in the status and therefore no further provision is considered required to be made in the condensed consolidated financial statements for the period in respect of these matters.

Interim Dividend

The Directors had resolved to declare an interim dividend of HK2.0 cents (2022: HK4.0 cents) in cash per share for the six months ended 30 June 2023, payable to shareholders whose names appear on the Register of Members of the Company on 8 September 2023.

The record date for the purpose of determining the shareholders which are entitled to dividend is 8 September 2023. 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 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration not later than 4:00 p.m. on 8 September 2023. The interim dividend will be paid on or around 22 September 2023.

Management Discussion & Analysis

For the six months ended 30 June 2023, the Group's consolidated revenue decreased by approximately HK\$244,369,000 or 42.3% to approximately HK\$332,795,000 from approximately HK\$577,164,000 for the corresponding period of last year. The profit attributable to owners of the Company amounted to approximately HK\$414,000, representing a decrease of 99.4% as compared with the profit of approximately HK\$71,997,000 for the corresponding period of last year.

The Group's overall turnover in the first half of 2023 decreased as the world economy was facing severe headwinds amid weak growth prospects, elevated inflation and heightened uncertainties. A number of factors, including legacy effects of the Covid-19 pandemic, the protracted war in Ukraine, the rapid shifting macroeconomic conditions, were weighing on the global outlook. High inflation in both developed and developing countries has prompted the most aggressive interest rate hike cycle in decades, causing consumer confidence to drop. Additionally, it is worth noting that decrease in sales could have been attributed to the presence of high inventory levels among the customers, which were influenced by the challenges posed by the poor global economy. Therefore, customers generally adopted a cautious approach in inventory management and placing orders in the first half of 2023.

The Group seized the opportunities brought about by the rapid technology development and took actions to optimize its production technology and capacity, simplify its business processes and prudently managing its operating costs. The Board of Directors believes that the overall financial position of the Group remains sound and robust.

Management Discussion & Analysis (Continued)

FINANCIAL REVIEW

Revenue

Revenue of the period recorded approximately HK\$332,795,000, decreased by 42.3% from last period as the world economy was facing severe headwinds amid weak growth prospects, elevated inflation and heightened uncertainties.

Gross Profit

The Group's gross profit for the period decreased by approximately 35.9% to approximately HK\$153,867,000 due to the decrease of sales.

Distribution and selling costs

Distribution and selling costs decreased by approximately 4.8% to approximately HK\$73,798,000 for the period. The decrease was mainly attributable to the decrease in staff salaries and carriage expenses.

Administrative expenses

Administrative expenses of the period decreased by approximately 2.8% to approximately HK\$75,603,000, which mainly consisted of office staff salaries, rent and rates of offices, depreciation of property, plant and equipment and other administrative expenses. The decrease resulted mainly from decrease in office staff salaries during the period.

Finance costs and income tax

Finance costs of the period decreased by approximately 10.2% to approximately HK\$2,040,000 as compared to last period due to decrease in the interest of finance lease liabilities. Income tax expense of this period recorded approximately HK\$20,000 due to the decrease in current tax expense.

Research and development cost

Research and development (R&D) cost increased by approximately 10.9% to approximately HK\$11,606,000 for the period as more resources were allocated to conduct R&D for toys product during the period.

Trade receivables, prepayment, deposits and other receivables

Trade receivables of the period increased by approximately 74.9% to approximately HK\$147,360,000 as compared to last year, mainly due to more sales incurred near period ended. Prepayment, deposit and other receivables decreased by approximately 7.0% to approximately HK\$137,659,000, due to decrease in deposit paid for purchases.

Trade payables, accruals and other payables

Trade payables of the period increased by approximately 14.6% to approximately HK\$33,329,000 as compared to last year, mainly due to more purchase incurred near period ended. Accruals and other payables decreased by approximately 16.4% to approximately HK\$80,071,000, due to decrease in accrued employee benefit expenses and other payables and accruals.

Current ratio

The current ratio of the period was lower than last year which resulted mainly from the decrease in bank and cash balances, partly offset by an increase in trade receivables during the period.

Management Discussion & Analysis (Continued)

FINANCIAL REVIEW (CONTINUED)

Quick ratio

The quick ratio of the period was lower than last year which resulted mainly from the decrease in bank and cash balances, partly offset by an increase in trade receivables during the period.

Financial position and cash flows review

The Group's cash flow position was healthy and the bank borrowing was maintained at a minimum level.

Liquidity and financial resources

As at 30 June 2023, the Group had bank and cash balances of approximately HK\$138,794,000 (31 December 2022: HK\$258,959,000). As at 30 June 2023, the Group obtained banking facilities in a total of approximately HK\$70,000,000 (31 December 2022: HK\$70,000,000), which was mainly supported by a corporate guarantee.

As at 30 June 2023, the Group had bank borrowing of HK\$5,122,000 (31 December 2022: HK\$5,945,000).

The Group's gearing ratio, representing the total debt divided by equity attributable to owners of the Company, was 0.5% (31 December 2022: 0.6%) due to the partial settlement of the bank borrowing during the period.

During the period, net cash used in operating activities amounted to approximately HK\$36,649,000 (31 December 2022: net cash generated from HK\$229,171,000). The Group has maintained an adequate level of cash flows for its business operations and capital expenditures.

Capital expenditure and commitments

During the period, the Group acquired property, plant and equipment at a cost of approximately HK\$13,529,000 (31 December 2022: HK\$32,270,000) to further enhance and upgrade the production capacity. These capital expenditures were financed primarily by internal fund.

Assets and liabilities

At 30 June 2023, the Group had total assets of approximately HK\$1,180,790,000 (31 December 2022: HK\$1,263,221,000), total liabilities of approximately HK\$202,230,000 (31 December 2022: HK\$227,456,000) and equity attributable to owners of the Company of approximately HK\$990,236,000 (31 December 2022: HK\$1,047,414,000). The net assets of the Group decreased by 5.5% to approximately HK\$978,560,000 as at 30 June 2023 (31 December 2022: HK\$1,035,765,000).

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.

Management Discussion & Analysis (Continued)

BUSINESS REVIEW

The world economy was facing severe headwinds amid weak growth prospects, elevated inflation and heightened uncertainties in the first half of 2023. A number of factors, including legacy effects of the Covid-19 pandemic, the protracted war in Ukraine, the rapid shifting macroeconomic conditions, were weighing on the global outlook. High inflation in both developed and developing countries has prompted the most aggressive interest rate hike cycle in decades, causing consumer confidence to drop.

The Group had distribution offices in the United States, Canada, the United Kingdom, Australia, Mexico and France, and expanded its international presence by selling its products globally through mass market retailers. With well-diversified distribution network and geographical market segments, the Group remains vigilant to changes in the global as well as regional economic environment and reacts swiftly to cope with the changes. At the same time, the Group continues to control costs and maintain good customer relationship to strengthen its products and inventory management, thereby enhancing its competitiveness and mitigating operational risks.

Manufacturing operations

The Group operates four plants at its main production site in Vietnam. We continue to improve production efficiency of our plants through automation and enhancing skill of workers. Lower labor cost and other operational cost in Vietnam give the Group competitive advantages over its market competitors whose major production plants are located in higher cost regions.

Whilst various industries in the world face challenges brought about by the rapid development in technology, in particular artificial intelligence, the Group considers this as an opportunity and take actions to optimize its production technology and capacity, expand its product and customer portfolios, simplify its business processes and prudently managing its operating costs.

Segment Performance

The United States, Canada and Europe are major markets of the Group's products. The performance of these markets have weakened during the reporting period, partly due to the global economic condition mentioned above and partly due to the Group's strategy to the cautious approach. The Group adopted a cautious approach and continues to maintain a strong business relationship with its remaining major customers and at the same time make every effort in new business development to diversify geographical risk.

The Group continues to adopt the proven strategy of its established brands. We have launched the products under a new licensed brand 'TEENAGE MUTANT NINJA TURTLES'. A number of "CAT" new toy products were launched this year. Over the years, we have used the brand "Gazillion® Bubbles" to establish our own branded toys and related products and their sales have been satisfactory. The Group has been actively launching new marketing campaigns for toy products of brands such as "TEENAGE MUTANT NINJA TURTLES", "CAT" and "Fart Ninjas" and "Bright Fairy Friends".

Management Discussion & Analysis (Continued)

BUSINESS REVIEW (CONTINUED)

The United States (“US”)

The US remains a major export market of the Group’s products. Our turnover decreased by HK\$228,535,000 or 50.5% to HK\$224,096,000 in the first half of this year from HK\$452,631,000 for the corresponding period of last year.

The US economy slowed at the start of 2023, indicating that an aggressive series of interest rate hikes at the Federal Reserve has cooled business activity. High inflation eroded the purchasing power of consumers. This resulted in decrease in turnover in the first half of 2023.

The Group recorded a significant decline in sales of various products including toy car products “CAT” and “ROCKET LEAGUE” and the girl role play products, steady growth for the outdoor products “Gazillion® Bubbles”. Encouragingly, the new launched product “TEENAGE MUTANT NINJA TURTLES” recorded ideal sales. The Group would continue to maintain its authorised licensing business of major brands, enrich other product lines and retain existing distributors and clients, including Wal-Mart, Amazon and Marmaxx Group.

Europe

Our turnover in Europe decreased by HK\$621,000 or 1.4% to HK\$43,664,000 for the first half of this year from HK\$44,285,000 for the corresponding period of last year.

The tension of the Russia-Ukraine continued to affect the European markets and customer sentiments. Besides, central banks of the European governments had tightened their monetary policies to curb the rising inflation. The new launched product “TEENAGE MUTANT NINJA TURTLES” recorded ideal sales, however, the sales of toy car products “CAT” products and outdoor products “Gazillion® Bubbles” and the sales of girl role play products were lower than the last period. Despite the sales in Belgium, Czech Republic, Denmark, Germany, Croatia, Portugal and United Kingdom recorded good performance, it was not enough to offset the decline in sales in France, Spain, Sweden, Italy and Switzerland, resulting in an overall decrease in turnover for the first half of the year. The Group will continue its efforts to maintain existing distributors and clients.

Canada

Our turnover in the Canadian market decreased by HK\$11,214,000 or 25.8% to HK\$32,235,000 in the first half of this year from HK\$43,449,000 for the corresponding period of last year.

The Group recorded a decrease in turnover in the Canadian market in the first half of the year due to decrease in the sales of the toy car products “CAT” and “ROCKET LEAGUE” and the girl role play products. The Group will make efforts to maintain its existing distributors and clients, such as Costco Wholesale (Canada) and Wal-Mart.

Mexico

Our turnover in the Mexican market increased by HK\$5,000 or 0.1% to HK\$4,417,000 in the first half of this year from HK\$4,412,000 for the corresponding period of last year.

Sales remained stable in the Mexican market in the first half of 2023. The sales of toy car products “CAT” and “ROCKET LEAGUE” and the girl role play products were recorded a significant decline. However, the sales of the outdoor products “Gazillion® Bubbles” and the new launched product “TEENAGE MUTANT NINJA TURTLES” were recorded ideal sales, it was sufficient to offset the unfavorable performance. As such, the turnover steadied in the first half of this year.

Management Discussion & Analysis (Continued)

BUSINESS REVIEW (CONTINUED)

Australia and New Zealand

Our turnovers in the Australia and New Zealand markets decreased by HK\$1,360,000 or 8.0% to HK\$15,585,000 in the first half of this year from HK\$16,945,000 for the corresponding period of last year.

Due to the decrease in the sales of “CAT”, “ROCKET LEAGUE” products, the girl role play products and “Gazillion” outdoor products. Encouragingly, the new launched product “TEENAGE MUTANT NINJA TURTLES” recorded ideal sales, enough to make up for the unsatisfactory sales of the former. The sales in Australian and New Zealand market recorded a slight drop. The Group will continue its efforts to maintain existing distributors and clients such as Big W.

South America

Our turnover in the South America market decreased by HK\$1,800,000 or 23.6% to HK\$5,834,000 in the first half of this year from HK\$7,634,000 for the corresponding period of last year.

The Group recorded an increase in sales in Argentina, Ecuador, Bolivia, Brazil and Colombia in the first half of the year, but a decrease in sales in Panama, Chile, Honduras, Costa Rica and Dominican Republic. Overall, the South America market recorded a decrease in turnover in the first half of the year.

Environmental Protection

The Group believes that maintaining a healthy and harmonious relationship with its stakeholders and fulfilling its social responsibilities to the community is essential for building and preserving the value of the Group. Adhering to the principles of Reducing, Recycling and Reusing, the Group encourages green office practices such as double-sided printing and copying, setting up recycling bins, promoting usage of recycled paper and reducing energy consumption by switching off lightings and electrical appliances when not in use, and will consider implementing further eco-friendly measures and practices which become an integral part of the Group’s operation and businesses.

Compliance with Laws and Regulations

Compliance procedures are in place to ensure adherence to applicable laws, rules and regulations in particular, those have significant impact on the Group. The Board and internal audit function team delegated by the Board monitor the Group’s policies and practices on compliance with legal and regulatory requirements and such policies are regularly reviewed. Any changes in the applicable laws, rules and regulations are brought to the attention of relevant employees and relevant operation units from time to time. In accordance with the requirements of the laws, regulations and related policies in Hong Kong, the PRC, Vietnam and other relevant jurisdictions, the Group provides and maintains statutory benefits for its staff, including but not limited to mandatory provident fund, basic medical insurance, labour insurance, etc. Staff is entitled to statutory holidays. The Group has registered its products, domain name and trademarks in Hong Kong, the PRC and other relevant jurisdictions and takes all appropriate actions to protect and enforce its intellectual property rights.

Relationship with Employees, Customers and Suppliers

The Group acknowledges that employees, customers and business partners are crucial to its sustainable growth. The Group is hence committed to building up close and caring relationship with its employees, providing excellent service to its customers and enhancing partnership with its business partners.

Prospects

The global economy upturn remains weak amid high inflation, tight monetary policy, and more restrictive credit conditions. Core inflation is proving persistent and the impact of higher interest rate is increasingly being felt across economy.

2023 is a challenging year. The persistently high inflation and rising interest rates will continue to affect many countries. Sales will also be hindered by the economic slowdown in the Group's major markets, particularly the United States and European countries. Besides, downside risks include exacerbating tension between the United States and China as well as the Russia-Ukraine war continue to affect global economy.

Despite the economic and geopolitical uncertainties, the Group will take an agile approach to enrich its product mix, especially in the development of sustainable and technological products; and enhance customer portfolio diversification. Besides, the Group will continue to prudently manage its financial and cash position, hence enhancing its resilience to adverse business operation environment. From the perspective of manufacturing, we will continue to enhance automation to improve efficiency.

The Group will continue to introduce a number of car toys under the well-known toy car brand "CAT", and meanwhile enrich the product range of "Fart Ninjas", "TEENAGE MUTANT NINJA TURTLES" and "Bright Fairy Friends", and actively promote its new products to other retailers. The Group will closely monitor its own development strategy and strive to develop a diversified portfolio for better income base, so as to create long-term and highest returns for shareholders.

Number of Employees and Remuneration Policies

As at 30 June 2023, the Group had a total of approximately 2,900 (31 December 2022: 3,000) employees in Hong Kong, the PRC, Vietnam, Australia, the US, Canada, Mexico 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 schemes also had been set up by our Group.

Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures of the Company or Any Specified Undertaking of the Company or Any Other Associated Corporation

As at 30 June 2023, the interests and short positions of the Directors and chief executives and their respective associates in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or which were otherwise required to be notified to the Company and the Stock Exchange, pursuant to the Model Code for Securities Transactions by Directors of the Listing Companies were as follows:

LONG POSITIONS IN ORDINARY SHARES OF THE COMPANY

Ordinary Shares of HK\$0.10 each of the Company

Name of Director/ chief executive officer		Personal Interests	Family Interests	Corporate Interests (Note 1)	Other Interests	Total	% of the issued share capital of the Company
Cheng Yung Pun (Director)	Long position	-	-	538,573,569	-	538,573,569	71.22%
Cheng King Cheung (Director)	Long position	12,112,000	-	-	-	12,112,000	1.60%
Tsang Chung Wa (Director)	Long position	4,108,251	-	-	-	4,108,251	0.54%
Tse Kam Wah (Director)	Long position	4,200,000	-	-	-	4,200,000	0.56%
Yip Hiu Har (Director)	Long position	200,000	-	-	-	200,000	0.03%

Note:

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

Share Option

There were no options remain outstanding and are granted, exercised, cancelled or lapsed during the six months ended 30 June 2023 (31 December 2022: nil).

Other than as disclosed above, none of the directors, chief executives nor their respective associates had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations as at 30 June 2023.

Arrangements to Purchase Shares and Debentures

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

Substantial Shareholders

As at 30 June 2023, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO shows that the following shareholders had notified the Company of relevant interests and short positions in the issued share capital of the Company:

LONG POSITIONS IN ORDINARY SHARES OF THE COMPANY

Ordinary Shares of HK\$0.10 each of the Company

Name of shareholder	Capacity	Number of issued ordinary shares held	Percentage of the issued share capital of the Company
Smart Forest (<i>Note</i>)	Beneficial owner	538,573,569	71.22%

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

Other than as disclosed above, the Company has not been notified of any other relevant interests or short positions in the issued share capital of the Company as at 30 June 2023.

Share Option Scheme

The life of the share option scheme of the Company adopted on 4 May 2012 (the “Share Option Scheme”) was until the tenth anniversary of this adoption date. Accordingly, the Share Option Scheme expired on 3 May 2022.

During the year under review and as at the latest practicable date, no new share option scheme was adopted and no shares available for issue of option. During the six months ended 30 June 2023, no options have been granted and remained outstanding carry rights to subscribe (31 December 2022: nil) of the shares in issue at that date. As at 30 June 2023 and as at the latest practicable date prior to the issue of this report, no options have been exercised, cancelled or lapsed (31 December 2022: nil share).

Purchase, Sale or Redemption of Securities

During the six months ended 30 June 2023, 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 Board has adopted the corporate governance code (the “CG Code”) and amended it from time to time, which is based on the principles set out in Appendix 14 (the “HKEx Code”) to the Listing Rules on the Stock Exchange.

None of the directors of the Company is aware of information that would reasonably indicate the Company is not or was not for any part of the period under review, in compliance with the HKEx Code and CG Code.

Other Information of Directors

In the last three years, Dr. Loke Yu alias Loke Hoi Lam (“Dr. Loke”), INED of the Company, was a non-executive director of Veson Holdings Limited (formerly Known as SCUD Group Limited) (Stock Code: 1399). He was also an INED of the following companies whose shares are listed on the Stock Exchange: China Silver Technology Holdings Limited (formerly known as TC Orient Lighting Holdings Limited) (Stock Code: 0515), Hang Sang (Siu Po) International Holding Company Limited (Stock Code: 3626), Hong Kong Resources Holdings Company Limited (Stock Code: 2882), and Zhenro Properties Group Limited (Stock Code: 6158).

Dr. Loke resigned as INED of the following companies whose shares are listed on the Stock Exchange: CIMC-TianDa Holdings Company Limited (Stock Code: 0445) from August 2006 to February 2021, Zhong An Group Limited (Stock Code: 0672) from June 2009 to June 2021, Chiho Environmental Group Limited (formerly known as Chiho-Tiande Group Limited) (Stock Code: 0976) from June 2010 to December 2021, Crazy Sports Group Limited (formerly known as V1 Group Limited) (Stock Code: 0082) from May 2005 to May 2022, Times Universal Group Holdings Limited (formerly known as Forebase International Holdings Limited) (Stock Code: 2310) from April 2016 to September 2022, TradeGo FinTech Limited (Stock Code: 8017) from August 2018 to February 2023 and Tianjin Development Holdings Limited (Stock Code: 0882) from December 2012 to June 2023.

Mr. Heng Victor Ja Wei (“Mr. Heng”), INED of the Company, resigned as INED of CIMC-TianDa Holdings Company Limited (Stock Code: 0445) on 1 February 2021, a company whose shares are listed on the Stock Exchange. Mr. Heng was appointed as an INED of TradeGo FinTech Limited (Stock Code: 8017) with effect from 8 February 2023.

Compliance with the Model Code Set out in Appendix 10 of the Listing Rules

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

Board Committees

The Nomination Committee comprises the Company’s Chairman, Mr. Cheng Yung Pun and four INEDs, namely Dr. Loke Yu alias Loke Hoi Lam, Mr. Mak Shiu Chung, Godfrey, Mr. Heng Victor Ja Wei and Mr. Chu Ka Hing, appointed by the Board and meets at least once a year. The Audit Committee comprises the said INEDs who have extensive experience in financial matters and meet at least twice a year. The Remuneration Committee also comprises the said INEDs and meets at least once a year. All Committees have adopted terms of reference (containing the minimum prescribed duties) that are in line with the HKEx Code and CG Code.

Other Required Disclosure Pursuant to Rule 13.18 of the Listing Rules

The Company has received two revised facility letters with the same facility amount of the old facility, that is, in an aggregate not exceeding HK\$70,000,000, provided to three indirect wholly-owned subsidiaries effective on 18 September 2020 (the “revised facilities” which are subject to annual review). All these two revised facility letters’ terms and conditions included, inter alia, a condition to the effect that Mr. Cheng Yung Pun (a controlling shareholder of the Company) should maintain not less than 51% of shareholding (whether directly or indirectly) of the Company. A breach of the above condition will constitute an event of default under the revised facilities. The Bank will discuss for remedy actions including obtaining waiver for the breach or seeking for any viable solutions or alternatives. Nevertheless, the revised facilities will be uncommitted lines and the Bank reserves the right to request repayment on demand.

Review of Interim Results

The unaudited interim results for the six months ended 30 June 2023 have been reviewed by the Audit Committee, who are of the opinion that these interim results comply with applicable accounting standard and legal requirements, and that adequate disclosures have been made.

By Order of the Board
Cheng Yung Pun
Chairman

Hong Kong, 24 August 2023