Dream International Limited

DREAM INTERNATIONAL LIMITED
德林國際有限公司
Incorporated in Hong Kong with limited liability

INTERIM REPORT 2010

Stock Code: 1126

CONTENTS

MANAGEMENT DISCUSSION & ANALYSIS

Financial Review

In the first half of 2010, the global economy continued its revival from the global financial crisis, a positive development for the toy industry. In this favourable global environment, Dream International Limited (the "company") and its subsidiaries (collectively the "group") sustained growth momentum in the past year and achieved satisfactory results during the period under review.

For the six months ended 30 June 2010, driven by the growing sales from the plush stuffed toys segment facilitated by the gradual economic recovery, the group's turnover increased by 68.9% year-on-year to HK$645.5 million (2009: HK$382.2 million). Thanks to successful business restructuring, the group benefited from enhanced production efficiency in Vietnam and lower labour cost in China's interior relative to that in the country's coastal cities. Thus its gross profit has doubled to HK$206.4 million (2009: HK$104.4 million), with gross profit margin up to 32.0% (2009: 27.3%). Accordingly, the group achieved 105.9% growth in operating profit to HK$87.0 million (2009: HK$42.3 million) and 94.5% growth in profit attributable to equity holders to HK$75.7 million (2009: HK$38.9 million). Operating margin and net margin rose to 13.5% (2009: 11.1%) and 11.8% (2009: 10.0%) respectively, demonstrating an improvement in the group's profitability.

The group maintained a strong financial position with cash and bank deposits of HK$209.0 million (31 December 2009: HK$324.6 million) as at 30 June 2010.

Business Review

Product Analysis

Plush stuffed toy segment

During the period, sales of plush stuffed toys jumped by 77.1% to HK$574.5 million, accounting for 89.0% of the group's total turnover. Original Equipment Manufacturing ("OEM") and licensing business remained the core business of the group, representing 72.2% of the sales of the plush stuffed toy segment. For the OEM business, the group's strategy is to nurture closer cooperation with existing customers which are famous character owners and licensors. During the period, the group received a large order from a Japanese customer to produce a new character to pair up with an existing popular character launched in 2009, which together became collectible items for consumers. These new products were well received in the markets and drove the sales of this segment significantly.

In licensing, leveraging the movie "Toy Story 3" launched during the summer of 2010, the group's *Toy Story* product series enjoyed a highly favourable market response. The "Pook-A-Looz" and "Princess" series also gained popularity in the market and further drove the business growth. The group plans to further enrich its production mix by launching a new infant series in the second half of 2010.

Original Design Manufacturing ("ODM") business accounted for 27.8% of the sales of the plush stuffed toy segment. The remarkable increase in its proportion to the total turnover was mainly attributable to a large order received from a globally famous Brazilian consumer brand to manufacture premium gifts for its promotion campaign, which has been booked in the first half of 2010. During the period, the group continued to attract more orders on higher-margin products to improve overall profitability. Apart from renowned mass US retailers, the group is also looking into opportunities to tailor products under its "CALTOY" brand for upmarket department stores.

Steel and plastic toy segment

Sales in the steel and plastic toy segment accounted for 11.0% of the group's total turnover. During the period, the group further eliminated low-margin products and increased the proportion of products having higher selling prices and profit margins within the product mix.

A modified high-end tricycle with an electronic sound mechanism on the handle bar produced for a US marketing company continued to receive an encouraging market response, exceeding the group's expectation. The group's product co-development efforts with customers also saw progress. While sales of the scooters co-developed with a customer increased steadily in the European markets during the period, the group was in the final stage of developing a new concept scooter which would be launched in the US and European markets in the coming months as well as in the Korean market in the future. After restructuring the sales network to strengthen the presence of "Great" and "Far Great" brands in China, sales of the branded scooters and inline skates improved steadily in the market.

During the period, the group developed bicycle and tricycle products associated with a Japanese cartoon character very popular in China. The new products received positive market response since the character continues to gain in popularity as the cartoon series is broadcast in China.

Market Analysis

For the six months ended 30 June 2010, sales of the group in most major regions recorded growth. Riding on a large order for a new plush toy product from a Japanese customer, Japan became the largest market of the group contributing approximately 35.8% of the group's total turnover. North America, as a traditionally strong toy market, was second, with 28.0% of the group's total turnover. South America accounted for 21.7% of the total turnover mainly because shipments for a large order received from a Brazilian consumer were made during the period. The European market and the China market took up 9.5% and 4.0% of the total turnover respectively.

Operational Analysis

As at 30 June 2010, the group operated eight plants in total, five of which were in China and three in Vietnam, running at an average utilisation rate of over 80%. To enjoy better production efficiency and cost-effectiveness as reflected in the sharply reduced direct labour costs and administrative expenses, the group further expanded its production within Vietnam during the period. While one factory building was completed for the new main plant in Vietnam and is starting operations in August, another three factory buildings in the same complex are also to start full operation by end of 2010 as scheduled.

Prospects

The global economy is on the road to recovery. With the rising Asian economy and increasing orders from other major markets, revenue for the entire toy manufacturing industry is expanding. The group's customers in all major regions are noticeably more confident as observed by their gradual expansion of their order size. However, the toy industry is still being challenged by the uncertain financial prospects and anxiety about employment in the US and Europe, which in turn may affect customers' demands for toy products. Moreover, the rising material costs and labour cost in China and the Renminbi's gradual appreciation present challenges to most of the toy manufacturers in the country.

As the market consolidation caused by the difficult operational environment has forced a substantial number of toy manufacturers out of the industry in the past few years, the overall manufacturing capacity of plush toys keeps decreasing. Thus, large-scale toy manufacturers such as Dream International should enjoy an increasing volume of orders from the market. With customers depending on its sizeable and reliable manufacturing capability to meet their strict quality requirements, the group is currently facing a new challenge - shortage in production capacity to meet the abundant market demand for top-tier toy manufacturing services.

In view of opportunities and challenges ahead, Dream International, as the world's largest plush toy manufacturer, is still well-positioned to ride the tide and to continue to grow its business. With a priority to boost the production capacity to capture the rising order volume, the group is expanding the production base in Vietnam further to enjoy greater economies of scale and lower production costs. Its objective is to raise the contribution of the Vietnam production base to 30% of the group's total production capacity, which is expected to be accomplished by the first quarter of 2011. Besides, the group will continue to outsource production of low-margin products or small volume orders to reliable sub-contractors, enabling the group to have a higher flexibility in adjusting production capacity to meet the market demand.

Enjoying a sound reputation, a healthy financial position and strong competitive advantages in the industry, the group will keep a close eye in the market to capture the opportunities as they emerge to continue to grow and to maximise returns to shareholders.

NUMBER AND REMUNERATION OF EMPLOYEES

At 30 June 2010, the group had 10,269 employees (31 December 2009: 8,773) in Hong Kong, Mainland China, South Korea, US, Japan and Vietnam. The group values its human resources and recognizes the importance of attracting and retaining quality staff for its continuing success. Staff bonuses and share options are awarded based on individual performance.

LIQUIDITY AND FINANCIAL RESOURCES AND GEARING

The group continued to maintain a reasonable liquidity position. As at 30 June 2010, the group had net current assets of HK$331.9 million (31 December 2009: HK$296.4 million). The group's total cash and cash equivalents as at 30 June 2010 amounted to HK$145.7 million (31 December 2009: HK$287.8 million). The total borrowings of the group as at 30 June 2010 amounted to HK$29.1 million (31 December 2009: HK$55.5 million).

The group's gearing ratio, calculated on the basis of total bank borrowings over the total shareholders' equity, further decreased from 11.7% at 31 December 2009 to 5.5% at 30 June 2010.

PLEDGE ON GROUP ASSETS

Bank borrowings are secured on the group's buildings, plant and machinery, land use rights and time deposit with a net book value as at 30 June 2010 of HK$53.4 million (31 December 2009: HK$96.6 million)

KPMG

REVIEW REPORT TO THE BOARD OF DIRECTORS OF DREAM INTERNATIONAL LIMITED

(Incorporated in Hong Kong with limited liability)

Introduction

We have reviewed the interim financial report set out on pages 8 to 32, which comprises the consolidated balance sheet of Dream International Limited ("the company") as of 30 June 2010 and the related consolidated income statement, statement of comprehensive income and statement of changes in equity and condensed consolidated statement of cash flows for the six month period then ended and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants. The directors are responsible for the preparation and presentation of the interim financial report in accordance with Hong Kong Accounting Standard 34.

Our responsibility is to form a conclusion, based on our review, on the interim financial report and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity,* issued by the Hong Kong Institute of Certified Public Accountants. A review of the interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

REVIEW REPORT TO THE BOARD OF DIRECTORS OF DREAM INTERNATIONAL LIMITED *(Continued)*

(Incorporated in Hong Kong with limited liability)

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial report as at 30 June 2010 is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34, *Interim financial reporting*.

KPMG
Certified Public Accountants

8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

27 August 2010

CONSOLIDATED INCOME STATEMENT

for the six months ended 30 June 2010 — unaudited

	Note	Six months ended 30 June 2010 HK$'000	2009 HK$'000
Turnover	*3 & 4*	**645,530**	382,226
Cost of sales	*11*	**(439,128)**	(277,791)
Gross profit		**206,402**	104,435
Other revenue		**4,355**	4,244
Other net income		**2,648**	23,726
Distribution costs		**(58,696)**	(25,384)
Administrative expenses		**(67,692)**	(64,767)
Profit from operations		**87,017**	42,254
Finance costs	*5(a)*	**(491)**	(1,388)
Share of losses of associates		**(194)**	(100)
Profit before taxation	*5*	**86,332**	40,766
Income tax	*7*	**(10,251)**	(2,640)
Profit for the period		**76,081**	38,126
Attributable to:			
Equity holders of the company		**75,717**	38,932
Non-controlling interests		**364**	(806)
		76,081	38,126
Earnings per share	*8*		
Basic and diluted		**11.3 cents**	5.8 cents

The notes on pages 14 to 32 form part of this interim financial report. Details of dividends payable to equity shareholders of the company are set out in note 15.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the six months ended 30 June 2010 — unaudited

	Six months ended 30 June	
	2010	2009
	HK$'000	HK$'000
Profit for the period	**76,081**	38,126
Other comprehensive income for the period (after tax and reclassification adjustments):		
Exchange differences on translation of financial statements of subsidiaries outside Hong Kong	**(1,234)**	1,270
Available-for-sale securities: net movement in fair value reserve	**186**	40
	(1,048)	1,310
Total comprehensive income for the period	**75,033**	39,436
Attributable to:		
Equity shareholders of the company	**74,573**	40,228
Non-controlling interests	**460**	(792)
Total comprehensive income for the period	**75,033**	39,436

The notes on pages 14 to 32 form part of this interim financial report.

CONSOLIDATED BALANCE SHEET

at 30 June 2010 — unaudited

	Note	At 30 June 2010 HK$'000	At 31 December 2009 HK$'000
Non-current assets			
Fixed assets	*10*		
— Interests in leasehold land held for own use under operating leases		**23,627**	16,459
— Other property, plant and equipment		**146,153**	131,880
		169,780	148,339
Long term receivables	*6*	**6,540**	—
Prepayments		**1,995**	9,184
Intangible assets		**14,168**	14,028
Interests in associates		**448**	638
Other financial assets	*9*	**6,108**	6,142
Deferred tax assets		**640**	2,299
		199,679	180,630
Current assets			
Inventories	*11*	**217,259**	149,246
Trade and other receivables	*12*	**166,970**	152,475
Current tax recoverable		**—**	33
Other financial assets	*9*	**14,127**	3,359
Bank deposits	*13*	**63,316**	36,801
Cash and cash equivalents	*13*	**145,690**	287,761
		607,362	629,675
Current liabilities			
Trade and other payables	*14*	**236,611**	271,793
Bank loans		**29,106**	55,487
Current tax payable		**9,750**	5,988
		275,467	333,268
Net current assets		**331,895**	296,407
Total assets less current liabilities		**531,574**	477,037

CONSOLIDATED BALANCE SHEET *(Continued)*

at 30 June 2010 — unaudited

	Note	**At 30 June 2010 HK$'000**	At 31 December 2009 HK$'000
Non-current liabilities			
Net defined benefit retirement obligations		**606**	1,046
NET ASSETS		**530,968**	475,991
CAPITAL AND RESERVES			
Share capital		**52,019**	52,019
Reserves		**467,174**	412,657
Total equity attributable to equity shareholders of the company		**519,193**	464,676
Non-controlling interests		**11,775**	11,315
TOTAL EQUITY		**530,968**	475,991

The notes on pages 14 to 32 form part of this interim financial report.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the six months ended 30 June 2010 — unaudited

	Note	Attributable to equity shareholders of the company: Share capital HK$'000	Share premium HK$'000	Capital reserve HK$'000	General reserve fund HK$'000	Exchange reserve HK$'000	Fair value reserve HK$'000	Retained profits HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
Balance at 1 January 2009		52,019	176,893	3,953	18,427	15,157	—	107,693	374,142	4,555	378,697
Changes in equity for the six months ended 30 June 2009:											
Lapse of share options		—	—	(265)	—	—	—	265	—	—	—
Increase in non-controlling interests resulting from change in shareholding		—	—	(1,929)	—	—	—	—	(1,929)	1,929	—
Total comprehensive income for the period		—	—	—	—	1,256	40	38,932	40,228	(792)	39,436
Balance at 30 June 2009 and 1 July 2009		52,019	176,893	1,759	18,427	16,413	40	146,890	412,441	5,692	418,133
Changes in equity for the six months ended 31 December 2009:											
Increase in non-controlling interests resulting from change in shareholding		—	—	(1,133)	—	—	—	—	(1,133)	1,133	—
Appropriation to general reserve fund		—	—	—	675	—	—	(675)	—	—	—
Total comprehensive income for the period		—	—	—	—	17,636	45	35,687	53,368	4,490	57,858
Balance at 31 December 2009 and 1 January 2010		52,019	176,893	626	19,102	34,049	85	181,902	464,676	11,315	475,991
Changes in equity for the six months ended 30 June 2010:											
Dividend approved in respect of the previous year	*15(b)*	—	—	—	—	—	—	(20,056)	(20,056)	—	(20,056)
Disposal of interest in subsidiary		—	—	—	(675)	(1,579)	—	2,254	—	—	—
Total comprehensive income for the period		—	—	—	—	(1,330)	186	75,717	74,573	460	75,033
Balance at 30 June 2010		52,019	176,893	626	18,427	31,140	271	239,817	519,193	11,775	530,968

The notes on pages 14 to 32 form part of this interim financial report.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

for the six months ended 30 June 2010 — unaudited

		Six months ended 30 June	
	Note	**2010** **HK$'000**	2009 HK$'000
Cash (used in)/generated from operations		**(22,221)**	65,480
Tax paid		**(4,812)**	(5,568)
Net cash (used in)/generated from operating activities		**(27,033)**	59,912
Net cash (used in)/generated from investing activities		**(68,152)**	116,543
Net cash used in financing activities		**(46,974)**	(96,062)
Net (decrease)/increase in cash and cash equivalents		**(142,159)**	80,393
Cash and cash equivalents at 1 January	*13*	**287,761**	122,370
Effect of foreign exchange rate changes		**88**	435
Cash and cash equivalents at 30 June	*13*	**145,690**	203,198

The notes on pages 14 to 32 form part of this interim financial report.

NOTES ON THE INTERIM FINANCIAL INFORMATION

(Expressed in Hong Kong dollars)

1 Basis of preparation

This interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with Hong Kong Accounting Standard ("HKAS") 34 "*Interim financial reporting*" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). It was authorised for issuance on 27 August 2010.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2009 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2010 annual financial statements. Details of these changes in accounting policies are set out in note 2.

The preparation of an interim financial report in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the company and its subsidiaries since the 2009 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with HKFRSs.

The interim financial report is unaudited, but has been reviewed by KPMG in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the HKICPA. KPMG's review report to the Board of Directors is included on pages 6 and 7.

The financial information relating to the financial year ended 31 December 2009 that is included in the interim financial report as being previously reported information does not constitute the company's statutory financial statements for that financial year but is derived from those financial statements. Statutory financial statements for the year ended 31 December 2009 are available from the company's registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 23 April 2010.

2 Changes in accounting policies

The HKICPA has issued two revised HKFRSs, a number of amendments to HKFRSs and one new Interpretation that are first effective for the current accounting period of the group and the company. Of these, the following developments are relevant to the group's financial statements:

— HKFRS 3 (revised 2008), *Business combinations*

— Amendments to HKAS 27, *Consolidated and separate financial statements*

— Amendments to HKFRS 5, *Non-current assets held for sale and discontinued operations — plan to sell the controlling interest in a subsidiary*

— Improvements to HKFRSs (2009)

— HK(IFRIC) 17, *Distribution of non-cash assets to owners*

The group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

The developments resulted in changes in accounting policy but none of these changes in policy have a material impact on the current or comparative periods, for the following reasons:

— The impact of the majority of the revisions to HKFRS 3, HKAS 27, HKFRS 5 and HK(IFRIC) 17 has not yet had a material effect on the group's financial statements as these changes will first be effective as and when the group enters into a relevant transaction (for example, a business combination, a partial disposal of a subsidiary or a non-cash distribution) and there is no requirement to restate the amounts recorded in respect of previous such transactions.

2 Changes in accounting policies *(Continued)*

— The amendment introduced by the *Improvements to HKFRSs (2009)* omnibus standard in respect of HKAS 17, *Leases*, resulted in a change of classification of leasehold land interests located in the Hong Kong Special Administrative Region, but this had no material impact on the amounts recognised in respect of these leases as the lease premiums in respect of all such leases are fully paid and are being amortised over the remaining length of the lease term.

Further details of these changes in accounting policy are as follows:

— As a result of the adoption of HKFRS 3 (revised 2008), any business combination acquired on or after 1 January 2010 will be recognised in accordance with the new requirements and detailed guidance contained in HKFRS 3 (revised 2008). These include the following changes in accounting policies:

  — Transaction costs that the group incurs in connection with a business combination, such as finder's fees, legal fees, due diligence fees, and other professional and consulting fees, will be expensed as incurred, whereas previously they were accounted for as part of the cost of the business combination and therefore impacted the amount of goodwill recognised.

  — If the group holds interests in the acquiree immediately prior to obtaining control, these interests will be treated as if disposed of and re-acquired at fair value on the date of obtaining control. Previously, the step-up approach would have been applied, whereby goodwill was computed as if accumulated at each stage of the acquisition.

  — Contingent consideration will be measured at fair value at the acquisition date. Any subsequent changes in the measurement of that contingent consideration will be recognised in profit or loss, unless they arise from obtaining additional information about facts and circumstances that existed at the acquisition date within 12 months from the date of acquisition (in which case they will be recognised as an adjustment to the cost of the business combination). Previously, contingent consideration was recognised at the acquisition date only if payment of the contingent consideration was probable and it could be measured reliably. All subsequent changes in the measurement of contingent consideration and from its settlement were previously recognised as an adjustment to the cost of the business combination and therefore impacted the amount of goodwill recognised.

2 Changes in accounting policies *(Continued)*

Further details of these changes in accounting policy are as follows: *(Continued)*

- If the acquiree has accumulated tax losses or other temporary deductible differences and these fail to meet the recognition criteria for deferred tax assets at the date of acquisition, then any subsequent recognition of these assets will be recognised in profit or loss, rather than as an adjustment to goodwill as was previously the policy.

- In addition to the group's existing policy of measuring the non-controlling interests (previously known as the "minority interests") in the acquiree at the non-controlling interests' proportionate share of the acquiree's net identifiable assets, in future the group may elect, on a transaction by transaction basis, to measure the non-controlling interests at fair value.

In accordance with the transitional provisions in HKFRS 3 (revised 2008), these new accounting policies will be applied prospectively to any business combinations in the current or future periods. The new policy in respect of recognition in the movement of deferred tax assets will also be applied prospectively to accumulated tax losses and other temporary deductible differences acquired in previous business combinations. No adjustments have been made to the carrying values of assets and liabilities that arose from business combinations whose acquisition dates preceded the application of this revised standard.

- As a result of the adoption of HKAS 27 (amended 2008), the following changes in policies will be applied as from 1 January 2010:

  - If the group acquires an additional interest in a non-wholly owned subsidiary, the transaction will be accounted for as a transaction with equity shareholders (the non-controlling interests) in their capacity as owners and therefore no goodwill will be recognised as a result of such transactions. Similarly, if the group disposes of part of its interest in a subsidiary but still retains control, this transaction will also be accounted for as a transaction with equity shareholders (the non-controlling interests) in their capacity as owners and therefore no profit or loss will be recognised as a result of such transactions. Previously the group treated such transactions as step-up transactions and partial disposals, respectively.

2 Changes in accounting policies *(Continued)*

Further details of these changes in accounting policy are as follows: *(Continued)*

- — If the group loses control of a subsidiary, the transaction will be accounted for as a disposal of the entire interest in that subsidiary, with any remaining interest retained by the group being recognised at fair value as if reacquired. In addition, as a result of the adoption of the amendment to HKFRS 5, if at the balance sheet date the group has the intention to dispose of a controlling interest in a subsidiary, the entire interest in that subsidiary will be classified as held for sale (assuming that the held for sale criteria in HKFRS 5 are met) irrespective of the extent to which the group will retain an interest. Previously such transactions were treated as partial disposals.

In accordance with the transitional provisions in HKAS 27, these new accounting policies will be applied prospectively to transactions in current or future periods and therefore previous periods have not been restated.

— In order to be consistent with the above amendments to HKFRS 3 and HKAS 27, and as a result of amendments to HKAS 28, *Investments in associates*, and HKAS 31, *Interests in joint ventures*, the following policies will be applied as from 1 January 2010:

- — If the group holds interests in the acquiree immediately prior to obtaining significant influence or joint control, these interests will be treated as if disposed of and re-acquired at fair value on the date of obtaining significant influence or joint control. Previously, the ste-up approach would have been applied, whereby goodwill was computed as if accumulated at each stage of the acquisition.

- — If the group loses significant influence or joint control, the transaction will be accounted for as a disposal of the entire interest in that investee, with any remaining interest being recognised at fair value as if reacquired. Previously such transactions were treated as partial disposals.

Consistent with the transitional provisions in HKFRS 3 and HKAS 27, these new accounting policies will be applied prospectively to transactions in current or future periods and therefore previous periods have not been restated.

2 Changes in accounting policies *(Continued)*

Further details of these changes in accounting policy are as follows: *(Continued)*

— HK(IFRIC) 17 requires distributions of non-cash assets to owners to be measured at the fair value of the assets distributed. This will result in a gain or loss being recognised in profit or loss to the extent that the fair value of the assets is different from their carrying value. Previously the group measured such distributions at the carrying value of the assets distributed. In accordance with the transitional provisions in HK(IFRIC) 17, this new accounting policy will be applied prospectively to distributions in current or future periods and therefore previous periods have not been restated.

Other changes in accounting policies which are relevant to the group's financial statements are as follows:

— As a result of the amendments to HKAS 27, as from 1 January 2010 any losses incurred by a non-wholly owned subsidiary will be allocated between the controlling and non-controlling interests in proportion to their interests in that entity, even if this results in a deficit balance within consolidated equity being attributed to the non-controlling interests. Previously, if the allocation of losses to the non-controlling interests would have resulted in a deficit balance, the losses were only allocated to the non-controlling interests if the non-controlling interests were under a binding obligation to make good the losses. In accordance with the transitional provisions in HKAS 27, this new accounting policy is being applied prospectively and therefore previous periods have not been restated.

— As a result of the amendment to HKAS 17, *Leases*, arising from the "*Improvements to HKFRSs (2009)*" omnibus standard, the group has re-evaluated the classification of its interests in leasehold land as to whether, in the group's judgement, the leases transfer significantly all the risks and rewards of ownership of the land such that the group is in a position economically similar to that of a purchaser. The group has concluded that the classification of such leases as operating leases continues to be appropriate as the leases do not transfer significantly all the risks and rewards of ownership of the land to the group.

3 Segment reporting

The group manages its businesses by divisions, which are organised by a mixture of both business lines and geography. In a manner consistent with the way in which information is reported internally to the group's most senior executive management for the purposes of resource allocation and performance assessment, the group has identified the following two reportable segments. No operating segments have been aggregated to form the following reportable segments.

— Plush stuffed toys: this segment is involved in the design, development, manufacture and sale of plush stuffed toys. These products are either sourced externally or are manufactured in the group's manufacturing facilities located primarily in the People's of Republic of China ("the PRC") and Vietnam.

— Steel and plastic toys: this segment is involved in the design, development, manufacture and sale of steel and plastic toys. These products are manufactured in the PRC and sold to customers mainly located in the PRC and Japan.

(a) Segment results, assets and liabilities

In accordance with HKFRS 8, segment information disclosed in the interim financial report has been prepared in a manner consistent with the information used by the group's most senior executive management for the purposes of assessing segment performance and allocating resources between segments. In this regard, the group's senior executive management monitors the results, assets and liabilities attributable to each reportable segment on the following bases:

Segment assets include all tangible, intangible assets and current assets with the exception of club memberships, interests in associates, investments in financial assets, deferred tax assets and other corporate assets. Segment liabilities include trade creditors, accruals and bills payable attributable to the manufacturing and sales activities of the individual segments and bank borrowings managed directly by the segments.

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments. Other than reporting inter-segment sales, assistance provided by one segment to another, including sharing of assets, is not measured.

3 Segment reporting *(Continued)*

(a) Segment results, assets and liabilities *(Continued)*

The measure used for reporting segment profit is "adjusted EBITDA" i.e. "adjusted earnings before interest, taxes, depreciation and amortisation", where "interest" is regarded as including investment income and "depreciation and amortisation" is regarded as including impairment losses on non-current assets. To arrive at adjusted EBITDA the group's earnings are further adjusted for items not specifically attributed to individual segments, such as share of profits less losses of associates, directors' and auditors' remuneration and other head office or corporate administration costs.

In addition to receiving segment information concerning adjusted EBITDA, management is provided with segment information concerning revenue (including inter segment sales), interest income and expense from cash balances and borrowings managed directly by the segments, depreciation, amortisation and impairment losses and additions to non-current segment assets used by the segments in their operations. Inter-segment sales are priced with reference to prices charged to external parties for similar orders.

3 Segment reporting *(Continued)*

(a) Segment results, assets and liabilities *(Continued)*

Information regarding the group's reportable segments as provided to the group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the period is set out below.

	Plush stuffed toys		Steel and plastic toys		Total	
For the six months ended 30 June	**2010 HK$'000**	2009 HK$'000	**2010 HK$'000**	2009 HK$'000	**2010 HK$'000**	2009 HK$'000
Revenue from external customers and reportable segment revenue	**574,469**	324,314	**71,061**	57,912	**645,530**	382,226
Reportable segment profit (adjusted EBITDA)	**95,724**	55,773	**5,384**	898	**101,108**	56,671
Reportable segment assets	**481,804**	393,772	**133,744**	99,843	**615,548**	493,615
Additions to non-current segment assets during the period	**41,371**	20,338	**1,143**	4,626	**42,514**	24,964
Reportable segment liabilities	**200,479**	232,501	**89,404**	74,031	**289,883**	306,532

(b) Reconciliations of reportable segment profit, assets and liabilities

	Six months ended 30 June	
	2010 HK$'000	2009 HK$'000
Profit		
Reportable segment profit	**101,108**	56,671
Share of losses of associates	**(194)**	(100)
Interest income	**991**	987
Depreciation and amortisation	**(11,352)**	(11,967)
Finance costs	**(491)**	(1,388)
Unallocated head office corporate expenses	**(3,730)**	(3,437)
Consolidated profit before taxation	**86,332**	40,766

3 Segment reporting *(Continued)*

(b) Reconciliations of reportable segment profit, assets and liabilities *(Continued)*

	At 30 June 2010 HK$'000	At 31 December 2009 HK$'000
Assets		
Reportable segment assets	**615,548**	493,615
Elimination of inter-segment receivables	**(52,666)**	(33,693)
	562,882	459,922
Club memberships	**13,830**	13,350
Interests in associates	**448**	638
Deferred tax assets	**640**	2,299
Current tax recoverable	**—**	33
Other financial assets	**20,235**	9,501
Unallocated head office and corporate assets	**209,006**	324,562
Consolidated total assets	**807,041**	810,305

	At 30 June 2010 HK$'000	At 31 December 2009 HK$'000
Liabilities		
Reportable segment liabilities	**289,883**	306,532
Elimination of inter-segment payables	**(52,666)**	(33,693)
	237,217	272,839
Current tax payable	**9,750**	5,988
Unallocated head office and corporate liabilities	**29,106**	55,487
Consolidated total liabilities	**276,073**	334,314

4 Seasonality of operations

The group's plush stuffed toys and steel and plastic toys divisions, on average experience higher sales in the second half year, compared to the first half year, due to the increased demand of its products during the holiday season. As such, the first half year reports lower revenues and segment results for these segments than the second half.

5 Profit before taxation

Profit before taxation is arrived at after charging/(crediting):

	Six months ended 30 June	
	2010	2009
	HK$'000	HK$'000
(a) Finance costs:		
Interest on bank borrowings	**491**	1,388
(b) Other items:		
Amortisation:		
— intangible assets	**338**	362
— land lease premium	**228**	160
Depreciation	**10,786**	11,445
Operating lease charges: minimum lease payments in respect of property rentals	**10,217**	9,842
Inventories write-down and losses	**2,034**	4,173
Reversal of impairment of inventories	**(6,551)**	(4,543)
Bank interest income	**(645)**	(987)
Interest income from other financial assets	**(346)**	—
Net unrealised gain on financial assets designated as fair value through profit or loss	**(709)**	—
Net realised gain on other financial assets	**—**	(3,098)

6 Gain on disposal of interest in subsidiary

On 1 January 2010, the company disposed of a 100% ownership interest in C & H Toys (Shuyang) Co., Ltd. ("CTSY") to the existing factory manager ("the Purchaser") at a consideration of US$1,387,000 (equivalent to HK$10,757,000) realising a net gain on disposal of HK$68,000. The principal activity of the CTSY was the manufacture of plush stuffed toys.

	HK$'000
Assets and liabilities (other than cash or cash equivalents) disposed of:	
Fixed assets	9,763
Inventories	43
Debtors, bills receivable, deposits and prepayments	1,429
Creditors and accrued charges	(6,358)
	4,877
Disposal proceeds	(10,757)
Cash and cash equivalents disposed of	5,812
Gain on disposal of interest in subsidiary	(68)
Net inflow of cash and cash equivalents in respect of the disposal of interest in subsidiary	4,945

6 Gain on disposal of interest in subsidiary *(Continued)*

In accordance with the sale and purchase agreement, the outstanding consideration as at 30 June 2010 is receivable as follows:

	As at 30 June 2010 HK$'000
Within 1 year	935
After 1 year but within 5 years	6,540
	7,475

Property and land use rights of CTSY with a carrying value of RMB7,866,000 (equivalent to HK$8,968,000) as at 31 December 2009 were pledged to a subsidiary of the company to secure the amount due from the Purchaser.

7 Income tax

	Six months ended 30 June	
	2010 **HK$'000**	2009 HK$'000
Current tax — Hong Kong Profits tax	**2,699**	888
Current tax — Outside Hong Kong	**5,908**	2,514
Deferred tax	**1,644**	(762)
	10,251	2,640

The provision for Hong Kong Profits Tax is calculated by applying the estimated annual effective tax rate of 16.5% (2009: 16.5%) to the six months ended 30 June 2010. Taxation for subsidiaries outside Hong Kong is similarly calculated using the estimated annual effective rates of taxation that are expected to be applicable in the relevant countries.

8 Earnings per share

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to equity holders of the company of HK$75,717,000 (six months ended 30 June 2009: HK$38,932,000) and weighted average number of ordinary shares of 668,529,000 shares (six months ended 30 June 2009: 668,529,000 shares).

(b) Diluted earnings per share

The company did not have dilutive potential ordinary shares outstanding during the six months ended 30 June 2010 and 2009. Accordingly, the diluted earnings per share is the same as the basic earnings per share for both periods.

9. Other financial assets

	As at 30 June 2010 HK$'000	As at 31 December 2009 HK$'000
Non-current		
Available-for-sale debt securities – unlisted	**6,108**	6,142
Current		
Equity-linked deposits	**14,127**	—
Held-to-maturity debt securities – unlisted	**—**	3,359
	14,127	3,359
	20,235	9,501

Equity-linked deposits represent 12 months deposits placed with a bank in Korea with guaranteed principal and variable interest linked to the Korea Composite Stock Price Index 200.

10 Fixed assets

During the six months ended 30 June 2010, the group acquired items of fixed assets with a cost of HK$42,514,000 (six months ended 30 June 2009: HK$6,027,000). Items of fixed assets with a net book value of HK$544,000 were disposed of during the six months ended 30 June 2010 (six months ended 30 June 2009: HK$41,496,000), resulting in a gain on disposal of HK$287,000 (six months ended 30 June 2009: a gain on disposal of HK$21,589,000). In addition, during the period ended 30 June 2010, the group disposed of fixed assets with a net book value of HK$9,763,000 through the disposal of an interest in a subsidiary (six months ended 30 June 2009: HK$nil) (see note 6).

11 Inventories

During the six months ended 30 June 2010, an amount of HK$6,551,000 (2009: HK$4,543,000) has been recognised as a reversal of impairment of inventories. The reversal of impairment of inventories arose due to an increase in the estimated net realisable value as a result of aged inventories.

12 Trade and other receivables

Included in trade and other receivables are debtors and bills receivable (net of allowance for doubtful debts) with the following ageing analysis:

	As at 30 June 2010 HK$'000	As at 31 December 2009 HK$'000
Current	**106,288**	93,533
Less than 1 month past due	**1,771**	10,967
1 to 3 months past due	**1,064**	601
More than 3 months but less than 12 months past due	**1,660**	598
More than 12 months past due	**109**	7
Trade debtors and bills receivable, net of allowance for doubtful debts	**110,892**	105,706
Other receivables and prepayments	**48,363**	41,429
Amount due from ultimate holding company	**4,748**	4,070
Amount due from a fellow subsidiary	**2,967**	1,270
	166,970	152,475

The group generally grants a credit period of 30 days to 60 days to its customers. Debtors with balances that are more than 3 months past due are requested to settle all outstanding balances before any further credit is granted.

13 Cash and cash equivalents

	As at 30 June 2010 HK$'000	As at 31 December 2009 HK$'000
Bank deposits within three months to maturity when placed	**33,518**	89,491
Cash at bank and in hand	**112,172**	198,270
Cash and cash equivalents in the balance sheet and consolidated cashflow statement	**145,690**	287,761
Bank deposits with more than three months to maturity when placed	**63,316**	36,801
	209,006	324,562

14 Trade and other payables

Included in trade and other payables are trade creditors and bills payable with the following ageing analysis as of the balance sheet date:

	As at 30 June 2010 HK$'000	As at 31 December 2009 HK$'000
Due within 1 month or on demand	**101,285**	56,969
Due after 1 month but within 3 months	**3,592**	28,489
Due after 3 months but within 6 months	**32**	18
Due after 6 months but within 1 year	**893**	—
Total creditors and bills payable	**105,802**	85,476
Accrued charges and other payables	**105,757**	161,872
Loan from minority shareholder	**15,512**	15,512
Amount due to ultimate holding company	**712**	1,627
Amounts due to fellow subsidiaries	**4,225**	5,657
Amount due to an associate	**4,262**	1,076
	236,270	271,220
Derivative financial instruments	**341**	573
	236,611	271,793

15 Dividends

(a) Dividends payable to equity shareholders attributable to the interim period

	As at 30 June 2010 HK$'000	As at 31 December 2009 HK$'000
Interim dividend declared and paid after the interim period of 2 cents per share (2009: nil)	**13,371**	—

The interim dividend has not been recognised as a liability at the balance sheet date.

(b) Dividends payable to equity shareholders attributable to the previous financial year, approved and paid during the interim period

	Six months ended 30 June	
	2010 HK$'000	2009 HK$'000
Final dividend in respect of the previous financial year, approved and paid during the interim period, of 3 cents per share (six months ended 30 June 2009: nil)	**20,056**	—

16 Capital commitments outstanding not provided for in the interim financial report

	As at 30 June 2010 HK$'000	As at 31 December 2009 HK$'000
Contracted for	**7,730**	18,365

17 Contingent liabilities

During the year ended 31 December 2008, a United States company commenced a lawsuit in the State of Texas against the company on the grounds that the company infringed their patent by selling, offering for sale, distributing and importing infringing goods (the "Litigation"). The plaintiff sought an award of damages, no less than a reasonable royalty, attorney's fee, costs and expenses incurred in the Litigation.

Having considered the Litigation with the company's various legal counsels, the management and the board of directors believed that the company's opposition to the plaintiffs' complaint, as well as the company's defences and appeal rights, were meritorious.

On 25 September 2008, the courts entered an interlocutory order of summary judgement of no infringement, and accordingly, no provision has been recorded in the financial statements as at 30 June 2010 in respect of the claim under the Litigation. The company has issued a counter claim alleging various matters. In accordance with paragraph 92 of Hong Kong Accounting Standard 37 ("HKAS 37"), *Provisions, contingent liabilities and contingent assets,* it would be against the interests of the company to make further disclosure of the information required by HKAS 37.

18 Material related party transactions

During the period, the group entered into the following transactions with its related parties:

		Six months ended 30 June	
		2010	2009
		HK$'000	HK$'000
(a)	Key management personnel remunerations:		
	Salaries and other short-term benefits	**2,672**	2,786
(b)	Sales of good to:		
	Fellow subsidiaries	**1,873**	1,141
(c)	Sales of materials to:		
	Fellow subsidiaries	**—**	12,729
(d)	Purchase of goods from:		
	An associate	**5,903**	7,789
(e)	Purchase of materials from:		
	An associate	**371**	—
(f)	Commission received/receivable from:		
	A fellow subsidiary	**2,161**	2,514
(g)	Sharing of administrative services from:		
	Ultimate holding company	**3,014**	2,471
(h)	Rentals paid/payable to:		
	Ultimate holding company	**1,295**	1,098
(i)	Processing fee paid/payable to:		
	An associate	**4,122**	1,944

ADDITIONAL INFORMATION PROVIDED IN ACCORDANCE WITH THE LISTING RULES

INTERIM DIVIDEND

The Directors declared an interim dividend of HK2 cents per share (2009: nil) for the period ended 30 June 2010. This interim dividend which totals HK$13,371,000 (2009: nil) will be paid on 30 September 2010 to shareholders registered at the close of business on the record date, 15 September 2010.

The register of members will be closed from 13 September 2010 to 15 September 2010, both dates inclusive, during which period no transfer of shares will be effected. In order to qualify for the entitlement of the interim dividend, all transfer forms accompanied by the relevant share certificates must be lodged with the company's share registrars, Tricor Abacus Limited, 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on 10 September 2010.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION

As at 30 June 2010, the interests and short positions of each director and chief executive in the shares, underlying shares and debentures of the company and its associated corporations (within the meaning of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept by the company under Section 352 of Part XV of the SFO or otherwise notified to the company and The Stock Exchange of Hong Kong Limited ("SEHK") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") were as follows:

ADDITIONAL INFORMATION PROVIDED IN ACCORDANCE WITH THE LISTING RULES *(Continued)*

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION *(Continued)*

(i) Long position in ordinary shares of US$0.01 each

	Number of ordinary shares held				
	Personal interests *(Note 1)*	**Family interests**	**Corporate interests**	**Total**	**Percentage of issued share capital of the Company**
The company					
Kyoo Yoon Choi	—	—	455,000,000 *(Note 2)*	455,000,000	68.06%
Young M. Lee	1,740,000	—	—	1,740,000	0.26%
C & H Co., Ltd.					
Kyoo Yoon Choi	189,917	124,073 *(Note 3)*	—	313,990	61.03%

Notes:

1. The shares are registered under the names of the directors and chief executives of the company who are the beneficial owners.

2. Kyoo Yoon Choi in his own name holds approximately 36.91% of the issued share capital of C & H Co., Ltd., and together with his wife, Woul Hee Cha, hold approximately 61.03% of the issued share capital of C & H Co., Ltd. which owned 382,850,000 shares in the company. In addition, Kyoo Yoon Choi beneficially owns 100% of interest of Uni-Link Technology Limited which owned 72,150,000 shares of the company.

3. The wife of Kyoo Yoon Choi, Woul Hee Cha, holds approximately 24.12% of the issued share capital of C & H Co., Ltd.

ADDITIONAL INFORMATION PROVIDED IN ACCORDANCE WITH THE LISTING RULES *(Continued)*

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION *(Continued)*

(ii) Long positions in underlying shares of the company

The directors and chief executives of the company have been granted options under the company's share option scheme, details of which are set out in the section "Share option scheme" below.

Save as disclosed above, at no time during the period under review, the directors and chief executives (including their spouses and children under 18 years of age) had any interests or exercised, any rights to subscribe for shares of the company and its associated corporations required to be disclosed pursuant to the SFO or otherwise notified to the company and the SEHK pursuant to the Model Code.

SHARE OPTION SCHEME

The company has a share option scheme which was adopted on 22 January 2002 whereby the directors of the company are authorised, at their discretion, to invite employees of the group, including directors of any company in the group, to take up options to subscribe for shares of the company. The exercise price of the options is the highest of (i) the nominal value of the shares, (ii) the closing price of the shares on the SEHK on the date of grant and (iii) the average closing price of the shares on the SEHK for the five business days immediately preceding the date of grant. The options may be exercised progressively after one to three years from the date of grant and are exercisable for a period to be notified by the directors to each option holder upon the grant of the option. Such period will not exceed ten years from the date on which the option is granted.

ADDITIONAL INFORMATION PROVIDED IN ACCORDANCE WITH THE LISTING RULES *(Continued)*

SHARE OPTION SCHEME *(Continued)*

The maximum number of shares which may be issued upon the exercise of all outstanding options and yet to be exercised under the share option scheme shall not exceed 30% of the issued share capital of the company from time to time. Subject to the above overall limit, the directors may grant options under the share option scheme, generally and without further authority, in respect of such number of shares which may be issued upon exercise of all options to be granted under the share option scheme not exceeding 10% of the issued share capital of the company as at 7 February 2002, being the date on which the company's shares were listed on the SEHK. For the purpose of calculating the above, options lapsed in accordance with the share option scheme shall not be counted.

The total number of securities available for issue under the share option scheme as at 30 June 2010 was 46,471,000 shares (including options for 10,546,000 shares that have been granted but not yet lapsed or exercised) which represented 6.95% of the issued share capital of the company at 30 June 2010. In respect of the maximum entitlement of each participant under the scheme, the number of securities issued and to be issued upon exercise of the options granted to each participant in any 12-month period is limited to 1% of the company's ordinary shares in issue.

As at 30 June 2010, the directors individually and other employees, in aggregate, of the company had the following interests in options to subscribe for shares of the company granted at nominal consideration under the share option scheme of the company. The options are unlisted. Each option gives the holder the right to subscribe for one ordinary share of the company of par value US$0.01 each.

ADDITIONAL INFORMATION PROVIDED IN ACCORDANCE WITH THE LISTING RULES *(Continued)*

SHARE OPTION SCHEME *(Continued)*

		Number of options				
	Date granted	Period during which options are exercisable *(Note 1)*	Exercise price per share	Balance at 1 January 2010	Lapsed during the period *(Note 2)*	Balance at 30 June 2010
Directors						
Young M. Lee	7 February 2002	7 February 2003 to 7 February 2012	HK$1.18	1,360,000	—	1,360,000
James Chuan Yung Wang	7 February 2002	7 February 2003 to 7 February 2012	HK$1.18	520,000	—	520,000
Employees in aggregate	7 February 2002	7 February 2003 to 7 February 2012	HK$1.18	1,561,000	—	1,561,000
	15 April 2003	15 April 2004 to 15 April 2013	HK$1.43	455,000	—	455,000
	2 January 2004	2 January 2005 to 2 January 2014	HK$1.87	6,650,000	—	6,650,000
				10,546,000	—	10,546,000

SHARE OPTION SCHEME *(Continued)*

Notes:

1. The maximum percentage of the share options that may be exercised is determined in stages as follows:

	Percentage of share options granted
On or after 1st anniversary of the date of grant	30%
On or after 2nd anniversary of the date of grant	another 30%
On or after 3rd anniversary of the date of grant	another 40%

2. Pursuant to the conditions of the share option scheme, any unexercised number of options granted to any employee will lapse three months after the employee ceases the employment relationship with the company.

The life of the above granted share options is ten years commencing on the date on which an option is granted in accordance with the scheme.

Save as disclosed above, at no time during the period was the company, its holding company, its associated companies or fellow subsidiaries a party to any arrangement to enable the directors and chief executive of the company (including their spouses and children under 18 years of age) to hold any interests or short positions in the shares in, or underlying shares in, or debentures of, the company and its associated corporations required to be disclosed pursuant to the SFO or otherwise notified to the company and the SEHK pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

The register of substantial shareholders required to be kept under Section 336 of Part XV of the SFO shows that as at 30 June 2010, the company had been notified of the following substantial shareholders' interests and short positions, being 5% or more of the company's issued share capital. These interests are in addition to those disclosed above in respect of directors and chief executives:

Name	Capacity in which shares were held	Number of shares held	Percentage of the issued share capital of the company
C & H Co., Ltd. *(Note)*	Beneficial owner	382,850,000	57.27%
Uni-Link Technology Limited *(Note)*	Beneficial owner	72,150,000	10.79%

Note: Kyoo Yoon Choi, being a director of C & H Co., Ltd., together with his wife, Woul Hee Cha, hold approximately 61.03% of the issued share capital of C & H Co., Ltd. and Kyoo Yoon Choi beneficially owns 100% of the issued share capital of Uni-Link Technology Limited. Kyoo Yoon Choi is considered to have deemed interests in the 455,000,000 ordinary shares as to approximately 68.06% of the issued shares of the company. James Wang, being a director of the company, is also a director of Uni-Link Technology Limited.

Save as disclosed above, as at 30 June 2010, the company is not aware of any other registered substantial shareholder who holds 5% or more of the issued share capital of the company.

ADDITIONAL INFORMATION PROVIDED IN ACCORDANCE WITH THE LISTING RULES *(Continued)*

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SHARES

During the six-month period ended 30 June 2010, neither the company nor any of its subsidiaries has purchased, sold or redeemed any of the company's shares.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

During the six-month period ended 30 June 2010, the company has fully complied with the Code on Corporate Governance Practices as set out in Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") on the SEHK.

MODEL CODE FOR SECURITIES TRANSACTIONS

The company has adopted a code of conduct regarding directors' securities transactions on terms no less exacting than the required standard set out in Appendix 10 of the Listing Rules regarding the Model Code. Based on the specific enquires of the company's directors, the directors have complied with the required standard set out in the Model Code.

AUDIT COMMITTEE

The Audit Committee has reviewed with management the accounting principles and practices adopted by the group and discussed internal control and financial reporting matters of the interim results for the six months ended 30 June 2010.

By order of the Board
Young M. LEE
Director

Hong Kong, 27 August 2010

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Kyoo Yoon CHOI *(Chairman and Executive Director)*
Mr. Young M. LEE *(Vice President and Chief Financial Officer)*
Mr. James Chuan Yung WANG
Mr. Hyun Ho KIM

Independent Non-executive Directors

Professor Cheong Heon YI
Professor Byong Hun AHN
Mr. Tae Woong KANG (appointed on 20 August 2010)
Mr. Oliver, Shing Kay WONG (resigned on 20 August 2010)

AUDIT COMMITTEE

Professor Cheong Heon YI *(Chairman)*
Professor Byong Hun AHN
Mr. Tae Woong KANG (appointed on 20 August 2010)
Mr. Oliver, Shing Kay WONG (resigned on 20 August 2010)

REMUNERATION COMMITTEE

Professor Byong Hun AHN *(Chairman)*
Professor Cheong Heon YI
Mr. Tae Woong KANG (appointed on 20 August 2010)
Mr. Oliver, Shing Kay WONG (resigned on 20 August 2010)

REGISTERED OFFICE AND PRINCIPAL PLACE OF BUSINESS

8th Floor
Tower 5, China Hong Kong City
33 Canton Road
Tsimshatsui Kowloon
Hong Kong

COMPANY SECRETARY

Mr. Chi Chung SHUM, *CPA*

AUDITORS

KPMG
Certified Public Accountants
8/F., Prince's Building
10 Chater Road, Central
Hong Kong

AUTHORISED REPRESENTATIVES

Mr. Young M. LEE
Mr. Chi Chung SHUM

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking Corporation Limited
Citibank, N.A.
Shinhan Bank

SHARE REGISTRAR

Tricor Abacus Limited
26/F Tesbury Centre
28 Queen's Road East
Hong Kong

FINANCIAL RELATIONS CONSULTANT

Strategic Financial Relations Limited
Unit A, 29/F., Admiralty Centre I
18 Harcourt Road, Hong Kong

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Access to Reuter 1126.HK
Access to Bloomberg 1126:HK