



KADER

Manufacturing Trust

KADER HOLDINGS COMPANY LIMITED

INTERIM REPORT 2010

(Stock Code : 180)

Interim Results For the Six Months Ended 30 June 2010

The Board of Directors of Kader Holdings Company Limited (the “Company”) announces that the unaudited consolidated results of the Company and its subsidiaries (the “Group”) and the Group’s interests in associates for the six months ended 30 June 2010, together with comparative figures for the corresponding period in 2009 are as follows:

CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2010 – unaudited

	<i>Note</i>	Six months ended 30 June	
		2010	2009
		<i>HK\$'000</i>	(restated) <i>HK\$'000</i>
Turnover	5 & 6	640,448	501,630
Other revenue		9,037	8,347
Other net income		1,241	1,416
Changes in inventories of finished goods and work in progress		52,730	26,549
Cost of purchase of finished goods		(13,365)	(12,607)
Raw materials and consumables used		(250,639)	(165,315)
Staff costs		(304,904)	(235,088)
Depreciation		(19,591)	(16,599)
Other operating expenses		(144,652)	(114,423)
Loss from operations		(29,695)	(6,090)
Finance costs	7(a)	(3,650)	(3,105)
Share of profits less losses of associates		(4,495)	(962)
Net gain on disposal of investment properties	11(b)	31,220	–
Excess of interest in fair values of the acquiree’s identifiable assets over cost of business combination	8	–	64,401
(Loss)/profit before taxation	7	(6,620)	54,244
Income tax credit/(charge)	9	481	(6,053)
(Loss)/profit for the period		<u>(6,139)</u>	<u>48,191</u>
Attributable to:			
Equity shareholders of the Company		(5,408)	48,626
Non-controlling interests		(731)	(435)
(Loss)/profit for the period		<u>(6,139)</u>	<u>48,191</u>
(Loss)/earnings per share	10		
Basic		<u>(0.81)¢</u>	<u>7.31¢</u>
Diluted		<u>(0.81)¢</u>	<u>7.31¢</u>

The notes on pages 7 to 22 form part of this interim financial report. Details of dividends payable to equity shareholders of the Company are set out in note 16.

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
(Loss)/profit for the period	(6,139)	48,191
Other comprehensive income for the period:		
Exchange differences on translation of financial statements of subsidiaries outside Hong Kong	(5,444)	10,443
Share of exchange reserve of associates	(16)	(275)
Available-for-sale securities: net movement in fair value reserve	<u>(927)</u>	<u>1,731</u>
Total comprehensive income for the period	<u>(12,526)</u>	<u>60,090</u>
Attributable to:		
Equity shareholders of the Company	(12,057)	60,459
Non-controlling interests	<u>(469)</u>	<u>(369)</u>
Total comprehensive income for the period	<u>(12,526)</u>	<u>60,090</u>

The notes on pages 7 to 22 form part of this interim financial report.

CONSOLIDATED BALANCE SHEET

As at 30 June 2010 – unaudited

		At 30 June 2010	At 31 December 2009
	Note	HK\$'000	(restated) HK\$'000
Non-current assets			
Fixed assets	11		
– Investment properties		613,878	659,278
– Other property, plant and equipment		215,076	218,152
		<u>828,954</u>	<u>877,430</u>
Intangible assets		684	701
Goodwill		4,583	4,583
Interests in associates		28,529	36,150
Other non-current financial assets		12,932	11,388
Deferred tax assets		19,791	16,549
		<u>895,473</u>	<u>946,801</u>
Current assets			
Inventories	12	425,271	327,276
Current tax recoverable		372	3,174
Trade and other receivables	13	234,333	245,013
Cash and cash equivalents	14	134,681	97,796
		<u>794,657</u>	<u>673,259</u>
Current liabilities			
Trade and other payables	15	424,178	343,039
Bank loans and overdrafts		104,819	140,628
Obligations under finance leases		69	306
Current tax payable		3,245	7,806
		<u>532,311</u>	<u>491,779</u>
Net current assets		<u>262,346</u>	<u>181,480</u>
Total assets less current liabilities carried forward		1,157,819	1,128,281

The notes on pages 7 to 22 form part of this interim financial report.

CONSOLIDATED BALANCE SHEET (Continued)*As at 30 June 2010 – unaudited*

	<i>Note</i>	At 30 June 2010	At 31 December 2009 (restated)
		<i>HK\$'000</i>	<i>HK\$'000</i>
Total assets less current liabilities brought forward		1,157,819	1,128,281
Non-current liabilities			
Bank loans		197,890	141,044
Rental deposits		5,148	5,016
Obligations under finance leases		257	292
Deferred tax liabilities		82,286	87,872
Accrued employee benefits		7,397	6,709
		292,978	240,933
NET ASSETS		864,841	887,348
CAPITAL AND RESERVES			
Share capital		66,541	66,541
Reserves		794,939	816,977
Total equity attributable to equity shareholders of the Company		861,480	883,518
Non-controlling interests		3,361	3,830
TOTAL EQUITY		864,841	887,348

The notes on pages 7 to 22 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	Contributed surplus HK\$'000	Exchange reserve HK\$'000	Land and buildings revaluation reserve HK\$'000	Fair value reserve HK\$'000	Revenue reserve HK\$'000	Total HK\$'000	Non- controlling interests HK\$'000	Total equity HK\$'000
Balance at 1 January 2009	66,541	109,942	10,815	173,397	(19,406)	36,187	–	323,168	700,644	5,713	706,357
Changes in equity for the six months ended 30 June 2009:											
Total comprehensive income for the period	–	–	–	–	10,102	–	1,731	48,626	60,459	(369)	60,090
Balance at 30 June 2009 and 1 July 2009	66,541	109,942	10,815	173,397	(9,304)	36,187	1,731	371,794	761,103	5,344	766,447
Changes in equity for the six months ended 31 December 2009:											
Disposal of investment property previously transferred from land and buildings	–	–	–	–	–	(710)	–	710	–	–	–
Reversal of deferred tax on disposal of investment property previously transferred from land and buildings	–	–	–	–	–	117	–	–	117	–	117
Total comprehensive income for the period	–	–	–	–	(6,278)	–	1,811	126,765	122,298	(1,514)	120,784
Balance at 31 December 2009 and 1 January 2010	66,541	109,942	10,815	173,397	(15,582)	35,594	3,542	499,269	883,518	3,830	887,348
Changes in equity for the six months ended 30 June 2010:											
Dividends approved in respect of the previous year	–	–	–	–	–	–	–	(9,981)	(9,981)	–	(9,981)
Total comprehensive income for the period	–	–	–	–	(5,722)	–	(927)	(5,408)	(12,057)	(469)	(12,526)
Balance at 30 June 2010	66,541	109,942	10,815	173,397	(21,304)	35,594	2,615	483,880	861,480	3,361	864,841

The notes on pages 7 to 22 form part of this interim financial report.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2010 – unaudited

	Note	Six months ended 30 June	
		2010 HK\$'000	2009 HK\$'000
Cash used in operations		(19,889)	(31,843)
Tax paid		<u>(9,976)</u>	<u>(8,181)</u>
Net cash used in operating activities		<u>(29,865)</u>	<u>(40,024)</u>
Acquisition of subsidiaries, net of cash acquired		–	(54,022)
Proceeds from disposal of investment properties	11(b)	76,620	–
Other investing activities		<u>(15,950)</u>	<u>(19,985)</u>
Net cash generated from/(used in) investing activities		<u>60,670</u>	<u>(74,007)</u>
Net cash generated from financing activities		<u>14,162</u>	<u>116,881</u>
Net increase in cash and cash equivalents		44,967	2,850
Cash and cash equivalents at 1 January	14	89,768	29,884
Effect of foreign exchange rate changes		<u>(1,054)</u>	<u>469</u>
Cash and cash equivalents at 30 June	14	<u>133,681</u>	<u>33,203</u>

The notes on pages 7 to 22 form part of this interim financial report.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

1. Reporting entity

Kader Holdings Company Limited is a company domiciled in Bermuda. The interim financial report of the Company as at and for the six months ended 30 June 2010 comprises the Company and its subsidiaries (together referred to as the “Group”) and the Group’s interests in associates.

The financial report of the Group as at and for the year ended 31 December 2009 are available upon request from the Company’s principal office at 11/F, 22 Kai Cheung Road, Kowloon Bay, Kowloon, Hong Kong or at www.kaderholdings.com.

2. 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”).

This interim financial report was approved by the Board of Directors and authorised for issue on 30 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 3.

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 Group since the 2009 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”).

The interim financial report is unaudited, but has been reviewed by the Audit Committee.

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 19 April 2010.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (Continued)

3. 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. 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 operation – plan to see the controlling interest in a subsidiary*
- Improvements to HKFRSs (2009)
- HK(IFRIC) 17, *Distributions 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 above 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 have 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 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.
- The impact of the amendments to HKFRS 3 (in respect of recognition of acquiree's deferred tax assets) and HKAS 27 (in respect of allocation of losses to non-controlling interests (previously known as minority interests) in excess of their equity interest) have had no material impact as there is no requirement to restate amounts recorded in previous periods and no such deferred tax assets or losses arose in the current period.
- The amendment introduced by *the Improvements to HKFRSs (2009)* omnibus standard in respect of HKAS 17, *Leases*, resulted in a change of classification of the Group's leasehold land interests located in the Hong Kong Special Administrative Region ("HKSAR"), 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.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT *(Continued)*

3. Changes in accounting policies *(Continued)*

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.
 - 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 interest's 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 interest 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.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (Continued)

3. Changes in accounting policies (Continued)

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

- 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.
 - 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*, 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, these interests will be treated as if disposed of and re-acquired at fair value on the date of obtaining significant influence. Previously, the step-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, 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.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (Continued)

3. 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 lease transfers 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 interests in land located in the HKSAR and subject to the Government's land policy of renewal without payment of additional land premium will no longer be classified by the Group as operating leases as the Group considers that it is in a position economically similar to that of a purchaser. This change in accounting policy has no material impact on the current or previous periods 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.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (Continued)

3. Changes in accounting policies (Continued)

The following tables disclose the adjustments that have been made in accordance with HKAS 17 to the consolidated income statement for the six months ended 30 June 2009 and consolidated balance sheet as at 31 December 2009 as previously reported:

(a) Consolidated income statement:

	For the six months ended 30 June 2009		
	As previously reported HK\$'000	Adjustment HK\$'000	As restated HK\$'000
Depreciation	16,588	11	16,599
Amortisation of interest in leasehold land held for own use	11	(11)	–
	<u>16,599</u>	<u>–</u>	<u>16,599</u>

(b) Consolidated balance sheet

	At 31 December 2009		
	As previously reported HK\$'000	Adjustment HK\$'000	As restated HK\$'000
Investment properties	659,278	–	659,278
Other property, plant and equipment	217,321	831	218,152
Interests in leasehold land held for own use under operating lease	831	(831)	–
	<u>877,430</u>	<u>–</u>	<u>877,430</u>

4. Estimates

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

In preparing this interim financial report, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 31 December 2009.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT *(Continued)*

5. Segment reporting

The Group manages its businesses by divisions, which are organised by business lines. 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 three reportable segments. No operating segments have been aggregated to form the following reportable segments.

Toys and model trains:	The manufacture and sale of plastic, electronic and stuffed toys and model trains. These products are manufactured in the Group's manufacturing facilities located primarily in Mainland China.
Property investment:	The leasing of office premises, industrial building and residential units to generate rental income and to gain from the appreciation in the properties' value in the long term.
Investment holding:	The investment in securities.

(a) Segment results, assets and liabilities

For the purpose of assessing segment performance and allocating resources between segments, 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 fixed assets and current assets with the exception of intangible assets, interests in associates, other non-current financial assets, deferred tax assets, current tax recoverable, cash and cash equivalents and other corporate assets. Segment liabilities include all liabilities with the exception of current tax payable, deferred tax liabilities and other corporate liabilities.

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.

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 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.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (Continued)

5. 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:

	Toys and model trains		Property investment		Investment holding		Total	
	2010	2009	2010	2009	2010	2009	2010	2009
For the six months ended 30 June	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue from external customers	624,669	484,610	15,779	17,020	-	-	640,448	501,630
Inter-segment revenue	-	-	262	262	-	-	262	262
Reportable segment revenue	624,669	484,610	16,041	17,282	-	-	640,710	501,892
Reportable segment (loss)/profit (adjusted EBITDA)	(27,801)	(7,794)	10,472	9,133	(4,847)	(2,543)	(22,176)	(1,204)
Reportable segment assets	1,329,369	1,431,898	701,021	659,990	171,520	145,121	2,201,910	2,237,009
Additions to non-current segment assets during the period	16,856	82,127	-	-	-	-	16,856	82,127
Reportable segment liabilities	595,419	540,767	12,978	35,093	662,712	709,538	1,271,109	1,285,398

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

Revenue	Six months ended 30 June	
	2010	2009
	HK\$'000	HK\$'000
Reportable segment revenue	640,710	501,892
Elimination of inter-segment revenue	(262)	(262)
Consolidated turnover	640,448	501,630

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (Continued)

5. Segment reporting (Continued)

(b) Reconciliations of reportable segment revenues, profit or loss, assets and liabilities
(Continued)

(Loss)/profit	Six months ended 30 June	
	2010	2009 (restated)
	HK\$'000	HK\$'000
Reportable segment loss	(22,176)	(1,204)
Elimination of inter-segment losses	<u>2,039</u>	<u>1,953</u>
Reportable segment (loss)/profit derived from		
Group's external customers	(20,137)	749
Other revenue	9,037	8,347
Other net income	1,241	1,416
Depreciation	(19,591)	(16,599)
Finance costs	(3,650)	(3,105)
Share of profits less losses of associates	(4,495)	(962)
Net gain on disposal of investment properties	31,220	–
Excess of interest in fair values of the acquiree's identifiable assets over cost of business combination	–	64,401
Unallocated headoffice and corporate expenses	<u>(245)</u>	<u>(3)</u>
Consolidated (loss)/profit before taxation	<u><u>(6,620)</u></u>	<u><u>54,244</u></u>
	At 30 June	At 31 December
Assets	2010	2009
	HK\$'000	HK\$'000
Reportable segment assets	2,201,910	2,237,009
Elimination of inter-segment receivables	<u>(736,530)</u>	<u>(810,431)</u>
	1,465,380	1,426,578
Intangible assets	684	701
Goodwill	4,583	4,583
Interests in associates	28,529	36,150
Other non-current financial assets	12,932	11,388
Deferred tax assets	19,791	16,549
Current tax recoverable	372	3,174
Cash and cash equivalents	134,681	97,796
Unallocated headoffice and corporate assets	<u>23,178</u>	<u>23,141</u>
Consolidated total assets	<u><u>1,690,130</u></u>	<u><u>1,620,060</u></u>

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (Continued)

5. Segment reporting (Continued)

(b) Reconciliations of reportable segment revenues, profit or loss, assets and liabilities (Continued)

	At 30 June 2010 HK\$'000	At 31 December 2009 HK\$'000
Liabilities		
Reportable segment liabilities	1,271,109	1,285,398
Elimination of inter-segment payables	<u>(736,530)</u>	<u>(810,431)</u>
	534,579	474,967
Current tax payable	3,245	7,806
Deferred tax liabilities	82,286	87,872
Unallocated head office and corporate liabilities	<u>205,179</u>	<u>162,067</u>
Consolidated total liabilities	<u><u>825,289</u></u>	<u><u>732,712</u></u>

6. Seasonality of operations

The Group's toys and model trains division, a separate business segment (see note 5), on average experiences higher sales in the second half of the year, compared to the first half of the year, due to the increased demand of its products during the holiday season. As such, the first half of the year reports lower revenues and segment results for this segment than the second half.

7. (Loss)/profit before taxation

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

	Six months ended 30 June	
	2010 HK\$'000	2009 HK\$'000
(a) Finance costs		
Finance charges on obligations under finance leases	18	16
Interest on other borrowings	<u>3,632</u>	<u>3,089</u>
	<u><u>3,650</u></u>	<u><u>3,105</u></u>
(b) Other items		
Cost of inventories (note 12)	559,095	397,277
Amortisation of intangible assets	17	17
Net loss on disposal of fixed assets (note 11(b))	-	11
Bank interest income	(211)	(531)
Dividend income from listed securities	(11)	-
Interest income from other financial assets	<u>(56)</u>	<u>-</u>

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (Continued)

8. Excess of interest in fair values of the acquiree's identifiable assets over cost of business combination

On 23 January 2009, the Group acquired a 100% equity interest in Sanda Kan (Cayman III) Holdings Company Limited ("Sanka Kan"), a company incorporated in the Cayman Islands with limited liability, for cash consideration of US\$8,500,000 (equivalent to HK\$66,300,000). As part of the terms of the sale and purchase agreement, the banks agreed to waive the loans and interest payable by Sanda Kan as at 22 January 2009 totalling HK\$652,721,000. Sanda Kan is principally engaged in the manufacturing and trading of toys and model trains.

Management did not obtain a professional valuation of the assets and liabilities of Sanda Kan as at the date of acquisition. The fair values of the assets and liabilities of Sanda Kan as at the date of acquisition are based on management's estimation and by reference to external quotations. The resulting excess of interest in fair values of the acquiree's identifiable assets over cost of business combination of HK\$64,401,000 was attributable to the forced sale of Sanda Kan for the purposes of settling debts.

9. Income tax (credit)/charge

	Six months ended 30 June	
	2010	2009
	HK\$'000	HK\$'000
Current tax – Hong Kong Profits Tax	3,082	4,318
Current tax – Outside Hong Kong	5,285	589
Deferred taxation	<u>(8,848)</u>	<u>1,146</u>
Income tax (credit)/charge	<u><u>(481)</u></u>	<u><u>6,053</u></u>

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 estimated assessable profits for 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.

10. (Loss)/earnings per share

(a) Basic (loss)/earnings per share

The calculation of basic (loss)/earnings per share is based on the loss attributable to ordinary equity shareholders of the Company of HK\$5,408,000 (six months ended 30 June 2009: profit of HK\$48,626,000) and the weighted average number of ordinary shares of 665,412,000 (2009: 665,412,000).

(b) Diluted (loss)/earnings per share

The Company did not have any dilutive potential ordinary shares outstanding during both the current and prior periods. Accordingly, the diluted (loss)/earnings per share is the same as the basic (loss)/earnings per share for both the current and prior periods.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (Continued)

11. Fixed assets

(a) Acquisitions

During the six months ended 30 June 2010, the Group acquired items of fixed assets with a cost of HK\$16,856,000 (six months ended 30 June 2009: HK\$50,079,000).

(b) Disposals

On 21 April 2010, certain subsidiaries of the Company entered into sale and purchase agreements with two independent third parties to dispose of sixteen units in a commercial building at Lujiazui Road, Shanghai, The People's Republic of China, for a total consideration of HK\$77,614,000. These agreements were completed on 13 and 14 May 2010 and a gain of HK\$31,220,000, net of legal fees and other direct expenses of HK\$994,000, was recognised in the consolidated income statement for the six months ended 30 June 2010.

Items of fixed assets with cost and net book value of HK\$8,000 and HK\$Nil respectively were disposed of during the six months ended 30 June 2010 (six months ended 30 June 2009: HK\$87,000 and HK\$11,000), resulting in a loss on disposal of HK\$Nil (six months ended 30 June 2009: HK\$11,000).

(c) Valuation

All investment properties of the Group were revalued as at 31 December 2009 on an open market value basis, by either marking reference to the comparable sales evidence in the relevant reality, or otherwise, by capitalising the current rent derived from the existing tenancies with the provision for any reversionary income potential.

The directors have reviewed the valuation of the investment properties since the previous annual reporting date taking into account the volatility of the property market and available market data on comparable properties, and consider that the investment properties as at 30 June 2010 are carried at fair value.

12. Inventories

The analysis of the amount of inventories recognised as an expense and included in profit or loss is as follows:

	Six months ended 30 June	
	2010	2009
	HK\$'000	HK\$'000
Carrying amount of inventories sold	559,853	392,358
Write down of inventories	–	4,919
Reversal of write-down of inventories	(758)	–
	<u>559,095</u>	<u>397,277</u>

The reversal of write-down of inventories made in prior years arose due to an increase in the estimated net realisable value of certain toy products as a result of a change in consumer preferences.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (Continued)

13. Trade and other receivables

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

	At 30 June 2010 <i>HK\$'000</i>	At 31 December 2009 <i>HK\$'000</i>
Current	144,546	164,448
Less than 1 month overdue	36,035	25,581
1 to 3 months overdue	11,800	16,866
More than 3 months but less than 12 months overdue	17,019	4,216
More than 12 months overdue	—	2
	<hr/>	<hr/>
Total trade debtors, net of allowance for doubtful debts	209,400	211,113
Other debtors and prepayments	24,933	33,900
	<hr/>	<hr/>
	234,333	245,013
	<hr/> <hr/>	<hr/> <hr/>

Credit evaluations are performed on all customers requiring credit over a certain amount. Trade debtors are due within 7 to 60 days from the date of billing. Debtors with balances that are more than 3 months overdue are requested to settle all outstanding balances before any further credit is granted.

14. Cash and cash equivalents

	At 30 June 2010 <i>HK\$'000</i>	At 31 December 2009 <i>HK\$'000</i>
Cash and cash equivalents in the balance sheet	134,681	97,796
Bank overdrafts	(1,000)	(8,028)
	<hr/>	<hr/>
Cash and cash equivalents in the condensed consolidated cash flow statement	133,681	89,768
	<hr/> <hr/>	<hr/> <hr/>

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (Continued)

15. Trade and other payables

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

	At 30 June 2010 <i>HK\$'000</i>	At 31 December 2009 <i>HK\$'000</i>
Due within 1 month or on demand	98,138	70,384
Due after 1 month but within 3 months	15,352	761
Due after 3 months but within 6 months	8,363	–
Due after 6 months	282	–
	<hr/>	<hr/>
Total trade creditors	122,135	71,145
Other creditors and accrued charges	302,043	271,894
	<hr/>	<hr/>
	424,178	343,039
	<hr/> <hr/>	<hr/> <hr/>

16. Dividends

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

	Six months ended 30 June 2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Final dividend in respect of the previous financial year, approved and paid during the following interim period, of HK1.5 cents per ordinary share (six months ended 30 June 2009: HKNil cents per ordinary share)	9,981	–
	<hr/>	<hr/>

17. Capital commitments outstanding not provided for in the interim financial report

	At 30 June 2010 <i>HK\$'000</i>	At 31 December 2009 <i>HK\$'000</i>
Contracted for	1,220	165
	<hr/>	<hr/>

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT *(Continued)*

18. Contingent liabilities

At 30 June 2010, there were contingent liabilities in respect of the following:

- (a) The Company has issued guarantees to banks to secure banking facilities of subsidiaries amounting to HK\$553,700,000 at 30 June 2010 (at 31 December 2009: HK\$543,700,000).

The guarantees were issued by the Company at nil consideration. The transactions were not at arm's length, and it is not possible to measure reliably the fair value of these transactions in accordance with HKAS 39 had they been at arm's length. Accordingly the guarantees have not been accounted for as financial liabilities and measured at fair value.

As at the balance sheet date, the directors do not consider to be probable that a claim will be made against the Company under any of the guarantees issued. The maximum liability of the Company at the balance sheet date under the guarantees issued is the amount of banking facilities drawn down by the relevant subsidiaries of HK\$293,716,000 (at 31 December 2009: HK\$287,288,000).

- (b) **Litigation**

During the first quarter of 2003, a Mexican company commenced a lawsuit in the State of Arizona against the Company on the grounds that the Company is a guarantor for a Lease Agreement for factory premises occupied by Siempre Novedoso De Mexico (Sinomex) S.A. de C.V. ("Sinomex") as tenant (the "Litigation"). The plaintiffs initially alleged claims against Sinomex, formerly related to the Company, and the Company of US\$5,235,000 for unpaid rent, value added tax, repair costs and interest owed by Sinomex under such Lease Agreement, plus accruing interest (in the amount of 2% per month, or 24% annually), court costs and attorney fees. The plaintiffs amended their damage claim in the fourth quarter of 2007 and sought US\$7,426,000 in damages, plus accruing interest, court costs and attorneys fees.

In 2004, the Company filed a motion to dismiss the complaint in the Litigation based upon the applicable laws of Arizona and those of the location of the property, Hermosillo, Mexico. In the motion, the Company primarily argued that the Arizona court did not have sufficient subject matter and personal jurisdiction over the Company under the guarantee for the case to continue in that court and, as such, the case against the Company should be dismissed. In January 2005, the Arizona court denied that initial motion submitted by the Company.

Since then the Company engaged in discovery, responded to a motion for partial summary judgment filed by the plaintiffs, and filed a motion for summary judgment of its own. In August 2007, the court granted the plaintiffs' motion for partial summary judgment and denied the Company's motion for summary judgment, holding the Company liable under the guarantee, but not establishing the amount of the damages under that guarantee. In ruling on the summary judgment motions submitted by both parties, the trial court relied primarily on the law of the State of Arizona, despite the Company's claim that Mexican law should be used to decide such motions.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (Continued)

18. Contingent liabilities (Continued)

At 30 June 2010, there were contingent liabilities in respect of the following: (Continued)

(b) Litigation (Continued)

In September 2007, the Company filed a motion for a new trial and/or for reconsideration, asking the court to apply the law of Mexico (rather than the law of Arizona) and claiming that under Mexican law the Company should prevail and that the court should therefore vacate its granting of summary judgment in favour of the plaintiffs. Thereafter, the court granted rebriefing and then conducted a hearing on 14 January 2008 to address the Company's motion for new trial and/or for reconsideration. On 14 March 2008, the court denied the Company's motion for a new trial and/or for reconsideration. In its ruling on that motion the court did apply Mexican law. However, it appeared to the Company that the trial court made an error as to the undisputed facts, leading the Company to file a second motion for new trial and/or motion for reconsideration to ask the court to correct its ruling and find in favour of the Company. That second motion for new trial and/or reconsideration was argued in April 2009. On 6 October 2009, the court denied the Company's second motion for new trial and/or motion for reconsideration, and set the case for a trial on the damages.

On 7, 8 and 13 April 2010, a trial on the issue of damages was held. At the close of the evidence, the Judge ordered that the parties file post-hearing briefs. A decision is pending.

Having considered the Litigation with the Company's various legal counsels, the management and the Board believe that the Company's opposition to the plaintiffs' complaint, as well as the Company's defenses and appeal rights, continue to be meritorious. As such, the Company intends to continue to vigorously defend the Litigation including an appeal from any adverse judgment. In accordance with paragraph 92 of 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.

19. Material related party transactions

- (a) One of the directors of the Company is a non-executive director and shareholder of a supplier which sold packaging and printing materials to the Group under the same terms as those available to other customers in the ordinary course of business. Total purchases from the supplier during the period amounted to HK\$1,754,000 (six months ended 30 June 2009: HK\$1,306,000). The amount due to the supplier at the period end amounted to HK\$652,000 (at 31 December 2009: HK\$192,000).
- (b) During the period, the Group advanced funds totalling HK\$29,068,000 (31 December 2009: HK\$32,178,000) to certain associates in which certain directors of the Company have beneficial interests.

20. Comparative figures

As a result of the amendment to HKAS 17, *Leases*, arising from the "Improvements to HKFRSs (2009)", certain comparative figures have been restated to conform to the current period's presentation and to provide comparative amounts in respect of items disclosed for the first time in 2010. Further details of these developments are disclosed in note 3.

INTERIM DIVIDEND

The Board of Directors does not recommend the payment of an interim dividend for the six months ended 30 June 2010 (2009: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS

During the period under review, the Group recorded a consolidated turnover of HK\$640.45 million, which increased by 27.67% as compared to HK\$501.63 million reported for the corresponding period last year. The loss attributable to equity shareholders amounted to HK\$5.41 million, representing a decrease of 111.12% as compared to the profit attributable to equity shareholders of HK\$48.63 million reported for the corresponding period.

BUSINESS REVIEW

Toys and Model Trains

During the first half year of 2010, the turnover for the Group's OEM/ODM toys business was HK\$297.54 million, which increased by 57.85% as compared to the corresponding period last year. The growth in OEM/ODM toy sales was partly attributable to the sales team which secured more bulk order business from existing customers. However, given concerns over product safety around the world, we have continued to place more effort in enhancing safety precautions and quality control, further increasing the cost of testing for toys. On the other hand, the Group faces keen competition which continues to limit the scope of price increases. As the Group has to absorb part of these increasing costs, profit margins have been affected.

Regarding the model trains business, the turnover in the first half year of 2010 was approximately HK\$327.13 million, which increased by 10.47% as compared to the corresponding period last year. The Group is proud to announce that the Group's subsidiary, Bachmann Europe Plc., was awarded "Manufacturer of the Year 2009" in the overall category and also for the OO scale model trains category by Model Rail Magazine, RM Web and MREMAG. In addition, our OO scale model trains, "City of Truro" and "4-CEP EMU", were awarded "Model of the Year 2009" under different categories. Last but not least, our NRM Deltic was awarded "Model of the Decade" in 2009 for the first time. The Group continued to gain the loyalty of customers and has maintained our leading position in the industry.

Property Investment

During the period under review, the rental income of the Group amounted to HK\$15.78 million, representing a 7.29% marginal decrease as compared to the corresponding period last year. The decrease was mainly due to the disposal of the Group's Shanghai properties in May 2010 and the increase in occupancy of Kader Building by the Group itself.

The Group's major rental property, Kader Building, continued to generate recurring revenue for the Group. For the first six months of the year, the rental income of Kader Building amounted to HK\$15.50 million, representing a 6.42% marginal decrease over the corresponding period last year. As at 30 June 2010, the occupancy rate of Kader Building was approximately 91% (30 June 2009: 84%). The increase in occupancy rate was mainly due to the lease to subsidiaries of the Group.

FINANCIAL REVIEW

Liquidity and Financial Resources

As at 30 June 2010, the Group's net asset value per share amounted to HK\$1.30 (31 December 2009: HK\$1.33); the current ratio was 1.49 (31 December 2009: 1.37); total bank borrowings were approximately HK\$302.71 million (31 December 2009: HK\$281.67 million) while the Group secured total banking facilities of approximately HK\$489.84 million (31 December 2009: HK\$498.44 million) of which the amount unutilised as at 30 June 2010 was approximately HK\$190.76 million (31 December 2009: HK\$281.66 million); the Group's financial gearing, based on the total interest bearing borrowings compared to the total equity, was 35.04% (31 December 2009: 31.81%). There is no significant seasonality in borrowing requirements except that during the peak production period in the second half-year, the Group's facilities for trade finance will be substantially utilised. The majority of borrowings are on floating interest rate terms.

Capital Structure

During the period under review, there were no changes in the Company's share capital. The Group's source of financing was mainly bank borrowings, which were denominated in Hong Kong Dollars, United States Dollars and Sterling Pounds at prevailing interest rates.

Charges on Group Assets

As at 30 June 2010, certain investment properties, leasehold land and buildings, inventories and other assets of the Group with net book value of HK\$878.38 million (31 December 2009: HK\$887.34 million) were mortgaged to various banks to secure the bank loans and overdrafts granted to the Group.

Material Acquisitions and Disposals

There was no material acquisitions during the six months ended 30 June 2010.

On 21 April 2010, certain subsidiaries of the Company entered into sale and purchase agreements with two independent third parties to dispose of sixteen units in a commercial building at Lujiazui Road, Shanghai, The People's Republic of China, for a total consideration of HK\$77.61 million. These agreements were completed on 13 and 14 May 2010 and a net gain on disposal of investment properties of HK\$31.22 million was recorded.

Exchange Rate Exposure

Major assets, liabilities and transactions of the Group are denominated in Hong Kong Dollars, United States Dollars, Sterling Pounds, Renminbi Yuan and Euros. During the period under review, the majority of the Group's sales revenues were denominated in Hong Kong Dollars, United States Dollars and Sterling Pounds while the majority of its raw materials and equipment purchases were settled in Hong Kong Dollars. As such, the Group faces a certain degree of exchange rate risk mainly arising from Sterling Pounds denominated sales transactions of which the exchange rate volatility is relatively high.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2010, the Group employed approximately 19,315 (30 June 2009: 18,880; 31 December 2009: 19,763) full time management, administrative and production staff in Hong Kong Special Administrative Region, Mainland China, the United States and Europe. The Group has seasonal fluctuations in the number of workers employed in its production plant while the number of management and administrative staff remains stable. The Group remunerates its employees based on their performance, experience and prevailing industry practices. In the area of staff training, the Group encourages staff to participate in courses on technical skills improvement and personal development.

PROSPECTS

In light of the current global economic climate and with positive growth prospects in the toys industry, management is taking a cautiously optimistic view about the Group's business in the second half of 2010. However, the Group still faces significant challenges. Factors such as the shortage of labour in China, the pressure of Renminbi Yuan currency appreciation, volatility of raw material prices and the increase in statutory minimum wages leading to increasing labour cost are expected to continue to affect the Group's profitability. In the second half of the year, the Group will consolidate its major customers and focus on products for major customers. The Group will continue its effort to strengthen its core business, streamline operational procedures without sacrificing controls, improve operational and production efficiency and develop automated processes. Looking into 2011, the Group will continue its effort to maintain our leadership position in the industry and deliver attractive returns to shareholders.

DISCLOSURE OF INTERESTS

Directors' and Chief Executives' Interests and Short Positions in the Shares and Underlying Shares of the Company and the Associated Corporations

At 30 June 2010, interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept by the Company under section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") under the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"):

(1) Interests in the Company

Name of directors	Number of ordinary shares of HK\$0.10 each				% of total issued share capital
	Personal interests	Family interests	Corporate interests	Total interests	
Kenneth Ting Woo-shou	130,279,385	1,452,629 (i)	244,175,800 (ii)	375,907,814	56.49%
Dennis Ting Hok-shou <i>(Resigned on 2 July 2010)</i>	9,730,789	275,000 (iii)	236,969,800 (iv)	246,975,589	37.12%
Ivan Ting Tien-li	14,336,303	–	–	14,336,303	2.15%
Nancy Ting Wang Wan-sun	1,452,629	130,279,385 (v)	–	131,732,014	19.80%
Moses Cheng Mo-chi	11,000	–	–	11,000	0.00%
Liu Chee-ming	–	–	1,000,000	1,000,000	0.15%
Floyd Chan Tsoi-yin	–	–	–	–	–
Andrew Yao Cho-fai	–	–	–	–	–
Desmond Chum Kwan-yue	–	–	–	–	–
Ronald Montalto	–	–	–	–	–

Notes:

- (i) The spouse of Mr. Kenneth Ting Woo-shou is the beneficial shareholder.
- (ii) Included in the “Corporate interests” above were 209,671,000 shares of the Company held by its substantial shareholder, H.C. Ting’s Holdings Limited, in which Dr. Dennis Ting Hok-shou and Mr. Kenneth Ting Woo-shou together have a controlling interest; and 34,504,800 shares of the Company held by its substantial shareholder, Glory Town Limited, in which Mr. Kenneth Ting Woo-shou has a controlling interest.
- (iii) The spouse of Dr. Dennis Ting Hok-shou is the beneficial shareholder.
- (iv) Included in the “Corporate interests” above were 209,671,000 shares of the Company held by its substantial shareholder, H.C. Ting’s Holdings Limited, in which Dr. Dennis Ting Hok-shou and Mr. Kenneth Ting Woo-shou together have a controlling interest.
- (v) The spouse of Mrs. Nancy Ting Wang Wan-sun is the beneficial shareholder.

(2) Interests in Associated Corporations

Name of associated corporations	Beneficial interests	Class of shares	Number of shares held			% of interests in associated corporation
			Personal interests	Family interests	Corporate interests	
Allman Holdings Limited	Kenneth Ting Woo-shou	Ordinary shares of US\$1.00 each	-	-	920 (i)	63.89%
Pacific Squaw Creek, Inc.	Kenneth Ting Woo-shou	Ordinary shares of US\$1.00 each	-	-	1,000 (ii)	100.00%
Squaw Creek Associates, LLC	Kenneth Ting Woo-shou	Not applicable (iii)	-	-	-	62.00% (iv)
Squaw Creek Associates, LLC	Kenneth Ting Woo-shou	Not applicable (iii)	-	-	-	8.00% (v)

Notes:

- (i) These interests are held by Tyrol Investments Limited which is wholly owned by Mr. Kenneth Ting Woo-shou.
- (ii) These interests are held by Allman Holdings Limited (“Allman”), Mr. Kenneth Ting Woo-shou’s beneficial interests in Allman are disclosed in note (i) above.
- (iii) Squaw Creek Associates, LLC (“SCA”) does not have issued share capital, the percentage of interest in SCA represents the interest in capital account balance.
- (iv) These interests are held by Pacific Squaw Creek, Inc. (“PSC”), Mr. Kenneth Ting Woo-shou’s beneficial interests in PSC are disclosed in note (ii) above.
- (v) These interests are held by Ting Corporation which is wholly owned by Mr. Kenneth Ting Woo-shou.

All the interests stated above represent long positions. As at 30 June 2010, no short positions were recorded in the register required to be kept under section 352 of the SFO.

Save as disclosed above, as at 30 June 2010, none of the directors and chief executives of the Company nor their spouses or children under 18 years of age has interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations, as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Directors' Rights to Acquire Shares or Debentures

At no time during the period was the Company or any of its subsidiaries a party to any arrangement to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Substantial Shareholder's and Other Person's Interests

As at 30 June 2010, save for certain directors' interests in the share capital of the Company as disclosed above, no other person was recorded in the register kept by the Company under section 336 of the SFO, as having an interest of 5% or more of the issued share capital of the Company.

PURCHASE, SALE OR REDEMPTION OF SHARES

The Company has not redeemed any of its shares during the six months ended 30 June 2010. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the period under review.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Board of Directors regularly reviews and adopts corporate governance guidelines and developments. Throughout the period under review, the Group has complied with the Code on Corporate Governance Practices ("CG Code") as set out in Appendix 14 to the Listing Rules except for the deviation from CG Code E.1.2 as described below:

Under CG Code E.1.2, the Chairman of the Board is required to attend the Company's annual general meeting. Due to another commitment which required the Chairman's attendance, the Chairman was not present at the annual general meeting of the Company held on 3 June 2010.

AUDIT COMMITTEE

The Audit Committee has reviewed with management the key accounting policies, and discussed auditing, internal controls and financial reporting matters, including a review of the interim results for the period ended 30 June 2010.

REMUNERATION COMMITTEE

The Remuneration Committee, comprising of two independent non-executive directors of the Company and one executive director of the Company, is responsible for reviewing and making recommendations to the Board on the Company's policy and structure for all remunerations of directors and senior management.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code set out in Appendix 10 to the Listing Rules as its model code for securities transactions by the Company's Directors and relevant employees who are or may be in possession of unpublished price sensitive information. Based on specific enquiries made, all Directors have confirmed that they have complied with the Model Code.

By order of the Board
Kenneth Ting Woo-shou
Chairman

Hong Kong, 30 August 2010

As at the date hereof, the executive directors of the Company are Mr. Kenneth Ting Woo-shou, SBS, JP (Chairman), Mr. Ivan Ting Tien-li (Managing Director) and Mrs. Nancy Ting Wang Wan-sun; the non-executive directors of the Company are Dr. Moses Cheng Mo-chi, GBS, OBE, JP and Mr. Bernie Ting Wai-cheung; and the independent non-executive directors of the Company are Mr. Liu Chee-ming, Mr. Floyd Chan Tsoi-yin, Mr. Andrew Yao Cho-fai, JP, Mr. Desmond Chum Kwan Yue and Mr. Ronald Montalto.