KADER
Manufacturing Trust

KADER HOLDINGS COMPANY LIMITED
開達集團有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 180)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2011

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 2011, together with comparative figures for the corresponding period in 2010 are as follows:

CONSOLIDATED INCOME STATEMENT
For the six months ended 30 June 2011 – unaudited

	Note	**Six months ended 30 June 2011** *HK$'000*	2010 *HK$'000*
Turnover	*4 & 5*	**586,398**	640,448
Other revenue		**9,753**	9,037
Other net income		**16,862**	1,241
Changes in inventories of finished goods and work in progress		**66,766**	52,730
Cost of purchase of finished goods		**(10,537)**	(13,365)
Raw materials and consumables used		**(226,099)**	(250,639)
Staff costs		**(338,758)**	(304,904)
Depreciation		**(21,383)**	(19,591)
Other operating expenses		**(141,631)**	(144,652)
Loss from operations		**(58,629)**	(29,695)
Finance costs	*6(a)*	**(4,313)**	(3,650)
Share of profits less losses of associates		**(2,252)**	(4,495)
Net (loss)/gain on disposal of investment properties	*9(b)*	**(80)**	31,220
Loss before taxation	*6*	**(65,274)**	(6,620)
Income tax (charge)/credit	*7*	**(6,263)**	481
Loss for the period		**(71,537)**	(6,139)
Attributable to:			
Equity shareholders of the Company		**(71,780)**	(5,408)
Non-controlling interests		**243**	(731)
Loss for the period		**(71,537)**	(6,139)
Loss per share	*8*		
Basic		**(10.8)¢**	(0.8)¢
Diluted		**(10.8)¢**	(0.8)¢

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2011 – unaudited

	Six months ended 30 June	
	2011	2010
	HK$'000	*HK$'000*
Loss for the period	**(71,537)**	(6,139)
Other comprehensive income for the period:		
Exchange differences on translation of financial statements of subsidiaries outside Hong Kong	**(9,197)**	(5,444)
Share of exchange reserve of associates	**–**	(16)
Available-for-sale securities: net movement in fair value reserve	**39**	(927)
Total comprehensive income for the period	**(80,695)**	(12,526)
Attributable to:		
Equity shareholders of the Company	**(81,028)**	(12,057)
Non-controlling interests	**333**	(469)
Total comprehensive income for the period	**(80,695)**	(12,526)

CONSOLIDATED BALANCE SHEET

As at 30 June 2011 – unaudited

	Note	At 30 June 2011 HK$'000	At 31 December 2010 HK$'000
Non-current assets			
Fixed assets	*9*		
– Investment properties		**701,291**	707,941
– Other property, plant and equipment		**240,061**	234,861
– Construction in progress		**–**	270
		941,352	943,072
Intangible assets		**650**	667
Interests in associates		**34,386**	25,376
Other non-current financial assets		**17,868**	15,488
Deferred tax assets		**17,033**	20,071
		1,011,289	1,004,674
Current assets			
Inventories	*10*	**517,766**	438,136
Current tax recoverable		**230**	331
Trade and other receivables	*11*	**180,316**	201,162
Cash and cash equivalents		**104,752**	163,003
		803,064	802,632
Current liabilities			
Trade and other payables	*12*	**(342,228)**	(316,286)
Bank loans and overdrafts		**(356,740)**	(310,091)
Obligations under finance leases		**–**	(292)
Current tax payable		**(7,924)**	(10,293)
		(706,892)	(636,962)
Net current assets		**96,172**	165,670
Total assets less current liabilities carried forward		**1,107,461**	1,170,344

	Note	At 30 June 2011 HK$'000	At 31 December 2010 HK$'000
Total assets less current liabilities brought forward		**1,107,461**	1,170,344
Non-current liabilities			
Bank loans		**(56,417)**	(30,417)
Rental deposits		**(4,378)**	(3,746)
Deferred tax liabilities		**(102,526)**	(101,205)
Accrued employee benefits		**(4,571)**	(4,731)
		(167,892)	(140,099)
NET ASSETS		**939,569**	1,030,245
CAPITAL AND RESERVES			
Share capital		**66,541**	66,541
Reserves		**873,525**	964,534
Total equity attributable to equity shareholders of the Company		**940,066**	1,031,075
Non-controlling interests		**(497)**	(830)
TOTAL EQUITY		**939,569**	1,030,245

NOTES

1. INDEPENDENT REVIEW

The interim financial results for the six months ended 30 June 2011 is unaudited, but has been reviewed by the Audit Committee.

2. BASIS OF PREPARATION

The interim financial results for the six months ended 30 June 2011 comprise the Company and its subsidiaries (together referred to as the "Group") and the Group's interests in associates.

These interim financial results have 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").

These interim financial results were approved by the Board of Directors and authorised for issue on 30 August 2011.

These interim financial results have been prepared in accordance with the same accounting policies adopted in the 2010 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2011 annual financial statements. Details of these changes in accounting policies are set out in note 3.

The preparation of the interim financial results in conformity with HKAS 34 require 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.

These interim financial results contain 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 2010 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 financial information relating to the financial year ended 31 December 2010 that is included in the interim financial results 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 2010 are available from the Company's registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 30 March 2011.

3. CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued 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:

- HKAS 24 (revised 2009), *Related party disclosures*
- Improvements to HKFRSs (2010)
- HK(IFRIC) 19, *Extinguishing financial liabilities with equity instruments*

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

HK(IFRIC) 19 has not yet had a material impact on the Group's financial statements as these changes will first be effective as and when the Group enters a relevant transaction (for example, a debt for equity swap).

The remaining developments related primarily to clarification of certain disclosure requirements applicable to the Group's financial statements. These developments have had no material impact on the contents of these interim financial results.

4. 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.

NOTES *(Continued)*

4. SEGMENT REPORTING *(Continued)*

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

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 (loss)/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.

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	
For the six months ended 30 June	**2011**	2010	**2011**	2010	**2011**	2010	**2011**	2010
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Revenue from external customers	**570,469**	624,669	**15,929**	15,779	**–**	–	**586,398**	640,448
Inter-segment revenue	**–**	–	**262**	262	**–**	–	**262**	262
Reportable segment revenue	**570,469**	624,669	**16,191**	16,041	**–**	–	**586,660**	640,710
Reportable segment (loss)/profit (adjusted EBITDA)	**(72,243)**	(27,801)	**11,446**	10,472	**(4,524)**	(4,847)	**(65,321)**	(22,176)
Additions to non-current segment assets during the period	**27,877**	16,856	**–**	–	**–**	–	**27,877**	16,856

4. SEGMENT REPORTING *(Continued)*

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

	Toys and model trains		Property investment		Investment holding		Total	
	At 30 June 2011	At 31 December 2010	**At 30 June 2011**	At 31 December 2010	**At 30 June 2011**	At 31 December 2010	**At 30 June 2011**	At 31 December 2010
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Reportable segment assets	**1,093,634**	367,836	**703,017**	811,073	**394,986**	814,235	**2,191,637**	1,993,144
Reportable segment liabilities	**727,712**	152,112	**12,641**	18,390	**287,476**	700,286	**1,027,829**	870,788

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

	Six months ended 30 June	
Revenue	**2011**	2010
	HK$'000	*HK$'000*
Reportable segment revenue	**586,660**	640,710
Elimination of inter-segment revenue	**(262)**	(262)
Consolidated turnover	**586,398**	640,448
Loss		
Reportable segment loss	**(65,321)**	(22,176)
Elimination of inter-segment losses	**1,890**	2,039
Reportable segment loss derived from Group's external customers	**(63,431)**	(20,137)
Other revenue	**9,753**	9,037
Other net income	**16,862**	1,241
Depreciation and amortisation	**(21,400)**	(19,591)
Finance costs	**(4,313)**	(3,650)
Share of profits less losses of associates	**(2,252)**	(4,495)
Net (loss)/gain on disposal of investment properties	**(80)**	31,220
Unallocated head office and corporate expenses	**(413)**	(245)
Consolidated loss before taxation	**(65,274)**	(6,620)

4. SEGMENT REPORTING *(Continued)*

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

Assets	**At 30 June 2011** *HK$'000*	At 31 December 2010 *HK$'000*
Reportable segment assets	**2,191,637**	1,993,144
Elimination of inter-segment receivables	**(575,136)**	(433,834)
	1,616,501	1,559,310
Intangible assets	**650**	667
Interests in associates	**34,386**	25,376
Other non-current financial assets	**17,868**	15,488
Deferred tax assets	**17,033**	20,071
Current tax recoverable	**230**	331
Cash and cash equivalents	**104,752**	163,003
Unallocated head office and corporate assets	**22,933**	23,060
Consolidated total assets	**1,814,353**	1,807,306
Liabilities		
Reportable segment liabilities	**1,027,829**	870,788
Elimination of inter-segment payables	**(575,136)**	(433,834)
	452,693	436,954
Current tax payable	**7,924**	10,293
Deferred tax liabilities	**102,526**	101,205
Unallocated head office and corporate liabilities	**311,641**	228,609
Consolidated total liabilities	**874,784**	777,061

5. SEASONALITY OF OPERATIONS

The Group's toys and model trains division, a separate business segment (see note 4), 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.

6. LOSS BEFORE TAXATION

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

	Six months ended 30 June	
	2011	2010
	HK$'000	*HK$'000*
(a) Finance costs		
Finance charges on obligations under finance leases	**–**	18
Interest on other borrowings	**4,313**	3,632
	4,313	3,650
(b) Other items		
Cost of inventories *(note 10)*	**517,885**	559,095
Amortisation of intangible assets	**17**	17
Net loss on disposal of fixed assets *(note 9(b))*	**682**	–
Interest income	**(158)**	(267)
Dividend income from listed securities	**(12)**	(11)

7. INCOME TAX CHARGE/(CREDIT)

	Six months ended 30 June	
	2011	2010
	HK$'000	*HK$'000*
Current tax – Hong Kong Profits Tax	**1,257**	3,082
Current tax – Outside Hong Kong	**647**	5,285
Deferred taxation	**4,359**	(8,848)
Income tax charge/(credit)	**6,263**	(481)

The provision for Hong Kong Profits Tax is calculated by applying the estimated annual effective tax rate of 16.5% (2010: 16.5%) to the estimated assessable profits for the six months ended 30 June 2011. 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. LOSS PER SHARE

(a) Basic loss per share

The calculation of basic loss per share is based on the loss attributable to ordinary equity shareholders of the Company of HK$71,780,000 (six months ended 30 June 2010: HK$5,408,000) and the weighted average number of ordinary shares of 665,412,000 (2010: 665,412,000).

(b) Diluted loss per share

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

9. FIXED ASSETS

(a) Acquisitions

During the six months ended 30 June 2011, the Group acquired items of fixed assets with a cost of HK$27,877,000 (six months ended 30 June 2010: HK$16,856,000).

(b) Disposals

On 28 March 2011, a subsidiary of the Company entered into a sale and purchase agreement with an independent third party to dispose of a property located at Discovery Bay, Hong Kong for cash consideration of HK$6,650,000. A net loss on disposal of HK$80,000 was recorded in the consolidated income statement for the six months ended 30 June 2011.

During the six months ended 30 June 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 located 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 net gain of HK$31,220,000 was recognised in the consolidation income statement for the period ended 30 June 2010.

Items of fixed assets with cost and net book value of HK$3,466,000 and HK$1,493,000 respectively were disposed of during the six months ended 30 June 2011 (six months ended 30 June 2010: HK$8,000 and HK$8,000), resulting in a loss on disposal of HK$682,000 (six months ended 30 June 2010: HK$Nil).

(c) Valuation

All investment properties of the Group were revalued as at 31 December 2010 on an open market value basis, by either making 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 2011 are carried at fair value.

NOTES *(Continued)*

10. 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	
	2011	2010
	HK$'000	*HK$'000*
Carrying amount of inventories sold	**521,026**	559,853
Write down of inventories	**7,443**	–
Reversal of write-down of inventories	**(10,584)**	(758)
	517,885	559,095

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

11. 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	At 31 December
	2011	2010
	HK$'000	*HK$'000*
Current	**120,941**	133,442
Less than 1 month overdue	**19,206**	26,018
1 to 3 months overdue	**8,904**	16,458
More than 3 months but less than 12 months overdue	**1,847**	2,793
Total trade debtors, net of allowance for doubtful debts	**150,898**	178,711
Other debtors and prepayments	**29,418**	22,451
	180,316	201,162

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.

NOTES *(Continued)*

12. 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 2011 *HK$'000*	At 31 December 2010 *HK$'000*
Due within 1 month or on demand	**78,146**	66,955
Due after 1 month but within 3 months	**9,058**	8,668
Due after 3 months but within 6 months	**1,161**	1,126
Due after 6 months	**3,655**	1,106
Total trade creditors	**92,020**	77,855
Other creditors and accrued charges	**250,208**	238,431
	342,228	316,286

13. DIVIDENDS

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

	Six months ended 30 June **2011** *HK$'000*	2010 *HK$'000*
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 2010: HK1.5 cents per ordinary share)	**9,981**	9,981

INTERIM DIVIDEND

The Board of Directors does not recommend the payment of an interim dividend for the six months ended 30 June 2011 (2010: HK$Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS

During the period under review, the Group recorded a consolidated turnover of HK$586.40 million, which decreased by 8.44% as compared to HK$640.45 million reported for the corresponding period last year. The loss attributable to equity shareholders amounted to HK$71.78 million, representing an increase over the corresponding period last year.

BUSINESS REVIEW

Toys and Model Trains

During the first half year of 2011, the turnover for the Group's OEM/ODM toys business was HK$209.49 million, which decreased by 29.59% as compared to the corresponding period last year. During the period under review, toy manufacturers have been facing the appreciation of Renminbi Yuan ("RMB"), the increase in energy costs, continued rise in raw material prices and high labour costs due to the increase in statutory minimum wages in the People's Republic of China. All these unfavourable conditions hamper profit margin and the Group's performance was adversely affected.

Regarding the model trains business, the turnover in the first half year of 2011 was approximately HK$360.98 million, which increased by 10.35% 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 2010" in the overall category and also for the OO scale and N scale model trains category by Model Rail Magazine, RM Web and MREMAG. In addition, our OO scale model trains, "7F 2-8-0 steam", "Cravens Class 105 DMU", "Mk1 TPO coach" and "JJA 'Autoballaster' hopper", were awarded "Model of the Year 2010" under different categories. Moreover, our Graham Farish N scale model train "DP1 Deltic prototype" was awarded "Model of the Year 2010". In addition, our Liliput brand HO scale electrical locomotive "E44.5" was awarded the first place of "Electric Loco of the Year 2010" by Train Magazine in Germany. Last but not least, our loco "Reihe 4041" was awarded "Model of the Year 2010" by Verband Őterreichischer Modell Eisenbahn Clubs ("VOEMEC") in Austria. 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$15.93 million, representing a 0.95% increment as compared to the corresponding period last year.

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$15.30 million, representing a 1.29% decrease over the corresponding period last year. As at 30 June 2011, the occupancy rate of Kader Building was approximately 94% (30 June 2010: 91%).

FINANCIAL REVIEW

Liquidity and Financial Resources

As at 30 June 2011, the Group's net asset value per share amounted to HK$1.41 (31 December 2010: HK$1.55); the current ratio was 1.14 (31 December 2010: 1.26); total bank borrowings were approximately HK$413.16 million (31 December 2010: HK$340.51 million) while the Group secured total banking facilities of approximately HK$545.56 million (31 December 2010: HK$601.83 million) of which the amount unutilised as at 30 June 2011 was approximately HK$132.40 million (31 December 2010: HK$261.32 million); the Group's financial gearing, based on the total interest bearing borrowings compared to the total equity, was 43.97% (31 December 2010: 33.08%). 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 ("HKD"), United States dollars ("USD") and Sterling Pounds ("GBP") at prevailing interest rates.

Charges on Group Assets

As at 30 June 2011, certain investment properties, leasehold land and buildings, inventories and other assets of the Group with a net book value of HK$1,024.14 million (31 December 2010: HK$1,025.11 million) were mortgaged to various banks to secure the bank loans and overdrafts granted to the Group.

Material Acquisitions and Disposals

There were no material individual acquisitions during the six months ended 30 June 2011.

On 28 March 2011, a subsidiary of the Company entered into a sale and purchase agreement with an independent third party to dispose of a property located at Discovery Bay, Hong Kong for cash consideration of HK$6.65 million. A net loss on disposal of HK$80,000 was recorded in the consolidated income statement for the six months ended 30 June 2011.

Exchange Rate Exposure

Major assets, liabilities and transactions of the Group are denominated in HKD, USD, GBP, RMB and Euros. During the period under review, the majority of the Group's sales revenues were denominated in HKD, USD and GBP while the majority of its raw materials and equipment purchases were settled in HKD and RMB. As such, the Group faces a certain degree of exchange rate risk mainly arising from GBP denominated sales transactions and RMB denominated purchases transactions for which the exchange rate volatility is relatively high.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2011, the Group employed approximately 16,035 (30 June 2010: 19,315; 31 December 2010: 17,973) full time management, administrative and production staff in Hong Kong Special Administrative Region, Mainland China, the United States of America ("USA") 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

It is expected that the external economy as a whole would continue to be affected by the factors of the sluggish performance of the European and the USA market, the lingering European sovereign debt crisis and the catastrophic earthquake in Japan. Also, in view of the shortage of labour in China, the pressure of RMB currency appreciation, volatility of raw material prices and the increase in statutory minimum wages leading to increasing labour cost, the Group will be full of challenge for the toys and model trains business in the second half of the year. 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 2012, the Group will continue its effort to maintain our leadership position in the industry and deliver attractive returns to shareholders.

PURCHASE, SALE OR REDEMPTION OF SHARES

The Company has not redeemed any of its shares during the six months ended 30 June 2011. 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 as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

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 2011.

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 for Securities Transactions by Directors of Listed Issuers (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 2011

As at the date of this announcement, 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.