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 2018

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 2018, together with comparative figures for the corresponding period in 2017 are as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2018 – unaudited

		Six months ended 30 June	
		2018	2017
	Note	***HK$'000***	*HK$'000*
Revenue	*4 & 5*	**279,350**	323,215
Other income		**3,957**	11,522
Changes in inventories of finished goods and work in progress		**21,661**	16,145
Cost of purchase of finished goods		**(5,863)**	(11,618)
Raw materials and consumables used		**(87,591)**	(93,841)
Staff costs		**(107,081)**	(107,653)
Depreciation		**(12,078)**	(14,236)
Other operating expenses		**(73,273)**	(69,598)
Profit from operations		**19,082**	53,936
Finance costs	*6(a)*	**(3,260)**	(3,576)
Share of profits less losses of associates		**4,499**	2,482
Profit before taxation	*6*	**20,321**	52,842
Income tax expense	*7*	**(9,509)**	(7,416)
Profit for the period		**10,812**	45,426
Attributable to:			
Equity shareholders of the Company		**9,525**	39,584
Non-controlling interests		**1,287**	5,842
Profit for the period		**10,812**	45,426
Earnings per share	*8*		
Basic		**1.00¢**	4.16¢
Diluted		**1.00¢**	4.16¢

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2018 – unaudited

	Six months ended 30 June	
	2018	2017
	HK$'000	*HK$'000*
Profit for the period	**10,812**	45,426
Other comprehensive income for the period:		
(after tax and reclassification adjustments)		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements of subsidiaries outside Hong Kong	**1,511**	4,946
Available-for-sale securities:		
– changes in fair value during the year	**–**	1,603
Total comprehensive income for the period	**12,323**	51,975
Attributable to:		
Equity shareholders of the Company	**11,064**	46,082
Non-controlling interests	**1,259**	5,893
Total comprehensive income for the period	**12,323**	51,975

Note: There is no tax expense or benefit in relation to the profit or loss and other comprehensive income in either the current or the prior period.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2018 – unaudited

	Note	At 30 June 2018 HK$'000	At 31 December 2017 HK$'000
Non-current assets			
Investment properties	9	**1,802,845**	1,802,845
Other property, plant and equipment	9	**149,000**	123,392
		1,951,845	1,926,237
Intangible assets		**718**	1,041
Interests in associates		**68,152**	64,052
Other financial assets		**16,745**	28,828
Deposits and prepayments		**2,583**	16,151
Deferred tax assets		**7,559**	11,633
		2,047,602	2,047,942
Current assets			
Inventories	10	**296,290**	274,695
Trading securities		**14,700**	–
Current tax recoverable		**83**	62
Loans to an associate		**17,666**	25,874
Trade and other receivables	11	**130,276**	173,752
Cash and cash equivalents		**67,411**	91,591
		526,426	565,974
Current liabilities			
Trade and other payables	12	**124,824**	129,609
Bank loans		**273,526**	279,795
Current tax payable		**27,063**	41,724
		425,413	451,128
Net current assets		**101,013**	114,846
Total assets less current liabilities carried forward		**2,148,615**	2,162,788

CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Continued)*
As at 30 June 2018 – unaudited

	Note	At 30 June 2018 HK$'000	At 31 December 2017 HK$'000
Total assets less current liabilities brought forward		**2,148,615**	2,162,788
Non-current liabilities			
Bank loans		**–**	3,118
Deferred rental expenses		**3,673**	3,767
Rental deposits		**1,383**	5,673
Deferred tax liabilities		**19,905**	19,905
Accrued employee benefits		**40**	22
		25,001	32,485
NET ASSETS		**2,123,614**	2,130,303
CAPITAL AND RESERVES			
Share capital	*13*	**95,059**	95,059
Reserves		**2,024,359**	2,032,307
Total equity attributable to equity shareholders of the Company		**2,119,418**	2,127,366
Non-controlling interests		**4,196**	2,937
TOTAL EQUITY		**2,123,614**	2,130,303

NOTES

1. INDEPENDENT REVIEW

The interim financial results for the six months ended 30 June 2018 are unaudited, but have been reviewed by the Audit Committee.

2. BASIS OF PREPARATION

The interim financial results for the six months ended 30 June 2018 comprise the Group and the Group's interests in associates.

The interim financial results set out in the announcement do not constitute the Group's interim financial report for the six months ended 30 June 2018 but are extracted from the report. The 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").

The interim financial report was approved by the Board of Directors and authorised for issue on 30 August 2018.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2017 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2018 annual financial statements. Details of any changes in accounting policies are set out in note 3.

The preparation of the interim financial results 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 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 2017 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").

3. CHANGES IN ACCOUNTING POLICIES

(a) Overview

The HKICPA has issued a number of new HKFRSs and amendments to HKFRSs 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 9, *Financial instruments*
- HKFRS 15, *Revenue from contracts with customers*
- HK(IFRIC) 22, *Foreign currency transactions and advance consideration*

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period, except for the amendments to HKFRS 9, *Prepayment features with negative compensation* which have been adopted at the same time as HKFRS 9.

The Group has been impacted by HKFRS 9 in relation to classification of financial assets and measurement of credit losses. Details of the changes in accounting policies are discussed in note 3(b) for HKFRS 9.

Under the transition methods chosen, the Group recognises cumulative effect of the initial application of HKFRS 9 as an adjustment to the opening balance of equity at 1 January 2018. Comparative information is not restated.

(b) HKFRS 9, *Financial instruments*, including the amendments to HKFRS 9, *Prepayment features with negative compensation*

HKFRS 9 replaces HKAS 39, *Financial instruments: recognition and measurement*. It sets out the requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items.

The Group has applied HKFRS 9 retrospectively to items that existed at 1 January 2018 in accordance with the transition requirements. The Group has recognised the cumulative effect of initial application as an adjustment to the opening equity at 1 January 2018. Therefore, comparative information continues to be reported under HKAS 39.

The following table summarises the impact of transition to HKFRS 9 on retained profits and reserves at 1 January 2018.

3. CHANGES IN ACCOUNTING POLICIES *(Continued)*

(b) HKFRS 9, *Financial instruments*, including the amendments to HKFRS 9, *Prepayment features with negative compensation* (Continued)

	HK$'000
Retained profits	
Transferred from fair value reserve relating to financial assets now measured at FVPL	**5,102**
Net increase in retained profits at 1 January 2018	**5,102**

	HK$'000
Fair value reserve	
Transferred to retained profits relating to financial assets now measured at FVPL	**(5,102)**
Net decrease in fair value reserve at 1 January 2018	**(5,102)**

Further details of the nature and effect of the changes to previous accounting policies and the transition approach are set out below:

(i) Classification of financial assets and financial liabilities

HKFRS 9 categories financial assets into three principal classification categories: measured at amortised cost, at fair value through other comprehensive income (FVOCI) and at fair value through profit or loss (FVPL). These supersede HKAS 39's categories of held-to-maturity investments, loans and receivables, available-for-sale financial assets and financial assets measured at FVPL. The classification of financial assets under HKFRS 9 is based on the business model under which the financial asset is managed and its contractual cash flow characteristics.

Non-equity investments held by the Group are classified into one of the following measurement categories:

– amortised cost, if the investment is held for the collection of contractual cash flows which represent solely payments of principal and interest. Interest income from the investment is calculated using the effective interest method;

– FVOCI – recycling, if the contractual cash flows of the investment comprise solely payments of principal and interest and the investment is held within a business model whose objective is achieved by both the collection of contractual cash flows and sale. Changes in fair value are recognised in other comprehensive income, except for the recognition in profit or loss of expected credit losses, interest income (calculated using the effective interest method) and foreign exchange gains and losses. When the investment is derecognised, the amount accumulated in other comprehensive income is recycled from equity to profit or loss; or

3. CHANGES IN ACCOUNTING POLICIES *(Continued)*

(b) HKFRS 9, *Financial instruments*, including the amendments to HKFRS 9, *Prepayment features with negative compensation (Continued)*

(i) Classification of financial assets and financial liabilities (Continued)

– FVPL, if the investment does not meet the criteria for being measured at amortised cost or FVOCI (recycling). Changes in the fair value of the investment (including interest) are recognised in profit or loss.

An investment in equity securities is classified as FVPL unless the equity investment is not held for trading purposes and on initial recognition of the investment the Group makes an election to designate the investment at FVOCI (non-recycling) such that subsequent changes in fair value are recognised in other comprehensive income. Such elections are made on an instrument-by-instrument basis, but may only be made if the investment meets the definition of equity from the issuer's perspective. Where such an election is made, the amount accumulated in other comprehensive income remains in the fair value reserve (non-recycling) until the investment is disposed of. At the time of disposal, the amount accumulated in the fair value reserve (non-recycling) is transferred to retained profits. It is not recycled through profit or loss. Dividends from an investment in equity securities, irrespective of whether classified as at FVPL or FVOCI (non-recycling), are recognised in profit or loss as other income.

The following table shows the original measurement categories for each class of the Group's financial assets under HKAS 39 and reconciles the carrying amounts of those financial assets determined in accordance with HKAS 39 to those determined in accordance with HKFRS 9.

	HKAS 39 carrying amount at 31 December 2017	**Impact on initial application of HKFRS 9 Reclassification**	**HKFRS 9 carrying amount at 1 January 2018**
	HK$'000	*HK$'000*	*HK$'000*
Financial assets classified as available-for-sale under HKAS 39 *(note)*	28,828	(28,828)	–
Financial assets carried at FVPL			
Units in bond funds	–	3,096	3,096
Equity securities not held for trading	–	25,732	25,732
	–	28,828	28,828

Note: Under HKAS 39, units in bond funds and equity securities not held for trading were classified as available-for-sale financial assets. They are classified as at FVPL under HKFRS 9.

3. CHANGES IN ACCOUNTING POLICIES *(Continued)*

(b) HKFRS 9, *Financial instruments*, including the amendments to HKFRS 9, *Prepayment features with negative compensation* (Continued)

(ii) Impairment

The new impairment model in HKFRS 9 replaces the "incurred loss" model in HKAS 39 with an "expected credit loss" model. Under the expected credit loss model, it will no longer be necessary for a loss event to occur before an impairment loss is recognised. Instead, an entity is required to recognise and measure either a 12-month expected credit loss or a lifetime expected credit loss, depending on the asset and the facts and circumstances. Application of the expected credit loss model results in earlier recognition of credit losses. Adoption of HKFRS 9 would not have a material impact on the results and financial position of the Group.

(c) HKFRS 15, *Revenue from contracts with customers*

HKFRS 15 establishes a comprehensive framework for recognising revenue and some costs from contracts with customers. HKFRS 15 replaces HKAS 18, *Revenue*, which covered revenue arising from sale of goods and rendering of services, and HKAS 11, *Construction contracts*, which specified the accounting for construction contracts.

Under HKAS 18, revenue from sale of goods is generally recognised when the risks and rewards of ownership have passed to the customers. Under HKFRS 15, revenue is recognised when the customer obtains control of the promised good or service in the contract. Adoption of the new revenue standard does not have significant impact on how it recognises revenue from sale of goods.

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 and industrial building to generate rental income and to gain from the appreciation in the properties' value in the long term.
Investment holding:	The investment in securities.

4. SEGMENT REPORTING *(Continued)*

(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 tangible 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.

4. 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:

For the six months ended 30 June	Toys and model trains		Property investment		Investment holding		Total	
	2018	2017	**2018**	2017	**2018**	2017	**2018**	2017
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Revenue from external customers	**254,707**	296,373	**24,643**	26,842	**–**	–	**279,350**	323,215
Inter-segment revenue	**–**	–	**598**	598	**–**	–	**598**	598
Reportable segment revenue	**254,707**	296,373	**25,241**	27,440	**–**	–	**279,948**	323,813
Reportable segment profit/(loss) (adjusted EBITDA)	**9,196**	35,949	**20,631**	23,288	**(2,006)**	(1,914)	**27,821**	57,323
Additions to non-current segment assets during the period	**38,195**	11,834	**–**	–	**–**	–	**38,195**	11,834

	Toys and model trains		Property investment		Investment holding		Total	
	At 30 June 2018	At 31 December 2017	**At 30 June 2018**	At 31 December 2017	**At 30 June 2018**	At 31 December 2017	**At 30 June 2018**	At 31 December 2017
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Reportable segment assets	**576,494**	557,332	**1,819,112**	1,803,411	**265,367**	295,272	**2,660,973**	2,656,015
Reportable segment liabilities	**630,898**	655,577	**31,335**	25,063	**21,163**	6,365	**683,396**	687,005

4. SEGMENT REPORTING *(Continued)*

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

	Six months ended 30 June	
	2018	2017
	HK$'000	*HK$'000*
Revenue		
Reportable segment revenue	**279,948**	323,813
Elimination of inter-segment revenue	**(598)**	(598)
Consolidated revenue	**279,350**	323,215
Profit		
Reportable segment profit	**27,821**	57,323
Elimination of inter-segment profit	**–**	–
Reportable segment profit derived from Group's external customers	**27,821**	57,323
Other income	**3,957**	11,522
Depreciation and amortisation	**(12,409)**	(14,648)
Finance costs	**(3,260)**	(3,576)
Share of profits less losses of associates	**4,499**	2,482
Unallocated head office and corporate expenses	**(287)**	(261)
Consolidated profit before taxation	**20,321**	52,842

4. SEGMENT REPORTING *(Continued)*

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

	At 30 June 2018 *HK$'000*	At 31 December 2017 *HK$'000*
Assets		
Reportable segment assets	**2,660,973**	2,656,015
Elimination of inter-segment receivables	**(279,979)**	(265,180)
	2,380,994	2,390,835
Intangible assets	**718**	1,041
Interests in associates	**68,152**	64,052
Loans to an associate	**17,666**	25,874
Other financial assets	**16,745**	28,828
Trading securities	**14,700**	–
Current tax recoverable	**83**	62
Deferred tax assets	**7,559**	11,633
Cash and cash equivalents	**67,411**	91,591
Consolidated total assets	**2,574,028**	2,613,916

	At 30 June 2018 *HK$'000*	At 31 December 2017 *HK$'000*
Liabilities		
Reportable segment liabilities	**683,396**	687,005
Elimination of inter-segment payables	**(279,979)**	(265,180)
	403,417	421,825
Current tax payable	**27,063**	41,724
Deferred tax liabilities	**19,905**	19,905
Unallocated head office and corporate liabilities	**29**	159
Consolidated total liabilities	**450,414**	483,613

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 increased demand for its products during the holiday season. As such, the first half of the year generally reports lower revenue and segment results for this segment than the second half.

6. PROFIT BEFORE TAXATION

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

	Six months ended 30 June	
	2018	2017
	HK$'000	*HK$'000*
(a) Finance costs		
Interest on bank loans	**3,260**	3,576
(b) Other items		
Cost of inventories *(note 10)*	**171,122**	186,138
Amortisation of intangible assets	**331**	412
Net loss/(gain) on disposal of property, plant and equipment *(note 9(b))*	**115**	(706)
Net realised and unrealised losses on trading securities	**334**	–
Net realised and unrealised losses on investments not held for trading	**382**	–
Interest income	**(1,011)**	(630)

7. INCOME TAX EXPENSE

	Six months ended 30 June	
	2018	2017
	HK$'000	*HK$'000*
Current tax – Hong Kong Profits Tax	**4,136**	11,577
Current tax – Outside Hong Kong	**1,298**	2,219
Deferred tax	**4,075**	(6,380)
Income tax expense	**9,509**	7,416

The provision for Hong Kong Profits Tax is calculated by applying the estimated annual effective tax rate of 16.5% (2017: 16.5%) to the six months ended 30 June 2018. 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 ordinary equity shareholders of the Company of HK$9,525,000 (six months ended 30 June 2017: HK$39,584,000) and the weighted average of 950,588,000 ordinary shares (six months ended 30 June 2017: 950,588,000 ordinary shares) in issue during the interim period.

(b) Diluted earnings per share

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

9. INVESTMENT PROPERTIES AND OTHER PROPERTY, PLANT AND EQUIPMENT

(a) Acquisitions

During the six months ended 30 June 2018, the Group acquired items of other property, plant and equipment with an aggregate cost of HK$38,195,000 (six months ended 30 June 2017: HK$11,834,000).

(b) Disposals

Items of other property, plant and equipment with cost and net book value of HK$500,000 and HK$173,000 respectively were disposed of during the six months ended 30 June 2018 (six months ended 30 June 2017: HK$12,742,000 and HK$136,000), resulting in a loss on disposal of HK$115,000 (six months ended 30 June 2017: gain on disposal of HK$706,000).

(c) Valuation

All investment properties of the Group were revalued as at 31 December 2017 on an open market value basis, by either making reference to the comparable sales evidence in the relevant locality, 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 2018 are carried at fair value.

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	
	2018	2017
	HK$'000	*HK$'000*
Carrying amount of inventories sold	**173,712**	185,733
Write-down of inventories	**2,321**	2,528
Reversal of write-down of inventories	**(4,911)**	(2,123)
	171,122	186,138

The reversal of write-down of inventories made in current and prior periods arose upon sale of these inventories.

11. TRADE AND OTHER RECEIVABLES

Included in trade and other receivables are trade debtors, based on the invoice date and net of allowance for doubtful debts, with the following ageing analysis as at end of the reporting period:

	At 30 June 2018	At 31 December 2017
	HK$'000	*HK$'000*
Within 1 month	**51,296**	95,557
1 to 3 months	**30,918**	42,360
3 to 12 months	**4,266**	4,097
Over 12 months	**961**	1,008
Total trade debtors, net of allowance for doubtful debts	**87,441**	143,022
Amounts due from related companies	**2,018**	2,103
Other debtors and prepayments	**40,817**	28,627
	130,276	173,752

Credit evaluations are performed on all customers requiring credit over a certain amount. Most of the trade debtors are due within ninety days from the date of billing.

12. TRADE AND OTHER PAYABLES

Included in trade and other payables are trade creditors with the following ageing analysis as at the end of the reporting period:

	At 30 June 2018 *HK$'000*	At 31 December 2017 *HK$'000*
Within 1 month	**35,520**	16,389
Over 1 month but within 3 months	**7,703**	14,963
Over 3 months but within 6 months	**3,089**	633
Over 6 months	**867**	979
Total trade creditors	**47,179**	32,964
Other creditors and accrued charges	**66,194**	91,103
Rental deposits	**10,464**	4,613
Amount due to a related company	**987**	929
	124,824	129,609

13. CAPITAL, RESERVES AND DIVIDENDS

(a) Dividends

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

	Six months ended 30 June	
	2018 *HK$'000*	2017 *HK$'000*
Final dividend in respect of the previous financial year, approved and paid during the following interim period, of HK2.0 cents per ordinary share (six months ended 30 June 2017: HK1.5 cents per ordinary share)	**19,012**	14,259

13. CAPITAL, RESERVES AND DIVIDENDS *(Continued)*

(b) Share capital

	2018		2017	
	Number of shares		Number of shares	
	'000	***HK$'000***	*'000*	*HK$'000*
Authorised:				
Ordinary shares of HK$0.10 each	**1,000,000**	**100,000**	1,000,000	100,000
Ordinary shares, issued and fully paid				
At 1 January and 30 June	**950,588**	**95,059**	950,588	95,059

(c) Share premium

The application of the share premium account is governed by section 40 of the Companies Act 1981 of Bermuda. The addition in share premium represents the difference between the total amount of the par value of shares issue.

INTERIM DIVIDEND

The Board of Directors has resolved not to declare the payment of an interim dividend for the six months ended 30 June 2018 (2017: HK$Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS

During the period under review, the Group recorded a consolidated revenue of approximately HK$279.35 million, which decreased by approximately 13.57% as compared to approximately HK$323.22 million reported for the corresponding period last year. The Group achieved the profit before taxation of approximately HK$20.32 million, representing a decrease of approximately 61.54% as compared to approximately HK$52.84 million reported for the corresponding period last year. The decrease in profit before taxation was mainly attributable to the decrease in revenue and the appreciation of Renminbi Yuan ("RMB") which increased the operating costs of the Group's production plants in the People's Republic of China. The profit attributable to equity shareholders amounted to approximately HK$9.53 million (six months ended 30 June 2017: approximately HK$39.58 million).

BUSINESS REVIEW

Toys and Model Trains

During the first half year of 2018, the revenue was approximately HK$254.71 million, representing a decrease of approximately 14.06% as compared to the corresponding period last year.

The Group will continue to explore new sales opportunities and manufacture high quality products with competitive prices to increase the revenue and profit.

Property Investment

During the period under review, the Group's rental income amounted to approximately HK$24.64 million, representing a decrease of approximately 8.19% as compared to the corresponding period last year and the occupancy rate of its investment properties was approximately 75% (30 June 2017: approximately 91%).

FINANCIAL REVIEW

Liquidity and Financial Resources

As at 30 June 2018, the Group's net asset value per share was approximately HK$2.23 (31 December 2017: approximately HK$2.24). The Group had net current assets of approximately HK$101.01 million (31 December 2017: approximately HK$114.85 million). Total bank borrowings were approximately HK$273.53 million (31 December 2017: approximately HK$282.91 million) while the secured total banking facilities were approximately HK$806.88 million (31 December 2017: approximately HK$789.02 million). Included in total bank borrowings were revolving loans of approximately HK$195.00 million (31 December 2017: approximately HK$180.83 million) which are intended to be rolled over upon maturity. The Group's financial gearing, based on the total bank borrowings compared to the total equity, was approximately 12.88% (31 December 2017: approximately 13.28%). The majority of borrowings are on floating interest rate terms. The Group will negotiate with banks to increase the banking facilities for working capital needs, if necessary.

Capital Structure

During the period under review, there were no changes in the Company's share capital.

Charges on Group Assets

As at 30 June 2018, investment properties, certain leasehold land and buildings, inventories and other assets of the Group with a net book value of approximately HK$1,578.99 million (31 December 2017: approximately HK$1,580.60 million) were mortgaged to various banks to secure the banking facilities granted to the Group.

Material Acquisitions and Disposals

There were no material acquisitions and disposals during the six months ended 30 June 2018.

RISKS AND UNCERTAINTIES

The Group's financial position and results of operations may be affected by a number of risks and uncertainties pertaining to the Group's businesses. The following are the key risks and uncertainties identified by the Group:

Business Risk

Performance of the Group's core business will be affected by various factors, including but not limited to economic conditions which would not be mitigated even with strict operational procedures.

Interest Rate Risk

The Group's interest rate risk arises primarily from bank borrowings. The Group analyses its interest rate exposure on a dynamic basis and manages this risk in a cost-effective manner.

Liquidity risk

Liquidity risk is the potential that the Group will be unable to meet its obligations when they fall due because of an inability to obtain adequate funding. In managing the liquidity risk, the Group monitors the cash flows and will negotiate with banks to increase the banking facilities, if necessary.

Customer risk

The sales to one of the Group's customers represented approximately 55% of the Group's sales during the six months ended 30 June 2018. The Group has endeavoured to diversify its customer base and provided quality products and services to the customers to maintain good relationship with them so as to mitigate the customer risk.

Foreign Exchange Rate Risk

Major assets, liabilities and transactions of the Group are denominated in Hong Kong dollars, United States dollars, Sterling Pounds ("GBP") and RMB. As such, the Group faces a certain degree of exchange rate risk mainly arising from GBP and RMB denominated transactions for which the exchange rate volatility is relatively high.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2018, the Group employed 1,937 (30 June 2017: 2,552) full time management, administrative and production staff in Hong Kong Special Administrative Region ("HKSAR"), Mainland China, the United States and Europe. The Group has seasonal fluctuations in the number of workers employed in its production plants 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

The economic outlook for the period ahead is uncertain due to the United States-China trade war. The Group will continue to raise production efficiency and strengthen the cost control measures in order to maintain its competitive position. Moreover, the Group has the intention to revitalize the investment properties, and has commenced initial procedures and submitted the relevant documents to the Government of the HKSAR. The revitalization will increase the value of the investment properties and the rental income in the future.

PURCHASE, SALE OR REDEMPTION OF SHARES

The Company has not redeemed any of its shares during the six months ended 30 June 2018. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the period under review.

CORPORATE GOVERNANCE

The Board of Directors regularly reviews its corporate governance practices to ensure its continuous compliance with the Corporate Governance Code ("CG Code") as set out in Appendix 14 to the Listing Rules. Throughout the period under review, the Group has complied with all code provisions in CG Code, except for the deviation from CG Code A.2.1 as described below:

Under CG Code A.2.1, the roles of chairman and chief executive should be separate and should not be performed by the same individual. Mr. Kenneth Ting Woo-shou has the combined role of Chairman and Managing Director. The Board considers that this structure will not impair the balance of power and authority between the Board and the management of the Group as non-executive directors and independent non-executive directors ("INEDs") form the majority of the Board, with six out of nine of the directors of the Company being non-executive directors and INEDs. The Board believes the appointment of Mr. Kenneth Ting Woo-shou to the posts of Chairman and Managing Director is beneficial to the Group as he has considerable industry experience.

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 six months ended 30 June 2018.

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 inside 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 2018

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