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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 2015

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 2015, together with comparative figures for the corresponding period in 2014 are as follows:

CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2015 – unaudited

	Note	Six months ended 30 June	
		2015 HK\$'000	2014 HK\$'000
Revenue	4 & 5	350,058	294,337
Other revenue		5,377	5,288
Other net loss		(844)	(53)
Changes in inventories of finished goods and work in progress		33,021	33,593
Cost of purchase of finished goods		(11,087)	(14,360)
Raw materials and consumables used		(94,441)	(83,803)
Staff costs		(134,464)	(160,830)
Depreciation		(16,550)	(19,504)
Other operating expenses		(96,974)	(119,319)
Profit/(loss) from operations		34,096	(64,651)
Finance costs	6(a)	(8,017)	(7,648)
Share of profits less losses of associates		(3,027)	489
Profit/(loss) before taxation	6	23,052	(71,810)
Income tax credit/(expense)	7	2,261	(64)
Profit/(loss) for the period		25,313	(71,874)
Attributable to:			
Equity shareholders of the Company		24,363	(72,620)
Non-controlling interests		950	746
Profit/(loss) for the period		25,313	(71,874)
Earnings/(loss) per share	8		
Basic		2.56¢	(8.00)¢
Diluted		2.56¢	(8.00)¢

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2015 – unaudited

	Note	Six months ended 30 June	
		2015	2014
		HK\$'000	HK\$'000
Profit/(loss) for the period		25,313	(71,874)
Other comprehensive income for the period:			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements of subsidiaries outside Hong Kong		1,043	8,001
Available-for-sale securities:			
– changes in fair value during the year		254	311
– reclassification adjustments for amounts transferred to profit or loss	6(b)	<u>–</u>	<u>(2,067)</u>
Total comprehensive income for the period		<u>26,610</u>	<u>(65,629)</u>
Attributable to:			
Equity shareholders of the Company		25,658	(66,319)
Non-controlling interests		<u>952</u>	<u>690</u>
Total comprehensive income for the period		<u>26,610</u>	<u>(65,629)</u>

CONSOLIDATED BALANCE SHEET

As at 30 June 2015 – unaudited

		At 30 June 2015 <i>HK\$'000</i>	At 31 December 2014 <i>HK\$'000</i>
	<i>Note</i>		
Non-current assets			
Fixed assets	9		
– Investment properties		1,548,579	1,548,579
– Other property, plant and equipment		164,344	171,606
– Construction in progress		–	185
		<u>1,712,923</u>	<u>1,720,370</u>
Intangible assets		2,107	2,595
Interests in associates		22,745	25,206
Other non-current financial assets		7,248	6,994
Deferred tax assets		5,972	3,669
		<u>1,750,995</u>	<u>1,758,834</u>
Current assets			
Inventories	10	340,183	310,547
Current tax recoverable		413	413
Loans to an associate		20,087	22,723
Trade and other receivables	11	98,539	142,382
Cash and cash equivalents		96,132	94,106
		<u>555,354</u>	<u>570,171</u>
Current liabilities			
Trade and other payables	12	156,475	153,826
Bank loans and overdrafts		460,634	506,122
Current tax payable		4,267	4,287
		<u>621,376</u>	<u>664,235</u>
Net current liabilities		<u>(66,022)</u>	<u>(94,064)</u>
Total assets less current liabilities carried forward		<u>1,684,973</u>	<u>1,664,770</u>

CONSOLIDATED BALANCE SHEET (Continued)*As at 30 June 2015 – unaudited*

	At 30 June 2015 <i>HK\$'000</i>	At 31 December 2014 <i>HK\$'000</i>
<i>Note</i>		
Total assets less current liabilities brought forward	1,684,973	1,664,770
Non-current liabilities		
Bank loans	42,513	50,649
Deferred rental expenses	3,514	3,396
Rental deposits	6,512	4,800
Deferred tax liabilities	16,024	16,024
Accrued employee benefits	190	291
	68,753	75,160
NET ASSETS	1,616,220	1,589,610
CAPITAL AND RESERVES		
Share capital	95,059	95,059
Reserves	1,519,847	1,494,189
Total equity attributable to equity shareholders of the Company	1,614,906	1,589,248
Non-controlling interests	1,314	362
TOTAL EQUITY	1,616,220	1,589,610

NOTES

1. INDEPENDENT REVIEW

The interim financial results for the six months ended 30 June 2015 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 2015 comprise 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").

The interim financial results were approved by the Board of Directors and authorised for issue on 28 August 2015.

The interim financial results have been prepared in accordance with the same accounting policies adopted in the 2014 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2015 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 2014 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 2014 that is included in the interim financial results as comparative information does not constitute the Company's statutory annual consolidated financial statements for that financial year but is derived from those financial statements. Statutory financial statements for the year ended 31 December 2014 are available from the Company's registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 31 March 2015.

NOTES (Continued)

3. CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued the following amendments to HKFRSs that are first effective for the current accounting period of the Group and the Company.

- Annual Improvements to HKFRSs 2010-2012 Cycle
- Annual Improvements to HKFRSs 2011-2013 Cycle

None of these developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

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.

(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.

NOTES (Continued)

4. SEGMENT REPORTING (Continued)

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

The measure used for reporting segment profit/(loss) 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	
	2015 HK\$'000	2014 HK\$'000	2015 HK\$'000	2014 HK\$'000	2015 HK\$'000	2014 HK\$'000	2015 HK\$'000	2014 HK\$'000
For the six months ended 30 June								
Revenue from external customers	326,906	275,049	23,152	19,288	-	-	350,058	294,337
Inter-segment revenue	-	-	620	730	-	-	620	730
Reportable segment revenue	326,906	275,049	23,772	20,018	-	-	350,678	295,067
Reportable segment profit/(loss) (adjusted EBITDA)	27,923	(52,975)	19,895	14,603	(967)	(11,230)	46,851	(49,602)
Additions to non-current segment assets during the period	8,615	12,300	-	-	-	-	8,615	12,300
	Toys and model trains		Property investment		Investment holding		Total	
	At 30 June 2015 HK\$'000	At 31 December 2014 HK\$'000	At 30 June 2015 HK\$'000	At 31 December 2014 HK\$'000	At 30 June 2015 HK\$'000	At 31 December 2014 HK\$'000	At 30 June 2015 HK\$'000	At 31 December 2014 HK\$'000
Reportable segment assets	610,435	654,204	1,556,459	1,557,539	356,079	325,299	2,522,973	2,537,042
Reportable segment liabilities	1,014,149	1,057,244	20,325	19,129	6,556	6,439	1,041,030	1,082,812

NOTES (Continued)

4. SEGMENT REPORTING (Continued)

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

Revenue	Six months ended 30 June	
	2015	2014
	HK\$'000	HK\$'000
Reportable segment revenue	350,678	295,067
Elimination of inter-segment revenue	(620)	(730)
Consolidated revenue	<u>350,058</u>	<u>294,337</u>
Profit/(loss)		
Reportable segment profit/(loss)	46,851	(49,602)
Elimination of inter-segment profit/(loss)	—	—
Reportable segment profit/(loss) derived from		
Group's external customers	46,851	(49,602)
Other revenue	5,377	5,288
Other net loss	(844)	(53)
Depreciation and amortisation	(17,041)	(20,039)
Finance costs	(8,017)	(7,648)
Share of profits less losses of associates	(3,027)	489
Unallocated head office and corporate expenses	(247)	(245)
Consolidated profit/(loss) before taxation	<u>23,052</u>	<u>(71,810)</u>

NOTES (Continued)

4. SEGMENT REPORTING (Continued)

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

	At 30 June 2015 <i>HK\$'000</i>	At 31 December 2014 <i>HK\$'000</i>
Assets		
Reportable segment assets	2,522,973	2,537,042
Elimination of inter-segment receivables	(371,328)	(363,789)
	2,151,645	2,173,253
Intangible assets	2,107	2,595
Interests in associates	22,745	25,206
Loans to an associate	20,087	22,723
Other non-current financial assets	7,248	6,994
Deferred tax assets	5,972	3,669
Current tax recoverable	413	413
Cash and cash equivalents	96,132	94,106
Unallocated head office and corporate assets	-	46
Consolidated total assets	2,306,349	2,329,005
Liabilities		
Reportable segment liabilities	1,041,030	1,082,812
Elimination of inter-segment payables	(371,328)	(363,789)
	669,702	719,023
Current tax payable	4,267	4,287
Deferred tax liabilities	16,024	16,024
Unallocated head office and corporate liabilities	136	61
Consolidated total liabilities	690,129	739,395

NOTES (Continued)

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/(LOSS) BEFORE TAXATION

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

	Six months ended 30 June	
	2015	2014
	HK\$'000	HK\$'000
(a) Finance costs		
Interest on bank and other borrowings	<u>8,017</u>	<u>7,648</u>
(b) Other items		
Cost of inventories (<i>note 10</i>)	204,872	233,156
Amortisation of intangible assets	491	535
Net (gain)/loss on disposal of fixed assets (<i>note 9(b)</i>)	(232)	24
Interest income	(716)	(661)
Gains on disposal of financial assets	<u>-</u>	<u>(2,067)</u>

7. INCOME TAX CREDIT/(EXPENSE)

	Six months ended 30 June	
	2015	2014
	HK\$'000	HK\$'000
Current tax – Hong Kong Profits Tax	-	12
Current tax – Outside Hong Kong	(43)	(76)
Deferred tax	<u>2,304</u>	<u>-</u>
Income tax credit/(expense)	<u>2,261</u>	<u>(64)</u>

The provision for Hong Kong Profits Tax is calculated by applying the estimated annual effective tax rate of 16.5% (2014: 16.5%) to the six months ended 30 June 2015. 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.

NOTES (Continued)

7. INCOME TAX CREDIT/(EXPENSE) (Continued)

The Inland Revenue Department of Hong Kong (“IRD”) has been conducting a review of the operations of certain subsidiaries of the Company in relation to the years since 2004, focusing on certain sales and purchases transactions and intra-group service arrangements amongst these subsidiaries. Certain subsidiaries of the Company received additional or estimated assessments from the IRD in respect of the years of assessment from 2004/05 to 2008/09. The taxes demanded under the additional or estimated assessments amounted to HK\$24,226,833 in aggregate. The relevant subsidiaries have submitted objections against the additional or estimated assessments from the IRD.

The relevant subsidiaries have submitted the required information to the IRD and provided justifications for the tax treatment adopted. Having taken the advice from the Group’s tax advisor and on an entirely without prejudice basis, the Group submitted a settlement proposal in March 2015 to the IRD in order to expedite the finalisation of the review. In this regard, the directors of the Company had made a provision of HK\$3.5 million to the consolidated financial statements for the year ended 31 December 2014. During the period ended 30 June 2015, the IRD accepted the settlement proposal of HK\$3.5 million, which is expected to be fully settled in 2015.

8. EARNINGS/(LOSS) PER SHARE

(a) Basic earnings/(loss) per share

The calculation of basic earnings/(loss) per share is based on the profit attributable to ordinary equity shareholders of the Company of HK\$24,363,000 (six months ended 30 June 2014: loss of HK\$72,620,000) and the weighted average of 950,588,000 ordinary shares (six months ended 30 June 2014: 908,031,000 ordinary shares) in issue during the interim period. As described in note 13, the Company completed the rights issue in January 2014. In calculating earnings/(loss) per share, the weighted average number of shares outstanding during the period ended 30 June 2014 was calculated as if the bonus elements without consideration included in the rights issue had existed.

(b) Diluted earnings/(loss) per share

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

9. FIXED ASSETS

(a) Acquisitions

During the six months ended 30 June 2015, the Group acquired items of fixed assets with an aggregate cost of HK\$8,615,000 (six months ended 30 June 2014: HK\$12,300,000).

(b) Disposals

Items of fixed assets with cost and net book value of HK\$867,000 and HK\$2,000 respectively were disposed of during the six months ended 30 June 2015 (six months ended 30 June 2014: HK\$830,000 and HK\$206,000), resulting in a gain on disposal of HK\$232,000 (six months ended 30 June 2014: loss on disposal of HK\$24,000).

NOTES (Continued)

9. FIXED ASSETS *(Continued)*

(c) Valuation

All investment properties of the Group were revalued as at 31 December 2014 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 2015 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	
	2015	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>
Carrying amount of inventories sold	196,347	232,396
Write-down of inventories	10,267	2,982
Reversal of write-down of inventories	(1,742)	(2,222)
	<u>204,872</u>	<u>233,156</u>

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

NOTES (Continued)

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 2015 HK\$'000	At 31 December 2014 HK\$'000
Current	64,911	94,439
Less than 1 month overdue	7,983	15,212
1 to 3 months overdue	3,109	8,728
More than 3 months but less than 12 months overdue	2,206	916
More than 12 months overdue	134	686
	<hr/>	<hr/>
Total trade debtors, net of allowance for doubtful debts	78,343	119,981
Other debtors and prepayments	20,196	22,401
	<hr/>	<hr/>
	98,539	142,382
	<hr/> <hr/>	<hr/> <hr/>

Credit evaluations are performed on all customers requiring credit over a certain amount. 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 balance sheet date:

	At 30 June 2015 HK\$'000	At 31 December 2014 HK\$'000
Due within 1 month or on demand	45,253	30,792
Due after 1 month but within 3 months	223	8,872
Due after 3 months but within 6 months	475	399
Due after 6 months	3,527	4,092
	<hr/>	<hr/>
Total trade creditors	49,478	44,155
Other creditors and accrued charges	106,997	109,671
	<hr/>	<hr/>
	156,475	153,826
	<hr/> <hr/>	<hr/> <hr/>

NOTES (Continued)

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	
	2015	2014
	HK\$'000	HK\$'000
Final dividend in respect of the previous financial year, approved and paid during the following interim period, of HK\$Nil cents per ordinary share (six months ended 30 June 2014: HK\$Nil cents per ordinary share)	<u>–</u>	<u>–</u>

(b) Share capital

	2015		2014	
	Number of shares '000	HK\$'000	Number of shares '000	HK\$'000
Authorised:				
Ordinary shares of HK\$0.10 each	<u>1,000,000</u>	<u>100,000</u>	<u>1,000,000</u>	<u>100,000</u>
Ordinary shares, issued and fully paid				
At 1 January	950,588	95,059	665,412	66,541
Issue of shares	<u>–</u>	<u>–</u>	<u>285,176</u>	<u>28,518</u>
	<u>950,588</u>	<u>95,059</u>	<u>950,588</u>	<u>95,059</u>

On 29 January 2014, the Company issued 285,176,397 shares on the basis of three rights shares for every seven existing shares at HK\$0.38 per rights share. The net proceeds raised under the rights issue were HK\$103.70 million, after deduction of issuing expenses amounted to approximately HK\$4.70 million.

(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 and the amount of the net proceeds received from share issuances in 2014 (see note 13(b)).

INTERIM DIVIDEND

The Board of Directors does not recommend the payment of an interim dividend for the six months ended 30 June 2015 (2014: HK\$Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS

During the period under review, the Group recorded a consolidated revenue of approximately HK\$350.06 million, which increased by approximately 18.93% as compared to approximately HK\$294.34 million reported for the corresponding period last year. The Group achieved a turnaround from loss attributable to equity shareholders of approximately HK\$72.62 million in last period to profit attributable to equity shareholders of approximately HK\$24.36 million in this period.

BUSINESS REVIEW

Toys and Model Trains

During the first half year of 2015, the revenue for the Group's OEM/ODM toys business and model trains were approximately HK\$148.07 million and HK\$178.84 million respectively, representing an increase of approximately 59.42% and a decrease of approximately 1.83% respectively as compared to the corresponding period last year. The increase in the production efficiency and effective cost control accounted for the improvement in the results.

The Group's subsidiary, Bachmann Europe Plc., enjoyed success again in 2014 by winning many UK awards including the overall "Manufacturer of the Year" award for seven continuous years from the RM Web – Model Rail – MRE Mag competition.

Property Investment

During the period under review, the rental income of the Group amounted to approximately HK\$23.15 million, representing an increase of approximately 20.01% as compared to the corresponding period last year and the occupancy rate of its investment properties was approximately 97% (30 June 2014: approximately 97%).

FINANCIAL REVIEW

Liquidity and Financial Resources

As at 30 June 2015, the Group's net asset value per share was approximately HK\$1.70 (31 December 2014: approximately HK\$1.67). The Group had net current liabilities of approximately HK\$66.02 million (31 December 2014: approximately HK\$94.06 million). Total bank borrowings were approximately HK\$503.15 million (31 December 2014: approximately HK\$556.77 million) while the Group secured total banking facilities of approximately HK\$795.66 million (31 December 2014: approximately HK\$801.17 million). Included in total bank borrowings were revolving loans of approximately HK\$359.35 million (31 December 2014: approximately HK\$400.00 million) which are intended to be rolled over upon maturity. The Group's financial gearing, based on the total borrowings compared to the total equity, was approximately 31.13% (31 December 2014: approximately 35.03%). 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 and Financing

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

On 12 December 2013, the Company proposed to raise approximately HK\$108.40 million before expenses by way of the rights issue. The rights issue involved the issue of 285,176,397 rights shares at the subscription price of HK\$0.38 per rights share on the basis of three rights shares for every seven existing shares.

The net proceeds from the rights issue were approximately HK\$103.70 million and would be applied by the Group for certain purposes including (1) repayment of bank borrowings; (2) upgrade of the facilities; (3) investment in future opportunities; and (4) general working capital purposes. The rights issue was completed on 29 January 2014. Details of these were set out in the announcement and the prospectus issued by the Company on 12 December 2013 and 7 January 2014 respectively.

- (b) The Group's sources 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 2015, investment properties, certain leasehold land and buildings, inventories and other assets of the Group with a net book value of approximately HK\$1,767.73 million (31 December 2014: approximately HK\$1,779.51 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 2015.

Exchange Rate Exposure

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

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2015, the Group employed 3,550 (31 December 2014: 3,526) full time management, administrative and production staff in the 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 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

Given the signs of a gradual recovery of the global economy and the implementation of strategic restructuring plans, the Group is optimistic about its business prospects. Besides, the Group has the intention to revitalize the investment properties and has commenced initial procedures towards implementing the same. 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 2015. 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 and adopts corporate governance guidelines and developments. Throughout the period under review, the Group has complied with all code provisions in the Corporate Governance Code (“CG Code”) as set out in Appendix 14 to the Listing Rules, 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 eight out of ten 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 2015.

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, 28 August 2015

As at the date of this announcement, the executive directors of the Company are Mr. Kenneth Ting Woo-shou, SBS, JP (Chairman and Managing Director) and Mrs. Nancy Ting Wang Wan-sun; the non-executive directors of the Company are Mr. Ivan Ting Tien-li, Dr. Moses Cheng Mo-chi, GBS, OBE, JP, Mr. Liu Chee-ming 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.