KADER

Manufacturing Trust

KADER HOLDINGS COMPANY LIMITED

(Incorporated in Bermuda with limited liability)

INTERIM REPORT 2019

(Stock Code : 180)

Interim Results For the Six Months Ended 30 June 2019

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2019 – unaudited

	Note	Six months ended 30 June 2019 HK$'000	2018 HK$'000 (Note)
Revenue	*5 & 6*	**196,010**	279,350
Other income		**9,094**	3,957
Changes in inventories of finished goods and work in progress		**13,001**	21,661
Cost of purchase of finished goods		**(8,525)**	(5,863)
Raw materials and consumables used		**(44,645)**	(87,591)
Staff costs		**(96,300)**	(107,081)
Depreciation		**(18,358)**	(12,078)
Other operating expenses		**(56,706)**	(73,273)
(Loss)/profit from operations		**(6,429)**	19,082
Finance costs	*7(a)*	**(5,566)**	(3,260)
Share of profits less losses of associates		**(7,147)**	4,499
(Loss)/profit before taxation	*7*	**(19,142)**	20,321
Income tax expense	*8*	**(1,129)**	(9,509)
(Loss)/profit for the period		**(20,271)**	10,812
Attributable to:			
Equity shareholders of the Company		**(20,735)**	9,525
Non-controlling interests		**464**	1,287
(Loss)/profit for the period		**(20,271)**	10,812
(Loss)/earnings per share	*9*		
Basic		**(2.18)¢**	1.00¢
Diluted		**(2.18)¢**	1.00¢

Note: The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 3.

The notes on pages 8 to 31 form part of this interim financial report. Details of dividends payable to equity shareholders of the Company are set out in note 15(a).

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2019 – unaudited

	Six months ended 30 June	
	2019	2018
	HK$'000	*HK$'000*
		(Note)
(Loss)/profit for the period	**(20,271)**	10,812
Other comprehensive income for the period:		
(after tax and reclassification adjustments)		
Item that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements of subsidiaries outside Hong Kong, net of HK$Nil tax	**265**	1,511
Total comprehensive income for the period	**(20,006)**	12,323
Attributable to:		
Equity shareholders of the Company	**(20,459)**	11,064
Non-controlling interests	**453**	1,259
Total comprehensive income for the period	**(20,006)**	12,323

Note: The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 3.

The notes on pages 8 to 31 form part of this interim financial report.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 June 2019 – unaudited

	Note	At 30 June 2019 HK$'000	At 31 December 2018 HK$'000 (Note)
Non-current assets			
Investment properties	10	**1,956,367**	1,945,733
Other property, plant and equipment	10	**215,021**	145,327
		2,171,388	2,091,060
Intangible assets		**382**	399
Interests in associates		**82,107**	89,248
Other financial assets		**13,403**	13,941
Deposits and prepayments		**5,407**	14,708
Deferred tax assets		**7,153**	6,494
		2,279,840	2,215,850
Current assets			
Other financial assets		**5,000**	5,000
Trading securities		**13,102**	10,804
Inventories	11	**270,630**	260,447
Current tax recoverable		**6,646**	1,021
Loans to an associate		**12,694**	18,177
Trade and other receivables	12	**107,589**	127,169
Cash and cash equivalents	13	**83,695**	95,886
		499,356	518,504
Current liabilities			
Trade and other payables and contract liabilities	14	**108,074**	116,194
Bank loans		**281,469**	267,937
Lease liabilities	3(c)	**10,085**	–
Current tax payable		**24,663**	26,695
		424,291	410,826
Net current assets		**75,065**	107,678
Total assets less current liabilities carried forward		**2,354,905**	2,323,528

CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Continued)*
As at 30 June 2019 – unaudited

	Note	At 30 June 2019 HK$'000	At 31 December 2018 HK$'000 (Note)
Total assets less current liabilities brought forward		**2,354,905**	2,323,528
Non-current liabilities			
Lease liabilities	*3(c)*	**64,630**	–
Deferred rental expenses		**–**	3,706
Rental deposits		**1,025**	1,025
Deferred tax liabilities		**23,603**	23,603
Accrued employee benefits		**57**	92
		89,315	28,426
NET ASSETS		**2,265,590**	2,295,102
CAPITAL AND RESERVES			
Share capital	*15(b)*	**95,059**	95,059
Reserves		**2,167,616**	2,197,581
Total equity attributable to equity shareholders of the Company		**2,262,675**	2,292,640
Non-controlling interests		**2,915**	2,462
TOTAL EQUITY		**2,265,590**	2,295,102

Note: The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 3.

The notes on pages 8 to 31 form part of this interim financial report.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2019 – unaudited

	Note	Attributable to equity shareholders of the Company									
		Share capital	Share premium	Capital reserve	Contributed surplus	Exchange reserve	Land and buildings revaluation reserve	Retained profits	Total	Non-controlling interests	Total equity
	Note	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Balance at 1 January 2018		95,059	185,138	10,815	173,397	(68,609)	62,667	1,668,899	2,127,366	2,937	2,130,303
Changes in equity for the six months ended 30 June 2018:											
Total comprehensive income for the period		–	–	–	–	1,539	–	9,525	11,064	1,259	12,323
Dividends approved in respect of the previous year	*15(a)*	–	–	–	–	–	–	(19,012)	(19,012)	–	(19,012)
Balances at 30 June 2018 and 1 July 2018		95,059	185,138	10,815	173,397	(67,070)	62,667	1,659,412	2,119,418	4,196	2,123,614
Changes in equity for the six months ended 31 December 2018:											
Total comprehensive income for the period		–	–	–	–	997	–	172,225	173,222	(1,734)	171,488
Balances at 31 December 2018 and 1 January 2019 (Note)		95,059	185,138	10,815	173,397	(66,073)	62,667	1,831,637	2,292,640	2,462	2,295,102
Changes in equity for the six months ended 30 June 2019:											
Total comprehensive income for the period		–	–	–	–	276	–	(20,735)	(20,459)	453	(20,006)
Dividends approved in respect of the previous year	*15(a)*	–	–	–	–	–	–	(9,506)	(9,506)	–	(9,506)
Balance at 30 June 2019		95,059	185,138	10,815	173,397	(65,797)	62,667	1,801,396	2,262,675	2,915	2,265,590

Note: The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 3.

The notes on pages 8 to 31 form part of this interim financial report.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2019 – unaudited

		Six months ended 30 June	
		2019	2018
	Note	***HK$'000***	*HK$'000*
			(Note)
Operating activities			
Cash generated from operations		**8,750**	46,307
Tax paid		**(9,466)**	(20,558)
Net cash (used in)/generated from operating activities		**(716)**	25,749
Investing activities			
Payment for the purchase of property, plant and equipment		**(13,244)**	(38,195)
Proceeds from sale of property, plant and equipment		**1,275**	57
Payment for the purchase of trading securities		**(2,068)**	(3,191)
Payment for the purchase of other financial assets		**(1,092)**	(1,950)
Proceeds from sales of trading securities		**767**	1,867
Proceeds from sales of other financial assets		**2,949**	–
(Increase)/decrease in non-current deposits and prepayments		**(2)**	13,568
Decrease in loan to associate		**5,483**	8,208
Other cash flows arising from investing activities		**939**	1,410
Net cash used in investing activities		**(4,993)**	(18,226)

CONDENSED CONSOLIDATED CASH FLOW STATEMENT *(Continued)*

For the six months ended 30 June 2019 – unaudited

		Six months ended 30 June	
		2019	2018
	Note	***HK$'000***	*HK$'000*
			(Note)
Financing activities			
Capital element of lease rentals paid		**(4,987)**	–
Interest element of lease rentals paid		**(1,582)**	–
Proceeds from new bank loans		**190,000**	170,000
Repayment of bank loans		**(176,468)**	(179,384)
Dividend paid to equity shareholders of the Company		**(9,506)**	(19,012)
Other cash flows used in financing activities		**(3,984)**	(3,260)
Net cash used in financing activities		**(6,527)**	(31,656)
Net decrease in cash and cash equivalents		**(12,236)**	(24,133)
Cash and cash equivalents at 1 January	*13*	**95,886**	91,591
Effect of foreign exchanges rates changes		**45**	(47)
Cash and cash equivalents at 30 June	*13*	**83,695**	67,411

Note: The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 3.

The notes on pages 8 to 31 form part of this interim financial report.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

1. Reporting entity

Kader Holdings Company Limited is a company domiciled in Bermuda. The interim financial report of the Company as at and for the six months ended 30 June 2019 comprises the Company and its subsidiaries (together referred to as the "Group") and the Group's interests in associates.

The financial report of the Group as at and for the year ended 31 December 2018 are available upon request from the Company's principal office at 11/F, 22 Kai Cheung Road, Kowloon Bay, Kowloon, Hong Kong or at http://www.kaderholdings.com.

2. Basis of preparation

The interim financial report for the six months ended 30 June 2019 comprises the Group and the Group's interests in associates.

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 29 August 2019.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2018 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2019 annual financial statements. Details of any changes in accounting policies are set out in note 3.

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

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2018 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

The HKICPA has issued a new HKFRS, HKFRS 16, *Leases*, and a number of amendments to HKFRSs that are first effective for the current accounting period of the Group.

Except for HKFRS 16, none of the 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 in this interim financial report. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

HKFRS 16, *Leases*

HKFRS 16 replaces HKAS 17, *Leases*, and the related interpretations, HK(IFRIC) 4, *Determining whether an arrangement contains a lease*, HK(SIC) 15, *Operating leases – incentives*, and HK(SIC) 27, *Evaluating the substance of transactions involving the legal form of a lease*. It introduces a single accounting model for lessees, which requires a lessee to recognise a right-of-use asset and a lease liability for all leases, except for leases that have a lease term of 12 months or less ("short-term leases") and leases of low value assets. The lessor accounting requirements are brought forward from HKAS 17 substantially unchanged.

The Group has initially applied HKFRS 16 as from 1 January 2019. The Group has elected to use the modified retrospective approach and has therefore recognised the cumulative effect of initial application as an adjustment to the opening balance of equity at 1 January 2019. Comparative information has not been restated and continues to be reported under HKAS 17.

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

(a) Changes in the accounting policies

(i) New definition of a lease

The change in the definition of a lease mainly relates to the concept of control. HKFRS 16 defines a lease on the basis of whether a customer controls the use of an identified asset for a period of time, which may be determined by a defined amount of use. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

The Group applies the new definition of a lease in HKFRS 16 only to contracts that were entered into or changed on or after 1 January 2019. For contracts entered into before 1 January 2019, the Group has used the transitional practical expedient to grandfather the previous assessment of which existing arrangements are or contain leases.

Accordingly, contracts that were previously assessed as leases under HKAS 17 continue to be accounted for as leases under HKFRS 16 and contracts previously assessed as non-lease service arrangements continue to be accounted for as executory contracts.

3. Changes in accounting policies *(Continued)*

(a) Changes in accounting policies *(Continued)*

(ii) Lessee accounting

HKFRS 16 eliminates the requirement for a lessee to classify leases as either operating leases or finance leases, as was previously required by HKAS 17. Instead, the Group is required to capitalise all leases when it is the lessee, including leases previously classified as operating leases under HKAS 17, other than those short-term leases and leases of low-value assets. As far as the Group is concerned, these newly capitalised leases are primarily in relation to land and buildings as disclosed in note 17(b).

Where the contract contains lease component(s) and non-lease component(s), the Group has elected not to separate non-lease components and accounts for each lease component and any associated non-lease components as a single lease component for all leases.

When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalise the lease on a lease-by-lease basis. The lease payments associated with those leases which are not capitalised are recognised as an expense on a systematic basis over the lease term.

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the accounting period in which they are incurred.

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses.

3. Changes in accounting policies *(Continued)*

(a) Changes in accounting policies *(Continued)*

(ii) Lessee accounting *(Continued)*

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the Group will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

(iii) Leasehold investment property

Under HKFRS 16, the Group is required to account for all leasehold properties as investment properties when these properties are held to earn rental income and/or for capital appreciation ("leasehold investment properties"). The adoption of HKFRS 16 does not have a significant impact on the Group's financial statements as the Group previously elected to apply HKAS 40, *Investment properties*, to account for all of its leasehold properties that were held for investment purposes as at 31 December 2018. Consequentially, these leasehold investment properties continue to be carried at fair value.

(b) Transitional impact

At the date of transition to HKFRS 16 (i.e. 1 January 2019), the Group determined the length of the remaining lease terms and measured the lease liabilities for the leases previously classified as operating leases at the present value of the remaining lease payments, discounted using the relevant incremental borrowing rates at 1 January 2019. The weighted average of the incremental borrowing rates used for determination of the present value of the remaining lease payments was 4.0%.

To ease the transition to HKFRS 16, the Group applied the following recognition exemption and practical expedients at the date of initial application of HKFRS 16:

(i) the Group elected not to apply the requirements of HKFRS 16 in respect of the recognition of lease liabilities and right-of-use assets to leases for which the remaining lease term ends within 12 months from the date of initial application of HKFRS 16, i.e. where the lease term ends on or before 31 December 2019; and

(ii) when measuring the lease liabilities at the date of initial application of HKFRS 16, the Group applied a single discount rate to a portfolio of leases with reasonably similar characteristics (such as leases with a similar remaining lease term for a similar class of underlying asset in a similar economic environment);

3. Changes in accounting policies *(Continued)*

(b) Transitional impact *(Continued)*

The following table reconciles the operating lease commitments as disclosed in note 17(b) as at 31 December 2018 to the opening balance for lease liabilities recognised as at 1 January 2019.

	1 January 2019 *HK$'000*
Operating lease commitments as at 31 December 2018	9,359
Less: short-term leases and other leases with remaining lease term ending on or before 31 December 2019:	(118)
Add: lease payments for the additional periods where the Group considers it reasonably certain that it will exercise the extension options	83,081
	92,322
Less: total future interest expenses	(12,647)
Total lease liabilities recognised at 1 January 2019	79,675

The right-of-use assets in relation to leases previously classified as operating leases have been recognised at an amount equal to the amount recognised for the remaining lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position at 31 December 2018.

The Group presents right-of-use assets that do not meet the definition of investment property in "other property, plant and equipment" and presents lease liabilities separately in the statement of financial position.

3. Changes in accounting policies *(Continued)*

(b) Transitional impact *(Continued)*

The following table summarises the impacts of the adoption of HKFRS 16 on the Group's consolidated statement of financial position:

	Carrying amount at 31 December 2018 *HK$'000*	Capitalisation of operating lease contracts *HK$'000*	**Carrying amount at 1 January 2019** ***HK$'000***
Other property, plant and equipment	145,327	75,969	**221,296**
Total non-current assets	2,215,850	75,969	**2,291,819**
Lease liabilities (current)	–	9,893	**9,893**
Current liabilities	410,826	9,893	**420,719**
Net current assets	107,678	(9,893)	**97,785**
Total assets less current liabilities	2,323,528	66,076	**2,389,604**
Lease liabilities (non-current)	–	69,782	**69,782**
Deferred rental expenses	3,706	(3,706)	**–**
Total non-current liabilities	28,426	66,076	**94,502**
Net assets	2,295,102	–	**2,295,102**

The analysis of the net book value of the Group's right-of-use assets by class of underlying asset at the end of the reporting period and at the date of transition to HKFRS 16 is as follows:

	At 30 June 2019 ***HK$'000***	At 1 January 2019 *HK$'000*
Included in "Other property, plant and equipment":		
Land and building held for own use, carried at depreciated costs	**69,564**	75,100
Other items of plant and equipment, carried at depreciated costs	**723**	869
	70,287	75,969

3. Changes in accounting policies *(Continued)*

(c) Lease liabilities

The remaining contractual maturities of the Group's lease liabilities at the end of the reporting period and at the date of transition to HKFRS 16 are as follows:

	At 30 June 2019		At 1 January 2019	
	Present value of the minimum lease payments	**Total minimum lease payments**	Present value of the minimum lease payments	Total minimum lease payments
	HK$'000	***HK$'000***	*HK$'000*	*HK$'000*
Within 1 year	**10,085**	**12,890**	9,893	12,900
After 1 year but within 2 years	**10,652**	**13,044**	10,320	12,924
After 2 years but within 5 years	**30,743**	**35,305**	32,140	37,337
After 5 years	**23,235**	**24,560**	27,322	29,161
	64,630	**72,909**	69,782	79,422
	74,715	**85,799**	79,675	92,322
Less: total future interest expenses		**(11,084)**		(12,647)
Present value of lease liabilities		**74,715**		79,675

(d) Impact on the financial result, segment results and cash flows of the Group

After the initial recognition of right-of-use assets and lease liabilities as at 1 January 2019, the Group as a lessee is required to recognise interest expense accrued on the outstanding balance of the lease liability, and the depreciation of the right-of-use asset, instead of the previous policy of recognising rental expenses incurred under operating leases on a straight-line basis over the lease term. This results in a positive impact on the reported profit from operations in the Group's consolidated statement of profit or loss, as compared to the results if HKAS 17 had been applied during the year.

In the cash flow statement, the Group as a lessee is required to split rentals paid under capitalised leases into their capital element and interest element. These elements are classified as financing cash outflows, similar to how leases previously classified as finance leases under HKAS 17 were treated, rather than as operating cash outflows, as was the case for operating leases under HKAS 17. Although total cash flows are unaffected, the adoption of HKFRS 16 therefore results in a significant change in presentation of cash flows within the cash flow statement.

3. Changes in accounting policies *(Continued)*

(d) Impact on the financial result, segment results and cash flows of the Group *(Continued)*

The following tables may give an indication of the estimated impact of adoption of HKFRS 16 on the Group's financial result, segment results and cash flows for the six months ended 30 June 2019, by adjusting the amounts reported under HKFRS 16 in these interim financial statements to compute estimates of the hypothetical amounts that would have been recognised under HKAS 17 if this superseded standard had continued to apply to 2019 instead of HKFRS 16, and by comparing these hypothetical amounts for 2019 with the actual 2018 corresponding amounts which were prepared under HKAS 17.

	2019				2018
	Amounts reported under HKFRS 16	**Add back: HKFRS 16 depreciation and interest expense**	**Deduct: Estimated amounts related to operating leases as if under HKAS 17** ***(note 1)***	**Hypothetical amounts for 2019 as if under HKAS 17**	Compared to amounts reported for 2018 under HKAS 17
	(A)	**(B)**	**(C)**	**(D=A+B-C)**	
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***	*HK$'000*
Financial result for the six months ended 30 June 2019 impacted by the adoption of HKFRS 16:					
(Loss)/profit from operations	**(6,429)**	**5,935**	**(6,569)**	**(7,063)**	19,082
Finance costs	**(5,566)**	**1,582**	**–**	**(3,984)**	(3,260)
(Loss)/profit before taxation	**(19,142)**	**7,517**	**(6,569)**	**(18,194)**	20,321
(Loss)/profit for the period	**(20,271)**	**7,517**	**(6,569)**	**(19,323)**	10,812
Reportable segment (loss)/ profit (adjusted EBITDA) for the six months ended 30 June 2019 ***(note 5(b))*** **impacted by the adoption of HKFRS 16:**					
– Toys and model trains	**(12,273)**	**–**	**(6,569)**	**(18,842)**	9,196
– Property investment	**17,927**	**–**	**–**	**17,927**	20,631
– Investment holding	**(2,802)**	**–**	**–**	**(2,802)**	(2,006)
Total	**2,852**	**–**	**(6,569)**	**(3,717)**	27,821

3. Changes in accounting policies *(Continued)*

(d) Impact on the financial result, segment results and cash flows of the Group *(Continued)*

	2019			2018
	Amounts reported under HKFRS 16 (A)	**Estimated amounts related to operating leases as if under HKAS 17 *(notes 1&2)* (B)**	**Hypothetical amounts for 2019 as if under HKAS 17 (C=A+B)**	Compared to amounts reported for 2018 under HKAS 17
	HK$'000	***HK$'000***	***HK$'000***	*HK$'000*
Line items in the condensed consolidated cash flow statement for the six months ended 30 June 2019 impacted by the adoption of HKFRS 16:				
Cash generated from operations	**8,750**	**(6,569)**	**2,181**	46,307
Net cash (used in)/generated from operating activities	**(716)**	**(6,569)**	**(7,285)**	25,749
Capital element of lease rentals paid	**(4,987)**	**4,987**	**–**	–
Interest element of lease rentals paid	**(1,582)**	**1,582**	**–**	–
Net cash used in financing activities	**(6,527)**	**6,569**	**42**	(31,656)

Note 1: The "estimated amounts related to operating leases" is an estimate of the amounts of the cash flows in 2019 that relate to leases which would have been classified as operating leases, if HKAS 17 had still applied in 2019. This estimate assumes that there were no differences between rentals and cash flows and that all of the new leases entered into in 2019 would have been classified as operating leases under HKAS 17, if HKAS 17 had still applied in 2019. Any potential net tax effect is ignored.

Note 2: In this impact table these cash outflows are reclassified from financing to operating in order to compute hypothetical amounts of net cash generated from operating activities and net cash used in financing activities as if HKAS 17 still applied.

4. Estimates

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

In preparing this interim financial report, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 31 December 2018.

5. Revenue and 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 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) Disaggregation of revenue

Disaggregation of revenue from contracts with customers by significant category of revenue is as follows:

	Six months ended 30 June	
	2019	2018
	HK$'000	*HK$'000*
Revenue from contracts with customers within the scope of HKFRS 15		
– Sales of goods	**172,939**	254,707
Revenue from other sources		
– Gross rentals from investment properties	**23,071**	24,643
	196,010	279,350

The Group's customer base is diversified and includes one (2018: one) customer with whom transactions have exceeded 10% of the Group's revenue. In 2019, revenue from sales of toys and model trains to this customer (2018: one), including sales to entities which are known to the Group to be under common control of this customer, amounted to approximately HK$68,721,000 (2018: HK$139,845,000) and arose in the North America (2018: North America) geographical region in which the toys and model trains division is active.

5. Revenue and segment reporting *(Continued)*

(b) 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 financial assets, trading securities, deferred tax assets, current tax recoverable, cash and cash equivalents, loans to an associate 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.

5. Revenue and segment reporting *(Continued)*

(b) 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	
	2019	2018	**2019**	2018	**2019**	2018	**2019**	2018
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
		(Note)		*(Note)*		*(Note)*		*(Note)*
Revenue from external customers	**172,939**	254,707	**23,071**	24,643	**–**	–	**196,010**	279,350
Inter-segment revenue	**–**	–	**868**	598	**–**	–	**868**	598
Reportable segment revenue	**172,939**	254,707	**23,939**	25,241	**–**	–	**196,878**	279,948
Reportable segment (loss)/profit (adjusted EBITDA)	**(12,273)**	9,196	**17,927**	20,631	**(2,802)**	(2,006)	**2,852**	27,821
Additions to non-current segment assets during the period	**11,913**	38,195	**10,636**	–	**–**	–	**22,549**	38,195

	Toys and model trains		Property investment		Investment holding		Total	
	At 30 June 2019	At 31 December 2018	**At 30 June 2019**	At 31 December 2018	**At 30 June 2019**	At 31 December 2018	**At 30 June 2019**	At 31 December 2018
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Reportable segment assets	**595,716**	544,628	**1,973,339**	1,960,760	**347,379**	351,417	**2,916,434**	2,856,805
Reportable segment liabilities	**784,315**	711,044	**34,417**	34,385	**8,028**	6,946	**826,760**	752,375

Note: The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 3.

5. Revenue and segment reporting *(Continued)*

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

	Six months ended 30 June	
	2019	2018
	HK$'000	*HK$'000*
		(Note)
Revenue		
Reportable segment revenue	**196,878**	279,948
Elimination of inter-segment revenue	**(868)**	(598)
Consolidated revenue	**196,010**	279,350
Profit		
Reportable segment profit	**2,852**	27,821
Elimination of inter-segment profit	**–**	–
Reportable segment profit derived from Group's external customers	**2,852**	27,821
Other income	**9,094**	3,957
Depreciation and amortisation	**(18,375)**	(12,409)
Finance costs	**(5,566)**	(3,260)
Share of profits less losses of associates	**(7,147)**	4,499
Unallocated head office and corporate expenses	**–**	(287)
Consolidated (loss)/profit before taxation	**(19,142)**	20,321

Note: The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 3.

5. Revenue and segment reporting *(Continued)*

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

	At 30 June 2019 ***HK$'000***	At 31 December 2018 *HK$'000*
Assets		
Reportable segment assets	**2,916,434**	2,856,805
Elimination of inter-segment receivables	**(361,420)**	(363,421)
	2,555,014	2,493,384
Intangible assets	**382**	399
Interests in associates	**82,107**	89,248
Loans to an associate	**12,694**	18,177
Other financial assets	**18,403**	18,941
Trading securities	**13,102**	10,804
Current tax recoverable	**6,646**	1,021
Deferred tax assets	**7,153**	6,494
Cash and cash equivalents	**83,695**	95,886
Consolidated total assets	**2,779,196**	2,734,354
Liabilities		
Reportable segment liabilities	**826,760**	752,375
Elimination of inter-segment payables	**(361,420)**	(363,421)
	465,340	388,954
Current tax payable	**24,663**	26,695
Deferred tax liabilities	**23,603**	23,603
Consolidated total liabilities	**513,606**	439,252

6. Seasonality of operations

The Group's toys and model trains division, a separate business segment (see note 5), on average experiences higher sales in the second half of the year, compared to the first half of the year, due to 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.

7. (Loss)/profit before taxation

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

	Six months ended 30 June	
	2019	2018
	HK$'000	*HK$'000*
		(Note)
(a) Finance costs		
Interest on bank loans	**3,984**	3,260
Interest on lease liabilities	**1,582**	–
	5,566	3,260
(b) Other items		
Cost of inventories *(note 11)*	**119,921**	171,122
Amortisation of intangible assets	**17**	331
Depreciation charge		
– owned property, plant and equipment	**12,423**	12,078
– right-of-use assets	**5,935**	–
Net (gain)/loss on disposal of property, plant and equipment *(note 10(c))*	**(1,273)**	115
Net realised and unrealised (gains)/losses on trading securities	**(958)**	334
Net realised and unrealised (gains)/losses on investments not held for trading	**(1,260)**	382
Interest income	**(945)**	(1,011)

Note: The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 3.

8. Income tax expense

	Six months ended 30 June	
	2019	2018
	HK$'000	*HK$'000*
Current tax – Hong Kong Profits Tax	**837**	4,136
Current tax – Outside Hong Kong	**951**	1,298
Deferred tax	**(659)**	4,075
Income tax expense	**1,129**	9,509

The provision for Hong Kong Profits Tax is calculated by applying the estimated annual effective tax rate of 16.5% (2018: 16.5%) to the six months ended 30 June 2019. 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.

9. (Loss)/earnings per share

(a) Basic (loss)/earnings per share

The calculation of basic (loss)/earnings per share is based on the (loss)/profit attributable to ordinary equity shareholders of the Company of HK$20,735,000 (six months ended 30 June 2018: profit of HK$9,525,000) and the weighted average of 950,588,000 ordinary shares (six months ended 30 June 2018: 950,588,000 ordinary shares) in issue during the interim period.

(b) Diluted (loss)/earnings per share

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

10. Investment properties and other property, plant and equipment

(a) Right-of-use assets

As discussed in note 3, the Group has initially applied HKFRS 16 using the modified retrospective method and adjusted the opening balances at 1 January 2019 to recognise right-of-use assets relating to leases which were previously classified as operating leases under HKAS 17. Further details on the net book value of the Group's right-of-use assets by class of underlying asset are set out in note 3(b).

(b) Acquisitions

During the six months ended 30 June 2019, the Group acquired items of property, plant and equipment with an aggregate cost of HK$22,547,000 (six months ended 30 June 2018: HK$38,195,000).

10. Investment properties and other property, plant and equipment *(Continued)*

(c) Disposals

Items of other property, plant and equipment with cost and net book value of HK$15,541,000 and HK$3,000 respectively were disposed of during the six months ended 30 June 2019 (six months ended 30 June 2018: HK$500,000 and HK$173,000), resulting in a gain on disposal of HK$1,273,000 (six months ended 30 June 2018: loss on disposal of HK$115,000).

(d) Valuation

All investment properties of the Group were revalued as at 31 December 2018 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 2019 are carried at fair value.

11. 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	
	2019	2018
	HK$'000	*HK$'000*
Carrying amount of inventories sold	**119,616**	173,712
Write-down of inventories	**3,200**	2,321
Reversal of write-down of inventories	**(2,895)**	(4,911)
	119,921	171,122

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

12. 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 2019 *HK$'000*	At 31 December 2018 *HK$'000*
Within 1 month	**38,809**	37,460
Over 1 month but within 3 months	**26,789**	48,832
Over 3 months but within 12 months	**2,763**	7,717
Over 12 months	**10**	1,225
Total trade debtors, net of allowance for doubtful debts	**68,371**	95,234
Amounts due from related companies	**2,051**	2,051
Other debtors and prepayments	**37,167**	29,884
	107,589	127,169

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.

13. Cash and cash equivalents

	At 30 June 2019 *HK$'000*	At 31 December 2018 *HK$'000*
Deposits with other financial institution	**597**	226
Cash at bank and on hand	**83,098**	95,660
Cash and cash equivalents in the condensed consolidated cash flow statement	**83,695**	95,886

14. Trade and other payables and contract liabilities

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

	At 30 June 2019	At 31 December 2018
	HK$'000	*HK$'000*
Within 1 month	**16,584**	13,573
Over 1 month but within 3 months	**7,253**	14,517
Over 3 months but within 6 months	**2,209**	4,192
Over 6 months	**850**	904
Total trade creditors	**26,896**	33,186
Creditors and accrued charges	**70,428**	69,317
Contract liabilities	**907**	1,304
Rental deposits	**8,915**	11,459
Amount due to a related company	**928**	928
	108,074	116,194

15. 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	
	2019	2018
	HK$'000	*HK$'000*
Final dividend in respect of the previous financial year, approved and paid during the following interim period, of HK1.0 cent per ordinary share (six months ended 30 June 2018: HK2.0 cents per ordinary share)	**9,506**	19,012

15. Capital, reserves and dividends *(Continued)*

(b) Share capital

	2019		2018	
	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.

(d) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

The Group monitors its capital structure on the basis of an adjusted net debt-to-capital ratio. For this purpose, adjusted net debt is defined as total debt (which includes interest-bearing loans and borrowings, lease liabilities, trade and other payables, contract liabilities and rental deposits) plus unaccrued proposed dividends, less cash and cash equivalents. Adjusted capital comprises all components of equity less unaccrued proposed dividends.

The Group's strategy was to maintain the adjusted net debt-to-capital ratio under 100%. In order to maintain or adjust the ratio, the Group may adjust the amount of dividends paid to shareholders, issue new shares, return capital to shareholders, raise new debt financing or sell assets to reduce debt.

15. Capital, reserves and dividends *(Continued)*

(d) Capital management *(Continued)*

The Group's adjusted net debt-to-capital ratio at the end of the current and previous reporting periods and at the date of transition to HKFRS 16 was as follows:

	Note	**30 June 2019** *HK$'000*	1 January 2019 *HK$'000* *(Note)*	31 December 2018 *HK$'000* *(Note)*
Current liabilities:				
Trade and other payables and contract liabilities		**108,074**	116,194	116,194
Bank loans		**281,469**	267,937	267,937
Lease liabilities		**10,085**	9,893	–
		399,628	394,024	384,131
Non-current liabilities:				
Rental deposits		**1,025**	1,025	1,025
Lease liabilities		**64,630**	69,782	–
		65,655	70,807	1,025
Total debt		**465,283**	464,831	385,156
Add: proposed dividends	*15(a)*	**–**	9,506	9,506
Less: cash and cash equivalents	*13*	**(83,695)**	(95,886)	(95,886)
Adjusted net debt		**381,588**	378,451	298,776
Total equity		**2,265,546**	2,295,102	2,295,102
Less: proposed dividends	*15(a)*	**–**	(9,506)	(9,506)
Adjusted capital		**2,265,546**	2,285,596	2,285,596
Adjusted net debt-to-capital ratio		**16.8%**	16.6%	13.1%

Note: The Group has initially applied HKFRS 16 using the modified retrospective approach and adjusted the opening balances at 1 January 2019 to recognise lease liabilities relating to leases which were previously classified as operating leases under HKAS 17. Under this approach, the comparative information is not restated. See note 3.

16. Fair value measurement of financial instruments

(a) Financial assets measured at fair value

Fair value hierarchy

The following table presents the fair value of the Group's financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13, Fair value measurement. The level into which a *fair value measurement* is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

– Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date

– Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available

– Level 3 valuations: Fair value measured using significant unobservable inputs

	Fair value as at 30 June 2019	Fair value measurements as at 30 June 2019 categorised into		
		Level 1	Level 2	Level 3
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Recurring fair value measurements				
Other financial assets				
– Listed equity securities	**1,510**	**1,510**	**–**	**–**
– Listed debt securities	**1,949**	**1,949**	**–**	**–**
– Unlisted equity securities	**9,944**	**–**	**9,944**	**–**
	13,403	**3,459**	**9,944**	**–**
Trade securities				
– Listed equity securities	**13,102**	**13,102**	**–**	**–**
	26,505	**16,561**	**9,944**	**–**

16. Fair value measurement of financial instruments *(Continued)*

(a) Financial assets measured at fair value *(Continued)*

Fair value hierarchy *(Continued)*

	Fair value as at 31 December 2018	Fair value measurements as at 31 December 2018 categorised into		
		Level 1	Level 2	Level 3
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Recurring fair value measurements				
Other financial assets:				
– Listed equity securities	3,036	3,036	–	–
– Listed debt securities	2,906	2,906	–	–
– Unlisted equity securities	7,999	–	7,999	–
	13,941	5,942	7,999	–
Trading securities:				
– Listed equity securities	10,804	10,804	–	–
	24,745	16,746	7,999	–

During the six months ended 30 June 2019, there were no transfers between Level 1 and Level 2, nor transfers into or out of Level 3 (2018: HK$ Nil). The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

(b) Fair values of financial instruments carried at other than fair value

The carrying amounts of the Group's financial instruments carried at cost or amortised cost are not materially different from their fair values as at 31 December 2018 and 30 June 2019.

17. Commitments

(a) Capital commitments outstanding at 30 June 2019 not provided for in the interim financial report

	At 30 June 2019 *HK$'000*	At 31 December 2018 *HK$'000*
Contracted for	**6,289**	8,665

(b) At 31 December 2018, the total future minimum lease payments under non-cancellable operating leases were payable as follows:

	Land & buildings *HK$'000*	Others *HK$'000*
Within 1 year	6,165	244
After 1 year but within 5 years	2,016	222
Over 5 years	712	–
	8,893	466

18. Contingent liabilities

As at 30 June 2019, the Group did not have any significant contingent liabilities.

19. Material related party transactions

(a) As at 30 June 2019, the Group advanced funds totalling HK$40,147,000 (31 December 2018: HK$40,140,000) to certain associates in which some of the directors of the Company have beneficial interests.

(b) During the six months ended 30 June 2019, the Group acquired sanitary wares amounted to HK$248,000 from a related party in which a director of the Company has beneficial interests. There was no such transactions during the six months ended 30 June 2018.

20. Comparative figures

The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective method. Under this approach, comparative information is not restated. Further details of the changes in accounting policies are disclosed in note 3.

INTERIM DIVIDEND

The Board of Directors has resolved not to declare the payment of an interim dividend for the six months ended 30 June 2019 (2018: HK$Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS

During the period under review, the Group recorded a consolidated revenue of approximately HK$196.01 million, which decreased by approximately 29.83% as compared to approximately HK$279.35 million reported for the corresponding period last year. The loss attributable to equity shareholders amounted to approximately HK$20.74 million while the profit attributable to equity shareholders amounted to approximately HK$9.53 million for the corresponding period last year. The United States-China trade war and Brexit have negative impact on the performance of the Group for the first half year of 2019.

BUSINESS REVIEW

Toys and Model Trains

During the first half year of 2019, the revenue was approximately HK$172.94 million, representing a decrease of approximately 32.10% 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 sustain its business.

Property Investment

During the period under review, the Group's rental income amounted to approximately HK$23.07 million, representing a decrease of approximately 6.37% as compared to the corresponding period last year and the occupancy rate of its investment properties was approximately 61% (30 June 2018: approximately 75%).

FINANCIAL REVIEW

Liquidity and Financial Resources

As at 30 June 2019, the Group's net asset value per share was approximately HK$2.38 (31 December 2018: approximately HK$2.41). The Group had net current assets of approximately HK$75.07 million (31 December 2018: approximately HK$107.68 million). Total bank borrowings were approximately HK$281.47 million (31 December 2018: approximately HK$267.94 million) while the secured total banking facilities were approximately HK$764.37 million (31 December 2018: approximately HK$801.05 million). Included in total bank borrowings were revolving loans of approximately HK$245.00 million (31 December 2018: approximately HK$195.00 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 12.42% (31 December 2018: approximately 11.67%). 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 2019, investment properties and certain leasehold land and buildings of the Group with a net book value of approximately HK$1,865.79 million (31 December 2018: approximately HK$1,856.48 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 2019.

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 completely 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 40% of the Group's sales during the six months ended 30 June 2019. 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"), Renminbi Yuan ("RMB") and Japanese Yen ("JPY"). As such, the Group faces a certain degree of exchange rate risk mainly arising from GBP, RMB and JPY denominated transactions for which the exchange rate volatility is relatively high.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2019, the Group employed 1,730 (30 June 2018: 1,937) 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 staff costs for the six months ended 30 June 2019 amounted to approximately HK$96.30 million (six months ended 30 June 2018: approximately HK$107.08 million). 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 and Brexit. The Group will continue to explore sales opportunities, raise production efficiency and strengthen the cost control measures in order to sustain its business. In addition, the Group has the intention to revitalize Kader Building, and has commenced initial procedures and submitted the relevant documents to the Government of the HKSAR. The revitalization will enhance the Group's source of revenue and profitability.

DISCLOSURE OF INTERESTS

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

As at 30 June 2019, the interests and short positions of the directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept by the Company under section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") under the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") were as follows:

(1) Interests in the Company

	Number of ordinary shares of HK$0.10 each				
Name of directors	Personal interests	Family interests	Corporate interests	Total interests	% of total issued share capital
Mr. Kenneth Ting Woo-shou	288,629,941	2,075,183[(i)]	258,963,571[(ii)]	549,668,695	57.82%
Mrs. Nancy Ting Wang Wan-sun	2,075,183	–	–	2,075,183	0.22%
Mr. Ivan Ting Tien-li	21,530,432	–	–	21,530,432	2.26%
Mr. Bernie Ting Wai-cheung	–	–	–	–	–
Mr. Floyd Chan Tsoi-yin	–	–	–	–	–
Mr. Andrew Yao Cho-fai	–	–	–	–	–
Mr. Desmond Chum Kwan-yue	–	–	–	–	–

Notes:

(i) The spouse of Mr. Kenneth Ting Woo-shou is the beneficial shareholder.

(ii) Included in the "Corporate Interests" above were 209,671,000 shares of the Company held by the Company's substantial shareholder, H.C. Ting's Holdings Limited, in which Mr. Kenneth Ting Woo-shou has a controlling interest through Border Shipping Limited; and 49,292,571 shares of the Company held by Glory Town Limited, in which Mr. Kenneth Ting Woo-shou has a controlling interest through Tyrol Investments Limited.

(2) Interests in Associated Corporations

Name of associated corporations	Beneficial interests	Class of shares	Number of shares held: Personal interests	Family interests	Corporate interests	% of interests in associated corporations
Allman Holdings Limited ("Allman")	Mr. Ivan Ting Tien-li ("Ivan Ting")	Ordinary shares of US$1.00 each	920[(i)]	–	–	63.89%
Pacific Squaw Creek, Inc. ("PSC")	Mr. Ivan Ting	Ordinary shares of US$1.00 each	–	–	1,000[(ii)]	100.00%
Squaw Creek Associates, LLC ("SCA")	Mr. Ivan Ting	Not applicable[(iii)]	–	–	–	62.00%[(v)]
SCA	Mr. Kenneth Ting Woo-shou ("Kenneth Ting")	Not applicable[(iii)]	–	–	–	13.00%[(vi)]
Snow King Properties, LLC ("SKP")	Mr. Ivan Ting	Not applicable[(iv)]	–	–	–	62.00%[(v)]
SKP	Mr. Kenneth Ting	Not applicable[(iv)]	–	–	–	13.00%[(vi)]

Notes:

(i) These interests are held by Mr. Ivan Ting.

(ii) These interests are held by Allman. Mr. Ivan Ting's beneficial interests in Allman are disclosed in note (i) above.

(iii) SCA does not have issued share capital, the percentage of interest in SCA represents the interest in capital account balance.

(iv) SKP does not have issued share capital, the percentage of interest in SKP represents the interest in capital account balance.

(v) These interests are held by PSC. Mr. Ivan Ting's beneficial interests in PSC are disclosed in note (ii) above.

(vi) These interests are held by Ting Corporation which is wholly owned by Mr. Kenneth Ting.

All the interests stated above represent long positions. As at 30 June 2019, no short positions were recorded in the register required to be kept under section 352 of the SFO.

Save as disclosed above, as at 30 June 2019, none of the directors and chief executives of the Company nor their spouses or children under 18 years of age has interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations, as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Substantial Shareholders' and Other Person's Interests

As at 30 June 2019, substantial shareholders and other persons (other than directors or chief executives of the Company) who had interests or short positions in the shares, underlying shares and debentures of the Company which were recorded in the register kept by the Company under section 336 of the SFO were as follows:

	Number of ordinary shares of HK$0.10 each				
Substantial shareholders and other persons	**Personal interests**	**Family interests**	**Corporate interests**	**Total interests**	**% of total issued share capital**
Forest Crimson Limited	–	–	209,671,000[(i)]	209,671,000	22.06%
Mr. Ting Hok-shou	13,800,238	571,429[(ii)]	39,098,281[(iii)]	53,469,948	5.62%
Ms. Emily Tsang Wing-hin	571,429	13,800,238[(iv)]	39,098,281[(iii)]	53,469,948	5.62%

Notes:

(i) Included in the "Corporate Interests" above were 209,671,000 shares of the Company held by the Company's substantial shareholder, H.C. Ting's Holdings Limited, in which Forest Crimson Limited has a controlling interest through Border Shipping Limited.

(ii) The spouse of Mr. Ting Hok-shou, Ms. Emily Tsang Wing-hin, is the beneficial shareholder.

(iii) Included in the "Corporate Interests" above were 3,913,997 shares of the Company held by Golden Tree Investment Company Limited, in which Mr. Ting Hok-shou and Ms. Emily Tsang Wing-hin together have controlling interest; and 35,184,284 shares of the Company held by Kimpont Limited, in which Mr. Ting Hok-shou and Ms. Emily Tsang Wing-hin together have controlling interest through Golden Tree Investment Company Limited and Yale Investment Corporation.

(iv) The spouse of Ms. Emily Tsang Win-hin is the beneficial shareholder.

Save as disclosed above, as at 30 June 2019, the Company was not notified by any persons (other than directors or chief executives of the Company) who had interests or short positions in the shares, underlying shares and debentures of the Company which were recorded in the register kept by the Company under section 336 of the SFO.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities 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 director and independent non-executive directors ("INEDs") form the majority of the Board, with four out of seven of the directors of the Company being non-executive director and INEDs as at 30 June 2019. 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 of the Company 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 2019.

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 throughout the period under review.

CHANGES IN INFORMATION OF DIRECTORS

The changes in the information of directors of the Company, which are required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules, are as follows:

Dr. Moses Cheng Mo-chi ("Dr. Cheng") and Mr. Ronald Montalto, a Non-executive Director and an INED of the Company respectively, retired from the positions of the Company on 1 May 2019. Dr. Cheng also ceased to be a member of the Audit Committee of the Company on 1 May 2019.

Ms. Sabrina Chao Sih-ming was appointed as an INED of the Company on 1 July 2019.

By order of the Board
Kenneth Ting Woo-shou
Chairman

Hong Kong, 29 August 2019

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 director of the Company is 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 Ms. Sabrina Chao Sih-ming.