KADER
Manufacturing Trust

KADER HOLDINGS COMPANY LIMITED
開達集團有限公司

(Incorporated in Bermuda with limited liability)
(Stock Code: 180)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2023

The Board of Directors (the "Board") 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 2023, together with comparative figures for the corresponding period in 2022 are as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2023 – unaudited

		Six months ended 30 June	
		2023	2022
	Note	***HK$'000***	*HK$'000*
Revenue	*4 & 5*	**152,986**	161,136
Other revenue and other net income/(loss)		**14,632**	(6,366)
Changes in inventories of finished goods and work in progress		**37,047**	27,389
Cost of purchase of finished goods		**(34,610)**	(20,106)
Raw materials and consumables used		**(7,509)**	(17,217)
Staff costs		**(85,208)**	(83,660)
Depreciation		**(19,888)**	(19,912)
Other operating expenses		**(53,850)**	(54,284)
Profit/(loss) from operations		**3,600**	(13,020)
Finance costs	*6(a)*	**(14,237)**	(4,034)
Share of profits less losses of associates		**(6,120)**	(6,357)
Impairment loss of loans to an associate		**(2,056)**	–
Surplus/(deficit) on revaluation of investment properties	*9(d)*	**16,271**	(3,550)
Loss before taxation	*6*	**(2,542)**	(26,961)
Income tax credit/(expense)	*7*	**830**	(2,656)
Loss for the period		**(1,712)**	(29,617)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS *(Continued)*
For the six months ended 30 June 2023 – unaudited

		Six months ended 30 June	
		2023	2022
	Note	***HK$'000***	*HK$'000*
Attributable to:			
Equity shareholders of the Company		**(2,582)**	(30,502)
Non-controlling interests		**870**	885
Loss for the period		**(1,712)**	(29,617)
Loss per share	*8*		
Basic		**(0.27¢)**	(3.21¢)
Diluted		**(0.27¢)**	(3.21¢)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2023 – unaudited

	Six months ended 30 June	
	2023	2022
	HK$'000	*HK$'000*
Loss for the period	**(1,712)**	(29,617)
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	**7,253**	(6,125)
Total comprehensive income for the period	**5,541**	(35,742)
Attributable to:		
Equity shareholders of the Company	**4,866**	(36,396)
Non-controlling interests	**675**	654
Total comprehensive income for the period	**5,541**	(35,742)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2023 – unaudited

	Note	At 30 June 2023 HK$'000	At 31 December 2022 HK$'000
Non-current assets			
Investment properties	9	**2,129,374**	2,073,199
Other property, plant and equipment	9	**193,236**	187,173
		2,322,610	2,260,372
Intangible assets		**335**	352
Interest in associates		**60,099**	59,834
Other financial assets		**56,191**	53,927
Deposits and prepayments		**61,274**	65,233
Deferred tax assets		**17,076**	15,350
		2,517,585	2,455,068
Current assets			
Trading securities		**10,509**	10,173
Inventories	10	**298,477**	255,569
Current tax recoverable		**153**	371
Loans to associates		**55,128**	50,362
Trade and other receivables	11	**81,218**	101,583
Cash and cash equivalents		**75,901**	81,217
		521,386	499,275
Current liabilities			
Trade and other payables and contract liabilities	12	**153,820**	152,684
Bank loans		**594,212**	509,381
Lease liabilities		**7,499**	7,624
Current tax payable		**35,818**	35,508
		791,349	705,197
Net current liabilities		**(269,963)**	(205,922)
Total assets less current liabilities carried forward		**2,247,622**	2,249,146

CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Continued)*
As at 30 June 2023 – unaudited

	Note	At 30 June 2023 HK$'000	At 31 December 2022 HK$'000
Total assets less current liabilities brought forward		**2,247,622**	2,249,146
Non-current liabilities			
Bank loans		**11,479**	11,942
Lease liabilities		**21,793**	26,117
Rental deposits		**1,034**	3,637
Deferred tax liabilities		**28,542**	28,222
Accrued employee benefits		**132**	127
		62,980	70,045
NET ASSETS		**2,184,642**	2,179,101
CAPITAL AND RESERVES			
Share capital	*13(b)*	**95,059**	95,059
Reserves		**2,083,032**	2,078,166
Total equity attributable to equity shareholders of the Company		**2,178,091**	2,173,225
Non-controlling interests		**6,551**	5,876
TOTAL EQUITY		**2,184,642**	2,179,101

NOTES

1. INDEPENDENT REVIEW

The interim financial results for the six months ended 30 June 2023 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 2023 comprise the Group and the Group's interests in associates.

The interim financial results set out in the announcement do not constitute the Group's interim financial report for the six months ended 30 June 2023 but are extracted from the report. The interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with Hong Kong Accounting Standard ("HKAS") 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

The interim financial report was approved by the Board of Directors and authorised for issue on 30 August 2023.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2022 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2023 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.

As at 30 June 2023, the Group recorded net current liabilities of HK$269,963,000 (31 December 2022: HK$205,922,000). Despite the net current liabilities as at 30 June 2023, the Group's cash and cash equivalents amounted to HK$75,901,000 (31 December 2022: HK$81,217,000) on the same day. Furthermore, based on the unutilised banking facilities of HK$280,772,000 (31 December 2022: HK$319,599,000), the directors are of the opinion that the Group would have adequate funds to meet its liabilities as and when they fall due for at least twelve months from 30 June 2023. Accordingly, the Group's interim financial report has been prepared on a going concern basis.

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 2022 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

3. CHANGES IN ACCOUNTING POLICIES

(a) New and amended HKFRSs

The HKICPA has issued several amendments to HKFRSs that are first effective for the current accounting period of the Group:

- HKFRS 17, *Insurance contracts*
- Amendments to HKAS 8, *Accounting policies, changes in accounting estimates and* errors: *Definition of accounting estimates*
- Amendments to HKAS 12, *Income taxes: Deferred tax related to assets and liabilities arising from a single transaction*
- Amendments to HKAS 12, *Income taxes: International tax reform – Pillar Two model rules*

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 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.

(b) HKICPA guidance on the accounting implications of the abolition of the MPF-LSP offsetting mechanism

In June 2022, the Government of the Hong Kong SAR (the "Government") gazetted the Hong Kong Employment and Retirement Schemes Legislation (Offsetting Arrangement) (Amendment) Ordinance 2022 (the "Amendment Ordinance"), which will eventually abolish the statutory right of an employer to reduce its long service payment ("LSP") and severance payment payable to a Hong Kong employee by drawing on its mandatory contributions to the mandatory provident fund ("MPF") scheme (also known as the "offsetting mechanism"). The Government has subsequently announced that the Amendment Ordinance will come into effect from 1 May 2025 (the "Transition Date"). Separately, the Government is also expected to introduce a subsidy scheme to assist employers after the abolition.

Among other things, once the abolition of the offsetting mechanism takes effect, an employer can no longer use any of the accrued benefits derived from its mandatory MPF contributions (irrespective of the contributions made before, on or after the Transition Date) to reduce the LSP in respect of an employee's service from the Transition Date. However, where an employee's employment commenced before the Transition Date, the employer can continue to use the above accrued benefits to reduce the LSP in respect of the employee's service up to that date; in addition, the LSP in respect of the service before the Transition Date will be calculated based on the employee's monthly salary immediately before the Transition Date and the years of service up to that date.

3. CHANGES IN ACCOUNTING POLICIES *(Continued)*

(b) HKICPA guidance on the accounting implications of the abolition of the MPF-LSP offsetting mechanism *(Continued)*

In July 2023, the HKICPA published "Accounting implications of the abolition of the MPF-LSP offsetting mechanism in Hong Kong" that provides guidance on the accounting considerations relating to the offsetting mechanism and the abolition of the mechanism. In particular, the guidance indicates that entities may account for the accrued benefits derived from its mandatory MPF contributions that are expected to be used to reduce the LSP payable to an employee as deemed contributions by that employee towards the LSP. However, applying this approach, upon the enactment of the Amendment Ordinance in June 2022, it is no longer permissible to apply the practical expedient in paragraph 93(b) of HKAS 19 and recognise such deemed contributions as reduction of current service cost in the period the related service is rendered, and any impact from ceasing to apply the practical expedient is recognised as a catch-up adjustment in profit or loss with a corresponding adjustment to the LSP liability during the year ended 31 December 2022.

In this interim financial report and in prior periods, consistent with the HKICPA guidance the Group has been accounting for the accrued benefits derived from its mandatory MPF contributions that are expected to be used to reduce the LSP payable to an employee as deemed employee contributions towards the LSP. However, the Group has been applying the above-mentioned practical expedient.

The Group has assessed the implications of this new guidance on the above accounting policies and has decided to change those accounting policies to conform with the guidance. The management has commenced the processes on implementing the change including additional data collection and impact assessment. However, the impact of the change is not reasonably estimable at the time this interim financial report is authorised for issue, as the Group has yet to fully complete its assessment of the impact of the HKICPA guidance. The Group expects to adopt this guidance with retrospective application in its annual financial statements for the year ending 31 December 2023.

4. 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.

4. REVENUE AND SEGMENT REPORTING *(Continued)*

(a) Disaggregation of revenue

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

	Six months ended 30 June	
	2023	2022
	HK$'000	*HK$'000*
Revenue from contracts with customers within the scope of HKFRS 15		
– Sales of goods	**127,456**	136,450
Revenue from other sources		
– Gross rentals from investment properties	**25,530**	24,686
	152,986	161,136

The Group's customer base is diversified and there is no customer with whom transactions have exceeded 10% of the Group's revenue in both 2022 and 2023.

(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, interest in associates, deferred tax assets, current tax recoverable, cash and cash equivalents, loans to associates and other corporate assets. Segment liabilities include all liabilities with the exception of amount due to an associate, 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.

NOTES (Continued)

4. REVENUE AND SEGMENT REPORTING *(Continued)*

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

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	
	2023	2022	**2023**	2022	**2023**	2022	**2023**	2022
For the six months ended 30 June	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Revenue from external customers	**127,456**	136,450	**25,530**	24,686	**–**	–	**152,986**	161,136
Inter-segment revenue	**–**	–	**1,818**	848	**–**	–	**1,818**	848
Reportable segment revenue	**127,456**	136,450	**27,348**	25,534	**–**	–	**154,804**	161,984
Reportable segment (loss)/ profit (adjusted EBITDA)	**(5,762)**	(3,291)	**17,688**	19,405	**(3,053)**	(2,839)	**8,873**	13,275
Additions to non-current segment assets during the period	**11,258**	14,567	**45,131**	35,145	**1,521**	2,899	**57,910**	52,611

	Toys and model trains		Property investment		Investment holding		Total	
	At 30 June 2023	At 31 December 2022	**At 30 June 2023**	At 31 December 2022	**At 30 June 2023**	At 31 December 2022	**At 30 June 2023**	At 31 December 2022
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Reportable segment assets	**583,520**	562,820	**2,202,517**	2,139,785	**444,535**	449,966	**3,230,572**	3,152,571
Reportable segment liabilities	**992,813**	966,208	**135,193**	93,996	**8,055**	9,196	**1,136,061**	1,069,400

NOTES (Continued)

4. REVENUE AND SEGMENT REPORTING *(Continued)*

(c) Reconciliations of reportable segment revenue, profit or loss, assets and liabilities

	Six months ended 30 June	
	2023	2022
	HK$'000	*HK$'000*
Revenue		
Reportable segment revenue	**154,804**	161,984
Elimination of inter-segment revenue	**(1,818)**	(848)
Consolidated revenue	**152,986**	161,136
Profit		
Reportable segment profit	**8,873**	13,275
Elimination of inter-segment profit	**–**	–
Reportable segment profit derived from Group's external customers	**8,873**	13,275
Other revenue and other net income/(loss)	**14,632**	(6,366)
Depreciation and amortisation	**(19,905)**	(19,929)
Finance costs	**(14,237)**	(4,034)
Share of profits less losses of associates	**(6,120)**	(6,357)
Impairment loss of loans to an associate	**(2,056)**	–
Surplus/(deficit) on revaluation of investment properties	**16,271**	(3,550)
Consolidated loss before taxation	**(2,542)**	(26,961)

4. REVENUE AND SEGMENT REPORTING *(Continued)*

(c) Reconciliations of reportable segment revenue, profit or loss, assets and liabilities *(Continued)*

	At 30 June 2023	At 31 December 2022
	HK$'000	*HK$'000*
Assets		
Reportable segment assets	**3,230,572**	3,152,571
Elimination of inter-segment receivables	**(400,293)**	(405,714)
	2,830,279	2,746,857
Intangible assets	**335**	352
Interest in associates	**60,099**	59,834
Loans to associates	**55,128**	50,362
Current tax recoverable	**153**	371
Deferred tax assets	**17,076**	15,350
Cash and cash equivalents	**75,901**	81,217
Consolidated total assets	**3,038,971**	2,954,343
Liabilities		
Reportable segment liabilities	**1,136,061**	1,069,400
Elimination of inter-segment payables	**(400,293)**	(405,714)
	735,768	663,686
Amount due to an associate	**54,201**	47,826
Current tax payable	**35,818**	35,508
Deferred tax liabilities	**28,542**	28,222
Consolidated total liabilities	**854,329**	775,242

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. LOSS BEFORE TAXATION

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

		Six months ended 30 June	
		2023	2022
		HK$'000	*HK$'000*
(a)	**Finance costs**		
	Interest on bank loans	**13,602**	3,166
	Interest on lease liabilities	**635**	868
		14,237	4,034
(b)	**Other items**		
	Cost of inventories *(note 10)*	**70,661**	78,182
	Amortisation of intangible assets	**17**	17
	Depreciation charge		
	– owned property, plant and equipment	**16,707**	16,332
	– right-of-use assets	**3,181**	3,580
	Net gain on disposal of property, plant and equipment *(note 9(c))*	**(13)**	–
	Net realised and unrealised (gain)/loss on trading securities	**(534)**	2,129
	Net realised and unrealised (gain)/loss on investments not held for trading	**(1,155)**	712
	Dividend and interest income	**(1,593)**	(1,825)
(c)	**Other operating expenses**		
	Other operating expenses for the period included:		
	Advertising and promotion	**4,626**	4,776
	Auditors' remuneration	**2,364**	2,465
	Building management office and security service fees	**2,440**	2,370
	Entertainment	**1,568**	1,127
	Fuel, electricity and water	**4,000**	4,389
	Government rent and rates	**1,136**	1,073
	Insurance	**2,147**	1,858
	Legal and professional fee	**3,010**	4,038
	Postage, telephone and fax	**992**	1,097
	Repair and maintenance	**1,530**	1,348
	Royalties, commission and sales service fee	**3,178**	3,174
	Subcontracting fee	**11,746**	11,973
	Tools and consumables	**769**	951
	Transportation and travelling	**6,599**	6,375

7. INCOME TAX (CREDIT)/EXPENSE

	Six months ended 30 June	
	2023	2022
	HK$'000	*HK$'000*
Current tax – Hong Kong Profits Tax	**872**	1,138
Current tax – Outside Hong Kong	**72**	745
Deferred tax	**(1,774)**	773
Income tax (credit)/expense	**(830)**	2,656

The provision for Hong Kong Profits Tax is calculated by applying the estimated annual effective tax rate of 16.5% (2022: 16.5%) to the six months ended 30 June 2023. 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 jurisdictions.

8. LOSS PER SHARE

(a) Basic loss per share

The calculation of basic loss per share is based on the loss attributable to ordinary equity shareholders of the Company of HK$2,582,000 (six months ended 30 June 2022: loss of HK$30,502,000) and the weighted average of 950,588,000 ordinary shares (six months ended 30 June 2022: 950,588,000 ordinary shares) in issue during the interim period.

(b) Diluted loss per share

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

9. INVESTMENT PROPERTIES AND OTHER PROPERTY, PLANT AND EQUIPMENT

(a) Right-of-use assets

During the six months ended 30 June 2023, additions to right-of-use assets were HK$1,332,000 (six months ended 30 June 2022: HK$2,220,000). This amount included the additions of a leasehold property of HK$1,332,000 (six months ended 30 June 2022: HK$1,293,000) and the remainder of HK$Nil (six months ended 30 June 2022: HK$927,000) related to the capitalised lease payments payable under new lease agreements of other items of plant and equipment.

9. INVESTMENT PROPERTIES AND OTHER PROPERTY, PLANT AND EQUIPMENT *(Continued)*

(b) Acquisitions

During the six months ended 30 June 2023, the Group acquired items of investment properties and other property, plant and equipment with an aggregate cost of HK$39,234,000 and HK$22,697,000 (six months ended 30 June 2022: HK$1,635,000 and HK$12,889,000) respectively.

(c) Disposals

Items of other property, plant and equipment with cost and net book value of HK$629,000 and HK$Nil respectively were disposed of during the six months ended 30 June 2023 (six months ended 30 June 2022: HK$Nil and HK$Nil), resulting in a gain on disposal of HK$13,000 (six months ended 30 June 2022: HK$Nil)

(d) Valuation

The valuation of investment properties carried at fair value was updated at 30 June 2023 by the Group's independent valuer using the same valuation techniques as were used by this valuer when carrying out the December 2022 valuations.

As a result of the update, a surplus of HK$16,271,000 (six months ended 30 June 2022: a deficit of HK$3,550,000) has been recognised in profit or loss for the period in respect of investment properties.

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	
	2023	2022
	HK$'000	*HK$'000*
Carrying amount of inventories sold	**70,524**	78,015
Write-down of inventories	**705**	254
Reversal of write-down of inventories	**(568)**	(87)
	70,661	78,182

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

11. TRADE AND OTHER RECEIVABLES

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

	At 30 June 2023 HK$'000	At 31 December 2022 HK$'000
Within 1 month	**21,290**	33,286
Over 1 month but within 3 months	**17,288**	25,689
Over 3 months but within 12 months	**10,864**	7,680
Over 12 months	**455**	1,755
Total trade debtors, net of loss allowance	**49,897**	68,410
Amounts due from related companies	**2,094**	2,094
Other debtors and prepayments	**29,227**	31,079
	81,218	101,583

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

12. TRADE AND OTHER PAYABLES 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 2023 HK$'000	At 31 December 2022 HK$'000
Within 1 month	**11,630**	12,638
Over 1 month but within 3 months	**11,177**	10,394
Over 3 months but within 6 months	**2,876**	4,670
Over 6 months	**2,471**	606
Total trade creditors	**28,154**	28,308
Creditors and accrued charges	**54,990**	63,665
Contract liabilities	**1,509**	1,359
Rental deposits	**14,828**	11,388
Amount due to a related company	**138**	138
Amount due to an associate	**54,201**	47,826
	153,820	152,684

13. CAPITAL, RESERVES AND DIVIDENDS

(a) Dividends

The Board of Directors has resolved not to declare the payment of an interim dividend for the six months ended 30 June 2023 (2022: HK$Nil).

(b) Share capital

	2023		2022	
	Number of shares ***'000***	***HK$'000***	Number of shares *'000*	*HK$'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.

INTERIM DIVIDEND

The Board of Directors has resolved not to declare the payment of an interim dividend for the six months ended 30 June 2023 (2022: HK$Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS

During the period under review, the Group recorded a consolidated revenue of approximately HK$152.99 million, which decreased by approximately 5.06% as compared to approximately HK$161.14 million reported for the corresponding period last year. The loss attributable to equity shareholders amounted to approximately HK$2.58 million while the loss attributable to equity shareholders amounted to approximately HK$30.50 million for the corresponding period last year. The Group's loss attributable to equity shareholders for the first half year of 2023 was narrowed to approximately HK$2.58 million, which was benefit from the surplus on revaluation of investment properties amounting to approximately HK$16.27 million and the exchange gain of approximately HK$7.75 million but was offset by the increase in interest expenses of approximately HK$10.20 million.

BUSINESS REVIEW

Toys and Model Trains

During the first half year of 2023, the revenue was approximately HK$127.46 million, representing a decrease of approximately 6.59% 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$25.53 million, representing an increase of approximately 3.42% as compared to the corresponding period last year and the occupancy rate of its major investment properties was approximately 75% (30 June 2022: approximately 76%).

FINANCIAL REVIEW

Liquidity and Financial Resources

As at 30 June 2023, the Group's net asset value per share was approximately HK$2.30 (31 December 2022: approximately HK$2.29). The Group had net current liabilities of approximately HK$269.96 million (31 December 2022: approximately HK$205.92 million). Total bank borrowings were approximately HK$605.69 million (31 December 2022: approximately HK$521.32 million) while the secured total banking facilities were approximately HK$886.46 million (31 December 2022: approximately HK$840.92 million). Included in total bank borrowings were revolving loans of approximately HK$545.00 million (31 December 2022: approximately HK$506.00 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 27.72% (31 December 2022: approximately 23.92%). The majority of borrowings are on floating interest rate terms. The Group will negotiate with banks for banking facilities, 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 2023, investment properties and certain leasehold land and buildings of the Group with a net book value of approximately HK$1,985.43 million (31 December 2022: approximately HK$1,932.56 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 2023.

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 for banking facilities, if necessary.

Customer risk

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. As at 30 June 2023, there is no customer with whom transactions have exceeded 10% of the Group's revenue.

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"), Japanese Yen ("JPY"), Euro ("EUR"), Australian dollar ("AUD") and Singapore dollar ("SGD"). As such, the Group faces a certain degree of exchange rate risk mainly arising from GBP, RMB, JPY, EUR, AUD and SGD denominated transactions for which the exchange rate volatility is relatively high.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2023, the Group employed 956 (30 June 2022: 1,090) 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 2023 amounted to approximately HK$85.21 million (six months ended 30 June 2022: approximately HK$83.66 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 will continue to be challenging due to the keen competition and the global unfavourable economic environment. Faced with the challenging economy, the Group will diversify its businesses, explore sales opportunities, raise production efficiency and strengthen the cost control measures in order to sustain its businesses. It is expected that the Group's source of revenue and profitability will be enhanced with the completion of the revitalization of Kader Building in the near future.

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 C.2.1 as described below:

Under CG Code C.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 five out of nine of the directors of the Company being non-executive director and INEDs as at 30 June 2023. 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 extensive 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 2023.

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.

UPDATE ON DIRECTORS' INFORMATION

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

Mr. Daryl Liu Zhen-rong was appointed as an INED of the Company on 1 July 2023.

By order of the Board
Kenneth Ting Woo-shou
Chairman

Hong Kong, 30 August 2023

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, Mr. Ivan Ting Tien-li and Mr. Lao Wai-keung; 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, BBS, JP, Mr. Desmond Chum Kwan-yue, Ms. Sabrina Chao Sih-ming, BBS, JP and Mr. Daryl Liu Zhen-rong.