

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



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 2013

The Board of Directors of Kader Holdings Company Limited (the “Company”) announces that the unaudited consolidated results of the Company and its subsidiaries (the “Group”) and the Group’s interests in associates for the six months ended 30 June 2013, together with comparative figures for the corresponding period in 2012 are as follows:

CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2013 – unaudited

		Six months ended 30 June	
		2013	2012
	Note	HK\$'000	HK\$'000
Turnover	4 & 5	356,440	468,411
Other revenue		7,022	10,896
Other net income		7,394	1,534
Changes in inventories of finished goods and work in progress		(15,733)	11,849
Cost of purchase of finished goods		(3,812)	(21,962)
Raw materials and consumables used		(96,747)	(148,789)
Staff costs		(203,044)	(283,128)
Depreciation		(21,262)	(22,640)
Other operating expenses		(107,721)	(112,036)
Loss from operations		(77,463)	(95,865)
Finance costs	6(a)	(7,107)	(6,528)
Share of profits less losses of associates		(4,501)	(3,277)
Loss before taxation	6	(89,071)	(105,670)
Income tax (charge)/credit	7	(1,236)	1,063
Loss for the period		(90,307)	(104,607)
Attributable to:			
Equity shareholders of the Company		(92,938)	(105,305)
Non-controlling interests		2,631	698
Loss for the period		(90,307)	(104,607)
Loss per share	8		
Basic		(13.97)¢	(15.83)¢
Diluted		(13.97)¢	(15.83)¢

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2013 – unaudited

	Six months ended 30 June	
	2013	2012
	HK\$'000	HK\$'000
Loss for the period	(90,307)	(104,607)
Other comprehensive income for the period:		
Items that may be reclassified subsequently to profit and loss:		
Exchange differences on translation of financial statements of subsidiaries outside Hong Kong	(17,772)	3,517
Available-for-sale securities: net movement in fair value reserve	<u>(1,019)</u>	<u>(1,259)</u>
Total comprehensive income for the period	<u>(109,098)</u>	<u>(102,349)</u>
Attributable to:		
Equity shareholders of the Company	(111,852)	(103,047)
Non-controlling interests	<u>2,754</u>	<u>698</u>
Total comprehensive income for the period	<u>(109,098)</u>	<u>(102,349)</u>

CONSOLIDATED BALANCE SHEET

As at 30 June 2013 – unaudited

		At 30 June 2013 <i>HK\$'000</i>	At 31 December 2012 <i>HK\$'000</i>
Non-current assets			
Fixed assets	9		
– Investment properties		1,215,635	1,215,635
– Other property, plant and equipment		215,842	221,428
– Construction in progress		<u>5,001</u>	<u>3,997</u>
		1,436,478	1,441,060
Intangible assets		4,040	4,734
Interests in associates		11,045	11,620
Other non-current financial assets		9,518	10,537
Deferred tax assets		<u>7,736</u>	<u>7,736</u>
		<u>1,468,817</u>	<u>1,475,687</u>
Current assets			
Inventories	10	341,865	348,662
Current tax recoverable		2,159	84
Loans to an associate		13,966	13,457
Trade and other receivables	11	120,334	151,220
Cash and cash equivalents		<u>61,490</u>	<u>114,432</u>
		<u>539,814</u>	<u>627,855</u>
Current liabilities			
Trade and other payables	12	(273,812)	(307,667)
Bank loans and overdrafts		(490,615)	(434,013)
Loan from a director		–	(20,000)
Current tax payable		<u>(2,873)</u>	<u>(3,458)</u>
		<u>(767,300)</u>	<u>(765,138)</u>
Net current liabilities		<u>(227,486)</u>	<u>(137,283)</u>
Total assets less current liabilities carried forward		<u>1,241,331</u>	<u>1,338,404</u>

CONSOLIDATED BALANCE SHEET (Continued)*As at 30 June 2013 – unaudited*

	At 30 June 2013 <i>HK\$'000</i>	At 31 December 2012 <i>HK\$'000</i>
Total assets less current liabilities brought forward	1,241,331	1,338,404
Non-current liabilities		
Bank loans	(8,418)	(16,079)
Loan from a director	(20,000)	–
Deferred rental expenses	(2,813)	(2,928)
Rental deposits	(3,500)	(3,085)
Deferred tax liabilities	(21,671)	(21,671)
Accrued employee benefits	(582)	(1,196)
	<u>(56,984)</u>	<u>(44,959)</u>
NET ASSETS	<u>1,184,347</u>	<u>1,293,445</u>
CAPITAL AND RESERVES		
Share capital	66,541	66,541
Reserves	<u>1,115,310</u>	<u>1,227,162</u>
Total equity attributable to equity shareholders of the Company	1,181,851	1,293,703
Non-controlling interests	<u>2,496</u>	<u>(258)</u>
TOTAL EQUITY	<u>1,184,347</u>	<u>1,293,445</u>

NOTES

1. INDEPENDENT REVIEW

The interim financial results for the six months ended 30 June 2013 is unaudited, but has been reviewed by the Audit Committee.

2. BASIS OF PREPARATION

The interim financial results for the six months ended 30 June 2013 comprises the Company and its subsidiaries and the Group's interests in associates.

This interim financial results have been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with Hong Kong Accounting Standard ("HKAS") 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

The interim financial results were approved by the Board of Directors and authorised for issue on 28 August 2013.

The interim financial results have been prepared in accordance with the same accounting policies adopted in the 2012 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2013 annual financial statements. Details of these changes in accounting policies are set out in note 3.

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

This interim financial results contain condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2012 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

The financial information relating to the financial year ended 31 December 2012 that is included in the interim financial results as being previously reported information does not constitute the Company's statutory financial statements for that financial year but is derived from those financial statements. Statutory financial statements for the year ended 31 December 2012 are available from the Company's registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 26 March 2013.

NOTES (Continued)

3. CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued a number of new HKFRSs and amendments to HKFRSs that are first effective for the current accounting period of the Group and the Company. Of these, the following developments are relevant to the Group's financial statements:

- Amendments to HKAS 1, *Presentation of financial statements – Presentation of items of other comprehensive income*
- HKFRS 10, *Consolidated financial statements*
- HKFRS 12, *Disclosure of interests in other entities*
- HKFRS 13, *Fair value measurement*
- *Annual Improvements to HKFRSs 2009-2011 Cycle*
- Amendments to HKFRS 7 – *Disclosures – Offsetting financial assets and financial liabilities*

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

Amendment to HKAS 1, Presentation of financial statements – Presentation of items of other comprehensive income

The amendments to HKAS 1 require entities to present the items of other comprehensive income that would be reclassified to profit and loss in the future if certain conditions are met separately from those that would never be reclassified to profit or loss. The Group's presentation of other comprehensive income in these financial statements has been modified accordingly.

HKFRS 10, Consolidated financial statements

HKFRS 10 replaces the requirements in HKAS 27, *Consolidated and separate financial statements* relating to the preparation of consolidated financial statements and HK-SIC 12 Consolidation – *Special purpose entities*. It introduces a single control model to determine whether an investee should be consolidated, by focusing on whether the entity has power over the investee, exposure or rights to variable returns from its involvement with the investee and the ability to use its power to affect the amount of those returns.

As a result of the adoption of HKFRS 10, the Group has changed its accounting policy with respect to determining whether it has control over an investee. The adoption does not change any of the control conclusion reached by the Group in respect of its involvement with other entities as at 1 January 2013.

HKFRS 12, Disclosure of interests in other entities

HKFRS 12 brings together into a single standard all the disclosure requirements relevant to an entity's interests in subsidiaries, joint arrangement, associates and unconsolidated structured entities. The disclosures required by HKFRS 12 are generally more extensive than those previously required by the respective standards. Since those disclosure requirements only apply to a full set of financial statements, the Group has not made additional disclosures in this interim financial report as a result of adopting HKFRS 12.

NOTES (Continued)

3. CHANGES IN ACCOUNTING POLICIES (Continued)

HKFRS 13, Fair value measurement

HKFRS 13 replaces existing guidance in individual HKFRSs with a single source of fair value measurement guidance. HKFRS 13 also contains extensive disclosure requirements about fair value measurements for both financial instruments and non-financial instruments. Some of the disclosures are specifically required for financial instruments in the interim financial reports. The adoption of HKFRS 13 does not have any material impact on the fair value measurements of the Group's assets and liabilities.

Annual improvements to HKFRSs 2009-2011 Cycle

This cycle of annual improvements contains amendments to five standards with consequential amendments to other standards and interpretations. Among them, HKAS 34 has been amended to clarify that total assets for a particular reportable segment are required to be disclosed only if the amounts are regularly provided to the chief operating decision maker (CODM) and only if there has been a material change in the total assets for that segment from the amount disclosed in the last annual financial statements. The amendment also requires the disclosure of segment liabilities if the amounts are regularly provided to the CODM and there has been a material change in the amounts compared with the last annual financial statements. The amendment does not have any impact on the segment disclosure of the Group because the Group does not have any reportable segments with total assets or total liabilities materially different from the amounts reported in the last annual financial statements.

Amendments to HKFRS 7 – Disclosures – Offsetting financial assets and financial liabilities

The amendments introduce new disclosures in respect of offsetting financial assets and financial liabilities. Those new disclosures are required for all recognised financial instruments that are set off in accordance with HKAS 32, *Financial instruments: Presentation* and those that are subject to an enforceable master netting arrangement or similar agreement that covers similar financial instruments and transactions, irrespective of whether the financial instruments are set off in accordance with HKAS 32.

The adoption of the amendments does not have an impact on the Group's interim financial report because the Group has not offset financial instruments, nor has it entered into master netting arrangement or similar agreement which is subject to the disclosures of HKFRS 7.

NOTES (Continued)

4. SEGMENT REPORTING

The Group manages its businesses by divisions, which are organised by business lines. In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has identified the following three reportable segments. No operating segments have been aggregated to form the following reportable segments.

Toys and model trains: The manufacture and sale of plastic, electronic and stuffed toys and model trains. These products are manufactured in the Group's manufacturing facilities located primarily in Mainland China.

Property investment: The leasing of office premises and industrial building to generate rental income and to gain from the appreciation in the properties' value in the long term.

Investment holding: The investment in securities.

(a) Segment results, assets and liabilities

For the purpose of assessing segment performance and allocating resources between segments, the Group's senior executive management monitors the results, assets and liabilities attributable to each reportable segment on the following bases:

Segment assets include all fixed assets and current assets with the exception of intangible assets, interests in associates, other non-current financial assets, deferred tax assets, current tax recoverable, cash and cash equivalents and other corporate assets. Segment liabilities include all liabilities with the exception of current tax payable, deferred tax liabilities and other corporate liabilities.

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments.

The measure used for reporting segment (loss)/profit is "adjusted EBITDA" i.e. "adjusted earnings before interest, taxes, depreciation and amortisation", where "interest" is regarded as including investment income and "depreciation and amortisation" is regarded as including impairment losses on non-current assets. To arrive at adjusted EBITDA, the Group's earnings are further adjusted for items not specifically attributed to individual segments, such as share of profits less losses of associates and other head office or corporate administration costs.

In addition to receiving segment information concerning adjusted EBITDA, management is provided with segment information concerning revenue (including inter-segment sales), interest income and expense from cash balances and borrowings managed directly by the segments, depreciation, amortisation and impairment losses and additions to non-current segment assets used by the segments in their operations. Inter-segment sales are priced with reference to prices charged to external parties for similar orders.

NOTES (Continued)

4. SEGMENT REPORTING (Continued)

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

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the period is set out below:

	Toys and model trains		Property investment		Investment holding		Total	
	2013 HK\$'000	2012 HK\$'000	2013 HK\$'000	2012 HK\$'000	2013 HK\$'000	2012 HK\$'000	2013 HK\$'000	2012 HK\$'000
For the six months ended 30 June								
Revenue from external customers	339,920	453,198	16,520	15,213	-	-	356,440	468,411
Inter-segment revenue	-	-	689	1,018	-	-	689	1,018
Reportable segment revenue	339,920	453,198	17,209	16,231	-	-	357,129	469,429
Reportable segment (loss)/profit (adjusted EBITDA)	(77,092)	(96,183)	13,920	13,643	(6,686)	(2,887)	(69,858)	(85,427)
Additions to non-current segment assets during the period	16,842	19,923	-	-	-	-	16,842	19,923
	Toys and model trains		Property investment		Investment holding		Total	
	At 30 June 2013 HK\$'000	At 31 December 2012 HK\$'000	At 30 June 2013 HK\$'000	At 31 December 2012 HK\$'000	At 30 June 2013 HK\$'000	At 31 December 2012 HK\$'000	At 30 June 2013 HK\$'000	At 31 December 2012 HK\$'000
Reportable segment assets	685,850	725,681	1,215,895	1,216,164	369,187	367,311	2,270,932	2,309,156
Reportable segment liabilities	632,734	692,875	5,508	5,837	88,797	84,128	727,039	782,840

NOTES (Continued)

4. SEGMENT REPORTING (Continued)

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

	Six months ended 30 June	
	2013	2012
	HK\$'000	HK\$'000
Revenue		
Reportable segment revenue	357,129	469,429
Elimination of inter-segment revenue	<u>(689)</u>	<u>(1,018)</u>
Consolidated turnover	<u>356,440</u>	<u>468,411</u>
Loss		
Reportable segment loss	(69,858)	(85,427)
Elimination of inter-segment losses	<u>—</u>	<u>—</u>
Reportable segment loss derived from Group's external customers	(69,858)	(85,427)
Other revenue	7,022	10,896
Other net income	7,394	1,534
Depreciation and amortisation	(21,753)	(22,640)
Finance costs	(7,107)	(6,528)
Share of profits less losses of associates	(4,501)	(3,277)
Unallocated head office and corporate expenses	<u>(268)</u>	<u>(228)</u>
Consolidated loss before taxation	<u>(89,071)</u>	<u>(105,670)</u>
	At	At
	30 June	31 December
	2013	2012
	HK\$'000	HK\$'000
Assets		
Reportable segment assets	2,270,932	2,309,156
Elimination of inter-segment receivables	<u>(372,289)</u>	<u>(368,350)</u>
	1,898,643	1,940,806
Intangible assets	4,040	4,734
Interests in associates	11,045	11,620
Loans to an associate	13,966	13,457
Other non-current financial assets	9,518	10,537
Deferred tax assets	7,736	7,736
Current tax recoverable	2,159	84
Cash and cash equivalents	61,490	114,432
Unallocated head office and corporate assets	<u>34</u>	<u>136</u>
Consolidated total assets	<u>2,008,631</u>	<u>2,103,542</u>

NOTES (Continued)

4. SEGMENT REPORTING (Continued)

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

	At 30 June 2013 HK\$'000	At 31 December 2012 HK\$'000
Liabilities		
Reportable segment liabilities	727,039	782,840
Elimination of inter-segment payables	<u>(372,289)</u>	<u>(368,350)</u>
	354,750	414,490
Current tax payable	2,873	3,458
Deferred tax liabilities	21,671	21,671
Unallocated head office and corporate liabilities	<u>444,990</u>	<u>370,478</u>
Consolidated total liabilities	<u><u>824,284</u></u>	<u><u>810,097</u></u>

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	
	2013	2012
	HK\$'000	HK\$'000
(a) Finance costs		
Interest on other borrowings	<u>7,107</u>	<u>6,528</u>
(b) Other items		
Cost of inventories (note 10)	310,663	419,336
Amortisation of intangible assets	491	–
Net (gain)/loss on disposal of fixed assets (note 9(b))	(1)	79
Interest income	(622)	(656)
Reversal of impairment loss on other receivables	–	(1,000)
Gains on disposal of financial assets	<u>–</u>	<u>(1,102)</u>

NOTES (Continued)

7. INCOME TAX CHARGE/(CREDIT)

	Six months ended 30 June	
	2013	2012
	HK\$'000	HK\$'000
Current tax – Hong Kong Profits Tax	1,100	237
Current tax – Outside Hong Kong	136	51
Deferred taxation	<u>–</u>	<u>(1,351)</u>
Income tax charge/(credit)	<u>1,236</u>	<u>(1,063)</u>

The provision for Hong Kong Profits Tax is calculated by applying the estimated annual effective tax rate of 16.5% (2012: 16.5%) to the six months ended 30 June 2013. Taxation for subsidiaries outside Hong Kong is similarly calculated using the estimated annual effective rates of taxation that are expected to be applicable in the relevant countries.

8. LOSS PER SHARE

(a) Basic loss per share

The calculation of basic loss per share is based on the loss attributable to ordinary equity shareholders of the Company of HK\$92,938,000 (six months ended 30 June 2012: HK\$105,305,000) and the weighted average of 665,412,000 ordinary shares (31 December 2012: 665,412,000 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. FIXED ASSETS

(a) Acquisitions

During the six months ended 30 June 2013, the Group acquired items of fixed assets with an aggregate cost of HK\$16,842,000 (six months ended 30 June 2012: HK\$19,923,000).

(b) Disposals

Items of fixed assets with cost and net book value of HK\$242,000 and HK\$Nil respectively were disposed of during the six months ended 30 June 2013 (six months ended 30 June 2012: HK\$1,231,000 and HK\$309,000), resulting in a gain on disposal of HK\$1,000 (six months ended 30 June 2012: loss on disposal of HK\$79,000).

NOTES (Continued)

9. FIXED ASSETS *(Continued)*

(c) Valuation

All investment properties of the Group were revalued as at 31 December 2012 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 2013 are carried at fair value.

10. INVENTORIES

The analysis of the amount of inventories recognised as an expense and included in profit or loss is as follows:

	Six months ended 30 June	
	2013	2012
	<i>HK\$'000</i>	<i>HK\$'000</i>
Carrying amount of inventories sold	314,512	422,846
Write down of inventories	1,357	951
Reversal of write-down of inventories	(5,206)	(4,461)
	<u>310,663</u>	<u>419,336</u>

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

NOTES (Continued)

11. TRADE AND OTHER RECEIVABLES

Included in trade and other receivables are trade debtors (net of allowance for doubtful debts) with the following ageing analysis:

	At 30 June 2013 <i>HK\$'000</i>	At 31 December 2012 <i>HK\$'000</i>
Current	62,283	108,292
Less than 1 month overdue	16,788	6,038
1 to 3 months overdue	2,343	7,688
More than 3 months but less than 12 months overdue	8,188	4,536
More than 12 months overdue	67	60
	<hr/>	<hr/>
Total trade debtors, net of allowance for doubtful debts	89,669	126,614
Other debtors and prepayments	30,665	24,606
	<hr/>	<hr/>
	120,334	151,220
	<hr/> <hr/>	<hr/> <hr/>

Credit evaluations are performed on all customers requiring credit over a certain amount. Trade debtors are due within seven to sixty days from the date of billing. Debtors with balances that are more than three months overdue are requested to settle all outstanding balances before any further credit is granted.

12. TRADE AND OTHER PAYABLES

Included in trade and other payables are trade creditors with the following ageing analysis as at the balance sheet date:

	At 30 June 2013 <i>HK\$'000</i>	At 31 December 2012 <i>HK\$'000</i>
Due within 1 month or on demand	45,206	48,683
Due after 1 month but within 3 months	7,852	1,465
Due after 3 months but within 6 months	1,647	638
Due after 6 months	995	577
	<hr/>	<hr/>
Total trade creditors	55,700	51,363
Other creditors and accrued charges	218,112	256,304
	<hr/>	<hr/>
	273,812	307,667
	<hr/> <hr/>	<hr/> <hr/>

NOTES (Continued)

13. DIVIDENDS

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

	Six months ended 30 June	
	2013	2012
	HK\$'000	HK\$'000
Final dividend in respect of the previous financial year, approved and paid during the following interim period, of HK Nil cents per ordinary share (six months ended 30 June 2012: HK Nil cents per ordinary share)	<u> -</u>	<u> -</u>

14. CONTINGENT LIABILITIES

At 30 June 2013, there were contingent liabilities in respect of the following:

(a) Litigation

During the first quarter of 2003, a Mexican company commenced a lawsuit in the State of Arizona, the United States, against the Company on the grounds that the Company was a guarantor for a lease agreement of factory premises occupied by Siempre Novedoso De Mexico (Sinomex) S.A. de C.V. as tenant. The Arizona trial court issued an order that called for 24% annual simple interest on the unpaid rent portion of the principal amount and 10% annual simple interest on the remainder of the principal amount. The Judgement was entered in June 2011 (the "Judgement"). The Company filed an appeal from the Judgement and the Arizona Court of Appeals upheld the decision of the trial court. A petition for review was then filed with the Arizona Supreme Court but was denied by the Arizona Supreme Court.

The plaintiff has subsequently sought to enforce the Judgement in the courts of Hong Kong, England and Wales, and Bermuda. The Company has been advised by its legal advisor that it has good grounds to resist the enforcement of the Judgement in Hong Kong, England and Wales, and Bermuda. The management and the Board believe that the Company's opposition to the plaintiff's claims, as well as the Company's defenses and appeal rights, continue to be meritorious.

(b) During the year ended 31 December 2011, the Inland Revenue Department of Hong Kong ("IRD") conducted a review of the operations of certain subsidiaries of the Company in relation to the years since 2004, focusing on certain sales and purchases made by these subsidiaries. In July 2012 and May 2013, the relevant subsidiaries have submitted certain required information to the IRD and provided justification for the tax treatment adopted. Owing to the uncertainty inherited in IRD enquiries of this nature, the conclusion to be made by the IRD may result in an impact to the Group's Hong Kong Profits Tax provision in the period in which the conclusion is made.

INTERIM DIVIDEND

The Board of Directors does not recommend the payment of an interim dividend for the six months ended 30 June 2013 (2012: HK\$Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS

During the period under review, the Group recorded a consolidated turnover of approximately HK\$356.44 million, which decreased by approximately 23.90% as compared to approximately HK\$468.41 million reported for the corresponding period last year. The loss attributable to equity shareholders amounted to approximately HK\$92.94 million, representing a decrease of approximately HK\$12.37 million over the corresponding period last year.

BUSINESS REVIEW

Toys and Model Trains

During the first half year of 2013, the turnover for the Group's OEM/ODM toys business was approximately HK\$114.90 million, which decreased by approximately 26.80% as compared to the corresponding period last year. During the period under review, toy manufacturers were confronted with the slow recovery of the economies in Europe and the United States, the shortage of labour in the manufacturing market and the increase in statutory minimum wages in Mainland China. All these unfavourable conditions adversely affected the Group's performance.

Regarding the model trains business, the turnover in the first half year of 2013 was approximately HK\$225.02 million, which decreased by approximately 24.04% as compared to the corresponding period last year. The Group's subsidiary, Bachmann Europe Plc., was awarded "Manufacturer of the Year 2012" in the overall category and it has received the "Manufacturer of the Year" award for five continuous years.

Property Investment

During the period under review, the rental income of the Group amounted to approximately HK\$16.52 million, representing an increase of approximately 8.61% as compared to the corresponding period last year. As at 30 June 2013, the occupancy rate of Kader Building was approximately 94% (30 June 2012: approximately 95%).

FINANCIAL REVIEW

Liquidity and Financial Resources

As at 30 June 2013, the Group's net asset value per share was approximately HK\$1.78 (31 December 2012: approximately HK\$1.94). The Group had net current liabilities of approximately HK\$227.49 million (31 December 2012: approximately HK\$137.28 million). Total bank borrowings were approximately HK\$499.03 million (31 December 2012: approximately HK\$450.09 million) while the Group secured total banking facilities of approximately HK\$641.02 million (31 December 2012: approximately HK\$558.70 million). Included in total bank borrowings were revolving loans of approximately HK\$306.00 million (31 December 2012: approximately HK\$221.00 million) which are intended to be rolled over upon maturity. The Group's financial gearing, based on the total borrowings compared to the total equity, was approximately 43.82% (31 December 2012: approximately 36.34%). The majority of borrowings are on floating interest rate terms.

Capital Structure

During the period under review, there were no changes in the Company's share capital. The Group's source of financing was mainly bank borrowings, which were denominated in Hong Kong dollars ("HKD"), United States dollars ("USD") and Sterling Pounds ("GBP") at prevailing interest rates.

Charges on Group Assets

As at 30 June 2013, investment properties, certain leasehold land and buildings, inventories and other assets of the Group with a net book value of approximately HK\$1,405.36 million (31 December 2012: approximately HK\$1,420.31 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 2013.

Exchange Rate Exposure

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

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2013, the Group employed 6,659 (31 December 2012: 7,840) full time management, administrative and production staff in the Hong Kong Special Administrative Region, Mainland China, the United States and Europe. The Group has seasonal fluctuations in the number of workers employed in its production plants while the number of management and administrative staff remains relatively stable. The Group remunerates its employees based on their performance, experience and prevailing industry practices. In the area of staff training, the Group encourages staff to participate in courses on technical skills improvement and personal development.

PROSPECTS

The global economy continues to be affected by the unsolved European sovereign debt crisis and the uncertainty in the economy in United States market. Also, in view of the shortage of labour and the increase in statutory minimum wages in Mainland China, the Group will be full of challenge for the toys and model trains business in the second half of the year. Looking forward, the Group will explore sales opportunities in the global market and improve operational and production efficiency to have performance improvements.

PURCHASE, SALE OR REDEMPTION OF SHARES

The Company has not redeemed any of its shares during the six months ended 30 June 2013. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the period under review.

CORPORATE GOVERNANCE

The Board of Directors regularly reviews and adopts corporate governance guidelines and developments. Throughout the period under review, the Group has complied with all code provisions in the Corporate Governance Code (“CG Code”) as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”), except for the deviation from CG Code A.2.1 as described below:

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

AUDIT COMMITTEE

The Audit Committee has reviewed with management the key accounting policies, and discussed auditing, internal controls and financial reporting matters, including a review of the interim results for the six months ended 30 June 2013.

REMUNERATION COMMITTEE

The Remuneration Committee, comprising of two INEDs of the Company and one executive director of the Company, is responsible for reviewing and making recommendations to the Board on the Company’s policy and structure for all remunerations of directors and senior management.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code set out in Appendix 10 to the Listing Rules as its model code for securities transactions by the Company’s directors and relevant employees who are or may be in possession of unpublished inside information. Based on specific enquiries made, all directors have confirmed that they have complied with the Model Code.

By order of the Board
Kenneth Ting Woo-shou
Chairman

Hong Kong, 28 August 2013

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