KADER

Manufacturing Trust

KADER HOLDINGS COMPANY LIMITED

INTERIM REPORT 2013

(Stock Code : 180)

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	*5 & 6*	**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	*7(a)*	**(7,107)**	(6,528)
Share of profits less losses of associates		**(4,501)**	(3,277)
Loss before taxation	*7*	**(89,071)**	(105,670)
Income tax (charge)/credit	*8*	**(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	*10*		
Basic		**(13.97)¢**	(15.83)¢
Diluted		**(13.97)¢**	(15.83)¢

The notes on pages 7 to 19 form part of this interim financial report. Details of dividends payable to equity shareholders of the Company are set out in note 16.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2013 – unaudited

		Six months ended 30 June	
		2013	2012
	Note	***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	*9*	**(1,019)**	(1,259)
Total comprehensive income for the period		**(109,098)**	(102,349)
Attributable to:			
Equity shareholders of the Company		**(111,852)**	(103,047)
Non-controlling interests		**2,754**	698
Total comprehensive income for the period		**(109,098)**	(102,349)

The notes on pages 7 to 19 form part of this interim financial report.

CONSOLIDATED BALANCE SHEET

As at 30 June 2013 – unaudited

	Note	At 30 June 2013 HK$'000	At 31 December 2012 HK$'000
Non-current assets			
Fixed assets	*11*		
– Investment properties		**1,215,635**	1,215,635
– Other property, plant and equipment		**215,842**	221,428
– Construction in progress		**5,001**	3,997
		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		**7,736**	7,736
		1,468,817	1,475,687
Current assets			
Inventories	*12*	**341,865**	348,662
Current tax recoverable		**2,159**	84
Loans to an associate		**13,966**	13,457
Trade and other receivables	*13*	**120,334**	151,220
Cash and cash equivalents	*14*	**61,490**	114,432
		539,814	627,855
Current liabilities			
Trade and other payables	*15*	**(273,812)**	(307,667)
Bank loans and overdrafts		**(490,615)**	(434,013)
Loan from a director		**–**	(20,000)
Current tax payable		**(2,873)**	(3,458)
		(767,300)	(765,138)
Net current liabilities		**(227,486)**	(137,283)
Total assets less current liabilities carried forward		**1,241,331**	1,338,404

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

	Note	At 30 June 2013 HK$'000	At 31 December 2012 HK$'000
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)
		(56,984)	(44,959)
NET ASSETS		**1,184,347**	1,293,445
CAPITAL AND RESERVES			
Share capital		**66,541**	66,541
Reserves		**1,115,310**	1,227,162
Total equity attributable to equity shareholders of the Company		**1,181,851**	1,293,703
Non-controlling interests		**2,496**	(258)
TOTAL EQUITY		**1,184,347**	1,293,445

The notes on pages 7 to 19 form part of this interim financial report.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2013 – unaudited

	Attributable to equity shareholders of the Company										
	Share capital	Share premium	Capital reserve	Contributed surplus	Exchange reserve	Land and buildings revaluation reserve	Fair value reserve	Revenue reserve	Total	Non-controlling interests	Total equity
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Balance at 1 January 2012 (restated)	66,541	109,942	10,815	173,397	(43,032)	35,594	3,053	761,968	1,118,278	(2,566)	1,115,712
Changes in equity for the six months ended 30 June 2012:											
Total comprehensive income for the period	–	–	–	–	3,517	–	(1,259)	(105,305)	(103,047)	698	(102,349)
Balances at 30 June 2012 and 1 July 2012	66,541	109,942	10,815	173,397	(39,515)	35,594	1,794	656,663	1,015,231	(1,868)	1,013,363
Changes in equity for the six months ended 31 December 2012:											
Total comprehensive income for the period	–	–	–	–	1,111	6,836	635	269,890	278,472	1,610	280,082
Balances at 31 December 2012 and 1 January 2013	**66,541**	**109,942**	**10,815**	**173,397**	**(38,404)**	**42,430**	**2,429**	**926,553**	**1,293,703**	**(258)**	**1,293,445**
Changes in equity for the six months ended 30 June 2013:											
Total comprehensive income for the period	**-**	**-**	**-**	**-**	**(17,895)**	**-**	**(1,019)**	**(92,938)**	**(111,852)**	**2,754**	**(109,098)**
Balance at 30 June 2013	**66,541**	**109,942**	**10,815**	**173,397**	**(56,299)**	**42,430**	**1,410**	**833,615**	**1,181,851**	**2,496**	**1,184,347**

The notes on pages 7 to 19 form part of this interim financial report.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2013 – unaudited

		Six months ended 30 June	
		2013	2012
	Note	***HK$'000***	*HK$'000*
Cash (used in)/generated from operations		**(71,434)**	3,010
Tax paid		**(3,814)**	(6,246)
Net cash used in operating activities		**(75,248)**	(3,236)
Net proceeds from disposal of financial assets		**–**	5,594
Increase in investment in associates		**(1,048)**	–
Other investing activities		**(18,774)**	(23,930)
Net cash used in investing activities		**(19,822)**	(18,336)
Net cash generated from/(used in) financing activities		**71,025**	(14,816)
Net decrease in cash and cash equivalents		**(24,045)**	(36,388)
Cash and cash equivalents at 1 January	*14*	**83,466**	85,040
Effect of foreign exchange rate changes		**(7)**	(121)
Cash and cash equivalents at 30 June	*14*	**59,414**	48,531

The notes on pages 7 to 19 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 2013 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 2012 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 2013 comprises the Company and its subsidiaries and the Group's interests in associates.

This 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 28 August 2013.

The interim financial report has 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 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 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.

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 conclusions 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.

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 Group has provided those disclosures in note 17. 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.

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 2012.

5. 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.

5. 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	
For the six months ended 30 June	**2013** *HK$'000*	2012 *HK$'000*	**2013** *HK$'000*	2012 *HK$'000*	**2013** *HK$'000*	2012 *HK$'000*	**2013** *HK$'000*	2012 *HK$'000*
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
	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

5. **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	**(689)**	(1,018)
Consolidated turnover	**356,440**	468,411
Loss		
Reportable segment loss	**(69,858)**	(85,427)
Elimination of inter-segment losses	**–**	–
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	**(268)**	(228)
Consolidated loss before taxation	**(89,071)**	(105,670)

	At 30 June 2013	At 31 December 2012
	HK$'000	*HK$'000*
Assets		
Reportable segment assets	**2,270,932**	2,309,156
Elimination of inter-segment receivables	**(372,289)**	(368,350)
	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	**34**	136
Consolidated total assets	**2,008,631**	2,103,542

5. Segment reporting *(Continued)*

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

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

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 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	**7,107**	6,528
(b) Other items		
Cost of inventories *(note 12)*	**310,663**	419,336
Amortisation of intangible assets	**491**	–
Net (gain)/loss on disposal of fixed assets *(note 11(b))*	**(1)**	79
Interest income	**(622)**	(656)
Reversal of impairment loss on other receivables	**–**	(1,000)
Gains on disposal of financial assets *(note 9)*	**–**	(1,102)

8. 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	**–**	(1,351)
Income tax charge/(credit)	**1,236**	(1,063)

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.

9. Other comprehensive income

	Six months ended 30 June	
	2013	2012
	HK$'000	*HK$'000*
Changes in fair value recognised during the period	**(1,019)**	(157)
Reclassification adjustments for amounts transferred to profit or loss:		
– gains on disposal	**–**	(1,102)
Net movement in the fair value reserve during the period recognised in other comprehensive income	**(1,019)**	(1,259)

10. 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.

11. 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).

(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.

12. 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
	HK$'000	*HK$'000*
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)
	310,663	419,336

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.

13. 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 *HK$'000*	At 31 December 2012 *HK$'000*
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
Total trade debtors, net of allowance for doubtful debts	**89,669**	126,614
Other debtors and prepayments	**30,665**	24,606
	120,334	151,220

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.

14. Cash and cash equivalents

	At 30 June 2013 *HK$'000*	At 31 December 2012 *HK$'000*
Cash and cash equivalents in the balance sheet	**61,490**	114,432
Bank overdrafts	**(2,076)**	(30,966)
Cash and cash equivalents in the condensed consolidated cash flow statement	**59,414**	83,466

15. 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	At 31 December 2012
	HK$'000	*HK$'000*
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
Total trade creditors	**55,700**	51,363
Other creditors and accrued charges	**218,112**	256,304
	273,812	307,667

16. 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)	**–**	–

17. Fair value measurement of financial instruments

Financial assets measured at fair value

Fair value hierarchy

	Fair value measurements as at 30 June 2013 using quoted prices in active market for identical assets (Level 1)
	HK$'000
Recurring fair value measurement	
Financial assets:	
Listed available-for sale securities:	
– equity	**7,032**
– debt	**2,486**

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

Financial assets measured at fair value *(Continued)*

	Fair value measurements as at 31 December 2012 using quoted prices in active market for identical assets (Level 1) *HK$'000*
Recurring fair value measurement	
Financial assets:	
Listed available-for sale securities:	
– equity	7,971
– debt	2,566

During the six months ended 30 June 2013, there were no transfers between Level 1 and Level 2, nor transfers into or out of Level 3 (2012: Nil).

18. Capital commitments outstanding not provided for in the interim financial report

	At 30 June 2013 *HK$'000*	At 31 December 2012 *HK$'000*
Contracted for	**4,381**	1,736

19. Contingent liabilities

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

(a) Financial guarantees issued

The Company has issued guarantees to banks to secure banking facilities of its subsidiaries amounting to HK$720,134,000 at 30 June 2013 (31 December 2012: HK$615,034,000).

The guarantees were issued by the Company at nil consideration. The transactions were not at arm's length, and it is not possible to measure reliably the fair value of these transactions in accordance with HKAS 39 had they been at arm's length. Accordingly, the guarantees have not been accounted for as financial liabilities and measured at fair value.

As at the balance sheet date, the directors do not consider to be probable that a claim will be made against the Company under any of the guarantees issued. The maximum liability of the Company at the balance sheet date under the guarantees issued is the amount of banking facilities drawn down by subsidiaries of HK$499,033,000 (31 December 2012: HK$450,092,000).

19. Contingent liabilities *(Continued)*

(b) 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.

(c) 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.

20. Material related party transactions

(a) As at 30 June 2013, the Group advanced funds totalling HK$34,271,000 (31 December 2012: HK$31,393,000) to certain associates in which some of the directors of the Company have beneficial interests.

(b) As at 30 June 2013, the Group had a loan from a director amounting to HK$20,000,000 (31 December 2012: HK$20,000,000). The loan is interest-bearing at 3% per annum, unsecured and has no fixed terms of repayment. According to a declaration from the director on 30 June 2013, the director will not demand for payment within the next eighteen months from the balance sheet date.

(c) During the period, the Group sold OEM products to an associate amounting to HK$2,252,000 (six months ended 30 June 2012: HK$1,995,000).

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.

DISCLOSURE OF INTERESTS

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

At 30 June 2013, the interests and short positions of the directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any associated corporation (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"):

(1) Interests in the Company

Name of directors	Number of ordinary shares of HK$0.10 each Personal interests	Family interests	Corporate interests	Total interests	% of total issued share capital
Kenneth Ting Woo-shou	133,279,385	1,452,629 (i)	244,175,800 (ii)	378,907,814	56.94%
Nancy Ting Wang Wan-sun	1,452,629	133,279,385 (iii)	–	134,732,014	20.25%
Ivan Ting Tien-li	14,336,303	–	–	14,336,303	2.15%
Moses Cheng Mo-chi	11,000	–	–	11,000	0.00%
Bernie Ting Wai-cheung	–	–	–	–	–
Liu Chee-ming	–	–	1,000,000	1,000,000	0.15%
Floyd Chan Tsoi-yin	–	–	–	–	–
Andrew Yao Cho-fai	–	–	–	–	–
Desmond Chum Kwan-yue	–	–	–	–	–
Ronald Montalto	–	–	–	–	–

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; and 34,504,800 shares of the Company held by the Company's substantial shareholder, Glory Town Limited, in which Mr. Kenneth Ting Woo-shou has a controlling interest.

(iii) The spouse of Mrs. Nancy Ting Wang Wan-sun is the beneficial shareholder.

(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 corporation
Allman Holdings Limited	Kenneth Ting Woo-shou	Ordinary shares of US$1.00 each	–	–	920 (i)	63.89%
Pacific Squaw Creek, Inc.	Kenneth Ting Woo-shou	Ordinary shares of US$1.00 each	–	–	1,000 (ii)	100.00%
Squaw Creek Associates, LLC	Kenneth Ting Woo-shou	Not applicable (iii)	–	–	–	62.00% (iv)
Squaw Creek Associates, LLC	Kenneth Ting Woo-shou	Not applicable (iii)	–	–	–	8.00% (v)

Notes:

(i) These interests are held by Tyrol Investments Limited which is wholly owned by Mr. Kenneth Ting Woo-shou.

(ii) These interests are held by Allman Holdings Limited ("Allman"). Mr. Kenneth Ting Woo-shou's beneficial interests in Allman are disclosed in note (i) above.

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

(iv) These interests are held by Pacific Squaw Creek, Inc. ("PSC"). Mr. Kenneth Ting Woo-shou's beneficial interests in PSC are disclosed in note (ii) above.

(v) These interests are held by Ting Corporation which is wholly owned by Mr. Kenneth Ting Woo-shou.

All the interests stated above represent long positions. As at 30 June 2013, 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 2013, 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.

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.

Substantial Shareholders' and Other Person's Interests

As at 30 June 2013, save for certain directors' interests in the share capital of the Company as disclosed above, no other person was recorded in the register kept by the Company under section 336 of the SFO, as having an interest of 5% or more of the issued share capital of the Company.

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 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 hereof, 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.