



KADER

Manufacturing Trust

KADER HOLDINGS COMPANY LIMITED

INTERIM REPORT 2018

(Stock Code : 180)

Interim Results For the Six Months Ended 30 June 2018

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2018 – unaudited

		Six months ended 30 June	
		2018	2017
	<i>Note</i>	HK\$'000	<i>HK\$'000</i>
Revenue	5 & 6	279,350	323,215
Other income		3,957	11,522
Changes in inventories of finished goods and work in progress		21,661	16,145
Cost of purchase of finished goods		(5,863)	(11,618)
Raw materials and consumables used		(87,591)	(93,841)
Staff costs		(107,081)	(107,653)
Depreciation		(12,078)	(14,236)
Other operating expenses		(73,273)	(69,598)
		<hr/>	<hr/>
Profit from operations		19,082	53,936
Finance costs	7(a)	(3,260)	(3,576)
Share of profits less losses of associates		4,499	2,482
		<hr/>	<hr/>
Profit before taxation	7	20,321	52,842
Income tax expense	8	(9,509)	(7,416)
		<hr/>	<hr/>
Profit for the period		10,812	45,426
		<hr/> <hr/>	<hr/> <hr/>
Attributable to:			
Equity shareholders of the Company		9,525	39,584
Non-controlling interests		1,287	5,842
		<hr/>	<hr/>
Profit for the period		10,812	45,426
		<hr/> <hr/>	<hr/> <hr/>
Earnings per share	9		
Basic		1.00¢	4.16¢
		<hr/> <hr/>	<hr/> <hr/>
Diluted		1.00¢	4.16¢
		<hr/> <hr/>	<hr/> <hr/>

Note: The Group has initially applied HKFRS 9 at 1 January 2018. Under the transition methods chosen, comparative information is not restated. See note 3.

The notes on pages 7 to 24 form part of this interim financial report. Details of dividends payable to equity shareholders of the Company are set out in note 15(a).

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME**

For the six months ended 30 June 2018 – unaudited

	Six months ended 30 June	
	2018	2017
	HK\$'000	HK\$'000
Profit for the period	10,812	45,426
Other comprehensive income for the period: (after tax and reclassification adjustments)		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements of subsidiaries outside Hong Kong	1,511	4,946
Available-for-sale securities: – changes in fair value during the period	–	1,603
Total comprehensive income for the period	12,323	51,975
Attributable to:		
Equity shareholders of the Company	11,064	46,082
Non-controlling interests	1,259	5,893
Total comprehensive income for the period	12,323	51,975

Note: The Group has initially applied HKFRS 9 at 1 January 2018. Under the transition methods chosen, comparative information is not restated. See note 3.

The notes on pages 7 to 24 form part of this interim financial report.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2018 – unaudited

		At 30 June 2018 <i>HK\$'000</i>	At 31 December 2017 <i>HK\$'000</i>
	<i>Note</i>		
Non-current assets			
Investment properties	<i>10</i>	1,802,845	1,802,845
Other property, plant and equipment	<i>10</i>	149,000	123,392
		<hr style="width: 100%;"/>	<hr style="width: 100%;"/>
		1,951,845	1,926,237
Intangible assets		718	1,041
Interests in associates		68,152	64,052
Other financial assets		16,745	28,828
Deposits and prepayments		2,583	16,151
Deferred tax assets		7,559	11,633
		<hr style="width: 100%;"/>	<hr style="width: 100%;"/>
		2,047,602	2,047,942
		<hr style="width: 100%;"/>	<hr style="width: 100%;"/>
Current assets			
Inventories	<i>11</i>	296,290	274,695
Trading securities		14,700	–
Current tax recoverable		83	62
Loans to an associate		17,666	25,874
Trade and other receivables	<i>12</i>	130,276	173,752
Cash and cash equivalents	<i>13</i>	67,411	91,591
		<hr style="width: 100%;"/>	<hr style="width: 100%;"/>
		526,426	565,974
		<hr style="width: 100%;"/>	<hr style="width: 100%;"/>
Current liabilities			
Trade and other payables	<i>14</i>	124,824	129,609
Bank loans		273,526	279,795
Current tax payable		27,063	41,724
		<hr style="width: 100%;"/>	<hr style="width: 100%;"/>
		425,413	451,128
		<hr style="width: 100%;"/>	<hr style="width: 100%;"/>
Net current assets		101,013	114,846
		<hr style="width: 100%;"/>	<hr style="width: 100%;"/>
Total assets less current liabilities carried forward		2,148,615	2,162,788
		<hr style="width: 100%;"/>	<hr style="width: 100%;"/>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

As at 30 June 2018 – unaudited

	At 30 June 2018	At 31 December 2017
<i>Note</i>	HK\$'000	HK\$'000
Total assets less current liabilities brought forward	2,148,615	2,162,788
Non-current liabilities		
Bank loans	–	3,118
Deferred rental expenses	3,673	3,767
Rental deposits	1,383	5,673
Deferred tax liabilities	19,905	19,905
Accrued employee benefits	40	22
	25,001	32,485
NET ASSETS	2,123,614	2,130,303
CAPITAL AND RESERVES		
Share capital	15 95,059	95,059
Reserves	2,024,359	2,032,307
Total equity attributable to equity shareholders of the Company	2,119,418	2,127,366
Non-controlling interests	4,196	2,937
TOTAL EQUITY	2,123,614	2,130,303

Note: The Group has initially applied HKFRS 9 at 1 January 2018. Under the transition methods chosen, comparative information is not restated. See note 3.

The notes on pages 7 to 24 form part of this interim financial report.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2018 – unaudited

		Attributable to equity shareholders of the Company										
	Note	Share capital HK\$'000	Share premium HK\$'000	Capital reserve HK\$'000	Contributed surplus HK\$'000	Exchange reserve HK\$'000	Land and buildings revaluation reserve HK\$'000	Fair value reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	Total equity HK\$'000
Balance at 1 January 2017		95,059	185,138	10,815	173,397	(77,741)	62,667	(107)	1,356,308	1,805,536	(3,303)	1,802,233
Changes in equity for the six months ended 30 June 2017:												
Total comprehensive income for the period		-	-	-	-	4,895	-	1,603	39,584	46,082	5,893	51,975
Dividends approved in respect of the previous year	15	-	-	-	-	-	-	-	(14,259)	(14,259)	-	(14,259)
Deregistration of a non-wholly owned subsidiary		-	-	-	-	-	-	-	-	-	(1)	(1)
Balances at 30 June 2017 and 1 July 2017		95,059	185,138	10,815	173,397	(72,846)	62,667	1,496	1,381,633	1,837,359	2,589	1,839,948
Changes in equity for the six months ended 31 December 2017:												
Total comprehensive income for the period		-	-	-	-	4,237	-	3,606	282,164	290,007	348	290,355
Balances at 31 December 2017		95,059	185,138	10,815	173,397	(68,609)	62,667	5,102	1,663,797	2,127,366	2,937	2,130,303
Impact on initial application of HKFRS 9	3	-	-	-	-	-	-	(5,102)	5,102	-	-	-
Adjusted balances at 1 January 2018		95,059	185,138	10,815	173,397	(68,609)	62,667	-	1,668,899	2,127,366	2,937	2,130,303
Changes in equity for the six months ended 30 June 2018:												
Total comprehensive income for the period		-	-	-	-	1,539	-	-	9,525	11,064	1,259	12,323
Dividends approved in respect of the previous year	15	-	-	-	-	-	-	-	(19,012)	(19,012)	-	(19,012)
Balance at 30 June 2018		95,059	185,138	10,815	173,397	(67,070)	62,667	-	1,659,412	2,119,418	4,196	2,123,614

Note: The Group has initially applied HKFRS 9 at 1 January 2018. Under the transition methods chosen, comparative information is not restated. See note 3.

The notes on pages 7 to 24 form part of this interim financial report.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2018 – unaudited

		Six months ended 30 June	
		2018	2017
	Note	HK\$'000	HK\$'000
Operating activities			
Cash generated from operations		46,307	66,872
Tax paid		(20,558)	(7,999)
		<u>25,749</u>	<u>58,873</u>
Net cash generated from operating activities		<u>25,749</u>	<u>58,873</u>
Investing activities			
Payment for the purchase of property, plant and equipment		(38,195)	(11,834)
Payment for the purchase of trading securities		(5,141)	–
Payment for the purchase of other financial assets		–	(3,103)
Proceeds from sales of trading securities		1,867	–
Decrease in non-current deposits and prepayments		13,568	–
Decrease in loans to an associate		8,208	2,280
Other cash flows arising from investing activities		1,467	1,041
		<u>(18,226)</u>	<u>(11,616)</u>
Net cash used in investing activities		<u>(18,226)</u>	<u>(11,616)</u>
Financing activities			
Dividend paid to equity shareholders of the Company		(19,012)	(14,259)
Other cash flows used in financing activities		(12,644)	(14,444)
		<u>(31,656)</u>	<u>(28,703)</u>
Net cash used in financing activities		<u>(31,656)</u>	<u>(28,703)</u>
Net (decrease)/increase in cash and cash equivalents		(24,133)	18,554
Cash and cash equivalents at 1 January	13	91,591	62,157
Effect of foreign exchanges rates changes		<u>(47)</u>	<u>746</u>
Cash and cash equivalents at 30 June	13	<u>67,411</u>	<u>81,457</u>

Note: The Group has initially applied HKFRS 9 at 1 January 2018. Under the transition methods chosen, comparative information is not restated. See note 3.

The notes on pages 7 to 24 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 2018 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 2017 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 2018 comprises the Group and the Group’s interests in associates.

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

The interim financial report was approved by the Board of Directors and authorised for issue on 30 August 2018.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2017 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2018 annual financial statements. Details of any changes in accounting policies are set out in note 3.

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

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2017 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”).

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (Continued)

3. Changes in accounting policies

(a) Overview

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. Of these, the following developments are relevant to the Group's financial statements:

- HKFRS 9, *Financial instruments*
- HKFRS 15, *Revenue from contracts with customers*
- HK(IFRIC) 22, *Foreign currency transactions and advance consideration*

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period, except for the amendments to HKFRS 9, *Prepayment features with negative compensation* which have been adopted at the same time as HKFRS 9.

The Group has been impacted by HKFRS 9 in relation to classification of financial assets and measurement of credit losses. Details of the changes in accounting policies are discussed in note 3(b) for HKFRS 9.

Under the transition methods chosen, the Group recognises cumulative effect of the initial application of HKFRS 9 as an adjustment to the opening balance of equity at 1 January 2018. Comparative information is not restated.

(b) **HKFRS 9, *Financial instruments, including the amendments to HKFRS 9, Prepayment features with negative compensation***

HKFRS 9 replaces HKAS 39, *Financial instruments: recognition and measurement*. It sets out the requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items.

The Group has applied HKFRS 9 retrospectively to items that existed at 1 January 2018 in accordance with the transition requirements. The Group has recognised the cumulative effect of initial application as an adjustment to the opening equity at 1 January 2018. Therefore, comparative information continues to be reported under HKAS 39.

The following table summarises the impact of transition to HKFRS 9 on retained profits and reserves at 1 January 2018.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (Continued)

3. Changes in accounting policies (Continued)

(b) **HKFRS 9, Financial instruments, including the amendments to HKFRS 9, Prepayment features with negative compensation (Continued)**

HK\$'000

Retained profits

Transferred from fair value reserve relating to financial assets now measured at FVPL	5,102
Net increase in retained profits at 1 January 2018	<u>5,102</u>

HK\$'000

Fair value reserve

Transferred to retained profits relating to financial assets now measured at FVPL	(5,102)
Net decrease in fair value reserve at 1 January 2018	<u>(5,102)</u>

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

(i) **Classification of financial assets and financial liabilities**

HKFRS 9 categories financial assets into three principal classification categories: measured at amortised cost, at fair value through other comprehensive income (FVOCI) and at fair value through profit or loss (FVPL). These supersede HKAS 39's categories of held-to-maturity investments, loans and receivables, available-for-sale financial assets and financial assets measured at FVPL. The classification of financial assets under HKFRS 9 is based on the business model under which the financial asset is managed and its contractual cash flow characteristics.

Non-equity investments held by the Group are classified into one of the following measurement categories:

- amortised cost, if the investment is held for the collection of contractual cash flows which represent solely payments of principal and interest. Interest income from the investment is calculated using the effective interest method;

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (Continued)

3. Changes in accounting policies (Continued)

(b) HKFRS 9, Financial instruments, including the amendments to HKFRS 9, Prepayment features with negative compensation (Continued)

(i) Classification of financial assets and financial liabilities (Continued)

- FVOCI – recycling, if the contractual cash flows of the investment comprise solely payments of principal and interest and the investment is held within a business model whose objective is achieved by both the collection of contractual cash flows and sale. Changes in fair value are recognised in other comprehensive income, except for the recognition in profit or loss of expected credit losses, interest income (calculated using the effective interest method) and foreign exchange gains and losses. When the investment is derecognised, the amount accumulated in other comprehensive income is recycled from equity to profit or loss; or
- FVPL, if the investment does not meet the criteria for being measured at amortised cost or FVOCI (recycling). Changes in the fair value of the investment (including interest) are recognised in profit or loss.

An investment in equity securities is classified as FVPL unless the equity investment is not held for trading purposes and on initial recognition of the investment the Group makes an election to designate the investment at FVOCI (non-recycling) such that subsequent changes in fair value are recognised in other comprehensive income. Such elections are made on an instrument-by-instrument basis, but may only be made if the investment meets the definition of equity from the issuer's perspective. Where such an election is made, the amount accumulated in other comprehensive income remains in the fair value reserve (non-recycling) until the investment is disposed of. At the time of disposal, the amount accumulated in the fair value reserve (non-recycling) is transferred to retained profits. It is not recycled through profit or loss. Dividends from an investment in equity securities, irrespective of whether classified as at FVPL or FVOCI (non-recycling), are recognised in profit or loss as other income.

The following table shows the original measurement categories for each class of the Group's financial assets under HKAS 39 and reconciles the carrying amounts of those financial assets determined in accordance with HKAS 39 to those determined in accordance with HKFRS 9.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (Continued)

3. Changes in accounting policies (Continued)

(b) HKFRS 9, Financial instruments, including the amendments to HKFRS 9, Prepayment features with negative compensation (Continued)

(i) Classification of financial assets and financial liabilities (Continued)

	HKAS 39 carrying amount at 31 December 2017 HK\$'000	Impact on initial application of HKFRS 9 Reclassification HK\$'000	HKFRS 9 carrying amount at 1 January 2018 HK\$'000
Financial assets classified as available-for-sale under			
HKAS 39 (note)	28,828	(28,828)	–
Financial assets carried at FVPL			
Units in bond funds	–	3,096	3,096
Equity securities not held for trading	–	25,732	25,732
	–	28,828	28,828

Note: Under HKAS 39, units in bond funds and equity securities not held for trading were classified as available-for-sale financial assets. They are classified as at FVPL under HKFRS 9.

(ii) Impairment

The new impairment model in HKFRS 9 replaces the “incurred loss” model in HKAS 39 with an “expected credit loss” model. Under the expected credit loss model, it will no longer be necessary for a loss event to occur before an impairment loss is recognised. Instead, an entity is required to recognise and measure either a 12-month expected credit loss or a lifetime expected credit loss, depending on the asset and the facts and circumstances. Application of the expected credit loss model results in earlier recognition of credit losses. Adoption of HKFRS 9 would not have a material impact on the results and financial position of the Group.

(c) HKFRS 15, Revenue from contracts with customers

HKFRS 15 establishes a comprehensive framework for recognising revenue and some costs from contracts with customers. HKFRS 15 replaces HKAS 18, *Revenue*, which covered revenue arising from sale of goods and rendering of services, and HKAS 11, *Construction contracts*, which specified the accounting for construction contracts.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT *(Continued)*

3. Changes in accounting policies *(Continued)*

(c) HKFRS 15, Revenue from contracts with customers *(Continued)*

Under HKAS 18, revenue from sale of goods is generally recognised when the risks and rewards of ownership have passed to the customers. Under HKFRS 15, revenue is recognised when the customer obtains control of the promised good or service in the contract. Adoption of the new revenue standard does not have significant impact on how it recognises revenue from sale of goods.

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 2017.

5. Revenue and segment reporting

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

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

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (Continued)

5. 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	
	2018	2017
	HK\$'000	HK\$'000
Sales of goods	254,707	296,373
Gross rentals from investment properties	24,643	26,842
	<u>279,350</u>	<u>323,215</u>

The Group's customer base is diversified and includes one (2017: one) customer with whom transactions have exceeded 10% of the Group's revenue. In 2018, revenue from sales of toys and model trains to this customer (2017: one), including sales to entities which are known to the Group to be under common control of this customer, amounted to approximately HK\$139,845,000 (2017: HK\$160,586,000) and arose in the North America (2017: North America) geographical region in which the toys and model trains division is active.

(b) Segment results, assets and liabilities

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

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

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

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

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (Continued)

5. 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	
	2018	2017	2018	2017	2018	2017	2018	2017
	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000
For the six months ended 30 June								
Revenue from external customers	254,707	296,373	24,643	26,842	-	-	279,350	323,215
Inter-segment revenue	-	-	598	598	-	-	598	598
Reportable segment revenue	<u>254,707</u>	<u>296,373</u>	<u>25,241</u>	<u>27,440</u>	<u>-</u>	<u>-</u>	<u>279,948</u>	<u>323,813</u>
Reportable segment profit/(loss) (adjusted EBITDA)	<u>9,196</u>	<u>35,949</u>	<u>20,631</u>	<u>23,288</u>	<u>(2,006)</u>	<u>(1,914)</u>	<u>27,821</u>	<u>57,323</u>
Additions to non-current segment assets during the period	<u>38,195</u>	<u>11,834</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>38,195</u>	<u>11,834</u>

	Toys and model trains		Property investment		Investment holding		Total	
	At 30 June 2018	At 31 December 2017						
	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000
Reportable segment assets	<u>576,494</u>	<u>557,332</u>	<u>1,819,112</u>	<u>1,803,411</u>	<u>265,367</u>	<u>295,272</u>	<u>2,660,973</u>	<u>2,656,015</u>
Reportable segment liabilities	<u>630,898</u>	<u>655,577</u>	<u>31,335</u>	<u>25,063</u>	<u>21,163</u>	<u>6,365</u>	<u>683,396</u>	<u>687,005</u>

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT *(Continued)*

5. Revenue and segment reporting *(Continued)*

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

	Six months ended 30 June	
	2018	2017
	HK\$'000	HK\$'000
Revenue		
Reportable segment revenue	279,948	323,813
Elimination of inter-segment revenue	(598)	(598)
	<u>279,350</u>	<u>323,215</u>
Consolidated revenue	279,350	323,215
Profit		
Reportable segment profit	27,821	57,323
Elimination of inter-segment profit	–	–
	<u>27,821</u>	<u>57,323</u>
Reportable segment profit derived from Group's external customers	27,821	57,323
Other income	3,957	11,522
Depreciation and amortisation	(12,409)	(14,648)
Finance costs	(3,260)	(3,576)
Share of profits less losses of associates	4,499	2,482
Unallocated head office and corporate expenses	(287)	(261)
	<u>20,321</u>	<u>52,842</u>
Consolidated profit before taxation	20,321	52,842

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT *(Continued)*

5. Revenue and segment reporting *(Continued)*

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

	At 30 June 2018 <i>HK\$'000</i>	At 31 December 2017 <i>HK\$'000</i>
Assets		
Reportable segment assets	2,660,973	2,656,015
Elimination of inter-segment receivables	(279,979)	(265,180)
	2,380,994	2,390,835
Intangible assets	718	1,041
Interests in associates	68,152	64,052
Loans to an associate	17,666	25,874
Other financial assets	16,745	28,828
Trading securities	14,700	–
Current tax recoverable	83	62
Deferred tax assets	7,559	11,633
Cash and cash equivalents	67,411	91,591
Consolidated total assets	2,574,028	2,613,916
	At 30 June 2018 <i>HK\$'000</i>	At 31 December 2017 <i>HK\$'000</i>
Liabilities		
Reportable segment liabilities	683,396	687,005
Elimination of inter-segment payables	(279,979)	(265,180)
	403,417	421,825
Current tax payable	27,063	41,724
Deferred tax liabilities	19,905	19,905
Unallocated head office and corporate liabilities	29	159
Consolidated total liabilities	450,414	483,613

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (Continued)

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. Profit before taxation

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

	Six months ended 30 June	
	2018	2017
	HK\$'000	HK\$'000
(a) Finance costs		
Interest on bank loans	3,260	3,576
	<u>3,260</u>	<u>3,576</u>
(b) Other items		
Cost of inventories (<i>note 11</i>)	171,122	186,138
Amortisation of intangible assets	331	412
Net loss/(gain) on disposal of property, plant and equipment (<i>note 10(b)</i>)	115	(706)
Net realised and unrealised losses on trading securities	334	–
Net realised and unrealised losses on investments not held for trading	382	–
Interest income	(1,011)	(630)
	<u>(1,011)</u>	<u>(630)</u>

8. Income tax expense

	Six months ended 30 June	
	2018	2017
	HK\$'000	HK\$'000
Current tax – Hong Kong Profits Tax	4,136	11,577
Current tax – Outside Hong Kong	1,298	2,219
Deferred tax	4,075	(6,380)
	<u>4,075</u>	<u>(6,380)</u>
Income tax expense	9,509	7,416
	<u>9,509</u>	<u>7,416</u>

The provision for Hong Kong Profits Tax is calculated by applying the estimated annual effective tax rate of 16.5% (2017: 16.5%) to the six months ended 30 June 2018. Taxation for subsidiaries outside Hong Kong is similarly calculated using the estimated annual effective rates of taxation that are expected to be applicable in the relevant countries.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT *(Continued)*

9. Earnings per share

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of HK\$9,525,000 (six months ended 30 June 2017: HK\$39,584,000) and the weighted average of 950,588,000 ordinary shares (six months ended 30 June 2017: 950,588,000 ordinary shares) in issue during the interim period.

(b) Diluted earnings per share

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

10. Investment properties and other property, plant and equipment

(a) Acquisitions

During the six months ended 30 June 2018, the Group acquired items of other property, plant and equipment with an aggregate cost of HK\$38,195,000 (six months ended 30 June 2017: HK\$11,834,000).

(b) Disposals

Items of other property, plant and equipment with cost and net book value of HK\$500,000 and HK\$173,000 respectively were disposed of during the six months ended 30 June 2018 (six months ended 30 June 2017: HK\$12,742,000 and HK\$136,000), resulting in a loss on disposal of HK\$115,000 (six months ended 30 June 2017: gain on disposal of HK\$706,000).

(c) Valuation

All investment properties of the Group were revalued as at 31 December 2017 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 2018 are carried at fair value.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT *(Continued)*

11. Inventories

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

	Six months ended 30 June	
	2018	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>
Carrying amount of inventories sold	173,712	185,733
Write-down of inventories	2,321	2,528
Reversal of write-down of inventories	(4,911)	(2,123)
	<u>171,122</u>	<u>186,138</u>

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

12. Trade and other receivables

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

	At	At
	30 June	31 December
	2018	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within 1 month	51,296	95,557
1 to 3 months	30,918	42,360
3 to 12 months	4,266	4,097
Over 12 months	961	1,008
	<u>87,441</u>	<u>143,022</u>
Total trade debtors, net of allowance for doubtful debts	87,441	143,022
Amounts due from related companies	2,018	2,103
Other debtors and prepayments	40,817	28,627
	<u>130,276</u>	<u>173,752</u>

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.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT *(Continued)*

13. Cash and cash equivalents

	At 30 June 2018 HK\$'000	At 31 December 2017 HK\$'000
Cash at bank and on hand	<u>67,411</u>	<u>91,591</u>

14. Trade and other payables

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

	At 30 June 2018 HK\$'000	At 31 December 2017 HK\$'000
Within 1 month	35,520	16,389
Over 1 month but within 3 months	7,703	14,963
Over 3 months but within 6 months	3,089	633
Over 6 months	867	979
	<hr/>	<hr/>
Total trade creditors	47,179	32,964
Other creditors and accrued charges	66,194	91,103
Rental deposits	10,464	4,613
Amount due to a related company	987	929
	<hr/>	<hr/>
	<u>124,824</u>	<u>129,609</u>

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (Continued)

15. Capital, reserves and dividends

(a) Dividends

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

Six months ended 30 June
2018 2017
HK\$'000 *HK\$'000*

Final dividend in respect of the previous financial year, approved and paid during the following interim period, of HK2.0 cents per ordinary share (six months ended 30 June 2017: HK1.5 cents per ordinary share)

19,012 **14,259**

(b) Share capital

	2018		2017	
	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. The addition in share premium represents the difference between the total amount of the par value of shares issue.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (Continued)

16. Fair value measurement of financial instruments

(a) Financial assets measured at fair value

Fair value hierarchy

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

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date
- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available
- Level 3 valuations: Fair value measured using significant unobservable inputs

	Fair value as at 30 June 2018	Fair value measurements as at 30 June 2018 categorised into		
	<i>HK\$'000</i>	Level 1 <i>HK\$'000</i>	Level 2 <i>HK\$'000</i>	Level 3 <i>HK\$'000</i>
Recurring fair value measurements				
Other financial assets				
– Listed equity securities	4,380	4,380	–	–
– Listed debt securities	3,021	3,021	–	–
– Unlisted equity securities	9,344	–	9,344	–
	<u>16,745</u>	<u>7,401</u>	<u>9,344</u>	<u>–</u>
Trade securities				
– Listed equity securities	14,700	14,700	–	–
	<u>31,445</u>	<u>22,101</u>	<u>9,344</u>	<u>–</u>

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (Continued)

16. Fair value measurement of financial instruments (Continued)

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

Fair value hierarchy (Continued)

	Fair value as at	Fair value measurements as at		
	31 December 2017	31 December 2017 categorised into		
		Level 1	Level 2	Level 3
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Recurring fair value measurements				
Available-for-sale securities (note):				
– Listed equity securities	16,286	16,286	–	–
– Listed debt securities	3,096	3,096	–	–
– Unlisted equity securities	9,446	–	9,446	–
	<u>28,828</u>	<u>19,382</u>	<u>9,446</u>	<u>–</u>

Note: Available-for-sale financial assets were reclassified to financial assets measured at FVPL upon the adoption of HKFRS 9 at 1 January 2018 (see note 3(b)(i)).

During the six months ended 30 June 2018, there were no transfers between Level 1 and Level 2, nor transfers into or out of Level 3 (2017: HK\$ Nil). The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

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

The carrying amounts of the Group's financial instruments carried at cost or amortised cost are not materially different from their fair values as at 31 December 2017 and 30 June 2018.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT *(Continued)*

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

	At 30 June 2018 <i>HK\$'000</i>	At 31 December 2017 <i>HK\$'000</i>
Contracted for	<u>6,278</u>	<u>11,233</u>

18. Contingent liabilities

As at 30 June 2018, the Group did not have any significant contingent liabilities.

19. Material related party transactions

As at 30 June 2018, the Group advanced funds totalling HK\$40,138,000 (31 December 2017: HK\$40,537,000) to certain associates in which some of the directors of the Company have beneficial interests.

INTERIM DIVIDEND

The Board of Directors has resolved not to declare the payment of an interim dividend for the six months ended 30 June 2018 (2017: HK\$Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS

During the period under review, the Group recorded a consolidated revenue of approximately HK\$279.35 million, which decreased by approximately 13.57% as compared to approximately HK\$323.22 million reported for the corresponding period last year. The Group achieved the profit before taxation of approximately HK\$20.32 million, representing a decrease of approximately 61.54% as compared to approximately HK\$52.84 million reported for the corresponding period last year. The decrease in profit before taxation was mainly attributable to the decrease in revenue and the appreciation of Renminbi Yuan (“RMB”) which increased the operating costs of the Group’s production plants in the People’s Republic of China. The profit attributable to equity shareholders amounted to approximately HK\$9.53 million (six months ended 30 June 2017: approximately HK\$39.58 million).

BUSINESS REVIEW

Toys and Model Trains

During the first half year of 2018, the revenue was approximately HK\$254.71 million, representing a decrease of approximately 14.06% 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 increase the revenue and profit.

Property Investment

During the period under review, the Group’s rental income amounted to approximately HK\$24.64 million, representing a decrease of approximately 8.19% as compared to the corresponding period last year and the occupancy rate of its investment properties was approximately 75% (30 June 2017: approximately 91%).

FINANCIAL REVIEW

Liquidity and Financial Resources

As at 30 June 2018, the Group's net asset value per share was approximately HK\$2.23 (31 December 2017: approximately HK\$2.24). The Group had net current assets of approximately HK\$101.01 million (31 December 2017: approximately HK\$114.85 million). Total bank borrowings were approximately HK\$273.53 million (31 December 2017: approximately HK\$282.91 million) while the secured total banking facilities were approximately HK\$806.88 million (31 December 2017: approximately HK\$789.02 million). Included in total bank borrowings were revolving loans of approximately HK\$195.00 million (31 December 2017: approximately HK\$180.83 million) which are intended to be rolled over upon maturity. The Group's financial gearing, based on the total bank borrowings compared to the total equity, was approximately 12.88% (31 December 2017: approximately 13.28%). The majority of borrowings are on floating interest rate terms. The Group will negotiate with banks to increase the banking facilities for working capital needs, if necessary.

Capital Structure

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

Charges on Group Assets

As at 30 June 2018, investment properties, certain leasehold land and buildings, inventories and other assets of the Group with a net book value of approximately HK\$1,578.99 million (31 December 2017: approximately HK\$1,580.60 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 2018.

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 mitigated even with strict operational procedures.

Interest Rate Risk

The Group's interest rate risk arises primarily from bank borrowings. The Group analyses its interest rate exposure on a dynamic basis and manages this risk in a cost-effective manner.

Liquidity risk

Liquidity risk is the potential that the Group will be unable to meet its obligations when they fall due because of an inability to obtain adequate funding. In managing the liquidity risk, the Group monitors the cash flows and will negotiate with banks to increase the banking facilities, if necessary.

Customer risk

The sales to one of the Group's customers represented approximately 55% of the Group's sales during the six months ended 30 June 2018. The Group has endeavoured to diversify its customer base and provided quality products and services to the customers to maintain good relationship with them so as to mitigate the customer risk.

Foreign Exchange Rate Risk

Major assets, liabilities and transactions of the Group are denominated in Hong Kong dollars, United States dollars, Sterling Pounds ("GBP") and RMB. As such, the Group faces a certain degree of exchange rate risk mainly arising from GBP and RMB denominated transactions for which the exchange rate volatility is relatively high.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2018, the Group employed 1,937 (30 June 2017: 2,552) 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 Group remunerates its employees based on their performance, experience and prevailing industry practices. In the area of staff training, the Group encourages staff to participate in courses on technical skills improvement and personal development.

PROSPECTS

The economic outlook for the period ahead is uncertain due to the United States-China trade war. The Group will continue to raise production efficiency and strengthen the cost control measures in order to maintain its competitive position. Moreover, the Group has the intention to revitalize the investment properties, and has commenced initial procedures and submitted the relevant documents to the Government of the HKSAR. The revitalization will increase the value of the investment properties and the rental income in the future.

DISCLOSURE OF INTERESTS

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

As at 30 June 2018, the interests and short positions of the directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept by the Company under section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") under the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") were as follows:

(1) Interests in the Company

Name of directors	Number of ordinary shares of HK\$0.10 each				% of total issued share capital
	Personal interests	Family interests	Corporate interests	Total interests	
Kenneth Ting Woo-shou	288,943,941	2,075,183 ⁽ⁱ⁾	258,963,571 ⁽ⁱⁱ⁾	549,982,695	57.86%
Nancy Ting Wang Wan-sun	2,075,183	-	-	2,075,183	0.22%
Ivan Ting Tien-li	21,530,432	-	-	21,530,432	2.26%
Moses Cheng Mo-chi	15,714	-	-	15,714	0.00%
Bernie Ting Wai-cheung	-	-	-	-	-
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 through Border Shipping Limited; and 49,292,571 shares of the Company held by Glory Town Limited, in which Mr. Kenneth Ting Woo-shou has a controlling interest through Tyrol Investments Limited.

(2) Interests in Associated Corporations

Name of associated corporations	Beneficial interests	Class of shares	Number of shares held			% of interests in associated corporations
			Personal interests	Family interests	Corporate interests	
Allman Holdings Limited (“Allman”)	Ivan Ting Tien-li (“Ivan Ting”)	Ordinary shares of US\$1.00 each	920 ⁽ⁱ⁾	-	-	63.89%
Pacific Squaw Creek, Inc. (“PSC”)	Ivan Ting	Ordinary shares of US\$1.00 each	-	-	1,000 ⁽ⁱⁱ⁾	100.00%
Squaw Creek Associates, LLC (“SCA”)	Ivan Ting	Not applicable ⁽ⁱⁱⁱ⁾	-	-	-	62.00% ^(iv)
SCA	Kenneth Ting Woo-shou (“Kenneth Ting”)	Not applicable ⁽ⁱⁱⁱ⁾	-	-	-	13.00% ^(v)

Notes:

- (i) These interests are held by Mr. Ivan Ting.
- (ii) These interests are held by Allman. Mr. Ivan Ting’s beneficial interests in Allman are disclosed in note (i) above.
- (iii) SCA does not have issued share capital, the percentage of interest in SCA represents the interest in capital account balance.
- (iv) These interests are held by PSC. Mr. Ivan Ting’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.

All the interests stated above represent long positions. As at 30 June 2018, 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 2018, none of the directors and chief executives of the Company nor their spouses or children under 18 years of age has interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations, as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Substantial Shareholders' and Other Person's Interests

As at 30 June 2018, substantial shareholders and other persons (other than directors or chief executives of the Company) who had interests or short positions in the shares, underlying shares and debentures of the Company which were recorded in the register kept by the Company under section 336 of the SFO were as follows:

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

Notes:

- (i) Included in the “Corporate Interests” above were 209,671,000 shares of the Company held by the Company’s substantial shareholder, H.C. Ting’s Holdings Limited, in which Forest Crimson Limited has a controlling interest through Border Shipping Limited.
- (ii) The spouse of Mr. Ting Hok-shou, Ms. Emily Tsang Wing-hin, is the beneficial shareholder.
- (iii) Included in the “Corporate Interests” above were 3,913,997 shares of the Company held by Golden Tree Investment Company Limited, in which Mr. Ting Hok-shou and Ms. Emily Tsang Wing-hin together have controlling interest; and 35,184,284 shares of the Company held by Kimpont Limited, in which Mr. Ting Hok-shou and Ms. Emily Tsang Wing-hin together have controlling interest through Golden Tree Investment Company Limited and Yale Investment Corporation.
- (iv) The spouse of Ms. Emily Tsang Win-hin is the beneficial shareholder.

Save as disclosed above, as at 30 June 2018, the Company was not notified by any persons (other than directors or chief executives of the Company) who had interests or short positions in the shares, underlying shares and debentures of the Company which were recorded in the register kept by the Company under section 336 of the SFO.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

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

PURCHASE, SALE OR REDEMPTION OF SHARES

The Company has not redeemed any of its shares during the six months ended 30 June 2018. 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 its corporate governance practices to ensure its continuous compliance with the Corporate Governance Code ("CG Code") as set out in Appendix 14 to the Listing Rules. Throughout the period under review, the Group has complied with all code provisions in CG Code, except for the deviation from CG Code A.2.1 as described below:

Under CG Code A.2.1, the roles of chairman and chief executive should be separate and should not be performed by the same individual. Mr. Kenneth Ting Woo-shou has the combined role of Chairman and Managing Director. The Board considers that this structure will not impair the balance of power and authority between the Board and the management of the Group as non-executive directors and independent non-executive directors ("INEDs") form the majority of the Board, with six out of nine 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 2018.

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.

CHANGES IN INFORMATION OF DIRECTORS

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

Mr. Ivan Ting Tien-li was re-designated as an Executive Director of the Company with effect from 1 April 2018.

Mr. Desmond Chum Kwan-yue, an independent Non-executive Director of the Company, has resigned as an independent non-executive director of Classified Group (Holdings) Limited, a company listed on the Stock Exchange (stock code: 8232), with effect from 30 June 2018.

By order of the Board
Kenneth Ting Woo-shou
Chairman

Hong Kong, 30 August 2018

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