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KADER HOLDINGS COMPANY LIMITED

開達集團有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 180)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2011

The Board of Directors of Kader Holdings Company Limited (the “Company”) announces that the results of the Company and its subsidiaries (together referred to as the “Group”) for the year ended 31 December 2011 together with comparative figures for the year 2010 are summarised as follows:

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2011

	Note	2011 HK\$'000	2010 HK\$'000
Turnover	3, 4	1,299,487	1,600,246
Other revenue	5(a)	16,968	18,315
Other net income	5(b)	17,014	12,991
Changes in inventories of finished goods and work in progress		11,661	73,541
Cost of purchase of finished goods		(22,420)	(19,273)
Raw materials and consumables used		(433,904)	(589,362)
Staff costs	6(b)	(704,898)	(640,645)
Depreciation	6(c)	(44,411)	(40,017)
Other operating expenses		<u>(253,326)</u>	<u>(339,476)</u>
(Loss)/profit from operations		(113,829)	76,320
Finance costs	6(a)	(9,799)	(7,880)
Share of profits less losses of associates		(20,882)	(5,598)
Valuation gains on investment properties		188,742	103,208
Net (loss)/gain on disposal of investment properties	7	<u>(80)</u>	<u>31,220</u>
Profit before taxation	6	44,152	197,270
Income tax	8	<u>(27,992)</u>	<u>(37,951)</u>
Profit for the year		<u>16,160</u>	<u>159,319</u>
Attributable to:			
Equity shareholders of the Company		18,129	164,528
Non-controlling interests		<u>(1,969)</u>	<u>(5,209)</u>
Profit for the year		<u>16,160</u>	<u>159,319</u>
Earnings per share			
Basic	9(a)	2.72¢	24.73¢
Diluted	9(b)	<u>2.72¢</u>	<u>24.73¢</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2011

	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
Profit for the year	16,160	159,319
Other comprehensive income for the year (after tax and reclassification adjustments)		
Exchange differences on translation of financial statements of subsidiaries outside Hong Kong	(18,624)	(7,140)
Share of exchange reserve of associates	–	(1,392)
Available-for-sale equity securities: net movement in the fair value reserve	<u>(2,174)</u>	<u>1,685</u>
Total comprehensive income for the year	<u>(4,638)</u>	<u>152,472</u>
Attributable to:		
Equity shareholders of the Company	(2,820)	157,538
Non-controlling interests	<u>(1,818)</u>	<u>(5,066)</u>
Total comprehensive income for the year	<u>(4,638)</u>	<u>152,472</u>

CONSOLIDATED BALANCE SHEET

At 31 December 2011

		At 31 December 2011 <i>HK\$'000</i>	At 31 December 2010 <i>HK\$'000</i>
	<i>Note</i>		
Non-current assets			
Fixed assets			
– Investment properties		890,033	707,941
– Other property, plant and equipment		243,472	234,861
– Construction in progress		–	270
		<u>1,133,505</u>	<u>943,072</u>
Intangible assets		634	667
Interests in associates		20,916	25,376
Other non-current financial assets		15,653	15,488
Deferred tax assets		18,240	20,071
		<u>1,188,948</u>	<u>1,004,674</u>
Current assets			
Inventories		438,355	438,136
Current tax recoverable		10,043	331
Trade and other receivables	<i>11</i>	178,240	201,162
Cash and cash equivalents		110,790	163,003
		<u>737,428</u>	<u>802,632</u>
Current liabilities			
Trade and other payables	<i>12</i>	(284,593)	(316,286)
Bank loans and overdrafts		(463,171)	(310,091)
Obligations under finance leases		–	(292)
Current tax payable		(4,033)	(10,293)
		<u>(751,797)</u>	<u>(636,962)</u>
Net current (liabilities)/assets		<u>(14,369)</u>	<u>165,670</u>
Total assets less current liabilities carried forward		<u>1,174,579</u>	<u>1,170,344</u>

CONSOLIDATED BALANCE SHEET (Continued)

At 31 December 2011

	At 31 December 2011 HK\$'000	At 31 December 2010 HK\$'000
Total assets less current liabilities brought forward	1,174,579	1,170,344
Non-current liabilities		
Bank loans	(29,417)	(30,417)
Rental deposits	(5,351)	(3,746)
Deferred tax liabilities	(121,993)	(101,205)
Accrued employee benefits	(2,110)	(4,731)
	<u>(158,871)</u>	<u>(140,099)</u>
NET ASSETS	<u>1,015,708</u>	<u>1,030,245</u>
CAPITAL AND RESERVES		
Share capital	66,541	66,541
Reserves	<u>951,733</u>	<u>964,534</u>
Total equity attributable to equity shareholders of the Company	1,018,274	1,031,075
Non-controlling interests	<u>(2,566)</u>	<u>(830)</u>
TOTAL EQUITY	<u>1,015,708</u>	<u>1,030,245</u>

Notes:

1. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

This announcement does not comprise the consolidated financial statements for the year ended 31 December 2011 but the information herein has been extracted from such consolidated financial statements.

The consolidated financial statements for the year ended 31 December 2011 comprise the Group and the Group's interest in associates.

The consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. The consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

The measurement basis used in the preparation of the consolidated financial statements is the historical cost basis except that investment properties and financial instruments classified as available-for-sale are stated at their fair values.

The Group recorded a loss from operations of HK\$113,829,000 during the year ended 31 December 2011 and net current liabilities of HK\$14,369,000 as at that date. These financial statements have been prepared on a going concern basis notwithstanding the Group's loss from operations and net current liabilities because the directors are of the opinion that based on a cash flow forecast of the Group for the year ending 31 December 2012, the Group would have adequate funds to meet its liabilities as and when they fall due at least twelve months from the balance sheet date. The financial statements do not include any adjustments relating to the carrying amount and classification of assets and liabilities that might be necessary should the Group be unable to continue as a going concern.

The figures in respect of the preliminary announcement of the Group's results for the year ended 31 December 2011 have been compared by the Company's auditors, KPMG, Certified Public Accountants, to the amounts set out in the Group's draft financial statements for the year and the amounts were found to be in agreement. The work performed by KPMG in this respect was limited and did not constitute an audit, review or other assurance engagement and consequently no assurance has been expressed by the auditors on this announcement.

2. CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued a number of amendments to HKFRSs and one new Interpretation 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:

- **HKAS 24 (revised 2009), *Related party disclosures***

HKAS 24 (revised 2009) revises the definition of a related party. As a result, the Group has re-assessed the identification of related parties and concluded that the revised definition does not have any material impact on the Group's related party disclosures in the current and previous period. HKAS 24 (revised 2009) also introduces modified disclosure requirements for government-related entities. This does not impact the Group because the Group is not a government-related entity.

- **Improvements to HKFRSs (2010)**

Improvements to HKFRSs (2010), omnibus standard introduces a number of amendments to the disclosure requirements in HKFRS 7, *Financial instruments: Disclosures*. The disclosures about the Group's financial instruments have been conformed to the amended disclosure requirements. These amendments do not have any material impact on the classification, recognition and measurements of the amounts recognised in the financial statements in the current and previous periods.

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

3. TURNOVER

The principal activities of the Group are the manufacture and sale of plastic, electronic and stuffed toys and model trains, property investment and investment holding.

Turnover represents the sales value of goods supplied to customers, rental income and royalties received during the year. The amount of each significant category of revenue recognised in turnover during the year is as follows:

	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
Sales of goods	1,267,808	1,566,835
Gross rentals from investment properties	31,049	32,525
Royalty income	630	886
	<u>1,299,487</u>	<u>1,600,246</u>

The Group's customer base is diversified and includes two (2010: one) customers with whom transactions have exceeded 10% of the Group's revenues. In 2011 revenue from sales of toys and model trains to these two (2010: one) customers, including sales to entities which are known to the Group to be under common control with these customers, amounted to approximately HK\$499,741,000 (2010: HK\$591,962,000) and arose in the North America and Europe (2010: North America) geographical regions in which the toys and model trains division is active.

4. SEGMENT REPORTING

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

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

Property investment: The leasing of office premises, industrial building and residential units 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 purposes 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, goodwill, 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, bank borrowings managed by the Group and other corporate liabilities.

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

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

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

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 years ended 31 December 2011 and 2010 is set out below:

	<u>Toys and model trains</u>		<u>Property investment</u>		<u>Investment holding</u>		<u>Total</u>	
	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
Revenue from external customers	1,268,438	1,567,721	31,049	32,525	-	-	1,299,487	1,600,246
Inter-segment revenue	-	-	2,032	2,039	-	-	2,032	2,039
Reportable segment revenue	<u>1,268,438</u>	<u>1,567,721</u>	<u>33,081</u>	<u>34,564</u>	<u>-</u>	<u>-</u>	<u>1,301,519</u>	<u>1,602,285</u>
Reportable segment (loss)/profit (adjusted EBITDA)	(234,561)	87,123	19,839	18,784	451	(726,740)	(214,271)	(620,833)
Interest income	483	217	-	-	648	116	1,131	333
Interest expenses	(9,795)	(7,858)	(4)	(22)	-	-	(9,799)	(7,880)
Depreciation and amortisation for the year	(44,411)	(40,017)	-	-	(33)	(34)	(44,444)	(40,051)
Impairment of:								
- fixed assets	(893)	(326)	-	-	-	-	(893)	(326)
- goodwill	-	-	-	-	-	(4,583)	-	(4,583)
Reportable segment assets	319,190	367,836	891,495	811,073	670,962	814,235	1,881,647	1,993,144
Additions to non-current segment assets during the year	51,757	47,236	-	-	-	-	51,757	47,236
Reportable segment liabilities	168,515	152,112	495	18,390	382,910	700,286	551,920	870,788

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

	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
Revenue		
Reportable of segment revenue	1,301,519	1,602,285
Elimination of inter-segment revenue	<u>(2,032)</u>	<u>(2,039)</u>
Consolidated turnover	<u><u>1,299,487</u></u>	<u><u>1,600,246</u></u>
Profit		
Reportable segment loss	(214,271)	(620,833)
Elimination of inter-segment profit	<u>111,681</u>	<u>706,554</u>
Reportable segment (loss)/profit derived from Group's external customers	(102,590)	85,721
Other revenue	16,968	18,315
Other net income	17,014	12,991
Depreciation and amortisation	(44,444)	(40,051)
Finance costs	(9,799)	(7,880)
Share of profits less losses of associates	(20,882)	(5,598)
Valuation gains on investment properties	188,742	103,208
Net (loss)/gain on disposal of investment properties	(80)	31,220
Unallocated corporate expenses	<u>(777)</u>	<u>(656)</u>
Consolidated profit before taxation	<u><u>44,152</u></u>	<u><u>197,270</u></u>
Assets		
Reportable segment assets	1,881,647	1,993,144
Elimination of inter-segment receivables	<u>(154,264)</u>	<u>(433,834)</u>
	1,727,383	1,559,310
Intangible assets	634	667
Interests in associates	20,916	25,376
Other non-current financial assets	15,653	15,488
Deferred tax assets	18,240	20,071
Current tax recoverable	10,043	331
Cash and cash equivalents	110,790	163,003
Unallocated head office and corporate assets	<u>22,717</u>	<u>23,060</u>
Consolidated total assets	<u><u>1,926,376</u></u>	<u><u>1,807,306</u></u>

	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
Liabilities		
Reportable segment liabilities	551,920	870,788
Elimination of inter-segment payables	(154,264)	(433,834)
	397,656	436,954
Current tax payable	4,033	10,293
Deferred tax liabilities	121,993	101,205
Unallocated head office and corporate liabilities	386,986	228,609
Consolidated total liabilities	910,668	777,061

(c) **Geographic information**

The following table sets out information about the geographical location of (i) the Group's revenue from external customers and (ii) the Group's fixed assets, intangible assets, goodwill and interests in associates ("specified non-current assets"). The geographical location of customers is based on the location at which the services were provided or the goods delivered. The geographical location of the specified non-current assets is based on the physical location of the asset, in the case of fixed assets, the location of the operation to which they are allocated, in the case of intangible assets and goodwill, and the location of operations, in the case of interests in associates.

	Revenue from external customers		Specified non-current assets	
	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
Hong Kong (place of domicile)	53,875	53,748	947,057	754,723
Mainland China	16,482	15,597	175,875	162,172
North America	632,298	927,274	16,946	37,699
Europe	475,128	474,633	15,177	14,521
Others	121,704	128,994	-	-
	1,245,612	1,546,498	207,998	214,392
	1,299,487	1,600,246	1,155,055	969,115

5. OTHER REVENUE AND NET INCOME

	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
(a) Other revenue		
Bank interest income	127	94
Interest income from loan to an associate	506	–
Interest income from available-for-sale debt securities	142	116
Other interest income	<u>356</u>	<u>123</u>
	1,131	333
Air conditioning, management and maintenance service charges from tenants	6,703	6,250
Film making and photo taking income on products	1,197	2,260
Testing income	856	806
Sales of scrap	741	957
Material charges	1,694	3,876
Others	<u>4,646</u>	<u>3,833</u>
	<u>16,968</u>	<u>18,315</u>
(b) Other net income		
Net gain on disposal of fixed assets	626	293
Net exchange gain	<u>16,388</u>	<u>12,698</u>
	<u>17,014</u>	<u>12,991</u>

6. PROFIT BEFORE TAXATION

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

	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
(a) Finance costs		
Interest on bank overdrafts	552	101
Interest on bank borrowings repayable within five years	9,247	7,745
Finance charges on obligations under finance leases	<u>–</u>	<u>34</u>
	<u>9,799</u>	<u>7,880</u>
(b) Staff costs		
Salaries, wages and other benefits	644,974	576,266
Employer's contributions to defined contribution retirement plans, net of forfeited contributions of HK\$82,000 (2010: HK\$111,000)	<u>59,924</u>	<u>64,379</u>
	<u>704,898</u>	<u>640,645</u>

	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
(c) Other items		
Amortisation of intangible assets	<u>33</u>	<u>34</u>
Depreciation		
– owned assets	44,411	39,764
– assets held under finance leases	<u>–</u>	<u>253</u>
	<u>44,411</u>	<u>40,017</u>
Impairment losses		
– fixed assets	893	326
– trade receivables	577	2,060
– other receivables	–	7,602
– goodwill	–	4,583
– amounts due from associates	<u>–</u>	<u>6,131</u>
	<u>1,470</u>	<u>20,702</u>
Operating lease charges		
– rental of land and buildings	39,297	37,548
– other rentals	<u>104</u>	<u>39</u>
	<u>39,401</u>	<u>37,587</u>
Reversal of impairment loss on trade receivables	(3,667)	(2,520)
Auditors' remuneration	3,746	4,036
Cost of inventories	1,148,518	1,238,383
Rentals receivable from investment properties less direct outgoings of HK\$3,974,000 (2010: HK\$3,588,000)	<u>(27,075)</u>	<u>(28,937)</u>

Cost of inventories includes HK\$574,724,000 (2010: HK\$528,720,000) relating to staff costs, depreciation charges, impairment losses in respect of fixed assets and operating lease charges, which amount is also included in the respective total amounts disclosed separately above and in the income statement for each of these types of expenses.

7. NET (LOSS)/GAIN ON DISPOSAL OF INVESTMENT PROPERTIES

On 26 January 2011, a subsidiary of the Company entered into a sale and purchase agreement with two independent third parties to dispose of a unit in a residential building at Discovery Bay, Hong Kong, for a total consideration of HK\$6,650,000. The agreement was completed on 29 March 2011 and a loss of HK\$80,000, net of legal fees and other direct expenses of HK\$80,000, was recognised in the consolidated income statement for the year ended 31 December 2011.

On 21 April 2010, certain subsidiaries of the Company entered into sale and purchase agreements with two independent third parties to dispose of sixteen units in a commercial building at Lujiazui Road, Shanghai, the PRC, for a total consideration of HK\$77,614,000. These agreements were completed on 13 and 14 May 2010 and a gain of HK\$31,220,000, net of legal fees and other direct expenses of HK\$994,000, was recognised in the consolidated income statement for the year ended 31 December 2010.

8. INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT

(a) Taxation in the consolidated income statement represents:

	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
Current tax – Hong Kong Profits Tax		
Provision for the year	193	17,068
Over-provision in respect of prior years	<u>(3,534)</u>	<u>(1,430)</u>
	----- (3,341)	----- 15,638
Current tax – Outside Hong Kong		
Provision for the year	7,960	12,342
Under-provision in respect of prior years	<u>747</u>	<u>171</u>
	----- 8,707	----- 12,513
Deferred tax		
Origination and reversal of temporary differences	22,616	9,789
Effect on deferred tax balances at 1 January resulting from a decrease in tax rate	<u>10</u>	<u>11</u>
	----- 22,626	----- 9,800
	<u>27,992</u>	<u>37,951</u>

The provision for Hong Kong Profits Tax for 2011 is calculated at 16.5% (2010: 16.5%) of the estimated assessable profits for the year. Taxation for subsidiaries outside Hong Kong is charged at the appropriate current rates of taxation ruling in the relevant jurisdictions.

The Corporate Income Tax (“CIT”) rate applicable to subsidiaries registered in the PRC is 25% (2010: 25%). Certain PRC subsidiaries are entitled to an income tax holiday granted by the PRC tax authorities whereby they are exempted from CIT for two years starting from the first profit making year or 2008, whichever the earlier, and thereafter subject to CIT at 50% of the prevailing tax rate for the following three years.

During the year ended 31 December 2011, the British Government announced a decrease in the corporation tax rate applicable to the Group’s operations in the United Kingdom from 27% to 26% (2010: 28% to 27%). The decrease is taken into account in the preparation of the Group’s financial statements. Accordingly, the deferred tax balances relevant to the Group’s operations in the United Kingdom at 31 December 2011 was calculated using a tax rate of 26% (2010: 27%).

(b) Reconciliation between tax expense and accounting profit at applicable tax rates:

	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
Profit before taxation	<u>44,152</u>	<u>197,270</u>
Notional tax on profit before taxation, calculated at the rates applicable to profits in the countries concerned	4,221	24,794
Tax effect of non-deductible expenses	16,620	25,811
Tax effect of non-taxable income	(8,700)	(17,616)
Tax effect of previously unrecognised tax losses utilised	(1,580)	(14,055)
Tax effect of unused tax losses not recognised	20,208	20,265
Effect on deferred tax balances at 1 January resulting from a change in tax rate	10	11
Over-provision in prior years, net	<u>(2,787)</u>	<u>(1,259)</u>
Actual tax expense	<u>27,992</u>	<u>37,951</u>

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\$18,129,000 (2010: HK\$164,528,000) and the weighted average of 665,412,000 ordinary shares (2010: 665,412,000 ordinary shares) in issue during the year.

(b) Diluted earnings per share

The Company did not have dilutive potential ordinary shares outstanding during both 2011 and 2010. Accordingly, the diluted earnings per share is the same as the basic earnings per share for both 2011 and 2010.

10. DIVIDENDS

(a) Dividends payable to equity shareholders of the Company attributable to the year

	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
Final dividend proposed after the balance sheet date of HK Nil cents per ordinary share (2010: HK1.5 cents per ordinary share)	<u>-</u>	<u>9,981</u>

The final dividend proposed after the balance sheet date was not recognised as a liability at the balance sheet date.

(b) Dividends payable to equity shareholders of the Company attributable to the previous financial year, approved and paid during the year

	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
Final dividend in respect of the previous financial year, approved and paid during the year, of HK1.5 cents per ordinary share (2010: HK1.5 cents per ordinary share)	<u>9,981</u>	<u>9,981</u>

11. TRADE AND OTHER RECEIVABLES

Included in trade and other receivables are trade debtors and bills receivable (net of allowance for bad and doubtful debts) with the following ageing analysis as of the balance sheet date:

	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
Current	127,358	133,442
Less than 1 month past due	13,434	26,018
1 to 3 months past due	12,229	16,458
More than 3 months but less than 12 months past due	4,218	2,793
More than 12 months past due	<u>352</u>	<u>—</u>
	<u>157,591</u>	<u>178,711</u>

In respect of trade and other receivables, credit evaluations are performed on all customers requiring credit over a certain amount. These evaluation focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. 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. Normally, the Group does not obtain collateral from customers in its toys and model trains business. In respect of the Group's property investment business, deposits of between two to three months rent are received from lessees.

12. TRADE AND OTHER PAYABLES

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

	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
Due within 1 month or on demand	42,571	66,955
Due after 1 month but within 3 months	2,466	8,668
Due after 3 months but within 6 months	1,720	1,126
Due after 6 months	<u>650</u>	<u>1,106</u>
	<u>47,407</u>	<u>77,855</u>

BUSINESS REVIEW

In 2011, many uncertainties in the macro business environment posed great challenges to the business environment of the toy industry. During the year under review, the toy industry faced tremendous operating pressures due to Europe's sovereign debt crisis, high inflation, high labour costs, spiralling raw material costs, increasing energy costs and the appreciation of the Renminbi Yuan ("RMB"). In order to prevail in this difficult environment and exploit available opportunities, the Group has continued its stringent control policies in both production and financial management. The Group has placed emphasis on modernising and scrutinising production methods to increase efficiency and to maximise productivity, and has continued to expand new product lines and explore sales opportunities in the global market.

Looking back, the Group's ability to weather adverse operating conditions has been the foundation on which the Group has built its reputation as a trusted manufacturer. Looking forward, the Group will continue its mission of forging long-term relationships with customers by continuing to provide products they can trust.

Toys

For the financial year ended 31 December 2011, the turnover for the Group's OEM/ODM toys business was approximately HK\$406.93 million, representing a decrease of approximately 39.31% as compared to last year.

The sales and profitability of the toys business slowed down in the second half year of 2011 owing to the impact of the debt crisis in Europe. During the year under review, the uncertainty in the global economy has continued to depress the consumer spending sentiment. The sluggish consumer demand has inevitably impacted the business performance of the Group's toys business. In addition, high inflation in Mainland China contributed to an increase in raw material costs and other necessary costs such as energy and labour. To manage such changes, apart from an increase in product prices, the Group implemented raw material procurement strategies and devoted resources to production management and internal control as well as to conserve energy in order to maximise production returns.

Nevertheless, the Group will continue to manufacture high quality products with competitive prices and adhere to and fully support the Code of Business Practice of the International Council of Toy Industries ("ICTI").

Model Trains

The turnover for model trains for the year ended 31 December 2011 was approximately HK\$860.88 million, representing a decrease of approximately 3.95% as compared to last year.

During the year under review, the Group has continued to improve the quality of and develop innovative products, enrich the product line and promote the product image and brand name. This strategy has succeeded in receiving encouraging responses from customers and gaining their loyalty, which

in turn has helped maintain our leading position in the industry. In 2011, Williams by Bachmann line continued to grow with the addition to the line of the new Baldwin 4-6-0 Steam Locomotive, E-Z Street™ products, and accessories and operating rolling stock. Also, circus-themed HO and LS train sets were licensed from the Ringling Bros. and Barnum & Bailey™ Circus in 2011. The train sets will hit the market in 2012, with licensing for O scale products also slated for 2012. In addition, our Liliput brand successfully launched the first items from its N scale range.

The Group is proud to announce that during the year, our subsidiary, Bachmann Europe Plc., was awarded “Manufacturer of the Year 2011” in the overall category and also for the OO scale and N scale model trains category by Model Rail Magazine, RM Web and MREMAG. Bachmann Europe Plc. has received the “Manufacturer of the Year” award in the overall category for four continuous years. In addition, our OO scale model trains, “Derby Lightweight diesel multiple unit” and “FNA nuclear flask wagon” were awarded “Model of the Year 2011” under different categories. Moreover, our Graham Farish N scale model trains “Class A1 steam locomotive”, “Class 4CEP electric multiple unit” and “MK 1 coaches” were awarded “Model of the Year 2011”. In addition, our Liliput brand HO scale “E10” was awarded first place in “Model of the Year” in electric locos category while HOe scale diesel loco “D15” was awarded first place in “Model of the Year” in narrow gauge category by German magazine “eisenbahnmagazin”. Last but not the least, our Liliput brand N scale “FLIRT” was awarded first place in “Swiss Model of the Year 2011” by “spur-N-schweiz”.

Property Investment

For the financial year ended 31 December 2011, the Group’s rental income amounted to approximately HK\$31.05 million, representing a decrease of approximately 4.54% over the previous year. In addition, the Group recorded a valuation gain of approximately HK\$188.74 million on its investment property for the year, as compared to last year’s valuation gain of approximately HK\$103.21 million.

During the year under review, the Group managed to maintain the occupancy rate of its investment property above 95%.

FINANCIAL REVIEW

Results

The Board of Directors announce that the Group’s turnover for the financial year ended 31 December 2011 amounted to approximately HK\$1,299.49 million, representing a decrease of approximately 18.79% over that reported last year and that loss from operations for 2011 amounted to approximately HK\$113.83 million as compared to profit of approximately HK\$76.32 million for last year. The Group’s profit attributable to shareholders for the financial year ended 31 December 2011 was approximately HK\$18.13 million, which included valuation gains on investment property amounting to approximately HK\$188.74 million, as compared to last year’s profit attributable to shareholders of approximately HK\$164.53 million which included valuation gains on investment properties of approximately HK\$103.21 million.

Liquidity and Financial Resources

As at 31 December 2011, the Group's net asset value per share was approximately HK\$1.53 (2010: approximately HK\$1.55). The Group had net current liabilities of approximately HK\$14.37 million (2010: net current assets of approximately HK\$165.67 million). Total bank borrowings were approximately HK\$492.59 million (2010: approximately HK\$340.51 million) while the Group secured total banking facilities of approximately HK\$660.57 million (2010: approximately HK\$601.83 million). Included in total bank borrowings were revolving loans of approximately HK\$239.75 million (2010: approximately HK\$80.00 million) which are being rolled over upon maturity. The Group's financial gearing, based on the total interest bearing borrowings compared to the total equity, was approximately 48.50% (2010: approximately 33.08%). 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.

Exchange Rate Exposure

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

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2011, the Group employed 11,502 (2010: 17,973) full time management, administrative and production staff in 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 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 sovereign debt issues stemming from Europe has adversely hit the world's economy and dampened the toys market, with numerous players being squeezed out of the market. For the coming year, the Group is conservative but optimistic towards its performance. The Group will focus on the continuous development of our OEM/ODM toys and model trains business. Besides, the Group will continue to explore sales opportunities in the global market, develop own brand products, streamline operational procedures without sacrificing controls, improve operational and production efficiency and develop automated processes.

Given our dominant market position, effective strategies and high caliber management team, the Group is confident of achieving performance improvements and a profit margin. Furthermore, the Group is confident in its efforts to improve efficiency and provide stable business returns.

DIVIDEND

The Directors do not recommend the payment of a final dividend for the year ended 31 December 2011 (2010: HK1.5 cents per ordinary share).

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Thursday, 31 May 2012 to Tuesday, 5 June 2012, both days inclusive, during which period no transfers of shares will be effected. In order to be entitled to attend and vote at the forthcoming annual general meeting, all properly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's Registrar, Computershare Hong Kong Investor Services Limited, Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration not later than 4:30 p.m. on Wednesday, 30 May 2012.

PURCHASE, SALE OR REDEMPTION OF SHARES

There has been no purchase, sale or redemption of the Company's shares by the Company or any of its subsidiaries during the year ended 31 December 2011.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Board sets its corporate governance procedure and duties pursuant to the Code on Corporate Governance Practices ("CG Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), and it accordingly reviews and monitors the training and continuous development in profession of directors and senior management and its policies and practices in compliance with relevant laws and regulatory requirements. Throughout the year ended 31 December 2011, the Group has complied with all code provisions set out in the CG Code.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (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 price sensitive information. Based on specific enquiries made, all Directors have confirmed that they have complied with the Model Code throughout the year.

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 annual results for the year ended 31 December 2011.

By order of the Board
Kenneth Ting Woo-shou
Chairman

Hong Kong, 29 March 2012

As at the date of this announcement, the executive directors of the Company are Mr. Kenneth Ting Woo-shou, SBS, JP (Chairman), Mr. Ivan Ting Tien-li (Managing Director) and Mrs. Nancy Ting Wang Wan-sun; the non-executive directors of the Company are 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.