KADER
Manufacturing Trust

KADER HOLDINGS COMPANY LIMITED
開達集團有限公司

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

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2009

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 2009 together with comparative figures for the year 2008 are summarised as follows:

CONSOLIDATED INCOME STATEMENT
For the year ended 31 December 2009

	Note	**2009** **HK$'000**	2008 HK$'000
Turnover	*3, 4*	**1,537,676**	911,191
Other revenue	*5(a)*	**18,591**	11,009
Other net loss	*5(b)*	**(1,577)**	(2,773)
Changes in inventories of finished goods and work in progress		**(21,243)**	59,931
Cost of purchase of finished goods		**(30,760)**	(65,571)
Raw materials and consumables used		**(495,325)**	(340,775)
Staff costs	*6(b)*	**(614,969)**	(270,402)
Depreciation	*6(c)*	**(36,445)**	(26,065)
Amortisation of interest in leasehold land held for own use	*6(c)*	**(23)**	(22)
Other operating expenses		**(266,013)**	(182,719)

	Note	**2009** *HK$'000*	2008 *HK$'000*
Profit from operations		**89,912**	93,804
Finance costs	*6(a)*	**(8,038)**	(9,721)
Share of profits less losses of associates		**(16,988)**	(1,334)
Valuation gains/(loss) on investment properties		**93,513**	(47,429)
Excess of interest in fair values of the acquiree's identifiable assets over cost of business combination	*7*	**64,401**	–
Impairment of goodwill	*6(c)*	**–**	(31,200)
Impairment of unlisted equity securities and related loan and interest receivable	*6(c)*	**–**	(27,661)
Profit/(loss) before taxation	*6*	**222,800**	(23,541)
Income tax	*8*	**(49,332)**	(2,488)
Profit/(loss) for the year		**173,468**	(26,029)
Attributable to:			
Equity shareholders of the Company		**175,391**	(27,652)
Minority interests		**(1,923)**	1,623
Profit/(loss) for the year		**173,468**	(26,029)
Earnings/(loss) per share			
Basic	*10(a)*	**26.36¢**	(4.16)¢
Diluted	*10(b)*	**26.36¢**	(4.16)¢

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2009

	2009	2008
	HK$'000	*HK$'000*
Profit/(loss) for the year	**173,468**	(26,029)
Other comprehensive income for the year (after tax and reclassification adjustments)		
Exchange differences on translation of financial statements of subsidiaries outside Hong Kong	**4,672**	(33,086)
Share of exchange reserve of associates	**(808)**	1,141
Effect of change in tax rate	**–**	434
Available-for-sale equity securities: net movement in the fair value reserve	**3,542**	(2,849)
	7,406	(34,360)
Total comprehensive income for the year	**180,874**	(60,389)
Attributable to:		
Equity shareholders of the Company	**182,757**	(62,088)
Minority interests	**(1,883)**	1,699
Total comprehensive income for the year	**180,874**	(60,389)

CONSOLIDATED BALANCE SHEET

At 31 December 2009

	Note	2009 HK$'000	2008 HK$'000
Non-current assets			
Fixed assets			
– Investment properties		**659,278**	598,878
– Other property, plant and equipment		**217,321**	139,857
– Interest in leasehold land held for own use under an operating lease		**831**	854
		877,430	739,589
Intangible assets		**701**	536
Goodwill		**4,583**	7,643
Interests in associates		**36,150**	46,596
Other non-current financial assets		**11,388**	5,506
Deferred tax assets		**16,549**	29,704
		946,801	829,574
Current assets			
Inventories		**327,276**	213,761
Current tax recoverable		**3,174**	1,397
Trade and other receivables	*11*	**245,013**	151,040
Cash and cash equivalents		**97,796**	32,904
		673,259	399,102
Current liabilities			
Trade and other payables	*12*	**(343,039)**	(222,112)
Bank loans and overdrafts		**(140,628)**	(144,237)
Obligations under finance leases		**(306)**	(602)
Current tax payable		**(7,806)**	(7,155)
		(491,779)	(374,106)
Net current assets		**181,480**	24,996
Total assets less current liabilities carried forward		**1,128,281**	854,570

	Note	2009 *HK$'000*	2008 *HK$'000*
Total assets less current liabilities brought forward		**1,128,281**	854,570
Non-current liabilities			
Bank loans		**(141,044)**	(67,747)
Rental deposits		**(5,016)**	(5,717)
Obligations under finance leases		**(292)**	(258)
Deferred tax liabilities		**(87,872)**	(72,989)
Accrued employee benefits		**(6,709)**	(1,502)
		(240,933)	(148,213)
NET ASSETS		**887,348**	706,357
CAPITAL AND RESERVES			
Share capital		**66,541**	66,541
Reserves		**816,977**	634,103
Total equity attributable to equity shareholders of the Company		**883,518**	700,644
Minority interests		**3,830**	5,713
TOTAL EQUITY		**887,348**	706,357

Notes :–

1. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

This announcement does not comprise the consolidated financial statements for the year ended 31 December 2009 but the information herein has been extracted from such consolidated financial statements.

The consolidated financial statements for the year ended 31 December 2009 comprise as 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") and accounting principles generally accepted in Hong Kong. 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 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 value.

2. CHANGES IN ACCOUNTING POLICIES

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

- HKFRS 8, *Operating segments*

- HKAS 1 (revised 2007), *Presentation of financial statements*

- Amendments to HKFRS 7, *Financial instruments: Disclosures – improving disclosures about financial instruments*

- Improvements to HKFRSs (2008)

- Amendments to HKAS 27, *Consolidated and separate financial statements – cost of an investment in a subsidiary, jointly controlled entity or associate*

- HKAS 23 (revised 2007), *Borrowing costs*

The amendments to HKAS 23 have had no material impact on the Group's consolidated financial statements as the amendments were either consistent with policies already adopted by the Group or they were not relevant to the Group's operations. The impact of the remainder of these developments is as follows:

- HKFRS 8 requires segment disclosure to be based on the way that the Group's chief operating decision maker regards and manages the Group, with the amounts reported for each reportable segment being the measures reported to the Group's chief operating decision maker for the purposes of assessing segment performance and making decisions about operating matters. This contrasts with the presentation of segment information in prior years which was based on a disaggregation of the Group's financial statements into segments based on related products and services and on geographical areas. The adoption of HKFRS 8 has resulted in the presentation of segment information in a manner that is more consistent with internal reporting provided to the Group's most senior executive management, but has not resulted in additional reportable segments being identified and presented (see note 4). Corresponding amounts have been provided on a basis consistent with the revised segment information.

- As a result of the adoption of HKAS 1 (revised 2007), details of changes in equity during the period arising from transactions with equity shareholders in their capacity as such have been presented separately from all other income and expenses in a revised consolidated statement of changes in equity. All other items of income and expense are presented in the consolidated income statement, if they are recognised as part of profit or loss for the period, or otherwise in a new primary statement, the consolidated statement of comprehensive income. Corresponding amounts have been restated to conform to the new presentation. This change in presentation has no effect on reported profit or loss, total income and expense or net assets for any period presented.

- As a result of the adoption of the amendments to HKFRS 7, the financial statements include expanded disclosures about the fair value measurement of the Group's financial instruments, categorising these fair value measurements into a three-level fair value hierarchy according to the extent to which they are based on observable market data. The Group has taken advantage of the transitional provisions set out in the amendments to HKFRS 7, under which comparative information for the newly required disclosures about the fair value measurements of financial instruments has not been provided.

- The "Improvements to HKFRSs (2008)" comprise a number of minor and non-urgent amendments to a range of HKFRSs which the HKICPA has issued as an omnibus batch of amendments. Of these, the following amendments have resulted in changes to the Group's accounting policies:

  – As a result of amendments to HKAS 28, *Investments in associates*, impairment losses recognised in respect of the associates carried under the equity method are no longer allocated to the goodwill inherent in that carrying value. As a result, when there has been a favourable change in the estimates used to determine the recoverable amount, the impairment loss will be reversed. Previously, the Group allocated impairment losses to goodwill and, in accordance with the accounting policy for goodwill, did not consider the loss to be reversible. In accordance with the transitional provisions in the amendment, this new policy will be applied prospectively to any impairment losses that arise in the current or future periods and previous periods have not been restated.

- The amendments to HKAS 27 have removed the requirement that dividends out of pre-acquisition profits should be recognised as a reduction in the carrying amount of the investment in the investee, rather than as income. As a result, as from 1 January 2009, all dividends receivable from subsidiaries and associates whether out of pre- or post-acquisition profits, will be recognised in the Company's profit or loss and the carrying amount of the investment in the investee will not be reduced unless that carrying amount is assessed to be impaired as a result of the investee declaring the dividend. In such cases, in addition to recognising dividend income in profit or loss, the Company would recognise an impairment loss. In accordance with the transitional provisions in the amendment, this new policy will be applied prospectively to any dividends receivable in the current or future periods and previous periods have not been restated.

3. TURNOVER

The principal activity of the Company is investment holding. The principal activities of its subsidiaries are the manufacture and sale of plastic, electronic and stuffed toys and model trains, property investment, investment holding and trading.

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:

	2009	2008
	HK$'000	*HK$'000*
Sale of goods	**1,502,659**	877,080
Gross rentals from investment properties	**33,064**	34,111
Royalty income	**1,953**	–
	1,537,676	911,191

The Group's customer base is diversified and includes only one customer with whom transactions have exceeded 10% of the Group's revenue. In 2009 revenues from sales of toys and model trains to this customer, including sales to entities which are known to the Group to be under common control with this customer, amounted to approximately $576,333,000 *(2008: $403,838,000)* and arose in the North America geographical region 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 primarily 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, interests in associates, other non-current financial assets, deferred tax assets, current tax recoverable, cash and cash equivalents and other corporate assets. Segment liabilities include all liabilities with the exception of current tax payable, deferred tax liabilities and other corporate liabilities.

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

The measure used for reporting segment 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 2009 and 2008 is set out below:

	Toys and model trains		**Property investment**		**Investment holding**		**Total**	
	2009	2008	**2009**	2008	**2009**	2008	**2009**	2008
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Revenue from external customers	**1,504,612**	877,080	**33,064**	34,111	**–**	–	**1,537,676**	911,191
Inter-segment revenue	**–**	–	**523**	675	**–**	–	**523**	675
Reportable segment revenue	**1,504,612**	877,080	**33,587**	34,786	**–**	–	**1,538,199**	911,866
Reportable segment profit (adjusted EBITDA)	**99,475**	110,677	**19,539**	17,873	**(15,002)**	(20,305)	**104,012**	108,245
Interest income from bank deposits	**515**	536	**–**	105	**–**	541	**515**	1,182
Interest expenses	**(7,986)**	(9,669)	**(52)**	(52)	**–**	–	**(8,038)**	(9,721)
Depreciation and amortisation for the year	**(36,468)**	(26,087)	**–**	–	**(33)**	(34)	**(36,501)**	(26,121)
Impairment of:								
– fixed assets	**(17)**	(86)	**–**	–	**–**	–	**(17)**	(86)
– goodwill	**–**	(31,200)	**–**	–	**–**	–	**–**	(31,200)
– unlisted equity securities and related loan and interest receivable	**–**	(27,661)	**–**	–	**–**	–	**–**	(27,661)
Reportable segment assets	**1,431,898**	465,683	**659,990**	654,271	**145,121**	248,706	**2,237,009**	1,368,660
Additions to non-current segment assets during the period	**82,127**	33,944	**–**	–	**–**	–	**82,127**	33,944
Reportable segment liabilities	**540,767**	474,963	**35,093**	35,989	**709,538**	85,319	**1,285,398**	596,271

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

Revenue	**2009**	2008
	HK$'000	*HK$'000*
Reportable segment revenue	**1,538,199**	911,866
Elimination of inter-segment revenue	**(523)**	(675)
Consolidated turnover	**1,537,676**	911,191

Profit	**2009**	2008
	HK$'000	*HK$'000*
Reportable segment profit	**104,012**	108,245
Elimination of inter-segment losses	**5,993**	2,972
Reportable segment profit derived from Group's external customers	**110,005**	111,217
Excess of interest in fair values of the acquiree's identifiable assets over cost of business combination	**64,401**	–
Share of profits less losses of associates	**(16,988)**	(1,334)
Other revenue	**18,591**	11,009
Other net loss	**(1,577)**	(2,773)
Depreciation and amortisation	**(36,501)**	(26,121)
Finance costs	**(8,038)**	(9,721)
Impairment of goodwill	**–**	(31,200)
Impairment of unlisted equity securities and related loan and interest receivable	**–**	(27,661)
Valuation gains/(losses) on investment properties	**93,513**	(47,429)
Unallocated corporate (expenses)/income	**(606)**	472
Consolidated profit/(loss) before taxation	**222,800**	(23,541)

Assets	2009	2008
	HK$'000	*HK$'000*
Reportable segment assets	**2,237,009**	1,368,660
Elimination of inter-segment receivables	**(810,431)**	(264,630)
	1,426,578	1,104,030
Intangible assets	**701**	536
Goodwill	**4,583**	7,643
Interests in associates	**36,150**	46,596
Other non-current financial assets	**11,388**	5,506
Deferred tax assets	**16,549**	29,704
Current tax recoverable	**3,174**	1,397
Cash and cash equivalents	**97,796**	32,904
Unallocated head office and corporate assets	**23,141**	360
Consolidated total assets	**1,620,060**	1,228,676

Liabilities	2009	2008
	HK$'000	*HK$'000*
Reportable segment liabilities	**1,285,398**	596,271
Elimination of inter-segment payables	**(810,431)**	(264,630)
	474,967	331,641
Current tax payable	**7,806**	7,155
Deferred tax liabilities	**87,872**	72,989
Unallocated head office and corporate liabilities	**162,067**	110,534
Consolidated total liabilities	**732,712**	522,319

(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.

	Revenues from external customers		Specified non-current assets	
	2009	2008	**2009**	2008
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Hong Kong (place of domicile)	**69,689**	90,818	**660,619**	569,490
Mainland China	**12,159**	19,057	**201,214**	160,414
North America	**885,105**	557,484	**41,974**	49,354
Europe	**448,401**	188,116	**15,057**	15,106
Others	**122,322**	55,716	**–**	–
	1,467,987	820,373	**258,245**	224,874
	1,537,676	911,191	**918,864**	794,364

5. OTHER REVENUE AND NET LOSS

	2009	2008
	HK$'000	*HK$'000*
(a) Other revenue		
Interest income	**515**	1,182
Air conditioning, management and maintenance service charges from tenants	**6,144**	6,831
Film making and photo taking income on products	**3,360**	131
Inducement fee	**1,950**	–
Testing income	**954**	–
Sales of scrap	**925**	–
Others	**4,743**	2,865
	18,591	11,009
(b) Other net loss		
Net gain on disposal of investment property	**365**	–
Net gain on disposal of fixed assets	**94**	1,992
Gain on disposal of listed equity security	**–**	1,244
Loss on disposal of partial interest in subsidiary*	**–**	(199)
Net exchange loss	**(2,036)**	(5,810)
	(1,577)	(2,773)

* During the year ended 31 December 2008, the Group disposed of a 13% interest in a subsidiary for total proceeds of HK$877,000 realising a loss of HK$199,000. The Group's interest in the subsidiary as at 31 December 2009 was 52% (2008: 52%).

6. PROFIT/(LOSS) BEFORE TAXATION

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

	2009	2008
	HK$'000	*HK$'000*
(a) Finance costs		
Interest on bank borrowings repayable within five years	**7,941**	7,756
Interest on other loans	**–**	1,929
Finance charges on obligations under finance leases	**36**	36
Interest on loan from a director	**61**	–
	8,038	9,721
(b) Staff costs		
Salaries, wages and other benefits	**554,835**	256,051
Employer's contributions to defined contribution retirement plans, net of forfeited contributions of HK$146,000 *(2008: HK$196,000)*	**60,134**	14,351
	614,969	270,402
(c) Other items		
Amortisation		
– interest in leasehold land held for own use	**23**	22
– intangible assets	**33**	34
	56	56
Depreciation		
– owned assets	**36,295**	24,989
– assets held under finance leases	**150**	1,076
	36,445	26,065

	2009	2008
	HK$'000	*HK$'000*
Impairment losses:		
– fixed assets	**17**	86
– trade receivables	**10,504**	4,214
– other receivables	**–**	1,011
– amounts due from associates	**–**	2,459
– goodwill	**–**	31,200
– available-for-sale equity securities	**–**	2,221
– unlisted equity securities and related loan and interest receivable	**–**	27,661
	10,521	68,852
Operating lease charges		
– rental of land and buildings	**36,699**	12,730
– other rentals	**489**	106
	37,188	12,836
Reversal of impairment loss on trade receivables	**(26,886)**	(677)
Auditors' remuneration	**3,220**	2,404
Cost of inventories	**1,167,829**	622,419
Rental receivable from investment properties less direct outgoings of HK$3,397,000 *(2008: HK$2,918,000)*	**(29,667)**	(31,193)

Cost of inventories includes HK$475,074,000 *(2008: HK$201,642,000)* relating to staff costs, depreciation charges, impairment loss 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. EXCESS OF INTEREST IN FAIR VALUES OF THE ACQUIREE'S IDENTIFIABLE ASSETS OVER COST OF BUSINESS COMBINATION

On 23 January 2009, the Group acquired a 100% equity interest in Sanda Kan (Cayman III) Holdings Company Limited ("Sanka Kan"), a company incorporated in the Cayman Islands with limited liability, for cash consideration of US$8,500,000 (equivalent to HK$66,300,000). As part of the terms of the sale and purchase agreement, the banks agreed to waive the loans and interest payable by Sanda Kan as at 22 January 2009 totalling HK$652,721,000. Sanda Kan is principally engaged in the manufacturing and trading of toys and model trains.

Management did not obtain a professional valuation of the assets and liabilities of Sanda Kan as at the date of acquisition. The fair values of the assets and liabilities of Sanda Kan as at the date of acquisition are based on management's estimation and by reference to external quotations. The resulting excess of interest in fair values of the acquiree's identifiable assets over cost of business combination was attributable to the forced sale of Sanda Kan for the purposes of settling debts.

The acquisition had the following effect on the Group's assets and liabilities at acquisition:

	Pre-acquisition carrying amounts *HK$'000*	**Fair value adjustments** *HK$'000*	**Recognised values on acquisition of control** *HK$'000*
Acquiree's net assets at the acquisition date:			
Fixed assets	**31,272**	**–**	**31,272**
Intangible assets	**198**	**–**	**198**
Deferred tax assets	**42**	**–**	**42**
Inventories	**117,676**	**–**	**117,676**
Trade and other receivables	**165,249**	**–**	**165,249**
Cash and cash equivalents	**20,537**	**–**	**20,537**
Creditors and accrued charges	**(190,367)**	**–**	**(190,367)**
Current taxation	**(888)**	**–**	**(888)**
Accrued employee benefits	**(4,759)**	**–**	**(4,759)**
Bank loans and accrued interest	**(652,721)**	**–**	**(652,721)**
Net identifiable assets and liabilities	**(513,761)**	**–**	**(513,761)**
Excess of interest in fair values of the acquiree's identifiable assets over cost of business combination			**(64,401)**
Professional costs incurred			**(8,259)**
Extinguishment of bank loans and interest			**652,721**
Consideration paid, satisfied in cash			**66,300**
Net cash outflow in respect of purchase of subsidiary:			
Consideration paid, satisfied in cash			**66,300**
Professional costs incurred			**8,259**
			74,559
Less: cash acquired			**(20,537)**
			54,022

8. INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT

Taxation in the consolidated income statement represents:

	2009	2008
	HK$'000	*HK$'000*
Current tax – Hong Kong Profits Tax		
Provision for the year	**16,298**	16,074
Under/(over)-provision in respect of prior years	**396**	(1,988)
	16,694	14,086
Current tax – Outside Hong Kong		
Provision for the year	**4,516**	5,174
Over-provision in respect of prior years	**(115)**	(650)
	4,401	4,524
Deferred tax		
Origination and reversal of temporary differences	**28,237**	(12,096)
Effect on deferred tax balances at 1 January resulting from a decrease in tax rate	**–**	(4,026)
	28,237	(16,122)
	49,332	2,488

The provision for Hong Kong Profits Tax for 2009 is calculated at 16.5% *(2008: 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 People's Republic of China ("PRC") is 25% (2008: 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 and thereafter are subject to CIT at 50% of the prevailing tax rate for the following three years.

9. DIVIDENDS

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

	2009	2008
	HK$'000	*HK$'000*
Final dividend proposed after the balance sheet date of HK1.5 cents per ordinary share *(2008: HK Nil cents per ordinary share)*	**9,981**	–

The final dividend proposed after the balance sheet date has not been 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

	2009	2008
	HK$'000	*HK$'000*
Final dividend in respect of the previous financial year, approved and paid during the year, of HK Nil cents per ordinary share *(2008: HK1.5 cents per ordinary share)*	**–**	9,981

10. EARNINGS/(LOSS) PER SHARE

(a) Basic earnings/(loss) per share

The calculation of basic earnings/(loss) per share is based on the profit/(loss) attributable to ordinary equity shareholders of the Company of HK$175,391,000 *(2008: loss of HK$27,652,000)* and the weighted average of 665,412,000 ordinary shares *(2008: 665,412,000 ordinary shares)* in issue during the year.

(b) Diluted earnings/(loss) per share

The Company did not have dilutive potential ordinary shares outstanding during both 2009 and 2008. Accordingly, the diluted earnings/(loss) per share is the same as the basic earnings/(loss) per share for both 2009 and 2008.

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:

	2009	2008
	HK$'000	*HK$'000*
Current	**164,448**	67,229
Less than 1 month past due	**25,581**	14,283
1 to 3 months past due	**16,866**	6,171
More than 3 months but less than 12 months past due	**4,216**	4,373
More than 12 months past due	**2**	108
	211,113	92,164

In respect of trade and other receivable, credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations 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:

	2009	2008
	HK$'000	*HK$'000*
Due within 1 month or on demand	**70,384**	52,186
Due after 1 month but within 3 months	**761**	1,618
Due after 3 months but within 6 months	**–**	84
Due after 6 months	**–**	33
	71,145	53,921

BUSINESS REVIEW

In the first half of 2009, the toy manufacturing business remained challenging, while in the second half of the year it showed signs of a recovery. During the year under review, the industry faced adverse factors such as the global financial crisis, high labour costs, spiralling raw material costs, increasing energy costs and appreciation of the Renminbi Yuan ("RMB"). As a result of the increase in statutory minimum wages and labour shortages, factory wages and labour costs have increased. 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 develop high value added products and integrate technology with its toy products.

As economic conditions around the world continue to improve and uncertainties in the global economy continue to diminish, the operating environment in 2010 is expected to gradually improve.

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 2009, turnover for the Group's OEM/ODM toys business was approximately HK$666.33 million, representing an increase of 32.58% as compared to last year.

The growth in OEM/ODM toy sales was partly attributable to the sales team which securing of more bulk order business from existing customers.

The Group continues to be committed to maintaining its competitiveness in terms of productivity, quality, reliability and delivery. Efforts have also been placed in enhancing safety precautions and quality control. The Group is adhering to and fully supports the Code of Business Practice of the International Council of Toy Industries ("ICTI") and has passed and satisfied the ICTI audit, namely, the ICTI CARE Process.

Model Trains

The turnover for model trains for the year ended 31 December 2009 was approximately HK$838.28 million, an increase of 123.84% as compared to last year partly as a result of the acquisition of Sanda Kan (Cayman III) Holdings Company Limited ("Sanda Kan"), see below.

During the year under review, the Group has followed a strategy of further improving the quality of the products, developing innovative products, enriching the product line and promoting the product image and brand name. This strategy has succeeded in gaining the loyalty of customers and helped maintain our leading position in the industry. In order to broaden the customer base, the Group continued to expand its distribution network in the model trains market, including the expansion of the license "Thomas & Friends" into China in 2009. The Group also introduced ready-to-run sets (complete with train, track and transformer) in our O gauge Williams by Bachmann line.

The Group is proud to announce that during the year, our subsidiary, Bachmann Europe Plc., was awarded "Manufacturer of the Year 2009" in the overall category and also for the OO scale model trains category by Model Rail Magazine, RM Web and MREMAG. In addition, our OO scale model trains, "City of Truro" and "4-CEP EMU", were awarded "Model of the Year 2009" under different categories. Last but not least, our NRM Deltic was awarded "Model of the Decade" in 2009 for the first time.

The Group's model trains continued to receive encouraging responses from customers, while the Bachmann's E-Z Command® series continued to be the key contributor to sales growth. This is a Digital Command Control ("DCC") system incorporating the latest digital technology to bring a DCC system to control speed, lighting and direction of multiple locomotives, that is easy to use and affordable for both the novice and experienced hobbyist. With the latest offerings of DCC Sound On Board locomotives, model railroads are able to come to life.

On 12 November 2008, the Group entered into an agreement with a third party pursuant to which the Group conditionally agreed to acquire all the issued shares of Sanda Kan, a company incorporated in the Cayman Islands with limited liability, for cash consideration of US$8.50 million (equivalent to HK$66.30 million). Sanda Kan is principally engaged in model trains and model race cars manufacturing on an OEM basis. Completion of the acquisition took place on 23 January 2009. The Group considers that the acquisition of Sanda Kan will increase the model trains production capacity of the Group, capture the high margin market segment and expand the Group's sources of revenue through the manufacturing of model trains and race cars on an OEM basis.

Property Investment

For the financial year ended 31 December 2009, the Group's rental income amounted to HK$33.06 million, representing a 3.07% decrease over the previous year. In addition, the Group recorded a valuation gain of HK$93.51 million on its investment properties for the year, as compared to last year's valuation loss of HK$47.43 million.

The Group's major rental property, Kader Building, reported rental income of approximately HK$31.90 million in 2009, up 4.59% from 2008's HK$30.50 million. During the year under review, the Group managed to maintain the occupancy rate of Kader Building above 85% and increased rental rates upon lease renewals.

FINANCIAL REVIEW

Results

The Board of Directors have pleasure in announcing that the Group's turnover for the financial year ended 31 December 2009 amounted to approximately HK$1,537.68 million, representing an increase of 68.75% over that reported last year and that profit from operations for 2009 amounted to HK$89.91 million as compared to last year's figure of HK$93.80 million. The Group's profit attributable to shareholders for the financial year ended 31 December 2009 was approximately HK$175.39 million, which included valuation gains on investment properties amounting to HK$93.51 million, as compared to last year's loss attributable of shareholders of HK$27.65 million which included valuation losses on investment properties of HK$47.43 million.

Liquidity and Financial Resources

As at 31 December 2009, the Group's net asset value per share was HK$1.33 (2008: HK$1.06); the current ratio was 1.37 (2008: 1.07); total bank borrowings were approximately HK$281.67 million (2008: HK$211.98 million) while the Group secured total banking facilities of approximately HK$498.44 million (2008: HK$441.47 million). The Group's financial gearing, based on the total interest bearing borrowings compared to the total equity, was 31.81% (2008: 30.03%). There is no significant seasonality in borrowing requirements except that during the peak production period in the second half of the year the Group's facilities for trade finance will be substantially utilised. The majority of borrowings are on floating interest rate terms.

Exchange Rate Exposure

Major assets, liabilities and transactions of the Group are denominated in Hong Kong Dollars, United States Dollars, Sterling Pounds, RMB and Euros. During the year under review, the majority of the Group's sales revenues were denominated in Hong Kong Dollars, United States Dollars and Sterling Pounds while the majority of its raw materials and equipment purchases were settled in Hong Kong Dollars. As such, the Group faces a certain degree of exchange rate risk mainly arising from Sterling Pounds denominated sales transactions for which the exchange rate volatility is relatively high.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2009, the Group employed approximately 19,763 (2008: 6,545) full time management, administrative and production staff in Hong Kong SAR, Mainland China, the United States and Europe. The Group has seasonal fluctuations in the number of workers employed in its production plant 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 global economy is expected to remain stable in 2010 with positive growth prospects in the toys industry. However, factors such as the volatility of raw material prices, the ever-increasing energy costs, high product safety standards, the appreciation of the RMB, labour shortages and the increase in statutory minimum wages leading to increasing labour costs are expected to affect the Group's profitability. Looking into 2010, the Group will continue its effort to strengthen its core business, streamline operational procedures without sacrificing controls, improve operational and production efficiency and develop automated processes. In order to broaden revenue sources, efforts will continue to be made in looking for acquisition opportunities, expanding new product lines and widening the customer base.

Given our dominant market position, financial strength, effective strategies and high-caliber management team, the Group is confident of achieving performance improvement and higher profit margins. Notwithstanding this, the Group is confident in its efforts to improve efficiency and provide stable business returns.

DIVIDEND

The Directors recommend the payment of a final dividend of HK1.5 cents per ordinary share (2008: HK Nil cents per ordinary share) for the year ended 31 December 2009 payable on 11 June 2010 to those shareholders whose names appear on the Register of Members of the Company as at the close of business on 3 June 2010 subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Monday, 31 May 2010 to Thursday, 3 June 2010, both days inclusive, during which period no transfers of shares will be effected. In order to qualify for the proposed final dividend, 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 Friday, 28 May 2010.

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 2009.

CODE ON CORPORATE GOVERNANCE PRACTICES

Throughout the year ended 31 December 2009, the Group has complied with 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") except for the deviation from CG Code E.1.2 as described below:

Under CG Code E.1.2, the Chairman of the Board is required to attend the Company's annual general meeting. Due to another commitment which required the Chairman's attendance, the Chairman was not present at the annual general meeting of the Company held on 3 June 2009.

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 2009.

By order of the Board
Kenneth Ting Woo-shou
Managing Director

Hong Kong, 19 April 2010

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