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 2012

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 2012 together with comparative figures for the year 2011 are summarised as follows:

CONSOLIDATED INCOME STATEMENT
For the year ended 31 December 2012

	Note	2012 HK$'000	2011 HK$'000 (restated)
Turnover	3, 4	**1,251,061**	1,299,487
Other revenue	5(a)	**16,620**	16,968
Other net income	5(b)	**4,552**	17,014
Changes in inventories of finished goods and work in progress		**(44,353)**	11,661
Cost of purchase of finished goods		**(44,700)**	(22,420)
Raw materials and consumables used		**(356,967)**	(433,904)
Staff costs	6(b)	**(594,485)**	(704,898)
Depreciation	6(c)	**(42,477)**	(44,411)
Other operating expenses		**(286,694)**	(253,326)
Loss from operations		**(97,443)**	(113,829)
Finance costs	6(a)	**(13,337)**	(9,799)
Share of profits less losses of associates		**(3,373)**	(20,882)
Impairment of loans to an associate		**(3,897)**	–
Valuation gains on investment properties		**300,169**	188,742
Net loss on disposal of investment properties		**–**	(80)
Profit before taxation	6	**182,119**	44,152
Income tax (expense)/credit	7	**(15,218)**	3,150
Profit for the year		**166,901**	47,302
Attributable to:			
Equity shareholders of the Company		**164,585**	49,271
Non-controlling interests		**2,316**	(1,969)
Profit for the year		**166,901**	47,302
Earnings per share			
Basic	8(a)	**24.73¢**	7.40¢
Diluted	8(b)	**24.73¢**	7.40¢

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2012

	2012	2011
	HK$'000	*HK$'000*
		(restated)
Profit for the year	**166,901**	47,302
Other comprehensive income for the year (after tax and reclassification adjustments)		
Exchange differences on translation of financial statements of subsidiaries outside Hong Kong	**4,620**	(18,624)
Surplus on revaluation of land and buildings held for own use upon change of use to investment properties	**6,836**	–
Available-for-sale securities:		
– changes in fair value during the year	**478**	(2,174)
– reclassification adjustments for amounts transferred to the profit or loss	**(1,102)**	–
Total comprehensive income for the year	**177,733**	26,504
Attributable to:		
Equity shareholders of the Company	**175,425**	28,322
Non-controlling interests	**2,308**	(1,818)
Total comprehensive income for the year	**177,733**	26,504

CONSOLIDATED BALANCE SHEET

At 31 December 2012

	Note	**At 31 December 2012 *HK$'000***	At 31 December 2011 *HK$'000* (restated)	At 1 January 2011 *HK$'000* (restated)
Non-current assets				
Fixed assets				
– Investment properties		**1,215,635**	890,033	707,941
– Other property, plant and equipment		**221,428**	243,472	234,861
– Construction in progress		**3,997**	–	270
		1,441,060	1,133,505	943,072
Intangible assets		**4,734**	634	667
Interest in associates		**11,620**	20,916	25,376
Other non-current financial assets		**10,537**	15,653	15,488
Deferred tax assets		**7,736**	18,240	20,071
		1,475,687	1,188,948	1,004,674
Current assets				
Inventories		**348,662**	438,355	438,136
Current tax recoverable		**84**	10,043	331
Loans to an associate		**13,457**	–	–
Trade and other receivables	*10*	**151,220**	178,240	201,162
Cash and cash equivalents		**114,432**	110,790	163,003
		627,855	737,428	802,632
Current liabilities				
Trade and other payables	*11*	**(307,667)**	(284,593)	(316,286)
Bank loans and overdrafts		**(434,013)**	(463,171)	(310,091)
Loan from a director		**(20,000)**	–	–
Obligations under finance leases		–	–	(292)
Current tax payable		**(3,458)**	(4,033)	(10,293)
		(765,138)	(751,797)	(636,962)
Net current (liabilities)/assets		**(137,283)**	(14,369)	165,670

CONSOLIDATED BALANCE SHEET *(Continued)*
At 31 December 2012

	Note	**At 31 December 2012** *HK$'000*	At 31 December 2011 *HK$'000* (restated)	At 1 January 2011 *HK$'000* (restated)
Total assets less current liabilities		**1,338,404**	1,174,579	1,170,344
Non-current liabilities				
Bank loans		**(16,079)**	(29,417)	(30,417)
Deferred rental expenses		**(2,928)**	–	–
Rental deposits		**(3,085)**	(5,351)	(3,746)
Deferred tax liabilities		**(21,671)**	(21,989)	(32,343)
Accrued employee benefits		**(1,196)**	(2,110)	(4,731)
		(44,959)	(58,867)	(71,237)
NET ASSETS		**1,293,445**	1,115,712	1,099,107
CAPITAL AND RESERVES				
Share capital		**66,541**	66,541	66,541
Reserves		**1,227,162**	1,051,737	1,033,396
Total equity attributable to equity shareholders of the Company		**1,293,703**	1,118,278	1,099,937
Non-controlling interests		**(258)**	(2,566)	(830)
TOTAL EQUITY		**1,293,445**	1,115,712	1,099,107

Notes:

1. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

This announcement does not comprise the consolidated financial statements for the year ended 31 December 2012 but the information herein has been extracted from the draft consolidated financial statements.

The consolidated financial statements for the year ended 31 December 2012 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$97,443,000 during the year ended 31 December 2012 and net current liabilities of HK$137,283,000 as at that date. These financial statements have been prepared on a going concern basis notwithstanding the Group's loss from operations and the 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 2013, 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 2012 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 several amendments to HKFRSs that are first effective for the current accounting period of the Group and the Company. Of these, the following developments are relevant to the Group's financial statements:

- Amendments to HKFRS 7, *Financial instruments: Disclosures – Transfers of financial assets*
- Amendments to HKAS 12, *Income taxes – Deferred tax: Recovery of underlying assets*

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

Amendments to HKFRS 7, Financial instruments: Disclosures

The amendments to HKFRS 7 require certain disclosures to be included in the financial statements in respect of transferred financial assets that are not derecognised in their entirety and for any continuing involvement in transferred financial assets that are derecognised in their entirety, irrespective of when the related transfer transaction occurred. However, an entity need not provide the disclosures for the comparative period in the first year of adoption. The Group did not have any significant transfers of financial assets in previous periods or the current period which require disclosure in the current accounting period under the amendments.

Amendments to HKAS 12, Income taxes

Under HKAS 12 deferred tax is required to be measured with reference to the tax consequences that would follow from the manner in which the entity expects to recover the carrying amount of the asset(s) in question. In this regard, the amendments to HKAS 12 introduced a rebuttable presumption that the carrying amount of investment property carried at fair value under HKAS 40, *Investment property*, will be recovered through sale. This presumption is rebutted on a property-by-property basis if the investment property in question is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale.

Previously, where investment properties were held under leasehold interests, the Group measured deferred tax using the tax rates consistent with recovery of property's value through use. As a result of adopting the amendments to HKAS 12, the Group reviewed its investment property portfolio and concluded that the presumption in the amended HKAS 12 that the carrying value of the property will be recovered through sale should be adopted in respect of each of the investment properties located in Hong Kong. Therefore, the deferred tax relating to these properties has been re-measured on the basis of recovering their carrying amounts entirely through sale.

This change in policy has been applied retrospectively by restating the balances at 1 January 2011 and 31 December 2011, with consequential adjustments to comparatives for the year ended 31 December 2011 as follows:

	As previously reported *HK$'000*	Effect of adoption of amendments to HKAS 12 *HK$'000*	As restated *HK$'000*
Consolidated income statement for the year ended 31 December 2011:			
Income tax expense/(credit)	27,992	(31,142)	(3,150)
Profit for the year	16,160	31,142	47,302
Basic earnings per share	2.72¢	4.68¢	7.40¢
Fully diluted earnings per share	2.72¢	4.68¢	7.40¢
Consolidated statement of comprehensive income for the year ended 31 December 2011:			
Total comprehensive income for the year	(4,638)	31,142	26,504
Consolidated balance sheet as at 31 December 2011:			
Deferred tax liabilities	121,993	(100,004)	21,989
Reserves	951,733	100,004	1,051,737
Consolidated balance sheet as at 1 January 2011:			
Deferred tax liabilities	101,205	(68,862)	32,343
Reserves	964,534	68,862	1,033,396

As a result of this change in accounting policy, the income tax expense for the year ended 31 December 2012 is $49,528,000 lower than it would have been if the policy had not been changed, increasing basic and fully diluted earnings per share by HK7.44 cents.

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:

	2012	2011
	HK$'000	*HK$'000*
Sales of goods	**1,220,120**	1,267,808
Gross rentals from investment properties	**30,941**	31,049
Royalty income	**–**	630
	1,251,061	1,299,487

The Group's customer base is diversified and includes one (2011: two) customer with whom transactions have exceeded 10% of the Group's revenues. In 2012, revenue from sales of toys and model trains to this customer (2011: two), including sales to entities which are known to the Group to be under common control with these customers, amounted to approximately HK$461,933,000 (2011: HK$337,273,000 and HK$162,468,000 respectively) and arose in the North America (2011: North America and Europe) 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 in Mainland China.
Property investment:	The leasing of office premises and industrial building to generate rental income and to gain from the appreciation in the properties' value in the long term.
Investment holding:	The investment in securities.

(a) Segment results, assets and liabilities

For the 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.

In 2012, the Group has amended the format of management information provided to the Group's senior executive management for the purpose of assessing the performance of the operating segments. Comparative figures have been restated to conform to the current year's presentation.

Information regarding the Group's reportable segments as provided to the Group's senior executive management for the purposes of resource allocation and assessment of segment performance for the years ended 31 December 2012 and 2011 is set out below:

	Toys and model trains		Property investment		Investment holding		Total	
	2012	2011	**2012**	2011	**2012**	2011	**2012**	2011
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
		(restated)		(restated)		(restated)		(restated)
Revenue from external customers	**1,220,120**	1,268,438	**30,941**	31,049	**–**	–	**1,251,061**	1,299,487
Inter-segment revenue	**–**	–	**1,705**	2,032	**–**	–	**1,705**	2,032
Reportable segment revenue	**1,220,120**	1,268,438	**32,646**	33,081	**–**	–	**1,252,766**	1,301,519
Reportable segment (loss)/profit (adjusted EBITDA)	**(90,903)**	(141,264)	**27,860**	26,542	**(11,602)**	451	**(74,645)**	(114,271)
Interest income	**297**	483	**–**	–	**1,135**	648	**1,432**	1,131
Interest expenses	**(13,337)**	(9,795)	**–**	(4)	**–**	–	**(13,337)**	(9,799)
Depreciation and amortisation for the year	**(43,461)**	(44,411)	**–**	–	**(34)**	(33)	**(43,495)**	(44,444)
Impairment of fixed assets	**(791)**	(893)	**–**	–	**–**	–	**(791)**	(893)
Reportable segment assets	**725,681**	859,039	**1,216,164**	892,093	**367,311**	277,417	**2,309,156**	2,028,549
Additions to non-current segment assets during the year	**43,387**	51,757	**–**	–	**–**	–	**43,387**	51,757
Reportable segment liabilities	**692,875**	591,021	**5,837**	5,838	**84,128**	79,251	**782,840**	676,110

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

	2012	2011
	HK$'000	*HK$'000*
		(restated)
Revenue		
Reportable of segment revenue	**1,252,766**	1,301,519
Elimination of inter-segment revenue	**(1,705)**	(2,032)
Consolidated turnover	**(1,251,061)**	1,299,487
Profit		
Reportable segment loss	**(74,645)**	(114,271)
Elimination of inter-segment losses	**–**	11,681
Reportable segment loss derived from Group's external customers	**(74,645)**	(102,590)
Other revenue	**16,620**	16,968
Other net income	**4,552**	17,014
Depreciation and amortisation	**(43,495)**	(44,444)
Finance costs	**(13,337)**	(9,799)
Share of profits less losses of associates	**(3,373)**	(20,882)
Impairment of loans to an associate	**(3,897)**	–
Valuation gains on investment properties	**300,169**	188,742
Net loss on disposal of investment properties	**–**	(80)
Unallocated corporate expenses	**(475)**	(777)
Consolidated profit before taxation	**182,119**	44,152
Assets		
Reportable segment assets	**2,309,156**	2,028,549
Elimination of inter-segment receivables	**(368,350)**	(278,452)
	1,940,806	1,750,097
Intangible assets	**4,734**	634
Interest in associates	**11,620**	20,916
Loans to an associate	**13,457**	–
Other non-current financial assets	**10,537**	15,653
Deferred tax assets	**7,736**	18,240
Current tax recoverable	**84**	10,043
Cash and cash equivalents	**114,432**	110,790
Unallocated head office and corporate assets	**136**	3
Consolidated total assets	**2,103,542**	1,926,376

	2012	2011
	HK$'000	*HK$'000*
		(restated)
Liabilities		
Reportable segment liabilities	**782,840**	676,110
Elimination of inter-segment payables	**(368,350)**	(278,452)
	414,490	397,658
Current tax payable	**3,458**	4,033
Deferred tax liabilities	**21,671**	21,989
Unallocated head office and corporate liabilities	**370,478**	386,984
Consolidated total liabilities	**810,097**	810,664

(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 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 the location of operations, in the case of interests in associates.

	Revenue from external customers		**Specified non-current assets**	
	2012	2011	**2012**	2011
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
		(restated)		(restated)
Hong Kong (place of domicile)	**102,354**	53,875	**1,249,813**	957,267
Mainland China	**16,577**	16,482	**149,445**	149,967
North America	**696,583**	632,298	**38,776**	32,644
Europe	**281,476**	475,128	**18,813**	15,177
Others	**154,071**	121,704	**567**	–
	1,148,707	1,245,612	**207,601**	197,788
	1,251,061	1,299,487	**1,457,414**	1,155,055

5. OTHER REVENUE AND NET INCOME

	2012 *HK$'000*	2011 *HK$'000*
(a) Other revenue		
Interest income from loans to an associate	**992**	506
Interest income from available-for-sale debt securities	**139**	142
Other interest income	**301**	483
	1,432	1,131
Air conditioning, management and maintenance service charges from tenants	**6,596**	6,703
Film making and photo taking income on products	**883**	1,197
Testing income	**288**	856
Sales of scrap	**319**	741
Material charges	**892**	1,694
Others	**6,210**	4,646
	16,620	16,968

	2012 *HK$'000*	2011 *HK$'000*
(b) Other net income		
Net gain on disposal of fixed assets	**102**	626
Net exchange gain	**2,348**	16,388
Available-for-sale securities: reclassified from equity on disposal	**1,102**	–
Proceeds from settlement of claim	**1,000**	–
	4,552	17,014

6. PROFIT BEFORE TAXATION

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

	2012 *HK$'000*	2011 *HK$'000*
(a) Finance costs		
Interest on bank overdrafts	**914**	552
Interest on bank borrowings repayable within five years	**11,902**	9,247
Interest on loan from a director	**521**	–
	13,337	9,799

	2012	2011
	HK$'000	*HK$'000*
(b) Staff costs		
Salaries, wages and other benefits	**554,588**	644,974
Employer's contributions to defined contribution retirement plans, net of forfeited contributions of HK$118,000 *(2011: HK$82,000)*	**39,897**	59,924
	594,485	704,898
(c) Other items		
Amortisation of intangible assets	**1,018**	33
Depreciation		
– owned assets	**42,477**	44,411
Impairment losses/(reversal of impairment loss)		
– fixed assets	**791**	893
– loans to an associate	**3,897**	–
– trade receivables	**931**	(3,090)
	5,619	(2,197)
Operating lease charges		
– rental of land and buildings	**44,357**	39,297
– other rentals	**202**	104
	44,559	39,401
Auditors' remuneration		
– audit services	**4,768**	3,746
– tax services	**335**	–
	5,103	3,746
Cost of inventories	**1,053,224**	1,148,518
Rental receivable from investment properties less direct outgoings of HK$3,170,000 *(2011: HK$3,974,000)*	**(27,771)**	(27,075)

Cost of inventories includes HK$469,572,000 (2011: HK$574,724,000) 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. INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT

(a) Taxation in the consolidated income statement represents:

	2012	2011
	HK$'000	*HK$'000*
		(restated)
Current tax – Hong Kong Profits Tax		
Provision for the year	**252**	193
Over-provision in respect of prior years	**(12)**	(3,534)
	240	(3,341)
Current tax – Outside Hong Kong		
Provision for the year	**4,912**	7,960
Under-provision in respect of prior years	**47**	747
	4,959	8,707
Deferred tax		
Origination and reversal of temporary differences	**10,014**	(8,526)
Effect on deferred tax balances at 1 January resulting from a decrease in tax rate	**5**	10
	10,019	(8,516)
	15,218	(3,150)

The provision for Hong Kong Profits Tax for 2012 is calculated at 16.5% (2011: 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% (2011: 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 subject to CIT at 50% of the prevailing tax rate for the following three years. The tax holiday expired on 31 December 2012.

During the year ended 31 December 2012, the British Government announced a decrease in the corporation tax rate applicable to the Group's operations in the United Kingdom (the "UK") from 26% to 24.5% (2011: 27% to 26%). The decrease has been 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 UK as at 31 December 2012 were calculated using a tax rate of 24.5% (2011: 26%).

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

	2012 *HK$'000*	2011 *HK$'000* (restated)
Profit before taxation	**182,119**	44,152
Notional tax on profit before taxation, calculated at the rates applicable to profits in the countries concerned	**26,349**	4,221
Tax effect of non-deductible expenses	**11,506**	16,620
Tax effect of non-taxable income	**(55,568)**	(39,842)
Tax effect of previously unrecognised tax losses utilised	**(979)**	(1,580)
Tax effect of unused tax losses not recognised	**33,870**	20,208
Effect on deferred tax balances at 1 January resulting from a decrease in tax rate	**5**	10
Under/(over)-provision in prior years	**35**	(2,787)
Actual tax expense/(credit)	**15,218**	(3,150)

8. 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$164,585,000 (2011(restated): HK$49,271,000) and the weighted average of 665,412,000 ordinary shares (2011: 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 2012 and 2011. Accordingly, the diluted earnings per share is the same as the basic earnings per share for both 2012 and 2011.

9. DIVIDENDS

(a) The Board of Directors (the "Board") do not recommend the payment of a final dividend for the year ended 31 December 2012 (2011: HK$Nil).

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

	2012 *HK$'000*	2011 *HK$'000*
Final dividend in respect of the previous financial year, approved and paid during the year, of HKNil cents per ordinary share *(2011: HK1.5 cents per ordinary share)*	**–**	9,981

10. 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:

	The Group	
	2012	2011
	HK$'000	*HK$'000*
Current	**108,292**	127,358
Less than 1 month past due	**6,038**	13,434
1 to 3 months past due	**7,688**	12,229
More than 3 months but less than 12 months past due	**4,536**	4,218
More than 12 months past due	**60**	352
	126,614	157,591

In respect of trade and other receivables, 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. 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 two to three months' rent are normally required from lessees.

11. TRADE AND OTHER PAYABLES

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

	The Group	
	2012	2011
	HK$'000	*HK$'000*
Due within 1 month or on demand	**48,683**	42,571
Due after 1 month but within 3 months	**1,465**	2,466
Due after 3 months but within 6 months	**638**	1,720
Due after 6 months	**577**	650
	51,363	47,407

12. CONTINGENT LIABILITIES

(a) Litigation

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

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

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

BUSINESS REVIEW

The uncertainties in the macro economic and business environment such as the Europe's sovereign debt crisis hit the global economy in 2012 as well as the performance of the Group. These undermined the spending desire of the market. Our clients adopted a conservative approach during the course of placing orders, which intensified the market competition and affected the bargaining power in pricing as well as the sales volume. 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 2012, the turnover for the Group's OEM/ODM toys business was approximately HK$526.94 million, representing an increase of approximately 29.49% as compared to last year.

Although the sales increased in 2012, the slow recovery of the economies in the world and the shortage of labour in the manufacturing market in Mainland China made the toy industry a difficult year. 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. The Group continues to be committed to maintain its competitiveness in terms of productivity, quality and reliability. Efforts have also placed in enhancing safety precautions and quality control.

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 2012 was approximately HK$693.18 million, representing a decrease of approximately 19.48% as compared to last year.

During the year under review, the Group has continued to improve the quality of the products, 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 2012, the Group has continued to grow its range of licensed products, including the introduction of the Chuggington™ line of train sets and accessories. The Group expanded its Ringling Bros. and Barnum & Bailey™ circus-themed choices in HO, O and LS in 2012. The Group also successfully introduced the Li'l Big Haulers® (including three ready-to-run sets and a full selection of separate-sale engines and rolling stock) with a compact size and colorful designs to act as a gateway to LS model railroading. In addition, the Group's Sound Value™ Digital Command Control ("DCC") sound-equipped locomotives have proven to be strong sellers, and the Group continued to expand its offerings with many new models. Moreover, Williams by Bachmann line rolled out the GP30, its first locomotive with True Blast Plus™ 16-bit polyphonic sound.

The Group is proud to announce that during the year, our subsidiary, Bachmann Europe Plc., was awarded "Manufacturer of the Year 2012" 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 five continuous years. Moreover, Bachmann Branchline has received the "Manufacturer of the Year" in the overall OO scale model trains category. In addition, our OO scale model trains, "Branchline Pillbox Brake Van", "Midland Pullman Multiple Unit", "Class 85 Electric Locomotive" and "C Class Steam Locomotive" were awarded "Model of the Year 2012" under different categories. Moreover, our Graham Farish N scale model trains "WD Steam Locomotive", "Class 20 Diesel Locomotive", "Midland Pullman Multiple Unit", "Pillbox Brake Van", "JJA Auto Ballaster" and "LMS Inspection Coach" were awarded "Model of the Year 2012" while Graham Farish has received the "Manufacturer of the Year" in the overall N scale model trains category. In addition, our Liliput brand N scale "Karwendel DRG/DB" was awarded first place in "Model of the Year" in the category express coaches type by German Magazine "eisenbahnmagazin".

Property Investment

For the financial year ended 31 December 2012, the Group's rental income amounted to approximately HK$30.94 million, representing a decrease of approximately 0.35% over the previous year. In addition, the Group recorded valuation gains of approximately HK$300.17 million on its investment properties for the year, as compared to last year's valuation gains of approximately HK$188.74 million.

During the year under review, the occupancy rate of its investment properties is above 95%.

FINANCIAL REVIEW

Results

The Board announce that the Group's turnover for the financial year ended 31 December 2012 amounted to approximately HK$1,251.06 million, representing a decrease of approximately 3.73% over that reported last year and that loss from operations for 2012 amounted to approximately HK$97.44 million as compared to last year's figure of approximately HK$113.83 million. The Group's profit attributable to shareholders for the financial year ended 31 December 2012 was approximately HK$164.59 million, which included valuation gains on investment properties amounting to approximately HK$300.17 million, as compared to last year's profit attributable to shareholders of approximately HK$49.27 million which included valuation gains on investment properties of approximately HK$188.74 million.

Liquidity and Financial Resources

As at 31 December 2012, the Group's net asset value per share was approximately HK$1.94 (2011: approximately HK$1.68). The Group had net current liabilities of approximately HK$137.28 million (2011: approximately HK$14.37 million). Total bank borrowings were approximately HK$450.09 million (2011: approximately HK$492.59 million) while the Group secured total banking facilities of approximately HK$558.70 million (2011: approximately HK$564.04 million). Included in total bank borrowings were revolving loans of approximately HK$221.00 million (2011: approximately HK$239.75 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 34.80% (2011: approximately 44.15%). 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"), Renminbi Yuan 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 2012, the Group employed 7,840 (2011: 11,502) 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 crisis in Europe and its knock-on effect on the global economy cause uncertainties in the economic outlook and have adversely affected consumer sentiment. The Group expects the operating environment of the year ahead will be even challenging. For the coming year, the Group is conservative but optimistic towards its performance. Looking forward, the Group will strive to lay foundation for future business development with profitability and efficiency as prime objectives. Given our dominant market position, implementation of strategic restructuring plans and high caliber management team, the Group is confident of achieving performance improvements and a profit margin and maximizing returns for its shareholders.

DIVIDEND

The Directors do not recommend the payment of a final dividend for the year ended 31 December 2012 (2011: HK$Nil).

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Thursday, 30 May 2013 to Tuesday, 4 June 2013, 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, 29 May 2013.

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 2012.

CORPORATE GOVERNANCE

The Board sets its corporate governance procedure and duties pursuant to the Code on Corporate Governance Practices (effective until 31 March 2012, the "Former CG Code") and the Corporate Governance Code (effective from 1 April 2012, the "Revised CG Code") as set out in Appendix 14 to 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 2012, the Group has complied with all code provisions set out in the Former CG Code during the period from 1 January 2012 to 31 March 2012 and the Revised CG Code during the period from 1 April 2012 to 31 December 2012, except for the deviation from the Revised CG Code A.2.1 as described below:

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

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 2012.

By order of the Board
Kenneth Ting Woo-shou
Chairman

Hong Kong, 26 March 2013

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