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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 2020

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 2020 together with comparative figures for the year 2019 are summarised as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2020

	Note	2020 HK\$'000	2019 HK\$'000
Revenue	3	372,293	444,147
Other revenue and other net income/(loss)	4	29,133	(23,613)
Changes in inventories of finished goods and work in progress		(32,843)	(16,544)
Cost of purchase of finished goods		(36,243)	(8,462)
Raw materials and consumables used		(28,039)	(80,500)
Staff costs	5(b)	(158,256)	(187,898)
Depreciation	5(d)	(33,618)	(35,446)
Other operating expenses	5(c)	(123,694)	(115,533)
Loss from operations		(11,267)	(23,849)
Finance costs	5(a)	(9,865)	(12,387)
Share of profits less losses of associates		(41,851)	(25,331)
Impairment loss of loans to an associate		(4,169)	(3,025)
(Deficit)/surplus on revaluation of investment properties		(43,059)	51,532
Loss before taxation	5	(110,211)	(13,060)
Income tax credit/(expense)	6	715	(981)
Loss for the year		(109,496)	(14,041)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS *(Continued)**For the year ended 31 December 2020*

	<i>Note</i>	2020 HK\$'000	2019 <i>HK\$'000</i>
Attributable to:			
Equity shareholders of the Company		(110,366)	(14,364)
Non-controlling interests		870	323
		<hr/>	<hr/>
Loss for the year		<u>(109,496)</u>	<u>(14,041)</u>
Loss per share			
Basic	7(a)	(11.61)¢	(1.51)¢
Diluted	7(b)	<u>(11.61)¢</u>	<u>(1.51)¢</u>

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2020

	<i>Note</i>	2020 HK\$'000	2019 HK\$'000
Loss for the year		(109,496)	(14,041)
Other comprehensive income for the year (after tax and reclassification adjustments)			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements of subsidiaries outside Hong Kong, net of HK\$Nil tax		(1,018)	3,841
Release of exchange reserve upon deregistration of subsidiaries	4	<u> —</u>	<u> 40,673</u>
Total comprehensive income for the year		<u> (110,514)</u>	<u> 30,473</u>
Attributable to:			
Equity shareholders of the Company		(111,610)	30,209
Non-controlling interests		<u> 1,096</u>	<u> 264</u>
Total comprehensive income for the year		<u> (110,514)</u>	<u> 30,473</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2020

	<i>Note</i>	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Non-current assets			
Investment properties		1,985,510	2,007,898
Other property, plant and equipment		211,412	225,532
		2,196,922	2,233,430
Intangible assets		419	366
Interest in associates		55,372	82,855
Other financial assets		41,499	24,955
Deposits and prepayments		8,855	2,028
Deferred tax assets		6,272	9,709
		2,309,339	2,353,343
Current assets			
Other financial assets		5,000	5,000
Trading securities		14,047	7,892
Inventories	8	202,633	239,679
Current tax recoverable		208	7,088
Loans to an associate		39,699	23,709
Trade and other receivables	9	110,712	129,210
Cash and cash equivalents		88,964	107,978
		461,263	520,556
Current liabilities			
Trade and other payables and contract liabilities	10	126,969	119,662
Bank loans		324,351	323,733
Lease liabilities		9,229	10,194
Current tax payable		35,697	20,799
		496,246	474,388
Net current (liabilities)/assets		(34,983)	46,168
Total assets less current liabilities carried forward		2,274,356	2,399,511

CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Continued)**At 31 December 2020*

	<i>Note</i>	2020 HK\$'000	2019 HK\$'000
Total assets less current liabilities brought forward		<u>2,274,356</u>	<u>2,399,511</u>
Non-current liabilities			
Lease liabilities		45,093	55,412
Rental deposits		3,623	3,615
Deferred tax liabilities		20,067	24,377
Accrued employee benefits		<u>18</u>	<u>38</u>
		<u>68,801</u>	<u>83,442</u>
NET ASSETS		<u>2,205,555</u>	<u>2,316,069</u>
CAPITAL AND RESERVES	<i>11</i>		
Share capital		95,059	95,059
Reserves		<u>2,106,674</u>	<u>2,218,284</u>
Total equity attributable to equity shareholders of the Company		2,201,733	2,313,343
Non-controlling interests		<u>3,822</u>	<u>2,726</u>
TOTAL EQUITY		<u>2,205,555</u>	<u>2,316,069</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 2020 but the information herein has been extracted from the draft consolidated financial statements.

The consolidated financial statements for the year ended 31 December 2020 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") and accounting principles generally accepted in Hong Kong and the 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 Group recorded net current liabilities of HK\$34,983,000 as compared to net current assets of HK\$46,168,000 as at 31 December 2019. Despite the net current liabilities as at 31 December 2020, the Group's cash and cash equivalents amounted to HK\$88,964,000 (2019: HK\$107,978,000) on the same day and the Group recorded net cash generated from operating activities of HK\$97,869,000 (2019: HK\$40,039,000) during the year ended 31 December 2020. Furthermore, based on the cash flow projection prepared by management which covers a period of not less than twelve months from 31 December 2020, and the unutilised banking facilities of HK\$418,662,000, the directors are of the opinion that anticipated cash flows generated from the Group's operations can strengthen the Group's financial position and enable the Group to have sufficient financial resources to meet its financial obligations as and when they fall due in the coming twelve months from 31 December 2020. Accordingly, the Group's consolidated financial statements have been prepared on a going concern basis.

The measurement basis used in the preparation of the consolidated financial statements is the historical cost basis except that investment properties and debts and equity instruments are stated at their fair values.

The figures in respect of the preliminary announcement of the Group's results for the year ended 31 December 2020 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 Group has applied the following amendment to HKFRSs issued by the HKICPA to these financial statements for the current accounting period:

- Amendment to HKFRS 16, *Covid-19-Related Rent Concessions*

Other than the amendment to HKFRS 16, the Group has not applied any new standard or interpretation that is not yet effective for the current accounting period. Impacts of the adoption of the amended HKFRSs are discussed below:

2. CHANGES IN ACCOUNTING POLICIES *(Continued)*

Amendment to HKFRS 16, *Covid-19-Related Rent Concession*

The amendment provides a practical expedient that allows a lessee to by-pass the need to evaluate whether certain qualifying rent concessions occurring as a direct consequence of the COVID-19 pandemic (“COVID-19-related rent concessions”) are lease modifications and, instead, account for those rent concessions as if they were not lease modifications.

The Group has elected to early adopt the amendments and applies the practical expedient to all qualifying COVID-19-related rent concessions granted to the Group during the year. Consequently, rent concessions received have been accounted for as negative variable lease payments recognised in profit or loss in the period in which the event or condition that triggers those payments occurred. There is no impact on the opening balance of equity at 1 January 2020.

3. REVENUE AND SEGMENT REPORTING

The Group manages its businesses by divisions, which are organised by business lines. In a manner consistent with the way in which information is reported internally to the Group’s most senior executive management for the purposes of resource allocation and performance assessment, the Group has presented 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.

3. REVENUE AND SEGMENT REPORTING (Continued)

(a) Disaggregation of revenue

Disaggregation of revenue from contracts with customers by significant category of revenue is as follows:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Revenue from contracts with customers within the scope of HKFRS 15		
– Sales of goods	327,982	403,809
Revenue from other sources		
– Gross rentals from investment properties that the lease payments are fixed	<u>44,311</u>	<u>40,338</u>
	<u>372,293</u>	<u>444,147</u>

The Group's customer base is diversified and includes one (2019: one) customer with whom transactions have exceeded 10% of the Group's revenue. In 2020, revenue from sales of toys and model trains to this customer (2019: one), including sales to entities which are known to the Group to be under common control of this customer, amounted to approximately HK\$56,748,000 (2019: HK\$128,555,000) and arose in the North America (2019: North America) geographical region in which the toys and model trains division is active.

(b) Segment results, assets and liabilities

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

Segment assets include all tangible assets and current assets with the exception of intangible assets, interest in associates, deferred tax assets, current tax recoverable, cash and cash equivalents, loans to an associate and other corporate assets. Segment liabilities include all liabilities with the exception of amount due to an associate, 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. 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.

3. REVENUE AND SEGMENT REPORTING (Continued)

(b) Segment results, assets and liabilities (Continued)

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

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the years ended 31 December 2020 and 2019 is set out below:

	Toys and model trains		Property investment		Investment holding		Total	
	2020 HK\$'000	2019 HK\$'000	2020 HK\$'000	2019 HK\$'000	2020 HK\$'000	2019 HK\$'000	2020 HK\$'000	2019 HK\$'000
Revenue from external customers	327,982	403,809	44,311	40,338	-	-	372,293	444,147
Inter-segment revenue	-	-	1,858	1,858	-	-	1,858	1,858
Reportable segment revenue	327,982	403,809	46,169	42,196	-	-	374,151	446,005
Reportable segment (loss)/profit (adjusted EBITDA)	(38,036)	10,288	34,912	28,779	(3,624)	(3,824)	(6,748)	35,243
Interest income	86	145	-	-	2,964	2,056	3,050	2,201
Interest expenses	(9,865)	(12,387)	-	-	-	-	(9,865)	(12,387)
Depreciation and amortisation for the year	(33,454)	(35,371)	-	(9)	(198)	(99)	(33,652)	(35,479)
Reportable segment assets	523,299	584,877	2,002,121	2,030,291	385,486	366,538	2,910,906	2,981,706
Additions to non-current segment assets during the year	36,821	32,977	23,078	22,020	15,567	13,533	75,466	68,530
Reportable segment liabilities	758,777	783,943	43,661	43,187	4,797	6,111	807,235	833,241

3. REVENUE AND SEGMENT REPORTING (Continued)

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Revenue		
Reportable segment revenue	374,151	446,005
Elimination of inter-segment revenue	<u>(1,858)</u>	<u>(1,858)</u>
Consolidated revenue	<u><u>372,293</u></u>	<u><u>444,147</u></u>
Profit		
Reportable segment (loss)/profit	(6,748)	35,243
Elimination of inter-segment profit	<u>—</u>	<u>—</u>
Reportable segment (loss)/profit derived from the Group's external customers	(6,748)	35,243
Other revenue and other net income/(loss)	29,133	(23,613)
Depreciation and amortisation	(33,652)	(35,479)
Finance costs	(9,865)	(12,387)
Share of profits less losses of associates	(41,851)	(25,331)
Impairment loss on loans to an associate	(4,169)	(3,025)
(Deficit)/surplus on revaluation of investment properties	<u>(43,059)</u>	<u>51,532</u>
Consolidated loss before taxation	<u><u>(110,211)</u></u>	<u><u>(13,060)</u></u>
Assets		
Reportable segment assets	2,910,906	2,981,706
Elimination of inter-segment receivables	<u>(331,238)</u>	<u>(339,512)</u>
	2,579,668	2,642,194
Intangible assets	419	366
Interest in associates	55,372	82,855
Loans to an associate	39,699	23,709
Current tax recoverable	208	7,088
Deferred tax assets	6,272	9,709
Cash and cash equivalents	<u>88,964</u>	<u>107,978</u>
Consolidated total assets	<u><u>2,770,602</u></u>	<u><u>2,873,899</u></u>
Liabilities		
Reportable segment liabilities	807,235	833,241
Elimination of inter-segment payables	<u>(331,238)</u>	<u>(339,512)</u>
	475,997	493,729
Amount due to an associate	33,286	18,925
Current tax payable	35,697	20,799
Deferred tax liabilities	<u>20,067</u>	<u>24,377</u>
Consolidated total liabilities	<u><u>565,047</u></u>	<u><u>557,830</u></u>

3. REVENUE AND SEGMENT REPORTING (Continued)

(d) 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 property, plant and equipment, intangible assets, non-current deposits and prepayments and interest 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 property, plant and equipment, 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 interest in associates.

	Revenue from external customers		Specified non-current assets	
	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Hong Kong (place of domicile)	<u>44,665</u>	<u>41,104</u>	<u>2,045,454</u>	<u>2,078,445</u>
Mainland China	1,810	2,232	72,355	84,046
North America	197,296	262,866	98,049	111,758
Europe	128,153	137,179	31,916	33,044
Others	<u>369</u>	<u>766</u>	<u>13,794</u>	<u>11,386</u>
	<u>327,628</u>	<u>403,043</u>	<u>216,114</u>	<u>240,234</u>
	<u>372,293</u>	<u>444,147</u>	<u>2,261,568</u>	<u>2,318,679</u>

4. OTHER REVENUE AND OTHER NET INCOME/(LOSS)

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Other revenue		
Interest income from loans to an associate	2,609	1,593
Other interest income	441	608
Air conditioning, management and maintenance service charges from tenants	5,290	4,780
Gain on lease modifications	255	102
Government grants (<i>note (i)</i>)	5,696	–
Material charges	817	478
Written back of trade and other payables	–	3,455
Sundry income	3,366	3,466
	<u>18,474</u>	<u>14,482</u>
Other net income/(loss)		
Net gain on disposal of other property, plant and equipment	38	678
Net exchange gain/(loss)	6,187	(1,222)
Net realised and unrealised gain on trading securities	3,597	1,223
Net realised and unrealised gain on other financial assets	837	1,899
Loss on deregistration of subsidiaries *	–	(40,673)
	<u>10,659</u>	<u>(38,095)</u>
	<u>29,133</u>	<u>(23,613)</u>

* In 2019, upon the deregistration of Sanda Kan Industrial (Dongguan) Company Limited and Sanda Kan Technology (Shenzhen) Company Limited, subsidiaries of the Group, which had no business activities conducted and did not have any assets and liabilities at the time of deregistration, the corresponding exchange reserve in relation to these subsidiaries of HK\$40,673,000 was released and recognised in profit or loss for the year. There was no tax effect on this item.

(i) In 2020, the Group successfully applied for funding support both from the Employment Support Scheme under the Anti-epidemic Fund, set up by the Hong Kong Special Administrative Region (the “HKSAR”) Government and the Coronavirus Job Retention Scheme, set up by the United Kingdom Government. The purpose of the funding is to provide financial support to enterprises to retain their employees who would otherwise be made redundant. Under the terms of the grant, the Group is required not to make redundancies during the subsidy period and to spend and funding on paying wages to the employees.

5. LOSS BEFORE TAXATION

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
(a) Finance costs		
Interest on bank loans and other borrowings	7,605	9,406
Interest on lease liabilities	<u>2,260</u>	<u>2,981</u>
	<u><u>9,865</u></u>	<u><u>12,387</u></u>
(b) Staff costs		
Salaries, wages and other benefits	144,851	169,693
Employer's contributions to defined contribution retirement plans, net of forfeited contributions of HK\$Nil (2019: HK\$9,000)	<u>13,405</u>	<u>18,205</u>
	<u><u>158,256</u></u>	<u><u>187,898</u></u>
(c) Other operating expenses		
Other operating expenses for the year included:		
Amortisation of intangible assets	34	33
Addition/(reversal) of impairment losses of		
– other property, plant and equipment	19,137	27
– trade receivables	77	(198)
– other receivables	394	(1,057)
Auditors' remuneration		
– audit services	4,830	4,473
– tax services	45	262
Advertising and promotion	7,832	9,663
Building management and security service fee	4,060	4,631
Entertainment	2,026	2,569
Fuel, electricity and water	9,023	12,154
Government rent and rates	2,396	2,820
Insurance	3,986	4,366
Legal and professional fee	5,521	4,339
Office supplies	941	1,447
Operating lease charges	778	544
Postage, telephone and fax	2,263	2,267
Product testing fee	997	1,899
Repair and maintenance	11,129	5,170
Research and development	964	903
Royalties, commission and sales service fee	9,688	8,084
Subcontracting fee	17,033	26,703
Tools and consumables	1,678	4,275
Transportation and travelling	<u>9,492</u>	<u>11,151</u>

5. LOSS BEFORE TAXATION (Continued)

	2020 HK\$'000	2019 HK\$'000
(d) Other items		
Depreciation		
– owned assets	22,163	22,172
– right-of-use assets	11,455	13,274
Cost of inventories	223,595	272,303
Rental receivable from investment properties less direct outgoings of HK\$5,316,000 (2019: HK\$5,880,000)	<u>(38,995)</u>	<u>(34,458)</u>

Cost of inventories includes HK\$81,827,000 (2019: HK\$105,151,000) relating to staff costs, depreciation charges, impairment loss in respect of other property, plant and equipment and lease expenses, which amount is also included in the respective total amounts disclosed separately above and in the consolidated statement of profit or loss for each of these types of expenses.

6. INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS

(a) Taxation in the consolidated statement of profit or loss represents:

	2020 HK\$'000	2019 HK\$'000
Current tax – Hong Kong Profits Tax		
Provision for the year	42	208
Over-provision in respect of prior years	<u>(20)</u>	<u>(20)</u>
	----- 22	----- 188
Current tax – Outside Hong Kong		
Provision for the year	145	2,300
(Over)/under-provision in respect of prior years	<u>(19)</u>	<u>975</u>
	----- 126	----- 3,275
Deferred tax		
Origination and reversal of temporary differences	<u>(863)</u>	<u>(2,482)</u>
	<u>(715)</u>	<u>981</u>

The provision for Hong Kong Profits Tax for 2020 is calculated at 16.5% (2019: 16.5%) of the estimated assessable profits for the year.

The Corporate Income Tax (“CIT”) rate applicable to subsidiaries registered in the People’s Republic of China (“PRC”) is 25% (2019: 25%).

6. INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS (Continued)

(a) Taxation in the consolidated statement of profit or loss represents: (Continued)

The Corporation tax rates applicable to the Group's operations in the United Kingdom (the "UK") and the United States ("the US") are 19% (2019: 19%) and 21% (2019: 21%) respectively.

Taxation for other subsidiaries outside Hong Kong is charged at the appropriate current rates of taxation ruling in the relevant jurisdictions.

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Loss before taxation	<u>(110,211)</u>	<u>(13,060)</u>
Notional tax on loss before taxation, calculated at the rates applicable to profits in the jurisdictions concerned	(6,122)	10,309
Tax effect of non-deductible expenses	13,921	14,289
Tax effect of non-taxable income	(9,850)	(29,727)
Tax effect of previously unrecognised tax losses utilised	(423)	(25)
Tax effect of unused tax losses not recognised	1,638	4,789
Tax effect of other temporary difference not recognised	63	138
(Over-provision)/under-provision in prior years	(39)	955
Others	<u>97</u>	<u>253</u>
Actual tax (credit)/expense	<u>(715)</u>	<u>981</u>

7. LOSS PER SHARE

(a) Basic loss per share

The calculation of basic loss per share is based on the loss attributable to ordinary equity shareholders of the Company of HK\$110,366,000 (2019: HK\$14,364,000) and the weighted average of 950,588,000 ordinary shares (2019: 950,588,000 ordinary shares) in issue during the year.

(b) Diluted loss per share

The Company did not have dilutive potential ordinary shares outstanding during both 2020 and 2019. Accordingly, the diluted loss per share is the same as the basic loss per share for both 2020 and 2019.

8. INVENTORIES

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Carrying amount of inventories sold	220,724	281,552
Write-down of inventories	2,895	–
Reversal of write-down of inventories	<u>(24)</u>	<u>(9,249)</u>
	<u>223,595</u>	<u>272,303</u>

The reversal of write-down of inventories made in the prior year arose upon subsequent sale of these inventories.

9. TRADE AND OTHER RECEIVABLES

As at the end of the reporting period, the ageing analysis of trade debtors (which are included in trade and other receivables), based on the invoice date and net of loss allowance, is as follows:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Within 1 month	31,431	44,732
1 to 3 months	41,484	32,899
3 to 12 months	15,593	18,335
Over 12 months	<u>711</u>	<u>351</u>
	<u>89,219</u>	<u>96,317</u>

10. TRADE AND OTHER PAYABLES AND CONTRACT LIABILITIES

All of the trade and other payables, except for the amounts due to related companies and an associate, are expected to be settled or recognised as income within one year or are repayable on demand.

Amounts due to related companies and an associate are unsecured, interest-free and repayable on demand. The related companies have common directors and shareholders with the Company.

As of the end of the reporting period, the ageing analysis of trade creditors and bills payable (which are included in trade and other payables), based on the invoice date, is as follows:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Within 1 month	7,599	8,264
Over 1 month but within 3 months	7,554	6,315
Over 3 months but within 6 months	1,697	1,833
Over 6 months	<u>1,535</u>	<u>598</u>
	<u>18,385</u>	<u>17,010</u>

11. CAPITAL, RESERVES AND DIVIDENDS

(a) Dividends

- (i) The Directors do not recommend the payment of a final dividend for the year ended 31 December 2020 (2019: HK\$Nil).
- (ii) *Dividends payable to equity shareholders of the company attributable to the previous financial year, approved and paid during the year*

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Final dividend in respect of the previous financial year, approved and paid during the year, of HK Nil cents per share (2019: HK1.0 cent per share)	<u>–</u>	<u>9,506</u>

(b) Issued share capital

	2020		2019	
	Number of shares '000	<i>HK\$'000</i>	Number of shares '000	<i>HK\$'000</i>
Authorised:				
Ordinary shares of HK\$0.10 each	<u>1,000,000</u>	<u>100,000</u>	<u>1,000,000</u>	<u>100,000</u>
Ordinary shares, issued and fully paid:				
At the beginning and the end of the year	<u>950,588</u>	<u>95,059</u>	<u>950,588</u>	<u>95,059</u>

(c) Share premium

The application of the share premium account is governed by section 40 of the Companies Act 1981 of Bermuda.

BUSINESS REVIEW

The keen competition, the outbreak and spreading of the COVID-19, and the United States and China tension have notable effects on the Group's performance for 2020. The Group believes that it will take some time for the economy to recover. To cope with the unfavourable conditions, the Group will diversify its businesses, implement various measures to increase efficiency and strengthen the cost control measures.

Toys and Model Trains

For the financial year ended 31 December 2020, the revenue was approximately HK\$327.98 million, representing a decrease of approximately 18.78% as compared to last year.

The Group will continue to explore new sales opportunities and manufacture high quality products with competitive prices to sustain its business.

Property Investment

For the financial year ended 31 December 2020, the Group's rental income amounted to approximately HK\$44.31 million, representing an increase of approximately 9.84% over the previous year. In addition, the Group recorded valuation losses of approximately HK\$43.06 million on its investment properties for the year, as compared to last year's valuation gains of approximately HK\$51.53 million.

During the year under review, the occupancy rate of its investment properties is approximately 67% (2019: approximately 73%).

RISKS AND UNCERTAINTIES

The Group's financial position and results of operations may be affected by a number of risks and uncertainties pertaining to the Group's businesses. The following are the key risks and uncertainties identified by the Group:

Business Risk

Performance of the Group's core business will be affected by various factors, including but not limited to economic conditions which would not be completely mitigated even with strict operational procedures.

Interest Rate Risk

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

Liquidity Risk

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

Customer Risk

The sales to one of the Group's customers represented approximately 17% of the Group's sales in 2020. The Group has endeavoured to diversify its customer base and provided quality products and services to the customers to maintain good relationship with them so as to mitigate the customer risk.

Foreign Exchange Rate Risk

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

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group has established the Environmental, Health and Safety Management System and Group Environmental Policy effectively addresses and manages environmental issues during the operation. Our Environmental, Health and Safety Committee monitors the Group's overall performance in relation to environmental protection at all of our production facilities by regular inspections. We strive to minimise our impacts on the environment by building a green corporate culture, exercising clean production, improving corporate environment, and utilizing resources sustainably and efficiently.

During the period from 1 January 2020 to 31 December 2020, the Group was not aware of any material non-compliance with the applicable environmental laws and regulations that have a significant impact on the Group. For more details, please refer to the "Environmental, Social and Governance Report" section in the annual report.

KEY RELATIONSHIPS WITH ITS EMPLOYEES, CUSTOMERS AND SUPPLIERS

The Group has been maintaining long-term trusting relationships with its employees, customers and suppliers:

Employees:

The Group recognises employees as the most important asset to drive our business performance. To build and maintain a committed and innovative workforce, we put emphasis on safeguarding their health and safety, offering competitive remuneration, providing development opportunities and maintaining a pleasant workplace. All employees are treated in a fair and equal manner, with no discrimination on any forms of differences that are unrelated to job requirements.

Customers:

The Group is devoted in providing top quality products and delivering excellent customer experience. Guided by the Group Quality Policy, we strive to achieve the highest customer satisfaction through continuous improvement, as well as to produce quality products and deliver them on time to our customers. Quality inspections are conducted throughout the entire production cycle, from raw material to final product. We also welcome our customers to provide feedbacks through the customer service channels.

Suppliers:

We understand that it is essential for our supply chain to align with our corporate social responsibility commitments and thus we select our suppliers carefully. All potential suppliers are required to provide relevant compliance certificates in order to be qualified on the approved supplier list. In addition to quality considerations, we also consider other factors such as their performances on anti-corruption, occupational health and safety, product safety, labor standards and environmental protection.

For more details, please refer to the “Environmental, Social and Governance Report” section in the annual report.

FINANCIAL REVIEW

Results

The Board announces that the Group’s revenue for the financial year ended 31 December 2020 amounted to approximately HK\$372.29 million, representing a decrease of approximately 16.18% over that reported last year and the loss from operations for 2020 amounted to approximately HK\$11.27 million as compared to last year’s loss from operations of approximately HK\$23.85 million. The Group’s loss attributable to equity shareholders for the financial year ended 31 December 2020 was approximately HK\$110.37 million, which included deficit on revaluation of investment properties amounting to approximately HK\$43.06 million, as compared to last year’s loss attributable to equity shareholders of approximately HK\$14.36 million which included surplus on revaluation of investment properties of approximately HK\$51.53 million.

Liquidity and Financial Resources

As at 31 December 2020, the Group's net asset value per share was approximately HK\$2.32 (2019: approximately HK\$2.44). The Group had net current liabilities of approximately HK\$34.98 million (2019: net assets of approximately HK\$46.17 million). Total bank borrowings were approximately HK\$324.35 million (2019: approximately HK\$323.73 million) while the secured and unsecured total banking facilities were approximately HK\$743.01 million (2019: approximately HK\$741.65 million). Included in total bank borrowings were revolving loans of approximately HK\$294.00 million (2019: approximately HK\$310.06 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 14.71% (2019: approximately 13.98%). The majority of borrowings are on floating interest rate terms. The Group will negotiate with banks to increase the banking facilities for working capital needs, if necessary.

Capital Structure

During the year, there were no changes in the Company's share capital.

Charges on Group Assets

As at 31 December 2020, investment properties and certain leasehold land and buildings of the Group with a net book value of approximately HK\$1,886.83 million (2019: approximately HK\$1,909.35 million) were mortgaged to various banks to secure the banking facilities granted to the Group.

Material Acquisitions and Disposals

There were no material acquisitions and disposals during the year ended 31 December 2020.

Contingent Liabilities

As at 31 December 2020, the Group did not have any significant contingent liabilities.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2020, the Group employed 1,012 (2019: 1,303) full time management, administrative and production staff in the HKSAR, Mainland China, the United States and Europe. The Group has seasonal fluctuations in the number of workers employed in its production plants while the number of management and administrative staff remains stable. The staff costs for the year ended 31 December 2020 amounted to approximately HK\$158.26 million (2019: approximately HK\$187.90 million). 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 outbreak and widespread of the COVID-19 has become the biggest challenge to the world economy for the year 2020 and the impact of the pandemic has yet to come to its head. The economic outlook for 2021 will continue to be challenging. The Group will diversify its businesses, explore sales opportunities, raise production efficiency and strengthen the cost control measures in order to sustain its businesses. In addition, the Group has obtained the approval from the Government of the HKSAR for revitalization of Kader Building. The whole processes are expected to be completed by the end of 2022. The revitalization of Kader Building will enhance the Group's source of revenue and profitability.

DIVIDEND

The Directors do not recommend the payment of a final dividend for the year ended 31 December 2020 (2019: HK\$Nil).

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Tuesday, 18 May 2021 to Monday, 24 May 2021, both days inclusive, during which period no transfer 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 branch share registrar and transfer office of the Company in Hong Kong, Computershare Hong Kong Investor Services Limited, at 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 Monday, 17 May 2021.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year.

CORPORATE GOVERNANCE PRACTICES

The Board sets its corporate governance procedure and duties pursuant to the Corporate Governance Code (“CG Code”) as set out in Appendix 14 to the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”), 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. The Company has adopted and applied a corporate governance policy. During the reporting year, the Group has complied with all code provisions set out in the CG Code, except for the deviation from CG Code A.2.1 as described below:

Under CG Code A.2.1, the roles of chairman and chief executive should be separate and should not be performed by the same individual. Mr. Kenneth Ting Woo-shou has the combined role of Chairman and Managing Director. The Board considers that this structure will not impair the balance of power and authority between the Board and the management of the Group as non-executive director and independent non-executive directors (“INEDs”) form the majority of the Board, with five out of eight of the directors of the Company being non-executive director 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 inside 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 2020.

By order of the Board
Kenneth Ting Woo-shou
Chairman

Hong Kong, 30 March 2021

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), Mrs. Nancy Ting Wang Wan-sun and Mr. Ivan Ting Tien-li; the non-executive director of the Company is Mr. Bernie Ting Wai-cheung; and the independent non-executive directors of the Company are Mr. Floyd Chan Tsoi-yin, Mr. Andrew Yao Cho-fai, JP, Mr. Desmond Chum Kwan-yue and Ms. Sabrina Chao Sih-ming.