

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



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 2016

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 2016 together with comparative figures for the year 2015 are summarised as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2016

| | Note | 2016 HK\$'000 | 2015 HK\$'000 |
|---|------|------------------|------------------|
| Revenue | 3, 4 | 753,545 | 893,447 |
| Other income | 5 | 7,751 | 8,741 |
| Changes in inventories of finished goods and work in progress | | (16,704) | 28,626 |
| Cost of purchase of finished goods | | (14,545) | (26,142) |
| Raw materials and consumables used | | (179,755) | (217,244) |
| Staff costs | 6(b) | (239,758) | (294,529) |
| Depreciation | 6(c) | (31,640) | (33,980) |
| Other operating expenses | | (176,527) | (243,476) |
| Profit from operations | | 102,367 | 115,443 |
| Finance costs | 6(a) | (9,557) | (14,444) |
| Share of profits less losses of associates | | 12,376 | 4,205 |
| (Impairment loss)/reversal of impairment of loans to an associate | | (711) | 1,566 |
| Surplus on revaluation of investment properties | | 57,724 | 48,885 |
| Profit before taxation | 6 | 162,199 | 155,655 |
| Income tax expense | 7 | (38,651) | (29,132) |
| Profit for the year | | 123,548 | 126,523 |
| Attributable to: | | | |
| Equity shareholders of the Company | | 122,905 | 124,339 |
| Non-controlling interests | | 643 | 2,184 |
| Profit for the year | | 123,548 | 126,523 |
| Earnings per share | | | |
| Basic | 9(a) | 12.93¢ | 13.08¢ |
| Diluted | 9(b) | 12.93¢ | 13.08¢ |

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2016

| | <i>Note</i> | 2016 <i>HK\$'000</i> | 2015 <i>HK\$'000</i> |
|---|-------------|--------------------------------|-------------------------|
| Profit for the year | | 123,548 | 126,523 |
| 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 | | (21,084) | 3,558 |
| Available-for-sale securities: | 8 | | |
| – changes in fair value during the year | | 672 | (372) |
| – reclassification adjustments for amounts transferred to profit or loss | | <u>–</u> | <u>(35)</u> |
| Total comprehensive income for the year | | <u>103,136</u> | <u>129,674</u> |
| Attributable to: | | | |
| Equity shareholders of the Company | | 102,782 | 127,765 |
| Non-controlling interests | | <u>354</u> | <u>1,909</u> |
| Total comprehensive income for the year | | <u>103,136</u> | <u>129,674</u> |

Note: There is no tax expense or benefit in relation to the profit or loss and other comprehensive income in either the current or the prior year.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2016

| | <i>Note</i> | 2016 <i>HK\$'000</i> | 2015 <i>HK\$'000</i> |
|-------------------------------------|-------------|--------------------------------|-------------------------|
| Non-current assets | | | |
| Investment properties | | 1,616,473 | 1,558,749 |
| Other property, plant and equipment | | <u>130,559</u> | <u>147,727</u> |
| | | 1,747,032 | 1,706,476 |
| Intangible assets | | 1,679 | 1,548 |
| Interest in associates | | 53,845 | 40,643 |
| Non-current financial assets | | 8,608 | 4,036 |
| Deferred tax assets | | <u>9,985</u> | <u>8,836</u> |
| | | <u>1,821,149</u> | <u>1,761,539</u> |
| Current assets | | | |
| Inventories | <i>10</i> | 293,026 | 319,800 |
| Current tax recoverable | | – | 281 |
| Loans to an associate | | 22,556 | 27,678 |
| Trade and other receivables | <i>11</i> | 143,472 | 116,299 |
| Cash and cash equivalents | | <u>62,157</u> | <u>59,260</u> |
| | | <u>521,211</u> | <u>523,318</u> |
| Current liabilities | | | |
| Trade and other payables | <i>12</i> | 140,164 | 136,938 |
| Bank loans | | 329,585 | 329,405 |
| Current tax payable | | <u>41,792</u> | <u>28,115</u> |
| | | <u>511,541</u> | <u>494,458</u> |
| Net current assets | | <u>9,670</u> | <u>28,860</u> |

CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(continued)**At 31 December 2016*

| | <i>Note</i> | 2016 HK\$'000 | 2015 <i>HK\$'000</i> |
|--|-------------|--------------------------------|-------------------------|
| Total assets less current liabilities | | <u>1,830,819</u> | <u>1,790,399</u> |
| Non-current liabilities | | | |
| Bank loans | | – | 37,298 |
| Deferred rental expenses | | 3,845 | 3,628 |
| Rental deposits | | 2,720 | 8,558 |
| Deferred tax liabilities | | 21,770 | 23,155 |
| Accrued employee benefits | | <u>251</u> | <u>302</u> |
| | | <u>28,586</u> | <u>72,941</u> |
| NET ASSETS | | <u>1,802,233</u> | <u>1,717,458</u> |
| CAPITAL AND RESERVES | <i>13</i> | | |
| Share capital | | 95,059 | 95,059 |
| Reserves | | <u>1,710,477</u> | <u>1,621,954</u> |
| Total equity attributable to equity shareholders of the Company | | 1,805,536 | 1,717,013 |
| Non-controlling interests | | <u>(3,303)</u> | <u>445</u> |
| TOTAL EQUITY | | <u>1,802,233</u> | <u>1,717,458</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 2016 but the information herein has been extracted from the draft consolidated financial statements.

The consolidated financial statements for the year ended 31 December 2016 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 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 figures in respect of the preliminary announcement of the Group's results for the year ended 31 December 2016 have been compared by the Company's auditors, KPMG, Certified Public Accountants, to the amounts set out in the Group's draft financial statements for the year and the amounts were found to be in agreement. The work performed by KPMG in this respect was limited and did not constitute an audit, review or other assurance engagement and consequently no assurance has been expressed by the auditors on this announcement.

2. CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued a number of amendments to HKFRSs that are first effective for the current accounting period of the Group. None of these developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared on presented.

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

3. REVENUE

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.

Revenue represents the sales value of goods supplied to customers and rental income during the year. The amount of each significant category of revenue is as follows:

| | 2016 <i>HK\$'000</i> | 2015 <i>HK\$'000</i> |
|--|--------------------------------|-------------------------|
| Sales of goods | 702,680 | 845,453 |
| Gross rentals from investment properties | <u>50,865</u> | <u>47,994</u> |
| | <u><u>753,545</u></u> | <u><u>893,447</u></u> |

The Group's customer base is diversified and includes one (2015: one) customer with whom transactions have exceeded 10% of the Group's revenue. In 2016, revenue from sales of toys and model trains to this customer (2015: one), including sales to entities which are known to the Group to be under common control of this customer, amounted to approximately HK\$364,852,000 (2015: HK\$425,275,000) and arose in the North America (2015: 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 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. |

4. SEGMENT REPORTING *(Continued)*

(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 2016 and 2015 is set out below:

4. SEGMENT REPORTING (Continued)

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

| | Toys and model trains | | Property investment | | Investment holding | | Total | |
|--|-----------------------|------------------|---------------------|------------------|--------------------|------------------|------------------|------------------|
| | 2016 HK\$'000 | 2015 HK\$'000 | 2016 HK\$'000 | 2015 HK\$'000 | 2016 HK\$'000 | 2015 HK\$'000 | 2016 HK\$'000 | 2015 HK\$'000 |
| Revenue from external customers | 702,680 | 845,453 | 50,865 | 47,994 | - | - | 753,545 | 893,447 |
| Inter-segment revenue | - | - | 1,195 | 1,218 | - | - | 1,195 | 1,218 |
| Reportable segment revenue | 702,680 | 845,453 | 52,060 | 49,212 | - | - | 754,740 | 894,665 |
| Reportable segment profit/(loss) (adjusted EBITDA) | 87,484 | 117,123 | 43,978 | 41,335 | (3,104) | (16,214) | 128,358 | 142,244 |
| Interest income | 73 | 214 | - | - | 1,232 | 1,274 | 1,305 | 1,488 |
| Interest expenses | (9,557) | (14,444) | - | - | - | - | (9,557) | (14,444) |
| Depreciation and amortisation for the year | (33,048) | (33,120) | (9) | (1,773) | (58) | (67) | (33,115) | (34,960) |
| Impairment of property, plant and equipment | (356) | (47,933) | (72) | (668) | - | - | (428) | (48,601) |
| Reportable segment assets | 546,229 | 616,664 | 1,616,773 | 1,558,785 | 309,179 | 335,871 | 2,472,181 | 2,511,320 |
| Additions to non-current segment assets during the year | 23,476 | 22,836 | - | - | - | - | 23,476 | 22,836 |
| Reportable segment liabilities | 737,202 | 858,769 | 23,563 | 21,705 | 4,337 | 4,000 | 765,102 | 884,474 |

4. SEGMENT REPORTING (Continued)

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

| | 2016 <i>HK\$'000</i> | 2015 <i>HK\$'000</i> |
|--|-------------------------|-------------------------|
| Revenue | | |
| Reportable segment revenue | 754,740 | 894,665 |
| Elimination of inter-segment revenue | <u>(1,195)</u> | <u>(1,218)</u> |
| Consolidated revenue | <u><u>753,545</u></u> | <u><u>893,447</u></u> |
| Profit | | |
| Reportable segment profit | 128,358 | 142,244 |
| Elimination of inter-segment profit | <u>–</u> | <u>–</u> |
| Reportable segment profit derived | | |
| from the Group's external customers | 128,358 | 142,244 |
| Other income | 7,751 | 8,741 |
| Depreciation and amortisation | (33,115) | (34,960) |
| Finance costs | (9,557) | (14,444) |
| Share of profits less losses of associates | 12,376 | 4,205 |
| (Impairment loss)/reversal of impairment of loans to an associate | (711) | 1,566 |
| Surplus on revaluation of investment properties | 57,724 | 48,885 |
| Unallocated head office corporate expenses | <u>(627)</u> | <u>(582)</u> |
| Consolidated profit before taxation | <u><u>162,199</u></u> | <u><u>155,655</u></u> |
| Assets | | |
| Reportable segment assets | 2,472,181 | 2,511,320 |
| Elimination of inter-segment receivables | <u>(288,652)</u> | <u>(368,746)</u> |
| | 2,183,529 | 2,142,574 |
| Intangible assets | 1,679 | 1,548 |
| Interest in associates | 53,845 | 40,643 |
| Loans to an associate | 22,556 | 27,678 |
| Non-current financial assets | 8,608 | 4,036 |
| Deferred tax assets | 9,985 | 8,836 |
| Current tax recoverable | – | 281 |
| Cash and cash equivalents | 62,157 | 59,260 |
| Unallocated head office and corporate assets | <u>1</u> | <u>1</u> |
| Consolidated total assets | <u><u>2,342,360</u></u> | <u><u>2,284,857</u></u> |

4. SEGMENT REPORTING (Continued)

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

| | 2016 <i>HK\$'000</i> | 2015 <i>HK\$'000</i> |
|---|-------------------------|-------------------------|
| Liabilities | | |
| Reportable segment liabilities | 765,102 | 884,474 |
| Elimination of inter-segment payables | <u>(288,652)</u> | <u>(368,746)</u> |
| | 476,450 | 515,728 |
| Current tax payable | 41,792 | 28,115 |
| Deferred tax liabilities | 21,770 | 23,155 |
| Unallocated head office and corporate liabilities | <u>115</u> | <u>401</u> |
| Consolidated total liabilities | <u><u>540,127</u></u> | <u><u>567,399</u></u> |

(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 property, plant and equipment, intangible assets 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 | |
|-------------------------------|------------------------------------|-------------------------|---------------------------------|-------------------------|
| | 2016 <i>HK\$'000</i> | 2015 <i>HK\$'000</i> | 2016 <i>HK\$'000</i> | 2015 <i>HK\$'000</i> |
| Hong Kong (place of domicile) | <u>57,476</u> | 56,914 | <u>1,664,578</u> | 1,552,170 |
| Mainland China | 8,022 | 9,457 | 30,377 | 101,174 |
| North America | 525,958 | 613,060 | 85,353 | 69,120 |
| Europe | 159,059 | 189,602 | 22,248 | 26,203 |
| Others | <u>3,030</u> | <u>24,414</u> | <u>—</u> | <u>—</u> |
| | <u><u>696,069</u></u> | <u><u>836,533</u></u> | <u><u>137,978</u></u> | <u><u>196,497</u></u> |
| | <u><u>753,545</u></u> | <u><u>893,447</u></u> | <u><u>1,802,556</u></u> | <u><u>1,748,667</u></u> |

5. OTHER INCOME

| | 2016 <i>HK\$'000</i> | 2015 <i>HK\$'000</i> |
|--|-------------------------|-------------------------|
| Interest income from loans to an associate | 1,159 | 1,153 |
| Interest income from available-for-sale debt securities | 73 | 121 |
| Other interest income | <u>73</u> | <u>214</u> |
| | 1,305 | 1,488 |
| Air conditioning, management and maintenance service charges from tenants | 6,149 | 6,612 |
| Material charges | 1,821 | 627 |
| Written back of trade and other payables | – | 3,369 |
| Net (loss)/gain on disposal of property, plant and equipment | (211) | 154 |
| Net exchange loss | (4,280) | (7,890) |
| Available-for-sale equity securities: reclassified from equity on disposal | – | 35 |
| Others | <u>2,967</u> | <u>4,346</u> |
| | <u>7,751</u> | <u>8,741</u> |

6. PROFIT BEFORE TAXATION

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

| | 2016 <i>HK\$'000</i> | 2015 <i>HK\$'000</i> |
|---|-------------------------|-------------------------|
| (a) Finance costs | | |
| Interest on bank loans and other borrowings | <u>9,557</u> | <u>14,444</u> |
| (b) Staff costs | | |
| Salaries, wages and other benefits | 221,685 | 273,633 |
| Employer's contributions to defined contribution retirement plans, net of forfeited contributions of HK\$2,000 (2015: HK\$99,000) | <u>18,073</u> | <u>20,896</u> |
| | <u>239,758</u> | <u>294,529</u> |

6. PROFIT BEFORE TAXATION *(Continued)*

| | 2016 <i>HK\$'000</i> | 2015 <i>HK\$'000</i> |
|---|--------------------------------|-------------------------|
| (c) Other items | | |
| Amortisation of intangible assets | <u>1,475</u> | <u>980</u> |
| Depreciation | | |
| – owned assets | <u>31,640</u> | <u>33,980</u> |
| Impairment losses/(reversal of impairment losses) | | |
| – property, plant and equipment | 428 | 48,601 |
| – trade receivables | 1,969 | 305 |
| – loans to an associate | <u>711</u> | <u>(1,566)</u> |
| | <u>3,108</u> | <u>47,340</u> |
| Operating lease charges | | |
| – rental of land and buildings | 21,179 | 24,960 |
| – other rentals | <u>72</u> | <u>75</u> |
| | <u>21,251</u> | <u>25,035</u> |
| Auditors' remuneration | | |
| – audit services | 4,046 | 4,094 |
| – tax services | <u>666</u> | <u>426</u> |
| | <u>4,712</u> | <u>4,520</u> |
| Cost of inventories | <u>450,055</u> | <u>560,494</u> |
| Rental receivable from investment properties less direct outgoings of HK\$3,762,000 (2015: HK\$3,329,000) | <u>(47,103)</u> | <u>(44,665)</u> |

Cost of inventories includes HK\$151,739,000 (2015: HK\$247,908,000) relating to staff costs, depreciation charges, impairment loss in respect of property, plant and equipment and operating lease charges, 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.

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

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

| | 2016 <i>HK\$'000</i> | 2015 <i>HK\$'000</i> |
|---|-------------------------|-------------------------|
| Current tax – Hong Kong Profits Tax | | |
| Provision for the year | 27,975 | 10,740 |
| Over-provision in respect of prior years | <u>(2,045)</u> | <u>(10)</u> |
| | ----- 25,930 | ----- 10,730 |
| Current tax – Outside Hong Kong | | |
| Provision for the year | 14,986 | 16,427 |
| Under-provision in respect of prior years | <u>269</u> | <u>11</u> |
| | ----- 15,255 | ----- 16,438 |
| Deferred tax | | |
| Origination and reversal of temporary differences | <u>(2,534)</u> | <u>1,964</u> |
| | ----- 38,651 | ----- 29,132 |

The provision for Hong Kong Profits Tax for 2016 is calculated at 16.5% (2015: 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% (2015: 25%).

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

During the year ended 31 December 2016, the British Government announced a reduction in the corporation tax rate applicable to the Group’s operations in the United Kingdom (the “UK”) from 20.25% to 20% (2015: 21.5% to 20.25%). The reduction has been taken into account in the preparation of the Group’s financial statements. Accordingly, the deferred tax balances related to the Group’s operations in the UK as at 31 December 2016 were calculated using a tax rate of 20% (2015: 20.25%).

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

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

| | 2016 <i>HK\$'000</i> | 2015 <i>HK\$'000</i> |
|--|-------------------------|-------------------------|
| Profit before taxation | <u>162,199</u> | <u>155,655</u> |
| Notional tax on profit before taxation, calculated at the rates applicable to profits in the jurisdictions concerned | 17,834 | 30,506 |
| Tax effect of non-deductible expenses | 33,521 | 5,046 |
| Tax effect of non-taxable income | (11,605) | (11,503) |
| Tax effect of previously unrecognised tax losses utilised | (228) | (1,528) |
| Tax effect of unused tax losses not recognised | 905 | 6,610 |
| (Over)/under-provision in prior years | <u>(1,776)</u> | <u>1</u> |
| Actual tax expense | <u>38,651</u> | <u>29,132</u> |

8. OTHER COMPREHENSIVE INCOME

| | 2016 <i>HK\$'000</i> | 2015 <i>HK\$'000</i> |
|--|-------------------------|-------------------------|
| Available-for-sale securities | | |
| Change in fair value recognised during the year | 672 | (372) |
| Reclassification adjustments for amounts transferred to profit or loss: – gains on disposal | <u>–</u> | <u>(35)</u> |
| Net movement in the fair value reserve during the year recognised in other comprehensive income | <u>672</u> | <u>(407)</u> |

9. EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of HK\$122,905,000 (2015: HK\$124,339,000) and the weighted average of 950,588,000 ordinary shares (2015: 950,588,000 ordinary shares) in issue during the year.

(b) Diluted earnings per share

The Company did not have dilutive potential ordinary shares outstanding during both 2016 and 2015. Accordingly, the diluted earnings per share is the same as the basic earnings per share for both 2016 and 2015.

10. INVENTORIES

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

| | 2016 <i>HK\$'000</i> | 2015 <i>HK\$'000</i> |
|---------------------------------------|-------------------------|-------------------------|
| Carrying amount of inventories sold | 446,652 | 567,258 |
| Write down of inventories | 7,936 | 2,282 |
| Reversal of write-down of inventories | <u>(4,533)</u> | <u>(9,046)</u> |
| | <u>450,055</u> | <u>560,494</u> |

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

11. TRADE AND OTHER RECEIVABLES

As at 31 December 2016, the ageing analysis of trade debtors (which are included in trade and other receivables), based on the invoice date and net of allowance for doubtful debts, is as follows:

| | 2016 <i>HK\$'000</i> | 2015 <i>HK\$'000</i> |
|----------------|-------------------------|-------------------------|
| Within 1 month | 78,302 | 83,276 |
| 1 to 3 months | 32,439 | 9,914 |
| 3 to 12 months | 3,240 | 2,575 |
| Over 12 months | <u>1,612</u> | <u>279</u> |
| | <u>115,593</u> | <u>96,044</u> |

12. TRADE AND OTHER PAYABLES

Included in trade and other payables are trade creditors with the following ageing analysis, based on the invoice date, as of the end of reporting period:

| | 2016 <i>HK\$'000</i> | 2015 <i>HK\$'000</i> |
|-----------------------------------|-------------------------|-------------------------|
| Within 1 month | 20,658 | 24,676 |
| Over 1 month but within 3 months | 14,896 | 14,698 |
| Over 3 months but within 6 months | 1,011 | 1,242 |
| Over 6 months | <u>1,467</u> | <u>1,152</u> |
| | <u>38,032</u> | <u>41,768</u> |

13. CAPITAL, RESERVES AND DIVIDEND

(a) Dividends

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

| | 2016 <i>HK\$'000</i> | 2015 <i>HK\$'000</i> |
|--|--------------------------------|-------------------------|
| Final dividend proposed after the end of the reporting period of HK1.5 cents per ordinary share (2015: HK1.5 cents per ordinary share) | <u>14,259</u> | <u>14,259</u> |

The final dividend proposed after the end of the reporting period has not been recognised as a liability at the end of the reporting period.

- (ii) Dividends payable to equity shareholders of the company attributable to the previous financial year, approved and paid during the year.

| | 2016 <i>HK\$'000</i> | 2015 <i>HK\$'000</i> |
|---|--------------------------------|-------------------------|
| Final dividend in respect of the previous financial year, approved and paid during the year, of HK1.5 cents per share (2015: HK\$Nil per share) | <u>14,259</u> | <u>–</u> |

(b) Issued share capital

| | 2016 | | 2015 | |
|--|--------------------------------------|-----------------------|-----------------------------|-----------------|
| | Number of shares '000 | HK\$'000 | 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 uncertainties of the global economy presented challenging operating conditions in 2016. Amid market uncertainties, the Group still achieved a satisfactory result for 2016. To sustain the business growth in the long run, the Group will progressively explore new sales opportunities, implement various measures to increase efficiency and strengthen the cost control measures.

Toys and Model Trains

For the financial year ended 31 December 2016, the revenue was approximately HK\$702.68 million, representing a decrease of approximately 16.89% as compared to last year.

The Group will continue to manufacture high quality products with competitive prices to increase the revenue and profit.

Property Investment

For the financial year ended 31 December 2016, the Group's rental income amounted to approximately HK\$50.87 million, representing an increase of approximately 5.98% over the previous year. In addition, the Group recorded valuation gains of approximately HK\$57.72 million on its investment properties for the year, as compared to last year's valuation gains of approximately HK\$48.89 million.

During the year under review, the occupancy rate of its investment properties is above 87%.

RISKS AND UNCERTAINTIES

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

Business Risk

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

Interest Rate Risk

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

Liquidity risk

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

Customer risk

The sales to one of the Group's customers represented approximately 52% of the Group's sales in 2016. 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 ("HKD"), United States dollars ("USD"), Sterling Pounds ("GBP") and Renminbi Yuan. 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.

ENVIRONMENTAL POLICY

Effective environmental protection measures will not only contribute to environmental protection but also reduction of the operating costs. The following are some measures adopted by the Group:

1. Chemical wastes produced by the production plants are collected and treated properly by licensed waste collectors.
2. Lightings and electrical appliances are switched off when unnecessary.
3. Some traditional vehicles are replaced by hybrid vehicle and electric vehicle.
4. Energy-efficient lightings are used in our offices and production plants.
5. "Save water" labels are posted in the pantries.

The management will from time to time review the effectiveness of such measures and consider implementing other measures for environmental protection.

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

During the year under review, there was no material breach of or non-compliance with the applicable laws and regulations by the Group that has a significant impact on the Group's business and operations.

RELATIONSHIPS WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

The Group recognizes that our employees, customers and business partners are the keys to our sustainable development. The Group is committed to establish a close and caring relationship with our employees, provide quality services to our customers and enhance cooperation with our business partners.

FINANCIAL REVIEW

Results

The Board announces that the Group's revenue for the financial year ended 31 December 2016 amounted to approximately HK\$753.55 million, representing a decrease of approximately 15.66% over that reported last year and that profit from operations for 2016 amounted to approximately HK\$102.37 million as compared to last year's profit from operations of approximately HK\$115.44 million. The Group's profit attributable to shareholders for the financial year ended 31 December 2016 was approximately HK\$122.91 million, which included valuation gains on investment properties amounting to approximately HK\$57.72 million, as compared to last year's profit attributable to shareholders of approximately HK\$124.34 million which included valuation gains on investment properties of approximately HK\$48.89 million.

Liquidity and Financial Resources

As at 31 December 2016, the Group's net asset value per share was approximately HK\$1.90 (2015: approximately HK\$1.81). The Group had net current assets of approximately HK\$9.67 million (2015: approximately HK\$28.86 million). Total bank borrowings were approximately HK\$329.59 million (2015: approximately HK\$366.70 million) while the secured total banking facilities were approximately HK\$795.89 million (2015: approximately HK\$839.35 million). Included in total bank borrowings were revolving loans of approximately HK\$210.89 million (2015: approximately HK\$240.74 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 18.29% (2015: approximately 21.35%). 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.

At 31 December 2016, an overseas subsidiary of the Group could not fulfil certain covenants imposed by banks on certain loans of an aggregate amount of HK\$17,974,000. These loans were classified as current liabilities in the consolidated statement of financial position.

At 31 December 2015, an overseas subsidiary of the Group could not fulfil certain covenants imposed by a bank on certain loans of an aggregate amount of HK\$4,736,000. Following the application of a waiver of the above breach to the bank, the overseas subsidiary was granted a waiver by the bank on 27 March 2016.

Such breach entitled the bank to declare the outstanding principal amount, accrued interest and other sums payable under the agreement to become immediately due and payable.

Other than the above, as at 31 December 2016, none of the covenants relating to drawn down facilities has been breached.

Capital Structure

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

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2016, the Group employed 2,079 (2015: 3,130) full time management, administrative and production staff in Hong Kong Special Administrative Region, Mainland China, the US 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

With the robust cost control measures and experienced management team, the Group remains optimistic about its prospects in the challenging year ahead. Meanwhile, the Group has the intention to revitalize the investment properties, and has commenced initial procedures and submitted the relevant documents to the Government of the Hong Kong Special Administrative Region. The revitalization will enhance the Group's source of revenue and profitability.

DIVIDEND

The Directors recommend the payment of a final dividend of HK1.5 cents per ordinary share (2015: HK1.5 cents per ordinary share) for the year ended 31 December 2016 payable on 29 June 2017 to those shareholders whose names appear on the Register of Members of the Company as at the close of business on 21 June 2017 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, 5 June 2017 to Thursday, 8 June 2017, 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 Friday, 2 June 2017.

The register of members of the Company will be closed from Thursday, 15 June 2017 to Wednesday, 21 June 2017, 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 Wednesday, 14 June 2017.

PURCHASE, SALE OR REDEMPTION OF SHARES

The Company has not redeemed any of its shares during the year. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares 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 directors and independent non-executive directors ("INEDs") form the majority of the Board, with seven out of nine of the directors of the Company being non-executive directors and INEDs. The Board believes the appointment of Mr. Kenneth Ting Woo-shou to the posts of Chairman and Managing Director is beneficial to the Group as he has considerable industry experience.

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 2016.

By order of the Board
Kenneth Ting Woo-shou
Chairman

Hong Kong, 30 March 2017

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. Floyd Chan Tsoi-yin, Mr. Andrew Yao Cho-fai, JP, Mr. Desmond Chum Kwan-yue and Mr. Ronald Montalto.