2014
Annual Report

Playmates®

Table of Contents

Corporate Information

Directors
CHAN Chun Hoo, Thomas *(Chairman)*
CHENG Bing Kin, Alain *(Executive Director)*
IP Shu Wing, Charles
(Independent Non-executive Director)
LEE Peng Fei, Allen
(Independent Non-executive Director)
LO Kai Yiu, Anthony
(Independent Non-executive Director)
TO Shu Sing, Sidney *(Executive Director)*
TSIM Tak Lung
(Deputy Chairman and Non-executive Director)
YU Hon To, David
(Independent Non-executive Director)

Company Secretary
NG Ka Yan

Registered Office
Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Principal Office
23/F., The Toy House
100 Canton Road
Tsimshatsui
Kowloon, Hong Kong

Auditors
Grant Thornton Hong Kong Limited
Certified Public Accountants

Legal Advisors
Conyers Dill & Pearman
Deacons

Principal Bankers
The Bank of East Asia, Limited
Citigroup
Hang Seng Bank Limited
UBS AG

Principal Share Registrars
Codan Services Limited
Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Branch Share Registrars
Tricor Abacus Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

Stock Code
The shares of Playmates Holdings Limited are listed for trading on The Stock Exchange of Hong Kong Limited
(Stock Code: 635)

Website
www.playmates.net

Statement from the Chairman

I have great pleasure to report that we have another successful year in executing our planned programs and achieving the intended results in 2014.

In 2014, our property investments and associated businesses reported decent growth over the prior year in revenue and operating profit before revaluation surplus. Reported segment operating profit was lower than last year due to significantly lower revaluation surplus, reflecting the prevailing local property market condition. We will continue to adjust the balance of our portfolio of investment properties to achieve the strategic objective of seeking long term growth in asset value as well as recurring income.

Sales of Playmates Toys' leading brand, ***Teenage Mutant Ninja Turtles*** ("TMNT" or "Turtles" or "Ninja Turtles"), reached new height and continued to maintain its top position in the action figure toy category in the US, driven by continued popularity of the Nickelodeon TV series and the box office success of the Paramount late summer movie. The new ***Half-Shell Heroes*** product segment launched in the second half of 2014 was very well received by consumers and set to become a significant extension of the brand going forward.

On the other hand, the results achieved in the non-US markets as a whole were below expectation primarily due to the negative geopolitical developments and weakened economic conditions in Europe. Nevertheless, TMNT remained one of the top action figure brands in all major European markets.

As with any entertainment driven business, Playmates Toys expect a new set of challenges and opportunities in 2015. There will be strong competitive pressure with several major action adventure movies driving competitive brands during the year, whereas the next TMNT movie is planned for summer 2016. On the macro level, the disruptions at the US west coast ports caused by contract negotiations had limited the ability of toy companies, including Playmates Toys, to replenish retail inventories in the early months of the year. Otherwise, the US economic outlook remained positive whereas continued weakness of the European currencies will impact the European markets and may exacerbate the ongoing adverse business conditions in Europe.

Playmates Toys will continue with the proven strategy of focusing its resources and efforts to manage its established brands for long term profitability while actively but selectively identify and acquire new investment opportunities.

I must once again express my gratitude to our many business associates, shareholders and partners for their trust and support and to my fellow board members and colleagues for their commitment and contributions.

CHAN Chun Hoo, Thomas
Chairman of the board

Hong Kong, 20 March 2015

Business Review and Prospects

Group Overview

Playmates Holdings group global revenue for the year ended 31 December 2014 was HK$2,397.5 million (2013: HK$1,880.8 million); reflected an increase of 27.5% compared to the prior year. The Group reported an operating profit of HK$1,231.9 million (2013: HK$1,434.6 million) and net profit attributable to shareholders was HK$757.7 million (2013: HK$1,177.7 million). Basic earnings per share was HK$3.30 (2013: HK$5.02).

Property Investments and Associated Businesses

In 2014 revenue from the property investments and property management businesses increased 8.6% to HK$199.8 million (2013: HK$184.1 million), while revenue from the food and beverage business decreased by 3.1% to HK$35.5 million (2013: HK$36.6 million). Aggregate turnover increased by 6.6% to HK$235.3 million (2013: HK$220.7 million). The Group's investment properties were revalued by independent professional surveyors at the fair value of HK$5.3 billion (2013: HK$4.9 billion). A revaluation surplus of HK$437.0 million (2013: HK$766.8 million) was reported in the consolidated income statement of the Group. Segment operating profit was HK$584.8 million including revaluation surplus, compared to HK$891.9 million for 2013.

(a) Property Investments

The Group's major investment properties include (i) a commercial building, The Toy House, at 100 Canton Road; (ii) a number of residential units at Hillview, 21-23A MacDonnell Road, and (iii) Playmates Factory Building at 1 Tin Hau Road, Tuen Mun. Overall occupancy rate of the property investment portfolio in Hong Kong was about 96% as at 31 December 2014 and 31 December 2013. The Group's property portfolio also includes two investment properties in the United Kingdom.

(i) The Toy House

Rental income generated by The Toy House increased by 10.4% to about HK$151.4 million (2013: HK$137.2 million), driven by rental increases on existing leases and a higher occupancy rate. With a significant lease in place on the commercial podium floors of the building since 2013, and as Canton Road continues to develop as a high-end shopping, entertainment and dining destination, we are optimistic that the value and recurring rental income of The Toy House will remain strong over the long term.

(ii) Hillview

Rental income generated by the residential properties at Hillview was about HK$14.9 million, a decrease of 3.1% from last year (2013: HK$15.4 million). The demand for luxury residential units in Mid-Levels softened during 2014. Over the long term, we are optimistic that this investment will benefit from resilient demand for and limited supply of up-market residential properties in Mid-Levels.

(iii) Playmates Factory Building

Rental income generated by Playmates Factory Building was about HK$16.7 million, an increase of 7.2% over last year (2013: HK$15.6 million), driven by rental increases from lease renewals, and a high occupancy rate of close to 100%. We are optimistic that the investment will benefit from continual developments in Tuen Mun.

(b) Property Management

The Group engaged Savills Property Management Limited ("Savills") to manage The Toy House and Playmates Factory Building. Savills provides comprehensive property management services, including repair and maintenance, building security, general cleaning for common areas, hand-over and take-over of premises, and the monitoring of reinstatement and refurbishment works.

Income generated from the property management business segment was about HK$16.1 million, an increase of 6.5% from last year (2013: HK$15.1 million), driven by higher occupancy rate.

(c) Food & Beverage Business

Revenue generated from the food and beverage business for the year slightly decreased by 3.1% to HK$35.5 million (2013: HK$36.6 million). We will review the food and beverage business to improve profitability.

While management continues to hold a favorable long term view of our property investments and associated businesses, we will continue to adjust the balance of our property portfolio to achieve our strategic objective of seeking investment returns through capital appreciation and growth in recurring income.

Playmates Toys

Playmates Toys group worldwide turnover for the year ended 31 December 2014 was HK$2,160 million (2013: HK$1,659 million), an increase of 30.2% compared to the prior year. The significant increase in revenue was mainly attributed to strong sales of ***Teenage Mutant Ninja Turtles*** ("TMNT") products throughout the whole year, especially in the US market, driven by strong TV entertainment, a blockbuster movie from Paramount Pictures, and introduction of new product segments. Sales of TMNT products contributed over 95% of our revenue in 2014.

The US continued to be our biggest market in 2014, contributing 72% of revenue (2013: 67%). Europe as a whole contributed 17% (2013: 22%), the rest of the Americas 6% (2013: 5%), 3% Australasia (2013: 4%) and 2% (2013: 1%) came from Asia. During the year, the US market exhibited clear signs of economic growth and strengthening employment, rising home prices and stock market gains boasted confidence of consumers. According to NPD, the leading provider of toys point-of-sale market research data, 2014 US retail dollar sales of toys were up by about 4% year-on-year, the biggest growth since 2001.[1] On the other hand, key markets in Europe were impacted by the political uncertainty in the Crimean Peninsula as well as the significant weakening in major European currencies against the US Dollar starting in the second half of 2014.

Gross profit ratio on toy sales was 61.9% (2013: 62.8%). The slight decrease in gross profit ratio was primarily attributable to additional development and tooling expenses related to new product introductions. Recurring operating expenses were 31.9% of sales (2013: 29.9%), reflecting incremental marketing and promotional expenses to launch new product segments.

1 *Source: The NPD Group/Retail Tracking Services; Dollars, 52 weeks vs. YAG (1/5/2014-1/3/2015 vs. 1/6/2013-1/4/2014)*

Playmates Toys (Continued)

Playmates Toys reported an operating profit for 2014 of HK$648 million (2013: HK$547 million), an increase of 18.6% compared to prior year. Playmates Toys group income tax expense for 2014 was HK$145 million (2013: HK$6 million), reflecting the impact of a normalized tax rate in 2014 as tax credits due to accumulated losses in prior years were substantially utilized during 2013.

Portfolio Investments

The Group engages in portfolio investments which involve investing in listed equity shares and managed funds. The investment policy provides for a set of prudent guidance and control framework to achieve the objective of managing a portfolio that is highly liquid and offers reasonable risk-adjusted returns through capital appreciation and dividend income.

As at 31 December 2014, fair market value of the Group's investment portfolio was HK$57.7 million (2013: HK$29.4 million). The Group reported a net gain from investments of approximately HK$3.4 million in 2014. In comparison, a net loss from investments of approximately HK$3.4 million was recorded in 2013. In 2014, dividend and interest income generated from portfolio investments were HK$2.0 million (2013: HK$1.6 million) and have been included in the revenue of the Group.

In light of uneven growth prospects in the major global economies and continued uncertainties in the securities markets, the Group will remain vigilant in monitoring and balancing the investment portfolio.

Directors and Senior Management

Biographical details of directors are shown below:

CHAN Chun Hoo, Thomas

Chairman and Executive Director

Mr. Chan, age 64, joined the Group in 1967. He has been the principal driving force behind the growth, global expansion and diversification of the Group's business activities into multiple segments and markets spanning consumer products, real properties and other investments. The Group's high level of productivity is attributable to his guiding management principles of creativity, flexibility and simplicity. Mr. Chan was appointed Chairman of the board in 1997. He is also the chairman of the board of Playmates Toys Limited.

CHENG Bing Kin, Alain

Executive Director

Mr. Cheng, age 52, was appointed a director of the Company in 2006. He is the Group Legal Counsel and also an executive director of Playmates Toys Limited. Mr. Cheng was admitted to practise as solicitor in Hong Kong in 1996 and in England and Wales in 1997. Mr. Cheng is also a Chartered Accountant and a CPA of the Hong Kong Institute of Certified Public Accountants.

IP Shu Wing, Charles

Independent Non-executive Director

Mr. Ip, age 64, was appointed a director of the Company in 1999. Mr. Ip has 40 years of experience in business management and has held a number of key management positions in various multi-national corporations. He has been re-designated from a Non-executive Director to an Independent Non-executive Director of the Company with effect from 25 March 2011.

LEE Peng Fei, Allen

Independent Non-executive Director

Dr. Lee, age 74, was appointed a director of the Company in 1993. He holds an honorary doctoral degree in engineering from the Hong Kong Polytechnic University and an honorary doctoral degree in laws from the Chinese University of Hong Kong. He was formerly a member of the Hong Kong Legislative Council from 1978 to 1997 and a senior member of the Hong Kong Legislative Council from 1988 to 1991. Dr. Lee was also a member of the Hong Kong Executive Council from 1985 to 1992. He was a deputy of HKSAR, the 9th and 10th National People's Congress, PRC. He has taken on an active role in public service.

Directors and Senior Management

LO Kai Yiu, Anthony

Independent Non-executive Director

Mr. Lo, age 66, was appointed a director of the Company in 1993. He is qualified as a chartered accountant by the Canadian Institute of Chartered Accountants and is a member of the Hong Kong Institute of Certified Public Accountants. In addition to over 12 years of professional accounting experience, he has over 33 years of experience in investment banking and other financial services. Mr. Lo serves as a director of a number of public and private companies.

TO Shu Sing, Sidney

Executive Director

Mr. To, age 57, joined the Group in 1986. Prior to joining the Group, he had 9 years working experience with multi-national marketing and manufacturing companies. Over the years, he has served the Group in a number of functional areas including sales and marketing, licensing, strategic business development and corporate communication. He joined the board of directors of the Company in 1997. Mr. To is also an executive director of Playmates Toys Limited. He holds an Executive Master of Business Administration degree from Simon Fraser University, British Columbia, Canada. Mr. To is a brother-in-law of Mr. Tsim Tak Lung.

TSIM Tak Lung

Deputy Chairman and Non-executive Director

Mr. Tsim, age 68, is a consultant on corporate communication and strategic planning. He is on the boards of several public and private companies in Hong Kong and North America. He was appointed a director of the Company in 1997. Mr. Tsim is a brother-in-law of Mr. To Shu Sing, Sidney.

YU Hon To, David

Independent Non-executive Director

Mr. Yu, age 66, was appointed a director of the Company in 1995. He is a fellow member of The Institute of Chartered Accountants in England and Wales and a CPA of the Hong Kong Institute of Certified Public Accountants. He was a partner of an international accounting firm with extensive experience in corporate finance. Mr. Yu is the Chairman of MCL Financial Group Ltd, a Hong Kong-based financial advisory and investment firm. Currently, he is also an independent non-executive director of listed companies in Hong Kong including China Renewable Energy Investment Limited, China Resources Gas Group Limited, Great China Holdings Limited, Haier Electronics Group Co., Limited, Keck Seng Investments (Hong Kong) Limited, Media Chinese International Limited, New Century Asset Management Limited (as manager of New Century Real Estate Investment Trust), One Media Group Limited, Sateri Holdings Limited and Synergis Holdings Limited. He resigned as an independent non-executive director of VXL Capital Limited on 27 May 2014.

Report of the Directors

The directors submit their annual report together with the audited financial statements for the year ended 31 December 2014.

Principal Activities and Geographical Analysis of Operations

The Company is an investment holding company with its principal subsidiaries engaged in the design, development, marketing and distribution of toys and family entertainment activity products, and in property investments, property management business, securities and other investments.

An analysis of the Group's performance for the year by business and geographical segments is set out in note 5 to the financial statements.

Major suppliers and customers

The percentages of purchases and sales for the year attributable to the Group's major suppliers and customers were as follows:

Purchases	
– the largest supplier	26%
– five largest suppliers in aggregate	85%
Sales	
– the largest customer	26%
– five largest customers in aggregate	70%

None of the directors, their associates or any shareholder of the Company (which to the knowledge of the directors owns more than 5% of the Company's share capital) had any interest in the major suppliers or customers noted above.

Results and Appropriations

The results of the Group for the year are set out in the consolidated income statement on page 32.

The directors have declared a first interim dividend of HK$0.075 per ordinary share, totalling HK$17,160,000, which was paid on 7 October 2014.

The directors have declared a second interim dividend of HK$0.075 per ordinary share and a special interim dividend of HK$0.20 per ordinary share, totalling HK$62,706,000, which is calculated on the basis of 228,020,000 ordinary shares in issue at the date of board meeting held on 20 March 2015.

Reserves

Movements in the reserves of the Group during the year are set out in the consolidated statement of changes in equity on page 38. Movements in the reserves of the Company during the year are set out in note 29.2 to the financial statements.

Distributable reserves of the Company at 31 December 2014, calculated under the Companies Act 1981 of Bermuda, amounted to HK$1,515,662,000 (2013: HK$446,773,000).

Financial Analysis

Analysis of bank loans, overdrafts and other borrowings

Particulars of the Group's utilised banking facilities are set out in note 23 to the financial statements.

Liquidity and financial resources

The toy business is inherently seasonal in nature. In general, sales in the second half-year are much higher than those in the first half. As a result, a disproportionately high balance of trade receivables is generated during the peak selling season in the second half of the year. Consistent with usual trade practices, a significant portion of the trade receivables is collected in the final weeks of the fourth quarter and in the first quarter of the subsequent year, resulting in a seasonal demand for working capital during the peak selling season. As at 31 December 2014, trade receivables related to toy operation were HK$529,727,000 (2013: HK$411,831,000) and inventories related to toy operation were at a seasonal low level of HK$44,165,000 (2013: HK$36,959,000) or 2.0% (2013: 2.2%) of turnover of toy operation.

The property investments and associated businesses generated a relatively steady income stream throughout the year. Approximately 96% of the total gross floor area of the Group's investment properties in Hong Kong were leased out as at 31 December 2014. Accounts receivables were minimal as at the year end.

The Group's gearing ratio, defined as total bank borrowings expressed as a percentage of total tangible assets, at 31 December 2014 was 5.7% compared to 7.4% at 31 December 2013. The current ratio, calculated as the ratio of current assets to current liabilities, was 2.4 at 31 December 2014 compared to 1.8 at 31 December 2013.

The Group maintains a level of cash that is necessary and sufficient to serve recurring operations as well as further growth and developmental needs. As at 31 December 2014, the Group's cash and bank balances were HK$1,233,585,000 (2013: HK$739,098,000), of which HK$1,030,617,000 (2013: HK$476,250,000) was denominated in United States dollar, HK$4,549,000 (2013: HK$23,187,000) in British pound and the remaining balance was mainly denominated in Hong Kong dollar. In addition, the amount invested in various securities was HK$57,670,000 (2013: HK$29,434,000).

Employees

As at 31 December 2014, the Group had a total of 125 employees in Hong Kong, the United States of America and the United Kingdom. This compares to 119 employees as at 31 December 2013.

The Group remunerates its employees largely based on industry practice, including contributory provident funds, insurance and medical benefits. The Group has also adopted a discretionary bonus programme for all management and staff and share option plans for its employees with awards under both programmes determined annually based upon the performance of the Group and the individual employees.

Financial Guarantee

Details of the Company's financial guarantee contracts are set out in note 31 to the financial statements.

Bank Loans

Details of the Group's bank loans as at 31 December 2014 are set out in note 23 to the financial statements.

Donations

Charitable donations made by the Group during the year amounted to HK$3,619,000 which includes committed donations as part of the promotional program for a doll product. Charitable donations made in 2013 was HK$2,724,000.

Fixed Assets

Details of the movements in fixed assets of the Group are set out in note 15 to the financial statements.

Principal Properties

Details of the principal properties of the Group held for investment purposes are set out in note 15 to the financial statements.

Share Capital

Details of the movements in share capital of the Company are set out in note 29.1 to the financial statements.

Five Year Financial Summary

A summary of the results and the assets and liabilities of the Group for the last five financial years is set out on page 99.

Purchase, Sale or Redemption of Shares

During the year, 3,491,450 shares of HK$0.10 each were repurchased by the Company at prices ranging from HK$7.36 to HK$11.30 per share through The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The particulars of the repurchases are set out in note 29.1 to the financial statements.

Directors

The directors who held office during the year and up to the date of this report were:

Mr. CHAN Chun Hoo, Thomas *(Chairman)*
Mr. CHENG Bing Kin, Alain *(Executive Director)*
Mr. IP Shu Wing, Charles *(Independent Non-executive Director)*
Mr. LEE Peng Fei, Allen *(Independent Non-executive Director)*
Mr. LO Kai Yiu, Anthony *(Independent Non-executive Director)*
Mr. TO Shu Sing, Sidney *(Executive Director)*
Mr. TSIM Tak Lung *(Deputy Chairman and Non-executive Director)*
Mr. YU Hon To, David *(Independent Non-executive Director)*

Pursuant to Bye-law 87(1) of the Company's Bye-laws, Mr. Cheng Bing Kin, Alain, Mr. Lee Peng Fei, Allen and Mr. Lo Kai Yiu, Anthony shall retire by rotation and offer themselves for re-election at the forthcoming annual general meeting.

Directors (Continued)

The Company has received from each independent non-executive director an annual confirmation of his independence pursuant to Rule 3.13 of Chapter 3 of the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules") and the Company considers such directors to be independent.

Directors' Service Contracts

There is no service contract, which is not determinable by the Company within one year without payment of compensation (other than statutory compensation), in respect of any director proposed for re-election at the forthcoming annual general meeting.

Directors' Interests in Contracts

No contracts of significance in relation to the Group's business to which the Company or its subsidiaries was a party and in which any director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

Share Options

Share Options of the Company

Share options of the Company are granted to directors, employees and other eligible participants specified under a Share Option Scheme ("Scheme") approved by shareholders of the Company at the special general meetings held on 28 June 2002. Details of the Scheme are as follows:

Purpose	:	(i)	To motivate the eligible participants to optimise their performance and efficiency for the benefit of the Group; and
		(ii)	To attract and retain or otherwise maintain ongoing business relationship with eligible participants whose contributions are or will be beneficial to the Group.
Participants	:	(i)	Directors, employees, consultants, professionals, customers, suppliers, agents, partners or advisers of or contractors to the Group or a company in which the Group holds an interest or a subsidiary of such company; or
		(ii)	The trustees of any trust the beneficiary of which or any discretionary trust the discretionary objects of which include any person/party mentioned in (i) above; or
		(iii)	A company beneficially owned by any person/party mentioned in (i) above.

Total number of ordinary shares available for issue under the Scheme and the percentage of issued share capital that it represents as at 20 March 2015	:	1,515,470 ordinary shares, representing 0.66% of the issued capital.
Maximum entitlement of each participant	:	Unless approved by shareholders, the total number of securities issued and to be issued upon exercise of the options granted to each participant (including both exercised and outstanding options) in any 12-month period must not exceed 1% of the issued ordinary shares of the Company.
The period within which the ordinary shares must be taken up under an option	:	The options are exercisable in stages and no option will be exercisable later than 10 years after its date of grant.
The amount payable on acceptance of the option	:	HK$10.00 (or such other nominal sum in any currency as the board may determine).
Period within which payments/calls must/may be made or loans for such purposes must be repaid	:	Not applicable.
The basis for determining the exercise price	:	Determined by the directors and shall not be less than the highest of: (i) the closing price of an ordinary share as stated in the Stock Exchange's daily quotation sheet on the date of grant of the relevant option, which must be a business day; (ii) an amount equivalent to the average closing price of an ordinary share as stated in the Stock Exchange's daily quotation sheets for the 5 business days immediately preceding the date of grant of the relevant option; and (iii) the nominal value of an ordinary share on the date of grant.
The remaining life of the Scheme	:	Remained in force until 27 June 2012.

Share Options (Continued)

Share Options of the Company (Continued)

The following shows the particulars of the share options of the Company granted to directors of the Company and employees of the Group that are required to be disclosed under Rule 17.07 of Chapter 17 and Rule 13(1)(b) of Appendix 16 of the Listing Rules during the year:

			Number of share options			
Participant	**Date of grant**	**Exercise price** *HK$*	**Balance at 1 January 2014**	**Exercised during the year** *(Note)*	**Lapsed during the year**	**Balance at 31 December 2014**
CHENG Bing Kin, Alain	7 January 2004	13.60	59,000	–	59,000	–
Director	22 September 2005	12.06	62,500	–	–	62,500
	4 May 2006	9.10	37,500	–	–	37,500
IP Shu Wing, Charles	22 September 2005	12.06	100,000	–	–	100,000
Director	4 May 2006	9.10	37,600	–	–	37,600
LEE Peng Fei, Allen	22 September 2005	12.06	100,000	–	–	100,000
Director	4 May 2006	9.10	75,000	–	–	75,000
LO Kai Yiu, Anthony	22 September 2005	12.06	100,000	–	–	100,000
Director	4 May 2006	9.10	75,000	–	–	75,000
TO Shu Sing, Sidney	7 January 2004	13.60	120,000	–	120,000	–
Director	22 September 2005	12.06	150,000	–	–	150,000
	4 May 2006	9.10	37,500	–	–	37,500
TSIM Tak Lung	22 September 2005	12.06	100,000	–	–	100,000
Director	4 May 2006	9.10	75,000	–	–	75,000
YU Hon To, David	22 September 2005	12.06	100,000	–	–	100,000
Director	4 May 2006	9.10	75,000	–	–	75,000
Continuous Contract	7 January 2004	13.60	201,060	–	201,060	–
Employees, excluding	22 September 2005	12.06	271,620	–	–	271,620
Directors	4 May 2006	9.10	130,200	11,450	–	118,750

Note: The weighted average closing price of the ordinary shares of the Company immediately before the dates on which the share options were exercised by continuous contract employees (excluding directors) during the year was HK$9.84.

The above options are exercisable in stages in accordance with the terms of the Scheme within ten years after the date of grant. No options were granted during the year.

Share Options of Playmates Toys Limited ("PTL")

Share options of PTL, an indirect non-wholly owned subsidiary of the Company, are granted to directors of PTL, employees of PTL group and other eligible participants specified under a Share Option Scheme of PTL ("PTL Scheme") adopted on 25 January 2008. Details of the Scheme are as follows:

Purpose	:	(i) To motivate the eligible participants to optimise their performance and efficiency for the benefit of PTL and its subsidiaries ("PTL Group"); and (ii) To attract and retain or otherwise maintain ongoing business relationship with eligible participants whose contributions are or will be beneficial to the PTL Group.
Participants	:	(i) Directors, employees, consultants, professionals, customers, suppliers, agents, partners or advisers of or contractors to the PTL Group or a company in which the PTL Group holds an interest or a subsidiary of such company; or (ii) The trustees of any trust the beneficiary of which or any discretionary trust the discretionary objects of which include any person/party mentioned in (i) above; or (iii) A company beneficially owned by any person/party mentioned in (i) above.
Total number of ordinary shares available for issue under the PTL Scheme and the percentage of issued share capital of PTL that it represents as at 20 March 2015	:	27,650,500 ordinary shares, representing 2.29% of the issued capital of PTL.
Maximum entitlement of each participant	:	Unless approved by shareholders, the total number of securities issued and to be issued upon exercise of the options granted to each participant (including both exercised and outstanding options) in any 12-month period must not exceed 1% of the issued ordinary shares of PTL.

Share Options (Continued)

Share Options of PTL (Continued)

The period within which the ordinary shares must be taken up under an option	:	The options are exercisable in stages and no option will be exercisable later than 10 years after its date of grant.
The amount payable on acceptance of the option	:	HK$10.00 (or such other nominal sum in any currency as the board may determine).
Period within which payments/calls must/may be made or loans for such purposes must be repaid	:	Not applicable.
The basis for determining the exercise price	:	Determined by the board and shall not be less than the highest of: (i) the closing price of an ordinary share as stated in the Stock Exchange's daily quotation sheet on the date of grant of the relevant option, which must be a business day; (ii) an amount equivalent to the average closing price of an ordinary share as stated in the Stock Exchange's daily quotation sheets for the 5 business days immediately preceding the date of grant of the relevant option; and (iii) the nominal value of an ordinary share on the date of grant.
The remaining life of the PTL Scheme	:	Remains in force until 31 January 2018.

The following shows the particulars of the share options of PTL granted to directors of the Company, directors of PTL, employees of PTL Group and other participants, pursuant to the PTL Scheme, that are required to be disclosed under Rule 17.07 of Chapter 17 and Rule 13(1)(b) of Appendix 16 of the Listing Rules during the year:

			Number of share options			
Participant	**Date of grant**	**Exercise price** *HK$*	**Balance at 1 January 2014**	**Exercised during the year** *(Notes (1)&(2))*	**Lapsed during the year**	**Balance at 31 December 2014**
CHENG Bing Kin,	20 January 2010	0.828	487,000	487,000	–	–
Alain	18 April 2011	0.315	250,000	250,000	–	–
Director of the	13 April 2012	0.415	500,000	250,000	–	250,000
Company and PTL	15 May 2013	0.930	1,800,000	900,000	–	900,000
TO Shu Sing,	20 January 2010	0.828	1,671,000	1,671,000	–	–
Sidney	18 April 2011	0.315	300,000	300,000	–	–
Director of the	13 April 2012	0.415	600,000	300,000	–	300,000
Company and PTL	15 May 2013	0.930	1,800,000	829,000	–	971,000
Other directors of	31 March 2008	0.316	886,000	886,000	–	–
PTL	20 January 2010	0.828	444,000	444,000	–	–
	13 April 2012	0.415	1,250,000	625,000	–	625,000
	15 May 2013	0.930	1,925,000	350,000	–	1,575,000
Continuous Contract	31 March 2008	0.316	859,000	832,000	–	27,000
Employees of PTL	20 January 2010	0.828	3,896,000	2,798,000	–	1,098,000
Group, excluding	18 April 2011	0.315	3,223,500	2,641,500	–	582,000
directors of PTL	24 May 2011	0.428	100,000	100,000	–	–
	13 April 2012	0.415	6,235,000	2,697,000	–	3,538,000
	15 May 2013	0.930	11,900,000	3,347,500	–	8,552,500
Other participants	20 January 2010	0.828	665,000	222,000	–	443,000
	30 March 2010	0.673	3,326,000	2,216,000	–	1,110,000
	18 April 2011	0.315	2,496,000	1,546,000	–	950,000
	13 April 2012	0.415	4,094,000	1,357,000	–	2,737,000
	15 May 2013	0.930	5,441,000	1,449,000	–	3,992,000

Notes:

(1) The weighted average closing prices of the ordinary shares of PTL immediately before the dates on which the share options were exercised by continuous contract employees of PTL Group (excluding directors of PTL) and other participants during the year were HK$3.92 and HK$3.34 respectively.

(2) The weighted average closing prices of the ordinary shares of PTL immediately before the dates on which the share options were exercised by the directors of PTL, namely Mr. Cheng Bing Kin, Alain, Mr. Lee Ching Kwok, Rin, Mr. To Shu Sing, Sidney and Mr. Yang, Victor during the year were HK$3.37, HK$3.59, HK$2.75 and HK$2.90 respectively.

Share Options (Continued)

Share Options of PTL (Continued)

The above share options are exercisable in stages in accordance with the terms of the PTL Scheme within ten years after the date of grant. No options were cancelled during the year.

Apart from the aforesaid, at no time during the year was the Company or any of its subsidiaries a party to any arrangements to enable the directors and chief executive of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures of the Company or Any Associated Corporation

As at 31 December 2014, the interests of each director and chief executive of the Company in the shares, underlying shares of equity derivatives and debentures of the Company and its associated corporations (within the meaning of the Securities and Futures Ordinance ("SFO")) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers of the Listing Rules were as follows:

Long positions in shares of the Company

Name of director	Nature of interest	Number of shares held	Percentage interest held
CHAN Chun Hoo, Thomas	Personal	12,000,000 ordinary shares	5.26%
	Corporate *(Note (a))*	92,000,000 ordinary shares	40.31%
	Associate *(Note (e))*	10,600,000 ordinary shares	4.64%
CHENG Bing Kin, Alain	Personal	228,000 ordinary shares	0.10%
IP Shu Wing, Charles	Personal	294,480 ordinary shares	0.13%
LEE Peng Fei, Allen	Personal	72,000 ordinary shares	0.03%
LO Kai Yiu, Anthony	Personal	369,160 ordinary shares	0.16%
TO Shu Sing, Sidney	Personal	2,000,000 ordinary shares	0.88%
TSIM Tak Lung	Personal	110,016 ordinary shares	0.05%
YU Hon To, David	Personal	132,000 ordinary shares	0.06%
	Corporate *(Note (b))*	547,200 ordinary shares	0.24%

Long positions in underlying shares of the Company

Name of director	Nature of interest	Number of equity derivatives held	Number of underlying shares *(ordinary shares)*	Percentage interest held
CHENG Bing Kin, Alain	Personal	100,000 share options	100,000 shares	0.04%
IP Shu Wing, Charles	Personal	137,600 share options	137,600 shares	0.06%
LEE Peng Fei, Allen	Personal	175,000 share options	175,000 shares	0.08%
LO Kai Yiu, Anthony	Personal	175,000 share options	175,000 shares	0.08%
TO Shu Sing, Sidney	Personal	187,500 share options	187,500 shares	0.08%
TSIM Tak Lung	Personal	175,000 share options	175,000 shares	0.08%
YU Hon To, David	Personal	175,000 share options	175,000 shares	0.08%

Long positions in shares of PTL

Name of director	Nature of interest	Number of shares held	Percentage interest held
CHAN Chun Hoo, Thomas	Corporate *(Note (c))*	596,000,000 ordinary shares	49.41%
CHENG Bing Kin, Alain	Personal	1,887,000 ordinary shares	0.16%
IP Shu Wing, Charles	Personal	2,487,026 ordinary shares	0.21%
LEE Peng Fei, Allen	Personal	244,000 ordinary shares	0.02%
LO Kai Yiu, Anthony	Personal	1,253,801 ordinary shares	0.10%
TO Shu Sing, Sidney	Personal	8,600,000 ordinary shares	0.71%
TSIM Tak Lung	Personal	587,632 ordinary shares	0.05%
YU Hon To, David	Personal	176,000 ordinary shares	0.01%
	Corporate *(Note (d))*	1,065,600 ordinary shares	0.09%

Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures of the Company or Any Associated Corporation (Continued)

Long positions in underlying shares of PTL

Name of director	Nature of interest	Number of equity derivatives held	Number of underlying shares *(ordinary shares)*	Percentage interest held
CHENG Bing Kin, Alain	Personal	1,150,000 share options	1,150,000 shares	0.10%
TO Shu Sing, Sidney	Personal	1,271,000 share options	1,271,000 shares	0.11%

Notes:

(a) 92,000,000 ordinary shares of the Company were beneficially owned by TGC Assets Limited ("TGC"). All the issued share capital of TGC is wholly-owned by Mr. Chan Chun Hoo, Thomas ("Mr. Chan").

(b) 547,200 ordinary shares of the Company were held by a private company which is 50% owned by Mr. Yu Hon To, David and 50% owned by a member of his family.

(c) Mr. Chan is the beneficial owner of all of the issued share capital of TGC. Since TGC directly owns approximately 40.31% of the shareholding of the Company and is deemed to be interested in the 596,000,000 shares of PTL in aggregate which the Company is interested in, Mr. Chan is also deemed to be interested in the 596,000,000 shares of PTL in aggregate which the Company is interested in.

(d) 1,065,600 ordinary shares of PTL were held by a private company which is 50% owned by Mr. Yu Hon To, David and 50% owned by a member of his family.

(e) 10,600,000 shares of the Company were owned by Mr. Chan's wife and Mr. Chan is therefore deemed to be interested in those shares.

Unless stated otherwise, all the aforesaid shares and equity derivatives were beneficially owned by the directors concerned. The percentage shown was the number of shares or underlying shares the relevant director was interested expressed as a percentage of the number of issued shares of the relevant companies as at 31 December 2014.

Details of the share options held by the directors and chief executive of the Company are disclosed in the above section headed "Share Options".

As at 31 December 2014, none of the directors and chief executive of the Company were interested or deemed to be interested in short positions in the shares, underlying shares of equity derivatives and debentures of the Company or any associated corporation.

Shareholders' Interests and Short Positions in Shares and Underlying Shares of the Company Required to be Recorded under Section 336 of the SFO

As at 31 December 2014, no person (other than the directors and chief executive of the Company) who had interests or short positions in the shares and underlying shares of the Company, being 5% or more of the Company's issued share capital, as recorded in the register required to be kept under section 336 of the SFO.

Pre-emptive Rights

There are no pre-emptive rights provisions with respect to any issue or transfer of shares of the Company in the Bye-laws of the Company nor are there any such pre-emptive rights provisions generally applicable under Bermuda law.

Audit Committee

The written terms of reference which describe the authority and duties of the Audit Committee were adopted in 1999 and subsequently amended in 2005, 2009 and 2012.

The Audit Committee provides an important link between the board and the Company's auditors in matters coming within the scope of the Group audit. It also reviews the effectiveness of the external audit and of internal controls and risk evaluation. The Committee comprises four non-executive directors, namely Mr. Lo Kai Yiu, Anthony as chairman, Mr. Lee Peng Fei, Allen, Mr. Tsim Tak Lung and Mr. Yu Hon To, David as members.

Sufficiency of Public Float

Based on information that is publicly available to the Company and within the knowledge of its directors as at the latest practicable date prior to the issue of this report, the Company has maintained sufficient public float as required under the Listing Rules during the year.

Auditors

Grant Thornton Hong Kong Limited will retire and, being eligible, offer themselves for reappointment at the forthcoming annual general meeting. There was no change in auditors of the Company in any of the preceding three years.

On behalf of the board
To Shu Sing, Sidney
Director

Hong Kong, 20 March 2015

Corporate Governance Report

Corporate Governance Practices

The board considers that good corporate governance of the Company is central to safeguarding the interests of the shareholders and enhancing the performance of the Group. The board is committed to maintaining and ensuring high standards of corporate governance. The Company has applied the principles and complied with all the applicable code provisions ("Code Provisions") of the Corporate Governance Code ("Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") for the year ended 31 December 2014, except in respect of one Code Provision providing for the roles of the chairman and the chief executive officer to be performed by different individuals. The board will continuously review and improve the corporate governance practices and standards of the Company to ensure that business activities and decision making processes are regulated in a proper and prudent manner.

Board of Directors

Composition and Responsibilities

The board of directors of the Company comprises:

CHAN Chun Hoo, Thomas *(Chairman)*
CHENG Bing Kin, Alain *(Executive Director)*
IP Shu Wing, Charles *(Independent Non-executive Director)*
LEE Peng Fei, Allen *(Independent Non-executive Director)*
LO Kai Yiu, Anthony *(Independent Non-executive Director)*
TO Shu Sing, Sidney *(Executive Director)*
TSIM Tak Lung *(Deputy Chairman and Non-executive Director)*
YU Hon To, David *(Independent Non-executive Director)*

The board comprises three executive directors (one of whom is the Chairman) and five non-executive directors. Of the five non-executive directors, four are independent non-executive directors. In addition, two of the independent non-executive directors possess appropriate professional accounting qualifications and financial management expertise. There is no relationship between members of the board except for the in-law relationship between Mr. Tsim Tak Lung and Mr. To Shu Sing, Sidney.

The principal focus of the board is on the overall strategic development of the Group. The board also monitors the financial performance and the internal controls of the Group's business operations. With a wide range of expertise and a balance of skills, the non-executive directors bring independent judgment on issues of strategic direction, development, performance and risk management through their contribution at board meetings and committee work.

The independent non-executive directors also serve the important function of ensuring and monitoring the basis for an effective corporate governance framework. The board considers that each independent non-executive director is independent in character and judgment and that they all meet the specific independence criteria as required by the Listing Rules. The Company has received from each independent non-executive director an annual confirmation of his independence pursuant to Rule 3.13 of Chapter 3 of the Listing Rules. The independent non-executive directors are explicitly identified in all corporate communications.

In respect of the segregation of the roles of the chairman and chief executive officer, the Group's practice is that the Chairman also acts as chief executive officer. This allows him to focus on Group strategy and at the same time ensure that all key issues are considered by the board in a timely manner. The executive directors supported by the senior executives are delegated with the responsibilities of running the business operations and making operational and business decisions of the Group. The board considers that this structure is suitable and effective in facilitating the operations and business development of the Company and maintaining the checks and balances between the board and the management of the business of the Group. The structure outlined above will be reviewed regularly to ensure that sound corporate governance is in place.

Appointment and Re-election

Each of the directors of the Company has entered into a service contract with the Company for a term of three years. However, such term is subject to his re-appointment by the Company at general meeting upon retirement by rotation pursuant to the Bye-laws of the Company. In accordance with the relevant provisions in the Bye-laws of the Company, the appointment of directors is considered by the board and newly appointed directors are required to stand for election by shareholders at the first annual general meeting following their appointment. Each director, including the chairman of the board and/or the managing director, shall be subject to retirement by rotation at least once every three years.

Support and Professional Development of Directors

All directors are provided with monthly updates on the Company's performance, position and prospects.

All directors have participated in continuous professional development programmes such as in-house briefings and external seminars to develop and refresh their knowledge and skills. All directors have provided the Company with their respective training record pursuant to the Code.

There is an established procedure for directors to obtain independent professional advice at the expense of the Company in the furtherance of their duties. The Company has also arranged appropriate director and officer liability insurance cover in respect of any potential legal actions that might be taken against its directors.

Board Meetings and Proceedings

The board meets regularly throughout the year to review the overall strategy and to monitor the operation as well as the financial performance of the Group. Senior executives are from time to time invited to attend board meetings to make presentations or answer the board's enquiries. The Chairman focuses on Group strategy and is responsible for ensuring all key issues are considered by the board in a timely manner. Notice of at least 14 days has been given to all directors for all regular board meetings and the directors can include matters for discussion in the agenda whenever they consider appropriate and necessary. Agenda and accompanying board papers in respect of regular board meetings are dispatched in full to all directors within a reasonable time before the meeting. Directors have to declare their direct or indirect interests, if any, in any proposals or transactions to be considered by the board at board meetings and abstain from voting as appropriate.

Board of Directors (Continued)

Board Meetings and Proceedings (Continued)

Draft minutes of all board meetings are circulated to directors for comment within a reasonable time prior to confirmation. Minutes of board meetings and meetings of board committees are kept by duly appointed secretaries of the respective meetings; all directors have access to board papers and related materials, and are provided with adequate information in a timely manner; this enables the board to make informed decision on matters placed before it.

The board held six meetings in 2014. Details of directors' attendance at the board meetings, other committee meetings and the annual general meeting during the year are set out in the following table.

	Meetings attended/held				
Directors	Board	Audit Committee	Compensation Committee	Nomination Committee	AGM
CHAN Chun Hoo, Thomas	4/6	N/A	N/A	1/1	1/1
CHENG Bing Kin, Alain	6/6	N/A	N/A	N/A	1/1
IP Shu Wing, Charles	6/6	N/A	N/A	N/A	1/1
LEE Peng Fei, Allen	5/6	2/2	1/1	1/1	1/1
LO Kai Yiu, Anthony	6/6	2/2	1/1	1/1	1/1
TO Shu Sing, Sidney	6/6	N/A	N/A	N/A	1/1
TSIM Tak Lung	4/6	2/2	1/1	N/A	0/1
YU Hon To, David	6/6	2/2	N/A	N/A	1/1

Board Committees

As an integral part of good corporate governance, the board has established the Audit Committee, Compensation Committee and Nomination Committee to oversee particular aspects of the Company's affairs. Each of these Committees comprises a majority of independent non-executive directors with defined written terms of reference.

Audit Committee

The Audit Committee was established in 1999 and its current members include:

LO Kai Yiu, Anthony – *Committee Chairman (Independent)*
LEE Peng Fei, Allen *(Independent)*
TSIM Tak Lung
YU Hon To, David *(Independent)*

The majority of the Audit Committee members are independent non-executive directors. The board considers that each Audit Committee member has broad commercial experience and there is a suitable mix of expertise in business, accounting and financial management on the Audit Committee. The composition and members of the Audit Committee exceeds the requirements under Rule 3.21 of the Listing Rules which requires a minimum of three members and at least one of whom is an independent non-executive director with appropriate professional qualifications or accounting or related financial management expertise. The written terms of reference which describe the authority and duties of the Audit Committee were adopted in 1999 and subsequently revised in 2005, 2009 and 2012 to conform to the provisions of the Code and its amendments, a copy of which is posted on the websites of the Company and the Stock Exchange.

The Audit Committee meets at least twice a year to review the reporting of financial and other information to shareholders, the system of internal controls, risk management and the effectiveness and objectivity of the audit process. The Audit Committee also provides an important link between the board and the Company's external auditors in matters coming within the scope of its written terms of reference and keeps under review the independence and objectivity of the external auditors.

The Audit Committee has reviewed with the management the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters including a review of the accounts for the year ended 31 December 2014.

At the meeting held on 20 March 2015, the Audit Committee reviewed this report, the Directors' Report and accounts for the year ended 31 December 2014 together with the annual results announcement, with a recommendation to the board of directors for approval.

Compensation Committee

The Compensation Committee was established in 2004 and its current members include:

LEE Peng Fei, Allen – *Committee Chairman (Independent)*
LO Kai Yiu, Anthony *(Independent)*
TSIM Tak Lung

The majority of the Compensation Committee members are independent non-executive directors. The Compensation Committee advises the board on the Group's overall policy and structure for the remuneration of directors and senior management. The written terms of reference of the Compensation Committee were adopted in 2004 and subsequently revised in 2005 and 2012 to conform to the provisions of the Code and its amendments, a copy of which is posted on the websites of the Company and the Stock Exchange.

The Compensation Committee meets to determine the policy for the remuneration of directors and assess the performance of executive directors and members of senior management. The Compensation Committee held one meeting during the year.

Board Committees (Continued)

Compensation Committee (Continued)

Remuneration Policy for Non-executive Directors and Executive Directors

The Compensation Committee is charged with the duties to advise the board on the Group's overall policy and structure for the remuneration of directors and senior management. The Compensation Committee also makes recommendations to the board from time to time on the remuneration of the non-executive directors. Pursuant to the written terms of reference of the Compensation Committee, the compensation of non-executive directors, including the Compensation Committee members, shall be reviewed by executive directors initially, and the executive directors shall communicate their findings to the Compensation Committee. The Compensation Committee will then consider and make recommendations to the full board for final approval. The Compensation Committee is also responsible for determining the remuneration for executive directors and the Chairman of the board. In carrying out its functions and responsibilities, the Compensation Committee takes into consideration factors such as salaries paid by comparable companies, time commitment and responsibilities of the directors and the desirability of performance-based remuneration. The Compensation Committee ensures that no director or any of his associate is involved in deciding his own remuneration.

Details of the directors' fee and other emoluments of the directors of the Company are set out in note 14.1 to the financial statements.

Nomination Committee

The Nomination Committee was established in February 2012 and its current members include:

CHAN Chun Hoo, Thomas – *Committee Chairman*
LEE Peng Fei, Allen *(Independent)*
LO Kai Yiu, Anthony *(Independent)*

The majority of the Nomination Committee members are independent non-executive directors. The principal responsibility of the Nomination Committee is to review the size, structure and composition of the board, identify individuals suitably qualified to become board members, and assess the independence of independent non-executive directors. The written terms of reference of the Nomination Committee were adopted in February 2012, a copy of which is posted on the websites of the Company and the Stock Exchange. The Nomination Committee held one meeting during the year.

The board has adopted a Board Diversity Policy in August 2013. Such policy aims at achieving board diversity through the consideration of a number of aspects, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. All board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the board.

Corporate Governance Functions

The board is collectively responsible for performing the corporate governance duties as below:

(i) develop and review the Company's policies and practices on corporate governance;
(ii) review and monitor the training and continuous professional development of directors and senior management;
(iii) review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
(iv) develop, review and monitor the code of conduct applicable to employees and directors; and
(v) review the Company's compliance with the Code and disclosure in the Corporate Governance Report.

Directors' Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") as set out in Appendix 10 of the Listing Rules for securities transactions by directors of the Company in 2004. All the members of the board have confirmed, following specific enquiry by the Company, that they have complied with the required standard as set out in the Model Code throughout the year ended 31 December 2014. The Model Code also applies to other specified senior management of the Group.

Directors' Interest

Details of directors' interests in the securities of the Company are set out in pages 18 to 20 of this annual report.

Internal Controls

The board has overall responsibility for maintaining an adequate system of internal controls of the Company and reviewing its effectiveness. The board is committed to implementing an effective and sound internal control system to safeguard the interest of shareholders and the Company's assets. The board has conducted an annual review of the system of internal controls which covered the relevant financial, operational, compliance controls and risk management functions within an established framework. The board's annual review has also considered the adequacy of resources, qualifications and experience of staff of the Company's accounting and financial reporting function, and their training programmes and budget.

The internal control process is accomplished by the board, management and other designated personnel, and designed to provide reasonable assurance regarding the achievement of objectives.

The Group's internal control system is designed in consideration of the nature of business as well as the organization structure. The system is designed to manage rather than eliminate the risk of failure in operational systems and to provide reasonable, but not absolute, assurance against material misstatement or loss. The system is designed further to safeguard the Group's assets, maintain appropriate accounting records and financial reporting, maintain efficiency of operations and ensure compliance with applicable laws and regulations.

Internal Controls (Continued)

Control Effectiveness

The directors are satisfied with the effectiveness of the Group's internal controls and consider that key areas of the Group's system of internal controls are reasonably implemented, which provide prevention of material misstatement or loss, safeguard the Group's assets, maintain appropriate accounting records and financial reporting, efficiency of operations and ensure compliance with the Listing Rules and all other applicable laws and regulations.

There is currently no internal audit function within the Group. The directors have reviewed the need for an internal audit function and are of the view that in light of the size, nature and complexity of the business of the Group, it would be more cost effective to appoint external independent professionals to perform internal audit functions for the Group as the need arises. Nevertheless, the directors will continue to review at least annually the need for an internal audit function.

Auditors' Remuneration

For the year ended 31 December 2014, the auditors of the Company only provided audit services to the Company and the remuneration paid by the Company to the auditors for the performance of audit services was HK$1,680,000. In order to maintain their independence, the auditors will not be employed for non-audit work unless prior approval is obtained from the Audit Committee.

Directors' and Independent Auditors' Responsibility for the Financial Statements

The directors acknowledge their responsibility for preparing the accounts of the Company for the year ended 31 December 2014. The statement of the auditors of the Company about their reporting responsibilities on the accounts is set out in the auditors report on pages 30 to 31 of this annual report.

Communications With Shareholders

The Company regards the annual general meeting as an important event in which the Chairman and all directors will make an effort to attend. Separate resolutions are proposed at the general meetings on each substantially separate issue, including the election of individual directors. In order to enhance minority shareholders' rights, all resolutions put to votes by shareholders at general meetings were passed by poll. The poll results will be published on the websites of the Company and the Stock Exchange on the same date of the meetings. The Company's corporate communications including interim and annual reports, announcements and circulars as required under the Listing Rules are published on the websites of the Company and the Stock Exchange.

Shareholders' Rights

Procedures for shareholders to convene a special general meeting ("SGM") and putting forward proposals at general meetings

Pursuant to the Bye-laws of the Company, shareholders holding at the date of the deposit of the requisition not less than one-tenth (10%) of the paid-up capital of the Company carrying the right of voting at general meetings of the Company shall have the right to submit a written requisition to the board or the secretary of the Company, to require a special general meeting to be called by the board for the transaction of any business specified in such requisition; and such meeting shall be held within two (2) months after the deposit of such requisition. If within twenty-one (21) days of such deposit the board fails to proceed to convene such meeting the requisitionists themselves may do so in accordance with the provisions of Section 74(3) of the Bermuda Companies Act 1981 ("Act").

Pursuant to the Act, either any number of the shareholders holding not less than one-twentieth (5%) of the paid-up capital of the Company carrying the right of voting at general meetings of the Company ("Requisitionists"), or not less than one hundred of such shareholders, can request the Company in writing to (a) give to shareholders entitled to receive notice of the next general meeting notice of any resolution which may properly be moved and is intended to be moved at that meeting; and (b) circulate to shareholders entitled to have notice of any general meeting any statement of not more than one thousand words with respect to the matter referred to in any proposed resolution or the business to be dealt with at that meeting. The requisition signed by all the Requisitionists must be deposited at the registered office of the Company with a sum reasonably sufficient to meet the Company's relevant expenses and not less than six weeks before the meeting in case of a requisition requiring notice of a resolution and not less than one week before the meeting in the case of any other requisition. Provided that if an annual general meeting is called for a date six weeks or less after the requisition has been deposited, the requisition though not deposited within the time required shall be deemed to have been properly deposited for the purposes thereof.

Shareholders may make enquiries to the board by writing to the company secretary at the principal office of the Company.

Changes in Constitutional Documents

During the year, there is no substantial change in the Memorandum of Association and Bye-Laws of the Company.

Grant Thornton
致同

To the members of
Playmates Holdings Limited
(incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Playmates Holdings Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 32 to 98, which comprise the consolidated and the Company balance sheets as at 31 December 2014, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the consolidated financial statements

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with Section 90 of the Companies Act 1981 of Bermuda, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2014 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Grant Thornton Hong Kong Limited
Certified Public Accountants
Level 12
28 Hennessy Road
Wanchai
Hong Kong

20 March 2015

Chan Tze Kit
Practising Certificate No.: P05707

Consolidated Income Statement

For the year ended 31 December 2014

	Note	**2014** **US$'000** (Note 34)	**2014** **HK$'000**	2013 HK$'000
Revenue	4	**309,358**	**2,397,522**	1,880,818
Cost of sales		**(109,137)**	**(845,815)**	(637,585)
Gross profit		**200,221**	**1,551,707**	1,243,233
Marketing expenses		**(51,449)**	**(398,729)**	(288,976)
Selling and distribution expenses		**(16,866)**	**(130,709)**	(82,299)
Administration expenses		**(29,769)**	**(230,706)**	(200,753)
Net gain/(loss) on financial assets at fair value through profit or loss	6	**434**	**3,367**	(3,417)
Revaluation surplus on investment properties		**56,383**	**436,965**	766,838
Operating profit		**158,954**	**1,231,895**	1,434,626
Other net (loss)/income		**(3,115)**	**(24,142)**	17,695
Finance costs	8	**(2,469)**	**(19,134)**	(18,040)
Share of loss of an associated company		**(733)**	**(5,681)**	(906)
Profit before income tax	7	**152,637**	**1,182,938**	1,433,375
Income tax expense	9	**(21,818)**	**(169,090)**	(26,295)
Profit for the year		**130,819**	**1,013,848**	1,407,080
Profit for the year attributable to:				
Equity holders of the Company	10	**97,763**	**757,665**	1,177,727
Non-controlling interests		**33,056**	**256,183**	229,353
		130,819	**1,013,848**	1,407,080
		US$	***HK$***	*HK$*
Earnings per share	12			
Basic		**0.43**	**3.30**	5.02
Diluted		**0.43**	**3.30**	5.02

The notes on pages 40 to 98 form an integral part of these financial statements.

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2014

	2014 ***US$'000*** *(Note 34)*	**2014** ***HK$'000***	2013 *HK$'000*
Profit for the year	**130,819**	**1,013,848**	1,407,080
Other comprehensive income, including reclassification adjustments:			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of the financial statements of foreign subsidiaries	**1,158**	**8,978**	(2,551)
Reclassified to profit or loss on dissolution of foreign subsidiaries	**(68)**	**(531)**	–
Total comprehensive income for the year	**131,909**	**1,022,295**	1,404,529
Total comprehensive income attributable to:			
Equity holders of the Company	**98,888**	**766,381**	1,175,106
Non-controlling interests	**33,021**	**255,914**	229,423
	131,909	**1,022,295**	1,404,529

The notes on pages 40 to 98 form an integral part of these financial statements.

Consolidated Balance Sheet

As at 31 December 2014

	Note	**2014 US$'000 (Note 34)**	**2014 HK$'000**	2013 HK$'000
Non-current assets				
Fixed assets				
– Investment properties	15	**687,688**	**5,329,580**	4,889,650
– Other property, plant and equipment	15	**27,222**	**210,969**	192,668
		714,910	**5,540,549**	5,082,318
Goodwill	16	**771**	**5,976**	5,976
Interest in an associated company	18	**660**	**5,114**	10,795
Deferred tax assets	27	**6,362**	**49,309**	44,944
		722,703	**5,600,948**	5,144,033
Current assets				
Inventories	19	**5,720**	**44,332**	37,389
Trade receivables	20	**68,455**	**530,530**	412,063
Deposits paid, other receivables and prepayments	21	**9,591**	**74,331**	44,190
Taxation recoverable		**77**	**593**	360
Financial assets at fair value through profit or loss	22	**7,441**	**57,670**	29,434
Cash and bank balances	30.2	**159,172**	**1,233,585**	739,098
		250,456	**1,941,041**	1,262,534
Current liabilities				
Bank loans	23	**46,942**	**363,800**	363,800
Trade payables	24	**10,399**	**80,596**	61,550
Deposits received, other payables and accrued charges	25	**31,679**	**245,519**	239,468
Provisions	26	**5,912**	**45,819**	35,329
Taxation payable		**11,362**	**88,052**	16,863
		106,294	**823,786**	717,010
Net current assets		**144,162**	**1,117,255**	545,524
Total assets less current liabilities		**866,865**	**6,718,203**	5,689,557

	Note	**2014** ***US$'000*** *(Note 34)*	**2014** ***HK$'000***	2013 *HK$'000*
Non-current liabilities				
Bank loans	*23*	**8,568**	**66,400**	107,200
Deferred tax liabilities	*27*	**2,960**	**22,939**	23,014
		11,528	**89,339**	130,214
Net assets		**855,337**	**6,628,864**	5,559,343
Equity				
Share capital	*29.1*	**2,945**	**22,822**	23,200
Reserves		**776,593**	**6,018,593**	5,204,562
Declared dividends	*11.1*	**8,091**	**62,706**	11,550
Equity attributable to the equity holders of the Company		**787,629**	**6,104,121**	5,239,312
Non-controlling interests		**67,708**	**524,743**	320,031
Total equity		**855,337**	**6,628,864**	5,559,343

On behalf of the board

CHENG Bing Kin, Alain
Director

TO Shu Sing, Sidney
Director

The notes on pages 40 to 98 form an integral part of these financial statements.

Balance Sheet

As at 31 December 2014

	Note	2014 **US$'000** *(Note 34)*	2014 **HK$'000**	2013 *HK$'000*
Non-current assets				
Interest in subsidiaries	*17*	**179,675**	**1,392,480**	1,669,771
Current assets				
Prepayments		**39**	**302**	300
Taxation recoverable		**18**	**138**	–
Cash and bank balances		**20,063**	**155,491**	176
		20,120	**155,931**	476
Current liabilities				
Other payables and accrued charges	*25*	**454**	**3,517**	2,778
Taxation payable		**–**	**–**	94
		454	**3,517**	2,872
Net current assets/(liabilities)		**19,666**	**152,414**	(2,396)
Net assets		**199,341**	**1,544,894**	1,667,375
Equity				
Share capital	*29.1*	**2,945**	**22,822**	23,200
Reserves	*29.2*	**188,305**	**1,459,366**	1,632,625
Declared dividends	*11.1*	**8,091**	**62,706**	11,550
Total equity		**199,341**	**1,544,894**	1,667,375

On behalf of the board

CHENG Bing Kin, Alain
Director

TO Shu Sing, Sidney
Director

The notes on pages 40 to 98 form an integral part of these financial statements.

Consolidated Cash Flow Statement

For the year ended 31 December 2014

	Note	**2014 US$'000** *(Note 34)*	**2014 HK$'000**	2013 HK$'000
Cash flows from operating activities				
Cash generated from operations	*30.1*	**83,851**	**649,849**	528,128
Interest paid		**(1,139)**	**(8,828)**	(9,492)
Interest received		**127**	**984**	884
Dividends received from financial assets at fair value through profit or loss		**137**	**1,058**	735
Hong Kong profits tax paid		**(4,585)**	**(35,534)**	(10,317)
Hong Kong profits tax refunded		**46**	**360**	2,437
Overseas tax paid		**(7,135)**	**(55,299)**	(48,301)
Net cash generated from operating activities		**71,302**	**552,590**	464,074
Cash flows from investing activities				
Capitalised subsequent expenditure on investment properties		**(2,083)**	**(16,147)**	(32,000)
Acquisition of investment properties		**–**	**–**	(33,954)
Purchases of other property, plant and equipment		**(4,174)**	**(32,345)**	(18,069)
Proceeds from disposal of other property, plant and equipment		**65**	**503**	832
Bank interest received		**354**	**2,742**	1,556
Net cash used in investing activities		**(5,838)**	**(45,247)**	(81,635)
Cash flows from financing activities				
Issue of shares of the Company		**13**	**104**	486
Issue of shares of a listed subsidiary		**2,166**	**16,789**	15,612
Repurchase of shares of the Company		**(4,566)**	**(35,392)**	(46,002)
Disposal of shares of a listed subsidiary		**37,285**	**288,957**	–
New bank loans		**1,935**	**15,000**	–
Repayment of bank loans		**(7,200)**	**(55,800)**	(55,800)
Dividends paid to equity holders of the Company		**(15,499)**	**(120,120)**	(23,482)
Dividends paid to non-controlling interests		**(15,621)**	**(121,062)**	–
Net cash used in financing activities		**(1,487)**	**(11,524)**	(109,186)
Net increase in cash and cash equivalents		**63,977**	**495,819**	273,253
Cash and cash equivalents at 1 January		**95,367**	**739,098**	465,772
Effect of foreign exchange rate changes		**(172)**	**(1,332)**	73
Cash and cash equivalents at 31 December	*30.2*	**159,172**	**1,233,585**	739,098

The notes on pages 40 to 98 form an integral part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2014

	Attributable to equity holders of the Company										
	Share capital *HK$'000*	Share premium *HK$'000*	Capital redemption reserve *HK$'000*	Share repurchase reserve *HK$'000*	Reserve on consolidation *HK$'000*	Exchange reserve *HK$'000*	Share-based compensation reserve *HK$'000*	Retained profits *HK$'000*	Total *HK$'000*	Non-controlling interests *HK$'000*	Total equity *HK$'000*
At 1 January 2013	23,699	1,236,026	3,995	–	(62,185)	(2,607)	18,764	2,900,083	4,117,775	79,191	4,196,966
Profit for the year	–	–	–	–	–	–	–	1,177,727	1,177,727	229,353	1,407,080
Other comprehensive income:											
Exchange differences arising on translation of the financial statements of foreign subsidiaries	–	–	–	–	–	(2,621)	–	–	(2,621)	70	(2,551)
Total comprehensive income for the year	–	–	–	–	–	(2,621)	–	1,177,727	1,175,106	229,423	1,404,529
Repurchase of shares of the Company	(504)	(40,392)	504	(5,106)	–	–	–	(504)	(46,002)	–	(46,002)
2012 second interim dividend paid	–	–	–	–	–	–	–	(11,803)	(11,803)	–	(11,803)
2013 first interim dividend paid	–	–	–	–	–	–	–	(11,679)	(11,679)	–	(11,679)
Share option scheme											
– value of services	–	–	–	–	–	–	6,457	–	6,457	4,778	11,235
– shares issued	5	481	–	–	16,147	–	(7,175)	–	9,458	6,639	16,097
– share options lapsed	–	–	–	–	–	–	(13)	13	–	–	–
Transactions with owners	(499)	(39,911)	504	(5,106)	16,147	–	(731)	(23,973)	(53,569)	11,417	(42,152)
At 31 December 2013	23,200	1,196,115	4,499	(5,106)	(46,038)	(5,228)	18,033	4,053,837	5,239,312	320,031	5,559,343

	Attributable to equity holders of the Company										
	Share capital *HK$'000*	Share premium *HK$'000*	Capital redemption reserve *HK$'000*	Share repurchase reserve *HK$'000*	Reserve on consolidation *HK$'000*	Exchange reserve *HK$'000*	Share-based compensation reserve *HK$'000*	Retained profits *HK$'000*	Total *HK$'000*	Non-controlling interests *HK$'000*	Total equity *HK$'000*
At 1 January 2014	23,200	1,196,115	4,499	(5,106)	(46,038)	(5,228)	18,033	4,053,837	5,239,312	320,031	5,559,343
Profit for the year	-	-	-	-	-	-	-	757,665	757,665	256,183	1,013,848
Other comprehensive income:											
Exchange differences arising on translation of the financial statements of foreign subsidiaries	-	-	-	-	-	8,978	-	-	8,978	-	8,978
Reclassified to profit or loss on dissolution of foreign subsidiaries	-	-	-	-	-	(262)	-	-	(262)	(269)	(531)
Total comprehensive income for the year	-	-	-	-	-	8,716	-	757,665	766,381	255,914	1,022,295
Disposal of shares of a listed subsidiary	-	-	-	-	-	-	-	236,673	236,673	52,284	288,957
Share option scheme											
– value of services	-	-	-	-	-	-	2,890	-	2,890	2,960	5,850
– shares issued	1	126	-	-	14,675	-	(6,403)	-	8,399	8,494	16,893
– share options lapsed	-	-	-	-	-	-	(261)	261	-	-	-
Share premium reduction *(Note 29.3)*	-	(1,160,386)	-	-	1,160,386	-	-	-	-	-	-
Repurchase of shares of the Company	(379)	(33,999)	379	3,551	(4,565)	-	-	(379)	(35,392)	-	(35,392)
2013 second interim dividend paid	-	-	-	-	(11,440)	-	-	-	(11,440)	-	(11,440)
2013 special dividend paid	-	-	-	-	(91,520)	-	-	-	(91,520)	-	(91,520)
2014 first interim dividend paid	-	-	-	-	(17,160)	-	-	-	(17,160)	-	(17,160)
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	-	(121,062)	(121,062)
Tax benefits arising from share option scheme in overseas tax jurisdiction	-	-	-	-	5,978	-	-	-	5,978	6,122	12,100
Transactions with owners	(378)	(1,194,259)	379	3,551	1,056,354	-	(3,774)	236,555	98,428	(51,202)	47,226
At 31 December 2014	**22,822**	**1,856**	**4,878**	**(1,555)**	**1,010,316**	**3,488**	**14,259**	**5,048,057**	**6,104,121**	**524,743**	**6,628,864**

The notes on pages 40 to 98 form an integral part of these financial statements.

1 GENERAL INFORMATION

The Company was incorporated in Bermuda on 10 October 1991. The address of its registered office is Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda and its principal office is 23/F., The Toy House, 100 Canton Road, Tsimshatsui, Kowloon, Hong Kong. The Company's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The principal activity of the Company is investment holding and the principal activities of its subsidiaries are set out in note 17 to the financial statements.

The financial statements for the year ended 31 December 2014 were approved by the board of directors on 20 March 2015.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The financial statements on pages 32 to 98 have been prepared in accordance with 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. These financial statements also comply with the applicable disclosure requirements of the Hong Kong Companies Ordinance, which for this financial year and the comparative period continue to be those of the predecessor Hong Kong Companies Ordinance (Cap. 32), in accordance with transitional and saving arrangements for Part 9 of the new Hong Kong Companies Ordinance (Cap. 622), "Accounts and Audit", which are set out in sections 76 to 87 of Schedule 11 to that Ordinance. These financial statements also include the applicable disclosure requirements of the Rules Governing the Listing of Securities on the Stock Exchange.

The significant accounting policies that have been used in preparation of the financial statements are summarised below. These policies have been consistently applied to all the years presented unless otherwise stated. The adoption of new or amended HKFRSs and the impacts on the Group's financial statements, if any, are disclosed in note 3 to the financial statements.

The financial statements have been prepared under the historical cost basis except for investment properties and financial assets at fair value through profit or loss which are stated at fair values. The measurement bases are fully described in the accounting policies below.

It should be noted that accounting estimates and assumptions are used in preparation of the financial statements. Although these estimates are based on the Group's best knowledge and judgement of current events and actions, actual results may ultimately differ from those estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 2.7 "Inventories" and note 2.11 "Provisions" to the financial statements.

2.2 *Basis of consolidation*

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries (together referred to as the “Group”) made up to 31 December each year.

Subsidiaries are consolidated from the date on which control is transferred to the Group. They are excluded from consolidation from the date that control ceases.

Intra-group transactions, balances and unrealised gains and losses on transactions between group companies are eliminated in preparing the consolidated financial statements. Where unrealised losses on intra-group asset sales are reversed on consolidation, the underlying asset is also tested for impairment from the Group’s perspective.

Non-controlling interests represent the equity on a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at their proportionate share of the subsidiary’s net identifiable assets.

Non-controlling interests are presented in the consolidated balance sheet within equity, separately from the equity attributable to the equity holders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated income statement and consolidated statement of comprehensive income as an allocation of the total profit or loss and total comprehensive income respectively for the year between non-controlling interests and the equity holders of the Company.

Changes in the Group’s interest in subsidiaries that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. Where certain assets of the subsidiary are measured at revalued amounts or fair values and the related cumulative gain or loss has been recognised in other comprehensive income and accumulated in equity, the amounts previously recognised in other comprehensive income and accumulated in equity are accounted for as if the Company had directly disposed of the related assets (i.e. reclassified to profit or loss or transferred directly to retained earnings). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKAS 39 Financial Instruments: Recognition and Measurement or, when applicable, the cost on initial recognition of an investment in an associated company or a joint venture.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.3 Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

In the Company's balance sheet, subsidiaries are recorded at cost less any impairment losses unless the subsidiary is held for sale or included in a disposal group. Cost is adjusted to reflect changes in consideration arising from contingent consideration amendments. Cost also includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable at the balance sheet date. All dividends whether received out of the investee's pre or post-acquisition profits are recognised in the Company's profit or loss.

2.4 Associated companies

An associated company is an entity in which the Group has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

In the consolidated financial statements, an investment in an associated company is initially recognised at cost and subsequently accounted for using the equity method. Under the equity method, the Group's interest in the associated company is carried at cost and adjusted for the post-acquisition changes in the Group's share of the associated company's net assets less any identified impairment loss, unless it is classified as held for sale. The profit or loss for the period includes the Group's share of the post-acquisition, post-tax results of the associated company for the year, including any impairment loss on the investment in the associated company recognised for the year.

When the Group's share of losses in an associated company equals or exceeds its interest in the associated company, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associated company.

Unrealised gains on transactions between the Group and its associated company are eliminated to the extent of the Group's interest in the associated company. Where unrealised losses on assets sales between the Group and its associated company are reversed on equity accounting, the underlying asset is also tested for impairment from the Group's perspective.

After the application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's investment in its associated company. At each balance sheet date, the Group determines whether there is any objective evidence that the investment in associated company is impaired. If such indications are identified, the Group calculates the amount of impairment as being the difference between the recoverable amount (higher of value in use and fair value less costs to sell) of the associated company and its carrying amount.

2.5 Fixed assets

Investment properties

Property that is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the companies in the consolidated group, is classified as investment property.

When the Group holds a property interest under an operating lease to earn rental income and/or for capital appreciation, the interest is classified and accounted for as an investment property on a property-by-property basis. Any such property interest which has been classified as an investment property is accounted for as if it were held under a finance lease.

Investment property is measured initially at its cost, including related transaction costs. After initial recognition, investment property is carried at fair value. Fair value is determined by external professional valuers, with sufficient experience with respect to both the nature and location of the investment property. The carrying amounts recognised at the balance sheet date reflect the prevailing market conditions at the balance sheet date.

When the use of a property changes such that it is reclassified as other property, plant and equipment, its fair value at the date of reclassification becomes its cost for subsequent accounting.

Gains or losses arising from either changes in the fair value or the sale of an investment property are recognised in profit or loss in the period in which they arise.

Other property, plant and equipment

Other property, plant and equipment is stated at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All repairs and maintenance costs are charged to profit or loss during the financial period in which they are incurred.

Gains or losses arising from the retirement or disposal are determined as the difference between the sales proceeds and the carrying amount of the asset and are recognised in profit or loss.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.5 Fixed assets (Continued)

Other property, plant and equipment (Continued)

Depreciation is calculated using the straight-line method to write off cost less their residual values over their estimated useful lives, as follows:

Land and buildings	Over the shorter of remaining lease term and 40 years
Vehicle, equipment, furniture and fixtures	3-10 years
Computers	3-5 years

The assets' residual values, depreciation method and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

2.6 Goodwill

Goodwill represents the excess of (i) aggregate of the fair value of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the Group's previously held equity interest in the acquiree; over (ii) the net fair value of the acquiree's identifiable assets and liabilities measured as at the date of acquisition.

When (ii) is greater than (i), then this excess is recognised immediately in profit or loss as a gain on bargain purchase.

Goodwill is stated at cost less accumulated impairment losses. Goodwill is allocated to cash-generating units and is tested annually for impairment.

On subsequent disposal of a subsidiary, the attributable amount of goodwill capitalised is included in the determination of the amount of gain or loss on disposal.

2.7 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on a weighted average basis. Net realisable value is the estimated selling price in the ordinary course of business less applicable selling expenses.

The Group reviews the condition of inventories at each balance sheet date, and makes allowance for inventories that are identified as obsolete, slow-moving or no longer recoverable. The Group carries out the inventory review on product-by-product basis and makes allowances by reference to the latest market prices and current market conditions. At the balance sheet date, the carrying amount of inventories after provision for impairment amounted to HK$44,332,000 (2013: HK$37,389,000).

2.8 *Financial assets*

Financial assets are recognised when, and only when, the Group becomes a party to contractual provisions of the instrument.

Trade and other receivables

Trade and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less impairment losses and allowance for customer concession. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction cost.

Trade and other receivables are derecognised when the rights to receive cash flows from the assets expire or are transferred and substantially all the risks and rewards of ownership have been transferred.

At each balance sheet date, trade and other receivables are reviewed to determine whether there is any objective evidence of impairment.

Objective evidence of impairment of individual financial assets includes observable data that comes to the attention of the Group about one or more of the following loss events:

- Significant financial difficulty of the debtor;
- A breach of contract, such as a default or delinquency in interest or principal payments;
- Significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; and
- It becomes probable that the debtor will enter bankruptcy or other financial reorganisation.

Loss events in respect of a group of financial assets include observable data indicating that there is a measurable decrease in the estimated future cash flows from the group of financial assets. Such observable data includes but not limited to adverse changes in the payment status of debtors in the group and, national or local economic conditions that correlate with defaults on the assets in the group.

If any such objective evidence exists, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The amount of the loss is recognised in profit or loss of the period in which the impairment occurs.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.8 Financial assets (Continued)

Trade and other receivables (Continued)

If, in subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that it does not result in a carrying amount of the financial asset exceeding what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in profit or loss of the period in which the reversal occurs.

Impairment losses on financial assets other than trade receivables that are stated at amortised cost, are written off against the corresponding assets directly. Where the recovery of trade receivables is considered doubtful but not remote, the impairment losses for doubtful receivables are recorded using an allowance account. When the Group is satisfied that recovery of trade receivables is remote, the amount considered irrecoverable is written off against trade receivables directly and any amounts held in the allowance account in respect of that receivable are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

Financial assets at fair value through profit or loss

The Group classifies its investments as financial assets at fair value through profit or loss. The Group determines the classification of investments at initial recognition. The classification depends on the purpose for which the investments were acquired and where allowed and appropriate, re-evaluates this designation at every balance sheet date.

A financial asset is classified as financial assets at fair value through profit or loss if acquired principally for the purpose of selling in the short term or if so designated by the Group, which these financial assets are managed according to internal policies and the performance is evaluated periodically on a fair value basis. Assets in this category are classified as current assets if they are expected to be realised within 12 months of the balance sheet date.

All financial assets are recognised when and only when the Group becomes a contractual party of the investment. Purchases and sales of investments are recognised on trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value, and in the case of financial assets not carried at fair value through profit or loss, plus directly attributable transaction costs. Investments are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

Financial assets at fair value through profit or loss are subsequently carried at fair value. Unrealised gains and losses arising from changes in the fair value of the financial assets at fair value through profit or loss are recognised in profit or loss in the period in which they arise. The fair values of quoted investments are based on current bid prices and unlisted managed funds are carried at the fair value of the managed fund's assets as at the balance sheet date. Fair value gain or loss does not include any dividend or interest earned on these financial assets. Dividend and interest income is recognised in accordance with the Group's policies in note 2.14 to these financial statements.

2.9 Impairment of non-financial assets

Goodwill with indefinite useful life is tested for impairment at least annually, irrespective of whether there is any indication that they are impaired. Other property, plant and equipment and interest in subsidiaries and an associated company are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised as an expense immediately for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of time value of money and the risk specific to the asset.

For the purposes of assessing impairment, where an asset does not generate cash inflows which are largely independent from those from other assets, the recoverable amount is determined for the smallest group of assets that generate cash inflows independently (i.e. cash-generating unit). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level. Goodwill in particular is allocated to those cash-generating units that are expected to benefit from synergies of the related business combination and represent the lowest level within the group at which the goodwill is monitored for internal management purpose.

Impairment losses recognised for cash-generating units, to which goodwill has been allocated, are credited initially to the carrying amount of goodwill. Any remaining impairment loss is charged pro rata to the other assets in the cash generating unit, except that the carrying value of an asset will not be reduced below its individual fair value less costs to sell, or value in use, if determinable.

An impairment loss on goodwill is not reversed in subsequent periods. In respect of other assets, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the asset's recoverable amount and only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation, if no impairment loss had been recognised.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.10 Financial liabilities

The Group's financial liabilities include trade and other payables and bank loans. They are recognised when the Group becomes a party to the contractual provisions of the instrument. All interest related charges are recognised in accordance with the Group's accounting policy for borrowing costs. A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

Trade and other payables

Trade and other payables are recognised initially at fair value and subsequently stated at amortised cost using the effective interest method.

Bank loans

Bank loans are recognised initially at fair value, net of transaction costs incurred. Bank loans are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method. Bank loans are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least twelve months after the balance sheet date.

2.11 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of economic benefits will be required to settle the obligation, and a reliable estimate of the amount of obligation can be made. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. All provisions are current in nature and therefore the effect of the time value of money is not material.

(i) Consumer returns

The Group uses agreed customer allowances based on a percentage of sales and information on actual consumer returns of goods to estimate return percentages. The provision is calculated based on these factors and is adjusted for any fluctuations in the returns expected by management as of each period end.

A portion of the Group's retail customers receive a fixed percentage of sales as their allowance. Some of these customers receive a higher percentage rate on certain electronic products. The allowance for each retail customer is agreed and documented in the terms of trade. Certain customers receive an allowance based on their actual consumer return experience.

In evaluating the adequacy of the prior year provision, the Group prepares an analysis to determine the reasons for unclaimed deductions. If the analysis determines that some carry forward provision amounts were no longer appropriate based on actual claims experience, the proper adjustments will be made to release the over-accrued portion.

(ii) Cooperative advertising

The Group participates in customer advertising programmes and allows certain customers to take a percentage of sales deduction, which is negotiated on an individual basis. In addition, the Group contributes toward specific expenses of the customers for in-store sales promotions and advertising circulars.

In the case of fixed percentage, the amounts are negotiated and documented in the terms of trade with the respective customer. In the case of all special programs, the program application, limits and amounts are offered on a case by case basis by the Group. Some of the programs are set for defined periods of time or limited to a maximum number of units sold, and confirming data is provided by the retailer to finalise the actual program cost.

Claims for cooperative advertising may be received up to two years after the relevant balance sheet date and, in certain cases, later. The Group reviews the provisions periodically and any unrequired amount will be reversed when determined.

(iii) Cancellation charges

The provision represents the estimated amounts that would be payable to suppliers to settle the cost incurred by them for production orders which have been or are likely to be cancelled. The Group generally settles these amounts in the year after the year that specific product ceases to be actively sold to customers.

In most cases, the vendor may try to mitigate the Group's exposure by utilising the unused components in its other products. Such arrangement may also reduce the Group's potential cancellation exposure.

At each relevant balance sheet date, the Group will analyse the potential cancellation charge exposure for order cancellations due to commitments for finished goods, work in process items and material authorisations. The Group will also review if any items can be carried over to be produced and sold in the subsequent year. Once any adjustment is made, the remaining exposure is adjusted by a factor representing the historical negotiated discount agreed with the suppliers.

All provisions are established for specific exposures. At the balance sheet date, the carrying amount of provisions amounted to HK$45,819,000 (2013: HK$35,329,000).

Management relies on available contemporary and historical information to evaluate each potential exposure and exercises its best judgement to estimate the amount of provision necessary and sufficient for each potential exposure.

Over- or under-provision for the above exposures, arising from subsequent events and the eventual settlement, are adjusted in that subsequent period where appropriate.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.12 Share capital

Ordinary shares are classified as equity. Share capital is determined using the nominal value of shares that have been issued.

Any transaction costs associated with the issuing of shares are deducted from share premium (net of any related income tax benefit) to the extent they are incremental costs directly attributable to the equity transaction.

Where any company of the Group repurchases the Company's equity share capital, the consideration paid, including any attributable costs, is deducted from equity (share repurchase reserve) attributable to the Company's equity holders until the shares are cancelled or reissued.

2.13 Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer of the contract to make specified payments to reimburse the holder of the contract for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

A financial guarantee contract is initially recognised as deferred income within trade and other payables at fair value. Where consideration is received or receivable for issuance of the guarantee, the consideration is recognised in accordance with the Group's policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognised in profit or loss on initial recognition of any deferred income.

The amount of the guarantee initially recognised as deferred income is amortised in profit or loss over the term of the guarantee as income from financial guarantees issued. In addition, provisions are recognised if and when it becomes probable that the holder of the guarantee will call upon the Group under the guarantee and the amount of that claim on the Group is expected to exceed the current carrying amount i.e. the amount initially recognised less accumulated amortisation, where appropriate.

2.14 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and provision of services and the use by others of the Group's assets yielding rental income, dividend and interest, net of discounts. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised as follows:

Sales of toys are recognised upon the transfer of the significant risks and rewards of ownership to customers, which generally coincides with the time when the goods are delivered to the customers and title has been passed.

Rental income from letting the Group's portfolio of investment properties is recognised on a straight-line basis over the lease term.

Property management income is recognised when services are rendered.

Restaurant income is recognised when services are rendered.

Dividend income is recognised when the right to receive payment is established.

Interest income is recognised on a time-proportion basis, by reference to the principal outstanding and at the interest rate applicable.

2.15 Advertising and marketing expenses, advanced royalties and product development costs

2.15.1 Advertising and marketing expenses are expensed as incurred.

2.15.2 Advanced royalties represent prepayments made to licensors of intellectual properties under licensing agreements which are recoupable against future royalties. Advanced royalties are amortised at the contractual royalty rate based on actual product sales. Management evaluates the future realisation of advanced royalties periodically and charges to expense any amounts that management deems unlikely to be recoupable at the contractual royalty rate through product sales. All advanced royalties are amortised within the term of the license agreement and are written off upon the abandonment of the product or upon the determination that there is significant doubt as to the success of the product.

2.15.3 Product development costs are recognised as intangible assets when the following criteria are met:

(i) demonstration of technical feasibility of completing the product for internal use or sale;

(ii) there is intention to complete the intangible asset and use or sell it;

(iii) the Group's ability to use or sell the intangible asset is demonstrated;

(iv) the intangible asset will generate probable economic benefits through use or sale;

(v) sufficient technical, financial and other resources are available for completion; and

(vi) the expenditure attributable to the intangible asset can be reliably measured.

All other product development costs are charged to profit or loss as incurred.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.16 Operating leases

Operating leases are leases where substantially all the rewards and risks of ownership of assets remain with the lessors.

Operating lease charges as the lessee

Related rental payments are charged to profit or loss on a straight-line basis over the lease term. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made.

Assets leased out under operating leases as the lessor

Rental income receivable from operating leases is recognised in profit or loss on a straight-line basis over the periods covered by the lease term, except where an alternative basis is more representative of the time pattern of benefits to be derived from the use of the leased asset. Leased incentives granted are recognised in profit or loss as an integral part of the aggregate net lease payments receivable. Contingent rentals are recognised as income in the accounting period in which they are earned.

2.17 Employee benefits

2.17.1 Employee leave entitlements

Employees' entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

2.17.2 Pension obligations

The Group operates defined contribution provident fund schemes for its employees, the assets of which are held separately from those of the Group in independently administered funds. The Group's contributions under the schemes are charged to profit or loss as incurred. The amount of the Group's contributions is based on specified percentages of the basic salaries of employees. Any contributions forfeited from employees who leave the Group, relating to unvested benefits, are used to reduce the Group's ongoing contributions otherwise payable.

2.17.3 Share-based compensation

The Group operates an equity-settled, share-based compensation plan. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense with a corresponding increase in the share-based compensation reserve within equity. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions (for example, profitability and sales growth targets). At each balance sheet date, the Group revises the number of options that are expected to vest. It recognises the impact of the revision of original estimates, if any, in profit or loss, and a corresponding adjustment to equity over the remaining vesting period. The equity amount is recognised in the share-based compensation reserve until the option is exercised (when it is transferred to the share premium account) or the option expires (when it is released directly to retained profits).

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

2.18 Borrowing costs

Borrowing costs incurred for the acquisition, construction or production of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use. A qualifying asset is an asset which necessarily takes a substantial period of time to get ready for its intended use or sale. Other borrowing costs are expensed when incurred.

Borrowing costs are capitalised as part of the cost of a qualifying asset when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are being undertaken. Capitalisation of borrowing costs ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.

2.19 Deferred taxation

Deferred tax is calculated using the liability method on temporary differences at the balance sheet date between the carrying amounts of assets and liabilities in the financial statements and their respective tax bases. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences, tax losses available to be carried forward as well as other unused tax credits, to the extent that it is probable that taxable profit, including existing taxable temporary differences will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

Deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither taxable nor accounting profit or loss.

Deferred tax liabilities are recognised for taxable temporary differences arising on interests in subsidiaries and associated company, except where the Group is able to control the reversal of the temporary differences and it is probable that the temporary differences will not be reversed in the foreseeable future.

Deferred tax is calculated, without discounting, at tax rates that are expected to apply in the period the liability is settled or the asset realised, provided they are enacted or substantively enacted at the balance sheet date.

Changes in deferred tax assets or liabilities are recognised in profit or loss, or in other comprehensive income or in equity if they relate to items that are charged or credited to other comprehensive income or directly to equity.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.19 Deferred taxation (Continued)

The Group presents deferred tax assets and deferred tax liabilities in net if, and only if,

(a) the entity has a legally enforceable right to set off current tax assets against current tax liabilities; and

(b) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:

- (i) the same taxable entity; or
- (ii) different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

2.20 Current taxation

Current income tax assets and/or liabilities comprise those obligations to, or claims from, fiscal authorities relating to the current or prior reporting period, that are unpaid at the balance sheet date. They are calculated according to the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable profit for the year. All changes to current tax assets or liabilities are recognised as a component of tax expense/credit in profit or loss.

Current tax assets and current tax liabilities are presented in net if, and only if,

(i) the Group has the legally enforceable right to set off the recognised amounts; and

(ii) intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

2.21 Foreign currency translation

The financial statements are presented in Hong Kong dollar (HK$), which is also the functional currency of the Company.

In the individual financial statements of the consolidated entities, foreign currency transactions are translated into the functional currency of the individual entity using the exchange rates prevailing at the dates of the transactions. At the balance sheet date, monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at that date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the balance sheet date retranslation of monetary assets and liabilities are recognised in profit or loss.

Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined and are reported as part of the fair value gain or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

In the consolidated financial statements, all individual financial statements of foreign operations, originally presented in a currency different from the Group's presentation currency, have been converted into Hong Kong dollar. Assets and liabilities have been translated into Hong Kong dollar at the closing rates at the balance sheet date. Income and expenses have been converted into the Hong Kong dollar at the exchange rates ruling at the transaction dates, or at the average rates over the reporting period provided that the exchange rates do not fluctuate significantly. Any differences arising from this procedure have been recognised in other comprehensive income and accumulated separately in the exchange reserve in equity.

When a foreign operation is sold or closed, all of the accumulated exchange differences in respect of that operation attributable to the Group are reclassified from equity to profit or loss as part of the gain or loss. Any exchange differences that have previously been attributed to non-controlling interests are derecognised, but they are not reclassified to profit or loss.

In the case of a partial disposal (i.e. no loss of control) of a subsidiary that includes a foreign operation, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss.

2.22 Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise cash at bank and on hand, deposits held at call with banks, cash investments with a maturity of three months or less from date of investment that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value less bank overdrafts.

2.23 Segment reporting

The Group identifies operating segments and prepares segment information based on the regular internal financial information reported to the Group's senior executive management for their decisions about resources allocation to the Group's business components and for their review of the performance of those components. Based on the internal reports reviewed by the senior executive management of the Group that are used to make strategic decision, the Group has presented the following three reportable segments.

Property investments and associated businesses: this segment invests and leases commercial, industrial and residential premises for rental income, to gain from the appreciation in properties' values in the long term and to provide property management services for property management fee income, and operates restaurants.

Investment business: this segment invests in financial instruments including listed equity and managed funds for interest income and dividend income and to gain from the appreciation in instruments' values.

Toy business: this segment engages in the design, development, marketing and distribution of toys and family entertainment activity products.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.23 Segment reporting (Continued)

Each of these reportable segments is managed separately as each of the product and service lines requires different resources. All inter-segment transfers are carried out at arm's length prices.

Segment assets include all tangible and intangible non-current and current assets except deferred tax assets, taxation recoverable and other corporate assets which namely "unallocated assets". Segment liabilities include all current and non-current liabilities except deferred tax liabilities, taxation payable and other corporate payables which namely "unallocated liabilities". Corporate assets and liabilities are not allocated to a segment as they are not directly attributable to the business activities of any reportable segment.

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 of assets attributable to those segments.

2.24 Related parties

(a) A person, or a close member of that person's family, is related to the Group if that person:

- (i) has control or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of the key management personnel of the Group or the Group's parent.

(b) An entity is related to the Group if any of the following conditions applies:

- (i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
- (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- (iii) Both entities are joint ventures of the same third party.
- (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- (v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.
- (vi) The entity is controlled or jointly controlled by a person identified in (a).
- (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Close members of the family or a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

3 ADOPTION OF NEW OR AMENDED HKFRSs

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

Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment entities
Amendments to HKAS 32	Offsetting financial assets and financial liabilities
Amendments to HKAS 36	Recoverable amount disclosures for non-financial assets
Amendments to HKAS 39	Novation of derivatives and continuation of hedge accounting
HK(IFRIC) 21	Levies

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

The following new standards, amendments and interpretations which have been issued by the HKICPA as of 31 December 2014 may be relevant to the Group in future years but are not yet effective for the year ended 31 December 2014:

Effective for the annual period beginning on 1 January 2017 or after

HKFRS 15	Revenue from contracts with customers
HKFRS 9	Financial instruments

The above standards, amendments and interpretations, if they are relevant to the Group, will be adopted in the annual periods listed. The Group is in the process of making an assessment of the impact of the above standards, amendments and interpretations but is not yet in a position to ascertain their impact on its results of operations and financial position.

4 REVENUE

The Group is principally engaged in the design, development, marketing and distribution of toys and family entertainment activity products, property investments, property management, restaurant operation and investment holding. Turnover of the Group is the revenue from these activities.

Revenue from the Group's principal activities recognised during the year is as follows:

	2014	2013
	HK$'000	HK$'000
Sale of toys	**2,160,206**	1,658,527
Rental income from investment properties	**183,696**	168,928
Property management income	**16,112**	15,130
Restaurant income	**35,466**	36,614
Dividend income	**1,058**	735
Interest income	**984**	884
Total revenue	**2,397,522**	1,880,818

5 SEGMENT INFORMATION

5.1 Segment results, assets and liabilities

The Group's senior executive management monitors the results, assets and liabilities attributable to each reportable segment to assess segment performance and allocate resources between segments.

Inter-segment revenue represents inter-company rental and property management fee charged on properties owned by the Group. Inter-segment transactions are conducted at arm's length.

The segment results for the year ended 31 December 2014 are as follows:

	Property investments and associated businesses *HK$'000*	Investment business *HK$'000*	Toy business *HK$'000*	Total *HK$'000*
Gross segment revenue	**246,458**	**2,042**	**2,160,206**	**2,408,706**
Inter-segment revenue	**(11,184)**	**–**	**–**	**(11,184)**
Revenue from external customers	**235,274**	**2,042**	**2,160,206**	**2,397,522**
Segment profit before depreciation	**596,246**	**5,409**	**649,186**	**1,250,841**
Depreciation	**(11,456)**	**–**	**(948)**	**(12,404)**
Segment operating profit	**584,790**	**5,409**	**648,238**	**1,238,437**
Other net (loss)/income	**–**	**–**	**2,742**	**2,742**
Finance costs	**(9,554)**	**(56)**	**(9,387)**	**(18,997)**
Share of loss of an associated company	**–**	**–**	**(5,681)**	**(5,681)**
	(9,554)	**(56)**	**(12,326)**	**(21,936)**
Segment profit before income tax	**575,236**	**5,353**	**635,912**	**1,216,501**
Unallocated corporate expenses				**(33,563)**
Profit before income tax				**1,182,938**
Bank interest income	**–**	**984**	**2,742**	
Revaluation surplus on investment properties	**436,965**	**–**	**–**	
Allowance for impairment of trade receivables	**–**	**–**	**(2,004)**	
Net unrealised gain on financial assets at fair value through profit or loss	**–**	**3,367**	**–**	

5 SEGMENT INFORMATION (Continued)

5.1 Segment results, assets and liabilities (Continued)

The segment results for the year ended 31 December 2013 are as follows:

	Property investments and associated businesses *HK$'000*	Investment business *HK$'000*	Toy business *HK$'000*	Total *HK$'000*
Gross segment revenue	228,213	1,619	1,658,527	1,888,359
Inter-segment revenue	(7,541)	–	–	(7,541)
Revenue from external customers	220,672	1,619	1,658,527	1,880,818
Segment profit/(loss) before depreciation	901,934	(1,798)	547,265	1,447,401
Depreciation	(10,074)	–	(723)	(10,797)
Segment operating profit/(loss)	891,860	(1,798)	546,542	1,436,604
Other net (loss)/income	6,256	–	1,555	7,811
Finance costs	(10,258)	(74)	(7,534)	(17,866)
Share of loss of an associated company	–	–	(906)	(906)
	(4,002)	(74)	(6,885)	(10,961)
Segment profit/(loss) before income tax	887,858	(1,872)	539,657	1,425,643
Unallocated corporate income				7,732
Profit before income tax				1,433,375
Bank interest income	1	884	1,555	
Revaluation surplus on investment properties	766,838	–	–	
Net unrealised loss on financial assets at fair value through profit or loss	–	(3,417)	–	

The segment assets and liabilities as at 31 December 2014 are as follows:

	Property investments and associated businesses *HK$'000*	Investment business *HK$'000*	Toy business *HK$'000*	Total *HK$'000*
Reportable segment assets (including cash and bank balances)	**5,613,181**	**489,835**	**1,383,582**	**7,486,598**
Interest in an associated company	**–**	**–**	**5,114**	**5,114**
Total reportable segment assets	**5,613,181**	**489,835**	**1,388,696**	**7,491,712**
Inter-segment elimination	**(2)**	**–**	**(1,570)**	**(1,572)**
Deferred tax assets				**49,309**
Taxation recoverable				**593**
Unallocated assets				**1,947**
Total assets				**7,541,989**
Reportable segment liabilities	**483,392**	**–**	**316,776**	**800,168**
Inter-segment elimination	**(1,570)**	**–**	**(2)**	**(1,572)**
Deferred tax liabilities				**22,939**
Taxation payable				**88,052**
Unallocated liabilities				**3,538**
Total liabilities				**913,125**
Capital expenditure	**44,377**	**–**	**4,115**	

5 SEGMENT INFORMATION (Continued)

5.1 Segment results, assets and liabilities (Continued)

The segment assets and liabilities as at 31 December 2013 are as follows:

	Property investments and associated businesses *HK$'000*	Investment business *HK$'000*	Toy business *HK$'000*	Total *HK$'000*
Reportable segment assets (including cash and bank balances)	5,126,830	233,580	990,510	6,350,920
Interest in an associated company	–	–	10,795	10,795
Total reportable segment assets	5,126,830	233,580	1,001,305	6,361,715
Inter-segment elimination	–	–	(2,490)	(2,490)
Deferred tax assets				44,944
Taxation recoverable				360
Unallocated assets				2,038
Total assets				6,406,567
Reportable segment liabilities	515,102	–	291,434	806,536
Inter-segment elimination	(2,490)	–	–	(2,490)
Deferred tax liabilities				23,014
Taxation payable				16,863
Unallocated liabilities				3,301
Total liabilities				847,224
Capital expenditure	83,402	–	621	

5.2 *Geographical 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, goodwill and interest in an associated company ("specified non-current assets"). The geographical location of revenue is based on the country in which the customer is located. The geographical location of the specified non-current assets is based on the physical location of the assets in case of fixed assets, the location of operation to which they are allocated in case of goodwill, and the location of operation in case of interest in an associated company.

	Revenue from external customers		**Specified non-current assets**	
	2014	2013	**2014**	2013
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Hong Kong (place of domicile)	**239,196**	222,955	**5,282,709**	4,848,253
Americas				
– U.S.A.	**1,563,541**	1,114,966	**2,645**	635
– Others	**126,627**	84,505	**–**	–
Europe	**366,586**	356,293	**266,285**	250,201
Asia Pacific other than Hong Kong	**91,124**	96,264	**–**	–
Others	**10,448**	5,835	**–**	–
	2,158,326	1,657,863	**268,930**	250,836
	2,397,522	1,880,818	**5,551,639**	5,099,089

5.3 *Major customers*

The Group's customer base is diversified and includes three (2013: four) customers with each of whom transactions have exceeded 10% of the Group's total revenue. Revenue from sales to each of these customers amounted to approximately HK$634.3 million, HK$415.4 million and HK$265.3 million (2013: HK$466.0 million, HK$295.7 million, HK$216.1 million and HK$215.8 million) respectively.

6 NET GAIN/(LOSS) ON FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2014 HK$'000	2013 HK$'000
Net unrealised gain/(loss) on financial assets at fair value through profit or loss	**3,367**	(3,417)

7 PROFIT BEFORE INCOME TAX

Profit before income tax is stated after charging/(crediting) the following:

	2014 HK$'000	2013 HK$'000
Cost of inventories sold	**775,488**	601,777
Write-down of inventories	**720**	21
Product development costs	**7,062**	8,005
Royalties paid	**287,295**	212,077
Direct operating expenses arising from investment properties that generate rental income	**4,581**	15,021
Direct operating expenses arising from investment properties that did not generate rental income	**325**	491
Provision for consumer returns, cooperative advertising and cancellation charges *(Note 26)*	**90,737**	56,656
Reversal of unutilised provision for consumer returns, cooperative advertising and cancellation charges *(Note 26)*	**(296)**	(451)
Depreciation of other property, plant and equipment	**12,819**	11,369
Directors' and staff remunerations *(Note 13)*	**146,754**	123,885
Allowance for impairment of trade receivables	**2,004**	–
Operating leases expense on office and warehouse facilities	**2,121**	2,101
(Gain)/Loss on disposal of other property, plant and equipment	**(192)**	182
Compensation received from a tenant	**–**	(6,255)
Net foreign exchange loss/(gain)	**27,004**	(11,793)
Auditors' remuneration	**1,680**	1,560

8 FINANCE COSTS

	2014 HK$'000	2013 HK$'000
Interest on overdrafts and bank loans wholly repayable within five years	**8,828**	9,492
Bank charges	**10,306**	8,548
	19,134	18,040

9 INCOME TAX EXPENSE

9.1 Hong Kong profits tax has been provided at the rate of 16.5% (2013: 16.5%) on the estimated assessable profits for the year. Overseas taxation is provided on the estimated assessable profits of the overseas subsidiaries in accordance with the tax laws of the countries in which these entities operate.

	2014 HK$'000	2013 HK$'000
Current taxation		
Hong Kong profits tax	**104,992**	21,011
Overseas taxation	**53,894**	49,709
Under provision in prior years – overseas	**2,592**	–
Over provision in prior years – Hong Kong	**(48)**	(111)
	161,430	70,609
Deferred taxation		
Origination and reversal of temporary differences	**7,660**	(44,314)
Income tax expense	**169,090**	26,295

9 INCOME TAX EXPENSE (Continued)

9.2 Reconciliation between tax expense and accounting profit at applicable tax rates:

	2014 *HK$'000*	2013 *HK$'000*
Profit before income tax	**1,182,938**	1,433,375
Tax on profit before income tax, calculated at the rates applicable to profits in the tax jurisdiction concerned	**230,805**	369,963
Tax effect of:		
Non-taxable income	**(74,334)**	(131,676)
Non-deductible expenses	**12,175**	5,176
Utilisation of previously unrecognised tax losses	**(2,226)**	(181,316)
Unrecognised tax losses	**126**	1,198
Recognition of previously unrecognised temporary differences	**–**	(36,939)
Under/(Over) provision in prior years	**2,544**	(111)
Income tax expense	**169,090**	26,295

10 PROFIT FOR THE YEAR ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The consolidated profit for the year attributable to equity holders of the Company includes a profit of HK$32,927,000 (2013: HK$11,916,000) which has been dealt with in the financial statements of the Company.

11 DIVIDENDS

11.1 Dividends attributable to the year

	2014 **HK$'000**	2013 *HK$'000*
First interim dividend of HK$0.075 (2013: HK$0.05) per share	**17,160**	11,679
Second interim dividend of HK$0.075 (2013: HK$0.05) per share	**17,102**	11,550
Special interim dividend of HK$0.20 (2013: HK$nil) per share	**45,604**	–
Special dividend of HK$nil (2013: HK$0.40) per share	**–**	92,400
	79,866	115,629

At a meeting held on 29 August 2014, the board of directors declared a first interim dividend of HK$0.075 per share, which was paid on 7 October 2014.

At a meeting held on 20 March 2015, the board of directors declared a second interim dividend of HK$0.075 per share and a special interim dividend of HK$0.20 per share to be paid on 5 May 2015 to shareholders whose names appear on the Company's register of members on 20 April 2015. This second interim dividend and special interim dividend declared after the balance sheet date have not been recognised as liabilities in the financial statements for the year ended 31 December 2014.

11.2 Dividends attributable to previous financial year and paid during the year

	2014 **HK$'000**	2013 *HK$'000*
Dividends in respect of the previous financial year and paid during the year:		
Second interim dividend of HK$0.05 (2013: HK$0.05) per share	**11,440**	11,803
Special dividend of HK$0.40 (2013: HK$nil) per share *(Note)*	**91,520**	–
	102,960	11,803

Note: A special dividend of HK$0.40 per share was approved at the Annual General Meeting on 19 May 2014 and was paid during the year.

12 EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit attributable to equity holders of the Company of HK$757,665,000 (2013: HK$1,177,727,000) and the weighted average number of ordinary shares of 229,288,000 shares (2013: 234,726,000 shares) in issue during the year.

The calculation of diluted earnings per share for the year ended 31 December 2014 is based on the profit attributable to equity holders of the Company of HK$757,665,000 and the weighted average number of ordinary shares of 229,311,000 shares in issue during the year, adjusted for the effects of 23,000 dilutive potential shares on exercise of share options.

Diluted earnings per share for the year ended 31 December 2013 equals to the basic earnings per share as the potential ordinary shares on exercise of share options were not included in the calculation of diluted earnings per share because they are anti-dilutive.

13 DIRECTORS' AND STAFF REMUNERATIONS

	2014 ***HK$'000***	2013 *HK$'000*
Wages, salaries and other benefits	**139,514**	113,160
Share-based compensation	**4,847**	9,076
Employer's contributions to provident fund	**2,393**	1,649
	146,754	123,885

14 DIRECTORS' REMUNERATION AND SENIOR MANAGEMENT'S EMOLUMENTS

14.1 Directors' emoluments

The emoluments of each director are set out below:

Name of director	Fee 2014 *HK$'000*	Salary 2014 *HK$'000*	Bonus 2014 *HK$'000*	Share-based compensation 2014 *HK$'000*	Other benefits 2014 *HK$'000* *(Note)*	Employer's contribution to provident fund 2014 *HK$'000*	Total 2014 *HK$'000*
CHAN Chun Hoo, Thomas	**20**	**7,125**	**28,370**	**–**	**274**	**17**	**35,806**
CHENG Bing Kin, Alain	**20**	**2,217**	**830**	**391**	**75**	**17**	**3,550**
IP Shu Wing, Charles	**160**	**–**	**–**	**–**	**10**	**–**	**170**
LEE Peng Fei, Allen	**241**	**–**	**–**	**–**	**107**	**–**	**348**
LO Kai Yiu, Anthony	**241**	**–**	**–**	**–**	**107**	**–**	**348**
TO Shu Sing, Sidney	**20**	**2,282**	**920**	**400**	**83**	**17**	**3,722**
TSIM Tak Lung	**211**	**–**	**–**	**–**	**69**	**–**	**280**
YU Hon To, David	**190**	**–**	**–**	**–**	**50**	**–**	**240**
	1,103	**11,624**	**30,120**	**791**	**775**	**51**	**44,464**

Name of director	Fee 2013 *HK$'000*	Salary 2013 *HK$'000*	Bonus 2013 *HK$'000*	Share-based compensation 2013 *HK$'000*	Other benefits 2013 *HK$'000* *(Note)*	Employer's contribution to provident fund 2013 *HK$'000*	Total 2013 *HK$'000*
CHAN Chun Hoo, Thomas	20	5,250	24,160	–	126	15	29,571
CHENG Bing Kin, Alain	20	2,112	340	745	76	15	3,308
IP Shu Wing, Charles	120	–	–	–	20	–	140
LEE Peng Fei, Allen	120	–	–	–	215	–	335
LO Kai Yiu, Anthony	120	–	–	–	215	–	335
TO Shu Sing, Sidney	20	2,172	350	770	82	15	3,409
TSIM Tak Lung	120	–	–	–	150	–	270
YU Hon To, David	120	–	–	–	100	–	220
	660	9,534	24,850	1,515	984	45	37,588

None of the directors have waived the right to receive their emoluments for the years ended 31 December 2014 and 2013.

Note: Other benefits include medical allowance, club membership and car allowance for executive directors, and committee work and meeting attendance allowance for non-executive directors.

14 DIRECTORS' REMUNERATION AND SENIOR MANAGEMENT'S EMOLUMENTS (Continued)

14.2 Five highest paid individuals

Three (2013: three) of the five highest paid individuals are directors, whose emoluments are disclosed above. Details of the emoluments of the other two (2013: two) highest paid individuals are as follows:

	2014	2013
	HK$'000	*HK$'000*
Salaries, other allowances and benefits in kind	**5,394**	5,163
Bonuses	**7,138**	2,736
Share-based compensation	**616**	1,157
Employer's contributions to provident fund	**131**	121
	13,279	9,177

The emoluments of these two (2013: two) individuals are within the following bands:

	Number of individuals	
	2014	2013
HK$		
4,000,001 – 4,500,000	**–**	1
5,000,001 – 5,500,000	**1**	1
8,000,001 – 8,500,000	**1**	–
	2	2

15 FIXED ASSETS – GROUP

	Land and buildings *HK$'000*	Vehicle, equipment, furniture and fixtures *HK$'000*	Computers *HK$'000*	Sub-total *HK$'000*	Investment properties *HK$'000*	Total *HK$'000*
Cost or valuation						
At 1 January 2014	188,200	53,677	28,684	270,561	4,889,650	5,160,211
Exchange fluctuation	–	(1,568)	–	(1,568)	(12,600)	(14,168)
Additions	–	30,368	1,977	32,345	–	32,345
Capitalised subsequent expenditure	–	–	–	–	16,147	16,147
Revaluation surplus	–	–	–	–	436,965	436,965
Reclassification	–	582	–	582	(582)	–
Disposals	–	(5,647)	(117)	(5,764)	–	(5,764)
At 31 December 2014	188,200	77,412	30,544	296,156	5,329,580	5,625,736
Accumulated depreciation						
At 1 January 2014	28,734	20,965	28,194	77,893	–	77,893
Exchange fluctuation	–	(72)	–	(72)	–	(72)
Charge for the year	7,230	5,215	374	12,819	–	12,819
Disposals	–	(5,347)	(106)	(5,453)	–	(5,453)
At 31 December 2014	35,964	20,761	28,462	85,187	–	85,187
Net book value						
At 31 December 2014	152,236	56,651	2,082	210,969	5,329,580	5,540,549

Revaluation surplus of investment properties is recognised in the line item "revaluation surplus on investment properties" on the face of the consolidated income statement.

Exchange fluctuation of investment properties is recognised in other comprehensive income in "exchange reserve".

15 FIXED ASSETS – GROUP (Continued)

	Land and buildings *HK$'000*	Vehicle, equipment, furniture and fixtures *HK$'000*	Computers *HK$'000*	Sub-total *HK$'000*	Investment properties *HK$'000*	Total *HK$'000*
Cost or valuation						
At 1 January 2013	154,900	32,245	28,468	215,613	4,098,998	4,314,611
Exchange fluctuation	–	162	–	162	4,658	4,820
Additions	–	17,789	280	18,069	33,954	52,023
Capitalised subsequent expenditure	–	–	–	–	32,000	32,000
Revaluation surplus	–	–	–	–	766,838	766,838
Reclassification	33,300	8,848	–	42,148	(46,798)	(4,650)
Disposals	–	(5,367)	(64)	(5,431)	–	(5,431)
At 31 December 2013	188,200	53,677	28,684	270,561	4,889,650	5,160,211
Accumulated depreciation						
At 1 January 2013	26,154	21,466	27,969	75,589	–	75,589
Exchange fluctuation	–	2	–	2	–	2
Charge for the year	7,230	3,850	289	11,369	–	11,369
Reclassification	(4,650)	–	–	(4,650)	–	(4,650)
Disposals	–	(4,353)	(64)	(4,417)	–	(4,417)
At 31 December 2013	28,734	20,965	28,194	77,893	–	77,893
Net book value						
At 31 December 2013	159,466	32,712	490	192,668	4,889,650	5,082,318

The Group's interests in properties at their net book values are analysed as follows:

	2014		2013	
	Land and buildings	**Investment properties**	Land and buildings	Investment properties
	HK$'000	***HK$'000***	*HK$'000*	*HK$'000*
In Hong Kong, held under:				
Leases of over 50 years	**–**	**600,000**	–	588,000
Leases of between 10 and 50 years	**152,236**	**4,512,500**	159,466	4,078,000
Outside Hong Kong:				
Freehold	**–**	**217,080**	–	223,650
	152,236	**5,329,580**	159,466	4,889,650

Fair value measurement of investment properties

(i) *Fair value hierarchy*

The following table presents the fair value of the Group's investment properties measured at the balance sheet date on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13, Fair value measurement. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

– Level 1 valuations: : Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date

– Level 2 valuations: : Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available

– Level 3 valuations: : Fair value measured using significant unobservable inputs

15 FIXED ASSETS – GROUP (Continued)

Fair value measurement of investment properties (Continued)

(i) Fair value hierarchy (Continued)

	2014			
	Level 1	**Level 2**	**Level 3**	**Total**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***
Recurring fair value measurement:				
Investment properties in Hong Kong	**–**	**–**	**5,112,500**	**5,112,500**
Investment properties in United Kingdom	**–**	**–**	**217,080**	**217,080**
	–	**–**	**5,329,580**	**5,329,580**

	2013			
	Level 1	Level 2	Level 3	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Recurring fair value measurement:				
Investment properties in Hong Kong	–	–	4,666,000	4,666,000
Investment properties in United Kingdom	–	–	223,650	223,650
	–	–	4,889,650	4,889,650

During the years ended 31 December 2014 and 2013, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

The investment properties in Hong Kong were revalued as at 31 December 2014. The valuations were carried out by an independent firm of surveyors, Savills Valuation and Professional Services Limited, who have among their staff members of the Hong Kong Institute of Surveyors with recent experience in the location and category of the properties being valued.

The investment properties in the United Kingdom were revalued as at 31 December 2014. The valuations were carried out by an independent firm of surveyors, Adrian Cole & Company Limited, who have among their staff members of the United Kingdom Royal Institute of Chartered Surveyors with recent experience in the location and category of the properties being valued.

The Group's management has discussion with the surveyors on the valuation assumptions when the valuation is performed at each interim and annual balance sheet date.

(ii) *Information about Level 3 fair value measurements*

	Valuation technique	Unobservable input	Range
Investment properties in Hong Kong	(i) Income capitalisation approach	Monthly rental per square foot	\$5 to \$345 (2013: \$4 to \$295)
		Capitalisation rate	3.75% to 4.25% (2013: 3.75% to 4.25%)
	(ii) Market comparison approach	Premium/ (discount) on quality, location, view and floor level of the properties	(5.4%) to 3.9% (2013: (6.5%) to 5.7%)
Investment properties in United Kingdom	Market comparison approach	Premium/ (discount) on location and quality of the properties	(38%) to 22% (2013:(41%) to (6%))

The fair value of investment properties located in Hong Kong is determined using one of the following valuation techniques:

– by capitalising the net income associated with the properties using capitalisation rates. The valuation takes into account the market rental of the respective properties. The capitalisation rates used have been adjusted for the quality and location of the properties. The fair value measurement is positively correlated to the rental, and negatively correlated to the capitalisation rates; or

– by reference to recent sales price of comparable properties on a price per square foot basis, adjusted for a premium or a discount mainly specific to the quality, location, view and floor level of the properties compared to the recent sales. The fair value measurement is positively correlated to the quality, location, view and floor level.

15 FIXED ASSETS – GROUP (Continued)

Fair value measurement of investment properties (Continued)

(ii) Information about Level 3 fair value measurements (Continued)

The fair value of investment properties located in United Kingdom is determined using market comparison approach by reference to recent sales price of comparable properties on a price per square foot basis, adjusted for a premium or a discount mainly specific to the location and quality of the properties compared to the recent sales. The fair value measurement is positively correlated to the location and quality.

Details of the principal properties of the Group as at 31 December 2014 are as follows:

Location	Use	Lease expiry	Group's interest
The Toy House 100 Canton Road Tsimshatsui, Hong Kong	Commercial	2049	100%
Playmates Factory Building 1 Tin Hau Road Tuen Mun, Hong Kong	Industrial	2047	100%
A number of residential flats situated at Nos. 21 & 21A and Nos. 23 & 23 A MacDonnell Road Midlevel, Hong Kong	Residential	2895	100%
Great Westwood Bucks Hill, Kings Langley Hertfordshire United Kingdom	Residential	Freehold	100%
Pophleys Radnage, Buckinghamshire United Kingdom	Residential	Freehold	100%

At 31 December 2014, certain of the Group's investment properties and land and buildings with a net book value of approximately HK$4,936 million and HK$152 million (2013: HK$4,494 million and HK$159 million) respectively were pledged to secure general banking facilities granted to the Group (note 23).

16 GOODWILL – GROUP

	HK$'000
Gross and net carrying amount	
At 1 January 2013, 31 December 2013 and 31 December 2014	5,976

17 INTEREST IN SUBSIDIARIES – COMPANY

	2014 ***HK$'000***	2013 *HK$'000*
Amounts due from subsidiaries, net of provisions	**1,392,480**	1,669,771

The amounts due from subsidiaries are unsecured, have no fixed term of repayment and, except for the amounts of HK$786,146,000 (2013: HK$1,033,818,000) which are interest-free, are interest bearing at 0.4% (2013: 0.4%) per annum.

Details of the principal subsidiaries of the Company as at 31 December 2014 are as follows:

Name of company	**Place of incorporation**	**Total issued and fully paid shares**	**Effective percentage holding**	**Principal activities, place of operation**
Shares held indirectly:				
Bagnols Limited	Hong Kong	3,001,000 ordinary shares	100%	Property investment, Hong Kong
Belmont Limited	Hong Kong	100 ordinary shares	100%	Property investment, Hong Kong
City Style Properties Limited	The British Virgin Islands	1 ordinary share of US$1	100%	Property investment, Hong Kong
Great Westwood Limited	The British Virgin Islands	1 ordinary share	100%	Property investment, United Kingdom
PIL Finance Limited	The British Virgin Islands	1 ordinary share of US$1	100%	Investment holding, Hong Kong
Playmates International Company Limited	Hong Kong	1 ordinary share	49.41% *(Note)*	Toy development, marketing and distribution, Hong Kong
Playmates Toys Inc.	U.S.A.	305,000 common stocks of US$30 each	49.41% *(Note)*	Toy marketing and distribution, U.S.A.
Playmates Toys Limited	Bermuda	1,206,249,500 ordinary shares of HK$0.01 each	49.41% *(Note)*	Investment holding, Hong Kong
Pophleys Limited	The British Virgin Islands	1 ordinary share	100%	Property investment, United Kingdom
Prestige Property Management Limited	Hong Kong	2 ordinary shares	100%	Property management, Hong Kong
Sakurai FNB Limited	Hong Kong	100 ordinary shares	70%	Restaurant operation, Hong Kong
Team Green Innovation Inc.	U.S.A.	10 common stocks of US$0.01 each	49.41% *(Note)*	Product design and development services, U.S.A.

17 INTEREST IN SUBSIDIARIES – COMPANY (Continued)

Note: As at 31 December 2014, the Group has 49.41% equity interest in these companies. As the Group is the majority shareholder of these companies and has control over these companies, thus these companies are subsidiaries of the Group.

The above table includes subsidiaries of the Company which principally affected the results for the year or formed a substantial portion of the net assets of the Group.

The following table lists out the information relating to Playmates Toys Limited, the only subsidiary of the Group which has material non-controlling interest ("NCI"). The summarised financial information presented below represents the amounts before any inter-company elimination.

	2014 ***HK$'000***	2013 *HK$'000*
NCI percentage	**50.59%**	42.53%
Non-current assets	**57,955**	56,038
Current assets	**1,379,243**	989,338
Current liabilities	**(400,837)**	(293,633)
Net assets	**1,036,361**	751,743
Carrying amount of NCI	**524,302**	319,718
Revenue	**2,160,206**	1,658,527
Profit for the year	**490,672**	533,374
Total comprehensive income	**490,141**	533,538
Profit allocated to NCI	**256,055**	229,371
Dividends paid to NCI	**(121,062)**	–
Cash flows from operating activities	**491,067**	341,565
Cash flows from investing activities	**(1,373)**	934
Cash flows from financing activities	**(223,473)**	15,612

18 INTEREST IN AN ASSOCIATED COMPANY – GROUP

	2014 ***HK$'000***	2013 *HK$'000*
Cost of investment	**18,077**	18,077
Share of post-acquisition loss, other comprehensive income, net of dividends received	**(12,963)**	(7,282)
	5,114	10,795

As at 31 December 2014, the Group held interests in the following associated company:

Name of company	Place of incorporation	Particulars of issued shares	Effective percentage holding
Unimax Holdings Limited ("Unimax")	The British Virgin Islands	200 ordinary shares of US$1 each	49%

The associated company is held indirectly by the Company and operates in Hong Kong. It is an unlisted corporate entity whose quoted market price is not available and is accounted for using the equity method in the consolidated financial statements.

Unimax is an investment holding company whose subsidiaries are principally engaged in the design and marketing of pre-school toys, dolls and die cast models, and which was a strategic investment of the Group at the time of initial investment in 1992.

Summarised financial information of the associated company is disclosed below:

	2014	2013
	HK$'000	*HK$'000*
Gross amounts of the associated company		
Non-current assets	**–**	6,458
Current assets	**16,797**	26,801
Current liabilities	**(6,353)**	(11,217)
Non-current liabilities	**(7)**	(11)
Equity	**10,437**	22,031
Group's effective interest	**49%**	49%
Group's share of net assets of the associated company and carrying amount in the consolidated financial statements	**5,114**	10,795
Revenue	**42,577**	62,956
Loss from continuing operations	**(11,594)**	(1,849)
Post-tax profit or loss from discontinued operations	**–**	–
Other comprehensive income	**–**	–
Total comprehensive income	**(11,594)**	(1,849)
Dividend from the associated company	**–**	–

19 INVENTORIES – GROUP

As at 31 December 2014, the carrying amount of inventories that are carried at net realisable value amounted to HK$1,762,000 (2013: HK$nil).

20 TRADE RECEIVABLES – GROUP

	2014 HK$'000	2013 HK$'000
Trade receivables	**532,534**	412,063
Less: Allowance for impairment	**(2,004)**	–
	530,530	412,063

The Group grants credits to retail customers of the toy business to facilitate the sale of slow moving merchandise held by such customers. Such allowance for customer concession is arrived by using available contemporary and historical information to evaluate the exposure. As at 31 December 2014 and 2013, the amount of allowance for customer concession is HK$nil.

20.1 Aging analysis

The normal trade terms with toy business customers are letters of credit at sight or usance or on open accounts with credit term in the range of 60 to 90 days. For property investments and management business, and restaurant operations, no credit term is granted to tenants and customers. The following is an aging analysis of trade receivables based on the invoice date at the balance sheet date:

	2014 HK$'000	2013 HK$'000
0 – 30 days	**516,210**	406,286
31 – 60 days	**4,834**	3,434
Over 60 days	**9,486**	2,343
	530,530	412,063

20.2 Impairment of trade receivables

The movement in the allowance for impairment during the year is as follows:

	2014 HK$'000	2013 HK$'000
At 1 January	**–**	–
Impairment loss recognised	**2,004**	–
At 31 December	**2,004**	–

At 31 December 2014, trade receivables of HK$2,779,000 (2013: HK$nil) were individually determined to be impaired. The individually impaired receivables related to a customer that was in financial difficulties and the Group assessed that only a portion of the receivables is expected to be recovered. Consequently, specific allowance for impairment of HK$2,004,000 (2013: HK$nil) was recognised.

20.3 *Trade receivables that are not impaired*

The aging analysis of trade receivables that are not impaired is as follows:

	2014	2013
	HK$'000	*HK$'000*
Neither past due nor impaired	**345,758**	307,988
1 – 90 days past due	**177,971**	102,804
91 – 180 days past due	**2,692**	461
Over 180 days past due	**3,334**	810
	183,997	104,075
	529,755	412,063

Receivables that were neither past due nor impaired related to customers for whom there was no recent history of default.

Receivables that were past due but not impaired related to customers that have a good track record of credit with the Group. Based on past experience, no impairment allowance is considered necessary in respect of these balances as there has not been a significant change in credit quality and the balances are expected to be fully recoverable. The Group does not hold any collateral over these balances.

21 *DEPOSIT PAID, OTHER RECEIVABLES AND PREPAYMENTS – GROUP*

Deposit paid, other receivables and prepayments of the Group include receivables related to rent free periods given to tenants of HK$54,259,000 (2013: HK$24,300,000), which are amortised over the respective lease terms.

22 *FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS – GROUP*

	2014	2013
	HK$'000	*HK$'000*
Listed equity investment in Hong Kong	**43,163**	13,835
Listed equity investment outside Hong Kong	**4,927**	5,543
Unlisted managed funds	**9,580**	10,056
	57,670	29,434

23 BANK LOANS – GROUP

	2014 HK$'000	2013 HK$'000
Secured bank loans repayable		
Within one year	**363,800**	363,800
In the second year	**31,800**	40,800
In the third to fifth year	**34,600**	66,400
	430,200	471,000
Current portion included in current liabilities	**(363,800)**	(363,800)
Non-current portion	**66,400**	107,200

All bank loans were denominated in HK dollar and on a floating interest rate basis. The effective interest rate at the balance sheet date was 1.96% p.a. (2013: 1.90% p.a.).

The carrying amounts of short term bank loans approximate their fair value.

As at 31 December 2014, the Group has banking facilities amounting to HK$780 million (2013: HK$903 million), of which HK$430 million (2013: HK$471 million) were utilised.

The banking facilities of certain subsidiaries are secured by investment properties and land and buildings with net book value of HK$4,936 million and HK$152 million (2013: HK$4,494 million and HK$159 million) respectively of the Group at 31 December 2014.

24 TRADE PAYABLES – GROUP

The following is an aging analysis of trade payables based on the invoice date at the balance sheet date:

	2014 HK$'000	2013 HK$'000
0 – 30 days	**78,760**	58,446
31 – 60 days	**547**	2,682
Over 60 days	**1,289**	422
	80,596	61,550

25 DEPOSITS RECEIVED, OTHER PAYABLES AND ACCRUED CHARGES – GROUP AND COMPANY

	Group		Company	
	2014	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000
Deposits from customers, distributors and tenants	**62,433**	89,592	**–**	–
Accrued product development, sales, marketing and distribution expenses	**19,148**	22,839	**–**	–
Accrued royalties	**90,326**	73,892	**–**	–
Accrued directors' and staff remunerations	**49,722**	38,451	**1,416**	1,330
Withholding tax payable	**11,525**	–	**–**	–
Other accrued expenses	**12,365**	14,694	**2,101**	1,448
	245,519	239,468	**3,517**	2,778

26 PROVISIONS – GROUP

	Consumer returns *HK$'000*	**Cooperative advertising** *HK$'000*	**Cancellation charges** *HK$'000*	**Total** *HK$'000*
At 1 January 2014	**10,984**	**24,156**	**189**	**35,329**
Additional provisions made	**17,538**	**72,543**	**656**	**90,737**
Provisions utilised	**(11,555)**	**(68,396)**	**–**	**(79,951)**
Reversal of unutilised provisions	**(296)**	**–**	**–**	**(296)**
At 31 December 2014	**16,671**	**28,303**	**845**	**45,819**

27 DEFERRED TAXATION – GROUP

Deferred taxation is calculated in full on temporary differences under the liability method using taxation rate of 16.5% (2013: 16.5%) in Hong Kong, and federal and state tax rates of 35% (2013: 35%) and 8.84% (2013: 8.84%) respectively in the U.S..

The movement in the deferred tax (assets)/liabilities during the year is as follows:

	2014 *HK\$'000*	2013 *HK\$'000*
At 1 January	**(21,930)**	22,384
Charged/(Credited) to profit or loss	**7,660**	(44,314)
Credited directly to equity	**(12,100)**	–
At 31 December	**(26,370)**	(21,930)

The components of deferred tax (assets)/liabilities recognised in the consolidated balance sheet and the movements during the year (prior to offsetting of balances within the same taxation jurisdiction) are as follows:

	Accelerated tax depreciation *HK\$'000*	**Other temporary differences** *HK\$'000* *(Note (a))*	**Employee benefits** *HK\$'000* *(Note (b))*	**Total** *HK\$'000*
At 1 January 2013	22,789	(405)	–	22,384
Credited to profit or loss	(4,415)	(27,922)	(11,977)	(44,314)
At 31 December 2013 and 1 January 2014	**18,374**	**(28,327)**	**(11,977)**	**(21,930)**
Charged/(Credited) to profit or loss	**3,216**	**(16,204)**	**20,648**	**7,660**
Credited directly to equity	**–**	**–**	**(12,100)**	**(12,100)**
At 31 December 2014	**21,590**	**(44,531)**	**(3,429)**	**(26,370)**

Notes:

(a) Other temporary differences mainly represent the provisions, foreign tax credits and unrealised profits on inventories.

(b) Employee benefits represents share-based compensation.

The amounts recognised in the consolidated balance sheet are as follows:

	2014	2013
	HK$'000	*HK$'000*
Deferred tax assets	**(49,309)**	(44,944)
Deferred tax liabilities	**22,939**	23,014
	(26,370)	(21,930)

Deferred tax assets not recognised

The Group has not recognised tax losses of HK$81 million (2013: HK$108 million). The tax losses do not expire under respective current tax legislation.

Deferred tax liabilities not recognised

As at 31 December 2014, temporary differences relating to the undistributed profits of certain subsidiaries of the Group amounted to HK$394,667,000 (2013: HK$367,734,000). Deferred tax liabilities have not been recognised in respect of the tax that would be payable on the distribution of these retained profits.

28 EQUITY SETTLED SHARE-BASED TRANSACTIONS

At the special general meeting of the Company held on 28 June 2002, a Share Option Scheme ("Scheme") was approved and adopted. A nominal consideration at HK$10 or US$1.5 was paid by each option holder for each lot of share option granted. Share options are exercisable in stages in accordance with the terms of the Scheme within ten years after the date of grant. All share-based compensation will be settled in equity. The number and weighted average exercise price of share option are as follows:

	2014		2013	
	Weighted average exercise price	**Number of options**	Weighted average exercise price	Number of options
	HK$	***'000***	*HK$*	*'000*
At 1 January	**11.52**	**1,907**	11.16	2,066
Exercised *(Note)*	**9.10**	**(11)**	9.10	(53)
Lapsed	**13.60**	**(380)**	5.67	(106)
At 31 December	**11.02**	**1,516**	11.52	1,907
Exercisable at 31 December	**11.02**	**1,516**	11.52	1,907

Note: The weighted average closing price of the ordinary shares of the Company immediately before the date on which the share options were exercised during the year was HK$9.84 (2013: HK$10.61).

28 EQUITY SETTLED SHARE-BASED TRANSACTIONS (Continued)

Subject to the waiver or variation by the board from time to time at its sole discretion, 25% of the shares options granted shall be vested each year commencing on the date of grant and exercisable until the expiration of the relevant option period. No share options were cancelled during the year.

The share options outstanding at 31 December 2014 had a weighted average remaining contractual life of 0.94 year (2013: 1.56 years).

No share-based compensation expense has been included in the consolidated income statement for 2014 and 2013. No liabilities were recognised due to share-based payment transactions.

Equity settled share-based transactions of Playmates Toys Limited ("PTL")

At the special general meeting of the Company held on 25 January 2008, the shareholders of the Company approved the share option scheme of PTL, an indirectly non-wholly owned subsidiary of the Company (the "PTL Scheme"). Certain directors, employees and other participants of PTL were granted options at a nominal consideration of HK$10 or US$1.5 on acceptance of the option offered. Details of the PTL Scheme and movements in the number of share options outstanding during the year are set out in the Report of the Directors and the annual report of PTL for the year ended 31 December 2014.

Subject to the waiver or variation by the board of PTL from time to time at its sole discretion, in general 25% of the shares options granted shall be vested each year commencing on the date of grant and exercisable until the expiration of the relevant option period. No share options were cancelled during the year.

The share options outstanding at 31 December 2014 had a weighted average remaining contractual life of 7.65 years (2013: 8.08 years).

In total, HK$5,850,000 of share-based compensation expense has been included in the consolidated income statement of PTL for 2014 (2013: HK$11,235,000) and the corresponding amount of which has been credited to share-based compensation reserve. No liabilities were recognised due to share-based payment transactions.

29 EQUITY – GROUP AND COMPANY

29.1 Share capital

	Authorised Ordinary shares of HK$0.10 each	
	No. of shares	*HK$'000*
At 31 December 2013 and 2014	**3,000,000,000**	**300,000**

	Issued and fully paid Ordinary shares of HK$0.10 each	
	No. of shares	*HK$'000*
At 1 January 2013	236,989,000	23,699
Exercise of share options	53,400	5
Repurchase of shares	(5,037,900)	(504)
At 31 December 2013 and 1 January 2014	**232,004,500**	**23,200**
Exercise of share options	**11,450**	**1**
Repurchase of shares *(Note)*	**(3,795,950)**	**(379)**
At 31 December 2014	**228,220,000**	**22,822**

Note:

During the year, the Company repurchased a total of 3,491,450 shares of the Company on the Stock Exchange as follows:

Month/year	**Number of shares repurchased**	**Highest price paid per share** *HK$*	**Lowest price paid per share** *HK$*	**Aggregate price paid** *HK$'000*
January 2014	500,000	10.50	10.30	5,217
March 2014	465,500	10.60	9.92	4,814
April 2014	1,538,000	11.30	10.60	17,168
May 2014	207,950	9.70	9.55	2,015
October 2014	156,000	7.36	7.36	1,148
November 2014	424,000	8.20	8.17	3,475
December 2014	200,000	7.79	7.72	1,555

29 EQUITY – GROUP AND COMPANY (Continued)

29.1 Share capital (Continued)

Note (Continued):

Save and except the 200,000 shares repurchased in December 2014 which were cancelled in January 2015, all the above repurchased shares were cancelled during the year. The 504,500 shares repurchased in December 2013 were also cancelled during the year. The issued capital of the Company was accordingly diminished by the nominal value of these shares. The premium paid on repurchase was charged against either the share premium account or the contributed surplus account. An amount equivalent to the nominal value of the shares cancelled was transferred from retained profits to capital redemption reserve.

29.2 Reserves

Company

	Share premium *HK$'000*	Share-based compensation reserve *HK$'000*	Share repurchase reserve *HK$'000*	Capital redemption reserve *HK$'000*	Contributed surplus *HK$'000*	Retained profits *HK$'000*	Total *HK$'000*
At 1 January 2013	1,234,170	8,251	–	3,995	–	454,342	1,700,758
Profit for the year	–	–	–	–	–	11,916	11,916
Repurchase of shares	(40,392)	–	(5,106)	504	–	(504)	(45,498)
2012 second interim dividend paid	–	–	–	–	–	(11,803)	(11,803)
2013 first interim dividend paid	–	–	–	–	–	(11,679)	(11,679)
Share option scheme							
– shares issued	481	–	–	–	–	–	481
– share options lapsed	–	(2)	–	–	–	2	–
At 31 December 2013	1,194,259	8,249	(5,106)	4,499	–	442,274	1,644,175
At 1 January 2014	**1,194,259**	**8,249**	**(5,106)**	**4,499**	**–**	**442,274**	**1,644,175**
Profit for the year	**–**	**–**	**–**	**–**	**–**	**32,927**	**32,927**
Share option scheme							
– shares issued	**126**	**(23)**	**–**	**–**	**–**	**–**	**103**
– share options lapsed	**–**	**(261)**	**–**	**–**	**–**	**261**	**–**
Share premium reduction *(Note 29.3)*	**(1,160,386)**	**–**	**–**	**–**	**1,160,386**	**–**	**–**
Repurchase of shares	**(33,999)**	**–**	**3,551**	**379**	**(4,565)**	**(379)**	**(35,013)**
2013 second interim dividend paid	**–**	**–**	**–**	**–**	**(11,440)**	**–**	**(11,440)**
2013 special dividend paid	**–**	**–**	**–**	**–**	**(91,520)**	**–**	**(91,520)**
2014 first interim dividend paid	**–**	**–**	**–**	**–**	**(17,160)**	**–**	**(17,160)**
At 31 December 2014	**–**	**7,965**	**(1,555)**	**4,878**	**1,035,701**	**475,083**	**1,522,072**

The application of the share premium account, the capital redemption reserve and the contributed surplus account is governed by the Companies Act 1981 of Bermuda.

29.3 Share premium reduction

At the Annual General Meeting of the Company held on 19 May 2014, the shareholders of the Company approved that HK$1,160,386,000 being the entire amount standing to the credit of the share premium account of the Company as at the date of the meeting be reduced to nil and the credit arising therefrom be transferred to the contributed surplus account of the Company.

29.4 Capital management

The Group's capital management is primarily to provide a reasonable return for equity holders of the Company and benefits for other stakeholders by pricing products and services commensurately with the level of risk, and to safeguard the Group's ability to continue as a going concern.

Capital represents total equity and debts. The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions. The Group may maintain or adjust the capital structure by taking necessary measures including issuing new shares and raising new debt financing.

The net debt to equity ratio defined and calculated by the Group as total borrowings less cash and cash equivalents expressed as a percentage of total equity was nil at 31 December 2014 and 2013.

30 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

30.1 Reconciliation of profit before income tax to cash generated from operations

	2014	2013
	HK$'000	*HK$'000*
Profit before income tax	**1,182,938**	1,433,375
Bank interest income	**(3,726)**	(2,440)
Interest on bank loans and overdrafts	**8,828**	9,492
Dividend income from financial assets at fair value through profit or loss	**(1,058)**	(735)
Depreciation of other property, plant and equipment	**12,819**	11,369
Share-based compensation	**5,850**	11,235
Revaluation surplus on investment properties	**(436,965)**	(766,838)
(Gain)/Loss on disposal of other property, plant and equipment	**(192)**	182
Unrealised (gain)/loss on financial assets at fair value through profit or loss	**(3,367)**	3,417
Unrealised exchange loss/(gain)	**24,405**	(7,443)
Gain on dissolution of foreign subsidiaries	**(531)**	–
Share of loss of an associated company	**5,681**	906
Operating profit before working capital changes	**794,682**	692,520
Increase in inventories	**(6,943)**	(15,122)
Increase in trade receivables, deposits paid, other receivables and prepayments	**(148,608)**	(264,748)
(Increase)/Decrease in financial assets at fair value through profit or loss	**(24,869)**	117
Increase in trade payables, deposits received, other payables and accrued charges and provisions	**35,587**	115,361
Cash generated from operations	**649,849**	528,128

30.2 Analysis of cash and cash equivalents

	2014	2013
	HK$'000	*HK$'000*
Cash and bank balances	**1,233,585**	739,098

31 FINANCIAL GUARANTEE CONTRACTS – COMPANY

The Company has provided guarantees with respect to banking facilities made available to subsidiaries amounting to HK$280 million (2013: HK$755 million), of which HK$125 million (2013: HK$471 million) of such banking facilities were utilised as at 31 December 2014. This represents the Company's maximum exposure under the financial guarantee contracts. Under the guarantee contracts, the Company would be liable to pay the banks if the banks are unable to recover the loans. No provision for the Company's obligation under the financial guarantee contracts has been made as it was not probable that the repayment of loans would be in default. According to the terms of the bank loans, the earliest repayment date of the bank loans would be in year 2015.

32 COMMITMENTS – GROUP

32.1 Licensing commitments

In the normal course of business, the Group enters into contractual licensing agreements to secure its rights to design, develop, market and distribute certain toys and family entertainment activity products for future sales. Certain licensing agreements contain financial commitments by the Group to the licensors to be fulfilled during the terms of the contracts. The amounts of financial commitments contracted but not provided for at the end of the year were payable as follows:

	2014 ***HK$'000***	2013 *HK$'000*
Within one year	**21,968**	22,743
In the second to fifth years	**29,062**	52,312
	51,030	75,055

32.2 Operating lease commitments

The Group acts as lessee and lessor under operating leases. Details of the Group's commitments under non-cancellable operating leases are set out as follows:

32.2.1 As lessee

At 31 December 2014, the future aggregate minimum lease payments under non-cancellable operating leases for office and warehouse facilities payable by the Group were as follows:

	2014 ***HK$'000***	2013 *HK$'000*
Within one year	**1,403**	2,347
In the second to fifth years	**–**	1,403
	1,403	3,750

32 COMMITMENTS – GROUP (Continued)

32.2 Operating lease commitments (Continued)

32.2.2 As lessor

At 31 December 2014, the future aggregate minimum lease payments under non-cancellable operating leases for office, industrial and residential premises receivable by the Group were as follows:

	2014	2013
	HK$'000	*HK$'000*
Within one year	**184,566**	146,992
In the second to fifth years	**647,683**	615,167
After five years	**513,191**	674,388
	1,345,440	1,436,547

The Company did not have any commitment at 31 December 2014 and 2013.

33 RELATED PARTY TRANSACTIONS

During the years ended 31 December 2014 and 2013, the Group did not enter into significant transactions with related parties.

No transactions have been entered with the directors of the Company (being the key management personnel) during the year other than the emoluments paid to them (being the key management personnel compensation) as disclosed in note 14.1.

34 US DOLLAR EQUIVALENTS

These are shown for reference only and have been arrived at based on the exchange rate of HK$7.75 to US$1 ruling at 31 December 2014.

35 FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENT

35.1 Categories of financial instruments

	2014	2013
	HK$'000	*HK$'000*
Financial assets		
Loans and receivables (include cash and cash equivalents)		
Trade receivables	**530,530**	412,063
Deposits paid and other receivables	**1,498**	1,708
Cash and bank balances	**1,233,585**	739,098
Financial assets at fair value through profit or loss	**57,670**	29,434
	1,823,283	1,182,303
Financial liabilities at amortised cost		
Bank loans	**430,200**	471,000
Trade payables	**80,596**	61,550
Other payables and accrued charges	**218,476**	187,490
	729,272	720,040

35.2 Financial risk factors

Exposure to market risk (including currency, interest rate and price risks), credit risk and liquidity risk arises in the normal course of business. The risks are minimised by the financial management policies and practices described below:

35.2.1 Market risk

(i) Currency risk

The Group is exposed to foreign currency risk primarily through sales that are denominated in a currency other than the functional currency of the operations of certain subsidiaries to which they relate. The currency giving rise to this risk is mainly United States dollar. The Group does not hedge its foreign currency risks, as the rate of exchange between Hong Kong dollar and the United States dollar is controlled within a tight range. Long-term changes in foreign exchange rates would have an impact on consolidated earnings.

35 FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENT (Continued)

35.2 Financial risk factors (Continued)

35.2.1 Market risk (Continued)

(ii) Interest rate risk

The Group's interest rate risk arises primarily from bank loans at floating rates, which expose the Group to cash flow interest rate risk.

At 31 December 2014, it is estimated that a sensitivity to a reasonable general increase/decrease of 50 basis points in interest rates, with all other variables held constant, would decrease/increase the Group's profit for the year and equity by approximately HK$2,151,000 (2013: HK$2,355,000).

(iii) Price risk

The Group is exposed to equity securities price risk arising from investments held by the Group which are classified in the consolidated balance sheet as financial assets at fair value through profit or loss. To manage its price risk arising from investments in equity securities and managed funds, the Group diversifies its portfolio.

At 31 December 2014, it is estimated that a sensitivity to a reasonable general increase/decrease of 5 per cent of global major indices, with all other variables held constant, would increase/decrease the Group's profit for the year and equity by approximately HK$2,884,000 (2013: HK$1,472,000).

35.2.2 Credit risk

Financial instruments held by the Group that may subject to credit risk include cash equivalents, financial assets at fair value through profit or loss and trade and other receivables. Cash equivalents consist principally of deposits and short-term money market funds placed with major financial institutions which limit the exposure to credit risk. These instruments are short-term in nature and bear minimal risk. To date, the Group has not experienced any losses on cash equivalents.

The credit risk for financial assets at fair value through profit or loss is considered negligible as the counterparties are reputable financial institutions.

The Group sells its products primarily to national and regional mass-market retailers in the United States and to third party independent distributors outside the United States. Credit is extended to United States customers for domestic sales based on an evaluation of the customers' financial condition, and generally collateral is not required. The Group assigns the majority of its trade receivables to factoring and receivable agencies. The factoring and receivable processing agent would perform analysis of the Group's customers, credit approval and collection processing of the receivables. These agreements transfer the credit risk due to a customer's inability to pay to the factoring and receivable agent so as to mitigate credit exposure of the Group. Direct shipments to customers who are located outside the United States are normally secured by letters of credit or advance payment as credit is only extended to a limited number of customers.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet as summarised in note 35.1 above.

Concentrations of credit risk

The Group places its cash investments in highly rated financial institutions which limits the exposure to the financial institutions.

The Group markets a substantial portion of its products to customers in the retail industry. The Group continually evaluates the credit risk of these customers. The percentages of sales for the year attributable to the Group's major customers were:

	2014	2013
Sales		
– the largest customer	**26%**	25%
– five largest customers in aggregate	**70%**	70%

35 FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENT (Continued)

35.2 Financial risk factors (Continued)

35.2.3 Liquidity risk

The Group aims to maintain prudent liquidity risk management through maintaining sufficient cash and marketable securities, and flexibility in funding by keeping adequate credit lines available.

Analysed below is the Group's remaining contractual maturities for its financial liabilities as at 31 December. The contractual maturity analysis below is based on the undiscounted cash flows of the financial liabilities.

	2014				
	Within 1 year or on demand *HK$'000*	**Over 1 year but within 2 years** *HK$'000*	**Over 2 years but within 5 years** *HK$'000*	**Total undiscounted amount** *HK$'000*	**Carrying amount** *HK$'000*
Bank loans	**365,698**	**32,854**	**35,099**	**433,651**	**430,200**
Trade payables	**80,596**	**–**	**–**	**80,596**	**80,596**
Other payables and accrued charges	**218,476**	**–**	**–**	**218,476**	**218,476**
	664,770	**32,854**	**35,099**	**732,723**	**729,272**

	2013				
	Within 1 year or on demand *HK$'000*	Over 1 year but within 2 years *HK$'000*	Over 2 years but within 5 years *HK$'000*	Total undiscounted amount *HK$'000*	Carrying amount *HK$'000*
Bank loans	366,475	42,523	67,937	476,935	471,000
Trade payables	61,550	–	–	61,550	61,550
Other payables and accrued charges	187,490	–	–	187,490	187,490
	615,515	42,523	67,937	725,975	720,040

35.3 *Financial assets and liabilities measured at fair value*

The following table presents the fair value of the Group's financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13, Fair value measurement. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date
- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available
- Level 3 valuations: Fair value measured using significant unobservable inputs

	2014			
	Level 1 *HK$'000*	**Level 2** *HK$'000*	**Level 3** *HK$'000*	**Total** *HK$'000*
Recurring fair value measurement				
Financial assets at fair value through profit or loss:				
Listed equity investment in Hong Kong	**43,163**	**–**	**–**	**43,163**
Listed equity investment outside Hong Kong	**4,927**	**–**	**–**	**4,927**
Unlisted managed funds	**–**	**9,580**	**–**	**9,580**
	48,090	**9,580**	**–**	**57,670**

35 FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENT (Continued)

35.3 Financial assets and liabilities measured at fair value (Continued)

	2013			
	Level 1 *HK$'000*	Level 2 *HK$'000*	Level 3 *HK$'000*	Total *HK$'000*
Recurring fair value measurement				
Financial assets at fair value through profit or loss:				
Listed equity investment in Hong Kong	13,835	–	–	13,835
Listed equity investment outside Hong Kong	5,543	–	–	5,543
Unlisted managed funds	–	10,056	–	10,056
	19,378	10,056	–	29,434

The fair values of unlisted managed funds in Level 2 have been determined by reference to the market prices at the balance sheet date.

During the years ended 31 December 2014 and 2013, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

35.4 Fair values of financial assets and liabilities carried at other than fair value

The carrying amounts of the Group's financial instruments carried at amortised cost are not materially different from their fair values as at 31 December 2014 and 2013.

36 DISPOSAL OF SHARES OF A LISTED SUBSIDIARY

On 23 January 2014, the Group disposed of 82,000,000 shares of its listed subsidiary, Playmates Toys Limited ("PTL") at HK$3.60 per share to third parties. The net proceeds were HK$288,957,000. As the disposal did not result in PTL ceasing to be a subsidiary of the Company, the financial results of PTL continues to be consolidated in the accounts of the Company. The effect on the equity attributable to equity holders of Company on this disposal is shown in the consolidated statement of changes in equity.

Five Year Financial Summary

The following table summarises the results, assets and liabilities of the Group for each of the five years ended 31 December:

	2014 ***HK$'000***	2013 *HK$'000*	2012 *HK$'000*	2011 *HK$'000*	2010 *HK$'000*
Revenue	**2,397,522**	1,880,818	490,399	163,077	263,725
Profit before income tax	**1,182,938**	1,433,375	1,195,730	695,171	290,650
Income tax expense	**(169,090)**	(26,295)	(6,345)	(7,240)	(8,662)
Profit for the year	**1,013,848**	1,407,080	1,189,385	687,931	281,988
Profit for the year attributable to:					
Equity holders of the Company	**757,665**	1,177,727	1,170,133	732,525	329,314
Non-controlling interests	**256,183**	229,353	19,252	(44,594)	(47,326)
	1,013,848	1,407,080	1,189,385	687,931	281,988
Total assets	**7,541,989**	6,406,567	4,971,737	3,787,342	2,956,013
Total liabilities	**(913,125)**	(847,224)	(774,771)	(702,796)	(499,451)
Net assets	**6,628,864**	5,559,343	4,196,966	3,084,546	2,456,562

Playmates Holdings Limited
(Incorporated in Bermuda with limited liability)
(Stock code 635)
www.playmates.net